

WEEK 40, 2020

THE EPOCH TIMES

CHINA INSIDER

The California
State Capitol in
Sacramento, in
this file photo.

US POLITICIANS TARGETED

BY BEIJING'S MALIGN
INFLUENCE OPERATIONS

See Page 5



A People's Liberation Army soldier stops a photojournalist from shooting in Tiananmen Square at The Great Hall of People in Beijing on May 25, 2020.

OPINION

Can the US Really Disconnect From China?

After four decades of expansion into the US, is it even possible to reverse China's deep reach into America's politics, economy, and culture?

JAMES GORRIE



The Chinese Communist Party (CCP) has achieved an unprecedented reach into American life, and the extent of Beijing's influence over many aspects of American life is astonishing. Even a cursory look reveals that China's deep penetration into America's political, educational, and cultural institutions is no longer deniable. Even some law enforcement officers do Beijing's bidding.

The Best Politicians Money Can Buy

In politics, Joe Biden, former vice president of the United States, and his family, are a prime example. Hunter Biden's investment fund received a large amount of investment capital from the Chinese. Some estimates are as high as a billion dollars, or even more. It's difficult to know, since details of the transaction haven't been fully disclosed.

With members of his family receiving large amounts of money from adversarial governments such as the one in Beijing, what kind of leverage does that give them over Democratic presidential candidate Biden?

What kind of influence does that kind of money buy?

More to the point, shouldn't accepting large amounts of money from a foreign adversary while in office disqualify a politician from holding that office?

Unfortunately, there's a lot more to China's influence than lining the pockets of Biden's family's members and other politicians.

In fact, Biden isn't the first to accept Chinese cash, not by a long shot. President Bill Clinton funded his 1996 reelection campaign with donations from China.

That begs the question, "How many more U.S. politicians are influenced by Chinese money?"

Meddling in US Elections

The answer is, "Too many." From a former speaker of the House to career diplomats, the list of U.S. government officials on China's payroll is too long for comfort, with allies on both sides of the aisle.

What's just as disturbing is the breadth of China's influence on our elections. As I wrote earlier this year

With members of his family receiving large amounts of money from adversarial governments like the one in Beijing, what kind of leverage does that give them over Democratic presidential nominee Joe Biden?

in my article, "Look Who's Interfering With the 2020 Election," this election is no exception.

In fact, the election is a critical one, which is why China is doing everything it can to prevent President Donald Trump from winning a second term.

That means pulling every string it has, on every American asset. China's assets include allies in academia and Hollywood.

Influencing Academia

In academia, China's outsized footprint is now common knowledge, but that doesn't mean it isn't without influence.

Chinese Confucius Institutes, for example, are funded and run by China, and have been used to expand Chinese influence on U.S. campuses. Even though their presence is now lessening, as they are regarded as more adversarial than cultural, they have been a major source of propaganda and intellectual transfers over the past decade.

Likewise, with the Chinese Students and Scholars Associations (CSSA). The innocent-sounding group promulgates pro-China propaganda and political censorship against anti-CCP university professors and speakers.

Like politicians and other government officials, university professors in multiple technological and scientific disciplines are now and have been on China's payroll via its "Thousand Talents" program. Many are still participating in the program.

Reshaping American Culture

The CCP also understands that in order to control a country, you need to control what its people think and believe. This is a big part of China's attempt to shape American cultural perceptions.

One of the most influential forces in American culture is the entertainment industry, and in particular, the Hollywood film industry. Sadly, China already owns much of it. Director Judd Apatow says it like it is: China tells Hollywood what kind of movies to make for both Chinese and American audiences, and Hollywood willingly complies.

But they're not the only ones in thrall to the CCP. The NBA is as well.

Rather than standing up against the persecution of millions of Uyghurs by the CCP, as well as the people in Hong Kong fighting for their rights,

the NBA has knelt to Beijing.

These basketball stars are looked up to by millions of young American kids—what does their capitulation to the world's most wicked regime teach them?

Tech Censorship

The CCP's reach also extends deep into the U.S. business community, especially the technology and social media sector. Twitter, Facebook, Apple, Google and many, many more all kneel before Beijing and censor criticism of the Party and its leaders from both within and outside of the country.

And they're all OK with that.

Time to Rein In China

How much more access to the U.S. economy, including capital markets and the right to do business here, should the United States give China these days?

There are many more examples of China's unfettered influence on American society and our most important institutions and cultural channels, but this gives you an idea of the magnitude of China's power and influence in America.

Just how long we allow the CCP to dictate what is taught in our schools, how much we allow the CCP to censor our films and shape our culture, laws, and politics, is a big part of the upcoming presidential election.

Should the United States impose broader and deeper restrictions regarding China-owned businesses and Chinese nationals and students operating within the United States?

Definitely.

Should an executive order be issued, disallowing China's censorship in social media?

Absolutely.

Should the United States continue to disconnect from China as much and as fast as possible?

Absolutely; the status quo poses an immediate and pervasive threat to America.

James R. Gorrie is the author of "The China Crisis" (Wiley, 2013) and writes on his blog, TheBananaRepublican.com. He is based in Southern California.

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

Does the CCP's New United Front Work Directive Mean China's Private Sector Is Doomed?

ZHONG YUAN

Commentary

On Sept. 15, the General Office of the Chinese Communist Party's Central Committee issued a set of guidelines "for strengthening the United Front Work in the private sector." The Chinese Communist Party (CCP) rarely publishes documents about its United Front Work that involves private enterprises in China. This rare incident exposes the real situation private businesses face under the rule of the CCP.

The United Front Work Department (UFWD) directly reports to the CCP's Central Committee. It gathers intelligence on, manages relations with, and attempts to influence elite individuals and organizations inside and outside China. Its focus are influential people and entities that are outside the Party, especially in the overseas Chinese community. Through its efforts, the UFWD seeks to ensure that these individuals and groups are supportive of or useful to the CCP's interests and that potential critics remain divided.

CCP Considers Private Firms as 'Risks'

The document explains that "New Thinking" has been introduced following Chinese leader Xi Jinping's instruction on the Party's United Front Work related to the private enterprise sector. It says, "The United Front Work is faced with new situations and new tasks, because the scale of the private sector has been expanding, risks and challenges have increased significantly, and the values and interests of the private economy personnel have become more diverse as socialism with Chinese characteristics has entered a new era."

The CCP publicly regards private enterprises as "risks and challenges." This may surprise many people, but it's indeed what the CCP is very concerned about. With the increase of private enterprises and the privatized economy, the CCP is always on guard, fearing that this may eventually turn into a peaceful revolution.

According to the CCP's mouthpiece Xinhua News, on Sept. 11, Chinese Premier Li Keqiang "gave remarks at a teleconference on issues including deepening reforms to streamline administrative approval, delegating power to lower levels, and improving regulations and services."

But just four days later, the General Office of the CCP's Central Committee didn't hesitate to put forth the UFWD guidelines for the private sector to

Whether it is Chinese in the mainland, Hong Kong, Macau, Taiwan, or overseas, they should realize that the CCP treats everyone, other than Party members, as potential enemies.

seemingly "correct" Li's statements. Private company owners should have mixed feelings after reading these two sets of conflicting directives. It's no longer a question of whether their businesses can operate normally, but whether the entire private industry is doomed.

The document stated, "Strengthening United Front Work within the private sector is an important means to realize the Party's leadership over the private economy and an important aspect of developing and improving the system of socialism with Chinese characteristics."

The ultimate ownership of private enterprises is already clear. Ultimately, an entrepreneurs' efforts and painstaking management procedures can only follow the leadership of the CCP. Whose enterprise is it then? And what is the entrepreneur entitled to?

Private Entrepreneurs Are 'Potential Enemies'

The document also states, "Private economy personnel, as one of our own, are an important force that must be united and relied upon for long-term governance."

The document defines "one of our own" as those who "foster stronger confidence in the path, theory, system, and culture of socialism with Chinese characteristics [and] abide by and support the leadership of Xi Jinping and the leadership of the CCP."

The fate of those entrepreneurs who fail to meet the standard can only be imagined. There have been numerous tragic examples of such private entrepreneurs, be it large or small, who did not follow the leadership of the Party.

The document stresses efforts to "strengthen the guidance of political thinking of private sector personnel, train competent representative figures in the sector, maintain a high degree of consistency with the Party Central Committee, and always be a politically sensible person."

This sounds like the doctrine for Party officials for choosing sides in internal fighting (within the CCP), but it's now applied to entrepreneurs of private enterprises! Most of the private entrepreneurs who cannot become "one of our own" will, of course, be considered a threat to the CCP's power, and they also become an enemy of the CCP.

After the Cultural Revolution, this type of rhetoric was used more within the Party ranks and rarely directly applied to the general public. Now, there's a feeling in China of the re-emergence of the Cultural Revolution. Do the top CCP leaders really think that by leaning all the way to

the left, they can keep holding on to their power?

United Front Work Mode Revealed

The CCP's UFWD has an ambitious brainwashing objective. The document states that the United Front Work should cover "all private enterprises and private economy personnel," including investors, stakeholders, heads of industries, commerce and relevant social service organizations, major partners of private intermediaries, investors from Hong Kong and Macau, and representatives of industries.

The document also states that the United Front will build a database and talent pool of private enterprise representatives. Surely, the targeted people will be put under control, one by one. This is what the Chinese communist regime is best at.

The document also stresses the importance of strengthening Party-building work in private enterprises by guiding private economic figures to continuously enhance their political identity, ideological identity, and emotional identity; and to absorb personnel in the private sector who meet the requirements of Party membership into the Party in a timely manner.

In other words, only by joining the Party can private sector entrepreneurs truly become "one of our own" to the CCP, and private enterprises will become CCP enterprises.

However, members of the CCP will soon become targets of sanctions by the United States and other Western countries. Party members may not be able to obtain visas, study abroad or emigrate. Many Chinese are voluntarily quitting from the Party and hope to obtain a certificate of withdrawal from the Party and its associated organizations. Therefore, most private business entrepreneurs may not be willing to get themselves into the troublesome status of a Party member.

United Front Workers Exposed

According to the document, the Federation of Industry and Commerce and its affiliated Chambers of Commerce (in China) are an important organizational support for the United Front Work in its work with the private sector economy. It urged to "persist in the establishment of political associations [and] guide private enterprises to join the Chambers of Commerce." However, "organizations related to private enterprise entrepreneurs that have not been registered as associations shall not engage in relevant activities," it said.

Frankly, it's a known fact that private enterprise entrepreneurs can only participate in the CCP's United

Front Work organization and cannot establish Chambers of Commerce by themselves. But the CCP mouthpiece media's public announcement truly embarrassed the United Front workers in these Chambers of Commerce. So, how does the Chinese Communist regime control these Chambers of Commerce?

The document states, "Support and help Chambers of Commerce through means such as government purchase of services."

The CCP's media publicly discussing such big "truths" is indeed a bit surprising. It seems that the factors behind the publication of this document are really not simple. This is tantamount to completely exposing the main mode of the CCP's United Front Work, which is the case in mainland China, Hong Kong, Macau, Taiwan, as well as in overseas Chinese communities.

The so-called community leaders and organizers are thus confirmed as being salaried United Front workers.

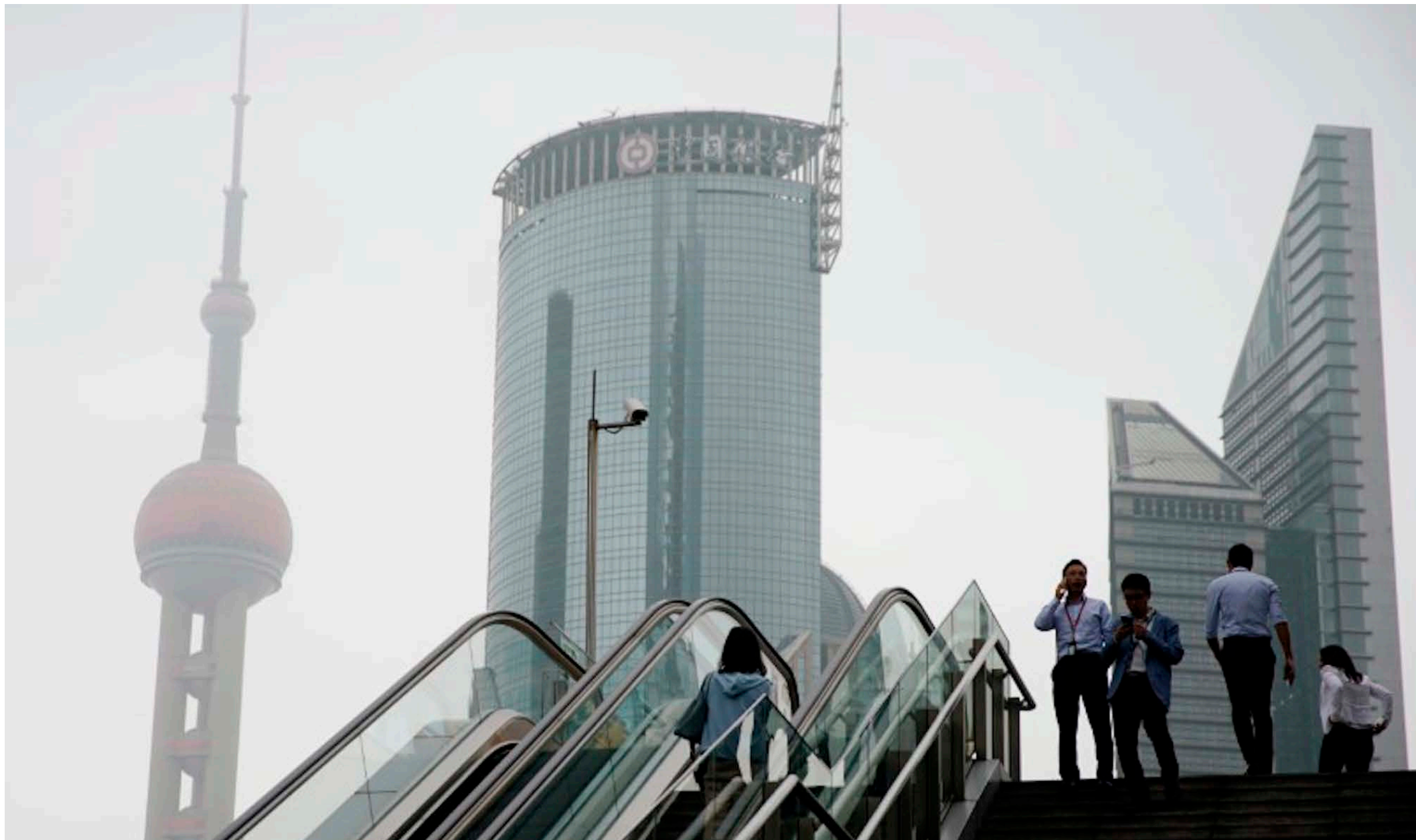
Although the CCP has never openly said so, most people are tacitly aware. But suddenly the CCP publicly releases such internal United Front Work operating documents, indicating that the CCP's internal policies have been completely different from what it used to profess.

It means the CCP's senior leaders feel that their power is threatened and their core position is challenged, and they have to disclose such internal documents in an attempt to provide policies for private enterprises to set the tone and unify the argument.

Whether it is Chinese in the mainland, Hong Kong, Macau, Taiwan, or overseas, they should realize that the CCP treats everyone, other than Party members, as potential enemies. Therefore, the CCP is very sensitive to the distinction made between the CCP regime and the Chinese people, and why it expressed such strong disapproval of the U.S. Secretary of State Mike Pompeo making a distinction between the CCP and the Chinese people. This is precisely the CCP's real sore point. It feels surrounded by the enemy. How can it not be afraid?

Zhong Yuan is a researcher focused on China's political system, the country's democratization process, its human rights situation, and Chinese citizens' livelihood. He began writing commentaries for the Chinese-language edition of The Epoch Times in 2020.

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



People walk amid skyscrapers at Lujiazui financial district in Shanghai, China, on May 16, 2019.

How Chinese Authorities Mobilized Propaganda Apparatus to Spread COVID-19 Narrative Online

NICOLE HAO

The Chinese regime's initial coverup of the CCP virus outbreak has been well-documented. Now, government documents obtained by The Epoch Times have revealed in greater detail how authorities also worked to suppress online information that didn't align with their narrative about the pandemic, and punished those who posted such content on social media. Authorities also set up teams of officials and state media reporters to publish articles praising the Chinese regime's pandemic response and promote those posts online. They also have maintained a list of news topics that the media aren't allowed to report on, constantly updated to reflect news that's deemed too sensitive.

Propaganda Teams
The documents come from the Inner Mongolia Chinese Communist Party committee. In one notice dated Jan. 26, the committee ordered local governments at all levels—regional, municipal, county, township, and village—to set up dedicated "propaganda teams" related to the CCP virus epidemic. "At present, the novel coronavirus-related propaganda is our most important job. ... We need to motivate everyone [in Inner Mongolia region] and arrange tasks that can cover all aspects, to strengthen the guidance and control on epidemic-related information and speech," the notice reads. The regional team would be led by the propaganda minister of Inner Mongolia, with top officials spanning a range of government agencies as members, including the Cyberspace Affairs Office, Foreign Affairs Office, education department, health commission, transportation department, customs bureau, and state media outlets. The city or county government teams would similarly be led by the local propaganda director, along with other officials in charge of health, cyberspace, media, and other areas. The Party committee would also create "reporting teams" at the provincial, city, and county levels. State media



Chinese commuters check their phones as they line up in a crowd to catch a bus in Beijing on May 18, 2020.

reporters must be "politically correct and steady" in their coverage of the pandemic, the notice instructs. The leader of each team would be the chief editor of local state-run outlets. Both the propaganda and reporting teams would be on standby 24/7, while members who aren't on shift must be prepared to answer their phones at any time, "to prepare for emergencies," according to the documents.

Main Tasks
The propaganda teams need to post information that aligns with the central government's tone—on conventional media and social media platforms. The posts can be in different forms, such as news reports, commentaries, and talk shows, according to the documents. The posts would serve the purpose of "educating the people," documents noted. Posts should feature the "main melody" or "positive energy" about the

pandemic, such as stories about restaurant owners delivering free meals to medical staff who treated COVID-19 patients; new infections are rumors; grocery stores have plenty of supplies, and so on. The Hohhot city propaganda team wrote in its work summary on Jan. 30 that it had posted 698 CCP virus-related posts from 9 a.m. on Jan. 29 to 9 a.m. the following day. In that 24-hour period, state-run newspaper Hohhot Daily published 18 news reports in its newspaper and 84 articles via its social media accounts, while Hohhot's radio and television reported 40 news articles and 93 posts on its websites and social media platforms. The summary also noted that Hohhot censors promoted posts by the official government's accounts on Weibo and WeChat, two of China's most popular

platforms. The local cyberspace office also arranged for 6,686 "volunteers" to share the government posts on social media. The propaganda teams are also tasked with monitoring all posts and comments published on social media platforms by local residents—and punishing those responsible for content that's not in line with the official narrative. For example, the same work summary stated that the cyberspace office filtered out 34,218 posts in those 24 hours. Fourteen of them were identified as "important public opinion"—a euphemism for posts not approved by authorities. "We have asked the health commission and police bureau to deal with the posts," the summary stated. The notice didn't explicitly explain what that meant, but in Chinese government messages, it typically connotes a form of punishment.

NATIONAL SECURITY

Chinese National Denied US Entry Over Chinese Communist Party Membership: Lawyer

EVA FU

NEW YORK—A Chinese national was recently turned away at a U.S. airport, in what might be the first known case of a visa ban due to the traveler's status as a Chinese Communist Party member. The person has a U.S. travel visa valid for 10 years. As the father of a U.S. citizen, he applied for a family-based immigration visa some months ago and had recently met with a Guangzhou consular officer for an interview, but was still awaiting a decision, according to his lawyer. Being advanced in years, the person didn't withdraw from the Chinese Communist Party (CCP) for fear of affecting his pension benefits.

This is probably the first case of someone being turned away at the airport for their Party membership.

Zheng Cunzhu, U.S.-based immigration lawyer

lawyer who consulted on the case. Because of client confidentiality, Zheng didn't disclose the person's name. The man's travel visa was subsequently revoked. His daughter, who had been waiting at the airport to pick him up, later looked up his case at the National Visa Center on the State Department website, which indicated that his visa application was denied. According to Zheng, the daughter said her father recalled nothing "unusual" during the visa interview, other than that he mentioned being a Party member. The case comes at a time when the United States tightens up measures countering threats posed by the regime. The Trump administration in July reportedly considered putting a ban on U.S. visas for CCP members. While deliberations were in its early stages, senior officials had circulated a draft of a possible presidential order that may deny visas to more than 90 million CCP members, Reuters reported at the time, citing an insider source. While the U.S. administration has previously announced visa restrictions on specific Chinese officials for their roles in perpetuating human rights abuses, "this is probably the first case" of someone being turned away at the airport for their Party membership, Zheng said in an interview. Given his client's experience, any CCP member could risk being barred from U.S. entry, regardless of whether they are visiting as immigrants, tourists, or to see family,



Chinese citizens wait to submit their visa applications at the U.S. Embassy in Beijing, in this file photo.

Zheng added. According to the U.S. Immigration and Nationality Act enacted in 1952, those applying for an immigrant visa are considered "inadmissible" if they are or have been "a member of or affiliated with the Communist or any other totalitarian party." Exceptions are made for those who can prove their membership was involuntary or had been terminated at least two years before their visa application. On green card and immigration visa applications, U.S. authorities ask candidates whether they have been associated with any communist parties. Immigration from China has become a contentious issue as U.S.-China tensions intensified over the pandemic, as well as Beijing's military aggressions, spying concerns, and human rights abuses. In September, the State Department re-

宣传舆论组 工作日报

第9期

2020年2月3日

一、基本情况
宣传舆论组严格按照自治区党委宣传部电视电话会议精神，白玉刚部长具体要求和自治区防疫指挥部宣传舆论组宣传指令，落实呼和浩特市应对新型冠状病毒感染肺炎疫情防控工作领导小组工作

Hohhot municipal government reported their daily summary about the epidemic related propaganda work in Inner Mongolia, China, on Feb. 3, 2020.

"The harmful posts were removed by the cyberspace office," it added. The propaganda office in the Alxa League government also stated in a document that it removed social media accounts and punished owners of accounts who posted unapproved information. For example, the office stated that on March 6, it identified an account on WeChat, "Xiaotufeng Net," that had posted information about the local outbreak. Officials ordered the account owner to stop.

Sensitive Topics
Meanwhile, an order issued by the Hohhot government on Sept. 8 instructed all township, neighborhood, and village authorities to utilize social media to convince people to support a new education policy. Since late August, ethnic Mongolians in Inner Mongolia have protested in front of local government offices or staged school walkouts to oppose a new policy requiring classes in primary and middle schools to be taught in Mandarin Chinese and use standardized Chinese-language textbooks. Ethnic Mongolians have a distinct language and culture from the Han Chinese ethnic majority who speak Mandarin. Several government-operated social media accounts also publicly threatened residents that they would be "held liable" if they opposed the new policy. Another document, more than 20,000 words long, detailed all the news topics that authorities banned from Jan. 2 to March 10. Media weren't allowed to report on Indonesia's criticism of Chinese fishermen who entered the country's exclusive economic zone; how the Hong Kong government was dealing with the CCP virus epidemic; large-scale protests against the Iranian regime; U.S. sanctions on Iran; or China's population crisis, among the restricted topics.

Several government-operated social media accounts also publicly threatened residents that they would be 'held liable' if they opposed the new policy.

The propaganda teams need to post information that aligns with the central government's tone—on conventional media and social media platforms.



California state Sen. Joel Anderson speaks during a rally in Sacramento to support a resolution condemning the Chinese communist regime's persecution of Falun Gong, on Aug. 31, 2017.

CHINESE INFLUENCE

‘Chilling Moment’: How Beijing Pressured California Senate to Scrap Human Rights Resolution

EVA FU

Chinese diplomats have for years worked behind the scenes to pressure state and local officials into adopting policies friendly to Beijing. But the issue has only recently gained national attention as the Trump administration raises the alarm on the communist regime's influence activities across the country. U.S. Secretary of State Mike Pompeo warned in a Sept. 23 speech at the Wisconsin state capitol that the Chinese Communist Party's (CCP) covert influence operations targeting state and local politicians have been "in full swing for years" and "increasing in intensity." He cited one example of a Californian state senator who in 2017 sought to introduce a measure denouncing the CCP's persecution of the spiritual group Falun Gong. The Chinese Consulate in San Francisco then initiated a campaign to scuttle the resolution, writing letters of protest to the state legislature. "Unfortunately, the California state Senate bowed to the CCP pressure campaign and shelved the proposed bill," Pompeo said. To Joel Anderson, the then-state lawmaker who proposed the senate resolution, such "placating" was "outrageous" and deeply disappointing, he said in an interview with The Epoch Times' affiliate NTD. Anderson left office in 2018 and is currently running for San Diego County Board of Supervisors, a five-member county legislature.

When "people saw that one letter and a phone call had such a chilling effect on my colleagues, it begged the question why—why would they be so tied to the Chinese Consulate? Why is it so important to them not to offend, and put a blind eye to atrocities?" Adherents of Falun Gong, a traditional meditation practice featuring slow-moving exercises and moral teachings centered around truthfulness, compassion, and tolerance, have faced brutal persecution in China since 1999. The U.S.-based Falun Dafa Information Center estimates that millions have been detained and hundreds of thousands tortured. Disturbing evidence has continued to surface about the regime's state-sanctioned practice of killing adherents and selling their organs for transplant surgery. As a symbolic stance to commend Falun Gong practitioners' "uncompromising courage" and condemn "any government-sanctioned persecution" against them, the resolution passed unanimously through the state's judiciary committee on Aug. 29, 2017, but was blocked just two days later, after an unsigned letter from the Chinese Consulate reached every member of the state Senate. The U.S. House of Representatives, along with multiple state legislatures such as Minnesota, Arizona, Missouri, Illinois, and Colorado, have passed similar resolutions. Framing the bill as "anti-China" and "anti-human," the consulate letter claimed that it "may deeply damage the cooperative relations between the State of California and China and seriously hurt

the feeling of Chinese people." Anderson called the letter "stunning." "It was very forceful. It told them that people would be held accountable who moved forward with it," he said. A "phone chase" ensued, whereby the consulate called up senators to make sure they saw the letter, according to Anderson. Days later, the then-senator denounced the threats at a rally in front of the Chinese Consulate. He also made persistent attempts to bring the resolution to a floor vote—at least 18 times during the last week of the senate session—in the hopes that "people would come around to their senses." At one point during a speech on the Senate floor, he called on his colleagues to look around the gallery, which was seated with victims and relatives who fled China due to the persecution, and appealed to them to "look in their faces." "It was a chilling moment," he said. "I just thought, for people who say they care about stopping atrocities, standing up for innocent lives, for always being for the underdog, I was deeply disappointed."

That one letter ... had such a chilling effect on my colleagues ... Why is it so important to them not to offend [China], and put a blind eye to atrocities?

Joel Anderson, former California state senator

To think that California or any U.S. legislator would be influenced or intimidated by the Chinese government is scary. We should feel confident in our own country to call out atrocities when we see them." He further pointed to the hypocrisy of politicians who were "quick to call people out" for not being "woke" on social justice issues, but refrained from speaking up in the face of such atrocities. An email inquiry to Kevin de León, then-president pro tempore for the California state Senate and now a Democratic member-elect of the Los Angeles City Council, wasn't immediately returned. Anderson, who hadn't had a chance to speak with de León over the issue, had learned from several senators new to the legislature at the time that they were "acting on orders from leadership to vote against it," he said. "They felt pressured. They weren't sure what was expected of them. And they weren't confident enough to be their own person," he said. "In hindsight, I know that they have regrets." The regime has blacklisted Anderson and called him a "terrorist" over a letter he drafted to Chinese officials in 2008, urging the release of a San Diego Falun Gong practitioner detained in China. Anderson, however, vowed to continue advocating for China's human rights whenever possible. "This is a tipping point in history," he said. "People of good nature ... have to stand for those being persecuted. Otherwise, this world is going to fail."



An exterior view of China Evergrande Centre in Hong Kong, China, on March 26, 2018.

ANALYSIS

China Evergrande: A Canary in the Coal Mine?

FAN YU

China Evergrande, mainland China's largest property developer by sales volume, has been under pressure lately from investors dumping its stocks and bonds on fears that the company—a bellwether for China's real estate sector—is in dire financial straits.

The developer is highly indebted, and its ongoing troubles could signal upcoming pain for other highly levered Chinese companies as the world's No. 2 economy suffers from a prolonged economic growth slowdown.

Evergrande's woes—its common stock fell 9.5 percent and the price of its \$1.2 billion offshore bond due June 28, 2021, dropped 4.1 percent to \$87.51—on Sept. 25 were the result of a document leaked on Chinese social media a day earlier allegedly sent by Evergrande Group to the Guangdong provincial government. It warned that the developer is in a cash crunch and could be a systemic risk to China's financial system if the government does not back a previously proposed company restructuring. It owes around 130 billion yuan (\$19 billion) to various strategic investors it must repay by early 2021.

Shares of Evergrande subsidiaries Evergrande New Energy Vehicle Group Ltd. and HengTen Networks Group Ltd. also dropped by more than double digits. And two onshore bonds issued by subsidiary Evergrande Real Estate Group were suspended from trading in Shanghai after they declined almost 30 percent on Sept. 25.

In response, Evergrande has called the document a fabrication and defamation, according to its own letter sent to the Hong Kong Stock Exchange where the company's shares trade.

Massive Debt Accumulated via Expansion

Foreign investors are closely watching how Evergrande's financial situation evolves. Its offshore dollar-denominated bonds—paying annual interest up to 10 percent—are widely held by yield-starved institutional investors in the United States.

The investment thesis on Evergrande was dependent on China's recent economic growth and population migration patterns. More than 10 million Chinese move from rural

The developer is highly indebted, and its ongoing troubles could signal upcoming pain for other highly levered Chinese companies as the world's No. 2 economy suffers from a prolonged economic growth slowdown.

to urban areas every year, and for a young person homeownership is often a "requirement" to live a decent life.

"It's hard for Westerners to understand that a 26-year-old [Chinese] man has to own a place if he wants to get a wife," Teresa Kong, lead manager of the Matthews Asia Credit Opportunities fund, told Barron's earlier this year. "Household thrift leaves a large supply of buyers with the 30% to 40% down payment typically required. Most apartments are sold a year before they are built, reducing risk for developers."

Evergrande may be "too big to fail" as one of China's biggest developers—the importance of the country's real estate sector to its survival cannot be overstated—but its massive debt load and recent moves suggest that allegations in the leaked letter may be true.

The company has been on a spending spree for years, buying up disparate assets such as soccer clubs, land, and farms. Its far-reaching footprint raises questions about its business model and focus. For example, Evergrande recently created China Evergrande New Vehicle Group by renaming an existing healthcare company subsidiary to jump into the electric vehicle boom.

Earlier this month, Evergrande kicked off a sales promotion with a 30 percent discount on all real estate nationwide, to increase sales and raise cash to meet its target of cutting its debt load.

Evergrande was one of a dozen property developers summoned to a meeting by Beijing authorities on Aug. 20 to brief them on a new policy to limit real estate companies from taking on additional debt.

Regulators announced a "three red lines" policy setting limits on bank borrowings by developers: a 70 percent ceiling on debt-to-asset ratio (excluding presales), a 100 percent limit on net debt-to-equity ratio, and cash holdings cannot be lower than short-term debt.

Companies breaching all three red lines would be barred from issuing more debt. And as of June 30, Evergrande has breached all three, according to data gathered by Bloomberg.

Evergrande has more than 835 billion yuan (\$117 billion) of short and long-term debt on its balance sheet. With an average cost of nearly 9 percent in interest, it must shell out around 75 billion yuan in interest

payments each year. And those figures don't include off-balance-sheet financing such as asset-backed securities.

Indebted Chinese Companies

In general, China's corporate debt has expanded exponentially in recent years. As of the end of 2019, it was 120 percent of GDP estimated by Macquarie Group, which is more than twice the level of the same U.S. metric. As a result of the CCP virus, debt growth is likely to increase.

Corporate defaults had already surged to a record high in 2019, pre-pandemic. Most of that was yuan-denominated onshore bonds. Defaults on dollar-denominated bonds, which until last year were relatively safe with implicit state guarantees, hit \$4 billion as of June, a 150 percent increase from last year according to data from Bloomberg.

What about other property developers? Shares of Sunac Holdings fell 5.2 percent on Sept. 25, while Country Garden Holdings fell 3.9 percent. Their bonds also sold off. Sunac, like Evergrande, has breached the "three red lines." Country Garden is less levered relative to others but still has high ongoing debt service costs.

Macrolink Holding in March became the first Chinese property developer to default on its bonds as a result of the CCP virus.

Expanding debt load needs higher revenues to support and in a post-CCP virus environment, China's real estate sales have not kept up. Contracted sales during the first half of 2020 are down from 2019 due to the pandemic. While housing prices have held steady across tier 1 and tier 2 cities compared to 2019, that trend is unlikely to last.

With new leverage limit placed on property developers, real estate companies will look to increase discounting in order to accelerate sales to raise the needed cash. Increasing sales at the expense of margins is a dangerous game, but property developers have few alternatives.

Built but unsold homes increased to 480 million square meters (5.16 billion square feet) across 100 mainland cities at the end of July, according to a Sept. 2 South China Morning Post report. That amounted to the highest level of housing inventory since November 2019.

If these trends persist into the end of the year, the Chinese real estate market is in for a reckoning.

PROPAGANDA

How Beijing Grooms Teachers to Spread Propaganda Through Confucius Institutes

SHARON HSU

"Tell your students about China's high-speed railway. Describe to them how fast, convenient, and advanced it is."

"Don't discuss Taiwan and Tibet with your students. If they ask, say there is only one China, and Taiwan is part of China. If they ask more, try to change the subject."

These were some of the things that former teachers Mike Chen and Sonia Zhao say they were told in training sessions in China before they were sent to teach Mandarin at one of the hundreds of Confucius Institutes (CIs) that the Chinese Communist Party (CCP) has set up internationally.

"We were told of this noble mission of reviving China on the world stage, and we were made to feel it was our calling to spread the Chinese culture and promote the positive images of China to the external world," said Chen (a pseudonym), who spoke to The Epoch Times on condition of anonymity.

Don't discuss Taiwan and Tibet with your students. If they ask, say there is only one China, and Taiwan is part of China. If they ask more, try to change the subject.

What the Confucius Institute teachers were told during training

CIs are marketed to universities as academic centers for learning Chinese language and culture. As Beijing provides a significant portion of the funding and pays the salaries of teaching staff, CIs have quickly established a presence on the campuses of more than 540 universities in more than 100 countries since the program began in 2004, according to figures released by Hanban, the government agency affiliated with the Ministry of Education that oversees the CI program.

In the UK, there are about 30 CIs, the highest number in Europe, and second only in the world after the United States.

In recent years, however, particularly in the wake of the CCP virus pandemic, the CI program has faced serious backlash in several Western countries for alleged efforts to undermine academic freedom while advancing the authoritarian regime's agenda and global influence.

Countries including Australia, the United States, Germany, and Sweden have ramped up efforts to close CIs and also Confucius Classrooms, which are CI offshoots found in primary and secondary schools.

Trained to Promote the CCP

All language instructors hired by CIs are mandated to spend six to eight weeks at an all-expenses-paid residential training camp in China, where attendees learn how to promote a positive image of China, Chen said.

Prior to the coaching sessions, Chen and other attendees were taken to visit some of China's renowned tourist sites, such as the Great Wall of China, as well as historical sites and museums that displayed China's "glorious" history and achievements of the Chinese Communist Party (CCP) over the past few decades. These events weren't meant to be ice-breaker trips for the trainees, but to instill in them a sense of nationalism and loyalty to the Party, he said.

"Most of us were young, many fresh out of university. With all expenses paid for including the sightseeing, and with the prospect of working abroad with a dream salary, we were all in a great mood, and happily took in everything we were told," Chen said.

"The activities, the settings, and discussion invoked a strong sense of pride in us that China was turning into the greatest country on earth."

Chen marveled at how many renowned lecturers and professors were brought in to coach them.

"I only knew their names from textbooks previously," he said.

Zhao, who attended a different CI training camp in China as a new university graduate, shared a similar experience in 2011 after leaving her job at a CI in Canada. The Epoch Times reported at the time.

According to Zhao, during their training, they were taught that if a student insists on asking a question, the teachers must toe the CCP line on the issue, such as: Taiwan is part of China, and Tibet has been "liber-

ated" by the regime.

Once established, CIs became platforms for further spreading the CCP's narrative.

The Falun Gong spiritual practice, the Tiananmen Square Massacre, and the origins of the Korean War are among many other topics considered taboo by the Chinese regime.

'Correct' Political Orientation Ensured Chen, like all other coaching participants, was put through a vetting process to ensure his political orientation was aligned with the regime.

Every applicant for a teaching position is required to submit at least one reference from his or her university or current employer, he said.

"If you do not hold the correct thinking by their standards, your application will not be accepted," Chen said.

In a template reference letter obtained by The Epoch Times that was issued by Xiamen University, an assessment of the applicant's "political thought" is listed as the first recommended item to include on the form, ahead of "teaching ability" and "physical and mental health."

Furthermore, two signoffs are required, with the first-level approval coming from the branch head of the CCP where the applicant is currently studying or working. All state-backed or large enterprises, including schools in China, have a Communist Party presence built into their organizations to ensure political adherence.

Xiamen University is one of the main partner universities working for Hanban to train and recruit teaching staff for 15 Confucius Institutes and 46 Confucius Classrooms. In the UK, Xiamen is the partner university of CIs at Newcastle University, Cardiff University, and the University of Southampton.

Zhao also went through the highly politicized and discriminatory hiring process.

Before her assignment to teach Mandarin at a CI at McMaster University in Canada, Zhao had to sign a contract stipulating that staff members can't do anything that isn't to the liking of the CCP, and explicitly stating that they can't practice Falun Gong.

Zhao and her mother had been quietly practicing Falun Gong, a spiritual group persecuted in China since 1999. Because of the fear of being arrested and detained, as her mother had been, she concealed her faith and signed the contract against her conscience.

In 2011, Zhao informed McMaster of the CI's discriminatory hiring practice and

filed a complaint with the Human Rights Tribunal. After failing to get Hanban to remove the discriminatory requirements, the university decided to close the CI in 2013.

More recently, direct references to dissident groups such as Falun Gong and Free Tibet have been removed from contracts, Chen says, possibly due to increasing international scrutiny. Instead, there are now more generic clauses prohibiting CI teachers from attending "events not approved by the Institute."

"We all understand what that means," Chen said. He doesn't believe the different wording reflects a change in attitude.

"The requirement of a reference letter which shows your 'political character' is still in place," Chen said.

Heavy-Handed Investment

While officially under the Ministry of Education, Hanban's governing council is chaired by Sun Chunlan, a vice premier and member of the powerful Politburo. From 2014 to 2017, Sun led the United Front Work Department, which runs a massive influence operation inside and outside of China, reporting directly to the Party's Central Committee.

Unlike other language and cultural centers, such as the British Council or Alliance Française, CIs are integrated into their host universities, making it much easier and more efficient to influence academic discourse on campus.

Beijing spends hundreds of millions of U.S. dollars every year to maintain the CIs and build more.

According to The Economist, Beijing provides \$100,000 to \$200,000 a year to each CI, on top of paid-for instructors and sponsored events. Hanban annual reports showed that five years after starting the project, in 2009 its annual spending reached a staggering \$170 million. That shot up to \$278 million in 2013, and its 2016 budget was more than \$310 million. From 2006 to 2016, the Chinese regime spent over \$2 billion on CIs.

CI teachers are paid exceptionally well by Chinese standards.

A public recruitment announcement for CI teaching positions showed that the lowest pay starts at \$1,500 a month for a teaching assistant position, plus an annual bonus and various perks such as subsidies for relocation, commuting, and flat rental.

According to Chen, the entry-level pay at a CI for someone with limited or no experience is similar to the level of income of an associate professor in China, who would

hold a doctoral degree and have up to 10 years of experience teaching undergraduate courses.

Beijing's spending to support overseas propaganda activities not only raised many eyebrows and invited suspicion from the West, but also caused dismay among many Chinese, as they believed the needs of domestic, often impoverished, students were being ignored, according to a 2014 Foreign Policy article.

The Falun Gong spiritual practice, the Tiananmen Square Massacre, and the origins of the Korean War are among many other topics considered taboo by the Chinese regime.

"The government has gone abroad with a fist full of cash to open schools, to the point where even Americans can't stand it," one Chinese blogger wrote.

Closures and Reviews

Since McMaster University closed its CI in 2013, more than 50 other universities in Canada, the United States, Australia, Germany, France, Sweden, The Netherlands, Belgium, and Denmark have severed their ties with the program.

The United States recently took an additional step. Last month, the State Department classified the Washington-based nonprofit Confucius Institute U.S. Center as a foreign mission of China to reflect that it's "an entity advancing Beijing's global propaganda and malign influence campaign on U.S. campuses and K-12 classrooms."

By designating it as a foreign mission, the Trump administration aims to ensure that "universities, again, take a hard look at what those institutes are doing on their campuses and then decide for themselves if this is something that supports and advances academic freedom and our democratic values or not," Assistant Secretary for East Asian and Pacific Affairs David Stilwell said in a teleconference briefing in August.

In a February 2019 report, the UK's Conservative Party Human Rights Commission recommended the British government urgently review all existing agreements between British universities and CIs and the suspension of further partnerships until such a review is completed.

LIU JIN/AFP VIA GETTY IMAGES



A man walks behind a statue of Confucius at the Confucius Temple in Beijing on Sept. 28, 2010.

NTD TELEVISION

INDEPENDENT, UNBIASED NEWS



WATCH ON

**158**

NTD.COM

 @NEWS_NTD
 @NTDTELEVISION



HOW WILL YOU HANDLE QUARANTINE AND BANK FAILURE - ARE YOUR ACCOUNTS PREPARED?



CALL NOW (833) BANK-411

TO LEARN HOW A PHYSICAL GOLD-BACKED BANK ACCOUNT COULD PROTECT YOUR SAVINGS!

AS SEEN ON



WWW.GSI.GOLD