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CHINA INSIDER

DATA 'EXIT' RULES

BEIJING TIGHTENS ITS GRIP ON INFORMATION

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CCP MILITARY

Intel, Sequoia Linked to AI Company That Worked for Chinese Military: Report

ANDREW THORNEBROOKE

STR/AFP VIA GETTY IMAGES

An AI cancer detection microscope by Google on display during the World Artificial Intelligence Conference 2018 in Shanghai on Sept. 18, 2018.

Major U.S. firms, including Intel and Sequoia Capital, have maintained financial and research ties with a Chinese company known to provide artificial intelligence (AI) to the Chinese military, according to a new report by the Center for Security and Emerging Technology (CSET) at Georgetown University.

4Paradigm, a major enterprise AI company headquartered in Beijing, has been awarded a contract to provide China's military, the People's Liberation Army (PLA), with AI capabilities. The contract is for a "battalion and company command decision-making model and human-machine teaming software," according to the report, which didn't specify the date of the contract.

4Paradigm has also been working with Western partners on research projects that could be leveraged for its AI work for the military.

"As of January 2021, the company was cooperating on Very Large Database research with Intel and the National University of Singapore," the report reads, referring to research on databases containing massive datasets.

4Paradigm also boasts a handful of U.S. investors, including angel investor, Sequoia Capital, which is its largest outside shareholder, according to the report.

Ambiguous Relationships

Intel confirmed to The Epoch Times that it had carried out research with 4Paradigm and the National University of Singapore, but the company described the relationship as academic in nature.

"Intel Labs collaborates on research related to our industry with partners all over the world," a communications officer for Intel said in an email.

"Our researchers participated on an academic research paper on in-memory database engine optimization along with researchers from 4Paradigm and the National University of Singapore. This paper was published and publicly presented in August of 2021 at the VLDB [Very Large Database] conference."

The paper provided experimental results that suggested that a new database system could provide speed boosts to enhance the efficacy of AI decision-making models.

Intel didn't comment on whether it had knowledge of 4Paradigm's contract with the PLA.

A representative for Sequoia Capital said that its investments in 4Paradigm were made by the Sequoia China branch, which declined to comment on the extent of its current holdings in 4Paradigm or whether it had knowledge of the PLA contract.

Other U.S. companies, including Cisco, Genesis Capital, and Goldman Sachs, also invested in 4Paradigm during later funding rounds.

This isn't the first time that Intel and Sequoia have drawn attention for their ethically ambiguous conduct in China.

Sequoia made headlines earlier in 2021 due to its previous investments in Chinese facial recognition firms DeepGlint and Yitu Technology, both of which have been blacklisted by the U.S. government over links to ongoing human rights abuses against ethnic Muslim minorities in Xinjiang, which the U.S. government has characterized as a genocide.

Likewise, Intel and NVIDIA chips were purchased and used by the Chinese Communist Party (CCP) to power a supercomputing center in Xinjiang that carries out its expansive surveillance operations targeting the region's Muslim minorities, according to a report by The New York Times.

Experts believe that the flow of wealth and other resources from major U.S.-based companies to Chinese tech startups is contributing to steady military advancements by the PLA, as well as aiding Beijing's human rights abuses.

"These are almost extranational entities that have huge wealth to deploy on what they think is the good bet for the future," said John Mills, former director of cybersecurity policy, strategy, and international affairs at the Pentagon. "We have to disrupt this insidious interaction. We cannot allow these groups to deploy capital to fund Chinese AI development."

Though Silicon Valley often downplays its involvement in the rapid advancement of China's military technology, U.S. government agencies have sounded the alarm that such ties are undermining national security.

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In October, the National Counterintelligence and Security Center (NCSC) commenced a campaign to inform U.S. companies in emerging tech sectors, including AI, of the dangers posed by Chinese counterintelligence operations aimed at co-opting U.S. technologies for Beijing's own purposes. The NCSC stated that the Chinese regime uses an array of legal, quasi-legal, and illegal means to acquire critical technology from the West, including through research partnerships, joint ventures, and front companies.

The CSET report highlighted that the PLA didn't derive most of its AI capabilities from official defense entities, but from private Chinese corporations.

"Contrary to conventional wisdom about bloating in the Chinese defense industry, we find that the PLA has made significant progress engaging the private Chinese technology sector to acquire AI systems and intelligent equipment," the report reads.

To that end, most of the PLA's AI equipment suppliers aren't state-owned defense enterprises at all, but private tech companies founded after 2010. Some of these companies manufacture or research in mainland China, but others exist for the sole purpose of sourcing and importing critical technologies from the United States, according to the report.

> More than 10 percent of all the AI research labs owned by Facebook, Google, IBM, and Microsoft are located in China.
>
> According to a report by the Center for Security and Emerging Technology

Problems of Access

U.S. investments into AI research and development in China have been condemned by some in the national security community, and experts have recently called for a ban on so-called tech transfers of AI technologies to China.

This is because China's national security and intelligence laws grant the CCP at-will authority to demand access to any intellectual property or data owned by Chinese companies or companies doing business in China.

New data exit rules drafted by the Cyberspace Administration of China seek to ensure that the CCP has final say on whether a company can extract its data from China to elsewhere, even if the company in question is headquartered in a foreign nation.

Such laws grant the CCP and PLA potential access to any and all technology developed in China, including by U.S. companies such as Intel.

Despite this, Silicon Valley startups and multinational investment firms have continued to rush money into Chinese companies developing critical and emerging technologies over the past several decades.

Intel was among the first multinational companies to create a research institute in China back in 1998. Its Intel China Research Center in Beijing continues to conduct research into AI, 5G, autonomous systems, and robotics in mainland China to this day. Intel also maintains joint AI labs in mainland China with Baidu, China's largest search engine, and ByteDance, the parent company of TikTok.

REUTERS/ALY SONG

Visitors are seen at the Intel booth during the China Digital Entertainment Expo and Conference, also known as ChinaJoy, in Shanghai on July 30, 2021.

Both Baidu and Bytedance signed letters of commitment earlier in 2021, affirming that they would adhere to the Chinese Communist Party's new rules and regulations regarding the internet, including the right of the CCP to take ownership of private data, according to Chinese state-owned media.

The NCSC said some U.S. companies simply didn't understand the risks posed by China's national security laws, while others were fully aware that the technologies they were developing in China might be leveraged by the CCP and PLA.

Most major U.S. companies, such as Intel, Microsoft, and Google, appear to fall into the latter category.

It was revealed in 2019 that Microsoft had worked on AI, including facial analysis software, with China's National University of Defense Technology, which is operated by the Chinese military.

In late June 2018, Google and China's prestigious Tsinghua University announced that they would cooperate on AI and cloud technology. Google's AI chief also joined Tsinghua University's Computer Science Advisory Committee. Earlier that month, it was reported that the university received almost $15 million in funding from the Chinese military to work on a project aimed at advancing the PLA's AI capabilities.

In all, more than 10 percent of all the AI research labs owned by Facebook, Google, IBM, and Microsoft are located in China, according to another report by CSET.

There are currently few mechanisms in U.S. law capable of effectively preventing U.S. companies from freely investing in and researching AI with companies known to have ties to the CCP and PLA.

An executive order signed in 2020 by then-President Donald Trump and expanded upon in June by President Joe Biden bans U.S. investments into a list of Chinese companies with military links.

However, a key problem outlined by the CSET report is that the vast majority of companies that provide technologies to the PLA aren't actually defense companies, but private-sector tech startups and thus are frequently overlooked with regard to possible restrictions.

Little Recourse

In high-profile circumstances wherein a Chinese company is accused of severely undermining U.S. national security, that company might be placed on the "entity list," a trade blacklist used by the Commerce Department's Bureau of Industry and Security to limit the export of certain items to certain parties.

There's one problem with the entity list, however: The vast majority of AI equipment suppliers to the PLA aren't on it. Roughly 91 percent of AI equipment suppliers to the PLA weren't on the entity list, according to the new CSET report.

One reason for this is the inability of the entity list to effectively respond to the threat posed by small companies that can easily resume normal business by restructuring under a new name. This means that companies that are formed to extract U.S. technologies for the PLA can simply dissolve, reform, and continue business as usual.

"They are using the tradecraft we brilliantly used in the '50s, '60s, and '70s of 'front companies' to evade the entity list," Mills said. "And AI is their No. 1 priority.

"They are creating shell company after shell company after shell company, and the entity list cannot respond fast enough."

Mills suggested that the United States create a new mechanism, similar in function to the Committee on Foreign Investment in the United States (CFIUS).

Whereas CFIUS reviews foreign investments into the United States based on national security interests, this proposed mechanism would screen U.S. investments in foreign companies for security risks.

"We don't have an analog [to CFIUS] that addresses U.S. entities funding foreign groups, except for the entity list," Mills said.

To that end, he said continued interactions such as those between Intel, Sequoia, and 4Paradigm could supercharge the PLA's expanding capabilities in emergent domains such as AI and machine learning.

"We have allowed an interaction that 99 percent of the population doesn't understand, doesn't see, and isn't aware of," Mills said. "We need to shine a light on it."

4Paradigm didn't respond to a request for comment by press time.

Andrew Thornebrooke is a reporter for The Epoch Times covering China-related issues with a focus on defense, military affairs, and national security. He holds a master's in military history from Norwich University.

KEVIN FRAYER/GETTY IMAGES

A screen in the data center control room of e-commerce giant JD.com where they track sales and trends at the company's headquarters in Beijing on Nov. 11, 2020.

OPINION

China's New Data 'Exit' Rules Put Multinationals in a Bind

FAN YU

Foreign companies doing business in China have been waiting years for clarity from the Chinese communist regime on how they can extract their data out of China.

They're finally getting what they were waiting for. But it hardly clarifies everything, and actually introduces new landmines.

Last week, the Cyberspace Administration of China (CAC) released a new set of draft rules governing the steps businesses must undertake to transfer their Chinese data abroad. The rules will have far-reaching consequences, affecting Chinese companies seeking to list their stock abroad as well as foreign companies with operations within China and Hong Kong.

This clarification has been hotly anticipated, as Beijing mandates that companies must undergo a series of data security "assessments" before they can transmit the data they own beyond China's borders, to their headquarters, for instance.

It does clear up a few things. First of all, the agency overseeing this data is the CAC, China's internet watchdog. The rules also dictate what types of companies must apply for assessment, how to apply, the CAC's general assessment framework, and penalties for failure to obtain permission.

The rules also cover all data leaving China's "borders," which undoubtedly in this case means Hong Kong. So foreign companies doing business in Hong Kong also will need to be vigilant. It was previously a question as to whether Hong Kong was under the scope of this law, but legal experts have widely confirmed that Hong Kong is squarely within China's boundaries for this purpose.

But aside from these general guidelines, the rules are unclear in many respects. The CAC states that all businesses processing data obtained in China must conduct periodic self-reviews and assessments of risks of transferring data abroad, and the firms in scope include "information infrastructure" companies and "key data" owners.

Companies gathering data from more than 100,000 residents or companies harboring "sensitive" personal information of 10,000 residents or more must undergo an approval process by the CAC before data can be transmitted.

> Most foreign companies collecting data—any form of data—on their Chinese customers should plan conservatively and assume their data is sensitive unless told otherwise.

The CAC said it would take 45 to 60 days on average and it would take into consideration the necessity of such transfers, the sensitivity of the data, and risks of loss should such data be compromised.

Who qualifies as "key data" owners, and what qualifies as "sensitive" personal information? That's still unclear.

But such vague language would grant the CAC and the Xi Jinping regime with broad powers to restrict and punish companies. There also is considerable leeway to politicize such data without prior warning. Despite companies having to undergo self-assessment, the CAC is the judge.

Most foreign companies collecting data—any form of data—on their Chinese customers should plan conservatively and assume their data is sensitive unless told otherwise. Consumer, technology, financial, and health care companies would most likely be affected.

But it gets even more complicated.

These rules dovetail with China's new Personal Information Privacy Law (PIPL), which went into effect on Nov. 1. Similar to the European Union's General Data Protection Regulation (GDPR), which went live in 2018, China's PIPL carries heavy penalties for transgressors and has extraterritorial impact. Companies, including foreign companies with no presence in China but that have Chinese customers, could face stiff penalties if they are found to be in violation of the law.

China's PIPL is even more strict than Europe's GDPR in that the GDPR doesn't limit transfers, and that the European guidelines stipulate that governments can't obtain such data at will without subpoenas or warrants.

The Chinese laws grant no such protections for companies. Both the PIPL and the data extradition rules leave enough gray areas within their definitions for the Chinese Communist Party (CCP) to interpret and enact restrictions and penalties without limit.

Foreign companies interfacing with Chinese customers now face even more business risk than before.

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

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OPINION

Why China's Economy Continues to Survive

HE QINGLIAN

China's economy continues to survive despite major obstacles, including the real estate bubble and the trade war with the United States. Ironically, China's trade ties with the United States—and U.S. dependence on Chinese goods—have been sustaining its economy.

Despite the debate in Washington about decoupling from Beijing and the Biden administration's decision to keep most of the Trump-era tariffs (at least for now), the United States still wants to maintain trade relations with China.

STR/AFP VIA GETTY IMAGES

Workers produce adhesive tapes for flexible printed circuits at a factory in Yancheng in China's eastern Jiangsu Province on Sept.15, 2021.

China's GDP Growth Rate Can't Be Trusted

The Wall Street Journal's Nathaniel Taplin recently wrote a piece about China's economic troubles. According to the author, the three pillars that support Chinese economic growth—real estate investment, consumer spending, and exports—are all "shaky," and the outlook for 2022 remains uncertain.

Taplin listed four factors that have recently tapered China's economic growth: the property debt fiasco, the Delta variant outbreak, power outages, and snarled shipping lanes.

"Sharply weaker growth last quarter at 4.9% from a year earlier was expected," he wrote.

From my own observation, however, China's gross domestic product growth rate has always been anything but trustworthy, mainly because it has always been highly manipulated by the regime. I wouldn't count on the veracity of any reports from the World Bank or International Monetary Fund (IMF) on China's economy, either. For one thing, their China reports are often generated with data that come directly from Beijing. A recent scandal involving IMF Managing Director Kristalina Georgieva, who allegedly pressured World Bank staff to improve China's ranking in the "Doing Business" report, is a case in point.

US Consumers Heavily Rely on Chinese Goods

Amid the pandemic, the United States is currently caught in a supply chain crisis—its ports are seriously congested, hundreds of thousands of containers are backlogged off the ports, and many stores are stricken with a shortage of goods or even empty shelves. Now, many Americans are waking up to this reality. China and the United States have long shared an international commodity supply chain—China is the supplier of the goods that Americans buy. The world's two largest economies have an interdependent relationship.

No matter how you look it, the fact is that U.S. consumers still need "Made in China" products—that's really what drives China's economy.

According to data from China's customs agency, from January to August, China's total import and export value was $3.83 trillion, a year-over-year increase of 34.2 percent. The trade surplus was $362.49 billion, a year-over-year increase of 28.9 percent.

> No matter how you look it, the fact is that U.S. consumers still need 'Made in China' products—that's really what drives China's economy.

The Association of Southeast Asian Nations (ASEAN), the European Union, the United States, and Japan are China's first-, second-, third-, and fourth-largest trading partners, respectively, according to official data. China had a trade surplus with all of them except Japan—including a surplus of $57.34 billion with ASEAN and of $117.82 billion with the EU.

The China–U.S. trade relationship totaled $477.8 billion, with China's exports to the United States being $358.8 billion. China received a massive surplus of $241.2 billion.

What's interesting is that despite the U.S. trade tariffs, China continues to enjoy its largest trade surplus with the United States—a figure that's far more than what it gets from all its other trading blocs and countries combined.

The U.S. data look slightly different, but show the same trend: China's exports to the United States are staying strong, even with the heightened tensions between the two nations.

US–China Trade

Since the 1990s, the relationship between the United States and China has been dominated by a steady inflow of U.S. capital and the rapid expansion of bilateral trade. Although there have been political bumps along the way, because of the fundamental differences between the two countries on universal values and human rights issues, their economic ties have become increasingly closer.

Owing to China's comparative cost advantage, the U.S. domestic manufacturing industry has been hollowed out over the last three decades, resulting in a stable international commodity supply chain between the United States and China. The current supply chain crisis in the United States stems from this heavy dependence on Chinese manufacturing.

"In many industries, China has successfully created unsurpassed ecosystems of industrial production encompassing the entire value chain from raw materials to final product," reads a report by MForesight, a U.S. manufacturing think tank.

The report warned that as many U.S. companies invest in overseas research and development, offshore production in advanced manufacturing has reached a tipping point, and the "invent here, make there" strategy has become "invent there, make there."

Over the years, I've seen a lot of articles trying to foretell a boom or crash for China's economy. As I've always argued, China's economy has never been as prosperous as many Western investment bankers have predicted, because Chinese authorities have often made very short-sighted decisions in order to accelerate development. Thus, hidden dangers are bound to emerge following brief prosperity, as we can see during the current debt crisis unfolding in China's real estate industry.

However, China's economy won't collapse in an instant. As the current state of U.S.–China trade shows, Chinese manufacturing needs the U.S. market and vice versa. This strong U.S. demand has provided the Chinese economy with the strength it needs. Capital always follows profits closely and the U.S. business community doesn't intend to abandon the lucrative Chinese market anytime soon. This is why the Chinese economy has survived and will continue to do so for some time, despite all the crises it has faced.

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

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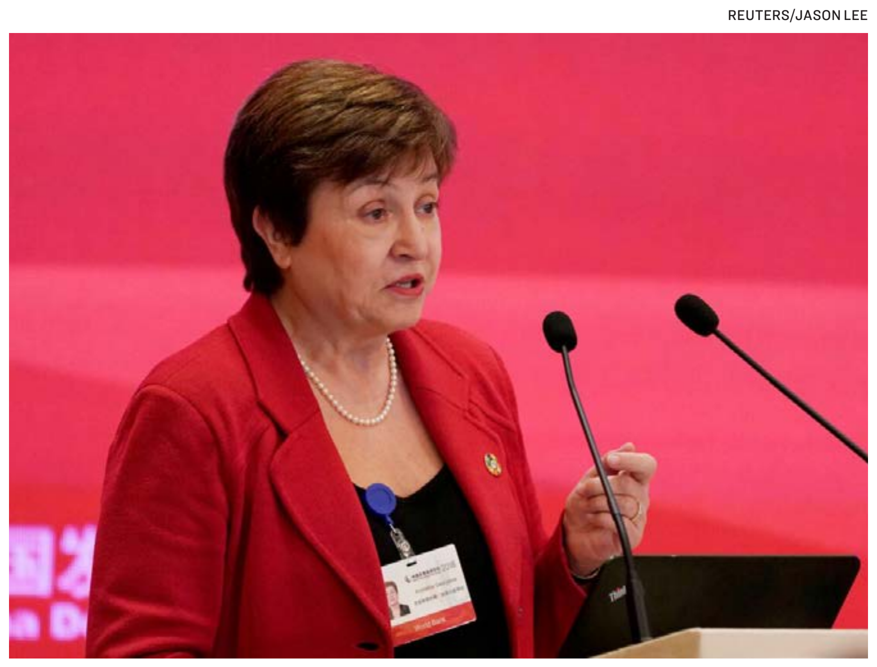
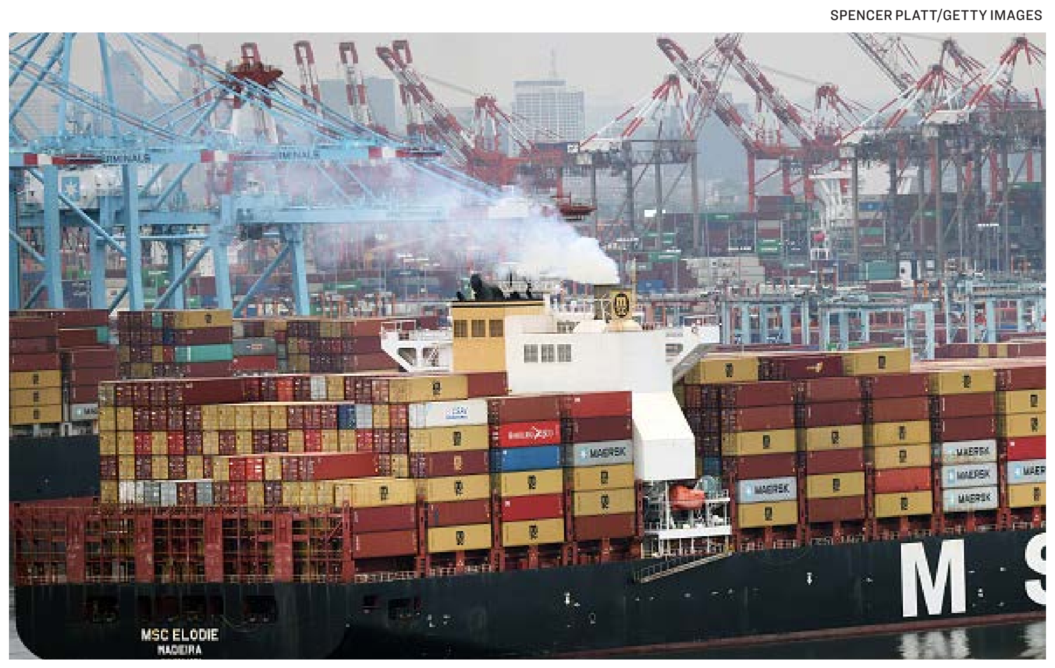
REUTERS/JASON LEE



World Bank Chief Executive Officer Kristalina Georgieva speaks at the annual session of China Development Forum 2018 at the Diaoyutai State Guesthouse in Beijing on March 25, 2018.

SPENCER PLATT/GETTY IMAGES



A cargo ship moves toward the Bayonne Bridge as it heads into port in Bayonne, N.J., on Oct. 13, 2021.

TANG CHHIN SOTHY/AFP/GETTY IMAGES

The Sihanoukville Autonomous Port in Cambodia becomes part of the Chinese regime's "Belt and Road Initiative."

OPINION

China's Port Strategy Positions It for Global Dominance

China has added a new dimension in its strategic drive to control the world's waterways

JAMES GORRIE

Since the end of World War II, the U.S. Navy has been responsible for maintaining open and orderly overseas trade routes throughout the world. The United States has borne the costs of doing so, as those trade routes are a key part of the U.S.-led international order.

Of course, the results speak for themselves. Safe shipping routes have enabled global trade to rise to the highest levels in history. They're what allow nations to trade in oil, automobiles, agricultural products, and many other goods with relative ease and safety.

In turn, nations in far-flung regions have had safe access to markets and goods that they never would have otherwise had. Many nations of the world are much better off with access to free and safe sea lanes.

Few, if any, national leaders publicly discuss the possibility or even the probability that this underlying stability could change at any time.

But it certainly can—and perhaps sooner than one would imagine.

STR/AFP VIA GETTY IMAGE

Chinese People's Liberation Army personnel attend the opening ceremony of China's new military base in Djibouti on Aug. 1, 2017.

A Smart Strategy to Challenge US Sea Power

In its long and deliberate march to replace the U.S.-led global order, China has pursued a different and quite clever tactic that comes with some serious strategic advantages.

The Chinese regime's military planners rightly concluded that it would take them years, if not decades, to build and learn to use a blue-water navy that could stand up to the U.S. Navy. Even in 2021, although it has made great strides, the Chinese Navy still isn't equal to U.S. naval might.

However, Chinese analysts have likely looked at a global map of all of the overseas trade routes. And in roughly the year 2013, they realized two simple facts.

The first fact was that they didn't have to compete head-to-head with the U.S. Navy in order to gain an advantage over it. Through its Belt and Road Initiative (BRI) and Maritime Silk Road (MSR), both launched in 2013, China started to buy existing ports throughout the world. It was a logical extension of its massive global export economy.

Control Harbors, Not Oceans

Doing so has also provided them with a significant presence in key trading nations and regions. Notably, however, via the MSR, China has maritime access to not just Southeast Asia, but to Africa and even to Europe as well. But it's much more than just sea route access to those regions. China now owns all of the major ports along those routes.

> Djibouti enables Beijing to project power and influence at one of the most heavily trafficked crossroads in the world.

China's ownership of ports and waterways includes those with strategic significance. Once established there, China has been able to customize the ports to its own trading needs and perhaps even military or intelligence needs and advantages. But more than that, Beijing is exerting influence over the ports' home countries, as well as nations that need to deliver their products through China-owned ports.

By maintaining control over the access to goods needed by nations throughout the world, China's foreign influence has quietly, but significantly, expanded without the need for a single warship to be added to its fleet.

Gaining Control of the Sea Gates

The second fact learned by Chinese analysts in 2013 was that many ports in strategic locations through which much of the trade in the world passes are known as "sea gates." Sea gates are strategic because they're gateways—or more often, narrow chokepoints—to oceans or markets. To access routes, ships must pass through these sea gates.

China's port at Djibouti is the narrow, maritime passage at the mouth of the Red Sea and the southern access route to the Suez Canal, which connects to the Mediterranean Sea. Its position is strategic because it serves as a sea gate for Indian, Indonesian, and many African nations' shipping access to the European market.

Perhaps not surprisingly, Djibouti has also become China's first overseas military base (if those in the South China Sea are excluded from that category), and for good reason. It's not only a port, but a massive military presence in Africa, and it's accompanied by a $3.4 billion railway system, which also allows for the transport and export of African natural resources back to China.

Thus, the port is a naval and military presence to protect vital resources for the Chinese economy. Key resource supply chains are well established in the North and Central African markets, as well as in the European and Middle Eastern markets. Djibouti enables Beijing to project power and influence at one of the most heavily trafficked crossroads in the world.

China's power and influence gained from ownership of the Djibouti port also extends to the massive oil shipments that come out of the nearby Straits of Hormuz, upon which China is dependent.

In fact, port ownership is a principal feature of the Chinese regime's strategy for global domination and includes the U.S. ports of Houston and Miami, as well as the Panama Canal.

As is clearly evident, Beijing's maritime port strategy is based on the simple fact that no matter where goods and ships may come from, they'll eventually need to come to a port to transfer their goods to market. At the very least, gaining control over ports throughout the world gives China leverage and revenues in port fees, the power to determine which ships can dock there, and so forth.

After all, who needs a global navy to run blockades and control trade when you can do the same thing all over the world without deploying a single naval vessel or firing a shot?

The Chinese regime benefits from this very smart strategy in multiple ways, at the expense of the United States and other competitors. It remains to be seen when and how Beijing will decide to fully exploit its advantage and what the United States will do about it.

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

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ISAAC LAWRENCE/AFP VIA GETTY IMAGES

A woman looks at movie advertisements at a cinema in Hong Kong on Sept. 2, 2021. Once renowned for world-class cinema, Hong Kong's already struggling film industry must confront a new hurdle—Chinese mainland style censorship controls as authorities take their purge of dissent into the cultural sphere.

HONG KONG

Hong Kong's New Film Law Mostly Threatens Independent Auteurs, Observers Say

MICHAEL WASHBURN

The film censorship law passed by Hong Kong's legislature last week is ostensibly aimed at promoting national security, although observers of the deteriorating state of intellectual and creative freedom in the city are calling it one of the more blatant attempts to yoke Hong Kong more closely to the machinery of authoritarian rule in Beijing.

Theoretically directed at content in films that might endanger national security, and threatening violators with fines and up to three years in prison, the law is of a piece with Beijing's more general heavy-handed approach, as exemplified by the national security law imposed on Hong Kong in 2020.

Together, these recent measures are part of Beijing's efforts in anticipation of the year 2046—the end of the 50-year period under which Beijing was to maintain Hong Kong's freedoms and autonomy not found in the mainland, observers said.

"From Beijing's perspective, this new law is part of the process of bringing Hong Kong's standards, values, and practices into line with the rest of the People's Republic of China," said Chris Berry, a professor of film studies at King's College London who has written extensively about the cinema of China and edits two book series for Hong Kong University Press.

"As we run up to 2046 ... ever closer alignment is the goal. But from the perspective of local Hong Kong residents who treasure their existing system, it is further evidence of its decline."

Stepped-Up Repression

The new law is unsurprising given Chinese leader Xi Jinping's explicit rejection of "Western" values such as freedom of speech as being incompatible with a harmonious society, Berry said. It represents an expansion, in the rather unconvincing guise of promoting national security, of many of the same authoritarian and repressive measures Beijing has applied within China and in Hong Kong for years.

However, the law is likely to affect some filmmakers and genres of films more than others. For all the value that many in Hong Kong place on political and artistic independence, not all filmmakers in Hong Kong have tried to follow a path totally independent of Beijing, given the enormously lucrative potential of the market for films in China, where box office returns exceed those of any other market in the world.

China–Hong Kong co-productions such as "Project Gutenberg," "Operation Red Sea," and "L Storm" have done extraordinarily well commercially, and leading Hong Kong directors such as Tsui Hark maintain an office in China.

> 'Ten Years' was a collection of short films that imagined a dystopian Hong Kong of the future. At the time, it seemed hysterical and exaggerated to many. Now, just six years later, the same commentators are saying it was spot on.
>
> Chris Berry, professor of film studies, King's College London

Berry sees the Hong Kong film industry as having gone down a bifurcated path following the implementation of a free trade agreement between mainland China and Hong Kong on Jan. 1, 2004. Under the agreement, Hong Kong–China co-productions enjoyed the status of domestic films and weren't subject to China's tight quota on foreign films. Commercially minded Hong Kong filmmakers have seized on the opportunity and incorporated their projects into the mainland culture, very much including the censorship prevailing there, Berry said.

Hence, the new law stands to change little for local makers of Hong Kong–China co-productions. Where it may have a far greater effect, and be more corrosive to what few political and creative liberties remain in Hong Kong, is in the domain of local filmmakers pursuing independent projects.

"Hong Kong filmmakers who wished to focus on Hong Kong culture and issues, and continue to exercise freedom of speech build a lively culture of small-budget films, ranging from documentaries to short films to dramatic features," Berry said. "An industry of local distributors and movie theaters circulated their films. The survival of this local industry is in doubt under the conditions of the new law."

Who Is Most in Danger?

While it would be nice to imagine that films produced and released prior to the implementation of the law are exempt, Berry sees the law as working retroactively, and that's where the danger for independent filmmakers may be greatest. When they made their work, of course, they had no way of knowing that content in their films would be in violation of a law not yet on the books.

Berry sees it as possible or even likely that movies such as the 2015 dystopian anthology film "Ten Years," which won Best Picture at the 35th Hong Kong Film Awards and became the target of vicious attacks in the Chinese Communist Party-controlled press for its depiction of worsening political repression and bullying of the populace, may now come under the scrutiny of censors.

"'Ten Years' was a collection of short films that imagined a dystopian Hong Kong of the future. At the time, it seemed hysterical and exaggerated to many. Now, just six years later, the same commentators are saying it was spot on," he said.

In Berry's view, the small community of mainland filmmakers who self-exiled to Hong Kong in the hope of finding a freer environment in which to work may now find those freedoms curtailed.

'Holdouts' and Local Culture

Michael Berry (no relation), director of the UCLA Center for Chinese Studies, also sees an increasingly tight integration of much of the Hong Kong film industry with that of the People's Republic of China, and a growing role for many of the city's leading names in films produced on the mainland. He says Peter Chan, Tsui Hark, Dante Lam, and Stephen Chow are examples of Hong Kong talent who have taken the opportunity to make big-budget films in China, with an increasing lack of interest in the local culture of Hong Kong. Their professional lives are likely to suffer relatively little disruption from the new law.

"The holdouts who stayed behind in Hong Kong to make Cantonese-language films filled with local color and otherwise informed by an edgier political stance were already quite small in number compared to the A-list exodus to the mainland," he said.

Now, things are even tougher for those holdouts, who must grapple not only with the economic difficulties of making smaller-budgeted films but with what Berry calls "a new minefield of political red zones to avoid." As a consequence, many Hong Kong filmmakers have opted to make movies under pseudonyms, to censor their own work, to go abroad, or to give up and stop making films, he said.

Berry sees what is happening in Hong Kong as the symptom of the "good China story" that the Chinese Communist Party (CCP) has aggressively pushed, which makes it hard, if not impossible, for dissidents to claim legitimacy and bring their message to the public. He points to Denise Ho, Chapman To, and Anthony Wong as examples of filmmakers and artists who have publicly spoken out against CCP repression and who may now find their lives even more difficult.

> From Beijing's perspective, this new law is part of the process of bringing Hong Kong's standards, values, and practices into line with the rest of the People's Republic of China.
>
> Chris Berry, professor of film studies, King's College London

But the effect of the new law doesn't stop there.

"Besides public activists and celebrities, even small-budget independent documentary films on topics like June Fourth, the Umbrella Movement, LGBTQ rights, and other areas deemed 'sensitive' in the mainland run the risk of being erased," Berry said.

"The Hong Kong film industry has always been a more commercially driven industry than other regions and this new change will further ensure that already marginalized voices of iconoclastic art films and edgy political cinema will be pushed even further away from the center."

Michael Washburn is a New York-based freelance reporter who covers China-related topics. He has a background in legal and financial journalism, and also writes about arts and culture. Additionally, he is the host of the weekly podcast Reading the Globe. His books include "The Uprooted and Other Stories," "When We're Grown-ups," and "Stranger, Stranger."

FINANCE

BlackRock 'Negotiated Against America' With Chinese Investments, Group Claims

ANDREW MORAN

Consumers' Research, a nonprofit organization, released an ad campaign titled "Betting on China" that targets investment management titan BlackRock over its investments in China.

The 30-second ad spot claims that the money manager is pouring billions into Beijing, "propping up Chinese communist leaders." The ad says BlackRock has invested in surveillance companies used by the nation's military. It also cited billionaire George Soros and his Wall Street Journal op-ed, titled "BlackRock's China Blunder," which calls the company's China ventures a "bad investment" and "tragic mistake."

"[BlackRock] CEO Larry Fink loves to tell Americans how to live, but he negotiated against America, sucking up to China," the ad says.

According to Consumers' Research, the ad is part of a broader initiative called the Consumers First Initiative. This movement targets allegedly "woke" companies and their policies while they participate in questionable dealings.

"No amount of woke posturing can hide what BlackRock is really up to. The idea that an American company is taking billions of dollars and using it to bet on China's success is extremely concerning. We cannot allow this to continue. Funneling Americans' hard earned retirement savings to China is unsafe from both a national security and financial perspective," said Will Hild, president of Consumers' Research, in a media statement.

"We cannot let executives like Larry Fink try and tell Americans how to live while simultaneously cozying up to one of the world's leading human rights abusers.

"By putting BlackRock's shady dealings out in the open for all to see, we're sending a message that companies won't get away with taking advantage of hard-working Americans. Any company trying to use woke politics to mask their misdeeds should see this campaign and know they could be next."

BlackRock didn't immediately respond to requests by The Epoch Times for comment.

This isn't the first time BlackRock has been called out for its ties to China. During an interview with CNBC's "Squawk Box" last month, host Joe Kernen pressed Fink for promoting climate justice while putting money into the largest producer of greenhouse gas emissions. The CEO dismissed the concerns by saying BlackRock engages with the government on embracing the green economy and transitioning away from fossil fuels.

> The idea that an American company is taking billions of dollars and using it to bet on China's success is extremely concerning.
>
> Will Hild, president, Consumers' Research

> BlackRock isn't the only institution to plant roots in Beijing. Fidelity, HSBC, JPMorgan Chase, and UBS have launched investment funds and bought stakes in domestic companies. Foreign flows into China stocks topped $5 billion in October, the largest amount since May.

BlackRock Goes Bullish on China

Speaking at the Lujiazui Forum in Shanghai via video conference in June 2020, Fink said China "will be one of the biggest opportunities for BlackRock." He reiterated this sentiment in a letter to shareholders earlier this year, writing that the firm's efforts overseas are a "significant opportunity to help meet the long-term goals of investors in China and internationally."

In June, BlackRock became the first foreign asset manager to control a wholly owned business in the foreign market's $3.6 trillion mutual fund industry. In September, the firm established a China equity fund that raised $1.03 billion from more than 111,000 investors.

FABRICE COFFRINI/AFP VIA GETTY IMAGES

BlackRock Chair and CEO Laurence D. Fink attends a session at the World Economic Forum annual meeting in Davos on Jan. 23, 2020.

Fink has become ultra-bullish on China. According to financial services firm Morningstar, BlackRock and HSBC became the largest buyers of Evergrande debt. BlackRock purchased 31.3 million notes of the troubled Chinese real estate developer between January and August, increasing its stake to 1 percent of the assets in its $1.7 billion Asian High Yield Bond Fund.

Despite the downturn in Chinese equities, BlackRock analysts contended that global investors were underestimating the nation's stocks, and recommended that investors buy shares in undervalued companies while they're cheap.

"We believe the significant repricing—Chinese equities underperforming U.S. peers by more than 30 percentage points so far this year—and a rise in equity risk premia in Chinese equities are overdone," BlackRock analysts wrote in September. "Investors are compensated for risk at current valuations in our view."

This past summer, BlackRock stated that investors should triple their exposure to Chinese assets, even with regulatory risks hanging over many key sectors, particularly tech.

"China is under-represented in global investors' portfolios but also, in our view, in global benchmarks," Wei Li, the chief investment strategist of BlackRock's Investment Institute, told the Financial Times in August.

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Will the Economy Support Wall Street's Optimism?

China's National Bureau of Statistics manufacturing purchasing managers' index (PMI) declined to 49.2 in October, missing market forecasts of 49.7—anything below 50 indicates contraction. This was the second consecutive month of contraction, driven by falling output, new orders, and export sales.

The Caixin manufacturing PMI, a private-sector measurement, remained in expansion territory for the second straight month, coming in at a four-month high of 50.6. The reading was buoyed by greater domestic demand for total new orders. But analysts pointed out accelerating costs of production.

Early estimates for November aren't looking too rosy, economists note.

"Looking forward to November, the non-manufacturing PMI could drop significantly on the new wave of Covid-19 and China's increasingly harsh zero-Covid policy, while the manufacturing PMI could remain weak due to shocks from both the supply and demand sides," Ting Lu, the chief China economist at Nomura Holdings Inc., wrote in a note.

Is China on the Brink of Stagflation?

Zhang Zhiwei, chief economist at Pinpoint Asset Management, warned in a research note that the economy may be "already going through stagflation." Stagflation arises when slow economic growth is coupled with accelerating inflation.

"A worrying sign is the passthrough of inflation from input prices to output prices. The input price inflation has been high for many months by now, driven by the rising commodity prices," Zhang wrote. "But the jump of [the] output price index in Oct is alarming."

Raymond Yeung, chief economist of Greater China at ANZ, told CNBC's "Squawk Box Asia" that "we could clearly see the industrial stagflation in China," adding that "the industrial sector is clearly in a very difficult situation."

China is presently enduring a series of economic challenges in the post-pandemic recovery, including strict COVID-19 rules, higher inflation, power shortages throughout the country, and swelling debt levels.

Andrew Moran covers business, economics, and finance. He has been a writer and reporter for more than a decade in Toronto, with bylines on Liberty Nation, Digital Journal, and Career Addict. He is also the author of "The War on Cash."

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An investor walks past a screen showing stock market movements at a securities firm in Hangzhou, China, on Jan. 11, 2016.