

THE EPOCH TIMES

CHINA INSIDER

A construction site stands in Kangbashi, a district on the outskirts of Ordos, in China's Inner Mongolia on April 20, 2011. Kangbashi district offers residents "new modern" living, with tree-lined streets, shiny apartment buildings, vast parklands, restaurants, and even a motor racing track. But seven years after construction workers broke ground on the arid plateau, most of the apartments appear empty and the wide streets are almost deserted.

FAKE FIGURES?

**ECONOMIST EXPLAINS WHY
CHINA'S ECONOMIC DATA
CANNOT BE TRUSTED**

See Page **2**

ECONOMY

Economist Explains Why China’s Economic Figures Can’t Be Trusted

FRANK FANG & JAN JEKIELEK

In China, there are two “different sets of books” depicting the state of the country’s economy. One set conforms to the official line promulgated by the ruling Communist Party, but it’s made up of fake data. This version is public. The other set contains the real data, but this set can only be accessed by Party officials or bought on the black market.

That’s according to Christopher Balding, who taught economics at Peking University Business School in Shenzhen for nine years, until 2018. That year, Balding lost his post at the university after voicing concerns about Beijing’s censorship practices. He then left China, citing concerns for his safety.

While most people are familiar with the Chinese Communist Party’s (CCP) top-down censorship constricting the populace’s freedom of expression and access to information, they may not realize the extent of the censorship within the regime’s sprawling bureaucracy itself, said Balding, who now resides in the United States.

“There is also enormous censorship ... of how information gets conveyed upward,” he told EpochTV’s “American Thought Leaders” program. “Nobody goes and tells their boss, ‘Hey, we had a bad year this year.’”

He stated that “there are absolutely different sets of books” concerning economic data in China.

Regional Chinese authorities have even admitted as much in recent years. In January 2017, authorities in north-

There is also enormous censorship ... of how information gets conveyed upward.

Christopher Balding, economist

If there ever is a financial crisis in authoritarian states ... it does not end well for leadership.

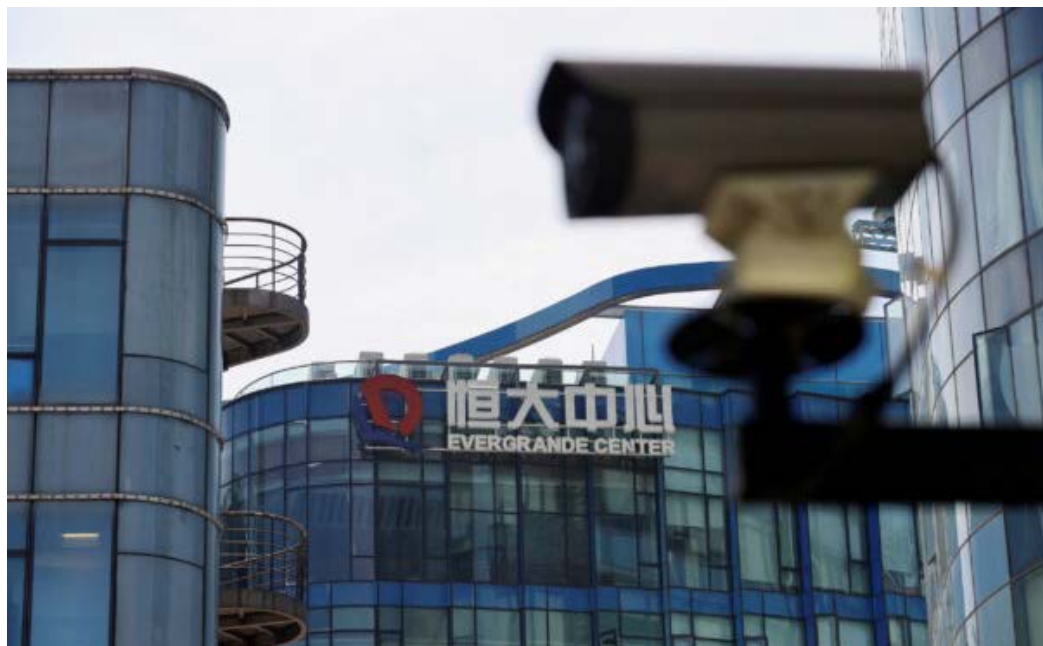
Christopher Balding, economist



Empty apartment developments stand in the city of Ordos, Inner Mongolia, on Sept. 12, 2011.



A worker produces heavy truck engines at a factory in Hangzhou, in China’s eastern Zhejiang Province on Oct. 18, 2021.



A surveillance camera is seen near the logo of the China Evergrande Group at the Evergrande Center in Shanghai on Sept. 24, 2021.

eastern China’s Liaoning Province admitted to inflating the province’s economic data from 2011 to 2014. A year later, a city in northern China’s Inner Mongolia revised its 2017 economic data after conceding that it had incorporated “fake additions.”

Balding recalled an anecdote from his time in the country. A Chinese official told him that another official working at a local branch of the national statistics bureau was arrested for selling real economic data.

Balding asked the official whether the person was charged with corruption or national security offenses. “Oh, national security,” the official said. “We can’t have that information out in public.”

“Just to hear the confirmation that there was real data and fake data, I think, was quite eye-opening,” he said.

This two-tiered system has spawned a “thriving black market for data” in the country, according to Balding.

However, the data-rigging game is getting harder to pull off, he said. Specifically, it’s getting more difficult for the regime in Beijing to align manipulated data with other data that are harder to contrive, including observable information, such as air quality and light intensity.

Reconciling a region’s industrial activity figures with air quality data could be telling, he said. Economic data provided by a province with a sizable steel manufacturing base could

be cross-checked by analyzing the region’s air quality levels. If the province’s air quality is good, it’s likely that steel manufacturers have burned less coal. Thus, it would be hard to believe that the region had high levels of economic activity.

Evergrande

While much has been postulated about whether the Chinese regime can or will rescue embattled real estate developer Evergrande, Balding believes the answer to be quite simple.

The CCP “absolutely can just make this problem go away very easily,” he said, noting Evergrande’s \$300 billion in liabilities are a mere fraction of the country’s gross domestic product (GDP).

But the key question in this saga is whether the developer’s woes have metastasized to other sectors of the Chinese economy, such as retail and banking.

“The risk is not Evergrande itself,” Balding said. “The real issue is [whether Beijing can] manage this so that people don’t lose faith in other parts of the Chinese economy, whether it’s real estate, whether it’s an aluminum supplier, whether it’s [a] cement company, whether it’s [a] bank.”

On Oct. 24, Evergrande announced that work had resumed at more than 10 property projects in six different Chinese cities, though the company hasn’t

disclosed the number of projects it has suspended among about 1,300 real estate projects across the country.

Balding pointed to potential troubles at one Chinese bank, Ping An Bank, headquartered in southern China’s Shenzhen city.

According to Reuters, Ping An Bank reported that its outstanding special mention loans had increased by 37.3 percent in the third quarter, compared to the end of 2020, in its earnings report released on Oct. 20. The overdue rise in loans was attributed to a liquidity crunch at Shenzhen Baoneng, a property and financial services conglomerate.

“People have faith in a bank because they can go there and get their money,” Balding said. “If people lose faith in the bank, even if the bank still has a good balance sheet, that bank is going to collapse because everybody wants to go get their money.”

However, any troubles stemming from the Evergrande crisis will mostly be limited to within China’s borders, according to the economist.

“There’s not a lot of financial flows from outside of China into Chinese real estate. There’s not a lot of financial flows into Chinese aluminum companies,” Balding said. “You would, however, see very narrow and targeted direct sectors or companies feel a lot of pain.”

These companies would include foreign iron ore makers, he said, as Chinese steelmakers would reduce their purchases of the raw materials.

Chinese Economy

Evergrande is hardly the only case in China of debt-fueled growth coming back to bite a company, according to Balding, who said it’s a country-wide issue.

China is a “wildly indebted country,” he said. “The Chinese household is more indebted than the U.S. household.”

“If you were to compare Chinese household debt to Russia or Mexico, which it compares pretty closely to per capita income, the Chinese household is wildly more indebted than those other households,” he said, noting most of this debt is tied to the property market.

According to the South China Morning Post, household debt as a percentage of disposable income topped a record high of 130.9 percent as of the end of 2020. China’s household debt stood at 61.3 percent of the country’s GDP in the first quarter of 2021.

“You simply can’t carry forward an economy with the levels of debt that we’re seeing,” Balding said.

Such high levels of debt will impose an “enormous restraint” on future spending capacity, dampening spending on luxury goods or international education, among other things.

While one could make an argument that this debt addiction, the Evergrande crisis, and other trends are conspiring to hurl the country into dangerous economic territory, Balding said that any assessment about the possibility of a financial crisis should take into account one key factor: China’s political system.

The question of when China will face a financial crisis, in Balding’s view, is a “political question more than an economic or financial question.”

Authoritarian regimes, such as the Chinese Communist Party, can ill afford to preside over such economic turmoil.

“If there ever is a financial crisis in authoritarian states ... it does not end well for leadership,” Balding said.

The problem thus becomes an “existential question” for the communist regime, he said.

All this means that Chinese leader Xi Jinping will likely be willing to do whatever it takes to resolve a crisis.

“There is no check too big that he will not write,” Balding said. “There is no bailout too large that he would be unwilling to bail out.”

Because ultimately, Xi “does not want to preside over the collapse of China.”

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.

Jan Jekielek is a senior editor with The Epoch Times and host of the show, “American Thought Leaders.” Jan’s career has spanned academia, media, and international human rights work. In 2009 he joined The Epoch Times full time and has served in a variety of roles, including as website chief editor. He is the producer of the award-winning Holocaust documentary film “Finding Manny.”



Men ride bicycles past construction sites near the headquarters of China’s Evergrande Group in Shenzhen, Guangdong Province, China, on Sept. 26, 2021.

OPINION

Beijing Tea Leaf Reading Suggests Economic Downturn Likely

FAN YU

China’s “economic miracle” looks poised to be in the rearview mirror, as Party leaders appear to be preparing the country for a period of slowing growth going forward.

In October, Beijing announced sharply lower third-quarter official GDP growth figures, with a 4.9 percent mark that missed economists’ consensus by 30 basis points. In late October, state-run news agency Xinhua published a long document titled “10 Questions About the Chinese Economy” that went in-depth to explain several economic, financial, and social-economic hot topics currently facing China.

The article was widely republished across numerous state-controlled media including People’s Daily, the Chinese Communist Party’s (CCP) official mouthpiece.

What is being discussed? The article points out that China’s economy has maintained a recovery trend in a “reasonable range,” but concedes that the country faces numerous headwinds as “economic growth has fallen, commodity prices have risen, and power rationing in many places across the country.”

The article details how one should view topics such as current economic growth trends, the longevity of consumer consumption, how to think about high-quality economic development, how to preserve the momentum of foreign trade, how to deal with power curtailment effectively, how to cope with global supply chain restructuring, how to achieve Xi Jinping’s “common prosperity” goals, how to think about the technology industry and recent anti-monopoly policies, how to alleviate poverty and jumpstart rural revitalization, and how to deal with risks facing the financial sector.

It’s an intriguing document in that it touches upon almost all recent economic and financial hot topics, including most of the severe challenges facing China as it struggles to emerge from the CCP virus pandemic.

But it’s also a departure from recent CCP messaging, which has been forceful and matter of fact.

There could be a few reasons for this. For Beijing authorities to come out and issue a deep dive of such magnitude may be a sign that prior messaging of certain policies—for example, the technology industry crackdown—may have missed their targets. Or that there’s a sizable portion of the populace that may not understand or agree with existing economic policies. Regardless, it likely also means that CCP authorities want to front-run any external discourse in order to prepare the country

and set the stage for a prolonged period of slowing economic growth.

In other words, the CCP is preparing the people for a “new normal” of stagnant growth and a tough economic environment going forward.

We can look to the property market for manifestations of this slowing growth that Beijing is preparing for. Property developers Evergrande, Kaisa, Modern Land, Fantasia, and Sinic all face various degrees of financial challenges, months after Beijing issued guidelines to restrict financing on overleveraged real estate firms.

While Evergrande has restarted construction around the country after shutting down over the summer, real estate development activity will slow going forward. And that means lower GDP growth, fewer construction jobs, and lower levels of supporting activity such as bank lending and purchases of furnishings.

Tax policy also is a factor in deterring homeowners from purchasing multiple properties. The State Council, the Chinese regime’s cabinet-like body, has begun selecting regions to enact the first wave of a pilot program to tax owners of land, as well as residential and commercial real estate. Long rumored, this is a landmark program that could levy real estate taxes on Chinese property owners for the first time. The announcement also said the pilot program will last five years, meaning it would likely be 2027 before the National People’s Congress, the regime’s rubber-stamp parliament, turns it into law countrywide.

This delayed implementation reflects both the importance of this tax as a revenue driver for the CCP as well as authorities’ trepidation in introducing such a cost burden. But it appears Beijing is ready to face any blowback against this measure.

Even the usually bullish economists are projecting China’s lowest GDP growth in decades. Capital Economics estimated that China’s official GDP growth could slow to only 3 percent next year, citing cooling consumer and capital spending.

“Industry and construction are on the cusp of a deeper downturn,” the firm wrote in a note to clients.

China is entering uncharted waters with its economy. Are this group of CCP regime leaders and the current generation of consumers prepared for what lies ahead?

The CCP is preparing the people for a ‘new normal’ of stagnant growth.

Even the usually bullish economists are projecting China’s lowest GDP growth in decades.

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

Fan Yu is an expert in finance and economics and has contributed analyses on China’s economy since 2015.



An employee works at a factory of Jiangsu JieJie Microelectronics Co. in Nantong, Jiangsu Province, China, on March 17, 2021.

CHINESE MILITARY

Chinese Regime Using US Tech to Create Weapons, House Republicans Warn

ANDREW THORNEBROOKE

The Chinese military likely used U.S. technology in its reported test of a hypersonic weapon earlier in the year, according to a recent letter signed by 17 Republican lawmakers.

“It is likely that U.S. software and tools contributed to the creation of this weapons system, because of our country’s permissive export controls and licensing policies with China,” the Oct. 22 letter reads. The letter was addressed to Commerce Secretary Gina Raimondo and signed by House Republicans who also serve on the GOP-led China Task Force.

Rep. Mike Gallagher (R-Wis.), who signed the letter, told The Epoch Times that he thinks technologies developed in the United States have been used by the Chinese regime in everything from weapons tests to mass surveillance used in its repression of the Uyghur people, which the United States has recognized as a genocide.

“China’s recent hypersonic missile test is part of a troubling pattern,” Gallagher said in an email. “From this test, to the Wuhan Institute of Virology, to Xinjiang, U.S. technology has contributed to the Chinese Communist Party’s ability to kill Americans, conduct dangerous research, and commit genocide.”

The lawmakers called on Raimondo to immediately implement 10 policy proposals in an effort to curb the export of critical and emerging technologies from the United States to China, where they say American-developed technologies are improving the capabilities of the Chinese Communist Party (CCP) and the People’s Liberation Army (PLA).

The letter also highlighted the claimed shortcomings of attempts to pacify China through increased trade, a strategy that Raimondo has promoted as part of the administration’s approach to the regime.

“This hypersonics test and other wake-up calls must end the notion that the CCP can be constrained through commercial engagement,” the letter stated.

Gallagher says the recommended policy proposals represent the bare

minimum necessary to secure U.S. technologies from being used by the CCP to either attack or otherwise undermine the United States, its allies, and their interests abroad. American companies, he added, need to do more to prevent their technologies from being co-opted by the regime.

U.S. companies need to choose: Are you with us, or are you with this genocidal communist regime?

Rep. Mike Gallagher

“The federal government needs to wake up to this threat and, at a minimum, impose the export controls that members of the China Task Force outlined to Secretary Raimondo this week,” Gallagher said.

“More broadly, U.S. companies need to choose: Are you with us, or are you with this genocidal communist regime?”

US Allows Sale of Restricted Technologies to Civilian Sector

Security experts have long called for a ban on so-called technology transfers of key emerging technologies such as artificial intelligence and quantum computing between the United States and China.

The lawmakers’ letter to Raimondo raised the same concerns and warned that inaction could lead to the empowerment of what they referred to as a ‘genocidal, authoritarian regime.’

In theory, U.S. export control laws are in place to prevent sensitive U.S. technology from getting into the hands of foreign actors that pose a threat to national security, including the Chinese military. But a key problem with these laws, the letter contends, is that controlled items are still allowed to be exported to China as long as the end-user of the product was within the civilian sector.

The United States has thus far re-

frained from seriously impeding such sales to the civilian sector in an effort to promote free trade and greater economic prosperity.

The letter pointed to the issue of U.S. semiconductor technology transfers to China. China lacks the means to produce advanced semiconductors on its own, and its military relies on U.S. technologies to create them. In theory, the Commerce Department’s Bureau of Industry and Security (BIS) must license military technologies for export. But because the United States allows for technologies with national security applications to be sold to the civilian sector without a license if it’s deemed the company will only use them for civilian purposes, the vast majority of semiconductor technologies exports don’t go through the BIS licensing process, according to the letter.

“Lax export controls make it very easy for critical technology to be sent to China directly, or through a proxy company or nation with China as the end destination,” said Casey Fleming, CEO of the strategic advisory firm Black Ops Partners.

Another example of lax export policies noted in the letter is that companies are easily able to dodge the effects of being blacklisted for connections to the Chinese regime by simply changing their company name or restructuring.

“We face considerable roadblocks to limiting critical and emerging technologies due to the fragmentation of our government competing with the quest for commercial profit,” Fleming said.

“A central ‘whole-of-nation’ response with a trusted partnership between the public and private spheres must be engaged with national security as the primary driver.”

Chinese Military Has Access to Everything

That whole-of-nation response, a joining of centralized government policy and action, and support from the private sector, is precisely the point of the letter sent to Raimondo.

That’s because most of the technologi-

cal support that the Chinese military derives from the United States is done so quasi-legally, through a combination of Beijing’s military-civil fusion strategy and implementation of new national security and intelligence laws, as the letter points out.

The CCP’s program of military-civil fusion is aimed to systematically reorganize the Chinese science and technology sectors to ensure that new innovations simultaneously advance economic and military development.

China’s national security and intelligence laws, meanwhile, mandate that all companies doing business in mainland China or that are operated by Chinese citizens can be ordered to surrender their data to the CCP at will.

Officials and experts say this means that any technologies developed by U.S. companies in China could be seized by the CCP at any time. The same is true of technologies supplied to Chinese-owned companies by U.S. companies and even of the intellectual property of American companies that are funded by Chinese investors, they say.

In other words, the United States allows the sale of vital technologies to civilian sectors in China, but the PLA can force those sectors to hand over that technology at any given time.

“China’s policy of military-civil fusion is leading to the inclusions of new technologies for their military,” Rep. Mike Waltz (R-Fla.), another signatory to the letter, said in an email.

“These technologies include advanced, heat resistant technologies, precision navigation and timing, and AI,” he said. “Many of these technologies have been stolen from the United States and other Western countries.”

Commerce Department officials didn’t immediately respond to a request by The Epoch Times for comment.

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.

TAIWAN

‘Poison Frogs’: US Urged to Make Taiwan Islands Too ‘Painful’ for China to Seize in Response to War Game Results

ANDREW THORNEBROOKE

The United States would have few good options in response if China were to invade one of the minor islands controlled by Taiwan, according to a new report by the Center for a New American Security (CNAS), a Washington-based think tank.

The report analyzed the results of a virtual war game carried out by the CNAS Gaming Lab that sought to simulate how the United States, Taiwan, and China would behave if China seized Dongsha, a minor island about 190 miles southeast of Hong Kong.

“With few viable coercive options and the onus of escalation falling on the U.S. and Taiwan teams, the game reaffirmed the difficulty of rolling back territorial aggression of this kind,” the report stated.

War games aren’t intended to predict future outcomes, the report stated, but they are useful for identifying vulnerabilities and exploring different branches of decision-making.

In this instance, the game underscored several potential weaknesses in how the United States is carrying out its competition with China in the Indo-Pacific, and a mismatch in strategies between the United States and its allies in the region.

Ultimately, the report found that U.S. national security strategy focused too much on defending the island of Taiwan itself from a Chinese invasion, rather than seeking to mitigate more limited acts of coercion and aggression in the region.

To solve this problem, the authors of the report recommended turning islands such as Dongsha into “poison frogs,” a meal too dangerous for China to risk devouring.

While poison frogs telegraph their deadliness with bright colors, the report suggested that the United States and Taiwan should work to make minor islands more militarily formidable and to clearly telegraph to the world what would

The exercise immediately unveiled several blind spots in strategy and diplomacy.



Three US-made AH-1W Super Cobra attack helicopters take part in the annual Han Kuang military drills in Taichung, Taiwan, on July 16, 2020.

happen should they be attacked.

“This approach would make Chinese attempts to seize these islands so militarily, economically, and politically painful from the outset that the costs of coercion or aggression would be greater than the benefits,” the report stated.

A Worrying Scenario

A Chinese invasion of Dongsha and other, smaller Taiwanese islands, is a long-feared scenario. It would effectively grant the Chinese military free navigation of a greater part of the South China Sea and would present logistical and military hurdles to others operating in the region.

The war game sought to explore this problem with a fictional scenario: China used a military exercise as a cover to unexpectedly land a military force on Dongsha, and to seize it from the small Taiwanese garrison stationed there. Following the seizure, China replaced the garrison with one manned by the People’s Armed Police and an allegedly “civilian” force, who then begin converting the island into a military base.

The game was played by three teams with one representing Taiwan, one the United States, and one China and other international actors, which then sought to respond to the situation as best they could. The teams were composed of Taiwanese, American, and regional experts with backgrounds in defense, policy, and other subjects.

The exercise immediately unveiled several blind spots in strategy and diplomacy.

Notably, the United States and Taiwan

teams failed to communicate effectively due to technical challenges, language barriers, and differing ideas about the nature of the crisis and the response needed.

“As a result, although the Taiwan team wanted to take a deliberate, diplomacy-led approach to regain Dongsha, the U.S. team immediately started planning military options to retake the island,” the report stated.

This resulted in a situation in which the U.S. team continuously struggled to compel China to cease its gains.

The U.S. team couldn’t further escalate the situation without risking war, which would alienate its allies, and its soft power was blunted by the fact that Taiwan had immediately opened back-channel communications with the China team.

The China team, meanwhile, was able to avoid escalating the situation because its sole act of aggression in taking the island allowed it to sit still and refuse to cooperate without risking war.

As such, the U.S. team deployed troops to Taiwan and became mired in slow-burning policies aimed to develop regional partnerships and encourage public-private coordination at home. This ultimately failed to seize the initiative and China retained its gains, undeterred from future hostilities.

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.

THE EPOCH TIMES

TRUTH and TRADITION

A NEWSPAPER

ABRAHAM LINCOLN

WOULD READ

The very fabric of America is under attack—

our freedoms, our republic, and our constitutional rights have become contested terrain. The Epoch Times, a media committed to truthful and responsible journalism, is a rare bastion of hope and stability in these testing times.

SUBSCRIBE TODAY

ReadEpoch.com

OPINION

NIH Gain-of-Function Statement on EcoHealth, Wuhan Lab Inadvertently Reveals Coverup

JEFF CARLSON & HANS MAHNCKE



After nearly two years of denials, Dr. Anthony Fauci's parent organization, the National Institutes of Health (NIH), has finally conceded that it funded gain-of-function experiments at the Wuhan Institute of Virology.



As these admissions were made, NIH officials told Congress that the viruses being experimented on were too genetically distant to have possibly caused COVID-19.

But the NIH failed to tell Congress that Peter Daszak's EcoHealth Alliance, the organization through which Fauci was funding the Wuhan Institute, has kept a large number of unknown viruses in its possession. And only those with access to these viruses know what has been done with them or exactly how genetically close to COVID-19 they actually are.

Additionally, the Wuhan Institute deleted its entire database of over 22,000 previously unreported virus samples on Sept. 12, 2019.

At exactly the same time that the NIH was making the gain-of-function admission, the agency quietly edited its website to redefine what constituted gain-of-function experiments. In doing so, the NIH narrowed its definition to focus only on known and established human transmission, instead of any potential dangers to humans.

The belated disclosure was made by Lawrence Tabak, the deputy principal director of the NIH, who noted in a letter to Congress that, despite its previous denials, the NIH had, in fact, funded gain-of-function experiments at the Wuhan facility.

Tabak's letter, written in response to congressional inquiries, corrected previous assertions by NIH Director Dr. Francis Collins and National Institute of Allergy and Infectious Diseases Director Fauci that the NIH hadn't funded gain-of-function research in Wuhan. Tabak also acknowledged that

EcoHealth, the body through which Fauci funded the Wuhan lab, had violated the terms and conditions of its NIH grant.

But Tabak's assertion that the NIH was unaware of gain-of-function work being conducted by EcoHealth was contested in a statement issued by EcoHealth in response, which noted that "these data were reported as soon as we were made aware, in our year four report in April 2018."

EcoHealth Report Details Wuhan Gain-of-Function Work

EcoHealth failed to provide the NIH with its contractually obligated 2019 fifth-year report until this month, although EcoHealth did share data with the NIH in 2018 and in previous years as part of earlier annual progress reports. Those reports were required as a condition of the five-year grant that Fauci's NIAID had awarded to EcoHealth in 2014.

Notably, EcoHealth's 2018 report should have immediately alerted the NIH that agency money was being used to create coronaviruses that were far more pathogenic than the original viruses.

EcoHealth's April 2018 report specified that it, in collaboration with the Wuhan facility, had applied reverse genetic methods to construct artificial viruses. These newly created viruses contained novel spike proteins. As Daszak would later explain in a Dec. 9, 2019, interview, the "spike protein drives a lot of what happens with the coronavirus."

The resulting genetically modified viruses exhibited particularly high pathogenicity in humanized mice, with a viral load that was enhanced by a factor of 10,000. The construction of at least three such viruses was detailed in EcoHealth's April 2018 report.

The report also stated that EcoHealth and the Wuhan lab were moving forward with similar work to be done on a different type of virus, the far more lethal MERS virus.

A second report was submitted by EcoHealth to the NIH in November 2018. That report, which took the form



The P4 laboratory on the campus of the Wuhan Institute of Virology in Wuhan, in China's central Hubei Province, is seen on May 27, 2020.

Despite its previous denials, the NIH knew that EcoHealth and the Wuhan Institute of Virology had conducted gain-of-function experiments that resulted in highly pathogenic viruses.

of a proposal for a second five-year grant, again described the same gain-of-function work laid out in the April 2018 report.

The 2018 disclosures by EcoHealth highlight two problems. First, EcoHealth had already violated the terms of its grant, which stated that if any artificial viruses showed evidence of enhanced virus growth by a factor of 10, NIH must be notified and all experiments with these viruses must stop immediately. But EcoHealth failed to follow the grant requirements and only notified NIH of the viral growth through a routine disclosure in an annual progress report.

This violation by EcoHealth should have prompted immediate action on the part of NIH.

Secondly, the fact that EcoHealth made the NIH aware of the results of its gain-of-function experiments in 2018 placed an inherent oversight requirement on NIH to closely monitor EcoHealth's experiments going forward. Instead, the NIH allowed Daszak's team to continue their work without any monitoring for the next several years.

Missing EcoHealth Report Describes Lethal Virus Work

The lack of EcoHealth's submission of a fifth-year progress report was only recently discovered, after The Intercept sued the NIH for documents relating to EcoHealth. If not for the alarms raised by The Intercept, it's likely that EcoHealth's fifth-year progress report would remain unsubmitted.

That fifth-year report described how EcoHealth and the Wuhan lab engaged in additional gain-of-function experiments by constructing clones of the deadly MERS virus—a virus with a case-fatality rate of 35 percent. The report also detailed how researchers at the Wuhan facility replaced the virus's receptor-binding domain, which forms part of the spike protein—which determines the virus's pathogenicity.

The gain-of-function work that EcoHealth described in the delayed fifth-year progress report appears to directly contradict a September 2021 statement made before the fifth report was finally released, when an EcoHealth spokesperson claimed that "the MERS work proposed in the grant is suggested as an alternative and was not undertaken."

Tabak's letter to Congress also stated that NIH had determined that Daszak's experiments didn't require strict oversight from NIH because the bat coronaviruses originally cited in Daszak's work hadn't been shown to infect humans.

But one of the viruses tested by Daszak, WIV1-SHC014, a lab-created virus that had already been mentioned in the 2018 report, exhibited high lethality on humanized mice. According to Daszak's belatedly submitted fifth-year progress report, 75 percent of the humanized mice that were infected with the virus died.

Humanized mice are mice that have been adapted to carry function-

A medical staff member gestures inside an isolation ward at Red Cross Hospital in Wuhan in China's central Hubei Province on March 10, 2020.



Peter Daszak (R) and other members of the World Health Organization team investigating the origins of the COVID-19 coronavirus, arrive at the Wuhan Institute of Virology on Feb. 3, 2021.

ing human genes, cells, and tissue. They effectively act as experimental stand-ins for humans, particularly when testing whether a new virus is capable of infection and transmission in humans.

NIH Changes Gain-of-Function Definition

The NIH suddenly and quietly removed its long-standing definition of gain-of-function experiments from its website at around the same time that Tabak wrote his letter, replacing it with a new section on enhanced potential pandemic pathogens (ePPP) research.

The NIH's previous, long-standing definition focused on the potential danger to humans. It stated that any NIH-funded gain-of-function research that was "anticipated to enhance the transmissibility and/or virulence of potential pandemic pathogens, which are likely to make them more dangerous to humans" could only be conducted subject to "stringent oversight and appropriate biosafety and biosecurity controls."

That definition was materially modified, narrowing the focus from potential danger to humans to known and established human transmission—specifically "the enhancement of a pathogen's transmissibility and/or virulence in humans."

The NIH's new gain-of-function wording was remarkably similar to a statement from Fauci's spokesperson, who said that EcoHealth's research didn't fall under strict NIH oversight since the funded experiments "were not reasonably expected to increase transmissibility or virulence in humans."

This new definition was echoed by Tabak in his recent letter to Congress, in which he wrote that Daszak's work "did not fit the definition of research involving enhanced pathogens of pandemic potential or ePPP because these bat coronaviruses had not been shown to infect humans."

HECTOR RETAMAL/AFP VIA GETTY IMAGES



White House chief medical adviser on COVID-19 Dr. Anthony Fauci stands at the National Institutes of Health in Bethesda, Md., on Feb. 11, 2021.

GREG NASH/POOL/Getty Images



Dr. Francis Collins, director of the National Institutes of Health, appears before a Senate hearing to discuss vaccines in Washington on Sept. 9, 2020.

Professor Richard Ebright, a biologist at Rutgers University, wrote on Twitter, "In essence, they are claiming that, because the NIH did not fund infection studies with lab-generated viruses and human subjects—Uyghur detainees? Falun Gong dissidents?—the NIH did not fund gain of function research."

The new gain-of-function terminology may have originated with NIH Director Collins, who appears to have foreshadowed the definitional shift in a May 2021 statement when he claimed that NIH didn't fund research on coronaviruses that "increased their transmissibility or lethality for humans."

At the time of Collins's statement, questions were beginning to be raised for the first time in the corporate media about COVID-19's origins and NIH's funding of gain-of-function experiments at the Wuhan Institute of Virology. Collins himself had strongly denied that gain-of-function experiments had been funded at the lab, calling the reports misinformation.

NIH Claims EcoHealth Work 'Distant' From COVID but Ignores Hidden Viruses

On the same day that Tabak's letter was sent to Congress, the NIH published a separate statement claiming that none of the work it had funded in Wuhan through EcoHealth Alliance could have led to the creation of COVID-19.

The NIH stated that "it is evident that the viruses studied under the EcoHealth Alliance grant are very far distant from SARS-CoV-2."

But the NIH failed to disclose that it simply isn't possible to know what viruses were being studied by EcoHealth and the lab in Wuhan. The Institute deleted its database of viral samples in September 2019; the database remains missing. In addition, Daszak, the Institute's longtime collaborator, has admitted to holding a large number of undisclosed viruses.

The NIH also failed to acknowledge the existence of a blueprint for the creation of a COVID-19-like virus. In 2018, EcoHealth submitted a proposal to the Pentagon's Defense Advanced Research Projects Agency (DARPA) program that detailed the organization's plan to create entirely new coronaviruses through the synthetic combination of preexisting virus backbones. The proposal described how those viruses were going to be made more virulent in humans by the insertion of a furin cleavage site, a feature that distinguishes COVID-19 from all other SARS-related coronaviruses.

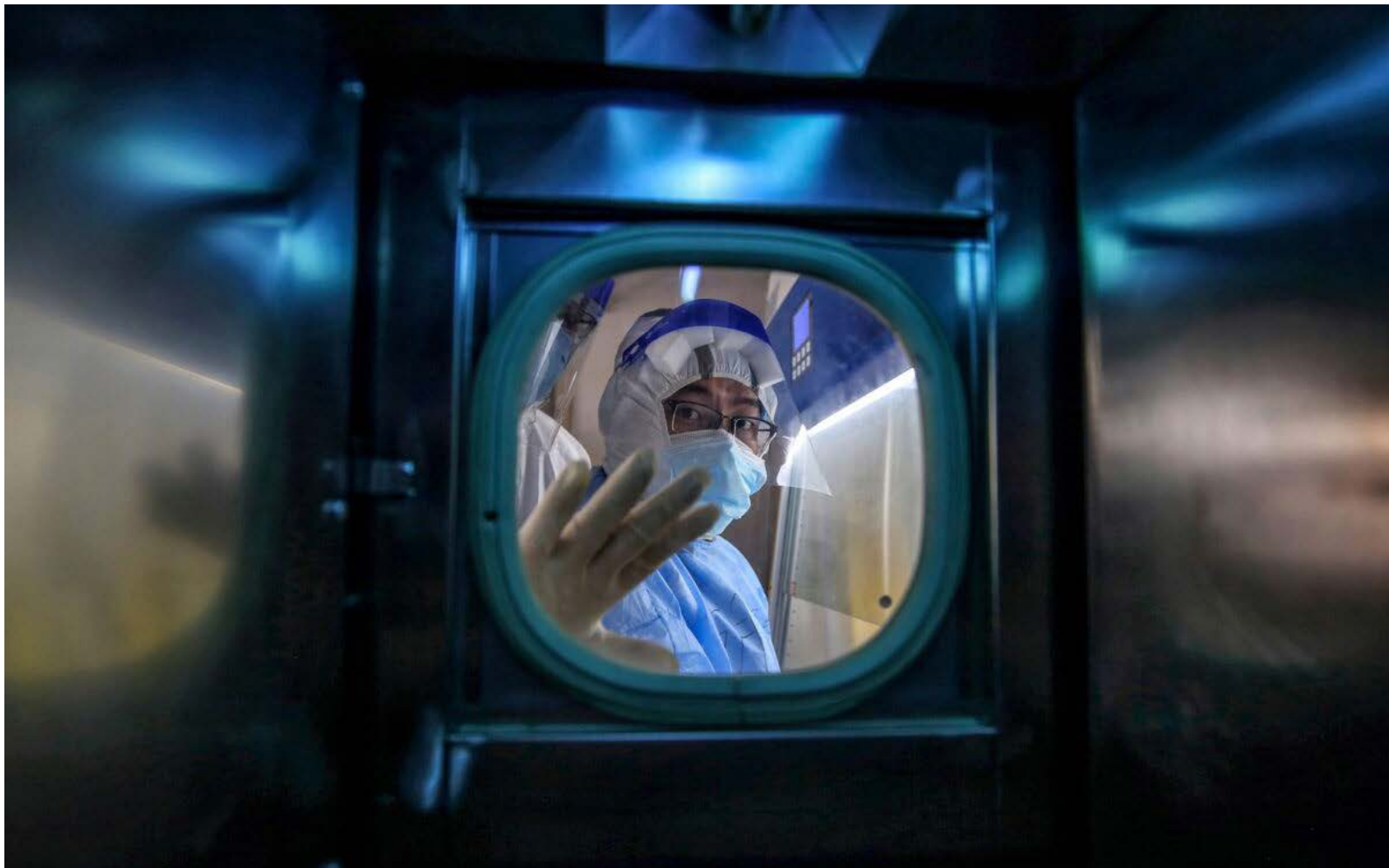
The furin cleavage site is the key to COVID-19's pathogenicity in humans. Notably, the director of the Wuhan Institute of Virology, Shi Zhengli, left out any mention of COVID-19's furin cleavage site when she first described the COVID-19 virus in a detailed February 2020 article in the science journal Nature.

Despite its previous denials, the NIH knew that EcoHealth and the Wuhan Institute of Virology had conducted gain-of-function experiments that resulted in highly pathogenic viruses, and failed to hold EcoHealth accountable for requirements that the NIH itself had imposed.

Perhaps most importantly, the NIH knew that these experiments were being conducted on the soil of an adversary of the United States—communist China.

Jeff Carlson co-hosts the show *Truth Over News* on Epoch TV. He is a CFA-registered Charterholder and worked for 20 years as an analyst and portfolio manager in the high-yield bond market. He also runs the website *TheMarketsWork.com*

Hans Mahncke co-hosts the show *Truth Over News* on Epoch TV. He holds LL.B., LL.M. and Ph.D. degrees in law. He is the author of numerous law books and his research has been published in a range of international journals.



STR/AFP VIA GETTY IMAGES



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	FREE newsletter signup	Subscribe to the paper (print/epaper)	More information
ReadEpoch.com/infographics	EpochNewsletter.com	ReadEpoch.com	TheEpochTimes.com/about-us