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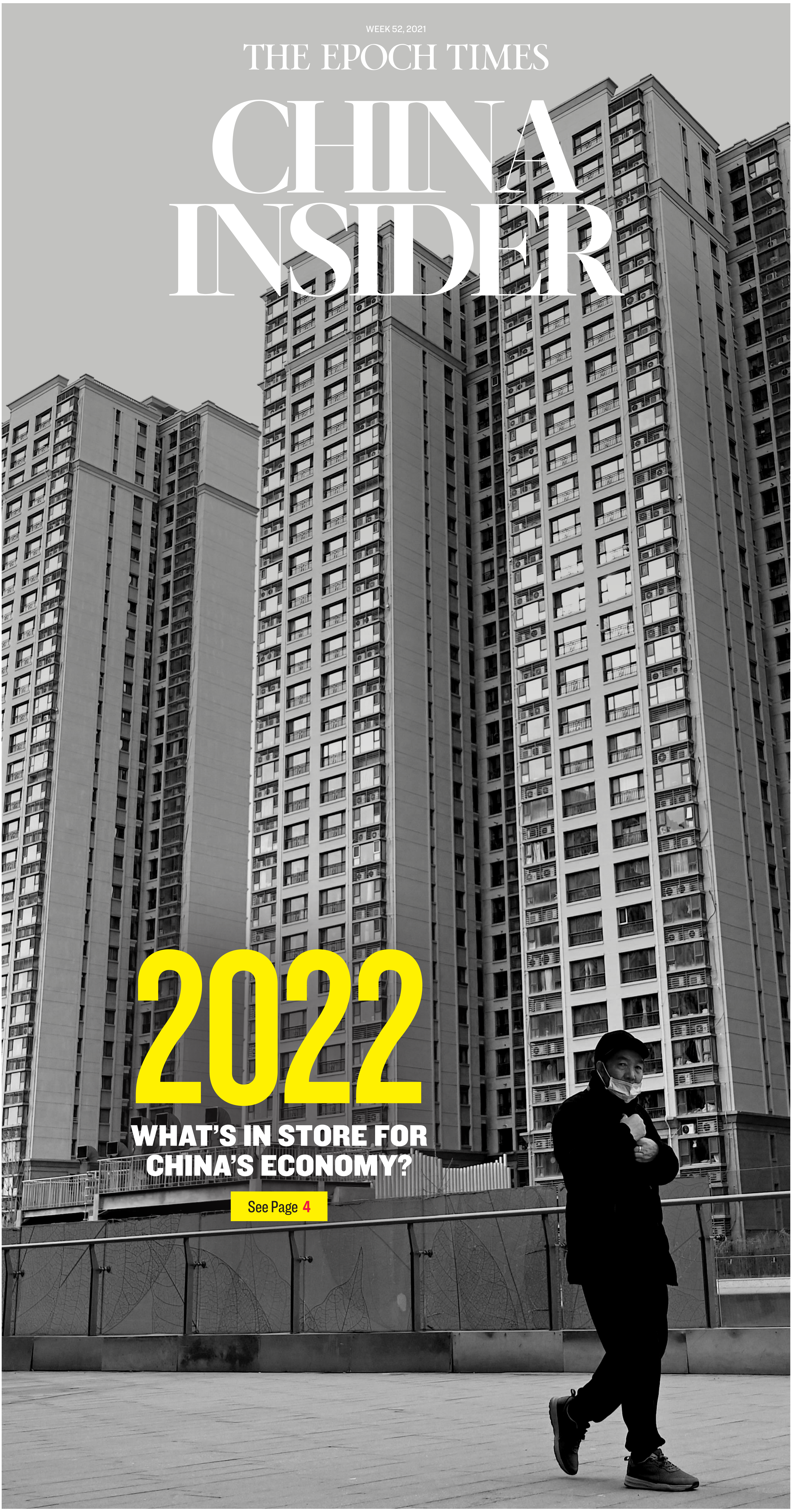
# CHINA INSIDER



NOEL CELIS/AFP/GETTY IMAGES

# 2022

## WHAT'S IN STORE FOR CHINA'S ECONOMY?

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ANALYSIS

# Corruption Wears Down Chinese Military's Combat Effectiveness

NICOLE HAO

Corruption is a widespread phenomenon in China's military, where officers, including generals, have relied not on their duration of service or military prowess to rise in the ranks, but rather bribery and connections, according to analysts.

Experts have commented that a lack of competent leadership now threatens to be severely detrimental to China's warfighting capabilities.

In the Chinese military, all positions and ranks have been sold with quoted prices, state-run media outlet Xinhua quoted three major generals from the Academy of Military Sciences saying on March 10, 2015.

"A commander from a military district bribed Xu Caihou [then vice chairman of the Central Military Commission (CMC)] 20 million yuan [$3.14 million] for a senior position. Xu then promoted this one, rather than another commander who just bribed him 10 million yuan [$1.57 million]," Maj. Gen. Yang Chunchang said.

In the Chinese military, there's only one general who has real combat experience. Gen. Li Zuocheng, 68, served in the Vietnam War in 1979 as the director of a company consisting of about 100 soldiers. Li is the chief of the Joint Chiefs of Staff of the CMC.

"They bought their positions. They won't spend their lives fighting," Zhou Meisen, screenwriter of anti-corruption propaganda TV series "In the Name of People," told regime mouthpiece People's Daily on April 6, 2017. "Once there's a war, who can fight? Who will sacrifice his life to defend the country?"

"A general may still lead the military when he doesn't have any combat experience. He can learn from books and military exercises," U.S.-based China affairs commentator Tang Jingyuan told The Epoch Times on Dec. 17. "But if the generals and officers received their positions and ranks by bribes, they don't have the knowledge and capability to command the military to fight in a war."

Tang went on to say that as a result, Chinese officers and soldiers won't focus on improving their skills, knowing that they need to buy the position and ranks they hope to achieve.

"Fighting isn't a game," Tang said. "Once there's a war, these officers and soldiers can't fight."

> If the generals and officers received their positions and ranks by bribes, they don't have the knowledge and capability to command the military to fight in a war.
>
> Tang Jingyuan, U.S.-based China affairs commentator

> Instances of generals being fired have become common under the Xi regime.

LINTAO ZHANG/GETTY IMAGES

Chinese military delegates arrive at the Great Hall of the People before the third plenary session of China's rubber-stamp legislature, the National People's Congress, in Beijing on March 12, 2015.

AFP/GETTY IMAGES

Former military logistics general Gu Junshan's residence in Puyang, Henan Province, China, on Jan. 17, 2014

**Weakened Warfighting**

Instances of generals being fired have become common under the Xi regime.

On April 29, the Chinese regime announced that Maj. Gen. Song Xue, former deputy chief of staff of the Chinese Navy, was suspected of a "serious violation of discipline and law." He had been dismissed from his position on April 8.

Song was China's key leader for rebuilding and training personnel for its first aircraft carrier, the Liaoning. Overseas Chinese commentators say that Song was involved in bribery in the Liaoning project and that he was punished because the aircraft carrier doesn't have the combat effectiveness that a carrier is expected to have.

On April 26, the Liaoning carrier strike group—which has three Chinese destroyers, one frigate, and one supply ship which sail with the Liaoning—couldn't prevent an Arleigh Burke-class destroyer with the U.S. Navy from entering into the middle of their formation as they sailed through the Philippine Sea.

"The Chinese military has become a puddle of mud, without combat effectiveness," Luo Yu, son of former revolutionary Chinese Gen. Lou Ruiqing, told The Epoch Times on Nov. 14, 2017. "No Chinese official or officer isn't involved in bribery, it's a systematic problem.

"There's no way to stop the corruption in the Chinese military."

In his remarks, Zhou cited an example of officers actively embezzling military funds.

"In one military exercise, they [officers] sold the vehicles and gasoline," he said. "They then reported that the vehicles were destroyed during the drill and the gas was used. The extra funds then go into the officers' pockets."

On Aug. 18, Beijing-headquartered dwnews.com reported from Beijing that Gen. Zhang Yang, who reportedly committed suicide, went by the nickname "Gunny Sack Zhang" because he used to put cash inside gunny sacks and use them to bribe senior officers or receive bribes from junior officers. Zhang had given each of then-CMC vice chairmen Gen. Guo Boxiong and Caihou 25 million yuan ($3.9 million) in cash at one time.

"Only several generals died on the battlefields when the Chinese Communist Party (CCP) launched its first war, the Nanchang uprising, on Aug. 1, 1927, until the Korean War [which ended in a truce on July 27, 1953]," Zhou told People's Daily in 2017. "Now, an anti-corruption campaign has sacked over 140 generals."

STR/AFP VIA GETTY IMAGES

Chinese aircraft carrier Liaoning is participating in a military drills in the South China Sea on Jan. 2, 2017.

**Corruption and Replacement**

Anti-corruption has been Chinese leader Xi Jinping's main task after taking the position of CMC chairman in 2012. Xi, the supreme commander of the Chinese military, used an anti-corruption campaign to fire the generals who lacked loyalty and to promote new generals who support him.

On June 16, 2018, dwnews.com reported that Xi's attempts to reform the Chinese military were facing resistance.

On Aug. 28, 2017, Gen. Zhang Yang, former director of the political work department of the CMC, and Gen. Fang Fenghui, former joint chief of staff, were investigated for bribery and violations of discipline.

Three months later on Nov. 25, Zhang committed suicide. In October 2018, the CCP posthumously removed Zhang from the CMC and the communist party, stripped him of his rank, and confiscated his properties. Xinhua reported that Zhang owned a very large and unexplained amount of wealth and that his level of corruption was very high.

LIU JIN/AFP/GETTY IMAGES

Xu Caihou (R), former vice chairman of the Central Military Commission, speaks to Bo Xilai, former Politburo member, during the opening session of the National People's Congress at the Great Hall of the People in Beijing on March 5, 2012.

Fang was sentenced to life in prison by a Chinese military court on Feb. 20, 2019, with the crimes of bribery and owning huge amounts of property from unknown sources.

The Chinese army has five theater commands, with each covering one region. Parallel to this, there are ground forces, an air force, a navy, a rocket force, a strategic support force, a joint service support force, and an armed police force. Troops are led by both the theater commands and the forces at the same time. Additionally, the People's Liberation Army has 25 provincial military districts and three garrisons that report to the CMC directly.

On Sept. 6, Xi promoted five lieutenant generals to the position of general, as well as higher commanding positions. The five included Commander of Western Theater Command Wang Haijiang, Commander of Central Theater Command Lin Xiangyang, Commander of the Navy Dong Jun, Commander of the Air Force Chang Dingqiu, and Director of the PLA National Defence University Xu Xueqiang.

Two months earlier on July 5, Xi promoted another four lieutenant generals to the rank of general. They were Commander of Western Theater Command Xu Lingqi, Commander of Southern Theater Command Wang Xiubin, Commander of Ground Force Liu Zhenli, and Commander of Strategic Support Force Ju Qiansheng.

"Xi Jinping hasn't built a military which is loyal to him," Wang Youqun, a columnist for the Chinese-language Epoch Times, wrote on Sept. 8. "Xi has promoted over 60 generals since taking over as CMC chairman. These generals control the CMC, five theater commands, seven forces, and military universities. However, not all these newly appointed commanders are loyal to him, and this is the reason why he has kept on appointing new commanders."

Wang also wrote that Xi has named corruption as the reason for the removal of the generals who aren't loyal to him because the majority of the generals are involved in bribery, abuse of power, extortion, fraud, collusion, and embezzlement.

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GETTY IMAGES

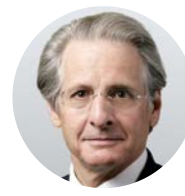
China's latest census results show an aging population and declined proportion of newborns.

OPINION

# China's Shrinking Population Is a Big Economic Issue

## An increasingly acute shortage of workers will constrain growth prospects

MILTON EZRATI



China's 2020 census is finally available. It has brought Beijing some good news but only relative to fearful expectations. The statistics still issue a warning for the future.

The census announces that the country's population as of 2020 totaled 1.41 billion, up 5.4 percent from 2010. Since there was some considerable fear that the population had shrunk, this was good news for the authorities. But any rejoicing must have been muted.

The growth is the smallest since China began its census in the 1950s. And if this slow population growth relieves Beijing's worst expectations, the overall picture still points to a smaller population in coming years. Most significant from an economic standpoint is the disproportionate drop in those of working age, for this prospect threatens to severely limit the overall pace of development.

The root of these problems lies in the one-child policy that prevailed in China from the 1970s until recently. When former Chinese leader Deng Xiaoping initiated the rule that families could have only one child, he was singularly focused on economic growth and made clear that fewer children would help economic development by freeing more young adults for work. Fewer school children might also free former teachers for the growth effort. But over time, as the birth rate fell below replacement, the nation's youth population dwindled, so that today China faces a shortage of working-aged people to replace the huge working population that is now retiring from active employment.

As this mismatch between retirees and new young workers has intensified, a slow-motion problem of immense proportions has developed. The shortage of workers has, for instance, exaggerated the rise in Chinese wages, which, according to the National Bureau of Statistics, have increased over 9.0 percent a year during the last five years. While this development has come as a boon to workers, it has begun to close the wage gap between China on the one hand, and the West and Japan on the other. In so doing, it has stolen some of the allure China has long had as a place to source inexpensive production.

Still more fundamentally, the slow flow of young workers has left China a paucity of the ultimate resource for economic growth: working hands and minds. And since most innovation occurs among young adults, the demographic situation is poised to weigh most heavily on the technological innovation that Beijing increasingly emphasizes. The United Nations forecasts that before this decade gets much older, the shortage of new workers will cause the country's workforce to shrink absolutely.

A few years ago, as this demographic problem became apparent, Beijing, after almost 50 years, relaxed the one-child policy. But the Chinese public seems not to have responded. At last measure, the nation's fertility rate stood at an average of 1.3 children in each woman's lifetime, far below replacement. It seems that the high cost of living and the high cost of child rearing have made young couples reluctant to build a family, especially after decades during which the one-child policy changed preferences. Even in the unlikely event that the fertility rate were to rise, it would take 15 to 20 years before the change could have any effect on the relative size of China's working-age population.

Demographics alone, however severe, will not stop China's growth and development. But it will contribute to a marked slowdown in the pace of growth, especially compared to the breakneck pace to which Beijing and the world have grown accustomed. In other words, the legacy of the one-child policy will now interfere with Beijing's grand ambitions. It should also serve as an object lesson.

> The slow flow of young workers has left China a paucity of the ultimate resource for economic growth: working hands and minds

China would not face this problem were it not for the power of its centralized and top-down approach to economics. Were the authorities in Beijing to take this fact to heart, they might avoid other pitfalls in their centralized and planned approach. There is, however, little sign that either Chinese leader Xi Jinping or his colleagues in the Forbidden City have any sensitivity to this warning. That fact should very much hearten China's rivals and enemies.

*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

# China Economy 2022 Faces Domestic Concerns and Overseas Uncertainty

HE QINGLIAN

JADE GAO/AFP VIA GETTY IMAGES

People walk past a billboard promoting the annual "Singles Day" on Nov. 11, the biggest shopping day of the year, at a shopping mall complex in Beijing on Nov. 10, 2021.

As this year comes to an end, Beijing will be both uncertain and concerned about what is to come in 2022.

China's economy relies on three strong economic driving forces: domestic consumption, foreign trade, and foreign direct investment. But these economic engines are losing or have lost their power due to Beijing's mishandling of both domestic and international situations.

Domestically, manufacturers and businesses are closing down in large numbers, while unemployment has led to a serious reduction in people's spending power, thus lowering China's GDP growth expectation. Internationally, Beijing is facing changing prospects of foreign direct investment and foreign trade.

**Purging of Private Sectors Dooms Economy**

The first economic driving force—domestic spending—has lost its driving momentum due to the Chinese Communist Party (CCP) using political methods to deal with economic issues.

The Chinese economy first showed signs of weakening when its real estate bubble began to form. Its shutting down of the P2P (peer-to-peer lending) internet finance platform further messed up its economic situation.

To add further fuel to the fire, Beijing then began purging the private sector, clamping down on its e-commerce and tech giants, education industry, social media influencers, and entertainment elites, forcing them to share their wealth with the CCP.

The regime's methods, remind me of a Chinese fable that warns people not to deal with a situation through the use of force. According to the fable, a self-declared doctor says he is good at curing hunchbacks. When a patient came to him seeking to get better, he put a splint on both the patient's chest and the back. He would then flatten the patient on the ground, and then stomp on the patient violently. The patient ends up with a flat back but a fractured spine.

The economic situation in China is just like that patient in the fable. When China's economy foresees a slide, the CCP cracks down on the private sector to snap money from wealthy entrepreneurs, causing a chain reaction affecting related industries and creating more unemployment. With such a pattern, the Chinese economy will only decline further.

A Chinese financial public account summarized in early December the plunging economic sectors in the first three quarters of 2021. According to its analysis, 10 industries in China have recorded their biggest downturn in gross operating profits as compared to the same period of 2019, before the pandemic. The top five industries listed below are the most badly hit:

- Real estate and property: The industry as a whole is experiencing a desperate debt crisis.
- Education and training: The impact of the "double reduction" policy imposed by the regime is yet to be decided, as this industry represents a market value of about $471 billion, at current exchange rates. The "double reduction" policy is literally "reducing the students' burdens of homework and off-campus training" in English.
- Aviation and airports: Down by 135 percent as compared to the same period last year. The pandemic and fuel prices both triggered the downturn.
- Tourism: Down by 84 percent as compared to the same period last year largely blamed on the pandemic.
- Shopping malls and supermarkets: Down by 60 percent as compared to the same period last year. The fall comes as a result of multiple new sales modes through e-commerce.

Five other industries that have recorded their worst operating outcomes in the first three quarters of 2021 are catering and hotels (-56 percent); pig and chicken rearing (-46 percent); film and television (-42 percent); thermal power (-37 percent); and property renovation and landscape architecture (-30 percent).

**Increased Unemployment Adds to Shrinking Domestic Consumption**

The industries' shrinking operating profits have brought about higher unemployment.

The regime's state council disclosed that the surveyed urban unemployment rate was 4.9 percent in September, 0.5 percentage points lower than the same period last year. However, the debt defaults of Chinese property giants, the crash of the private education and training sector, and the tighter control over the big e-commerce companies have led to an increase of at least 10 million unemployed people in the industries.

The actual number could be higher due to the CCP's censorship of information.

Nonetheless, with plunging industrial profits and increasing unemployment, Chinese people are seeing a reduction in their income, which naturally cuts their spending.

Chinese netizens complain on social media platforms that they cannot afford their housing, married life, or a baby. "I wish even in my dream that I could find an extra job to help me repay my mortgage," said a Chinese netizen, as reported by China's state-run financial website, Caijing, in December.

**Uncertainty in Foreign Trade**

The second economic driving force for China is foreign trade, which the regime relies on heavily for economic growth.

According to the state's National Bureau of Statistics, the total value of imports and exports of goods in the first three quarters of 2021 reached $4,447 billion, which accounted for about 29 percent of China's GDP for the year. Last year's total import and export value was $5,048 billion, taking up about 30 percent of China's GDP.

The figures remain more or less unchanged from its share in GDP. However, the European Union and the United States, the two major global economies, are currently being hit hard by the pandemic, likely changing China's import and export data.

On top of that, the CCP's cover-up of the origin of the new coronavirus has deteriorated its relationship with these two economies, which are among the top four trading partners with China. The United States, moreover, is the main source of China's foreign trade surplus.

Another significant factor impacting China's foreign trade is the soaring sea freight costs during the pandemic. With an uncertain global economic outlook, the CCP has no idea whether it can maintain the momentum of its foreign trade in 2022.

If the economic driving force of foreign trade fizzles out, China's economic outlook is going to be really bleak.

**Less Attractive to Foreign Direct Investment**

The third driving force of China's economy is foreign direct investment (FDI) of which the Chinese regime had been very confident in attracting.

According to the regime's Ministry of Commerce in Nov. 2021, "China's actual use of foreign investment during the first 10 months amounted to $148 billion, up 18 percent year-on-year."

The US-China Business Council, a private organization of over 260 American companies that do business with China, found in its 2021 member survey that "more than 40 percent [of the American companies surveyed] have plans to increase resource commitments in China over the next year."

Forbes also reported a similarly positive message in September. "Almost 60% of respondents are increasing investments this year," quoting from the 2021 China Business Report released by the American Chamber of Commerce in Shanghai.

However, I would like to use one word, "uncertainty," to describe the FDI situation in 2021.

Kearney, a U.S.-based global management consulting firm, revealed in its 2021 FDI Confidence Index that investors were concerned about the recovery of the economy from COVID-19. "Only 57 percent expressed optimism about the global economy this year, which is much lower than the peak of 79 percent in 2014 and 72 percent just one year ago," the index said.

According to Kearney, the United States still ranks first—for the ninth year in a row—followed by Canada, Germany, the United Kingdom, Japan, France, Australia, Italy, Spain, and Switzerland, as the top 10 countries on this year's index. Spain replaced China in the top 10 this year, which is "likely a reflection of the continued preference for advanced economies," the index stated.

The index further pointed out that, besides investors' preferences for developed economies, other factors that have led to China moving down in the list are—China's declining demographic dividend, manufacturers moving production to home markets due to cost of transport and accelerated automation, and concerns over "financial, reputational, and societal costs associated with data breaches" due to "China's stringent data protection rule."

With the domestic private sector clamped down upon by the regime and new FDI gradually losing interest in the China market, the Chinese regime seems to have only one option left—printing money to trigger domestic investment. What makes this last option very questionable is that, amid the economic downturn, the regime will find it difficult to find proper investment projects.

The CCP is losing the third driving force to boost its economy.

**US-China Tensions**

There's a fourth pressure on China's economy that the CCP should be worried about—its deteriorating relationship with the United States.

As Kearney index has noted, China's falling out of the top 10 is also impacted "by US–China trade tensions, tariffs, and a more general corporate rethink of international supply chains."

As the top global economy, the United States should be China's most important economic partner. However, the CCP has damaged U.S.–China relationships with its increasing international assertiveness and wolf warrior diplomacy.

When the trade war between China and the United States broke out in 2018, the regime thought that everything would be fine as long as former President Donald Trump left the White House, so it implemented the policy of delaying change.

Given that President Joe Biden earlier had a friendly attitude towards China, Beijing did not expect his administration to be as wary as they currently are despite this shift being largely due to the CCP itself.

The Biden administration has advocated for contact and cooperation in its China policy, but it is understood that the CCP's non-cooperation with the United States and Europe on the issue of climate change has led the Biden administration to decide to maintain the tariffs and trade sanctions imposed by the Trump administration which adds further pressures on an already strained economy.

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

*He Qinglian is a prominent Chinese author and economist. Currently based in the United States, she authored "China's Pitfalls," which concerns corruption in China's economic reform of the 1990s, and "The Fog of Censorship: Media Control in China," which addresses the manipulation and restriction of the press. She regularly writes on contemporary Chinese social and economic issues.*

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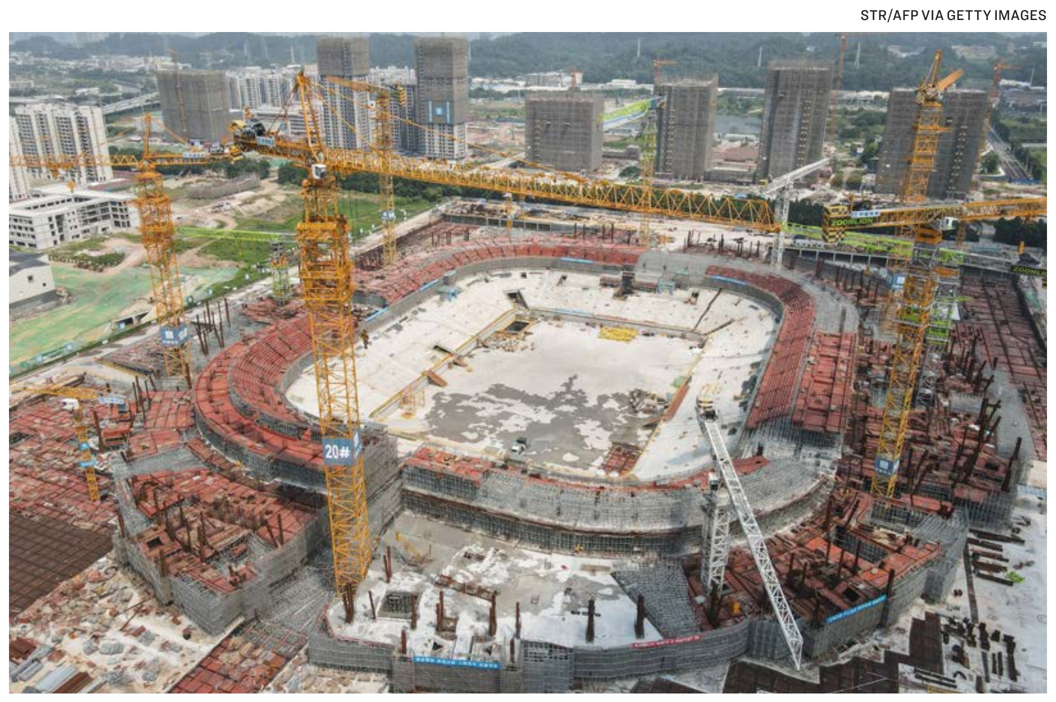

The under-construction Guangzhou Evergrande football stadium in China's southern Guangdong Province on Sept. 17, 2021.



CCP INFLUENCE

# CCP's Economic Power Makes US Corporations 'Subservient' to Beijing: China Analyst

DANELLA PEREZ SCHMIELOZ & JAN JEKIELEK

BAO QIU/THE EPOCH TIMES

Anders Corr, publisher of the Journal of Political Risk and author of "The Concentration of Power," in New York on Dec. 13, 2021.

The Chinese Communist Party's (CCP) economic power makes corporations and governments "subservient," aiding Beijing's plan to achieve global hegemony, according to China analyst Anders Corr.

"Corporations [and] ... governments are starting to fall in line with what the Chinese Communist Party wants them to do ... in a way that really should concern us," Corr, principal at advisory firm Corr Analytics and author of "The Concentration of Power," told EpochTV's "American Thought Leaders" program.

Corr, who also is a contributor to The Epoch Times, said the CCP coerces corporations to do its bidding in exchange for access to the Chinese market, which accounts for 20 percent of the world's economy. Companies tend to comply with the CCP because they want to sell their products to China's 1.4 billion people and get cheap labor from them, he said.

Such was the case with Apple, he said. The company reportedly made a secret deal with the CCP in 2016 to spend $275 billion in China over five years. The deal also included the forced transfer of technology. Corr said the deal was apparently coerced, as the CCP was making certain apps unavailable on Apple's App store.

"If you prove to China that you are on the Chinese Communist Party's side ... [by] donating $275 billion in a secret agreement to tech transfers to China, if you prove that ... maybe they give you a better deal ... that maximizes your short-term revenues [and] increases your bonus as a CEO, but sells out shareholders down the road," Corr said.

He argued that such actions are possible due to the CCP's concentration of power, which allows it to "act as a gatekeeper" to the Chinese market. This kind of power is unavailable to the U.S. president because of economic freedom in the United States.

Many of the companies making deals with the CCP are willing to overlook ongoing human rights abuses perpetrated by the Chinese regime because of greed, according to Corr.

> You can't compare a triple genocide in China—of the Uyghurs, Tibetans, and Falun Gong—to what's going on in the United States.
>
> Anders Corr, principal, Corr Analytics

He mentioned that some businessmen, such as billionaire hedge fund manager Ray Dalio, justify their deals with the CCP by saying that they can't get involved in rights and governance issues and that the United States also has its own problems. But Corr believes that this is an unacceptable statement.

"You can't compare a triple genocide in China—of the Uyghurs, Tibetans, and Falun Gong—to what's going on in the United States," Corr said. "To compare the two is a total whitewash of China and a slander on the United States."

The analyst said the CCP has the goal to achieve "global hegemony," which is an accepted truth in academia. He said the CCP uses this economic power to expand its political influence in the United States.

"The influence that Beijing has over American politics through our corporations is actually quite similar to the influence that Beijing has in other countries," Corr said. "Whether it's Uganda or Philippines, they wield quite a bit of power through being able to turn on and turn off imports and exports between China and all other countries in the world."

Western democracies aren't doing enough to counter the CCP's expansion and should coordinate a strategic approach to China, along with other Western countries "so that they make sure that our corporations are not selling out democracy when they're doing business in China," according to Corr.

"We should be resisting more. We should be seeing more evidence of resistance against the CCP, that we're just not seeing," he said. "The G-7 ... they couldn't agree even on a diplomatic boycott of the Olympic Games when there's three genocides going on in China."

*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."*

NOEL CELIS/AFP VIA GETTY IMAGES

Military delegates stand in formation at the Great Hall of the People in Beijing on Oct. 9, 2021.

CHINESE MILITARY

# US Universities Maintain Ties With Chinese Institutions That Support Beijing's Military Development, Report Says

**FRANK DONG**

Dozens of American universities continue to collaborate with Chinese sister universities, many of which are involved in research that aids the communist regime's military, according to a recent report.

These academic relationships are used by the Chinese regime to acquire American technology and know-how to further its military development, said a Dec. 9 report by the Foundation for Defense of Democracies (FDD), a Washington-based think tank.

"China's civilian university system play a major role in China's military-industrial complex, including its nuclear and cyber-espionage programs," it said, referring to the Chinese Communist Party's "civil-military fusion" strategy which calls for all civilian sector developments to be harnessed for Beijing's military advancement.

The report found at least 28 U.S. universities that hold sister relationships with Chinese universities, including 10 that "maintain active sister-school relationships with Chinese universities conducting classified research in support of China's defense establishment."

While it is not illegal for American universities to enter into such partnerships, the report said that some may give rise to security concerns.

For instance, it identified three universities, Arizona State University, the University of Utah, and Pacific Lutheran University in Washington states, that have partnerships with Sichuan University, which was put on a U.S. trade blacklist in 2019 for supporting the regime's nuclear weapons program.

The Commerce Department's "entity list" identifies Sichuan University as an "alias" of the China Academy of Engineering Physics (CAEP), a center situated in the university overseeing the country's nuclear weapons research—a facility akin to Los Alamos, the U.S. nuclear facility in New Mexico. CAEP has been on the entity list since the late 1990s.

No laws require American universities to sever ties with Chinese institutions that appear on a U.S. blacklist, though inclusion on the entity list would require U.S. universities to seek permission from the Commerce Department for certain research collaborations.

The University of Utah said that it "doesn't have any relationship with Sichuan University outside of our Confucius Institute." The university will also sunset its Confucius Insitute, a Beijing-backed center, in June 2023, when the current contract expires, university spokesperson Christopher Nelson said.

Arizona State University and Pacific Lutheran University did not return an inquiry from The Epoch Times.

**Confucius Institutes**

The report noted that Beijing-funded Confucius Institutes have served as a gateway for American universities to expand their relationships with Chinese partners.

Billed as Chinese language and culture centers, Confucius Institutes have drawn mounting scrutiny in the United States over their role in spreading CCP propaganda and suppressing academic expression.

In 2020, the Trump administration designated the headquarters of the Confucius Institute in America as a foreign mission of China, recognizing its role as an arm of the CCP.

While this scrutiny in recent years has brought down the number of institutes to 34 from 113 in 2018, the report noted that almost 30 of the universities that closed their Confucius Institutes maintained or expanded ties with Chinese sister universities.

"A U.S. university's decision to establish a Confucius Institute program usually leads to other forms of academic and research collaboration with CCP-affiliated entities," and such collaboration extends far beyond the relationship between the U.S. university and the Institute, the report said. Many of the collaborations, according to its findings, involve advanced U.S. research and development and will boost the leapfrogging of the Chinese regime's military capabilities.

When the CCP selects a U.S. university to host a Confucius Institute, they are not indiscriminate. Instead, it focuses on the top research universities rather than the 4,000 non-research-focused ones across the country. In 2018, 71 of the 113 Confucius Institutes, or 63 percent were at America's top research universities, the report found.

Most Chinese sister universities are chosen by the CCP to support Confucius Institutes also are China's top research universities that are involved in the Party's various military-civil fusion projects, the report said.

And it observed that American universities often have separate, mandatory contractual agreements with their Chinese sister universities, which are assigned by the CCP according to its purpose. "Over time, U.S. universities frequently establish separate collaborative agreements with additional Chinese universities, including ones supporting China's defense establishment."

**Recommendations**

Therefore, the closing of the institute does not tell the whole story. Craig Singleton, the author of the report, advised policymakers not to only focus on shutting down the institutes, but also to scrutinize other agreements that U.S. universities maintain with Chinese universities.

> The report found at least 28 U.S. universities that hold sister relationships with Chinese universities, including 10 that 'maintain active sister-school relationships with Chinese universities conducting classified research in support of China's defense establishment.'

Since U.S. universities are not required by federal law to disclose details about their cooperation with foreign universities, the report recommended that Congress pass legislation mandating U.S. universities to disclose any academic partnership agreements with any Chinese university.

The report also urged for greater enforcement of a 1986 law that requires U.S. higher education institutions to submit biannual reports on foreign gifts and contracts valued at $250,000 or more.

An October 2020 report by the Department of Education concluded that American universities had "massively underreported while also anonymizing much of the money it did disclose, all to hide foreign sources (and, correspondingly, their influence on campus) from the Department and the public."

Based on investigations it opened at a dozen higher educations, including Harvard, Yale, and Stanford universities, the department found American top universities had "aggressively pursued and accepted foreign money."

Since being scrutinized, the 12 universities disclosed a combined $6.5 billion of foreign funding they had not reported before, the department's report said. And when it listed the largest sources of their foreign donations, China was in first place, followed by Russia.

According to another report from the U.S Senate Permanent Subcommittee on Investigations released in 2019, China had provided over $158 million of funding to place and operate Confucius Institutes on U.S. campuses.

"Despite Beijing's heavy spending, institutions' reporting was lax," the Senate report said. Nearly 70 percent of "schools required to file reports with the Department of Education failed to report Hanban gifts, contracts, or contributions in excess of $250,000." Hanban was the former name of the CCP agency in charge of the Confucius Institute program.

After examining the announced reasons for closing Confucius Institutes between 2018 and 2021, the FDD report found that only four closures were attributed to national security concerns, whereas four times as many closures were prompted by federal legislation that blocked the Department of Defense from funding universities that housed Confucius Institutes.

The report also found that after shutting the Institutes, some U.S. universities incorporated part of its program into their existing programs. These programs typically feature Chinese language training but often retain CCP-dictated curricula about Chinese history and culture. Some other universities established new institutes devoted to China or related international issues with their former Chinese sister universities.

The FDD thus recommended that departments of State and Education set up more Taiwan Centers for Mandarin Learning on American campuses. The Taiwan Center project, initiated in September and funded by the Taiwan government, offers an alternative environment for learning the Chinese language that also aims to raise awareness of the island's democracy and respect for human rights, according to the Taiwanese agency overseeing the program.

In October, Harvard University relocated its Chinese language program from Beijing to Taipei. So far, 15 Taiwan Centers have been approved by the U.S. government. According to Taiwan's plan, dozens more Taiwan Centers will be established across U.S. campuses within three to five years.

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ANALYSIS

# China to Use Beijing Olympics to Promote Digital Yuan in Challenge to Dollar Hegemony

**FRANK DONG**

STR/AFP VIA GETTY IMAGES


A sign for Chinas new digital currency, electronic Chinese yuan (e-CNY) is displayed at a shopping mall in Shanghai on March 8, 2021.

The Chinese regime is planning to promote its newly-developed digital yuan at the upcoming Beijing Winter Olympics. Experts have warned the digital currency could threaten the hegemony of the U.S. dollar in the future.

The Winter Olympics is several weeks away. The Chinese regime's official news agency Xinhua said earlier this month the digital yuan is ready to serve during the games: People can use it "either through wallet apps installed on their mobile phones or via physical wallets in the forms of cards and wearables such as smartwatches and ski gloves or badges."

But U.S. politicians have warned American athletes to keep away.

Congressman Lance Gooden (R-Texas), joined by Reps. Markwayne Mullin (R-Okla.), Lisa McClain (R-Mich.), and Jake Ellzey (R-Texas) sent a letter on Dec. 16 to the U.S. Olympic & Paralympic Committee, urging them to forbid American athletes from acquiring or using the new form of currency during the games. It "may be used to surveil Chinese citizens and those visiting China on an unprecedented scale, with the hopes that they will maintain digital yuan wallets on their smartphones and continue to use it upon return." the letter read.

Digital yuan, or e-CNY, is a central bank digital currency (CBDC) issued and regulated by a country's monetary authority.

Unlike cryptocurrency, another type of digital currency exemplified by bitcoin which is decentralized and able to evade supervision, CBDC is highly centralized and closely monitored by governments.

China's CBDC is overseen by the People's Bank of China (PBOC), its central bank. In contrast to U.S. financial institutions touting privacy protection, all China's counterparts must "cooperate" with the party to submit clients' personal information unconditionally if the authorities deem necessary.

A 2020 report by the Atlantic Council think tank said that, due to digital currency's electronic footprints and PBOC's monitoring of digital wallets activities, the Chinese regime can trace every movement of digital yuan as well as the identity of all transacting parties.

Having started commercial developments in 2017, China is now the front-runner in advancing CBDC. Though the official launch date of the new yuan has not been announced, Beijing strongly desired to promote it at the February 2022 Winter Olympics as the prelude to its rollout.

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Chinese Communist Party (CCP) officials have repeatedly stressed that the digital yuan will be primarily utilized in domestic retail payments, but some experts believe the regime has a plan to internationalize its new fiat money in hope that it can chip away dollar hegemony.

Abishur Prakash, a Canadian expert on geopolitics and technology, told VOA that since the rise of the five emerging economies, Brazil, Russia, India, China, and South Africa (BRICS) in 2009, there has been speculation that yuan would replace the dollar. But it did not happen. Now with digital yuan on the horizon, the current global monetary system dominated by the U.S. could be reshaped in the future, he said.

For its great convenience in use and real-time dealing with transactions and exchanges, CBDC has become an important topic in recent years. Dozens of countries including the United States are exploring the feasibility of introducing their own CBDCs. And China is leading the pack.

Some experts say that China may take advantage of the Belt and Road initiative to expand its digital currency electronic payment system. With the digital yuan as a common currency, the trade costs among the nearly 70 participating countries and organizations would be lowered significantly, an arrangement that may prove too lucrative to resist.

Since World War II, the U.S. dollar has been the world's largest reserve currency. As of 2020, 60 percent of foreign exchange reserves are denominated in dollars, while only 2.25 percent in yuan.

It seems that the Chinese regime has a long way to go to challenge the dollar, but the communist regime appears to be steadily marching toward its goal with little fanfare.

> Then-President Donald Trump signed an executive order on Jan. 5 to ban U.S. companies from transacting with WeChat Pay, Alipay, and 6 other China-developed apps, but the effort was reversed by the Biden administration.

According to an October report by Financial Times, China was pressuring McDonald's to use digital yuan wallets before the Olympics. About 270 McDonald's restaurants in Shanghai had installed a system enabling consumers to pay with the e-currency, Beijing was urging the fast-food chain to expand its coverage throughout China.

Visa, the top sponsor of the Olympics, and Nike, the sponsor of the U.S. team, faced a similar situation, the report added.

The governor of China's central bank Yi Gang recently reiterated that digital yuan is currently meant for domestic application, "while cross-border e-CNY transactions will require further discussion." But Global Times, one of the CCP's most influential mouthpieces, reported last month that southern China's Hainan Province will promote testing and use of digital yuan in cross-border trade and financial services as part of its development plan for the Hainan Free Trade Port.

This marks the regime's latest effort to globalize its digital currency. In January, the global cross-border payment system SWIFT set up a joint venture with PBOC's digital currency research institute and clearing center, China's Cross-border Interbank Payment System (CIPS), and the Payment & Clearing Association of China.

The business scope of the Beijing-based venture includes information system integration and data processing. According to some analysts, it was a clear sign that China was aggressively pushing the internationalization of the digital yuan and trying to establish an alternative system to erode the dominance of the dollar.

Although SWIFT headquarters is in Belgium, it operates in the U.S. dollar global settlement system. Washington often uses the system as a tool to impose economic sanctions on states, including China and its allies.

The joint venture caught many experts by surprise. Prakash told VOA that it came amid the growing U.S.-China tensions when there was speculation that the United States might kick China or Hong Kong out of the SWIFT. China's counter-attack "is aiming at the dollar, obviously, " he said.

Analysts said that Beijing lured SWIFT with its huge market to help it increase the use of China's CIPS system. By this means, China not only could get rid of the dollar system itself but also would help its allies such as Iran reduce their risk exposures to the U.S. system and thus gain its geopolitical clout.

After working with SWIFT, the regime's next move would be to seek cooperation to connect digital yuan with the retail sector. One of the likely strategies, some observers said, could be making use of the WeChat Pay and Alipay cross-border payment platforms that landed on the U.S. market years ago. The new endeavor needs partnerships with American companies, many of which would likely not say "no" in face of tremendous profits.

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Some critics said Washington should pay attention to the implications of China's ambitious digital currency. "The government, Congress, and think tank communities need to investigate this topic and its broad impact today, not years after it emerges in a bigger problem," Eric Sayers of the American Enterprise Institute told Financial Times.

The Group of Seven advanced economies tried to set up guidelines for CBDC at a meeting in the United Kingdom in October. Any digital currency issued by a central bank, the G7 finance leaders said in a statement, must meet rigorous standards of privacy, transparency, and accountability for protection of user data, "It should be grounded in long-standing public commitments to transparency, rule of law and sound economic governance," they added.

*Epoch Times reporter Ao Tang contributed to this report.*

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

AP PHOTO/NG HAN GUAN


Visitors to Chongli, one of the venues for the Beijing 2022 Winter Olympics, pass by the Olympics logo in Chongli in Hebei Province, China, on Aug. 13, 2020.