

WEEK 18, 2021

THE EPOCH TIMES

# CHINA INSIDER



## CONTROLLING THE GLOBAL INTERNET

**CHINESE LEADER  
SETS HIS SIGHTS  
ON THE WEB**

See Page 2



CCP

# Chinese Leader Xi Jinping Lays Out Plan to Control Global Internet: Leaked Documents

NICOLE HAO &amp; CATHY HE

Chinese leader Xi Jinping personally directed the country's communist regime to focus its efforts to control the global internet, displacing the influential role of the United States, according to internal government documents recently obtained by The Epoch Times.

In a January 2017 speech, Xi said the "power to control the internet" had become the "new focal point of [China's] national strategic contest," and singled out the United States as a "rival force" standing in the way of the regime's ambitions.

The ultimate goal was for the Chinese Communist Party (CCP) to control all content on the global internet so that the regime could wield what Xi described as "discourse power" over communications and discussions on the world stage.

Xi articulated a vision of "using technology to rule the internet" to achieve total control over every part of the online ecosystem, such as applications, content, quality, capital, and manpower.

His remarks were made at the fourth leadership meeting of the regime's top internet regulator, the Central Cyberspace Affairs Commission, in Beijing on Jan. 4, 2017. They were detailed in internal documents issued by the Liaoning provincial government, located in northeastern China.

These statements confirm efforts made by Beijing within the past few years to promote its own authoritarian version of the internet as a model for the world.

In another speech, given in April 2016, Xi confidently proclaimed that in the "struggle" to control the internet, the CCP has pivoted from playing "passive defense" to playing both "attack and defense" at the same time, according to an internal document by the Anshan city government in Liaoning Province.

Having successfully built the world's most sprawling and sophisticated online censorship and surveillance apparatus, known as the Great Firewall, the CCP under Xi is turning outward, championing a Chinese internet whose values run counter to the open model advocated in the West. Rather than prioritizing the free flow of information, the CCP's system centers on giving the state the ability to censor, spy on, and control internet data.

## Countering the US

The Chinese leader acknowledged the regime lagged behind its rival the United States—the dominant player in most internet-related fields—in key areas such as technology, investments, and talent.

To realize the Party's ambitions, Xi emphasized the need to "manage internet relations with the United States," while "making preparations for fighting a hard war" with the country over the world wide web.

American companies should be used by the regime to reach its goal, Xi said, without elaborating on how this would be done.

He also directed the regime to increase its cooperation with Europe, developing countries, and member states of Beijing's "Belt and Road" global infrastructure plan to form a "strategic counterbalance" against the United States.

The Belt and Road Initiative (BRI) is a massive infrastructure investment project launched by Beijing to connect Europe, Asia, Africa, and the Middle East through a network of rail, sea, and road linkages. The plan has been criticized by the United States and other Western countries as being a conduit for Beijing to increase its political and commercial interests in member states, while saddling developing countries with heavy debt burdens.

Chinese leader Xi Jinping attends the opening ceremony of the Chinese People's Political Consultative Conference (CPPCC) at the Great Hall of the People in Beijing on March 4, 2021.



Everyone who joins it is going to be eavesdropped by a single government.

Gary Miliefsky, cybersecurity expert and publisher of Cyber Defense Magazine

The BRI has also pushed countries to sign up for "digital silk road" projects, which involve information and communications technology infrastructure. At least 16 countries have signed memoranda of understanding with the regime to work as part of the initiative.

## 3-Pronged Strategy

Xi ordered the regime to focus on three "critical" areas in its pursuit of controlling the global internet.

First, Beijing needs to be able to "set the rules" governing the international system. Second, it should install CCP surrogates in important positions within global internet organizations. Third, the regime should gain control over the infrastructure that underlies the internet, such as root servers.

Domain Name System (DNS) root servers are key to internet communications around the world. Those servers direct users to websites they intend to visit. There are more than 1,300 root servers in the world, approximately 20 of which are located in China, while the United States has about 10 times that amount within its borders, according to the website Root-Servers.org.

If the Chinese regime were to gain control over more root servers, it could then redirect traffic to wherever it wanted, Gary Miliefsky, cybersecurity expert and publisher of Cyber Defense Magazine, told The Epoch Times. For example, if a user wants

to go to a news article about a topic deemed sensitive by Beijing, then the regime's DNS server could route the user to a fake page saying the article is no longer online.

"The minute you control the root, you can spoof or fake anything," he said. "You can control what people see, what people don't see."

In recent years, the regime has made headway in advancing Xi's strategy.

In 2019, Chinese telecom giant Huawei first proposed the idea for an entirely new internet, called New IP, to replace the half-century-old infrastructure underpinning the web. New IP is touted to be faster, more efficient, more flexible, and more secure than the current internet, and it will be built by the Chinese.

While New IP may indeed bring about an improved global network, Miliefsky said, "the price for that is freedom."

"There's going to be no free speech. And there's going to be eavesdropping in real-time, all the time, on everyone," he said. "Everyone who joins it is going to be eavesdropped by a single government."

The proposal was made at a September 2019 meeting held at the International Telecommunications Union (ITU), a U.N. agency responsible for setting standards for computing and communications issues that is currently headed by Chinese national Zhao Houlin. New IP is set to be formally debated at the ITU World Tele-

communication Standardization Assembly, to be held in March 2022.

Miliefsky said the plan is unlikely to gain widespread support among countries, but may be readily adopted by like-minded authoritarian states such as North Korea—and later by countries that signed onto the BRI and are struggling to repay their loans.

This would accelerate a bifurcation of the internet, what analysts such as former Google CEO Eric Schmidt have dubbed the "splinternet," Miliefsky said. "The communist net and the rest of the world."

Huawei didn't respond to a request for comment.

## Importing Talent

According to the internal documents, Xi ordered the Chinese regime to set up "three ecosystems"—technology, industry, and policy—to develop core internet technologies.

Having skilled workers was key to this plan, with Xi directing that talent be hired from around the globe. This would be done through Chinese companies, Xi prescribed.

Xi articulated a vision of 'using technology to rule the internet' to achieve total control over every part of the online ecosystem, such as applications, content, quality, capital, and manpower.

He told Chinese firms to "proactively" invite foreign "high-end talents" to work for them, to set up research centers overseas, and to hire leading ethnic Chinese and foreign specialists.

Meanwhile, Xi asked the regime to set up a professional training system in China that could systematically develop a highly skilled workforce in the long run.

He directed officials in each level of government to guide Chinese companies to develop their business plans to align with the regime's strategic goals, and to encourage capable enterprises to take the lead in developing innovations in core technologies.

Enterprises were to be educated in having "national awareness and safeguarding national interests," Xi said. Only then should the regime support and encourage their expansion.

Because talent and critical technology are concentrated overseas, the Chinese leader also ordered authorities to support

the development of a group of multinational internet companies that can have global influence.

## Turning the Internet Red

Xi described all online content as falling under three categories: "red zone, black zone, and gray zone."

"Red zone" content refers to discourse aligned with the CCP's propaganda requirements, while "black zone" material falls foul of these rules. "Gray zone" content lies in the middle.

"We must consolidate and expand the red zone and expand its influence in society," Xi said in a leaked speech from August 2013. "We must bravely enter into the black zone [and fight hard] to gradually get it to change its color. We must launch large-scale actions targeting the gray zone to accelerate its conversion to the red zone and prevent it from turning into the black zone."

Inside China, the CCP maintains a stranglehold on online content and discussion through its Great Firewall, which blocks foreign websites and censors content deemed unacceptable to the Party. It also hires a massive online troll army, dubbed the "50 Cent Army," to manipulate online discussion. A recent report found that the CCP engages 2 million paid internet commentators and draws on a network of 20 million part-time volunteers to carry out online trolling.

Freedom House, in its 2020 annual report on internet freedom, labeled China as the world's worst abuser of online freedom for the sixth straight year. Chinese citizens have been arrested for using software to circumvent the Great Firewall and punished for posting comments online unfavorable to the Chinese regime. In a now notorious incident, during the early stages of the pandemic, whistleblower doctor Li Wenliang was reprimanded by police for "rumor-mongering" after warning colleagues in a social media chat group about a SARS-like virus in Wuhan.

In Xi's 2017 remarks, the leader told the regime to develop a larger group of "red" online influencers to shape users' perceptions of the CCP. He also called for an expansion of the 50 Cent Army to operate both inside and outside of China's internet.

Since the pandemic, the CCP has sharply escalated its efforts to influence online opinion overseas. Using large networks of troll accounts on Twitter and Facebook, the regime has been able to propagate and amplify propaganda and disinformation on topics such as the pandemic, racial tensions in the United States, and the regime's oppression of Uyghur Muslims in Xinjiang.

LEO RAMIREZ/AFP VIA GETTY IMAGES

FREDERIC J. BROWN/AFP VIA GETTY IMAGES



Pedestrians walk past a billboard for China's coming census in Beijing on Oct. 29, 2010.

CCP

# China Again Delays Release of Census Data; Expert Speculates Sharp Decline in Population

WINNIE HAN &amp; JENNIFER ZENG

The Chinese Communist Party (CCP) has again delayed the release of the 2020 census results. An expert suspects that the CCP needs time to massage the figures.

The seventh population census of China was completed in early December 2020. In March, China's National Bureau of Statistics (NBS) said that the census results would be released in early April.

However, on April 16, the NBS announced that in order to provide more details, more preparation was needed.

"We will accelerate our work to the next step, and we strive to release the final results of the census as soon as possible," the NBS stated.

On April 29, the NBS published a one-sentence report that said, "In 2020, China's population continues to grow, and specific data will be published in the 7th National Census Bulletin."

The "specific data" have yet to be released.

As early as Nov. 16, 2020, Yi Fuxian, author of the book "Big Country with an Empty Nest," said in a post on Twitter that he projected the actual population of China in 2020 to be about 1.26 billion to 1.28 billion, rather than the officially announced 1.4 billion in 2019.

He said that "China's policies are all based on faulty demographic data. After [China] enjoyed the status as the world's most populous country for thousands of years, that title was taken by India a few years ago."

By the end of 2016, India's population had reached 1.326 billion, or 18 percent of the world's total population.

## Sharp Decline in Newborns

A report released on April 29 cites data from the Ministry of Public Security indicates that only 10 million newborns were registered in China in 2020, a significant drop of about 15 percent from 2019.

In 2019, the number of newborns registered was 80.5 percent of the birth number recorded by the Bureau of Statistics. If the same ratio is used to calculate the birth number of 2020, that will result in a decline of over 2 million births in 2020 compared to 2019.

China's NBS announced on Jan. 17 that China's total population was 1.4 billion at the end of 2019, an increase of 4.7 million from the end of the previous year.

The report, titled "China Population Report: Births in Many Places Fall by 10-30 Percent," states that China is unlikely to reach the 1.4 billion population goal in 2020 as projected in the National Population Development Plan (2016-2030).

The report's author, Soochow Securities chief economist Ren Zeping, further suggests that the number of registered household births in Beijing in 2020 was only 100,000—24.3 percent less than in 2019.

## Drop in Births Recorded in Many Cities

Data collected from various regions by the Beijing-based think tank Center for China & Globalization (CCG) show that the number of births in various cities fell by a range of 9 percent to 33 percent from the previous year. That includes a 32 percent decline in Guiyang city, Guizhou Province, and 33 percent in Taizhou city of Zhejiang.

The CCG called for a change in the fertility policy, saying that "given that the number of women of childbearing age in China will continue to decline and that fertility intentions are likely to remain low, we can say that although the number of births in 2020 will be the lowest in recent decades, it is likely to be the highest in the next few decades."

On April 14, China's Central Bank published a paper called "Understanding and Responses to Demographic Transition." The paper reveals that when compared to developed countries, China's population is aging more rapidly and families are having fewer children.

The paper states that China's demographic situation has changed, and it's difficult to compensate for the population decline with education and technological advances.

In another report published by Ren, he states that the aging population and fewer children are the biggest dangers that are being ignored in China. The April 16 report, titled "Aging and Childlessness Are Accelerating and a Complete Lifting of Restriction on Birth Control Is Urgently Needed," recommends an immediate and full lifting of restrictions on birth control to encourage childbirth.

## Extended Delay May Be Related to Pandemic Tolls

The extended delay in the release of census data has caused concerns.

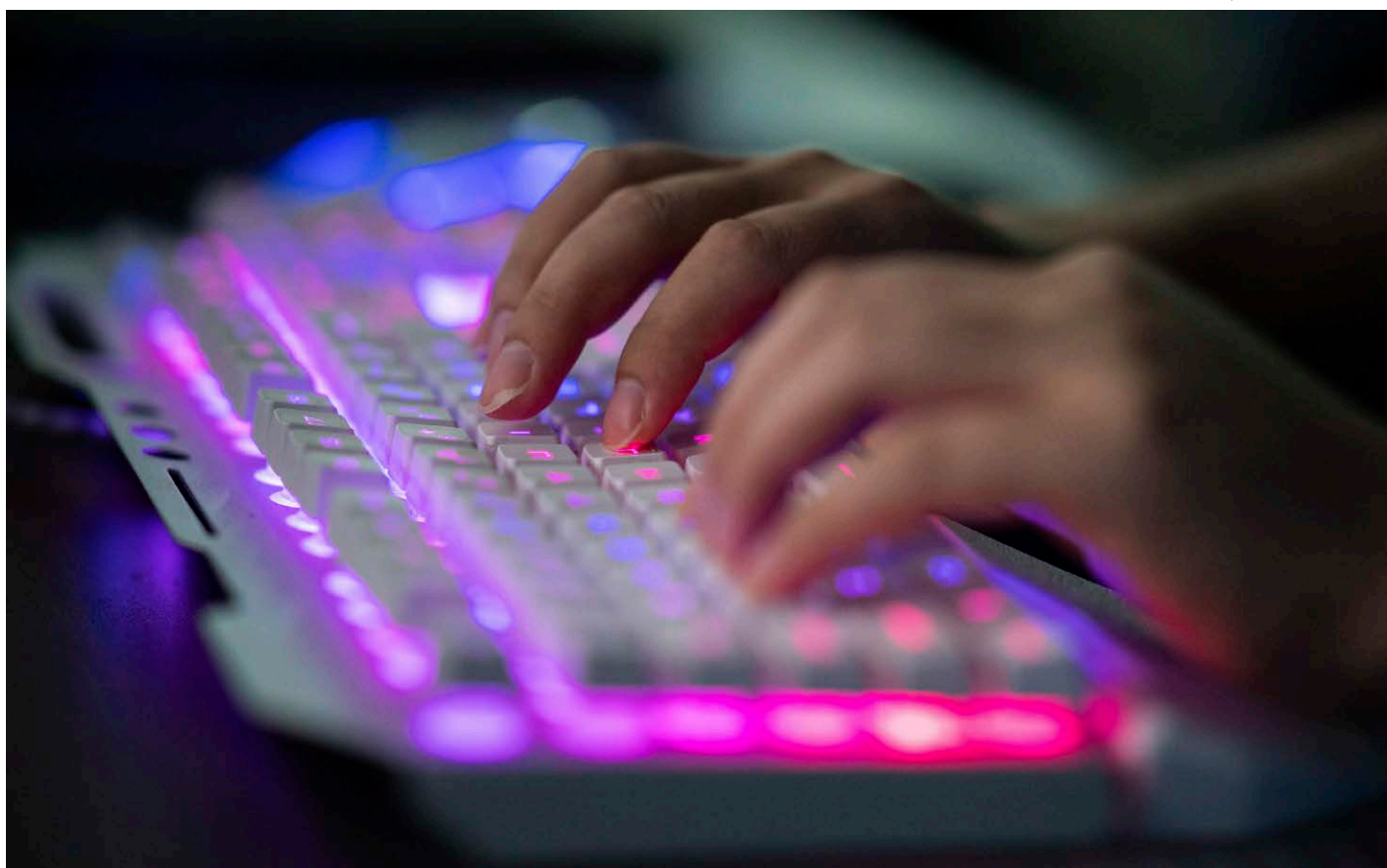
"This matter does look strange. On the one hand, the NBS claims that the population continues to grow, but on the other hand, the Central Bank advocates for full lifting of restrictions on birth control. Also, the CCP authorities have not blocked the reports about the declining birth numbers in 2020 released by leading economists and think tanks," U.S.-based China expert Li Yanming told The Epoch Times.

Li believes that while the decline in births in 2020 may be one reason for the decline in the total population, the bigger reason may be the high number of deaths in the 2020 pandemic.

"It is hard to estimate how many people died last year because of COVID-19," he said.

According to a report released by China's Ministry of Industry and Information Technology on March 19 last year, the number of cellphone subscribers of China's three major telecom operators (China Mobile, China Unicom, and China Telecom) dropped by 21 million in the first two months of 2020.

The first two months of 2020 was also the time when the pandemic was at its peak in Wuhan, with both hospitals and crematoriums overwhelmed.



A hacker in China on Aug. 4, 2020.

NICOLAS ASFOURI/AFP VIA GETTY IMAGES



## OPINION

# WaPo Elides China's Military Threat, Then Offers No Solution

ANDERS CORR



On May 1, the Editorial Board of The Washington Post finally, at first glance, somewhat-kind-of recognized a military threat emanating from Beijing. The Board coolly noted a "series of incremental escalations by Chinese forces in the Taiwan Strait and South China Sea," that are "substantially advancing a strategy for establishing its dominance in East Asia and forcing Taiwan's surrender."

The Post (WaPo) noted China's "trawlers" that are "believed to be" under military control and recently "appeared around" Whitsun Reef within the Philippine exclusive economic zone (EEZ), as well as debilitating daily harassment of the Taiwan Air Force by Chinese warplanes.

But the language was a tad diminutive. China's maritime militia were described as "little blue men" in a "lagoon." A Chinese aircraft carrier "cruised by the Taiwanese coast" in April. How pleasant! Boating with the Blue Man Group in springtime.

The Board further hastened to calm any fears of its readers, claiming that "Few analysts expect offensive military action by China against Taiwan or in the South China Sea in the near future." Oh, is that so? I've always wondered what the experts don't say.

The thing is, offensive military actions against Taiwan and in the South China Sea are already happening. China's militarized South China Sea islands are both offensive and military (of course). China's fighter jet, nuclear-capable bomber, and aircraft carrier operations that encircle Taiwan are normalizing People's Liberation Army (PLA) activity so that if a full invasion occurs, there will be next to no warning. It's called "pulsing" the enemy and it's part of the strategy and continuum of grey zone military combat offensives.

Second, WaPo gives no details on how many analysts it polled on the matter of China's offensive military action, and what kind of random sampling method it used to do so. Sorry if that sounds boring, but it is kind of important.

The Board doesn't mention the claim by a Stanford expert that China could be

Chinese paramilitary police walk in a street next to Tiananmen Square ahead of an overnight rehearsal of a military parade to mark Communist China's 70th anniversary, in Beijing on Sept. 7, 2019.



GREG BAKER/AFP/GETTY IMAGES

**WaPo doesn't mention that Beijing has rammed, sunk, kidnapped, and massacred scores of fishermen and marines from the Philippines and Vietnam since it cranked up its South China Sea fight in 1974.**

ready to militarily force unification on Taiwan within a year. The Board members knew about it if they read the Wall Street Journal article (a far less biased paper) to which their own opinion links.

Contrary to their claim, the analysts I know are very worried about a substantial escalation of China's military offensives, and a potential tipping point of China exceeding US military forces in East Asia as early as the next two-to-six years. The Chinese Communist Party is building naval vessels faster than we are. Capiche?

WaPo doesn't mention that Beijing has rammed, sunk, kidnapped, and massacred scores of fishermen and marines from the Philippines and Vietnam since it cranked up its South China Sea fight in 1974. A University of Chicago professor recently made the argument that the Party operates as a terrorist organization. So, they are terrorists with nuclear weapons?

Nothing to see here. Please move along. Neither does WaPo mention China's recent aggression against India in the Himalayas, Japan's Senkaku Islands, or use of lasers against the US Air Force as recently as last year, not to mention China's doubling and modernization of its nuclear weapons arsenal that can range the entire Continental US. It doesn't mention China's complicity in North Korea's nuclear weapons program.

The WaPo opinion is so expertly elusive as to resemble the People's Daily coverage of the Uyghur genocide. One wonders, who is taking lessons from whom?

In its usual pumping of the Democrats, WaPo uses a double negative to elide Biden's inaction against these incredible

military provocations. "The Biden administration is not disregarding Beijing's provocations," they write, in a manner that should be considered untruthful given the magnitude and breadth of China's aggression. Biden's rhetoric and "upgraded diplomatic contacts with Taiwan" are apparently a "regarding" of Beijing's provocations, for the Washington Post.

The closest the Board gets to offering a solution is noting that the Biden administration "has not yet gone along with suggestions that it end the long-standing policy of 'strategic ambiguity' about whether the United States would defend Taiwan against a Chinese attack." I hope WaPo would at the very least agree that ending strategic ambiguity is a good idea, though one can't be sure because the Board didn't take a position on this long-standing American failure. They just reported it.

The WaPo opinion would be a meh if it weren't such a weighty issue. Instead it's a really-really-concerned cringe. Concerned for our democracy, and concerned for the state of the free press in America.

One is hard-pressed to find any opinion at all in this so-called opinion-piece. Except the word "unfortunately" in its penultimate sentence, the Board's opinion is an astonishingly elusive recitation of selected facts that does more to obscure the China threat than explain it.

The Post lamely ends its commentary by saying that "detering Mr. Xi is a much more complex challenge" than deterring Putin. That's it? No more from one of the world's top American newspapers of record on America's biggest national security threat? When PLA tanks roll into Washington one day, I guess we can expect the Board to be more critical of scratches on their paint jobs, than of the end of history.

How could this be so?

The opinion fails to acknowledge WaPo's conflicts of interest on China, for example the fact that since November 2016, the Post accepted over \$4.6 million in paid advertising from China Daily, which is controlled by the Chinese Communist Party.

Shouldn't political advertising by a totalitarian and genocidal country be illegal in any democracy that supports human rights, you say? Isn't it a form of violent hate speech? It would certainly contravene journalistic ethics (if the Post didn't officiously think it defined such ethics). Much more so when these millions pay for what appears to be regular WaPo articles (except for a small disclaimer) and are not acknowledged in the Post's general reporting on China.

Given the lack of light coming from The Washington Post on potential prescriptions against China's military threat, except that feeble glow given off by an old recluse of a sclerotic lava lamp that no longer undulates, I will here name

GREG BAKER/AFP/GETTY IMAGES

BRENDAN SMIALOWSKI/AFP VIA GETTY IMAGES



A man walks past The Washington Post in Washington, on Aug. 5, 2013.

a few prescriptions that are appropriate to countering the only two Chinese military threats identified by the Post: against Taiwan and the South China Sea. We'll leave threats against India, Japan, and the US until another day.

1. Declassify more information related to China's malign activities in the South China Sea and Taiwan.
2. Sue China for its illegal occupation of South China Sea islands and fishing grounds in other countries' EEZs.
3. Impose Magnitsky sanctions against Chinese officials who are responsible for ramming, kidnapping, and killing of Philippine and Vietnamese fishermen.
4. Establish an Asian NATO to counter China.
5. Physically disrupt China's operations in the South China Sea.
6. Economically sanction China for its Taiwan and South China Sea aggressions.
7. At Taiwan's request, build a U.S. and allied military base in the country.
8. Provide an independent submarine-based nuclear deterrent for Taiwan, free of charge, with a thank-you note tied to the periscope that praises this brave little country for being the tip of the spear in the defense of global democracy.

What's that you say, WaPo? That could threaten the more than \$600 billion in annual trade with China, including by your own Jeff Bezos' Amazon.cn at over \$300 million in annual revenues?

Unfortunately, Amazon's big business in China is another apparent conflict of interest that WaPo fails to mention, as is its agreement with the China-linked Berggruen Institute to produce its World-Post maybe-real-opinions-but-one-can't-really-tell-because-it-seems-like-a-sketchy-paid-for-deal. One of the most

recent Berggruen-produced opinions is titled, "America has little to fear from a China-centered world."

How much is China Daily paying you, now, WaPo?

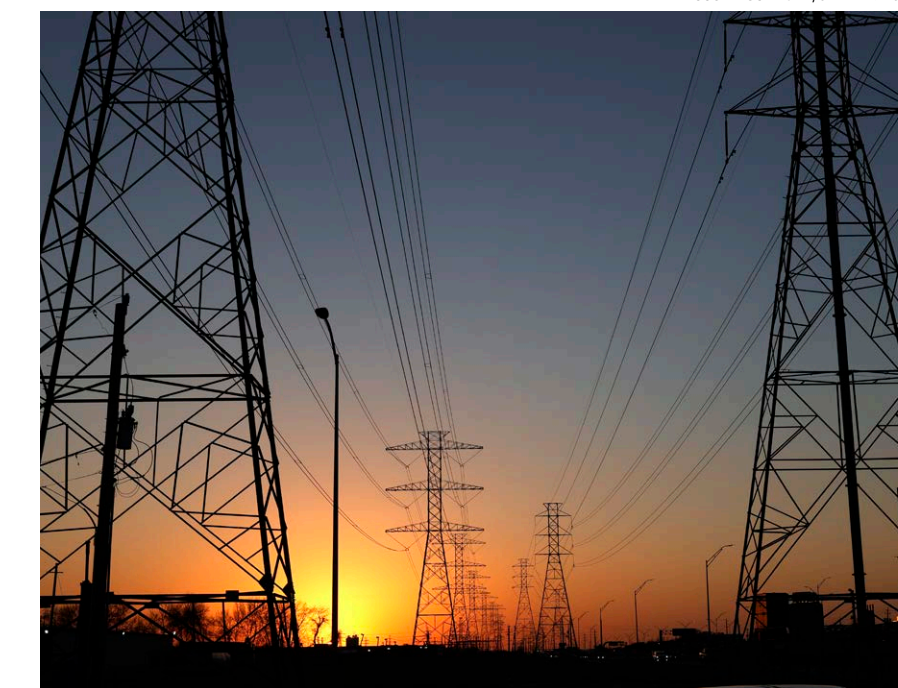
If all this sounds weird, startling, and new, it's because the Washington Post and other mainstream media have for years ignored China's military and influence threats until it's now almost too late. Please, dear reader, check out some of the links in this article. You'll learn more than you do from WaPo's Board.

On China, and with the exception of Josh Rogin (the lightbulb at the bottom of WaPo's lava lamp) and perhaps some other front-line journalists, the Post is therefore not a serious paper. It has for years lagged in its responsibility to provide adequate prescriptions for defending against the China threat. This in part explains (and is in part explained by) the corporate, swampy, and revolving-door nature of its eponymous city.

"Democracy dies in darkness" is the Post's wonderful motto. It almost brought a tear to my eye, when I first read it. Let's please live up to this on the China issue. Do it quick, because the sun is setting on democracy. When that happens, neither Bezos' billions, nor WaPo's so-called freedom of speech, will be worth a damn.

*Anders Corr has a BA/MA in political science from Yale University (2001) and a Ph.D. in government from Harvard University (2008). He is the principal at Corr Analytics Inc., publisher of the Journal of Political Risk, and has conducted extensive research in North America, Europe, and Asia. He authored "The Concentration of Power" (forthcoming 2021) and "No Trespassing," and edited "Great Powers, Grand Strategies."*

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



High voltage transmission towers in Houston on Feb. 21, 2021.

## OPINION

## Protecting the Grid From Blackouts—and Communism

JASON ISAAC



You'd think the Chinese Communist Party (CCP) would know better than to mess with Texas. But a

planned wind turbine facility in West Texas owned by Chinese with links to the CCP exposes just how vulnerable our electric grid is to national and cybersecurity threats.

Legislation filed in Texas to ban power plants owned by hostile nations offers a model other states should follow to protect our electric grids not just from blackouts, but from a sea of red.

Let's start with the facts. The Xinjiang Guanghui Industry Investment Group, a conglomerate run by a member of the CCP, purchased 140,000 acres of land in the Devil's River area of Val Verde County, Texas, along the Mexican border. The company's U.S.-based subsidiary plans to install more than 40 wind turbines there, a move even renewable groups such as the Sierra Club oppose.

The really uncomfortable part? The Chinese regime has nearly unfettered access to company information. Chinese companies operate under draconian national security laws that require them to hand over everything from customer data to encryption keys. One analyst described it this way: "The information that Chinese agents once had to steal through cyberattacks are now automatically provided for the 'privilege' of doing business there."

The U.S. military has already discovered the chilling consequences of intentional vulnerabilities created in Lenovo servers to comply with Chinese law—vulnerabilities that nearly let Navy destroyer fleets and ballistic missiles fall into enemy hackers' hands. The Devil's River wind farm, incidentally, is also a stone's throw from Laughlin Air Force Base in Del Rio.

It's difficult to overstate the threat of a foreign nation infiltrating our grid. Given access to the grid, hackers could not only "spool" the grid and trick operators into thinking more power is available than there actually is, they would also be privy to sensitive intelligence on grid protocols, including threat response. It would be all too easy for a bad actor to not just bring down the grid, but also collude with other nations to strike once our vulnerabilities have been exposed.

The chaos Texans experienced just weeks ago when blackouts left 4 million people in the cold and dark with many roads undrivable—forcing them to spend all their time and mental energy

on the bare necessities like food, water, and warmth—would pale in comparison to a coordinated attack.

While most emergency facilities have backup generators, even these aren't foolproof and only work for short periods of time as long as diesel or propane is available to fuel them. A coordinated attack, with blackouts lasting for more than a few days, could bring down our law enforcement operations, military bases, hospitals, banks, and more—not to mention the servers and data centers they depend on.

Without electricity, we're shockingly vulnerable. That's why other states should follow Texas's footsteps and protect the grid not just from blackouts, but from enemy intrusion.

The Lone Star Infrastructure Protection Act seeks to prohibit companies from China, Iran, North Korea, Russia, or any other countries the governor designates as a significant threat from connecting to Texas's electric grid, water treatment facilities, communications systems, critical cyber infrastructure, or chemical facilities. This bill, which is currently being considered in committee, will prevent rogue nations from accessing confidential grid operation information and add a layer of much-needed protection to our electric grid.

**Without electricity, we're shockingly vulnerable. That's why other states should follow Texas's footsteps and protect the grid not just from blackouts, but from enemy intrusion.**

In the privileged West, we've gotten complacent. We've forgotten just how profoundly electricity (and the technology it powers) improves our lives. From the basics like clean running water to warmth and productivity, electricity is the dividing line between poverty and flourishing—and essential to our physical and national security. It should be common sense that we protect it from attack.

*The Honorable Jason Isaac is director of Life:Powered, a national initiative of the Texas Public Policy Foundation to raise America's energy IQ. He previously served four terms in the Texas House of Representatives.*

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



A Chinese navy formation, including the aircraft carrier Liaoning (C), during military drills in the South China Sea, on Jan. 2, 2017.

JUSTIN SULLIVAN/GETTY IMAGES





Street signs outside the New York Stock Exchange in New York on April 16, 2021.

## ANALYSIS

# Chinese Companies Hold Record IPOs in US, Despite Tensions

FAN YU

Despite ongoing political tensions between the United States and China, the world's two biggest economies are becoming increasingly intertwined financially, especially on the IPO front.

Even as the U.S. Congress begins to tighten the reins on China-based companies listed on U.S. stock exchanges, these companies continue to seek American capital. They have raised record amounts of equity capital through initial public offerings (IPOs) on U.S. exchanges this year.

There are certainly reasons for China-based companies to be hesitant to list here. Some China-based companies were recently delisted from U.S. stock exchanges, such as the three major Chinese state-owned telecom providers and the energy firm China National Offshore Oil Corp. In March, the U.S. Securities and Exchange Commission (SEC) announced that it would begin implementing the Holding Foreign Companies Accountable Act to enforce more stringent disclosure rules on foreign companies whose stocks trade in the United States. Such efforts to gain more transparency and greater oversight of China-based companies have bipartisan political support in Washington.

However, these actions have had little effect on the parade of China-based companies lining up to hold their IPOs on U.S. exchanges.

Since drugmaker Qilian International Holding Group Ltd. became the first China-based company to take its shares to Nasdaq this year, China-based companies have raised around \$4.4 billion through March 31 in 20 separate IPO transactions, according to data from Deloitte & Touche. The largest IPO was the \$1.6 billion share issuance by RLX Technology Inc., a maker of e-cigarettes. This is an extraordinary pace considering that last year during the same quarter, there were only six U.S. IPOs raising \$370 million for China-based companies.

And there are several high-profile Chinese IPOs on the horizon.

One such potential IPO is ByteDance's Douyin, the short-form video social media app that is the Chinese version of TikTok. Reuters reported that ByteDance internally discussed listing Douyin on the New York Stock Exchange and has been devising a legal structure that would meet the requirements of both U.S. and China's regulators. But the company had since denied such speculation. ByteDance previously wanted to list the entire company either in the United States or in Hong Kong before

the Trump administration raised security concerns last year regarding TikTok.

Didi Chuxing, China's No. 1 ride-hailing app, is a sure bet for an IPO in the United States later this year. Didi has a long list of famous backers including Tencent, Alibaba, Japan's SoftBank, Toyota, and Uber, is one of China's biggest tech unicorns, and has already confidentially filed a form S-1 in anticipation of a New York Stock Exchange listing. Uber's stake in Didi was a result of its selling its own China subsidiary to Didi in 2016.

Hello TransTech, a bicycle-sharing platform, is another China-based company preparing for a U.S. offering, according to a South China Morning Post report. Hello is backed by Ant Group and has an estimated valuation of \$5 billion, according to its latest round of financing. So why do so many China-based companies continue to list their stock on U.S. exchanges despite clear regulatory risks? In short, market access and the associated liquidity.

The U.S. stock market is an ocean compared to China's pond. The total market value of all Chinese-domiciled companies traded on U.S. exchanges amounted to \$1.9 trillion as of April 30, according to an analysis by The Epoch Times using Bloomberg data.

The value of China's entire stock market is about \$11.7 trillion in total. That's the sum of the market capitalization of the Shanghai Stock Exchange of \$6.5 trillion, plus the market value of the Shenzhen Stock Exchange of \$5.2 trillion. That means the value of China-based companies listed on U.S. exchanges is close to 30 percent of the Shanghai market, 37 percent of the Shenzhen market, or 16 percent of China's two biggest markets combined.

By comparison, the total market cap of the U.S. stock market was \$49 trillion as of March 31, according to Sibilis Research.

So what does this mean? For one, moving these U.S.-listed Chinese companies back to China would be problematic—their scale would crowd out available capital from other China-based companies. It's clear that obtaining capital from abroad is a key financial strategy for many China-based companies, and by extension, the Chinese Communist Party (CCP). The size of China's onshore markets would need to expand significantly to accommodate these companies. By comparison, the size of capital pools and the diversity of investors in the United States is unmatched.

The Federal Reserve issued a white paper called "Why Do U.S. Cross-Listings Matter" in 2008. While the paper is dated, its conclusions remain relevant. The Fed found that "U.S. investors sharply increase

their holdings in foreign stocks that cross-list on a U.S. exchange, a phenomenon we term the 'cross-listing effect.'"

Having a U.S. capital base is important for companies, especially large companies striving for global relevance. China's onshore market is largely retail, with individual investors holding the greatest number of shares. The U.S. market is dominated by institutions, such as mutual funds and ETFs, pensions, insurance companies, hedge funds, and banks. There is a positive reputational impact to having majority institutional holders in addition to other tangible impacts, such as a less volatile stock price (institutions turn over their holdings less frequently than retail investors).

So the threat of increased regulatory oversight is real, and some firms may be delisted. But China-based companies to date still view the benefits of listing in the United States as outweighing the risks. From China's perspective, it behooves the CCP to reach an agreement with the SEC on cross-country accounting and auditing inspection quickly, if only to keep the cash flowing.

One way some companies have hedged their bets is by having a dual listing. Several of China's biggest technology giants, including JD.com, Alibaba, and Baidu, are listed both in the United States and in Hong Kong. This way, if U.S. regulators do bar these companies from American exchanges, foreign investors can still access a large, liquid stock exchange in Hong Kong.

While China-based companies may be incentivized to list in the United States, U.S. investors should remain wary. Information transparency and disclosure integrity of China-based companies are not on par with their U.S. peers, especially for smaller less well-known companies. Even after China allows U.S. regulators to examine audit workpapers, there are no guarantees those workpapers are original or factual.

Take Luckin Coffee, the infamous U.S.-listed coffee chain that collapsed last year due to financial fraud, as an example. The Luckin fraud wasn't uncovered by its auditors. In fact, its auditor, Ernst & Young, argued that it held no responsibility since the statements and records it received from the company were falsified. So even granting the SEC with workpapers and other company documents to examine wouldn't have uncovered Luckin's fraud.

Institutional Investor magazine summed up the collective investor sentiment in this rhetorical question last year: "They're eager to reap the benefits from investing in China's enormous market, but can they trust the numbers, the disclosures, and the honesty of China's companies?"

## OPINION

# Does the US Have Time to Counter Beijing's Unrestricted Warfare?

GUPPY DONG

The U.S. Congress has just voted to advance the Strategic Competition Act of 2021, which is the first time in decades that Democrats and Republicans both want to take a tough stance in dealing with the Chinese regime.

After decades of globalization, China and the United States have developed a very complex and interdependent relationship. The United States is becoming increasingly aware that if it compromises with a crazed adversary, it will meet with disastrous consequences. It's actually a difficult choice for the United States to counter the Chinese Communist Party (CCP) on all fronts in the form of legislation, but still, Washington has overcome the major obstacle of a large number of interest groups and has finally openly announced its determination to do so.

Some experts believe the United States and China have been clashing in a "grey zone" and that the aggressor is the Chinese regime. The concept of the grey zone has been used a lot, and it refers to fighting in the zone between war and peace. I don't like this concept because it obscures the real situation—the CCP has been waging "unrestricted warfare" against the United States since June 4, 1989, more than 30 years ago.

The concept of unrestricted warfare was introduced by the CCP, which claims that future wars should be waged through "all means, including armed force or non-armed force, military and non-military, and lethal and non-lethal means to compel the enemy to accept one's interests," as two Chinese military officers, Qiao Liang and Wang Xiangsui, wrote in their book "Unrestricted Warfare." This concept originates from the CCP's gambling mentality following the collapse of the Soviet Union: either to be disintegrated or to conquer the world.

It's playing a life-and-death game, using the death and disaster of the world as its bets.

Chi Haotian, defense minister of the CCP from 1993 to 2003, was the first person to interpret this concept. His opinion is that, instead of nuclear war with heavy casualties on both sides, biological weapons and other lethal weapons could be used against

Last year, during the initial outbreak of the pandemic, the CCP mobilized Chinese companies and associations overseas to buy masks to send to China, showcasing the CCP's unrestricted warfare.

the United States. And indeed, the CCP has been doing this for the past several decades.

A year after the SARS (Severe Acute Respiratory Syndrome) broke out in China, the virus reportedly escaped from a Beijing lab twice in 2004. To prevent a similar incident from occurring again, the CCP sought help from France in setting up P4 labs, dispatched many experts to participate in virus research in the United States and around the world, and invested heavily in setting up virus labs in Hong Kong.

Furthermore, Chinese experts have already entered the most important biochemical laboratories in North America and Canada, many of which have been acquired and merged by Chinese capital in recent years.

The COVID-19 pandemic has become part of the CCP's unrestricted warfare to take full advantage of the allocation of global resources, and use trade and resources as its weapons. Even medical supplies have become the CCP's weapons.

Another important element of unrestricted warfare is the CCP's secret agents who have been dispatched to the United States and the world. There are now a large number of agents in the West who call themselves "pro-communists," many of whom are already citizens of the countries where they reside. The CCP has taken advantage of Western institutions to allow their agents to establish association groups in order to carry out the regime's infiltration and attack. These groups offer benefits to local officials in order to control regional politics.

Last year, during the initial outbreak of the pandemic, the CCP mobilized Chinese companies and associations overseas to buy masks to send to China, showcasing the CCP's unrestricted warfare.

One particular battleground of unrestricted warfare is the CCP's acquisition, establishment, and infiltration of media overseas. The CCP's lies have been able to achieve the effect of deceiving the world's people. Even America's mainstream media have become a captive of the CCP and are constantly helping the CCP spread its lies and propaganda.

The NBA and Hollywood also have fallen under the CCP's influence. America's tech giants and social



A medical staff member is collecting a biological sample at a middle school in Guangzhou city, China on April 21, 2020.

media outlets such as Facebook have kowtowed to China. Bill Gates, who is of major influence to the world, has made no secret of the fact that he takes sides with the CCP.

In recent years, the CCP has also made no secret of its intention to conquer the United States and the West. Di Dongsheng, associate dean of the School of International Studies at the Renmin University of China in Beijing, mentioned during last year's U.S. presidential election that the CCP had an enormous influence on senior U.S. politicians and Wall Street. Jin Canrong, a professor and associate dean of the School of International Studies at Renmin University and an adviser to Chinese leader Xi Jinping, said in a July 2016 speech, "If China has thousands of votes on hand, China will be the boss of the candidates."

In fact, many Chinese communists who have infiltrated the United States have already become naturalized Americans, and they actually have the U.S. votes that can be controlled by the CCP. They use the many associations they have established and the money they have earned in America to help the CCP implement its unrestricted warfare against the United States.

Through Chinese social media such as WeChat, those pro-communist groups have also formed a disruptive force powerful enough to influence U.S. elections—and they actually identify as Americans. That's the real problem that the United States faces.

The CCP knows what they're reaping, so it has started to openly chal-

lenge the United States. Yang Jiechi, a member of the CCP's Politburo and director of the Foreign Affairs Office, delivered a 17-minute speech in Alaska in March that could be viewed as an overt challenge. The CCP's "wolf warrior" diplomats are very bold. Does the international community see that?

The CCP has been attacking the United States on many fronts for 30 years through unrestricted warfare. Will the United States finally wake up now?

The U.S. Congress finally realized that it has to take action against the Chinese regime. I hope it's not too late and that the Strategic Competition Act will soon become law.

*Guppy Dong (a pseudonym) was a government official in mainland China until he was sentenced to 13 years in prison for his participation in the Tiananmen Square protests. After his release, he worked as a journalist and editor for several Chinese-language publications. He was also CEO of an enterprise listed on the Shanghai Stock Exchange, general manager of a consulting company, and visiting professor at Hong Kong University of Science and Technology. He has written many articles exposing the Chinese Communist Party. He fled China in 2018, and is now living in the United States.*

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



Severe Acute Respiratory Syndrome patients recuperate in an isolation ward of Beijing Ditan Hospital in Beijing on April 17, 2003.





TRUTH *and* TRADITION

# COVERING IMPORTANT NEWS OTHER MEDIA IGNORE

LEADING REPORTING ON  
**THE CHINESE COMMUNIST THREAT**  
FOR THE PAST 18 YEARS

**The Epoch Times not only reports reliably on U.S. politics and the Trump administration, but also publishes authoritative China news, covering topics including:**

- Impact on the United States
- Business and economy
- Communist infiltration of our government, businesses, schools, universities, popular culture, and more
- Disinformation surrounding U.S.–China trade relations
- Security and espionage
- Influence on media and Hollywood
- Overseas interference and United Front activity

**The Epoch Times has also championed a new method of investigative journalism, steeped in the discipline's traditions of truth and responsibility. Combining this method with quality design, our journalists expose corruption and subversion in U.S. politics, and other important issues. Our investigative infographics have included:**

- Illegal Spying on President Trump
- Hillary Clinton and the Uranium One Deal
- China's Military Expansion Into Space
- The Secret Propaganda War on Our Minds
- Spygate: The True Story of Collusion
- Clinton Foundation 'Pay to Play' Model Under Investigation

Download infographics

[ReadEpoch.com/infographics](https://readepoch.com/infographics)

FREE newsletter signup

[EpochNewsletter.com](https://epochnewsletter.com)

Subscribe to the paper (print/epaper)

[ReadEpoch.com](https://readepoch.com)

More information

[TheEpochTimes.com/about-us](https://theepochtimes.com/about-us)