

WEEK 32, 2020

THE EPOCH TIMES

CHINA INSIDER

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**Report Finds Widespread
US Collaboration**
With Chinese Military-Tied Researchers **5**

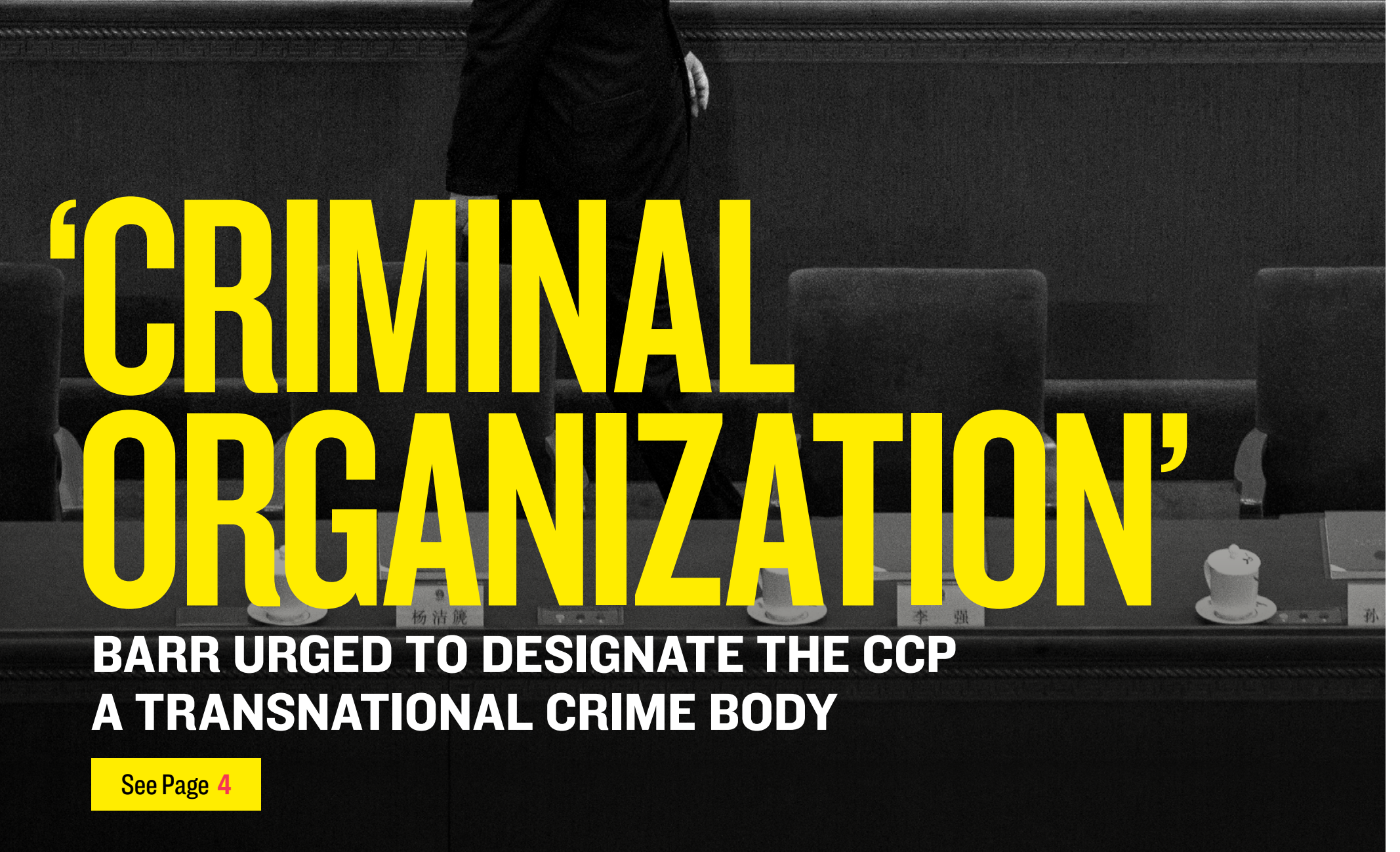


万钢 董建华 刘奇葆 张庆黎

'CRIMINAL ORGANIZATION'

**BARR URGED TO DESIGNATE THE CCP
A TRANSNATIONAL CRIME BODY**

See Page **4**





Sen. Dianne Feinstein (D-Calif.) attends a Senate Judiciary Committee hearing on Capitol Hill in Washington on June 16, 2020.

OPINION

No Senator Feinstein: China Is Not a 'Respectable' Country



WESLEY J. SMITH

Senator Dianne Feinstein doesn't want the Trump administration to be mean to China.

At a Judiciary Committee hearing last week, the California senator said: "We hold China as a potential trading partner, as a country that has pulled tens of millions of people out of poverty in a short period of time and as a country growing into a respectable nation amongst other nations. I deeply believe that."

"Respectable!" Are you kidding me? The communist government is not only wholly unworthy of respect, but it has built the most vicious and powerful tyranny seen in the world since the fall of Nazi Germany.

We don't have to go back decades to the brutal leadership of Mao, perhaps history's most prolific mass murderer responsible for the deaths of tens of millions. Nor, need we focus on the country's disastrous Cultural Revolution that shredded Chinese culture. We can see the vivid evil here and now in contemporary headlines.

Communist Party leaders insist on total loyalty to the State—meaning to them. The government deploys economic carrots and lethal cudgels to attain that fealty. Unlike in the early days of communism, today's China allows some economic freedom, which has improved the standard of living.

But that loosening was not matched by any political freedom. If anything, the country is going in the opposite direction with the Party suppressing all heterodox thinking, particularly targeting people of faith or believers in heterodox philosophies for vicious persecution.

The first contemporary victims of this oppression were—and are—the Falun Gong (also called Falun Dafa), a spiritual practice that describes itself as "an advanced self-cultivation practice of the Buddha School." Starting in 1999, Falun Gong were the victims of a particularly ferocious pogrom, the most notable attribute of which being forced organ harvesting.

The depth of this depravity was first exposed in an explosive report issued by Canadian former member of Parliament David Kilgour and prominent human-rights attorney

David Matas. Their 2006 "Report into Allegations of Organ Harvesting of Falun Gong Practitioners in China," shocked the consciences of all decent people. Over 46 grueling pages, the activists systematically constructed a compelling case of "large scale organ seizures from unwilling Falun Gong practitioners."

For example, several surviving family members of Falun Gong who died in detention reported seeing their loved ones' bodies with "surgical incisions and body parts missing." One witness—not a Falun Gong member—told investigators that her surgeon husband "told her that he personally removed the corneas from approximately 2,000 anaesthetized Falun Gong prisoners." None survived and all were cremated.

The government denied the charge, but also, promised to squelch the black market in organs. Surprise! It didn't. A 2014 book by China expert and author Ethan Gutmann estimated that between 2001 and 2008 some 65,000 organs were harvested from Falun Gong.

Evidence of the veracity of these allegations: liver or kidney transplant patients who might have to wait years in the United States to receive an organ, can often obtain one for cash in just a few weeks in China. There's a term for such a brutal policy: mass murder.

Feinstein also seems to have missed the news about Western China's Uyghur Muslims, who have been forcibly imprisoned in Soviet-style gulags for reeducation, where they are beaten, raped, their women sterilized, and their children stolen. Recent video leaked to the West from China depict blindfolded Uyghurs being herded into railway cars (!!!) for transportation to forced labor factories.

Chinese repression is growing even more sophisticated than that kind of blunt force. A "social credit" system is being developed that will deploy cutting-edge technologies such as AI and facial recognition programs to erect a surveillance system that targets Christians and others to track individual behaviors and social associations.

Not yet complete, here is how the system will work: Computer algorithms analyze the compiled data and computes the person's "social score." Enter an unapproved church and lose points. Have a conversation

with a person already denigrated with a low credit score, and your own score is lowered. Speak to foreigners, and risk demerits.

Complying with the government's diktats leads to a high social credit score, the benefits of which can include lowered rent. But the consequences of being graded with a low social credit score is societal excommunication—with sanctions such as job loss, the inability to rent an abode, even blackballing from riding the downtown bus or receiving medical care.

The communist government is not only wholly unworthy of respect, but it has built the most vicious and powerful tyranny seen in the world since the fall of Nazi Germany.

More insidiously, the social sins of the parents are borne by the children. A child may be kicked out of university or stripped of his or her own ability to work, effectively destroying their future lives.

We have all suffered from China's "respectable" handling of the Wuhan coronavirus. Not only did the country lie about the outbreak, but even though it shut down domestic travel from Wuhan, it allowed residents to take international journeys which spread COVID to the world. I guess we could say that the number of deaths caused is perversely "respectable," nearly 700,000 worldwide to date, with more than 150,000 in the United States.

China's suppression of Hong Kong is also "respectable" authoritarianism. Breaking its agreement to allow the city to remain semi-autonomous, like the old movie monster "The Blob," communists passed laws that absorbed Hong Kong into the greater communist system, removing all freedoms the city's citizens enjoyed. Many fear that Taiwan might be next.

Here are few other examples of China "growing into a respectable nation."

- China has illegally occupied Tibet since the 1950s and is systematically destroying the Buddhist culture in that oppressed country.

- China engages in mass theft of intellectual property around the world.
- China has placed spies into our best universities.
- The Chinese government controls the country's largest commercial firms and deploys these companies as fronts for spying and intelligence gathering. For example, the video-sharing app TikTok, uploads user data and sends it to China. Its telecommunications giant Hauwei—which sells more cell phones than any other company in the world except Apple—has been banned from the United States and UK after being credibly accused of allowing Chinese security to spy on users via its 5-G systems.
- Many international observers depict China as the world's most voracious loan shark, loaning money to the developing world at high interest rates to exploit resources or build infrastructure, and when the country can't repay, Chinese concerns take over the facilities.
- A huge Chinese fishing fleet of 260 trawlers has appeared off the pristine Galapagos islands, just outside the pristine area's protected zone where they are presumably vacuuming up all fish life, threatening the area's balance of species.
- For those worried about climate change, China is the world's most serious belcher of greenhouse gases. Anyone who has visited Beijing or Shanghai will tell you tales of unbreathable coal soot in the air.

Enough. The people of China are wonderful and industrious. But the country as governed by the communists is the antithesis of "respectable." To the contrary, China is the greatest subverter of international stability and threat to universal human rights in the world today.

Most of us know that now. It is particularly disheartening that a senator as prominent, experienced, and influential as Dianne Feinstein is oblivious to the substantial danger China poses.

Wesley J. Smith is the chairman of the Discovery Institute's Center on Human Exceptionalism.

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

CHINESE COMPANIES

Millions Worth of PPP Loans Went to Chinese-Owned Companies, Report Finds

CATHY HE

Hundreds of millions of U.S. taxpayer dollars went to Chinese companies from the Paycheck Protection Program (PPP), which was designed to help small businesses survive during the pandemic, according to a new report.

A review of public PPP loan data by consultancy firm Horizon Advisory found that \$192 million to \$419 million in loans were given to more than 125 Chinese-owned or -invested companies operating in the United States. Many of the loans were substantial, with at least 32 Chinese-owned firms receiving more than \$1 million under the program, totaling between \$85 million and \$180 million, it found.

The recipients included Chinese state-owned enterprises, companies that supported Beijing's military development program, firms identified by the United States as national security threats, and media outlets controlled by the Chinese Communist Party (CCP), the report stated.

Many were based in critical industries such as aerospace, pharmaceuticals, and semiconductor manufacturing. These are sectors the CCP has slated for aggressive development to achieve global dominance, with the goal of supplanting competitors in the United States and other countries.

The report concluded that "without appropriate policy guardrails and monitoring of

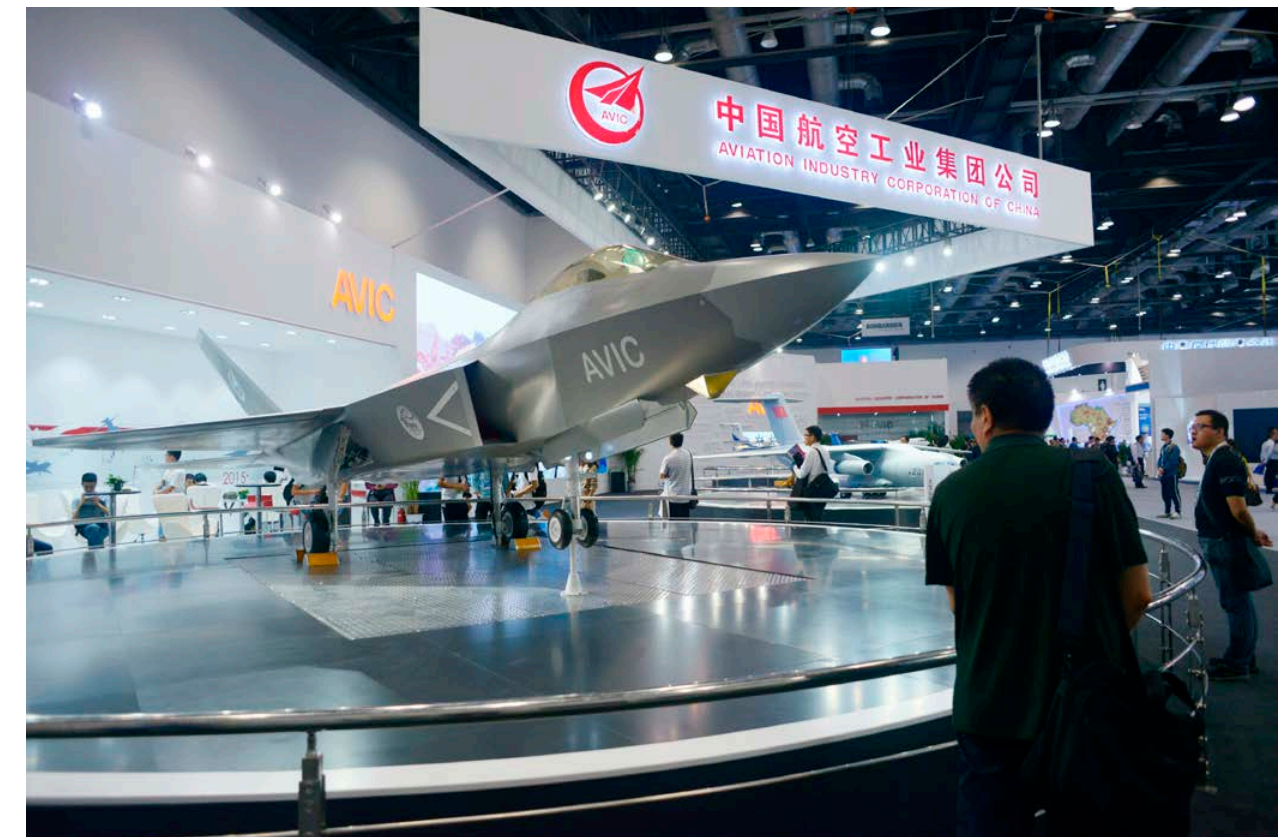
U.S. tax dollars intended for relief, recovery, and growth of the U.S. economy, there is a significant risk that funds will support foreign strategic rivals, namely China."

Many of these Chinese-linked firms could have tapped into other sources of capital from public or private markets to support their American operations, the report stated.

"Their PPP participation saved U.S.-based jobs, but likely at the expense of other U.S. small businesses."

About \$522 billion of PPP loans have been issued since March, when the measure was introduced to help businesses with 500 or fewer workers pay their staff and bills during the economic downturn amid the COVID-19 pandemic. The program drew criticism after reports that large companies that could have had access to other forms of credit received loans, prompting the Treasury Department to warn that larger companies could face penalties if they couldn't show the loan was essential.

The report stated that loans went to affiliates of three Chinese companies that featured on a Pentagon list of 20 firms that are owned or controlled by the Chinese military. It found that six recipients were affiliated with state-owned companies that supply arms to China's People's Liberation Army, including Aviation Industry Corp. of China, China Aerospace Science and Industry, and China North Industries Group Corporation (Norinco Group).



A stealth fighter plane model, designed by Aviation Industry Corp. of China (AVIC), at the Beijing International Aviation Expo on Sept. 17, 2015. A recent report found that federal pandemic relief loans went to companies affiliated with AVIC and several other Chinese state-run companies that supply arms to the Chinese military.

Their PPP participation saved U.S.-based jobs, but likely at the expense of other U.S. small businesses.

Horizon Advisory report

Chinese-linked biotech companies were also identified, including California-based Dendreon Pharmaceuticals, which received between \$5 million and \$10 million in PPP loans. Dendreon is owned by Nanjing Xinbai, a Chinese state-invested company that is controlled by a tech conglomerate with close ties to the CCP.

California-based robotics and AI company CloudMinds Technology Inc. received between \$1 million and \$2 million in loans. It is a subsidiary of Beijing-based

CloudMinds, which was added to the commerce department's trade blacklist over its ties to the Chinese military in May.

Loans also went to a U.S. subsidiary of Hong Kong-based Phoenix TV, a pro-Beijing media outlet. While the company is private, a 2019 report by the Hoover Institution at Stanford University stated that Phoenix TV is "fully controlled by [the] Chinese government."

The Treasury Department didn't respond to a request for comment.

HUMAN RIGHTS

The Chinese Regime Is Collapsing and Ought to Be Abandoned: Law Professor

ZHANG DUN

A Chinese law professor at Tsinghua University, known for being an outspoken critic of the Chinese Communist Party (CCP), was arrested and detained for six days in July on allegations of "soliciting prostitutes."

After he was released, he issued an open letter, declaring, "Totalitarianism will lose, freedom will come to my country!" He called on people to abandon the regime and have hope for the future.

for Xu that brought in more than 100,000 yuan (\$14,308). In his July 19 open letter, Xu thanked them but said he would not accept the money. He said he was still able to make a living by writing, and that the money should go to people who experience great hardships.

The charge of "soliciting prostitutes" has often been used by authorities to crack down on dissidents. Xu's friends said it was likely his open criticism of the Chinese regime that led to his arrest.

In February, Xu called out the CCP for causing the global pandemic, in an

article titled, "The Angry People Fear No More." In the article, he criticized the Chinese regime for having wrought disasters due to its "incompetence," "moral corruption," and "institutional failures." He called on the 1.4 billion Chinese people to "get ready to embrace with your strength, your heart, and your life—the spirit of freedom that shall shine upon the land."

In May, Xu published another article titled, "China, the Lone Boat in the Ocean of World Civilization," providing a laundry list of the Chinese regime's de-

ceptive tactics. He concluded by saying, "Enough with the mountain of corpses and the seas of blood from 70 years of red dictatorship!"

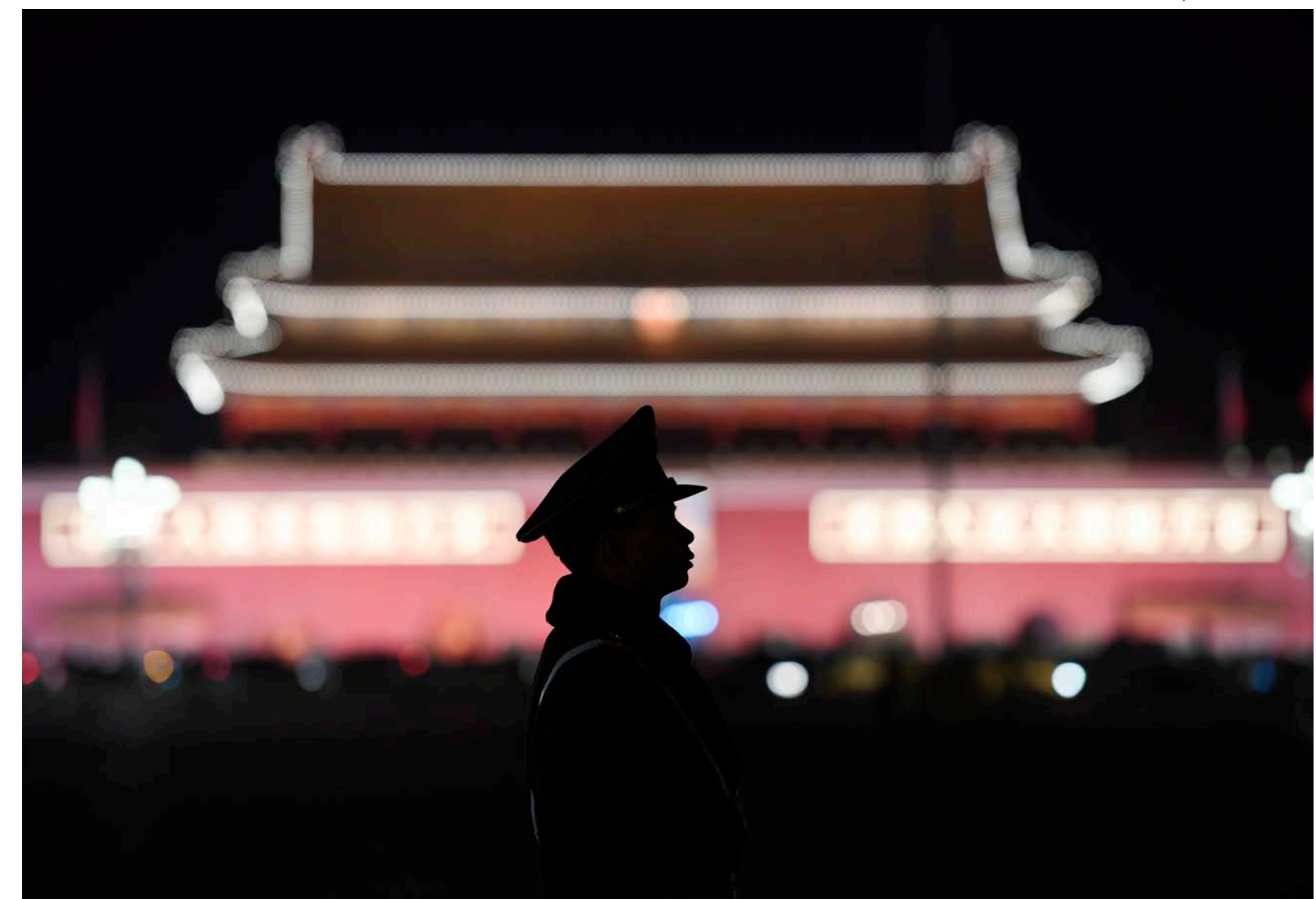
Li Hengqing, also a Tsinghua University alumni and former student dissident during the 1989 Tiananmen Square protests, told The Epoch Times that the communist regime uses the prostitution allegation to criminalize anyone it pleases. "The regime shows no bottom line when it comes to [making up] excuses. I have no doubt that's what they would do," Li said.

Xu Zhangrun called on the 1.4 billion Chinese people to 'get ready to embrace with your strength, your heart, and your life—the spirit of freedom that shall shine upon the land.'

But the university soon fired him. Police arrested 57-year-old Xu Zhangrun at his home in Beijing on July 6. Police later said he was detained on suspicion of soliciting prostitution.

Xu was released on July 12. Three days later, Tsinghua University dismissed Xu for having committed "a serious violation of the 10 Standards of Professional Conduct for Teachers in Tertiary Institutes in the New Era." The guidelines, issued by China's Ministry of Education in 2018, stipulate that teachers are to be fired or punished if they say or do anything that undermines the authority of the CCP or violates the directions and policies of the Party. According to the guidelines, teachers should "adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a new era and support the leadership of the CCP," referring to Chinese leader Xi's political ideology.

After his firing, over 500 Tsinghua University alumni initiated a donation drive



A paramilitary police officer stands guard in Tiananmen Square in Beijing, on March 11, 2018.



CCP leader Xi Jinping (C) arrives during the second plenary session of the National People's Congress in the Great Hall of the People in Beijing on May 25, 2020.

HUMAN RIGHTS

Barr Urged to Designate CCP a 'Transnational Criminal Organization'

BONNIE EVANS

News Analysis

A coalition of human rights activists and organizations has sent an open letter to U.S. Attorney General William Barr urging him to designate the Chinese Communist Party (CCP) as a "transnational criminal organization" (TCO).

The open letter is a bold move to call the CCP to account for its role in what U.S. officials say are crimes that range from theft of intellectual property, to human trafficking, to the deliberate spread of the lethal CCP virus throughout the world.

In laying out the case, the authors cite the Trump administration's Executive Order 13773 as the legal framework supporting the designation of the CCP as an organization that has been committing often audacious crimes not only in the United States, but across the world, for decades.

The letter was drafted largely by well-known human and religious rights and children's welfare lawyer Liz Yore, based on the vision and input from Hong Kong businessman-turned-activist Elmer Yuen, the non-profit Save the Persecuted Christians, and the Committee on the Present Danger: China.

Yuen has been active in recent months in seeking a legal basis by which to disarm the CCP, in order to ultimately cause its fall from power and complete dissolution, as reported previously.

The executive order, signed by Trump on Feb. 9, 2017, states that it's the "policy of the executive branch ... to strengthen enforcement of Federal law in order to thwart transnational criminal organizations and

I'm a great believer in if you describe and label behavior as criminal, you begin to have a sea change in the public's view of it.

Liz Yore, human and religious rights lawyer

subsidiary organizations, including criminal gangs, cartels, racketeering organizations, and other groups engaged in illicit activities that present a threat to public safety and national security."

Among the offenses that such groups may be related to include human, drug, wildlife, and weapons trafficking.

The executive order cites "corruption, cybercrime, fraud, financial crimes, and intellectual-property theft" as activities in which TCO's may be engaged, which also include hiding or transferring the illicit profits from crimes committed by the organization.

A Litany of Crimes

The letter to Barr lays out a litany of the most egregious of the crimes the authors say warrant the TCO designation for the CCP, beginning with fentanyl and the deliberate coverup of the human transmissibility of the CCP virus.

Identifying the CCP as a TCO is "clearly justified," the letter states, "by the epidemic of American citizens victimized and killed by the Chinese manufactured and transmitted lethal synthetic drug, Fentanyl."

The letter cites Centers for Disease Control and Prevention figures showing that more than 31,000 Americans overdosed on fentanyl and other synthetic narcotics in 2018.

China's handling of the CCP virus, which causes the disease COVID-19, is bluntly cited as a crime by the authors, as well. The virus, which is having "debilitating health and economic effects" in the United States and around the world, could have been contained, the letter suggests, had CCP authorities not "knowingly

and maliciously failed to warn the world ... and covered up its transmission and lethality," causing, at time of writing, more than 140,000 deaths in the United States alone.

Yore said that she has been "seeing the administration lay out one speech after another" over the past few weeks accusing China of illegal behavior and crimes against humanity, giving her the evidence to cite case after case of criminal activity by the CCP in the letter to Barr.

In a June 24 speech, national security adviser Robert C. O'Brien listed the hacking of the personal data of 145 million Americans from Equifax in 2017, and the 2019 hack of Marriott that garnered the CCP personal details on 383 million guests as examples of China's malfeasance in the cyber environment.

Then on July 7, FBI Director Christopher Wray reported that the FBI is "opening a new China-related counterintelligence case about every 10 hours," and that, of the 5,000 counterintelligence cases currently on the FBI's books, "almost half are related to China."

And then, in a press conference on July 8, Secretary of State Mike Pompeo, in laying the blame for the spread of the CCP virus directly at the feet of the CCP, said the CCP has "an enormous credibility problem."

Pompeo said of the camps holding Muslim Uyghurs in China's northwest Xinjiang Province that "new reports of forced abortions and sterilizations add to a body of evidence" indicate that they aren't the educational and training camps that the CCP characterizes them as.

The letter also highlights the March findings of the China Tribunal, which found the CCP guilty of forced organ harvesting on an industrial scale, labeling it "one of the worst atrocities" in the world.

The Power of a Name

"You know, if he [Trump] designates the CCP as a criminal organization, it's a sensational act, globally," Yuen said.

"Everybody keeps talking about all of the crimes" committed by the CCP, Yuen said, "but nobody put it all together and called it organized crime."

"All I'm doing is giving it a collective name."

Sean Lin of the Committee on the Present Danger said if more countries "can adopt similar measures, that would be more powerful."

"I think that it's a long-time frustration for anyone who works on the human rights issue.

"China has committed so many crimes. In the Congress, we have hearings, and reviews, testimony, but no fundamental attacks on the

CCP," Lin said.

"So, this designation is a powerful tool."

Yore said the designation of the CCP as a criminal organization "triggers what is embodied in the presidential order."

That order specifies targeting the TCO with "a country-wide coordination among law enforcement, among federal agencies, among professional [and] law enforcement partners," Yore said.

"The TCO designation also triggers 'economic sanctions against banks,' as well as 'companies that do business with the CCP.'"

"There are ... layers upon layers of sanctions and criminal penalties that can be put in place not just against the CCP once it's designated a TCO," but also against other organizations who are complicit in the crimes being perpetrated by the criminal organization, in this case, the CCP, Yore said.

As with other already-designated TCO's, such as MS-13, "banks that would do business with [them] could be charged, fined, penalized, and sanctioned."

"There are very strict banking laws with respect to notification [and] transparency with the federal law enforcement agencies," she said.

"You have to designate a disease before you can begin to treat it or to fight it."

"The Trump administration has made great strides in the first 3 1/2 years to begin to educate the public on what the CCP is doing."

"I'm a great believer in if you describe and label behavior as criminal, you begin to have a sea change in the public's view of it," Yore said.

'Different Ballgame'

Yuen said that "in China, every company with over three Party members, you have to form a branch, which will have its own secretary, so every company in China is basically controlled by the Communist Party, and it goes back to Xi Jinping."

So now, Yuen said, "if you try to do business in China, and it [the CCP] is a criminal organization, and ... you know that you're doing business not with a company, you're doing business with the CCP, then it's a whole different ballgame."

In China, the CCP is "way above the CEO of a company."

"If it's an investment banker ... and they want to lend money to a criminal organization, they will have second thoughts. Or if they want to take [a company] public, and they find out, oh, they have a Party branch inside, they will have more second thoughts. It's a totally different feeling," Yuen said.

IP THEFT

Report Finds 250 US Collaborations With Chinese Military-Tied Researchers

CATHY HE

The U.S. academic community has extensively collaborated with Chinese researchers affiliated with the regime's military, jeopardizing national security, according to a new report.

Analysts at the Hoover Institution at Stanford University found 254 papers in which U.S. researchers collaborated with counterparts from seven top universities in China affiliated with the regime's military, the People's Liberation Army (PLA). The think tank identified 115 U.S. universities and government-backed research labs that worked with these PLA-linked organizations, collaborating on research topics from new energy technologies to aeronautical engineering.

The report released July 30 found instances in which the Chinese researchers allegedly tried to conceal their ties to the defense institutes, while some Chinese coauthors also appeared to have worked in classified weapons programs, it said.

Such collaborations compromised national security because PLA-linked institutions were allowed to "harvest U.S. S&T [science and technology] research at its source, and divert it to PRC [People's Republic of China] defense research and weapons program development," it said.

"The risks to national security are serious since such diversions could erode or eliminate U.S. military superiority with lethal consequences in the event of an armed conflict."

Any collaboration with these defense universities boosted the regime's "civil-military fusion" strategy—a military development plan that seeks to integrate private-sector innovations into the PLA's industrial base, the report said. It added that research partnerships

The risks to national security are serious since such diversions could erode or eliminate U.S. military superiority with lethal consequences in the event of an armed conflict.

Hoover Institute report

are contrary to U.S. national interest, "even if the relevant research is unclassified, considered basic or fundamental, and is ultimately published in open sources."

The findings came as the Trump administration ramps up efforts to counter Chinese state-sanctioned theft of U.S. research. Last week, the White House ordered the closure of the Chinese consulate in Houston, accusing of it being a center for espionage. U.S. officials said consulate staff there were involved in numerous efforts over the years to recruit researchers at local biomedical institutions to join Chinese state-backed talent plans, which incentivized them to transfer U.S. intellectual property and know-how to China.

The Justice Department also has brought a spate of prosecutions against Chinese and U.S. researchers for allegedly hiding their ties to Chinese talent plans and their work for Chinese universities. Recently, at least four Chinese researchers were arrested and charged with visa fraud, with prosecutors alleging they were actually undercover PLA officers. The FBI has interviewed suspected undercover officers in more than 25 cities.

In May, President Donald Trump issued an executive order barring entry to Chinese graduate level or higher students from organizations affiliated with the regime's civil-military fusion complex.

Hoover analysts, however, warn that the regime is likely to try to circumvent the ban by shifting collaboration online or overseas, or by using collectors from entities not caught by the order.

The report reviewed papers published from January 2013 to March 2019 that were retrieved from a Chinese state-backed database. The research builds upon earlier work

by Australian think tank Australian Strategic Policy Institute, which, in a 2018 report, found that more than 2,500 Chinese military scientists and engineers have traveled abroad to study since 2007, often by masking their military ties.

The Hoover report recommended U.S. research institutions increase due diligence on foreign research collaborations, and formulate a set of common ethical standards to ensure partnerships don't aid the military or repressive capabilities of authoritarian regimes.

The report found Chinese coauthors who have worked on projects for the various branches of the PLA, classified weapons development programs, as well as for major Chinese state-run defense companies.

In an apparent effort to mask their ties to the regime's defense programs, some Chinese researchers used innocuous English labels such as "state key laboratory" instead of the Chinese term "national defense key laboratory" to describe their affiliations, the report found. In other instances, some Chinese coauthors didn't list any curricula vitae on their faculty webpages.

The report also found that researchers from several national laboratories of the Department of Energy published papers with counterparts from six of the seven Chinese defense universities.

Some Chinese students from those universities filed dissertations that claimed to have been supported by the National Institutes of Health and the U.S. National Science Foundation, it said.

U.S. research institutes have failed to appreciate "the risks that such collaborations posed and from adopting appropriate safeguards of [their] own accord," the report says.

A paramilitary policeman stops a photojournalist from shooting in Tiananmen Square at the Great Hall of People in Beijing on May 25, 2020.



ANDREA VERDELLI/GETTY IMAGES



Attorney General William Barr participates in a press conference at the Department of Justice in Washington on Feb. 10, 2020. Barr announced the indictment of four members of China's military on charges of hacking into Equifax Inc. and stealing data from millions of Americans.

ANALYSIS

China's Most Valuable Listed Company Draws Scrutiny for Corruption Ties

FAN YU

News Analysis

The most valuable publicly traded company in the United States—Apple Inc.—attracts almost universal admiration for its iconic brand, resiliency, and stock market performance.

Not so for the most valued Chinese-listed company, Kweichow Moutai, whose 2.1 trillion yuan (\$301 billion) market capitalization shot past the No. 2 Chinese-listed company, Industrial & Commercial Bank of China, in June.

Being China's—as well as the world's—most valuable liquor distiller, Moutai is generally admired as much as it is scorned.

Kweichow Moutai's most recent quarter (which ended June 30) saw its sales growth slow to five-year lows as the company continued to battle accusations that it benefits from the Chinese Communist Party (CCP)'s rampant corruption.

First, what is Kweichow Moutai? Among casual Western investors, it's one of the least well-known of China's major state-owned companies. Partially listed on the Shanghai Stock Exchange, Kweichow Moutai is known for producing maotai, a popular baijiu—a colorless Chinese liquor that's typically 30–60 percent alcohol. Maotai is a regional icon in the southwestern province of Guizhou.

But while the liquor isn't especially enjoyable to drink—it has a fiery and savory taste—it's the preferred alcoholic beverage of former CCP leader Mao Zedong.

The company's stock has become a favorable holding for institutional investors in the West. It is well-covered by equity research analysts at Wall Street banks. And since the begin-

ning of the year, Kweichow Moutai shares have risen 42 percent, far outpacing the 8.5 percent gain of the Shanghai Composite Index.

Kweichow Moutai's eye-watering valuation as a distiller seems especially rich compared to its Western peers. Despite a relatively modest quarterly revenue figure of \$2.9 billion—which is less than one-third that of Anheuser-Busch InBev's—Kweichow Moutai's market capitalization is greater than the combined value of AB InBev, Heineken, and Diageo.

Domestic Backlash

Part of Kweichow Moutai's appeal to investors is its popularity among wealthy Chinese and supposed resiliency during the CCP virus pandemic.

But the company's status among the Chinese elite has also garnered it scorn from the average Chinese. The more that its stock and liquor price soar, the greater the apparent public backlash.

Top-end bottles of maotai can fetch thousands to tens of thousands of dollars at auction. Maotai baijiu is one of the most popular gifts of bribery within the CCP, since it's seen as more subtle than bringing a suitcase of cash.

On July 16, Kweichow Moutai shares tumbled as much as 8.4 percent after a social media platform under People's Daily—the CCP's mouthpiece newspaper—questioned whether the company's skyrocketing stock price is linked to rampant corruption and graft.

The platform "Learning Group" (Xuexi Xiaozu in Chinese) published an article, titled "Moutai smells bad. Who's footing the bill?" in which the author notes maotai's role in business and high-level political dealings, and reminds readers that the company's

former chairman, Yuan Renguo, was sacked for corruption.

Yuan, who headed the company from 2011–2018, was removed from his post and dismissed from the CCP for taking "huge amount of bribes" and other "severe violations of discipline and law," according to a 2019 report by Caixin, a Chinese business magazine. Thirteen other company executives were also under investigation.

It's particularly ironic that the most valuable company in China is also a name associated with graft and corruption.

Slowing Revenues and Profits Growth Temporary?

During its most recent quarter, Kweichow Moutai's sales growth of 9.5 percent and net profit growth of 9 percent were both below market expectations, while top-line growth was the slowest since 2015.

But analysts say those results are still decent given that the CCP virus pandemic has affected production and reduced demand.

China's high-income households are still drawn to luxury goods such as maotai liquor, despite the pandemic.

"The purchasing power of wealthier families has been less affected by the pandemic due to their large asset base," Fitch Ratings observed in a note, pointing out that "1Q20 sales of high-end liquor brands, such as Kweichow Moutai and Wuliangye, rose by 13 percent and 15 percent year-on-year, respectively, while sales of low-end names declined."

While profits and sales were below expectations, 2020 estimates were still on track, Morgan Stanley analysts wrote in a note to clients on July 28.

"Distributors will start replenishment orders in August for 4Q, on track with the full-year plan."

Moutai's status among the Chinese elite has also garnered it scorn from the average Chinese. The more that its stock and liquor price soar, the greater the apparent public backlash.



A member of security walks along a viewing platform on Victoria Peak in Hong Kong on July 28, 2020.

OPINION

Beijing's Suspension of Hong Kong's Elections Only Prolongs the Inevitable—and Will Backfire

JACK HAZLEWOOD



Pro-Beijing media outlets broke the news late on July 28 of another bombshell ruling on Hong Kong that was handed down from

China's central authorities in Beijing. Sing Tao and HK01—the latter of which was the first to report that the infamous Hong Kong National Security Law was formally on the agenda for June's meeting of China's rubber-stamp legislature—claim, citing official sources, that the Hong Kong government will request that the National People's Congress (NPC) agree to an unprecedented postponement for an entire year of hotly anticipated elections to the Legislative Council (LegCo), scheduled for September.

While the recent rapid rise in coronavirus cases in Hong Kong is cited as the reason for the delay, weeks of pro-Beijing figures demanding the elections be called off betrays the fact that it's a nakedly political decision. All the signs were pointing to a humiliating defeat of pro-government parties on a scale even larger than in the 2019 local elections, particularly after the recent stunning success of the pro-democracy camp's primary.

What the authorities don't realize is that if, as expected, Beijing proceeds with the postponement of the elections, it will likely prove to be a historic mistake.

The news comes as democracy supporters began to receive notice that they would, in fact, be able to appear on the ballot, after weeks of speculation that Beijing would seek to auto-disqualify all anti-government candidates. In practice, the delay is of such a length as to effectively mean the elections have been canceled.

In essence, the authorities are gambling that the intervening year will see heads in the pro-democracy camp drop and the movement run out of steam—as opposed to simply prolonging the inevitable in the form of a crushing defeat for pro-Beijing parties.

The ebbing of the protests in recent months, something that many had expected would escalate after the passing of the National Security

Law, seems to have gone to Beijing's head. The authorities seem unaware of how, in large part, that's due to the consensus forming among democrats that the elections, held only once every four years, constituted their best chance to land more blows on the already bruised authorities than any immediate resumption of the protests.

Widespread fears of arrest under the new law are very real, but front-line protesters in particular, who spent the latter half of last year engaged in increasingly ferocious battles with the police, won't be deterred in the long term by the passage of any law, no matter how draconian.

Thus, to view the current calm on the streets of Hong Kong as anything other than a temporary lull is a deception bordering on delusion, which the suspension of the elections will likely only expose in spectacular fashion with the inevitable return of the clashes of last year.

An extended period of calm as the pandemic continues to disrupt ordinary life in the city is likely, but will soon dissipate as and when a vaccine is found and distributed. The postponement of the elections, as with the passage of the National Security Law, will only serve to further enrage democrats and exacerbate the ferocious undercurrents and division among Hong Kong's society, which is set to explode once more.

Once the formal announcement is made, all eyes are will be on the response from the free world. After the unveiling of the National Security Law, many nations, including the United States, placed a striking emphasis on the importance of the elections going ahead as planned when discussing a response. U.S. Secretary of State Mike Pompeo remarked at the Copenhagen Democracy Summit that how the elections would be conducted will "tell us everything we need to know about the Chinese Communist Party's intentions with respect to freedom in Hong Kong."

Now that the elections have been all but canceled, China hawks in the Trump administration, including Director of the Office of Trade and Manufacturing Policy Peter Navarro, will have real ammunition to push for immediate, punitive repercussions

against Beijing.

Former White House chief strategist Steve Bannon and analyst Gordon Chang have led calls for China to be immediately cut off from Swift, the U.S. dollar payment system widely used in international trade and investment deals, in a move that would be estimated to cost China more than \$300 billion each year.

Other measures could also include targeted sanctions against individuals in Hong Kong and Beijing judged to be responsible for the postponement of the elections, and of human rights abuses in Hong Kong more widely, under the Global Magnitsky Human Rights Accountability Act. In any event, it's unforeseeable in the current climate that the move would be met with resignation in Washington.

But while the suspension of the elections will only inflame tensions in Hong Kong's viciously divided society, it should also be noted that the coming year before the poll will likely see a crackdown of unprecedented proportions.

Mass arrests under the National Security Law—with the most high-profile activists being extradited to the mainland to face trial—are likely, as well as the wholesale import into Hong Kong of other authoritarian measures used in the mainland to curb dissent.

But with no sign that the pro-democracy movement's determination or its overwhelming support among the Hong Kong public is dying down, it seems Beijing has added another historic mistake in its catalog of the mishandling of a resistance movement on its periphery.

Jack Hazlewood is a student and activist based in London. He previously worked for a localist political party in Hong Kong and served as a field producer for the conflict journalism outlet Popular Front's documentary "Add Oil," which followed frontline protesters in Hong Kong in the run-up to China's national day in 2019.

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



Chinese workers arrange bottles of locally made baijiu liquor in Maotai, Guizhou Province, China, on Sept. 22, 2016.



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