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CHINA INSIDER

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MONETIZE
EVERYTHING'**

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INTO AN INDUSTRY, EXPERTS SAY**

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ORGAN HARVESTING

'They Will Monetize Everything'

Beijing Has Turned Rights Abuses Into an Industry, Experts Say

EVA FU

The Chinese Communist Party has become an expert in profiting off its human rights abuses, according to a former State Department official, who pointed to the regime's commercializing of slave labor—and even body parts from slain prisoners of conscience.

Robert Destro, a former assistant secretary of state for democracy, human rights, and labor, said that Chinese leaders will go after anything that could present a challenge to their rule.

"They are extraction experts," Destro told an Oct. 18 panel at the Hudson Institute. "They will monetize everything, from the national resources to your liver."

Extractive, coercive, repressive, and intrusive—these are the four words Destro used to describe the CCP.

Religion has been hit particularly hard, Destro said, pointing to the regime's about-face on the spiritual group Falun Gong as an example.

Falun Gong, also known as Falun Dafa, is a spiritual meditation practice based on the principles of truthfulness, compassion, and tolerance.

Introduced in 1992 in the northeastern Chinese city of Changchun, Falun Gong enjoyed considerable state support in the early years as it spread rapidly by word of mouth. By official estimates, the practice had garnered more than 70 million adherents by the end of the decade. Chinese state media praised the practice for its health benefits, and a State Sports Commission official noted the billions in medical savings it brought to the state.

In 1999, then-CCP leader Jiang Zemin ordered the withdrawal of all such support, and on July 20 of that year, the CCP launched a national campaign in an effort to eliminate the practice.

"And to this day, the Falun Gong is perceived as an existential threat," Destro said.

The adherents have been identified by experts as the primary victim group in Beijing's industrialized forced organ harvesting campaign. Organs from imprisoned practitioners are extracted

If they identify a match, they can go to your house to arrest you in any name and harvest your organs.

Sean Lin, communications director, Falun Dafa Association in Washington

and sold, often for tens of thousands of dollars, in a macabre medical process leaving no survivors.

"[The] Chinese government have utilized the police system, judicial systems, the medical system, working together to enable this chain of profits," said Sean Lin, communication director for Falun Dafa Association in Washington. "If they identify a match, they can go to your house to arrest you in any name and harvest your organs."

The grisly practice of "selling the organs of its own people" makes the Chinese regime no different from "an organized criminal enterprise," Destro said. The former official, who also previously served as a special coordinator for Tibetan issues, observed the same kind of exploitative policies being carried out on the Tibetan plateau and elsewhere in the country.

Tibet, he said, has been a "key proving ground" where the regime has carried out its repression with impunity. It's done this by extracting the region's minerals, forcing locals to culturally assimilate to the practices of the Han Chinese majority, driving Tibet's spiritual leader the Dalai Lama into exile, and transforming the region into a "pervasive surveillance state."

The region is "incredibly geostrategic and environmentally important," being both the gateway for advancing its Belt and Road infrastructure project and a key water resource for China's Asian neighbors. Known as the "roof of the world," the plateau's lofty altitude also adds to its strategic value in the regime's bid to project military power globally.

"If you have your missiles up on the top of the plateau, you can hit anything," he said.



Cotton pickers harvest a crop of cotton at a field in Hami, in China's far west Xinjiang region on Sept. 20, 2011.

JOE KLAMAR/AFP VIA GETTY IMAGES



Falun Gong practitioners in Vienna stage a demonstration of organ harvesting of imprisoned practitioners in China during a protest against importing of human organs to Austria from China, on Oct. 1, 2018.

Similar scenes are also unfolding in Xinjiang, the far-western region where an estimated 1 million Uyghurs are corralled in a network of internment camps, in what the authorities have billed as part of a counter-terrorism campaign.

The regime has also shown "absolutely no mercy," said Nury Turkel, a Uyghur American lawyer and vice-chair of the U.S. Commission on International Religious Freedom.

"To the Chinese Communist Party, any organized religion, any practice of religion or belief, is perceived as a threat. They're perceived as a threat for the survival of the CCP."

The Xinjiang region provides 85 percent of China's cotton and about one-fifth of the world's supply, a major share of which is likely to be tainted by forced labor, according to the think tank Center for Global Policy.

In addition, Uyghur women in the Xinjiang camps have seen their treasured hair—grown long according to their

Uyghur women in the Xinjiang camps have seen their treasured hair—grown long according to their tradition—shaved off. Some of this hair then becomes material for weaves and other beauty products sold in the United States, survivors interviewed by The Epoch Times have said.

And the implications of the regime's human rights abuses don't stop at China's borders, the experts said.

With China playing a major role in global supply chains, the regime hasn't hesitated to wield its economic power to hit back at Western criticism and bend U.S. corporations to its will. Earlier this year, Beijing led on a boycott against major international apparel brands that had sought to avoid using Xinjiang cotton in their products, causing a dozen

fashion brands to lose their Chinese brand ambassadors.

Nina Shea, a religious freedom expert at the Hudson Institute who moderated the panel, noted that when the Trump administration imposed tariffs on Chinese goods, U.S.-based Bible publishers that print tens of millions of Bibles in China sided with Beijing in lobbying Washington against the measure.

"It's an alternative model of life and existence that the Chinese self-consciously are competing with against the liberal democratic model," she said.

"The plight of Chinese religious communities deserves closer attention from America, Shea and Destro said.

"These are being pioneered on these communities," she said. "It's coming to a place near you if we are not alert to it."

Eva Fu is a New York-based writer for The Epoch Times focusing on U.S.-China, religious freedom, and human rights.

HUMAN RIGHTS

'Speak for the People': 14 Chinese Activists Thwarted by Authorities in Their Bid to Run in District Elections

EVA FU & SOPHIA LAM

Fourteen Chinese activists in Beijing are presenting themselves as independent candidates in the local People's Congress election, posing a challenge to the ruling Communist Party that has long kept a tight grip over the twice-a-decade event.

Most of them have had firsthand experience of the harshness of authoritarian control, but say they hope to channel their frustration for the greater public good.

They [authorities] never wanted us to participate in the elections.

Liu Xiuzhen, candidate for the Beijing Municipal People's Congress

"As grassroots citizens, the 14 of us have deeply felt the challenges in communicating with the government, People's Congress, courts, and procurators," they said in a statement. "We have often looked for People's Congress representatives through all different channels, hoping they could help us to convey our concerns to the government, but we have no hopes of meeting with them."

"We want to let all our neighbors and all our voters contact us at any time. We are willing to speak up for ordinary citizens and work for them," the statement said.

Seeking A Voice

The election for the Beijing Municipal People's Congress, scheduled for next month, will determine the representatives for



Wang Quanzhang's wife Li Wenzu (2nd R) and wives of 3 other Chinese human rights lawyers criticize the police of Linyi city in front of the police station on Aug. 31, 2019.

urban districts and rural counties in the region. Such local elections are the only opportunity for citizens to cast their votes in the communist-ruled country.

While Chinese law allows independent candidates to run, trying to get their names on the ballot could prove a difficult exercise. Independent candidates in China often face harassment and detention by the police, on top of procedural roadblocks.

Activist Ye Jinghuan is running for the election her third time despite receiving police threats in the past.

After she announced her first candidacy in 2011, she was quickly targeted and was beaten by uniformed police. The second time, in 2016, local neighborhood committee members and plain-clothed police tried to block her from campaigning.

"They surrounded our house, surrounded our courtyard so as to stop us to go to populous places to campaign for votes," she told The Epoch Times, adding that the police also tried to prevent Western media reporters from interviewing her.

Ye became a petitioner after she and her

sister became victims of a futures investment scam in 1998, where hundreds lost their life savings.

"We wanted to explain our situation to the People's Congress representatives because they have some power, they can at least talk to government authorities," she said.

In reality, though, they could get detained for trying to air their grievances to the delegates, according to Ye. They "are becoming farther apart from us," she said.

So Ye decided to run herself. Li Hairong, a farmer living in Beijing's Chaoyang district, has sought justice for the past decade after authorities forcibly tore down her house in 2011.

"I really want to become a People's Congress representative who can be found by other people," he told The Epoch Times. Most candidates were no longer contactable as of Oct. 17.

'These People Are the Future'

Wives of two prominent human rights lawyers previously detained during the "709 Incident," a wave of arrests in 2015 targeting hundreds of the country's defense lawyers and dissidents, also announced their bid.

Li Wenzu, who only reunited with her husband Wang Quanzhang last year, was denied visitation rights during nearly four years of Wang's detention. During her years advocating for her husband's release, authorities pressured her landlords to evict Li and her son. Li's son, now eight years old, was forced out of school four times, she said.

"The People's Congress representatives only exist on TV," Li told The Epoch Times. The absence of lawful representatives who can speak up for her husband dur-



More than 1,000 police in riot gear entered Wukan village in Lufeng county, Guangdong Province, before dawn on Dec. 11, 2011. Wukan villagers have staged several large-scale, well-organized protests during the last few months against illegal land grabs and corruption by officials.

I really want to become a People's Congress representative who can be found by other people.

Li Hairong, candidate for the Beijing Municipal People's Congress

ing those difficult years gave rise to her strong desire to step in to fill the void, she said.

Yang Sen-hong, head of human rights group Taiwan Association for China Human Rights, said the 14 candidates represent China's hope for greater freedoms. "These people are the future," he told The Epoch Times. He was confident that they would win in a normal election.

But pressure from authorities has been intensifying.

Candidate Guo Qizeng suspects that authorities have tapped his phone. Calls from the United States would prompt a warning or get hung up automatically, he told The Epoch Times.

Liu Xiuzhen, who has already received multiple police visits, said that Beijing will likely use two review processes to screen unfavorable candidates out.

"They never wanted us to participate in

the elections," she told The Epoch Times. Chinese people have long sought, and failed, to secure democracy from the authoritarian Chinese Communist Party.

The student-led democracy movement in 1989 ended with tanks rolling onto Beijing's Tiananmen Square, killing hundreds, if not thousands.

In September 2011, Wukan—a small fishing village in southern Guangdong Province with a population of 20,000—showed glimmers of grassroots democracy. For a short period, the villagers rebelled over officials' corruption and land grabbing efforts and drove them out.

Thousands then elected their own representatives and set up organizations such as a provisional council and a women's union to coordinate mediation with the Party. But authorities soon announced that their organizations were illegal and began to make arrests.

On Dec. 11, 2011, one of the five arrested representatives, Xue Jinbo, died in police custody. All of those arrested were tortured, reported The Epoch Times.

It is unclear whether the 14 candidates will be allowed to persist in their runs. But Cheng Hai, a China-based civil rights lawyer who had defended his peers arrested during the 709 crackdown, believes the Chinese people need to persist.

"Abandoning your ballot is the same as abandoning your rights to political decision making," he told The Epoch Times. "It's equivalent to acquiescence," he said.

Li Bei and Hong Ning contributed to this report.

Eva Fu is a New York-based writer for The Epoch Times focusing on U.S.-China, religious freedom, and human rights.

MILITARY

China Is Upping the Game in Hypersonic Weapons

RICHARD A. BITZINGER

The hypersonic missile is the holy grail of the kinetic-kill weapons system. The appeal of such a powerful, supposedly unstoppable weapon is obvious and not lost on the West's adversaries. It is China, however, that is driving most of the recent concerns over a hypersonics arms race.

Traveling at a speed of anywhere from 5 to 15 times the speed of sound (that is, around 3,700 to 11,000 miles an hour) and able to maneuver while doing so, the hypersonic cruise missile is believed unstoppable and impossible to defend against. Reportedly, a hypersonic weapon could be 10 to 20 times harder to detect than an incoming ballistic missile.

Quite a few countries are working on a hypersonic weapon.

Russia has reportedly accelerated its program to develop the Avangard hypersonic glide vehicle (HGV), which would be launched by an intercontinental ballistic missile (ICBM). According to reports, Moscow wants to deploy up to 60 Avangards by the mid-2020s.

Moreover, Russia claims that it recently test-launched a "Tsirkon" (Zircon) hypersonic cruise missile from a submarine.

North Korea has also claimed success with hypersonic weapons. The North Korean missile supposedly possesses the "guiding maneuverability and the gliding flight characteristics" of a HGV.

India is working on a hypersonic version of its BrahMos cruise missile, which currently flies at supersonic speeds.

The New York Times reported that France, Australia, Japan, and the European Union all have military or civilian hypersonics research projects underway. In particular, Japan supposedly wants its own hypersonic weapon by 2025.

China has been working on an HGV designated DF-17, and it has been test-launched several times, boosted by a conventional missile. The DF-17 is reportedly capable of flying up to Mach 10 (7,400 miles an hour), possibly nuclear armed, and could be launched from an ICBM, giving it global coverage.

Moreover, just a few days ago, a re-

An artistic rendition of DARPA's Hypersonic Technology Vehicle (HTV-2). The Chinese regime recently held its fourth test of a hypersonic missile.



port in the Financial Times claimed that China had tested an earth-orbiting, nuclear-capable weapon that had circled the globe before gliding at hypersonic speeds toward its target.

Basically, this test demonstrated two disturbing capabilities: hypersonics and the ability to deploy an "orbital bombardment system." If China can perfect these, it would acquire the capacity to negate or overwhelm the United States' nuclear early-warning and missile-defense systems.

All this, of course, has caused growing panic in the West, particularly the United States. Despite having worked for literally decades on the problem, there is now a new sense of urgency in Washington when it comes to closing a perceived hypersonic "missile gap" with China. In response, the United States has been stepping up its game when it comes to hypersonics, such as developing a "conventional prompt strike" capacity using a hypersonic projectile.

Keep in mind, of course, that hypersonics is not new. Countries have been working on them for decades, the United States in particular. The X-15, a manned rocket airplane that flew in the late 1950s and early 1960s, frequently exceed Mach 5, the definition of hypersonic speed. At the same time, the United States has worked on scramjet technologies since the 1960s and currently has several active hypersonic weapons programs

in development.

In particular, the United States and Australia have been collaborating on hypersonic cruise missiles.

At the same time, the physics of hypersonics is a cruel mistress. Achieving hypersonic speeds is incredibly challenging, and most hypersonic projectiles rely on either a supersonic aircraft or a ballistic missile to get its initial boost. Moreover, the missile has to be made of materials that can withstand the punishing friction and heat of hypersonic speeds. As a New York Times article put it, the skin of hypersonic projectiles "expands and deforms and kicks off a plasma like the ionized gas formed by superheated stars, as they smash the air and try to shed all that intense heat."

Targeting is also difficult since hypersonic systems travel so fast that they can be difficult to control. China's latest hypersonic vehicle reportedly missed its target by 25 miles.

For a long time, therefore, technological challenges appeared to be an effective barrier to weaponizing hypersonics. For these and other reasons, most countries have been content with perfecting ballistic missiles and subsonic or supersonic (but still highly maneuverable and low observable) cruise missiles.

Consequently, a truly operational hypersonic weapon could still be years off. Most current systems, even the Russian Avangard, are still basi-

cally proof-of-concept vehicles.

And the supposedly invincibility of hypersonics may not be destined to last forever. Intercontinental ballistic missiles (ICBMs) are technically hypersonic vehicles and some are even outfitted with maneuverable warheads, but defenses have been developed to cope with these threats. China's DF-21D anti-ship ballistic missile was considered at one time to be a game-changing "carrier killer," against which there was no defense; now it appears that such fears were exaggerated.

This is not to say that hypersonic vehicles do not matter, or that they will not be an extremely important metaphorical arrow in the quiver of future warfare. That China appears to be plowing so much energy and resources into hypersonics and orbital bombardment capabilities is a doubly worrisome thing—and one that the West cannot ignore. Even a partial capacity could greatly complicate U.S. military freedom-of-action in the Pacific. If perfected, China could severely undermine the United States' nuclear deterrent.

A bigger question is: Why is China so openly upping the ante when it comes to nuclear weapons and hypersonic delivery systems? Along with a sizable expansion in the country's overall nuclear program—building hundreds of new silos and building new nuclear missile-carrying submarines—should Beijing deploy a nuclear-armed drone, it could spark a new arms race. It could even conceivably induce countries like Japan and even Taiwan to go nuclear. The Chinese Communist Party seems unable to understand the law of unintended consequences.

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A military vehicle carrying a WZ-8 supersonic reconnaissance drone displayed in a military parade at Tiananmen Square in Beijing on Oct. 1, 2019

NATIONAL SECURITY

New Index Highlights China's Expanding Military Capabilities, US Decline

ANDREW THORNEBROOKE

The Heritage Foundation released its 2022 Index of U.S. Military Strength on Oct. 20, which found that the United States military was declining in its ability to perform its missions, largely due to aging resources and a lack of investment. It also found that China presented a major challenge to the continued military effectiveness of the United States.

"China is the most comprehensive threat the U.S. faces," the report reads. "As currently postured, the U.S. military continues to be only marginally able to meet the demands of defending America's vital national interests."

We know the CCP is constantly studying our actions and looking for weaknesses.

Rep. Mike Rogers (R-Ala.)

The document is the eighth edition of the annual index, which is designed to provide policymakers with an authoritative measure of the ability of the U.S. military to perform its missions, as well as to assess changes in the condition of the military year by year.

The Dragon Ascending

The index ranked China as a "formidable" threat, the highest of five possible values, and found that U.S. armed forces required more hard assets to successfully carry out their missions in the event of a war.

Rep. Mike Rogers (R-Ala.), the ranking member of the House Armed Services Committee, discussed the condition of the U.S. military and the rapid ascent of China's military at a launch event for the Index hosted by the Heritage Foundation, a Washington-based think tank.

"We've been through two decades of war, and we've worn everything we've got out, including manpower," Rogers said. "China is in the middle of an unprecedented military modernization. I fear they'll leapfrog

us in many advanced technologies like AI and quantum computing.

"We know they've done so with hyper-

sonics." Rogers noted the importance of China's reported test of a nuclear-capable hypersonic glide vehicle in August, apparently carried out unbeknownst to the U.S. intelligence community, and he said China's rush to reach nuclear parity with the United States could undercut security efforts globally.

"We know the CCP is constantly studying our actions and looking for weaknesses," Rogers said. "As the world's sole superpower, we have to get in the race or we will lose the race."

Rogers further expressed a commitment to pursue funding for space-based platforms, unmanned assets, and a more distributed defense architecture, all of which would be necessary to confront the Chinese regime in a future conflict.

He said China was set to ascend from its position as a "near-peer" in space technologies to a full peer, capable of directly confronting the United States.

A Growing Threat at Sea

China's ambitions for space and its nuclear arsenal weren't the only subjects raising concerns, however. The growing importance of U.S. naval capabilities was discussed at some length.

Dakota Wood, a senior fellow for defense programs at the Heritage Foundation and 20-year U.S. Marine veteran, underscored that China's naval forces now number about 360 vessels, significantly more than the U.S. Navy's 297.

Wood, who edited the 2022 Index, also said that the growing threat of the Chinese navy was often obscured by a tendency to overemphasize U.S. big-ticket resources, such as its 20 aircraft carriers.

That tendency, according to Wood, was a mistake. "Often times you'll hear comparisons that the U.S. Navy has as many carriers as the next [so-many] countries combined, but only a percentage of that naval capability is available on any one day, and you have to take that and project that abroad," Wood said.

JAPAN-CHINA RELATIONS

Japan's New PM to Continue Quad Support, but Country Needs Stronger Military to Counter China: Experts

ANDREW THORNEBROOKE

Experts believe that Japan's new prime minister, Fumio Kishida, will continue to increase Japan's commitment to the Quadrilateral Security Dialogue (Quad), but that greater efforts to strengthen Japan's military will be necessary to secure the region from aggression by the Chinese regime.

A key area of concern is the ability of the Japan Self-Defense Forces (JSDF) to adequately carry out joint military activities with its allies in the Quad, the informal forum for strategic coordination between Australia, India, Japan, and the United States in the Indo-Pacific.

"American and Japanese alliance managers" have boasted for years that the alliance has never been stronger," said Grant Newsham, a senior research fellow at the Japan Forum for Strategic Studies. "One fairly asks: Compared to what?"

"Except for their two navies, the U.S. forces and JSDF really cannot work together very well at all," Newsham added. "This needs to be fixed."

The push to build interoperability between nations' forces, effectively allowing their militaries to work as a single joint unit in combat, has been a core focus of the Quad in recent years and is a central part of the allied strategy to mitigate adventurism by the Chinese regime, particularly with regard to the safety of Taiwan—the self-ruled island Beijing claims as its own and has threatened to take by force if necessary.

Japan's ground-based forces have not yet successfully built up that interoperable capability, however.

Japan's (Self) Defense of Taiwan

Following World War II, Japan's constitution was amended to allow for national self-defense forces while barring the buildup of an expeditionary military. Over time, Japan's military policies slowly evolved to incorporate the defense of its allies as an extension of its self-defense.

That evolution came to the fore in June, when Defense Minister Yasuhide Nakayama made comments that Taiwan's continued de-facto independence and democratic governance needed to be protected to ensure Japan's own national security.

Since then, Japan announced funding for new missile and electronic warfare units across the Yaeyama Islands, some a mere 70 miles from Taiwan.

Newsham said that the JSDF, for all its professionalism and technology, still lacked the joint capabilities needed to effectively win a war against a major power like China.

"Militarily, Japan has not yet addressed JSDF shortcomings and developed JSDF capabilities needed to allow JSDF to fight a war against a serious opponent," Newsham said. "The Americans and Japanese apparently do not have a joint operational plan in the event something happens with Taiwan."

Newsham added. "There is also no joint Japan-US headquarters in Japan, or anywhere, where operations will be directed, or even peacetime training and exercises." Robert Eldridge, director for Northeast Asia at the Global Risk Mitigation Foundation and senior fellow at the Japan Strategic Studies Forum, also believed that the Kishida government would need to commit greater resources to tangibly increasing its defense of Taiwan if it hoped to successfully deter China.



Sailors stand on the deck of the new type 055 guide missile destroyer Nanchang of the Chinese People's Liberation Army (PLA) Navy as it participates in a naval parade to commemorate the 70th anniversary of the founding of China's PLA Navy in the sea near Qingdao, Shandong Province, China, on April 23, 2019.

He noted that, though the United States has nearly 300 warships, only about a third of that force might be immediately available on any given day and that third is further spread across the entire globe.

In all, only about 60 U.S. warships are deployed in the Indo-Pacific region.

The majority of the Chinese fleet, meanwhile, is stationed within 300 miles of the country, and that number rises to more than 600 vessels if the Chinese coast guard and maritime militia forces are counted.

This means that, should a war break out in the Indo-Pacific, the United States would be starting at a sizeable disadvantage.

"If our navy goes against Russia or China, it's only a small percentage of ours against the totality of theirs," Wood said.

"You're at a six-to-one disadvantage before a conflict would even start. Is that reassuring allies? Is that deterring bad behavior from competitors who are looking at the aggression of Russia and China? Perhaps not so much."

Compounding this issue are two further variables: the age of the U.S. fleet and the

geography of the Pacific region.

The index found that more than half of the ships in the U.S. Navy were over 20 years old and that current funding and building initiatives mean there likely won't be significant growth in the fleet for another 15 to 20 years.

In terms of geography, the United States also has to contend with difficulties posed by the "tyranny of distance" in the Indo-Pacific region, the index noted.

This predicament refers to the placement of Chinese and U.S. military resources in the region, which means that, in the event of war, China would be able to quickly amass a far larger force and provide that force with ground-based elements such as artillery or missile support. The U.S. Navy would lack this capability unless it were near an allied nation.

Andrew Thornebrooke is a freelance reporter covering China-related issues with a focus on defense and security. He holds a master's in military history from Norwich University and authors the newsletter Quixote Hyperdrive.

"Japan is not doing enough to end Taiwan's diplomatic isolation and preserve its safety and security," Eldridge said in an email. "Speeches and comments are not enough. While they do send a message, it needs to be backed up."

To that end, Eldridge commended Nakayama's comments on Taiwan, and hoped that the Kishida government would follow suit with greater diplomatic and military commitment, which he believed the Japanese people would favor.

"Japanese public opinion supports doing more," Eldridge said. "Unfortunately, most politicians do not understand this and continue to act cautiously."

A Time for Choosing

A key issue at hand with the coming of the Kishida government, then, is how Japan as a democratic nation will build new capabilities from the successes of its involvement with the Quad.

"I think Kishida will keep things going on the current trend," Newsham said. "But that's the problem."

"Japan's defense is entirely inadequate, and without the Americans around the Japanese would be in big trouble. It would have no good options for taking on the Chinese aggressors, and no options at all that don't involve nuclear weapons."

To that end, Newsham said that Japan ought to do more to build upon the lessons learned by the U.S. Navy and maritime elements of the JSDF during Quad military exercises.

Further, given the goal of the Chinese regime to undermine the legitimacy and status of democracies everywhere, Newsham said that Japan's example as a democratic nation in east Asia would be doubly effective once it improved such military capacities.

Newsham said that at the end of the day Japan was one of the United States' key allies, and that its dedication to democratic principles ought not be overlooked.

"Sure, we have some differences, but Japan is a splendid example of individual freedom, rule of law, and consensual government," Newsham said. "So is Taiwan



Fumio Kishida, Japan's new prime minister, speaks during a news conference at the prime minister's official residence in Tokyo on Oct. 04, 2021.

for that matter."

"A solidly linked US-Japan alliance with JSDF and US forces also solidly linked and able to operate together is, or will be, hugely stabilizing for the region and globally."

Likewise, Eldridge said that Japan's commitment to democratic principles demanded greater action, adding that the time to choose greater involvement and military responsibility was fast approaching.

"Japan and the LDP-led government as a whole, and Kishida's faction in particular, are historically committed to the democratic principles of the postwar," Eldridge said, referring to the ruling Liberal Democratic Party. "I would like to see Kishida do it more forcefully in the case of China, however."

"[Japan] needs to understand that the world as a whole, the region in particular, and its only formal ally, the United States, expects Japan to play a larger role," Eldridge said.

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ANALYSIS

US–China Battle for Semiconductors

ANTONIO GRACEFFO

Semiconductors are at the heart of the U.S.–China competition for tech supremacy. They are expensive and critical, and the Chinese regime has vowed to outspend the United States by almost 50 to 1 in developing semiconductors.

Semiconductors, or “chips,” are an integral component of the technological products, which drive a country’s economic development. They are generally made of nano-sized (one-billionth sized) crystals, the most common of which is silicon. Also called silicon wafers, semiconductors are thinner than a single strand of human hair and contain as many as 40 billion components.

Only a small number of firms are capable of producing the highest quality semiconductors, which are incredibly complex. In addition to requiring advanced scientific knowledge, their manufacture is also extremely capital intensive—semiconductors are very expensive to develop and produce.

Integrated circuits (ICs), which are made up of semiconductor material, are used in consumer electronics, including computers, mobile phones/smartphones, digital cameras, data center servers, televisions, washing machines, refrigerators, cars, and gaming consoles.

Semiconductors are also critical for military and defense hardware, and used in telecommunications, missile guidance systems, navigation systems, weapons simulators, range finding devices, and proximity fuses. The U.S. Defense Advanced Research Projects Agency (DARPA), which is responsible for the development of emerging technologies used for national defense, needs semiconductors for its electronic warfare programs.

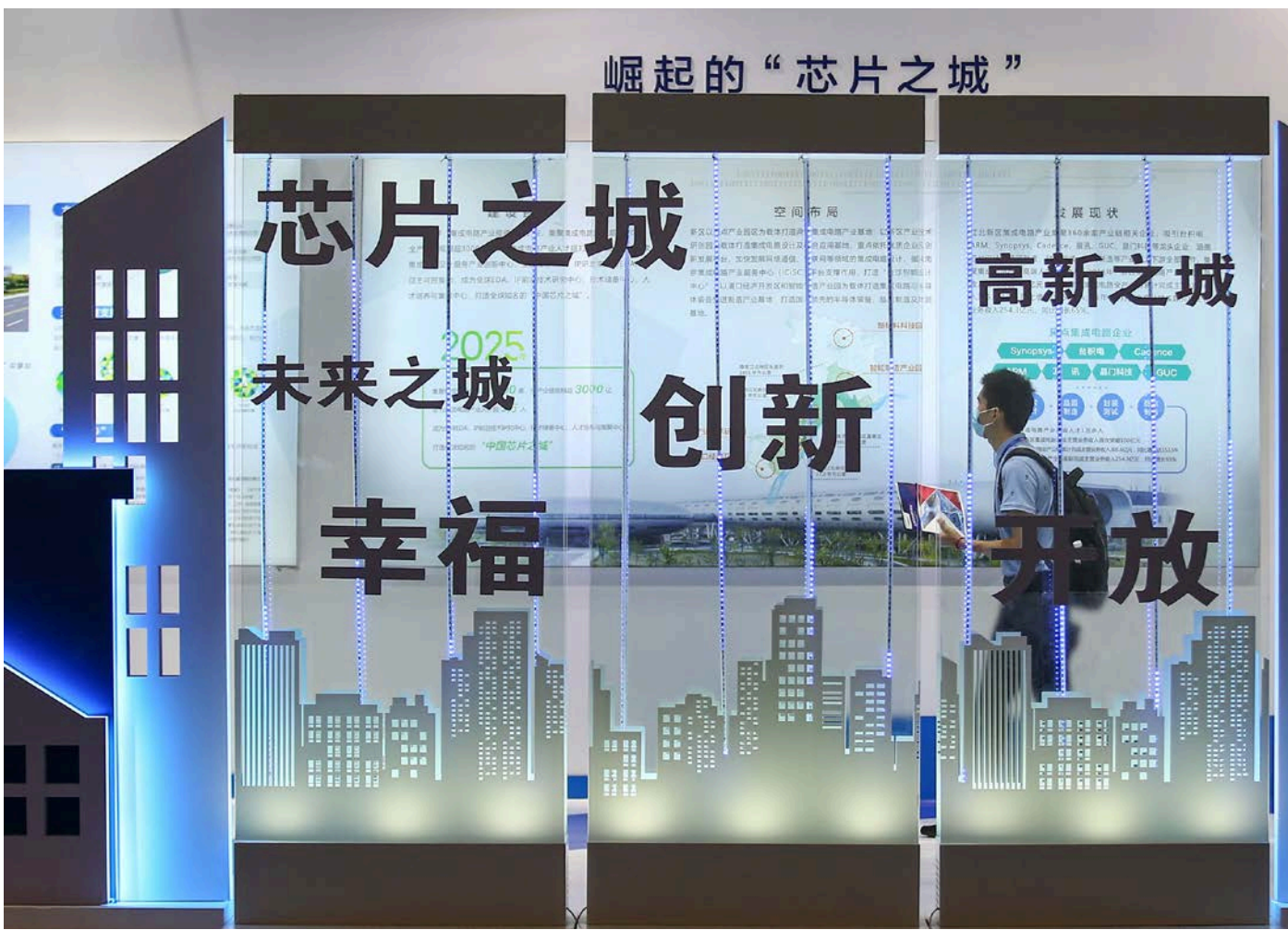
China is the primary rival of the United States in the battle for semiconductors. The Chinese Communist Party’s (CCP) 14th five-year plan called for autonomy in semiconductor production. Shortly after the plan’s release, Chinese Premier Li Keqiang identified investments in core technologies, including chips, AI, and 5G, as a way of catching up with the United States.

The CCP is pumping money into the purchase of weapons, as well as research and development of semiconductors and advanced technology, to modernize its military. The United States, on the other hand, has drastically cut its research and development budget since the end of the Cold War with the Soviet Union.

Over the past 20 years, Chinese chipmakers have received over \$50 billion in government subsidies. Consequently, in 2019, China’s chip exports hit \$101 billion. The CCP has established a \$58 billion semiconductor investment fund, while local governments have pledged an additional \$60 billion. Additionally, semiconductor companies are provided with a 10-year corporate tax exemption.

The Chinese regime also acquires chipmakers and poaches talent away from foreign chip developers, particularly from Taiwan. Furthermore, Beijing offers subsidies and incentives to lure foreign chipmakers to relocate to China.

Taiwan is a world leader in semiconductors—responsible for 63 percent of the global market. The CCP will do almost anything to obtain talent and technology from the island nation. The reoccurring cyberattacks on Taiwan are an example of the lengths the CCP will go to, in order to steal Taiwanese chip technology. In response, four Taiwanese members of parliament, representing the Democratic Progressive Party (DPP), have proposed tightening the country’s



A man visits the 2020 World Semiconductor Conference in Nanjing in China’s eastern Jiangsu Province on Aug. 26, 2020.

commercial secrets law to prevent the CCP from obtaining Taiwanese semiconductor technology or human capital. The four lawmakers said that Beijing’s interest in stealing Taiwanese technology was not only financially motivated, but was also an attempt to make Taiwan poor and weak, and more susceptible to coercion.

China had some success with developing its own semiconductors. AI chips used in cloud computing have been developed by Alibaba. Huawei’s Kirin chip, which is used for 5G equipment and smartphones, is said to be as good as comparable chips made by Samsung and Qualcomm.

But China is still behind the United States in terms of chip manufacture. Huawei’s Kirin chipsets are actually manufactured by a Taiwanese company, Taiwan Semiconductor Manufacturing Corporation (TSMC), which uses American technology.

TSMC is the world’s leading firm, accounting for 54 percent of global semiconductors. Miniaturization is one of the most important aspects of chip development, and TSMC is presently working on a 3-nanometer (nm) production process. The company also hopes to have 2-nm chips available by 2025.

China’s largest chipmaker, state-owned Semiconductor Manufacturing International Corporation (SMIC), by comparison, only began producing 14-nm chips at the end of 2019, leaving China two generations behind the industry leaders.

According to the Center for Strategic and International Studies (CSIS), it will take China at least 10 years to catch up with the United States in chipmaking. CSIS said that the time frame could be extended if the United States cut off China’s access to technology and financing. CSIS recommends the United States to block exports of semiconductors and semiconductor manufacturing equipment, and prevent China from purchasing chips made with U.S. equipment and from acquiring U.S. chipmaking companies.

The United States has taken a number of steps to protect U.S. semiconductor technology and to slow China’s advance. The National Security Commission on Artificial Intelligence (NSCAI) has

recommended strengthening U.S. legislation in order to prevent China from obtaining semiconductor technology. Washington has already placed sanctions on China’s SMIC because its chips had military applications.

On the domestic front, CSIS felt it was defense critical for the U.S. government to invest in chipmakers. And this is what the United States is doing. The Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Act was a bill proposed in Congress to restore American leadership in semiconductor manufacturing, a goal which could be achieved by providing long-term economic incentives for research and development. Among other funding provisions, this bill called for the creation of a \$10 billion fund to encourage investments in semiconductor manufacturing facilities.

The CHIPS bill was incorporated into the National Defense Authorization Act. It created a National Semiconductor Technology Center, which provides funding for private sector research and development. NSCAI has proposed \$35 billion in grants and funding for chip research and manufacture. This is in addition to \$37 billion already promised by President Joe Biden.

The CCP has vowed to outspend the United States 50 to 1 in developing semiconductors, but the United States is a much richer country. In 2019, the CCP imported \$300 billion in computer chips, which is more than it spent on oil. The semiconductor war is looking very much like the military spending escalations of the Cold War with Russia.

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REUTERS

DEBT CRISIS

Will the Evergrande Crisis Impact America?

Could the potential collapse of the Chinese property giant be the next contagion to come out of China?

JAMES GORRIE



The Evergrande insolvency crisis has had a reprieve, but there may be more to it than meets the eye—much more.

After trading for the company’s shares was halted on Sept. 31, the resumption of trading on Oct. 21 led to further declines in its stock price, falling from HK\$2.95 to HK\$2.58 per share. Evergrande’s stock price is down about 80 percent for the year.

Evidently, the market has little faith in the company’s ability to rally and meet its obligations. It has also triggered a sell-off in other riskier Asian issuers of dollar-denominated bonds, driving yields near their all-time highs. That’s understandable, given that almost 50 percent of all dollar-denominated bonds in China are in the real estate sector. If China’s second-largest real estate development firm’s risk is higher, other issuers will be as well, the reasoning goes.

But that’s not all. Talks to sell controlling interest in Evergrande’s Property Services division to China-based Hopson Development Holdings for HK\$2.6 billion collapsed, contributing to its falling share price. Other attempts to raise cash through asset sales have also failed. Incidentally, after Hopson backed out of the deal, its stock price rose over 7.5 percent.

However, Chinese financial authorities insist that the risk is manageable.

Are they correct?

It’s too soon to tell. According to China’s state media, Evergrande has made good on its \$83.5 billion interest payment for offshore bondholders one day before its grace period ended, preventing it from entering into default.

Does that mean that Evergrande is out of danger?

Probably not.

To many financial experts, Evergrande looks quite a bit like the Lehman Brothers crisis in 2008, only on a smaller scale. That’s a fair point. We’ll revisit the Lehman Brothers question again in a moment.

But on the other side of that argument is the fact that Evergrande isn’t the only Chi-

nese real estate firm on the brink of collapse. Some, such as Sinic Holdings and Fantasia Holdings Group, are already in default, with many more development firms such as Kaisa Group Holdings (stock price down 40 percent), and Modern Land (trading halted as of Oct. 21) teetering on the edge as well.

What’s more, the biggest test will be in January, when more than \$5.2 billion in interest payments will be due from a menu of 15 heavily leveraged, smaller Chinese property development firms. That’s more than twice the amount of Evergrande’s current debt service payments.

Also, keep in mind that at this point, domestic bondholders are still getting their interest payments. Chinese authorities are only threatening to stiff foreign (dollar-denominated) bondholders—at least for the time being.

That brings up another, more salient point about these offshore dollar-denominated financial assets possibly going into default. Could it, at some point, trigger a wider crisis as pessimists fear?

A Lehman Brothers moment that triggers a stock market collapse could still happen, or perhaps a version of the Asian property bubble burst of 1997 that temporarily clobbered stock prices here is possible.

And if a Lehman Brothers-type financial meltdown were imminent, would investors be made aware of it beforehand?

Or would retail investors be left holding the bag while savvy institutional investment houses and banks sell their holdings just before the event?

Another possible scenario may be related to the fact that the bonds are indeed dollar-denominated.

What if Evergrande’s debt and other dollar-denominated debt in China overleveraged through sophisticated financial instruments such credit default swaps and other derivatives that remain unseen at this moment?

Recall that in the 2008 financial crisis, it was those kinds of instruments that broke the financial system, requiring trillions in bank bailouts. Unrelated companies were brought down with them as credit froze.

That presents a few questions, doesn’t it? For example, do we really know if the debt crisis is, in Beijing’s words, “manageable?”



A man wears a mask while walking through an Evergrande-built community in Wuhan, Hubei Province, China, on Sept. 24, 2021.

What if there is a larger, systemic correction in China’s real estate market? It certainly appears as if that’s happening. How much exposure does the United States and its individual investors really have?

Is there linkage to China companies listed on the U.S. stock exchanges? It all seems rather murky, as do Chinese authorities’ assurances.

Just as importantly, would China perform a bailout of Evergrande today if necessary?

If not, what impact would the collapse of dollar-denominated assets in China have on the U.S. dollar?

At this stage, it’s unclear just how extensive the damage could be in China or in the rest of the world. There are no guarantees that Chinese banking authorities are telling the truth, or would be able to contain the contagion that could be triggered.

That is, if they even wanted to. The idea that Beijing would put the world at risk with a China-borne contagion—and use it to their advantage—just doesn’t seem so far-fetched anymore.

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

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CCP VIRUS

Controversial Wuhan Lab Seeks to Staff New Facility With CCP Members

FRANK FANG

China’s Wuhan Institute of Virology (WIV), the lab at the center of intense scrutiny over whether it was the source of the COVID-19 pandemic, launched a new research facility earlier in 2021 and has sought to staff it with workers loyal to the Chinese Communist Party (CCP).

The new facility, known as the Jiangxia Laboratory, will focus on studying emerging pathogens, biosafety technologies, and drugs on biosafety defense, according to China’s state-run media. Located in central China’s Hubei province, the new lab was formally unveiled in February.

In China, most companies, schools, institutions, and other entities have Party branches or Party cells embedded within them—a way for the communist regime to maintain a tight grip on their operations and staff.

According to the WIV website, the facility is headed by Gengfu Xiao, who’s currently the CCP secretary attached to the WIV.

In China, most companies, schools, institutions, and other entities have Party branches or Party cells embedded within them—a way for the communist regime to maintain a tight grip on their operations and staff.

Since May, the WIV has published several job listings on its website for positions at the new facility. At least two listings had one

specific qualification requirement—being a CCP member.

A May 17 job post sought a CCP member who could fill a “comprehensive management post.” The person would need to handle administrative duties, such as coordinating and organizing important meetings and major events.

The person would also be tasked to handle “Party affairs management,” including having the responsibility of “Party branch construction and daily management of Party members,” according to the job post.

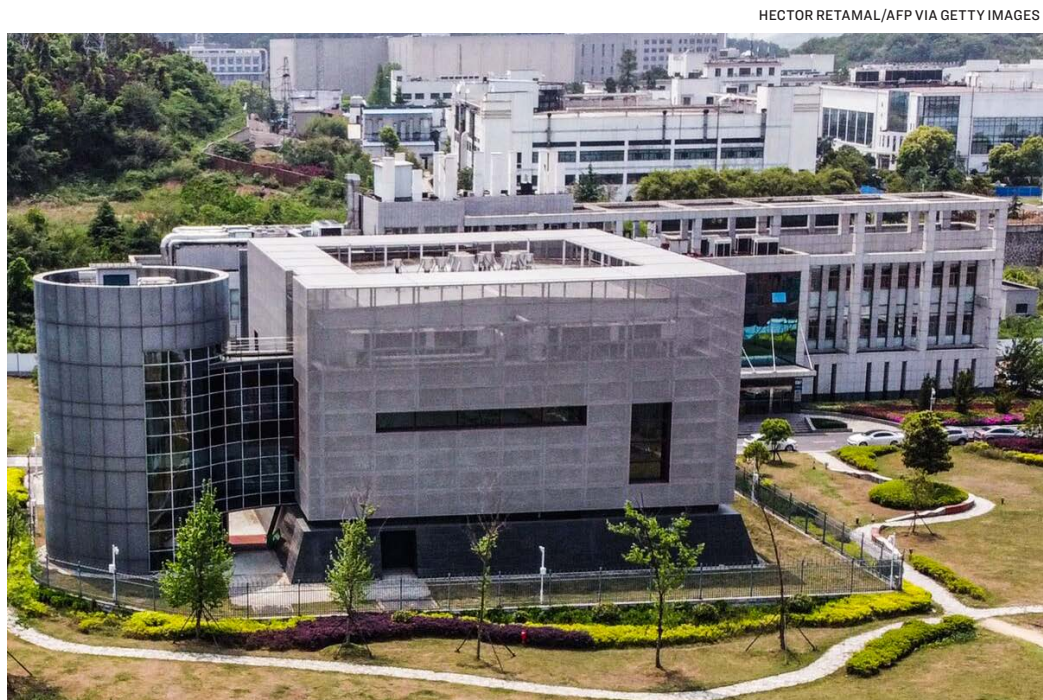
On Aug. 25, the WIV published a post seeking a CCP member to fill a human resources position. The person would be in charge of hiring and other duties, such as managing contracts.

The recruiting documents were initially reported by The National Pulse.

Jiangxia Laboratory is one of seven new labs established in Hubei in 2021 as part of an initiative by provincial authorities to turn it into a province with strong technology sectors. According to China’s state-run media, one of the labs focuses on optoelectronics, the study of electronic devices that use light, and is run by the Huazhong University of Science and Technology in Wuhan, Hubei’s capital.

Of the remaining five new labs, one dedicated to researching aerial technology is run by Wuhan University, while another lab focusing on biological breeding is managed by Wuhan-based Huazhong Agricultural University.

The Chinese regime has vehemently denied that the CCP virus, the pathogen causing the disease COVID-19, escaped from the WIV, despite a growing body of circumstantial evidence raising questions



The P4 laboratory at the Wuhan Institute of Virology in Wuhan, China, on April 17, 2020.

about the potential role of the lab in causing the pandemic. Instead, the communist regime has argued that the virus has a natural origin.

In January, the U.S. State Department released a fact sheet stating that several researchers at the WIV fell ill with symptoms consistent with both COVID-19 and common seasonal illnesses in autumn 2019. The assertion contradicts a claim by a researcher at the institute who said there was “zero infection” among lab staff and students.

The WIV has been conducting research on bat coronaviruses for more than a decade and is located a short drive from a local market in Wuhan where the

first reported cluster of infection cases emerged.

Australian investigative reporter Sharri Markson, in a recent episode of EpochTV’s “American Thought Leaders,” said “evidence quite clearly points to a leak” at the WIV. Among the evidence she cited was a WIV database containing 22,000 viruses going offline unexpectedly in September 2019 and that the institute spent \$500,000 to boost its security before the onset of the pandemic.

Frank Fang is a Taiwan-based journalist. He covers news in China and Taiwan. He holds a master’s degree in materials science from Tsinghua University in Taiwan.



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