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CHINA INSIDER



**CONCEPT FIGHTER JET
AIMED AT ATTACKING
TAIWAN**

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MILITARY

China's Concept Fighter Jet Aimed at Attacking Taiwan

ALEX WU

As the Chinese regime continues to intimidate Taiwan by repeatedly breaching the island's airspace and escalating tensions in the Taiwan Strait, it is developing an advanced fighter jet aircraft in secret.

The Epoch Times recently obtained a military document from a trusted source which unveiled details of a concept fighter jet project, driven by China's "military-civil fusion" strategy. It also reveals that the Chinese military is developing the new generation fighter jets for attacking Taiwan and competing with the United States.

Several countries around the world are developing a "sixth-generation fighter" aircraft that is more advanced than the fifth-generation fighter aircraft currently in service, including the United States, United Kingdom, Germany, Spain, France, Italy, Sweden, India, Japan, Taiwan, and Russia.

The Chinese regime is also developing its own version of a sixth-generation fighter. The Epoch Times recently obtained a document issued by China's Ministry of National Defense in 2017, in accordance with Beijing's 13th Five-Year Plan. The document revealed the CCP's pre-research plan for sixth-generation fighter aircrafts, with a focus on developing an unmanned combat system.

China's Fighter Jet Design: Japanese Anime and Transformers

The document clearly states that it is a military-civil fusion project, meaning, private companies would cooperate with the military to develop the technology.

The sixth-generation aircraft is dubbed the "Sky Master," which is a structure with attack functions and intelligent functions that can combine and configure. The document says that taking a look at "Gundam" will help to envision what the prototype looks like. "Sky Master" and "Gundam" are characters in the Japanese animation series, "Gundam."

In an interview with China's state-owned CCTV in 2017, the general designer of the Chinese fighter jet F-20, Yang Wei, revealed that the appearance of the Chinese sixth-generation fighter jet is sci-fi-like, which he said could resemble the robots in the American Hollywood film, "The Transformers."

Aimed at Taiwan and US

In the appendix of the document, it introduces the use of a combat system called "WAH-la" in the new generation fighter aircrafts, which can be installed in manned and unmanned dual-purpose attack helicopters. The document claims, "If fight-



J-10 fighter jets of China's People's Liberation Army Air Force Ba Yi aerobatics team perform an aerial display during the Singapore Airshow media preview in Singapore on Feb. 9, 2020.

ing against Taiwan, WAH-la can reach the opposite shore with a squad of combatants within a distance of 160 kilometers [99 miles] at 210 kmh [131 mph] in 45 minutes ... to achieve the purpose of liberating Taiwan at low cost."

The Chinese regime considers Taiwan a part of its territory, even though the island has been governed as a distinct entity for more than seven decades. Beijing has vowed to bring Taiwan under its fold, by military force if necessary.

The "pre-research plan" also appended a project proposal. It analyzed American concept fighters and pointed out where the new Chinese generation fighters can surpass it. It claimed that at the time, "although the United States has more than

500 fighters with unmanned systems, it has not developed the technology of an air processing system" to allow the fighters to operate in a swarm.

"The integration of an air data processing system and a distributed combat system is a revolutionary new concept. It is also the goal of this project," the document stated.

It is unclear what is the current status of the sixth-generation jet's development.

'Military-Civil Fusion' Strategy

The document proposed to use the model of "military-civil fusion project J-31" to develop the sixth-generation fighters. This refers to China's J-31 fighter jet, developed by Shenyang Aircraft Industry Group (abbreviated as "Shenfei"). Shenfei is a subsid-

It reveals that the Chinese military is developing the new generation fighter jets for attacking Taiwan and competing with the United States.

SUHAIMI ABDULLAH/GETTY IMAGES



Gordon G. Chang author of "The Coming Collapse of China," in New York on Sept. 30, 2015.

Although he [Biden] talks about extreme competition with China, although he talks about holding China accountable, we have seen in those executive orders a flood of measures that Beijing just absolutely loves.

Gordon Chang

BIDEN ADMINISTRATION

Biden's Policies So Far Ultimately Benefit CCP: China Expert

JAN JEKIELEK & FRANK FANG

Some of President Joe Biden's executive orders are misguided, as they will ultimately benefit the Chinese Communist Party (CCP), China expert Gordon Chang said.

"Although he [Biden] talks about extreme competition with China, although he talks about holding China accountable, we have seen in those executive orders a flood of measures that Beijing just absolutely loves," Chang said.

Chang made the comments during a recent interview with The Epoch Times' "American Thought Leaders" program. Among the executive orders that Biden has signed, Chang highlighted two in particular—one suspending former President Donald Trump's executive order on securing U.S. critical electric infrastructure and one revoking the permit for construction of the Keystone XL pipeline.

Biden's Actions

The Keystone project was revived by Trump in January 2017 after it was blocked by the Obama administration due to environmental concerns.

Chang said Biden's decision to suspend Trump's critical infrastructure executive order is "indefensible" and "there is no explanation for it," since it would allow China to sell equipment to U.S. electric grids.

In May 2020, Trump signed an executive order (E.O.13920) securing the United States' bulk-power systems (BPS). The order banned federal agencies and U.S. persons from procuring or installing BPS equipment sourced from countries determined to pose a risk to U.S. national security or the security and safety of American citizens.

In response to Trump's order, then-

Secretary of Energy Dan Brouillette issued a prohibition order in December 2020 banning utilities that supply critical defense facilities from procuring certain BPS equipment from China. The ban went into effect on Jan. 16.

On Jan. 20, Biden suspended Trump's order for 90 days while asking the energy secretary and director of the White House's Office of Management and Budget to "jointly consider whether to recommend that a replacement order be issued."

The Department of Energy has since issued a statement saying that the December prohibition order is also suspended during the 90-day period.

As for the cancellation of the Keystone project, Chang said that since the pipeline would have brought Canadian oil to the United States, canceling it means the oil would now be sold to other countries, such as China, instead.

Chang criticized Biden for not consulting with Canada before he revoked the permit.

"This is just really bad policy across the board. We hurt our relations with the country [Canada], [with] which we [share] an undefended border of thousands of miles, and we benefit China, our enemy. So this, to me, makes no sense at all," Chang said.

Biden's decision to cancel the Keystone project has been met with criticism in both the United States and Canada. A recent survey of more than 28,000 Epoch Times readers found that 96 percent disapproved of the decision.

2022 Olympics

More than 180 international rights groups, including International Tibet Network and World Uyghur Congress,

recently wrote a joint letter to world leaders urging governments to boycott the 2022 Beijing Winter Olympics. There have been similar calls in the United Kingdom recently.

In response, Hu Xijin, editor-in-chief of China's hawkish state mouthpiece Global Times, took to Twitter to threaten trade sanctions against countries that decide to boycott the Games.

Chang urged the International Olympic Committee (IOC) to move the Games "to a country that is not tainted by atrocities," pointing to China's persecution of Uyghurs and other ethnic minorities in China's far-western Xinjiang region.

In January, then-U.S. Secretary of State Mike Pompeo designated the CCP's persecution of the minorities as genocide and "crimes against humanity."

Aside from moving the Games out of China, Chang also recommended that the IOC ban Chinese athletes in the 2022 Games, on the same grounds that the IOC barred South Africa from participating in the 1964 Summer Olympics in Tokyo because of its racial segregation policy known as apartheid, which allowed only white athletes to represent the country.

Chang said China should be similarly barred because "a significant population in China are not allowed to participate in sport" because they are either being persecuted or being held in internment camps.

"We do not need another 1936 Olympics," he said, referring to when Nazi Germany was host to the Olympics. "We don't need another 2008 Olympics [when Beijing hosted the summer games], which basically promoted totalitarianism with those ghastly displays. We do not need to do this again."

US-CHINA

Free World Should Draw 'Red Line' Against Communist China: Former Pompeo Adviser

CATHY HE & JAN JEKIELEK

The world needs to wake up to the Chinese Communist Party's (CCP) bullying tactics and set rules to deter the regime's aggressions, the China adviser to former U.S. Secretary of State Mike Pompeo says.

Miles Yu, a Chinese-born academic who helped shape the Trump administration's China policy, called out the CCP's tactic of warning the United States not to interfere in issues that the regime deems to be "internal affairs," including Hong Kong, Tibet, and Xinjiang—which it dubs "red lines."

"This is [the] Chinese Communist Party's 'red line,' that's all. It's not red lines based upon international law," Yu said in an exclusive interview with The Epoch Times' "American Thought Leaders" program.

Most recently, the regime's top diplomat warned the Biden administration that "any trespassing would end up undermining China-U.S. relations and the United States' own interests."

Yu said that when the regime tells countries that the topic of Xinjiang is a "red line," what it's really saying is "We're going to lock up a million Uyghurs in concentration camps, we torture them, we suppress their freedom."

"And you, the international community ... are not allowed to say a word in protest.



Hudson Institute Senior Fellow Miles Yu, former senior China policy adviser to former Secretary of State Mike Pompeo, in Annapolis, Md., on Feb. 11, 2021.

Otherwise, you're not respecting us."

Yu said "the world has to wake up to that kind of bullying" and reject such rhetoric.

While the CCP claims that countries wanting to hold it accountable for human rights abuses in Xinjiang are interfering in "domestic sovereignty," that's not the case, "because ... you cannot really kill people, commit genocide, in the name of sovereignty," Yu said.

He urged the international community to instead set its own red lines against the CCP's predations, forcing the regime to adhere to international rules.

Doing the Right Thing

Yu believes the Trump administration has indelibly transformed the United States' approach to China by recognizing the nature of the challenge posed by the CCP—that is, as the "central threat of our time," a description often used by the former secretary of state.

Previous administrations, according to Yu, were "consumed" by how to maintain a "smooth relationship" with the regime based upon a "flawed framework." That framework was guided by what he called a "missionary sentiment": the notion that economic engagement with Beijing would lead to China becoming more democratic and a responsible stakeholder in the world. "What we did is, we tried to change the

framework," Yu said. "Rather than focus on how to do things right, we focused on how to do the right thing."

The previous thinking on China was "completely off the wall," he said, because it failed to understand the nature of the regime that ruled over the Chinese people.

"We in the West, constantly, constantly underestimate the degree to which China is still a Communist Party," Yu said, adding that the CCP is the most dogmatic Leninist political party in human history.

"Look at their domestic policy. Look at their international policy. Every single major policy move there is motivated by this kind of ideology," he said, adding that one needs only to read the speeches of CCP leaders to recognize that.

Yet, he says, Western policymakers have failed to take it seriously.

"I think that's the ultimate shortfall of U.S. foreign policy [prior to the Trump administration]," he said.

Yu, who grew up in China's western Chongqing city during the Cultural Revolution, was in a unique position to offer a more realistic assessment of the regime. He arrived in the United States as an exchange student in 1985; four years later, the Tiananmen Square Massacre prompted Yu to become a student advocate for democ-

racy in China.

He went on to earn his doctorate at the University of California-Berkeley, before becoming a professor of modern China and military history at the U.S. Naval Academy in Annapolis, Maryland, in 1994, where he has continued, excluding the past four years on transfer to the State Department.

Yu was at the forefront of the department's development of China policy. In the final year of Trump's presidency, Pompeo became the public face of the administration's tough stance toward Beijing, declaring sanctions and other measures against the CCP for its human rights abuses, suppression of freedoms in Hong Kong, military aggression in the South China Sea, and threats posed by Chinese technology.

Minimized 'Unhealthy Influence'

Yu said one of the non-public "crowning achievements" of the Trump administration was that it was able to minimize the "unhealthy influence" of the China lobby, which in many ways is beholden to the CCP. The CCP has leveraged its exclusive control over market access to influence U.S. companies and groups wanting to operate in China. This applies to Washington lobbyists who "would have to go to the Chinese Communist Party elite to get any

access to China," Yu said.

"That's created a very unhealthy and very dangerous permanent class," he said.

The entrenched lobbying groups have exerted "tremendous influence in our country's foreign policy, and particularly China's policy-formulation process," Yu said.

We in the West, constantly, constantly underestimate the degree to which China is still a Communist Party.

Miles Yu, former senior China policy adviser to former Secretary of State Mike Pompeo

Working With Allies

The former adviser rebutted those who criticized the Trump administration for being too unilateral in carrying out its China policies. Biden officials have vowed to work with allies in confronting the regime's threats, which they say is a point of departure from the previous administration.

Yu said Pompeo spent "most of his time" attempting to foster global awareness of the China challenge and build a coalition to counterit.

"We spent many, many efforts to form that multilateral coalition," he said. But the administration encountered much resistance from other nations early on.

"Many of our friends and allies didn't see it that way initially," Yu said, adding that they accused the United States of being unilateral. "But they were the ones [who were] most unilateral, because they didn't want to go along."

It wasn't until the COVID-19 pandemic that many countries came around to recognizing the global threat, he said.

For instance, the United States convinced NATO to address the China challenge in the Indo-Pacific, Yu said, something that would have been inconceivable a mere three years ago.

At the same time, the United States must be able to take the lead in confronting the regime, according to Yu.

"When we take the lead, free nations will follow," he said.

"It's not because we're being arrogant. It's because ... we're the country that has the capability ... to stem the Chinese expansion globally."

Yu said the views that he expressed are his own and don't represent those of the U.S. Naval Academy, the Pentagon, or the federal government.

PERSECUTION

Persecution in China Casts a Shadow on New Year Celebrations for Millions

EVA FU

NEW YORK—Around this time every year, what Gao Hongmei looks forward to the most is a phone call. In a conversation that would sometimes stretch for hours, she would exchange Lunar New Year greetings with her mother in China—whom she last saw face-to-face 12 years ago before she left the country—and chat about other random things in life.

But this year, distance was not the only factor keeping them apart.

Gao, originally from China's northeastern Jilin Province, and her mother Hu Yulan practice Falun Gong, a spiritual practice brutally suppressed by the Chinese regime. Last May, Hu was arrested for distributing Falun Gong-related materials to her neighbors. The authorities formally charged Hu in July and later punished her with a five-year prison sentence. At the time, she had a three-year suspended sentence from a similar "offense" in 2018.

Citing the ongoing pandemic, guards have barred family visits and refused to accept the winter clothes they sent to ensure Hu stays warm.

"They only ask for money," Gao said in an interview from New York, where she now resides. "Everyone knows that things are expensive in prison, you know?"

Falun Gong features three core tenets of truthfulness, compassion, and tolerance, along with five slow-moving exercises. After it was made public in 1992, its following in China grew to 70 to 100 million by 1999, when the regime deemed the practice's popularity a threat and launched a nationwide campaign to eradicate it.

Stories mirroring Gao's are happening across China. The pandemic has not slowed the atheist communist regime's suppression of faith. The year 2020 saw over 15,000 Falun Gong adherents experiencing arrests or police harassment, with 622 sentenced for their faith, according to Minghui, a U.S.-based website dedicated to documenting the persecution. Of the persecuted, nearly 1,200 were seniors over 65 years old, and 17 of them aged 90 or older.

'Dad Misses You'

As Chinese communities worldwide usher in the Year of Ox, an untold number of survivors like Gao who escaped overseas are anxiously watching home, looking for signs that their families are safe.

"Lunar New Year is a time for family reunion. But in mainland China, how many families have been torn apart?" said Wang Jing, a Falun Gong practitioner who fled to



Wang Jing and her husband, Ren Haifei, in Dalian City, Liaoning Province, China, in April 2012. Ren is currently incarcerated for his beliefs.

Lunar New Year is a time for family reunion. But in mainland China, how many families have been torn apart?

Wang Jing, a Falun Gong practitioner who fled to the United States from Dalian City in Liaoning Province

the United States from Dalian city in Liaoning Province, which borders Jilin.

Last June, police broke into Wang's family home in Dalian without a search warrant, and arrested Wang's husband Ren Haifei, also a practitioner. Among the valuables they confiscated were 550,000 yuan (\$85,164) in cash and 200,000 yuan (\$30,969) worth of memory cards and flash drives. Wang said that due to the persecution and authorities' surveillance, her husband keeps large sums of cash at home. The tech equipment contains Falun Gong materials.

Ren went through a brutal beating by police that caused kidney and heart failure, and was sent to the hospital for emergency rescue. He was hospitalized for 19 days, before being sent to a detention center.

The 45-year-old was only able to reveal this incident in September in a phone call with his lawyer, the first of two calls the guard has granted so far.

Ren's arrest was a huge blow to the family. Wang's mother-in-law, who is in her 70s and lives in another province, had a stroke upon hearing the news, and is now half paralyzed.

Ren had previously spent seven and a half years in incarceration, during which the guards force-fed him through a tube to torment him. Currently held without charge, Ren has developed symptoms of diabetes, according to Wang.

"My husband is merely trying to uphold his faith, to be a better person," Wang said. "It depresses me to think that Falun Gong practitioners are being persecuted by the communist party with impunity just for being good."

Like Gao, Ren's family in China were unable to see him or send clothing. When Wang called from New York to ask about Ren, the detention center refused to disclose anything, saying they couldn't verify her identity.

They have used the virus "as an excuse to block communications with the outside... to indefinitely postpone them," she said.

Gao's mother spent her 75th birthday on Jan. 24 in Jilin Detention Center. Gao has called all the prison numbers she could find to reach her and sent her a handwritten letter to mark the occasion; she and friends also mailed a flurry of New Year greeting cards, not knowing whether any of these has reached Hu, or if they ever will.

In November 2020, Gao's father passed away. The pain of not being able to see her father for the last time, and missing his funeral, haunts Gao to this day, she said.

A Tough New Year

Chen Fayuan, a 16-year-old studying in New York, felt something was off after three days went by without a phone call from her parents. When she checked the Minghui website, she was shocked to see her parents' name mentioned in a police house raid from her hometown of Changsha, capital of Hunan Province in central China. The couple were among a dozen people reading Falun Gong teachings at the time.

"I almost wanted to cry," she told The Epoch Times. Chen has no family here, and is dependent on teachers and friends for support. She hasn't been in touch with other family members and doesn't know how her grandparents are coping with the situation, she said.

"This new year is a bit tough to get through," Chen said.

She urged people around the world not to overlook the persecution, which she said has treaded upon the basic human values.

No matter what, the teen is determined to stay hopeful. "The sky will clear up after the storm," she said.

Wang shares the same belief. If she's allowed to speak to her husband again, she plans on telling him, "If the hope is not lost, the dawn will not be far away."



Lunar New Year decorations are displayed in Chinatown on the eve of the holiday in New York on Feb. 11, 2021.

RELIGIOUS FREEDOM

School in China Requires Students to Disclose Their Religious Beliefs

ALEX WU

Chinese Communist Party (CCP) authorities in one Chinese city are mandating that school students disclose their religious beliefs, according to a Chinese parent who recently moved to the United States. He spoke with The Epoch Times and expressed concern that China could be seeing another wave of religious persecution.

Yan Tao, a new Chinese immigrant to Los Angeles and whose daughter had attended primary school in China, recently received a notification from a chat group on popular Chinese social media platform WeChat. It is a group for parents at his daughter's school. The message sent by the head teacher stated: "According to the notice of the municipal Party committee office and the municipal education bureau, schools are requested to immediately conduct statistics on the status of students' faith." The teacher repeatedly emphasized that students with religious beliefs must contact the teacher immediately. Yan was very surprised, but also worried that the Chinese communist regime would again carry out large-scale religious persecution.

Yan recalled that the Chinese education system teaches the communist idea of materialism. Yan said that teachers would indoctrinate students with the message: "People who believe in religion lose their freedom because all religions are 'superstitions' and deceive the ignorant people."

He said, "In fact, those are made up by the Communist Party. In fact, on the contrary, in countries with freedom of religion, people care for each other more, social behavior is more orderly, more free."

After living in mainland China for many years, Yan gradually realized that the intense competition in Chinese society is caused by people losing their religious faith.

Since coming into power in 1949, the CCP has launched political indoctrination campaigns to solidify its rule. The authoritarian regime is "grooming" the youth of China, from as early as kindergarten, on how to monitor and brainwash relatives with the "right ideas and thoughts" rooted in atheism, reported Bitter Winter, a magazine on religious liberty and human rights in China.

According to another report by Bitter Winter, Chinese leader Xi Jinping is "forcefully promoting patriotic education" to indoctrinate the youth with the communist ideologies. When he visited a primary school in Chenzhou city in the central province of Hunan on Sept. 16, 2020, he stressed ingraining the "red gene" in students and to "pass down the revolutionary cause from generation to generation."



Chinese schoolchildren reading in class at a primary school in Pingjiang County in China's Hunan Province, on Oct. 8, 2015.

Before moving to the United States, Yan had no religious beliefs. He said: "Because of the communist atheist education, when we were young, we always had some negative perceptions of religions." After immigrating to Los Angeles, Yan was invited by a friend to attend several church activities. He found that he felt very fulfilled being part of that community. He also saw the people trusted and helped each other—from renting a house, buying a car, to finding schools for their children to attend.

Yan said that teachers would indoctrinate students with the message: "People who believe in religion lose their freedom because all religions are 'superstitions' and deceive the ignorant people."

After the CCP virus, commonly known as novel coronavirus, broke out in China in late 2019 and became a pandemic, the international community has been severely affected. Yan noticed that religious beliefs could offer comfort and

hope when people are in despair. "When people are suffering, they need religious support the most. The CCP must be afraid that the people are seeking religious beliefs. In order to maintain stability, it will crack down on religion even more during the pandemic," he said.

Yan stated that the CCP uses all methods possible to destroy people's religious beliefs and infringe upon religious freedom. He mentioned that his wife's friend was dismissed from her job because of her belief in Falun Gong, a meditation practice that is severely persecuted by the Chinese regime. "She [wife's friend] is a particularly good person... people don't dare to talk about it [the persecution] openly, even among friends. Everyone is worried about getting into trouble. Because there are relatives and friends in the family who practice Falun Gong, they will be investigated." He said that during the household registration census, local police also asked residents if people have religious beliefs or if they knew Falun Gong practitioners.

The CCP uses its power to manipulate public opinion and to pressure and silence people collectively, Yan said. "It's so terrible that you can't even mention it. From this you can tell how severe the CCP's persecution is and how fearful

people are in general," he added.

Falun Gong, also known as Falun Dafa, is composed of meditative exercises and a set of teachings centered on the principles of truthfulness, compassion, and tolerance. It grew in popularity in the 1990s, with 70 million to 100 million adherents in China by the end of the decade, according to official estimates at the time.

Threatened by its popularity, the CCP launched a systematic elimination campaign in July 1999. Since then, millions have been detained inside prisons, labor camps, and other facilities, with hundreds of thousands tortured while incarcerated, according to the Falun Dafa Information Center.

Yan believes that the Chinese authorities' recent request for schools to investigate students' religious beliefs shows that the CCP is afraid that it will eventually be overthrown by religious believers and those who seek freedom.

He said, "They [the CCP] are eager to know what every Chinese believes in. They want to kill all religions, which shows that they [the CCP] know how weak they are."

Xu Xiuhui and Deksha Devnani contributed to this report.

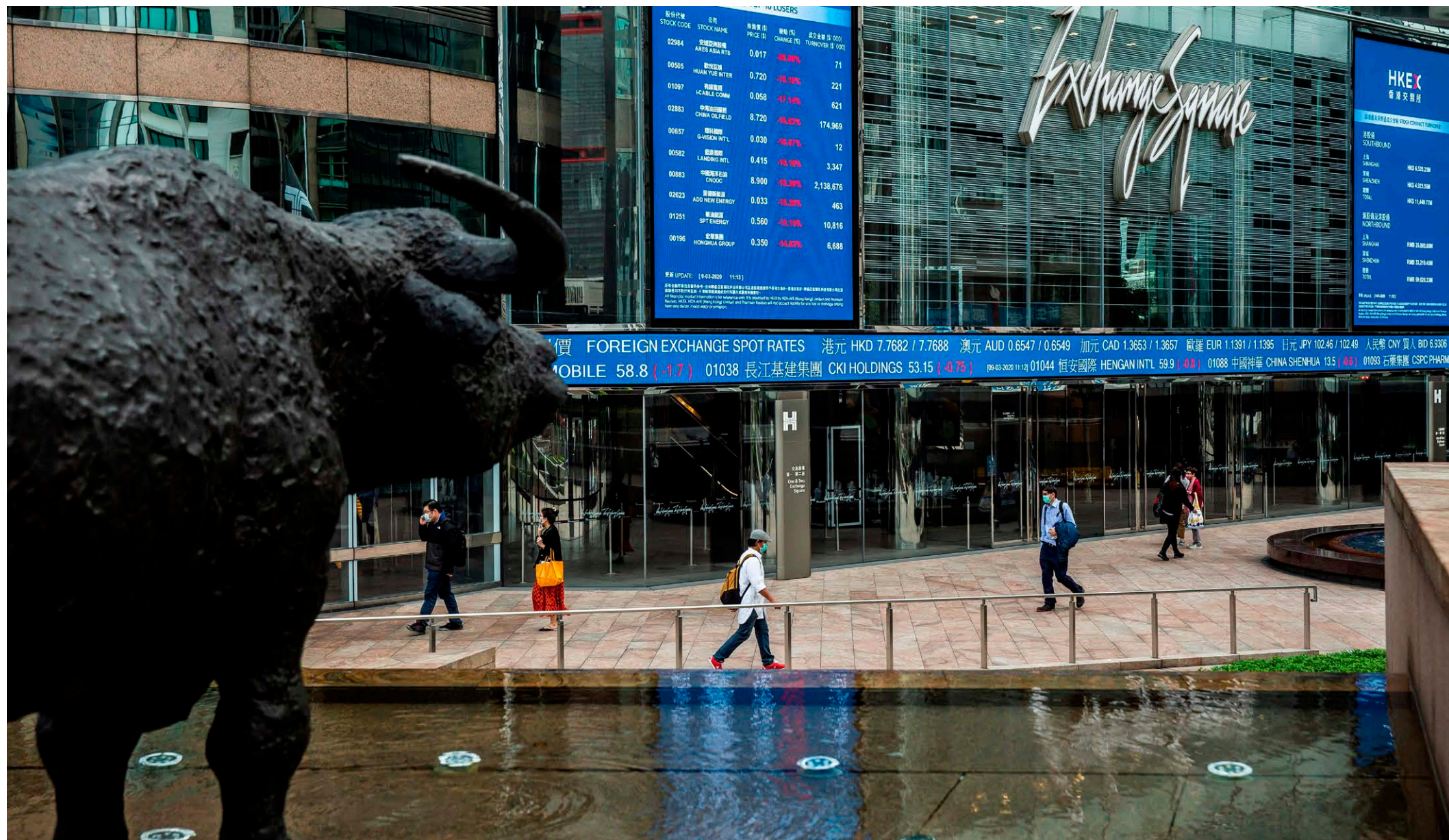
THE EPOCH TIMES

TRUTH and TRADITION

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Electronic boards display various stock prices at Exchange Square in Hong Kong on March 9, 2020.

CAPITAL MARKETS

Chinese Money Pours Into Hong Kong as It Becomes Stock Gambling Paradise

WILLIAM FANG

On the eve of President Joe Biden's inauguration, the Hong Kong stock market soared as Chinese money poured in.

On Jan. 19, the daily trading volume of Hong Kong stocks exceeded 300 billion Hong Kong dollars (\$38.7 billion). On Jan. 21, the Hang Seng Index, which tracks the Hong Kong stock market, rose by more than 10 percent, ranking first among the most important global indexes, according to NetEase Finance.

Despite the spread of the pandemic in Hong Kong, a weak economy, and the Chinese Communist Party's (CCP) increasingly stringent control, the Hong Kong stock market experienced an unusual rise from Jan. 6 to Jan. 21.

Hong Kong Guotai Junan Securities (GJS) issued a report predicting that Hong Kong stocks are expected to have an "index bull market" in 2021. However, according to expert analysis, this bull market is driven by policies and built on a weak foundation. It functions more like a casino for the CCP to collect money.

According to a report by The Paper on Feb. 3, since the beginning of 2021, capital has continued to flow into Hong Kong stocks, stimulating the long-silent Hong Kong stock market. Wind Data Service shows that in January, the total annual net inflow of funds into Hong Kong rose to 310.623 billion Hong Kong dollars (\$40.67 billion).

The net purchase amount in just 13 trading days this year exceeded 30 percent of last year's, close to the 249.3 billion Hong Kong dollars (\$32.16 billion) in 2019, according to the NetEase report.

Later, due to the listing of Kaishou, a new stock in Hong Kong that attracted a lot of capital, Hong Kong stocks fell. In the first month of 2021, the Hong Kong Hang Seng Index rose by 1052 points or 3.9 percent; the Hang Seng Technology Index rose by 932 points or 11.1 percent in January.

Chinese Money Floods HKSE

GJS also said that with the accelerated inflow of funds, Hong Kong stocks will continue to lead the world, and overseas funds will return to Hong Kong stocks.

On Jan. 20, a Chinese-language Securities Times article on the funds flowing into the Hong Kong Stock Exchange (HKSE) mentioned that leading internet companies, unicorn startups, and other new economic leaders in biotechnology are now listed in Hong Kong. These high-quality core assets that aren't available as A-shares have attracted investors from mainland China.

The most sought after are technology giants such as Tencent Holdings, Meituan,

and Alibaba. Leading companies such as the Industrial and Commercial Bank of China and Construction Bank will greatly benefit from the resonant inflow of funds from China and overseas.

China Concepts Stock Returns to HK for 2nd Listing

Mike Sun, a financial expert with more than 30 years of investment experience in China, told The Epoch Times that he believes the pouring of funds into the HKSE means Beijing is mobilizing to prepare for the expansion of Hong Kong's capital. He predicted that the CCP will continue to suppress the housing market in 2021 while supporting the stock market and expanding capital.

Sun explained that while the development of the capital market was emphasized in the CCP's 14th Five-Year Plan in October 2020, the new securities law for IPOs introduced in March 2020 changed from an approval system to a registration system. He believes the purpose is to find a new reservoir for overprinted banknotes and to collect money from the stock market. Not only will mainlanders' savings be driven toward the stock market, foreign capital is also targeted. The goal is to attract capital from Wall Street to the Hong Kong stock market.

Sun also mentioned that the CCP will take the initiative to allow China concepts stock in the U.S. stock market to be listed in Hong Kong.

"Today, the CCP wants to expand the stock market, but it is facing a shortage of assets. The few high-quality assets make its stock market less appealing. Most of the quality assets have been listed in the United States. If these companies of China concepts stock are allowed to return to China, they'll be able to help to collect money in the Chinese stock market and let the funds go into the Chinese H shares and A shares, then the situation will be very different. For example, the stage is set up, but there are not enough good actors. So good overseas actors, even if the box office hits are not high, are retrieved," he said. "Of course, packaging is also very important.

"Now, China capital is sweeping the Hong Kong stock market. Everyone is rushing for chips in order for the next larger Chinese concepts stock to be listed in Hong Kong for the second time."

State-Owned Enterprises Packaged for Listing

China concepts stock refers to stocks that are registered and listed overseas, but the largest controlling interest—usually more than 30 percent—and the actual controller is directly or indirectly subordinate to a private enterprise or individual in China. Sun believed that while overseas Chi-

nese concept stocks are returning to Hong Kong, Beijing is also vigorously building state-owned enterprises (SOEs), hoping to make SOEs bigger and stronger. At the same time, it's engaged in "mixed reform management," a system of reforming SOEs and private enterprises into high-quality stock market assets to attract international capital.

Sun took China's largest iron and steel company, China Baowu Steel Group, as an example. The company plans to list all of its more than 30 subsidiaries in the next three years.

Beijing wants to attract Wall Street dollars to the Chinese stock market. What the international predators think about is how to make money in the Chinese stock market and how to convert it into U.S. dollars. I learned from sources close to Beijing's high-level officials that this is a bargain between the two sides.

Mike Sun, a financial expert with more than 30 years of investment experience in China

The Chinese public data shows that Baowu Group is the leader of China's steel industry. The registered capital is 52.79 billion yuan (\$8.175 billion), and assets exceed 860 billion yuan (\$133.178 billion). In 2019, its crude steel output was 95.46 million tons and total operating income was 552.2 billion yuan (\$85.513 billion). The total profit was 34.53 billion yuan (\$5.347 billion), and the scale of operation and profitability ranks first in the world.

Under Baowu, five subsidiaries that make money, such as Baosteel, are listed. The other subsidiaries only generate 20 percent of the net operating cash flow for the group but bear 71 percent of interest-bearing debts.

Sun reminded investors that in the next three years, Baowu will package the nearly 30 low-quality subsidiaries and conduct IPOs on the stock market, which is very risky to the investors.

"There are too many state-owned enterprises like this. As former Chinese Premier Zhu Rongji said back then, the Chinese stock market is the cash machine for state-owned enterprises. This is the essence of China's stock market. Officials will promote publicity during IPOs. In the first few years, it will continue to rise in the stock market, but when the general public starts to enter the market and even the little old ladies

who dance square dances also speculate in stocks, it becomes dangerous. Because there is no real economy to support the high stock prices," Sun said.

Wall Street Downplays Dollar, Touts CCP

In an Aug. 24, 2020, article from The Conversation, professor of finance Arturo Bris analyzed the currency risk.

"For international investors in general, currency risk—above all the weakening of the U.S. dollar—has become the most important financial risk of the year. In spite of the pandemic, it has even overshadowed their considerations about specific firms and sectors," Bris wrote.

"For a European investor, for example, U.S. markets have yielded about 5 percent of 2020. Translated back into euros, however, that return is 0.5 percent because of the depreciation of the U.S. dollar over the past two months," according to the article.

In recent years, Wall Street has downplayed the dollar and touted the CCP.

For example, on Nov. 25, 2020, Goldman Sachs predicted China's outlook in 2021 and claimed that RMB is very optimistic in 2021.

As the CCP prepares for capital expansion, Goldman Sachs still recommends a high portfolio allocation of China's stock market. It fits well with the CCP narrative.

In July 2020, former Morgan Stanley Asia Chairman Stephen Roach said that "the dollar is going to undergo a sharp correction to the downside" and "the Chinese renminbi can also continue to move up on a broad trade-weighted basis" and that RMB could be an alternative to the dollar. On Jan. 25, Roach also stated that "the dollar's crash is only just beginning."

Sun said that not long ago, Chinese regime leader Xi Jinping's open letter to the former CEO of Starbucks Howard Schultz wasn't only targeting Starbucks, but also targeting the world's big capital, especially Wall Street capital. Xi Jinping wanted to attract Western capital to China.

"Xi Jinping's beckoning is full of tactics from the CCP. The CCP hides no bait and believes that someone will always volunteer to grab it," Sun said.

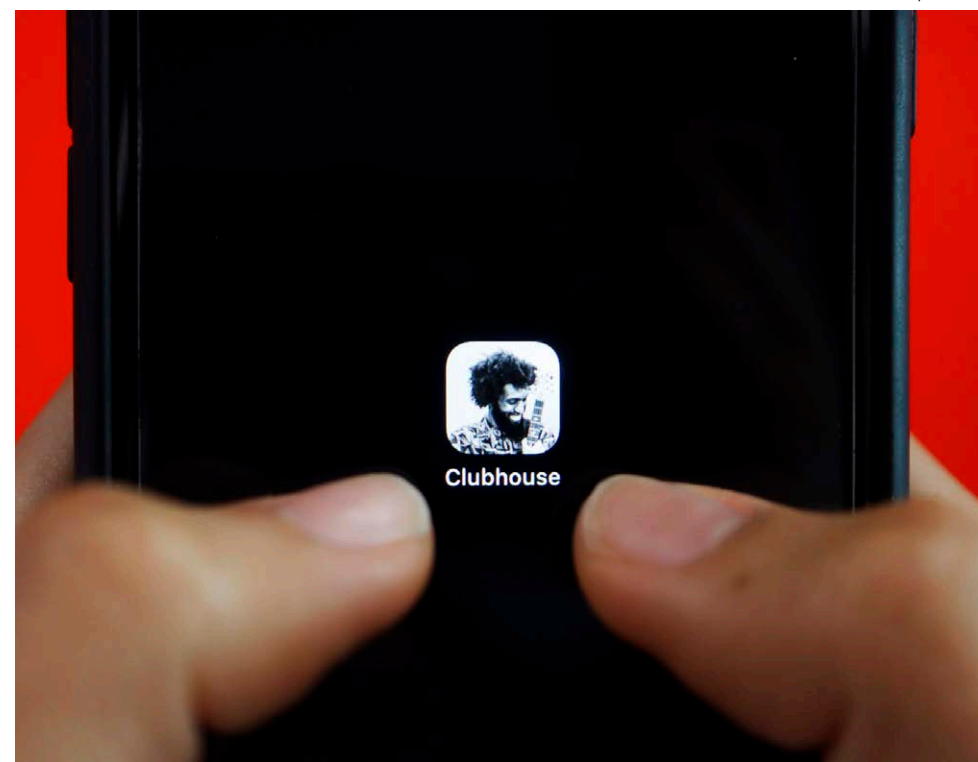
"Beijing wants to attract Wall Street dollars to the Chinese stock market. What the international predators think about is how to make money in the Chinese stock market and how to convert it into U.S. dollars. I learned from sources close to Beijing's high-level officials that this is a bargain between the two sides."

Sun, who has more than 30 years of investment experience in China, has many connections among the senior cadres.

"The CCP stock market is a casino, and it is a doomsday casino," he said.

SURVEILLANCE

Beijing Could Potentially Eavesdrop on Clubhouse Chinese Users' Conversations: Report



The social audio app Clubhouse on a mobile phone in this illustration picture taken on Feb. 8, 2021.

FRANK FANG

The regime in Beijing might have access to raw audio data from mainland Chinese users of the U.S.-based audio app Clubhouse, according to a recent analysis by researchers at the Stanford Internet Observatory.

The Stanford researchers speculated that the regime could potentially punish Clubhouse users in China for their speech on the app, given the regime's history.

Many inside China began using the invite-only app for uncensored discussions, before Beijing blocked it last week. The app says that it doesn't record conversations, thus giving users a certain degree of privacy.

Chinese users took to the platform for discussions considered taboo by the Chinese Communist Party (CCP), such as the suppression of Uyghurs in the Xinjiang region and Hong Kong's freedoms and democracy.

Stanford Internet Observatory is a disinformation research group based at Stanford University. The researchers found that Agora Inc., a Shanghai-based software tool provider with a U.S. headquarters in Silicon Valley, provides back-end infrastructure to Clubhouse. Their analysis showed that the app's outgoing web traffic was directed to servers operated by the Chinese firm.

"That infrastructure is a "real-time voice and video engagement" platform that Agora sells to clients, including Clubhouse.

"If an app operates on Agora's infrastructure, the end-user might have no idea," the researchers stated.

After analyzing Agora's technical documents, the researchers concluded that the firm "would likely have access to Clubhouse's raw audio traffic," and that the audio could be "intercepted, transcribed, and otherwise stored by Agora."

The researchers found that the ID numbers of Clubhouse users and chatrooms were being transmitted in plaintext over the internet, meaning that "any third-party with access to a user's network traffic can access" them. User IDs aren't usernames but unique serial numbers.

"Any observer of internet traffic could easily match IDs on shared chatrooms to see who is talking to whom. For mainland Chinese users, this is troubling," the researchers wrote on Twitter about their findings.

In June 2017, China implemented a new cybersecurity law, sparking concern about data protection and privacy violations. Under the law, network operators and technology companies operating in China must store data within Chinese borders. Also, they must submit their data to Beijing for security checks if called upon.

Agora's filing to the U.S. Securities and Exchange Commission in 2020

stated that it would be required to "provide assistance and support in accordance" to the Chinese authorities under the cybersecurity law.

"If the Chinese government determined that an audio message jeopardized national security, Agora would be legally required to assist the government in locating and storing," according to the Stanford researchers.

After analyzing Agora's technical documents, the researchers concluded that the firm "would likely have access to Clubhouse's raw audio traffic," and that the audio could be "intercepted, transcribed, and otherwise stored by Agora."

But Beijing might not need to go through Agora at all. Stanford researchers saw Clubhouse chatroom metadata "being relayed to servers" they believed to be hosted in China. Thus, the Chinese regime could collect data without accessing Agora's networks, the researchers said. Moreover, audio data were also being relayed to "servers managed by Chinese entities and distributed around the world."

"Any unencrypted data that is transmitted via servers in the PRC [People's Republic of China] would likely be accessible to the Chinese government," the research stated in its analysis.

The report contained a statement from Clubhouse, which acknowledged that conversations by Chinese users "could be transmitted via Chinese servers" prior to the app being blocked by Chinese authorities.

The app said it would make changes to strengthen its data protection.

"Over the next 72 hours, we are rolling out changes to add additional encryption and blocks to prevent Clubhouse clients from ever transmitting pings to Chinese servers," Clubhouse said in the statement.

"We also plan to engage an external data security firm to review and validate these changes."

In an email to Reuters, an Agora spokesman said the company had no comment on any relationship with Clubhouse. The spokesman added that the company doesn't have access to or store users' personal data, and does not route through China voice or video traffic generated from users outside China, including U.S. users.

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