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Jack Ma, the founder of Alibaba Group, at the 40th Anniversary of Reform and Opening Up at The Great Hall Of The People in Beijing on Dec. 18, 2018.

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THE FALLOUT FROM ANT'S FAILED IPO

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See Page **2**

OPINION The Fallout From Ant Group's Collapsed IPO



The logo of Ant Group at the headquarters of the company in Hangzhou city, Zhejiang Province, China, on Oct. 29, 2020.

FAN YU

nt Group, China's shiniest fintech star, was all set to raise a record-setting \$37 billion in an initial public offering before everything disintegrated in a matter of days.

Ant's IPO blowup shocked all involved parties, except perhaps those within the highest echelons of the Chinese Communist Party (CCP). From the wreckage of Ant's share sale, we can draw a few conclusions about the CCP's current regulatory regime, the investment environment going forward, and what's next for the company and its advisers.

The fintech giant's IPO was supposed to debut in Shanghai and Hong Kong on Nov. 5. Jack Ma, Ant's founder and former Alibaba founder and executive, and a few executives were summoned by regulators to Beijing on Nov. 2. A day later, the IPO was called off by Chinese regulators.

So what had happened? Most China watchers say the CCP was angered by Ma when he decided to launch a stinging attack on Beijing regulators at a financial conference the previous week in Shanghai. Ma accused China's financial regulatory system of being antiquated and stifling innovation, with many regulators in attendance.

Ma also said traditional banks many are government-owned—held a "pawn shop" mentality, for requiring collateral from borrowers instead of using big data and artificial intelligence to assess risk, which Ant does with its proprietary technology.

Those blunt words from Mastunned Chinese regulators and CCP officials. The CCP brass set out to rein in Ma and, acting with shocking speed, scuttled Ant's IPO.

Shortly following Ma's apparent criticism, Beijing put out a few opeds from scholars warning technology companies against excessive risk-taking. Regulators increased scrutiny over Ant's business model. According to Reuters, regulators for years had been looking to rein Ant in due to its disruption of the traditional banking business model, and with sign-off from Vice Premier Liu He, the regulators finally had the green light to cut Ant down to size.

On Nov. 2, Ma and several Ant executives were summoned to Beijing to meet with the central bank and two other key regulatory bodies. The very next day, revised regulatory rules governing micro-lending businesses Those investment banks and others managing this IPO seem to have been blinded by the big fees and forgotten about the capriciousness of the Chinese **Communist Party** and the special risks inherent in dealing with an authoritarian

Roger W. Robinson Jr., president and CEO, Washington DC-based research and risk consultancy RWR Advisory Group

police state.



Jack Ma, the founder of the Alibaba Group, speaks at the company's 20th-anniversary celebration in Hangzhou in eastern China's Zhejiang Province, on Sept. 10, 2019.

were released, rendering Ant's existing business model potentially in violation of the laws. Shanghai immediately pulled Ant's pending IPO listing; Hong Kong shortly followed suit. The largest IPO in history disintegrated in less than a week.

Back to the Drawing Board

The draft rules released Nov. 3 require micro-lenders such as Ant to put up at least 30 percent of any loan they originate jointly with banks. According to Ant's IPO prospectus, only balance sheet.

The new rules could force a rethink of Ant's entire business model. Facilitating loans is roughly 40 percent of its existing business, and currently, it acts as a middleman to match borrowers against traditional banks. It could take months, if not years, for Ant to alter its business model and come back to the market. And if Ant has to utilize its own balance sheet, it dramatically changes the company's revenue and earnings profile, potentially costing Ma and other investors billions of dollars in valuation.

Some insiders within Ant hoped that there could be changes to the draft regulations, including requirements on funding, according to Reuters. They are betting that the line wouldn't be tolerated. And that once this sinks in among all stakeholders, the IPO would be allowed to continue.

Proving Ma's Point

Beijing's actions this month have differed from their usual playbook. Regulators in the past would have left Ma alone, given his wealth, his entrepreneurs, and his close ties to CCP officials.

Not this time. Ma's Oct. 24 speech was apparently a bridge too far. And the subsequent move by Beijing underscored perhaps a shift in the government's changing priorities. Tightening financial regulations and de-risking China's sprawling financial sector—in light of a global pandemic—may be paramount to CCP authorities.

But decisions like this also underscore how capricious Beijing regulators can be and that China's capital markets still don't belong in the big *not necessarily reflect the views of*

leagues. What global investors value

above all are predictability and consistency.

Regulators have been investigating online micro-lenders for years, and rightfully so. They don't require the same collateral as banks, and it's correct to argue that they should. However, the suddenness and the heavy-handedness of the regulatory action-just two days before Ant's much-anticipated IPOproves that China's regulatory regime is still immature.

Investors had already committed \$34 billion to the IPO, and bankers 2 percent of its existing loans as of were in the process of collecting June 2020 were funded from its own those funds. Now, the banks must return the cash to the subscribers. No investor lost money, but this type of pivot is awkward and unheard of.

What else can go wrong beyond Ant's IPO? China's offshore dollar bond market's so-called "keepwell clause," which implicitly guarantees repayment in the event of default. It's technically illegal, but mainland Chinese courts have ruled both in favor and against the enforcement of this clause in separate cases. Foreign investors shouldn't depend on consistent application of this agreement going forward.

Ant's bankers, including Citigroup, JPMorgan Chase, Morgan Stanley, and China International Capital Corp., were set to have a massive windfall with hundreds of millions of dollars CCP merely wanted some theater in potential fees. Ant was estimated to show Ma and Ant who's the boss to pay up to 1 percent of the proceeds and that any dissent from the Party in total fees, according to regulatory filings. But the halted IPO wiped out their paydays, and it's unclear whether the banks would be paid a nominal fee for the work they've performed leading up to the IPO.

"Those investment banks and others managing this IPO seem to have been blinded by the big fees and forgotten about the capriciousness of the Chinese Communist Party and stature as one of China's foremost the special risks inherent in dealing with an authoritarian police state," said Roger W. Robinson Jr., the president and CEO of Washington-based research and risk consultancy RWR Advisory Group. "Those that think of China as just another country do so at their peril."

> Investors should be warned that any law can be broken or altered at will by the CCP. And it can happen without warning. It even happened to Jack Ma, China's richest man.

Views expressed in this article are the opinions of the author and do The Epoch Times.



Then-Vice President Joe Biden and Chinese leader Xi Jinping toast during a State Luncheon for China hosted by U.S. Secretary of State John Kerry at the Department of State in Washington on Sept. 25, 2015.

ANALYSIS

Beijing, Wall Street Could Deepen Ties Under Potential Biden Presidency

EMEL AKAN

ASHINGTON—Wall Street has thrived under President Donald Trump even as many of its donors favored his Democratic challenger Joe Biden in the 2020 election. One reason for the preference for Biden might be discomfort with Trump's China policies.

While the outcome of the U.S. presidential race is still unclear pending some legal challenges and recounts, a Biden win could be a boon for Wall Street. The investment banking industry has been lobbying the Trump administration to dial down tensions with Beijing.

During this election cycle, Wall Street contributed more than \$70 million to Biden's political campaign, much more than Trump received from hedge funds and investment banks, according to CNBC. That's also more than Barack Obama collected from Wall Street in his two presidential runs combined.

Since Democrats raised a substantial amount of money from the sector, "that means to me they're making deals," Trump told reporters on Nov. 3 at his campaign headquarters in Virginia.

"What I didn't do is call up Wall Street and say, send me \$25 million ... to the head of every firm. I could have done that. I would have been the all-time king of fundraising if I did that. But once you do that, you can no longer deal properly with them. You just can't," he said.

For more than a decade, Chinese companies have taken advantage of U.S. capital markets while operating under lax standards. Regulators in Beijing have refused to allow audit inspections of its U.S.-listed companies on the grounds of national security and state secrecy.

In 2013, during the Obama-Biden administration, a U.S. regulator, the Public Company Accounting Oversight Board, signed a memorandum of understanding (MOU) with Chinese regulators. The MOU gave Chinese companies improved access to U.S. capital markets without complying with the same disclosure rules required of U.S. companies.

The concession was part of then-Vice President Biden's active involvement in strengthening the United States' commercial ties with China. Transcripts from the Obama administration's archives show that the agreement was reached after Chinese leaders held multiple meetings with

Most Wall Street folks don't quite agree with Trump's policy to ratchet up tensions with China. They think that China may be bad for some sectors like industrial or technology but not for Wall Street.

Senior executive at an investment management firm in New York

Beijing is clearly concerned about China's large-scale fundraising in the U.S. capital markets, which is becoming increasingly scrutinized, worrisome, and conditional.

Roger Robinson, president and CEO of Washington-based research and risk consultancy RWR Advisory Group

article published in May.

As a result of this concession, U.S. investors, through their pension funds, have been unknowingly transferring wealth from the United States to Chinese entities that don't comply with U.S. standards. Some of these companies are sanctioned by the U.S. government even as they're involved in the Chinese Communist Party's military, espionage, and human rights abuses.

companies listed on U.S. exchanges, with a total market valuation of \$2.2 trillion, according to the U.S.-China Economic and Security Review Commission.

American investment banks have a vested interest in fundraising for Chinese companies in U.S. capital markets because they earn substantial fees from these entities.

Crackdown on Chinese Companies

The Trump administration took several actions this year to curb money flowing from U.S. federal pension funds into Chinese stocks. The White House also released a plan that would require all listed companies, including Chinese, to come into compliance with U.S. standards by Jan. 1, 2022.

It's unclear whether a Biden administration could reverse all the measures taken by Trump, given China's plummeting popularity in the United States.

A rising number of Chinese companies are already considering delisting from U.S. stock exchanges because of the increased crackdown by Washington.

Thousands of Chinese companies that aren't listed on the U.S. exchanges but have access to the U.S. financial markets through global index providers are also concerned about increased scrutiny. A dominant index provider, MSCI, last year substantially increased the weighting of Chinese shares in its global leading billions of dollars to flow into Chinese shares.

Many index funds and mutual funds own China-based stocks as they benchmark against MSCI indexes.

Concern over how U.S. pension and retirement funds are funding the rise of China's totalitarian regime have prompted many U.S. lawmakers to call for greater oversight of investments in Chinese stocks. Most recently, Sens. sectors like industrial or technology

Biden, according to a Just the News (R-Ind.) introduced legislation that would prohibit U.S. investment funds from investing in Chinese companies that are placed on the U.S. Commerce Department's trade blacklist or Pentagon's list of communist Chinese military companies.

"Beijing is clearly concerned about China's large-scale fundraising in the U.S. capital markets, which is becoming increasingly scrutinized, worrisome, and conditional," Roger Robinson, president and CEO of As of Oct. 2, there were 217 Chinese Washington-based research and risk consultancy RWR Advisory Group told The Epoch Times.

That concern could have partially played a role in Ant Group's suspended initial public offering, he said.

"One can be sure that the Communist Party took note of the U.S. Cabinet-level attention and concern regarding Ant Group in the run-up to its IPO," he said, adding that there is currently talk within the Trump administration about "taking actions that have the effect of reinforcing the provisions of the Rubio legislation."

Last week, Chinese fintech giant Ant halted its record-setting \$37 billion IPO in Shanghai and Hong Kong less than 48 hours before its debut.

Major U.S. banks Citigroup, JPMorgan Chase, and Morgan Stanley were among the main underwriters of Ant's IPO. The listing was 872 times oversubscribed, underscoring strong demand for the company's shares.

Strong demand also was evident in the recent Chinese sovereign bond offering. Last month, Beijing attracted more than \$27.2 billion in orders for its \$6 billion bond, which was marketed directly to U.S.-based institutional investors. Chinese bonds have a relatively higher yield than almost any other country's bonds.

A senior executive at an investment management firm in New York, who asked not to be identified, said institutional investors still favor China because they're desperate for yield.

"The problem is, global central banks' policy of pushing rates down and emerging markets benchmarks, to zero or negative is really bad for institutional investors like pensions and insurance companies, who have to make a minimum yield. This is pushing them deeper into riskier asset classes like Chinese sovereigns," he said.

"Also, most Wall Street folks don't quite agree with Trump's policy to ratchet up tensions with China. They think that China may be bad for some Marco Rubio (R-Fla.) and Mike Braun but not for Wall Street."

HUMAN RIGHTS

Classified Document Reveals Beijing Ordered Eradication of Spiritual Group, Likely Evidence of Genocide: Lawyers

ALEX WU

he Epoch Times recently obtained a top secret state document issued 20 years ago, which confirms that the Chinese Communist Party (CCP) has been abusing the judicial system and manipulating the country's security apparatus to commit genocide against Falun Gong adherents. The publication also interviewed two Chinese lawyers who believe the persecution has no legal basis.

Falun Gong, also known as Falun Dafa, is a spiritual meditation practice that focuses on the universal values of truthfulness, compassion, and tolerance. Former CCP leader Jiang Zemin launched a persecution campaign against Falun Gong in July 1999 that still continues to this day. Falun Gong practitioners have been illegally detained, tortured, and murdered. The CCP's state media and textbooks have also published propaganda vilifying the spiritual group as a dangerous "cult."

The CCP's systematic persecution of the practice and forced organ harvesting from Falun Gong practitioners have been documented and condemned by international organizations and foreign governments.

The leaked document, classified as "top secret," was obtained by The Epoch Times from a trusted source. It is a judicial opinion issued on Nov. 30, 2000 by the CCP's Supreme Court, the Supreme Procuratorate, Ministry of Public Security, Ministry of State Security, and Ministry of Justice. It was printed and distributed by The First Secretary of the General Office of the Supreme Court.

Titled "Opinions on Severely Cracking Down on the Illegal and Criminal Activities of the Falun Gong Heretical Organization by Law," states that the "political and legal departments at all levels must resolutely implement" Jiang Zemin's "important instructions to eradicate Falun Gong."

It listed the names of Falun Gong practitioners, the criminal charges affixed to various Falun Gong activities, and the degrees of punishment.

For example, the document defines the activity of compiling, printing, and disseminating Falun Gong materials as "inciting subversion of state power," citing the second paragraph of Article 105 of China's Criminal Law (criminal code).

The charge of "defamation of Party and state leaders" applies to those who speak against the persecution, expose Falun Gong practitioners' arbitrary arrest and inhumane treatment (e.g. beatings, forced labor, and brainwashing sessions at detention centers), and file lawsuits against authorities to hold them accountable for any harm done by the persecution. The person would be "convicted and punished according to Article 246 of the Criminal Law," the document stated.

The document also claimed that the CCP's handling of cases involving Falun Gong was "political, legal, and policy-oriented" and required "political and legal departments at all levels to cooperate closely under the unified leadership of the Party central committee."

Falun Gong Persecution

Has No Legal Basis: Lawyers The Epoch Times spoke with two Chinese lawyers to get their expert opinion on the legality of the judicial opinion.

Liu Ping (alias) has defended many Falun Gong practitioners in mainland Chinese courts over the years. He said that although he had seen similar documents in the past, he was still shocked by the strong language targeting Falun Gong. "This is a war launched by the CCP against the Falun Gong community using state judicial power!" he said.

Liu further added that because the document shows that the regime mobilized its entire security apparatus to target Falun Gong, it is evidence that the CCP has committed genocide.

The International Criminal Court defines genocide as: "the specific intent to destroy in whole or in part a national, ethnic, racial or religious group by...causing serious bodily or mental harm to members of the group; [or] deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part."

Chen Jiangang, a lawyer from mainland China who is currently living in the United



Police detain a Falun Gong protester in Tiananmen Square as a crowd watches in Beijing in this Oct. 1, 2000 photo.

States, had also represented many Falun Jiang Zemin's personal will. In this docu-

Gong adherents when he was in China. According to Liu's analysis, the publication of this document by the five security-related departments is inherently illegal because they do not have the power to issue policies.

Chen said that the document is a "law enforcement opinion," which is akin to the Party's opinion. The document itself is not law, nor does it conform to the nature of judicial interpretation, he said.

"It is itself illegal from a legal perspective, and the document does not have any legal features or legal validity," he said.

to identify "Falun Gong" as a "heretical organization." During the years that he defended Falun Gong practitioners, Chen had raised this point in court. And no prosecutor, judge, or police officer could ever provide a legal basis for defining Falun Gong as such an organization, he said.

'Top Secret' Document Is Illegal

Liu emphasized that the illegality of this document is that it is highly confidential and was not publicly announced. "Documents of a legal nature must be

publicly announced before they can take effect. The CCP concocts a secret 'law', so how can people comply with it? Therefore, this kind of 'law' is a shady means of persecution and shows its illegitimacy."

Liu said that political and legal departments at all levels in China have likely internally quoted and relayed this secret judicial document.

Liu revealed that according to Article 15 of the CCP's "Confidentiality Law," the confidentiality period of top secret documents does not exceed 30 years, so this document still has a ten-year confidentiality period. Now that it is exposed, it is "proof of genocide" committed by the CCP, he said.

Chen also commented on its classification: "It is a top secret document, which shows that the five departments that issued it are engaged in illegal and criminal activities that they don't want people to know about."

Political Campaign

to Persecute Falun Gong Chen pointed out that the wording and language of the document is reminiscent of Cultural Revolution-era terminology. Terms like "reactionary" and "strike" that appear throughout the document indicate that this is a political persecution against Falun Gong, he said. The Cultural Revolution (1966-1976) was a violent nationwide campaign launched by former leader Mao Zedong to crack down on "anti-revolution-

aries" and led to numerous deaths. "In both the issuance of this document and the persecution of Falun Gong that began in 1999, what is implemented is not the law, but

ment, the most frequently used keywords are 'suppress' and 'crackdown.' These words embody lawlessness," Chen said.

The phrase "raising awareness and unifying law enforcement thoughts" also shows that "this judicial document is to solely implement Jiang Zemin's individual will, which is the illegal persecution of Falun Gong launched by Jiang using the CCP system," Chen emphasized.

Article 300 of the Criminal Law

The document uses Article 300 of the Chen pointed out that even the CCP re- Criminal Law—"using a heretical organi gime itself has not promulgated any law zation to undermine the implementation of law"-to justify the persecution of Falun Gong practitioners. It is the most common criminal charge that Chinese law enforcement authorities have used to prosecute Falun Gong practitioners.

Chen pointed out that in accordance with Article 300, there are at least four conditions that need to be met in order for practicing Falun Gong to constitute a crime.

1. The parties "use" an organization to "undermine" the law. Falun Gong practitioners do not engage in activities that meet this criteria and have nothing to do with "using any organization," Chen said. 2. The group is a "heretical organization." However, the CCP has never had any legal

basis to identify Falun Gong as such. 3. The group is an organization that has fixed personnel and a clear division of labor. But in the case of Falun Gong, there is no organization or membership.

4. The relevant national laws and administrative regulations that were violated must be identified and confirmed. The CCP says Falun Gong adherents are not allowed to practice at home or produce Falun Gongrelated materials, but it cannot point out which national law or administrative regulation has been violated by these actions.

Chen said because none of these criteria are met, the CCP's claim of "lawful" persecution of Falun Gong is based on an incorrect interpretation of the law.

Chen added that in order to determine a crime, there must be a law to define illegal and criminal activity, and the defendant's behavior must be harmful to society. He said the Falun Gong practitioners he has met are peaceful and law-abiding.

"The more [Falun Gong] cases I handle, the more I understand the cruelty and the lawlessness of the CCP," he said.

"The CCP violates its own laws. It is the CCP's public security, procuratorate, and police that really impede and damage the implementation of law ... They have faithfully carried out the instructions in this [classified] document ... and brutally persecuted Falun Gong."

Epoch Times staff members Hong Ning and He Jian contributed to this report.



Liu Ping (alias), Chinese rights lawyer



国家安全厅(局),司法厅(局);

今年以来,特别是国庆期间,法轮功邪数组织的破坏活 动出现了新的情况和特点。法轮功邪数组织已经沦为境外 放对努力利用的政治工具,规变为反动的政治组织和政治 告力。为了依法产历打击法轮功郑载组织的违法犯罪活动, 把他们的紧张气焰打下去,维护社会政治稳定,提出如下意

Classified document titled, "Opinions on Severely Cracking Down on the Illegal and Criminal Activities of the Falun Gong Heretical Organization by Law," issued on Nov. 30, 2000, by five CCP departments. MARK FELIX/AFP VIA GETTY IMAGES

SURVEILLANCE

Chinese Regime Keeps Close Tabs on Overseas Scholars, Leaked Document Shows



People attempt to talk to someone at the Chinese consulate in Houston on July 22, 2020.

EVA FU

s the United States ramps up its efforts to curb Chinese infiltration on U.S. campuses, a leaked document sheds light on the amount of control the Chinese regime exercises over its scholars who study abroad. The document, obtained by The Epoch Times from a trusted source, concerns a professor from Yunnan Province in southwestern China, who requested that authorities allow an extension of her stay in the United States for two plant biology research programs at New York's Cornell University—with the expectation that she report regularly to the local Chinese consulate.

The person's name has been with held to protect her privacy.

About 370,000 Chinese students and researchers were studying in the United States as of January, out of a total of roughly 1.1 million foreign students, according to U.S. government data. Around 130,000 of these students are in the STEM (science, tech, engineering, mathematics) fields at the graduate or postdoctoral level.

The professor, who teaches at the College of Agronomy and Biotechnology at Yunnan Agricultural University, received funding in August 2018 from the China Scholarship Council (CSC) through a "special Western region talent development program," which sponsors hundreds of Chinese researchers and scholars to study abroad.

The CSC is a government-controlled agency directly under the Ministry of Education. One of the qualifications for CSC scholarship recipients is to "support leadership of the Chinese Communist Party.

Under the professor's contract with the CSC, funding would last through January 2021. But she

Once they arrive, they Chinesesponsored researchers would need to register with the local consulate and periodically undergo political study at the consulate about [Party leader] Xi Jinping's speech and the Party's policies.

Chen Yonglin, former Chinese diplomat who defected to Australia in 2005

wished to stay for an additional year in the United States, citing stalled lab research progress as a result of the ongoing pandemic.

She promised to "strictly follow relevant regulations and regularly submit quarterly reports on research progress to the consulate," in a letter dated Sept. 29 from her university to Yunnan's education bureau. Such arrangements, the university stated, would allow her further academic engagement at Cornell and "lay a good foundation" for research collaboration between the two sides.

It's unclear whether Yunnan authorities approved the request. Cornell University didn't immediately respond to a request by The Epoch Times for comment.

Commenting on the letter, Chen Yonglin, a diplomat-turned-whistleblower formerly stationed at the Chinese consulate in Sydney, said that Chinese-sponsored researchers are under the Chinese consulates' control and "came overseas with tasks at hand." Since defecting in 2005, Chen has exposed the Chinese regime's infiltration tactics in the West.

"Once they arrive, they would need to register with the local consulate and periodically undergo political study at the consulate about [Party leader] Xi Jinping's speeches and the Party's policies," he said in an interview.

Through the short-term scholar programs, the researchers gain easy access to advanced technologies, and their function is to "steal when the occasion allows," said Chen.

"They are basically informants, agents of the Chinese Communist Party," he said.

The CSC grant covers virtually all expenses during the program, including flights, lodging, transportation, phone bills, and social

activities. Those who travel abroad on government funds must sign a contract with the CSC.

The scholars must pay back the full amount of the grant plus additional fines if they breach the contract, such as by behaving in ways that "harm the national interests and national image," or engaging in activities unrelated to academic studies that create "negative impact," a 2018 CSC handbook stated.

As part of the agreement, scholars also must return to China upon completing the program for two years of mandatory "service." A number of recent espionage cases prosecuted by U.S. authorities involve researchers funded by the CSC.

Wang Xin, a Chinese military officer who hid his ties with the Chinese military, was tasked to "observe the layout of the UCSF [University of California-San Francisco] lab" where he was studying, and replicate it in China, according to prosecutors. Hu Haizhou, a CSC-sponsored University of Virginia researcher, was charged with stealing advanced "bio-inspired" computer code.

Amid souring U.S.-China relations, the University of North Texas recently terminated a CSC-funded program and told 15 visiting Chinese scholars on its campus to go home.

President Donald Trump in late May issued a proclamation to limit Beijing's ability to co-opt Chinese graduate students and visiting scholars by halting visa issuances for military-linked researchers, citing concerns of intellectual property theft. In implementing the proclamation, the State Department also revoked over 1,000 Chinese nationals' visas as of September.

Epoch Times staff member Luo Ya contributed to this report.

RELIGIOUS FREEDOM

CHIP SOMODEVILLA/GETTY IMAGES

Understand Tibet to Understand China, Tibetan President-in-Exile Says

VENUS UPADHAYAYA

EW DELHI—The world must understand the issue of Tibet to be able to understand what's happening in contemporary China, the president of the Central Tibetan Administration (CTA), also called the Tibetan Government-in-Exile, says.

"Unless you know Tibet, you won't fully understand China," Dr. Lobsang Sangay told The Epoch Times in an exclusive email interview from his base in Dharamshala, India, the seat of the CTA. "Study Tibet to fully understand what the Chinese Communist Party is really capable of."

Sangay attended a formal meeting at the U.S. State Department in a first-ofits-kind initiative in six decades on Oct. 15, immediately after the appointment of Robert A. Destro as the special coordinator for Tibetan issues. He said that he and Destro discussed the critical situation inside Tibet and also about the recent report about mass labor camps in Tibet.

"We also discussed the importance of renewing dialogue between the envoys of His Holiness [Dalai Lama] and the Chinese government. I urged the U.S. government and Special Coordinator Destro, to press China on it. We further discussed the swift passage of the Tibet Policy and Support Act 2019 at the Senate," he said while in quarantine in Dharamshala, which is 300 miles north of India's capital of New Delhi.

Sangay said he isn't surprised by the Chinese Communist Party (CCP) calling the meeting between Sangay and Destro a "move aimed at destabilizing Tibet."

"China should realize that Tibet has been and is destabilized because of its repressive policies. China should be able to see that a meaningful dialogue with the envoys of His Holiness, based on the Middle Way Approach [MWA], is the only way to resolve the Tibet issue," he said.

"China for the past six decades has failed to achieve stability and unity that it sought through its repressive policies. It has not achieved it in the past 60 **China or China Transforms Us'** the future unless the Tibet issue is re-Approach (MWA) has received bipartisan support in the U.S. Congress and Trump administration.



Lobsang Sangay, the president of the Tibetan government-in-exile, attends an event with the Dalai Lama at the Bender Arena on the campus of American University in Washington on June 13, 2016.

"Of late, China's growing economic might has forced many countries and leaders to pursue economic interests ahead of human rights and justice. However, past U.S. presidents since George Bush Sr. have hosted His Holiness the Dalai Lama, and prioritized human rights issues, including the critical situation inside Tibet," Sangay said.

He said the CTA will offer "peacebuilding efforts" to whoever wins the U.S. election and will also seek assistance in resolving the Tibet issue peacefully through MWA-based dialogue.

'Either We Transform

years and it's not going to achieve it in Sangay says China changed economically without "political liberalization," and solved peacefully," he said, adding that he hopes after the CCP virus pandemic, the Tibetan issue and the Middle Way all democratic nations will come together to confront the regime in Beijing.

> "The like-minded nations who value justice, freedom, equality, and above all

challenge the China threat," Sangay said in an email.

"Either we transform China or China transforms us," he said recently at the Vaclav Havel Human Rights Symposium on China

"It's not going to be easy and the world cannot wait in hope that China will transform," Sangay told The Epoch Times. "Today, more than ever, the world has learned the hard way that China is a threat to global human rights and democracy among many other things."

Sangay, who studied international law and democracy at Harvard University, said China has been exporting its "tactics India-China Border Tensions of soft power and hard power diplomacy" to other democrati political agendas.

"China in the post-COVID world is not going to be very different from China in these COVID times," he said.

"Just this month, China won a seat on

democratic ways must come together to the U.N. Human Rights Council, despite being one of the world's worst violators of human rights. Even at a time when the world is in the grips of the pandemic, China is assiduously redefining international human rights norms and disrupting all efforts that would hold China accountable for its human rights crimes at home and elsewhere."

Sangay says that after the pandemic, he hopes the world will have learned its lesson that the democratic world needs to protect transparent systems from authoritarian regimes such as China, by employing freedom of speech and free media.

China's aggression on the Himalayan border with India has caused tensions throughout the entire region, Sangay said. "China's aggressive maneuvers are being felt and witnessed around the globe. The kind of aggression that we saw this time at the border is very concerning," he

OPINION

How Can Beijing Expect to Raise Domestic Consumption in Flat Economy?

CHEN SIMIN

Part of the CCP's 14th Five-Year Plan aims to expand domestic demand. However, the definition of domestic demand is different than it was before the 13th Five-Year Plan, as the desired effect now is to expand domestic consumption.

According to a report published by staterun media Xinhua on July 16, 2018, consumption continued to play a more prominent role in driving growth, with total consumption making up 78.5 percent of the economic expansion from January to June 2018. It's obvious that it was the CCP's propaganda mouthpiece that contributed to the rise of GDP. Suddenly, consumption replaced exports and investment as the number one driving force of economic growth.

China's GDP growth rate in the first half of 2018 was 6.8 percent, Xinhua reported. At the same time, the growth rate of fixed-asset investment hit a record low of 6 percent, the con-

fell to 31.4 percent, and net exports' contribution rate to economic growth was minus 9.9 percent. It means that in the first half of 2018, the contribution rate of final consumption to GDP growth reached 78.5 percent, but the main reason was not the acceleration of consumption but instead the continuous decline of investment and capital formation, and the deterioration of exports.

The total consumption expenditure consists of total household consumption and total government consumption. In 2017, the total consumption spending accounted for 53.6 percent of GDP. However, in terms of household consumption alone, it was a mere 39.1 percent of GDP, which is not only much lower than that of the United States (69.5 percent), but also lower than the sluggish consumption growth of Japan (56.3 percent) and South Korea (47.8 percent), and even lower than India's (59.1 percent). Chinese economist Justin Lin Yifu stated at a seminar in Shanghai on Oct. 16 that China's exports accounted for 17.4 percent of China's total economy in 2019, and China's domestic consumption went from 82 percent to nearly 90 percent. Lin Yifu attributed falling exports to an increase in domestic consumption. This claim once again sets an example of how economists such as Lin manipulate concepts to package what the Chinese Communist Party (CCP) wants to see done.

Household consumption in the United States has always accounted for nearly 70 percent of GDP. The latest data shows that in the third quarter of 2020, when the CO-



A shopper chooses shoes that cost 20 yuan (\$2.86) per pair in Beijing on June 30, 2020.

United States, government expenditure consumption also has spiraled downward accounted for 18.1 percent of GDP and household consumption for 68 percent. The United States is a major consumer country. If we look at statistics of China's domes-

tic consumption (excluding government spending) from 1999 to 2018, the annual percentage to GDP steadily declined to 38.9 percent from 46 percent. In 1999, the CCP began a far-reaching

campaign to suppress the Falun Gong spiritual practice. It can be seen that beginning in that year, political, economic, and social aspects began to decline significantly. Extribution rate of capital formation to growth VID-19 pandemic was still surging in the cept for some slight fluctuations, domestic

since 2000.

In 2015, China's per capita consumption was \$2,337, which is 36 percent of per capita GDP-based on the World Bank's 2010 constant price in U.S. dollars, according to the Hong Kong Brokerage Report by GF Securities.

In 74 countries with a population of more than 10 million, there's a very strong positive correlation between per capita GDP and per capita consumption, the report states. However, if China's per capita GDP in 2015 is substituted into the empirical formula, China's per capita consumption



The president of the Central Tibetan Administration Lobsang Sangay (L) with Robert A. Destro (C), the U.S. special coordinator for Tibetan issues, at the State Department in Washington on Oct. 15, 2020.

said. "I have said this before and I say this again, this is not the first military aggression and this won't be the last."

Sangay said India has been cordial toward China despite its decade-long aggression and intrusions on the border and China has never reciprocated.

He said after the bloody, "unfortunate" event at the India-China border at Galwan on June 15, China left India with no other choice but to take hard steps.

"Most importantly, a renewed, robust policy that ensures reciprocity in all its dealings with China and building strategic partnership with like-minded nations is a step in the direction," he said.

"All the nations must ask this question: Are we prepared to risk another global health crisis?" in the post-COVID-19 world. "Hopefully, by the end of this pandemic, the world will have learned the lesson that democratic and transparent systems with freedom of speech and free media need to be protected against authoritarian regimes, so that the free world countries can together successfully conquer any future pandemic or crisis," Sangay said.

He said the Tibetans have worked persistently to strengthen their cause over the past six decades and that will continue post-COVID-19 as well.

"Our priorities have always been resolving the issue of Tibet through meaningful dialogue and see the rightful return of His Holiness to Tibet. And it will be our priority now as well as until it manifests despite any challenges that we may come across.'

in 2015 should have been \$3,765, and the corresponding consumption GDP should have accounted for 58 percent—22 percent higher than the actual amount.

One factor behind this discrepancy is per capita disposable income. A report by the Suning Institute of Finance pointed out that according to the classification method and statistical data in the China Statistical Yearbook, the low- and middleincome earners who account for 80 percent of the country's population had a per capita disposable income of 17,836 yuan (about \$2,681.76) in 2016, and the per capita disposable income of the high-income group had reached 59,259 yuan (about \$8,963.15) in the same year.

The increasing disparity in income has created completely different purchasing power and consumption patterns.

The CCP reported that the retail sales of consumer goods in China in 2019 were close to \$6 trillion and were approaching \$6.2 trillion in the United States. But the reality is that only 20 percent of the population (the high-income group) had the ability to spend.

China's insufficient social security system has increased people's need for emergency savings and has also affected the growth of consumption, according to a financial analysis published on the Chinese news portal Sina. That explains the poor consumption rate of 80 percent of Chinese people in the mainland.

According to statistics from the World Bank, in 2017, health care, as a percentage opinions of the author and do not necesof GDP, was 5.15 percent in China; com- sarily reflect the views of The Epoch Times.

The like-minded nations who value justice, freedom, equality, and above all democratic ways must come together to challenge the China threat.

Lobsang Sangay, president, Central Tibetan Administration



Parents wait outside a school in Tongliao, in northern China's Inner Mongolia on Sept. 10, 2020.

CORRUPTION

Leaked Documents Reveal Chinese Government's Corruption, Bureaucrats' Incompetence

NICOLE HAO

nternal documents from the Inner Mongolia government revealed that local bureaucrats were incompetent and corrupt.

L The government of Hulunbuir city arranged ten inspection teams composed of senior officials to probe different government departments and organs from late March to late May.

Later, the inspection teams finished 11 reports and sent them to the municipal government. A trusted source shared these reports with The Epoch Times recently.

The inspection teams reported that each government bureau spent large sums of money without a proper decision process since 2013. Some departments failed to keep proper records of their assets. Officials also spent government money for their personal travel and other expenses, the reports revealed.

Undestroyed Documents

In May, the central government deemed all COVID-19-related data to be state secrets.

The Hulunbuir government was asked to destroy certain documents, but the inspection team found that the government bureau in charge of the task was not able to do so effectively.

"[Paper shredding] machines are very slow... It's very possible that the secret documents would be leaked when the bureau transports them. There are tons of coronavirus epidemic-related secret documents that should be destroyed but weren't. They were saved in storage," the report stated.

Coal Mines

Inner Mongolia is one of China's biggest coal production regions. The inspection reports criticized that coal mines in Hulunbuir didn't follow pollution control and environment protection requirements.

Also, because coal mines did not pay attention to production safety, at least 54 people died in mining accidents since 2000, the reports stated.

After inspecting state-run and private coal mines in Manzhouli city, Chen Barag Banner, and Jalainur District, one team found that "key parts of many important documents were selectively lost."

These documents include environment protection-related documents; archived documents about small-sized mines, which were closed and merged with large-sized ones according to a central government mandate; and records showing government approval for companies to develop mines.

The report pointed out that the documents were likely lost due to "corruption and bureaucratic incompetence."

"Officials signed fake contracts to give permission to private enterprises to develop mines without first conducting an evaluation... Officials teamed up with entrepreneurs to cheat state property," the report stated.

In one instance, officials claimed three mines' resources were depleted, but the mines continued production in the following years. The inspection team suspected that the officials intentionally made the wrong claim and in exchange, received benefits from the mining com-

pany. Because all land is governmentowned in China, companies usually must pay the local government commission and taxes for their mining production.

Poverty Alleviation

Following Beijing's "poverty alleviation" policy, which provides financial assistance to people living below the government-designated poverty line, the Hulunbuir branch of Red Cross China allocated donations to 3,297 poor citizens since 2013, one document stated. Red Cross China, unlike its international counterparts, is directly funded and operated by the Chinese regime.

But an inspection team found that 2,619 were actually government staff who had incomes above the poverty line. Only 373 people who received donations were actually poor, according to the report.

The report emphasized that there were many poor people living in Hulunbuir, but the local Red Cross did not properly distribute donations to them.

The inspection teams reported that each government bureau spent large sums of money without a proper decision process since 2013. Some departments failed to keep proper records of their assets Officials also spent government money for their personal travel and other expenses, the reports revealed.

Air Raid Project

Many Chinese built air raids during the mid to late 1960s amid Party leader Mao Zedong's war-mongering fervor about a potential conflict with the United States. City governments have mandated each residential compound and village to build their own air raid shelters.

Two inspection teams visited air raid projects throughout the city. They found that few of the projects in

Hulunbuir were finished. Moreover, the finished projects were not qualified to defend against air raids.

The local government had paid real estate developers subsidies for the shelters' construction.

But many developers built the shelters into underground parking lots, which cannot properly defend against air raids. For example, the Zhongrun Shopping mall in the Ewenki Autonomous Banner area was supposed to build a shelter with the size of 3,300 square meters (35,521 square feet). However, officials approved the space for 4,200 square meters (45,208 square feet) and the developer later built the shelter into parking lots, a report stated.

In some cases, local governments collected fees from residential apartment developers and then approved them for building the shelters—but did not actually construct them.

In total, misuse of the government's air raid shelter budgets reached over 300 million yuan (\$43.9 million), the reports stated, noting that these cases were likely related to local corruption.

pared to 17.06 percent in the United States, 10.94 percent in Japan, and 7.60 in South Korea.

Elderly care, education, and medical care for the common people should be important public welfare undertakings. However, the Chinese communist regime has a different definition, as stated in a July 2018 Xinhua article, "Elder care, education, and medical care are expected to become a 'troika' to stimulate domestic demand." The CCP loves to compete with the United

States. Judging by its GDP per capita, the American people greatly enjoy the benefits of U.S. economic growth. The CCP has already had 13 five-year economic plans. But the vast majority of Chinese people receive a pitiful share of China's economic growth and instead continue to endure "the two highs and one low"—high inflation, high housing costs, and low income—and carry "three mountains"—elderly care, education, and medical care.

Now, according to the 14th Five-Year Plan, the "three mountains" on the back of the common people have to serve as "horses and carts" to drive domestic consumption. It's just another round of exploitation of the majority of Chinese people.

Chen Simin is a freelance writer who often analyzes China's current affairs. She has *contributed to The Epoch Times since* 2011.

Views expressed in this article are the

Now, according to the 14th Five-Year Plan, the 'three mountains' on the back of the common people have to serve as 'horses and carts' to drive domestic consumption. It's just another round of exploitation of the majority of Chinese people.



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