

# THE EPOCH TIMES

# CHINA INSIDER



SUPERCHARGING THE CCP

**TECH TRANSFER** 

# US Companies Are Supercharging the Chinese Communist Party

### **ANDREW THORNEBROOKE**

n the skies, a Chinese fighter pilot swipes his hand across a touch screen, and the automated target-recognition software detects his target in seconds. In Xinjiang, China, giant servers that power an immense array of repressive surveillance technologies come to life. In Shanghai, smart city technology connects residents as never before, even as authorities tighten their control over every action of the city's residents.

All these technologies and more were made possible through the continued involvement of U.S. companies with subsidiaries of the Chinese Communist Party

Technologies developed by U.S. companies are supercharging the Chinese regime U.S.-based branches or servers. and its military development even as the CCP directs and facilitates the systematic investment in and acquisition of U.S. companies and their assets to generate a largescale technology transfer.

### An Old Threat, New Again

Michael Sekora knows something about the process. He headed Project Socrates, a Reagan-era Defense Intelligence Agency program designed to lead the United States to victory during the Cold War.

The purpose of that project was twofold: to comprehend why the United States was declining in competitiveness with the Soviet Union and to use that knowledge to rebuild the nation's competitive advantage. Sekora now believes that the lessons

learned from Project Socrates hold the key to understanding—and reversing—the trend of a declining United States.

"China understands that exploiting technology more effectively than the competiadvantage," he said.

The problem, he said, is that instead of commercial computer networks." meaningfully maneuvering and exploiting planning," and has allowed the Chinese regime to co-opt and exploit technology to its advantage at every turn.

While China is on the move, the United States is merely loosening the reins on businesses and throwing money at the problem under the assumption that increased funding for research and development will somehow translate into the creation and deployment of the precise technologies that the nation needs when it needs them. According to Sekora, this is a sorely mis-

"The only way to effectively counter a technology strategy is with a more effective technology strategy," he said. "Executing anything else is just pissing into the wind."

Sekora isn't alone. His sentiments follow warnings from top U.S. military officials that Chinese military technology will advance beyond that of the United States if serious changes aren't made to the development and acquisition process.

"The pace [China is] moving and the trajectory that they're on will surpass Russia and the United States if we don't do something to change it," John Hyten, then-vice chair of the Joint Chiefs of Staff, said in October. "It will happen."

Despite such warnings, the overarching U.S. strategy for competition with China has remained relatively unchanged. Though more than 400 Chinese entities have been put on a U.S. trade blacklist, the CCP's strategy of quickly reforming, renaming, and replacing these entities is muddling the effectiveness of such measures and increasing the complexity of the ties that bind the Chinese military with the U.S. business community.

As a result, theft and quasi-legal acquisitions of key U.S. technologies by the Chinese regime continue to rise.

To understand why, it's necessary to unpack how Chinese laws facilitate technology transfer, how they were explicitly designed to do so, and how U.S. corporations are continuing to feed the dragon.

### **Chinese Laws Promote Acquisition of US Technologies**

Stemming the flow of U.S. technologies into the hands of the Chinese military is not a straightforward task. Many Chinese laws

facilitate technology transfers from companies doing business in China, whether that company is a willing party to the transfer

The CCP enforces strict requirements on joint ventures and foreign businesses with locations on the mainland. Many of the requirements demanded of businesses by the regime's national security, intelligence, cybersecurity, and data export laws are designed to facilitate technology transfers or to encourage them as a secondary effect.

The regime's 2021 data protection law requires that CCP officials vet certain data collected within China before it's sent abroad. A U.S. company doing business in China that handles types of personal information must therefore obtain approval from authorities before transferring it to its

"The CCP controls 100 percent of the oversight of both Chinese companies and American companies doing business in China and Hong Kong," said T. Casey Fleming, chief executive of BlackOps Partners, a strategic risk advisory and intelligence

"Every non-Chinese visitor is tracked and surveilled, both physically and digitally. This is reinforced by CCP laws from 2017 and 2018, which require all American intellectual property and data to be shared with the CCP."

Among those key laws in play is Beijing's 2015 national security law.

Under the law, core information technology, critical infrastructure, and important systems and data must be "secure and controllable." The U.S.-China Economic and Security Review Commission released a report at the time, noting that the rule "would require any company operating in China to turn over to the government tion is the foundation of all competitive its computer code and encryption keys, as well as to provide a backdoor entry into

Likewise, the regime's 2016 cybersecurity critical technologies, the United States has law requires network operators to provide fallen back on what Sekora calls "finance technical support to public and national to acquire technology." security organizations. Its 2017 national intelligence law requires that all organizations "support, assist, and cooperate with national intelligence efforts."

> Such laws aren't limited to data transfer and intellectual property (IP) access, however. Some laws require that companies actively promote the CCP, its values, and its worldview by requiring that CCP officials work within companies operating in mainland China.

> China's 1994 company law, updated in 2018, requires all Chinese companies and companies with foreign investments to provide for the creation of Party organizations within their companies.

> To be sure, the activities of CCP officers within U.S. companies operating in China may fall short of the active political role required of those officers working in Chinese state-backed organizations, whose mission is mandated by the CCP constitution. Nevertheless, political pressure exists and is exerted on foreign companies to give decision-making powers to Party

According to the U.S-China Business Council, a nonprofit dedicated to increasing trade between the United States and China, CCP operatives working within private companies are present to ensure that the company follows CCP laws. However, it warns that companies need to be "alert to pressures to form party organizations in their China subsidiaries."

For much of the past three decades, such was seen merely as the cost of doing business in China. But security experts now say that the presence of these CCP officers presents a direct security threat not only to the companies employing them, but to those companies' home nations as well.

This is because CCP officers work to ensure party access to key data, in accordance with China's aforementioned data laws.

"The CCP maintains a presence in all American-invested companies to ensure that technology transfer occurs," Fleming said. "Key CCP personnel are inserted in reporting structures in companies with key U.S. technology, IP, and data."

The theft or forced acquisition of technology by CCP officers placed into companies that are doing business in China is part of

the regime's broader effort to co-opt global research for its own power, according to Sam Kessler, a geopolitical adviser at the multinational risk management company North Star Support Group.

"CCP officers have sworn oaths to serve on the behalf of the Chinese regime, which means they are legally obligated, if asked, to either steal an American organization's IP or to impact their operations in some shape or form that serves their advantage," he said. "It's a form of asymmetric or irregular warfare that has been occurring in the private, public, academic, and research sectors for several years now."

The negative influence of CCP operatives isn't limited to theft by Party members, according to Kessler. CCP members will also develop other sources inside the company as part of the CCP's larger effort to hire foreign scientists and other experts through the "Thousand Talents" Program.

Forced Technology Transfer by Design This cluster of laws and practices serves to politicize U.S. and U.S.-invested companies in China and funnel their precious intellectual property and most prized technologies to CCP authorities.

This isn't accidental, nor is it a secret among U.S. political and business elites. In fact, the unclassified version of the 1999 Report of the Select Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China, commonly referred to as the Cox Report, found that China's political-legal apparatus was explicitly designed for this

"The PRC's [People's Republic of China] approach to U.S. technology firms proceeds from the premise that foreign firms should be allowed access to the PRC market only because such access will enable the PRC to assimilate technology, and eventually compete with or even overtake U.S. technology," the report reads. "The PRC thus views foreign firms as a short-term means improve China's military capabilities.

ity or unwillingness to engage in stronger The CCP's numerous laws controlling the technology transfer laws has compounded

The "United States and international export control policies and practices have facilitated the PRC's efforts to obtain militarily useful technology" and further "reduced the ability to control transfers of militarily useful technology," the report reads.

That state of affairs remains relatively unchanged even now, some critics argue. In October 2021, the National Counterintelligence and Security Center (NCSC) launched a campaign to warn and instruct U.S. organizations engaged in emerging technologies about the dangers of foreign counterintelligence operations.

"There are multiple examples in which technology, data, talent, and intellectual capital from these emerging U.S. technology sectors have been acquired by the PRC government and put to use in fulfilling the PRC's national and geopolitical goals," an NCSC communications executive said at

# **Accelerating Theft**

The pace at which CCP organs work to bring in U.S. talent and technology has accelerated immensely under CCP leader Xi Jinping, who came to power in 2012.

Xi signaled in 2012 that the CCP would need to "comprehensively cover" the private sector. In 2015, he initiated his massive economic and military reforms. In 2017, he created the Central Commission for Integrated Military and Civilian Development, effectively cementing the strategy now referred to as "Military-Civil Fusion" (MCF), which began in 2015.

Under the MCF strategy, the whole of Chinese society is mobilized to participate in the "great rejuvenation" of the Chinese nation by modernizing the CCP's military wing, the People's Liberation Army (PLA). Coinciding with the implementation of MCF, an increasing amount of IP theft reported by U.S. companies has originated

According to the 2013 Report of the Commission on the Theft of American Intellectual Property, most studies found that China accounted for roughly 70 percent



An Al cancer detection microscope by Google is seen during the World Artificial Intelligence Conference 2018 (WAIC 2018) in Shanghai on Sept. 18, 2018.

of IP theft. However, the report noted that "there is no reliable rule of thumb" for such

A statement by the Department of Justice updated in November 2021 reported that 80 percent of all economic espionage prosecutions it has brought forward since 2018 involved conduct that directly benefited the CCP. It further reported that 60 percent of all trade secret theft cases involved some connection to China.

Despite this, U.S. companies continue to do business in China, employing CCP officers alongside U.S. personnel and contracting with Chinese organizations linked directly to the PLA—with the apparent knowledge that CCP law necessitates that their technology will be leveraged to

# **US Companies Continue to Aid the PLA** placement of communist officers in and

dictating data sharing by U.S. companies have only marginally curbed U.S. corporate involvement in China, and tighter U.S. trade and export restrictions appear to be

According to a survey of 338 U.S. companies in China conducted by the American Chamber of Commerce in Shanghai, about 72 percent of U.S. companies present in China have no plans to move any of their operations. Thus, while some manufacturers from Taiwan, Japan, and Vietnam are leaving the country, a key problem remains, according to the Financial Times.

Those companies continuing to do business with CCP- and PLA-affiliated entities in China include some of the largest, most powerful technology companies on the planet. Chief among them is Apple, which has worked tirelessly to solidify its support of the CCP within China in an effort to secure its own supply chains, which reportedly employed Chinese child labor

Apple Chief Executive Tim Cook reportedly went so far as to secretly sign an agreement with the CCP worth \$275 billion to ensure access to supply chains and other services in mainland China. The agreement included joint ventures to handle data and security law compliance in China, though it's unclear what percentage of ownership Apple or Cook maintain in the

Fast-forward to 2021, and an investigation into Apple's China-based practices by The New York Times found that "Apple has largely ceded control to the Chinese government" in the mainland.

U.S. tech conglomerate Cisco also formed a \$100 million joint venture with information technology (IT) company Inspur to develop IT infrastructure, data centers, and networking equipment in 2016, despite 2015 reports that found that Inspur was known to service clients that provided China's military with missile research. Inspur was blacklisted by the United

States in 2020. In 2015, U.S. computer company Dell entered into a strategic partnership with

Tsinghua Tongfang, a Chinese state-owned software company, to develop advanced cloud computing, big data, and even build smart cities in China. Tsinghua Tongfang is a subsidiary of Tsinghua Holdings, a company that sells communications equipment to the PLA.

The agreement was part of a strategic shift in focus to China, which Dell leadership referred to as "in China, for China," and it was accompanied by the establishment of an artificial intelligence (AI) laboratory at the Chinese Academy of Sciences, the regime's top state-run research center.

In 2021, U.S.-based Goldman Sachs and Sequoia Capital invested a substantial portion of the more than \$700 million in Series D funding raised by 4Paradigm, a Chinese It was later revealed in a report by George-Chinese regime in 2017. own University's Center for Security and an open contract to develop AI decisionmaking software for the PLA.

Likewise, researchers from Intel carried out research with 4Paradigm, developing and presenting a conference paper on their findings on managing databases with massive datasets. 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 described the collaboration as "academic," and didn't comment on whether it knew of 4Paradigm's AI contract with the Chinese military.

In 2014, Intel agreed to invest \$1.5 billion in a holding company owned by Chinese semiconductor manufacturer Tsinghua Unigroup, a company that was later blocked from purchasing U.S. companies because of its connections to the PLA.

In 2015, the United States barred Intel from selling certain microprocessors to help update a Chinese supercomputer, saying it was concerned that nuclear weapons research was being done on the machine.

In 2016, yet another subsidiary of Tsinghua Unigroup's parent company, Unisplendour, entered a joint venture with U.S.-based Hewlett Packard (HPE) to create the company H3C. H3C was blacklisted by the Biden admin-

istration in November 2021 for its "support of the military modernization of the People's Liberation Army." HPE contested the claim, saying that it had "no indication" that its products were being sold to

IBM, like so many others, maintained Inspur as a partner in its OpenPOWER program, a nonprofit membership group dedicated to promoting the proliferation and sharing of expertise between users of IBM's Power Architecture, thereby granting access to some of IBM's most advanced server technologies and associated expertise.

IBM also invested in a strategic partnership with the state-owned China Electronics Technology Group Corporation (CETC), one of 10 designated defense industry conglomerate-bureaucracies, to create a

venture for the Shanghai municipal government. In September 2021, IBM's former partner, Beijing Teamsun, accused IBM of stealing customers' data and ignoring confidentiality agreements to supply Inspur with talent

STR/AFP VIA GETTY IMAGES

In May 2015, the U.S. Navy was forced to seek new servers for some of its Aegis Combat System, used to track and defend against enemy missiles and aircraft, when it was discovered that IBM had sold the same technology to the China-based Lenovo, effectively ensuring the PLA would have access to the technology in China.

Microsoft also partnered with CETC to develop servers for government institutions and critical infrastructure in China, ultimately finishing a customized and "setech company focusing on AI development. cure" version of its Windows 10 OS for the

Microsoft and CETC formed a joint ven-Emerging Technology that 4Paradigm had ture, C&M Information Technologies, to license the operating system to government agencies and some state-owned enterprises in China. CETC owns 51 percent of the venture, while Microsoft retains the remaining 49 percent, meaning that the venture is wholly under the control of the CCP's aforementioned security and com-

Prior to the Trump administration's blacklisting of Huawei, Google provided hardware, software, and technical services to the company. A lead scientist from Google also conducted research with Chinese partners that the U.S. military alleged was used to improve targeting systems in Chinese fighter jets.

"The work that Google is doing in China is indirectly benefiting the Chinese military," Gen. Joseph Dunford, then-chairman of the Joint Chiefs of Staff, said during a hear-

"We watch with great concern when industry partners work in China knowing that there is that indirect benefit. Frankly, 'indirect' may be not a full characterization of the way it really is. It is more of a direct benefit to the Chinese military."

Likewise, in 2019, it was discovered that a lead scientist from Google had contributed to research that could be used to improve the accuracy of China's stealth fighters, though Google said that wasn't the purpose of its contributions.

U.S. semiconductor giant Qualcomm also signed a strategic cooperation agreement with the Guizhou provincial government in southwest China and unveiled a joint venture there worth \$280 million, which included a pledge from Qualcomm to establish an investment firm to secure future investments in China.

The venture, Guizhou Huaxintong Semiconductor Technology Co., is 55 percent owned by the Guizhou provincial government and 45 percent owned by a subsidiary

Despite the vanishingly thin divide between civilian and military or academic and government affairs in China, U.S. companies continue to work with the CCP and its subsidiaries in a manner that allows the regime to clone U.S.-made technologies



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

for the purposes of augmenting its own

China's military is stocked with cloned weapons created from reverse-engineered U.S. and Russian technologies. Scores of rocket launchers, rifles, tanks, Humvees, howitzers, fighter jets, and drones in Chinese possession originated as U.S. or Russian technologies.

# What Is to Be Done?

Security experts have long called for a ban on tech transfers concerning critical and emerging technologies. Still, their advice is seldom heeded and even then, only marginally so.

Most recently, the National Defense Authorization Act (NDAA), which sets the organizations worldwide. When one was budget and expenditures for the Pentagon, compromised by the United States and had contained a provision that would have its allies, two more would spring up in banned the U.S. military from funding research in mainland China.

That provision was cut from the final version of the legislation. Instead, a watereddown version that barred investment in just one organization, EcoHealth Alliance, a New York-based health nonprofit that has drawn scrutiny over its links to the Wuhan Institute of Virology, was included in the version signed into law.

The bulk of the limited U.S. defense against tech transfers is left in the hands of the "entity list", a trade blacklist that bars U.S. companies from doing business with sanctioned entities, which is easily evaded by Chinese shell corporations who, by a mere change of their name, can immediately resume business as usual.

There are also export control laws in place to prevent technologies associated with national security from being directly sold to China and its military. However, emergent technologies such as AI and machine learning don't have a blanket ban on their exportation, as they have legitimate uses in the civilian sector as well as the military

"Chipmakers like Micron and Intel found ways to continue doing business with Huawei after the Trump administration placed it on the blacklist in 2019," Kessler said. "These companies may have headquarters in the U.S., but they were able to utilize their subsidiaries and operations abroad to classify their technology as 'foreign.'

"The theft of American IP has been very costly over the years and has impaired the ability of the U.S. to retain its future edge. the level of seriousness of the current and future outcomes from this situation."

Similarly, Fleming said new laws would need to be created to address a CCP strategy that's designed to exploit current U.S. export controls.

"Our traditional levers of economic power, things like export controls, tariffs, and sanctions, are only marginally effective against a totalitarian regime using every means possible to weaken the United States and its allies," he said. "New laws have to be established to confront our adversary's strategy of unrestricted hybrid warfare." The traditional means of U.S. economic

statecraft directly addressed specific entities: private corporations, military units, or government agencies, according to Fleming. He said this led to the CCP's development of a strategy to exploit the United States and glean its technology.

"The United States' current approach leaves holes in its strategy that allows the CCP to acquire or steal the IP," he said. "The CCP just creates new shell companies or moves through non-blacklisted companies or companies in other approved nations."

For Sekora, the situation brings back strong memories of the Cold War.

He recalled how the Soviet Union developed and continuously evolved a vast array of hundreds if not thousands of front

The CCP has one great advantage compared to the Soviets, according to Sekora: Few people with any real power considered China to be an adversary until very

As such, the Chinese communists didn't have to carry the burden of constant confrontation and competition that their Soviet forebearers did during the execution of their national technology strategy, he said.

The United States is bound to lose that competition unless it drastically alters its current approach to technology strategy and stops its finance-based planning strategy once and for all, according to

"China's technology strategy, like all effective technology strategies, relies upon positioning and adroit maneuvering in the exploitation of technology to generate and maintain the required competitive advantage in the marketplace, on the battlefield, and throughout the political

world," he said. Thus, even if the United States thwarted the CCP's ambitions to acquire or steal U.S. military technologies in the short term, the current U.S. spending-based strategy would prove incapable of preventing the CCP from seizing the technological, economic, and political advantage in the long term, according to Sekora.

Without a whole-of-government shift toward maneuvering and exploiting critical technologies, rather than just funding research, Sekora believes that it will only be a matter of time until the CCP effectively At some point, the policies need to meet displaces the United States as the world's

premier superpower. "The only way to curb the flow of American IP and R&D [research and development] to Chinese companies and military units is to fully counter China's national and organizational technology strategies," Sekora said. "Anything else is a guaranteed exercise in futility."

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 **PROPAGANDA** 

# Chinese State Media Uses Times Square Screen to Play Xinjiang Propaganda

**EVA FU** 

NEW YORK—Chinese state media Xinhua is running digital billboards in one of the world's most coveted ad spaces to promote goods from Xinjiang amid rising global outcry over the regime's campaign of repression in the region.

In New York City's Times Square just before Christmas, a giant screen measuring about 64 feet high and 40 feet wide repeatedly played a video by Xinhua, depicting Shihezi, one of the largest cities in Xinjiang, as a thriving "green" city.

The 30-second video touted Shihezi as an "epitome" of China's green development efforts, with "sweet fruits, intoxicating wines, a green city image, and a happy life of people," according to a description from a Jan. 4 press release from Xinhua Screen Media Co.

"China's Shihezi city delights Times Square with fruits of green development," Xinhua stated in the press release.

Such portrayal stands in stark contrast with the regime's human rights abuses in the region, which includes the detainment of an estimated 1 million Uyghurs in forced labor, and political indoctrination.

Those concerns have led the United States and allies to stage a diplomatic boycott against Beijing's 2022 Winter Olympics. The U.S. government, several Western parliaments, and an independent people's tribunal have classified Beijing's campaign as a genocide.

Presenting Shihezi as a "green city" against this backdrop feels ironic, according to Ilshat H. Kokbore, vice chair of the executive committee of advocacy group World Uyghur Congress. Kokbore worked as a college teacher in Shihezi for 15 years But the news agency and other Chinese

genocide accusation," he told The Epoch four weeks, any diplomatic recognition a "success" that Beijing could use to boost its legitimacy, he said.

Behind the "green" facade, Shihezi is a military-style city run by Xinjiang Production and Construction Corps (XPCC), according to Chinese state media. XPCC is a regional paramilitary group the United States has sanctioned over serious human rights violations.

"The city is not friendly to anyone, not even friendly to the Han Chinese who live there," Kokboore said, referring to the majority ethnic group in China.

Shihezi is a major city for exporting cotton and tomato products, according to Eva Fu is a New York-based writer for Chinese media reports.

When Kokbore was a teacher there, every year during the cotton harvest season, which typically started around mid-September, he would lead around 50 to 70 Uyghur students to pick cotton. The labor Danella Pérez Schmieloz contributed to was unpaid. To accomplish the quota, they

sometimes had to stay in the cotton fields from 6 a.m. to 10 p.m.

"It was called labor education for the students," he said.

Washington banned all imports of cotton and tomatoes from the region last January over forced labor concerns. In December, President Joe Biden signed into law a bill that banned all imports from Xinjiang.

These sanctions have hit Xinjiang hard, Kokbore said, which he believes is a principal reason behind Beijing's ad campaign. With exports to the United States curbed, his connections from Shihezi told him, the city's government is in a tight spot financially and even has some trouble fully paying civil servants' salaries.

This propaganda campaign is unlikely to bear fruit, given what the world knows about the Chinese regime's abuses against its citizens in Xinjiang and elsewhere, he said. Kokbore pointed to the recent example of Xi'an city's harsh lockdown in a bid to keep down COVID-19 numbers, which has left locals struggling to obtain food and basic medical care.

"How can anyone trust this government?" he said. "Their own citizens cannot enjoy camps, where they are subjected to torture, any freedom ...[and] cannot, when they need, even visit the doctor."

> Xinhua made its debut at Times Square in 2011 in an effort to expand its global outreach, using the screen to play videos that portray the regime in a favorable light.

> Early last year, amid rising scrutiny over China's alleged coverup of the pandemic origin, an ad from Xinhua claimed that China was leading the world in fighting the pandemic and called for unity. Around the time, Beijing had refused to hand over raw patient data for the World Health Organization's virus origin probe.

The regime is trying to "whitewash the" in the West. The agency registered as a foreign agent last year under order from the nese state news outlets the United States or praise from the West would equate to has designated as foreign mission, alongside China Daily and English-language broadcaster CGTN.

> Americans need to "say no" to the Chinese regime, said Kokbore.

Given that Beijing heavily restricts the activities of American and other foriegn media outlets in China, Kokbore questioned why Washington should grant so much freedom to the regime's outlets in the United States.

"Why should we let the Chinese media freely propagate communist ideology? It shouldn't happen."

The Epoch Times focusing on U.S.-China relations, religious freedom, and human rights. Contact Eva at eva.fu@epochtimes.



An electronic billboard leased by Xinhua (2nd from top), the news agency operated by the Chinese government, makes its debut in New York's Times Square, on Aug. 1, 2011. The LED sign is 60 feet (18.3 meters) by 40 feet (12.2 meters) and is located on the building at 2 Times Square.

Why should we let the Chinese media freely propagate communist ideology? It shouldn't happen.

Ilshat H. Kokbore, vice chair, executive committee of World Uyghur Congress



A farmer transports cotton sacks at a cotton factory in Shihezi of Xinjiang, China, on Sept. 23,



Students for a Free Tibet protest below a new electronic billboard leased by Xinhua (2nd from top), the news agency operated by the Chinese regime, as it makes its debut in New York's Times

**ECONOMY** 

# CCP Mismanagement, Authoritarianism Pushing China Down Road to Economic Ruin: Experts



Vendors selling tomatoes wait for customers at a market in Shenyang in China's northeastern Liaoning province on Dec. 9, 2021.

# **MICHAEL WASHBURN**

Fiscal mismanagement, exacerbated by the growing authoritarian tendencies of the Chinese Communist Party (CCP), is quickly undoing economic and social progress and setting the stage for soaring poverty and social unrest throughout China, said experts at a Hudson Institute virtual event

The virtual event, "Is China Headed for an Economic Crisis?", featured Thomas Duesterberg, a senior fellow at Hudson Institute, a Washington-based think tank, and Leland Miller, CEO of China Beige Book International.

Looking at China today, Duesterberg outlined a number of festering ills that the CCP in recent years has proven singularly ill-equipped to address.

One of the biggest looming problems has to do with the country's demographics. China has what Duesterberg called a severely aging population, in which the number of working-age men and women is expected to decline sharply as a total percentage of the citizenry in coming years. By 2050, Duesterberg predicted, half a billion Chinese will be over the age of 60 and many will require extensive support through an already strained social welfare system. Not only is that system underdeveloped when compared to the social networks and safety nets found in western countries, but it is also underfunded.

Compounding this issue is a growing trend toward inequality, which takes myriad forms.

"There's an unequal distribution of income, both vertically and geographically. The IMF noted in a paper a few years ago that from being one of the most equitable economies in 1990, China now has inequality higher than most, with inequality in urban regions rising sharply. This inequality extends also to the education system, to jobs, opportunities, and to opportunities for women," Duesterberg said.

Duesterberg cited the statistic that women currently comprise only about five percent of the total membership of the central committee of the CCP, a 205-member highlevel decision-making body of the Party, and suffer from a marked wage gap.

Further complicating the long-term economic picture is the ongoing degradation of the natural environment of China, as air, water, and soil become increasingly polluted amid Beijing's heavy-handed efforts to control China's river systems. Additionally, for all its natural resources, mismanagement at the top contributes to a general lack of self-sufficiency with regard to food, energy, and minerals, Duesterberg said.

# **Favoring State-Owned Enterprises**

All these problems would be daunting enough even in a country with highly capable and transparent leadership. The growing authoritarianism of the regime of Xi Jinping, Duesterberg said, and its ten- 2008, and comparable to the disaster that dency to favor state-owned firms rife with cronyism and incompetence and to sideline private-sector players, seriously exac-

erbates the many economic and social ills. "Estimates are that the state-owned private enterprises of China are only about 20 percent as productive in the industrial sectors as those in the advanced economies of the West," hesaid. "Xi Jinping also promoted the role of the CCP officials, in company management boards, often advancing politics rather than economic efficiency as the goals of management."

Further complicating the longterm economic picture is the ongoing degradation of the natural environment of China, as air, water. and soil become increasingly polluted amid Beijing's heavyhanded efforts to control China's river systems.

A crackdown on independent news sources is part and parcel of the regime's authoritarian approach and puts China at a further disadvantage when competing with other countries. Xi is averse not only to large and successful Chinese firms like Alibaba, but also to dynamic firms in the digital marketplace that had been poised for growth in such realms as video-gaming, ride-sharing, and healthcare, Duesterberg

Looking at all these trends in aggregate, there can be no doubt as to their stalling effect on China's economy, he said. According to Duesterberg's figures, China must devote 7 to 9 yuan for every single yuan it hopes to gain in overall gross domestic product (GDP). In the boom years of the 1990s, he said, the corresponding figure was 1 to 2 yuan for every single-yuan advance in GDP.

The diminished capital output ratio has, predictably, led to soaring levels of both public and private debt in China, Duesterberg noted. Part of Beijing's response has

begun to pursue increasingly reckless real estate schemes at home.

"In the 1990s Beijing began to allow sales of land, and local governments seized the opportunity to engineer a boom in land development, which enables them to meet some goals [but also] created a bubble much larger than in the U.S. and Europe faced Japanese bubbles in 1990s," Duester

"One half of China's economy in recent two decades has been attributed to the real estate sector, and 80 percent of personal wealth now is tied up in real estate. Half of revenues from local sale and development land taxes are underpinning of the solvency of local government finances,"

All this has set up China for a catastrophic bursting of the real estate bubble, he predicted, pointing to the Evergrande crisis in recent months.

# **Long-Term Decline**

Miller agreed to a large extent with Duesterberg's analysis, but said that he does not think China is poised for a "Lehman moment," a reference to the catastrophic collapse of Lehman Brothers in the U.S. that triggered the global financial crisis in 2008. Rather, Miller said he expects China's economic woes to play out in a more incremental fashion over time.

"I think the consequence of these challenges is that you're looking at a future of long-term stagnation," Miller said.

"One thing you keep seeing is that with

all this buildup of debt, so much of it nonperforming, and with more and more capital going to non-productive uses instead of productive uses, it slows the economy down dramatically over time," he added. Duesterberg and Miller both identified a role for foreign capital in bailing out Chinese industry and alleviating some of the most serious problems. The deployment of foreign wealth in the form of stocks, bonds, and venture capital could provide increasing political leverage to make Beijing abide by its World Trade Organization duties and curb its more egregious human rights abuses, Duesterberg suggested.

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 Grownups," and "Stranger, Stranger."

An actor dressed

as a Chinese

policeman stands guard

over a cage

actors playing

demonstration

London's Houses of Parliament on

July 20, 2009.

containing

the role of

Falun Gong practitioners

during a

outside of

SHAUN CURRY/AFP VIA GETTY IMAGES

Week 2, 2022 THE EPOCH TIMES

Huang Shigun (2nd R) in the 1990s.

### **RELIGIOUS FREEDOM**

# NJ Resident Loses Mother Who Suffered Torment in Chinese Brainwashing Center

**EVA FU** 

EW YORK—On Liu Danbi's 31st birthday in December 2021 the first without a birthday where she lived with her husband. wish from her mother—she didn't cry. Her tears had run band, written on a slip of paper. out long ago, she said.

Liu hadn't seen her mother face to face since they said goodbye at a Chinese airport seven years ago, when she boarded a flight for New York for her graduate studies at the University at Buffalo.

When they parted, Liu was seized by a sudden grief and dissolved into tears for seemingly no reason.

"I had a hunch it was the final farewell to my mother," she told The Epoch Times. Her mother, Huang Shiqun, died on April

23, 2021, after swallowing seven bottles of pills that were prescribed by a psychiatric hospital. Her body was discovered in a hidden stairwell of the apartment building

Huang left a final message for her hus-"You are the best husband in the world,"

she wrote. "I'm just not lucky enough." Before her death at age 57, Huang had struggled for two years with depression, which began sometime during her arrest and subsequent detention in her hometown of Wuhan, China, for trying to call attention to the Chinese regime's persecution of her beliefs.

Huang, formerly a kindergarten teacher, was an adherent of Falun Gong, a spiritual discipline with five meditative exercises She told me she felt like every cell in her body was being tortured.

Liu Danbi

and moral teachings centered on the principles of truthfulness, compassion, and for-

Official reports estimated that roughly 70 million people were practicing the discipline in China in 1999. But fearing its popularity, the regime started a violent campaign to persecute Falun Gong, leading to the arrest of millions of adherents over the past 22 years.

In Liu's memory, her mother was always talkative and optimistic. Huang struck up conversations with strangers on the street and made friends with fruit vendors in her neighborhood. She had a good voice and a talent for impersonating Teresa Teng, a Taiwanese pop icon in the 1980s who won fans from all over Asia with her heartrending romantic ballads.

"It was as if nothing was too difficult for her," Liu said. "Her mere presence would make me feel safe."

But those traits disappeared after she came back from Wuhan's Qiaokou District Legal Education Center in February 2018. The facility is known by Falun Gong adherents to be a brainwashing center for its efforts to make practitioners of the faith give up their beliefs through a combination of propaganda, coercion, and forced medication.

Liu never knew what happened to her mother during her one month of detention at the center. But when Huang came back, she was no longer herself. Her weight had plummeted by 66 pounds. She was restless at night and would pace back and forth. She suffered from vision and hearing loss. She couldn't read and would get lost even around her own neighborhood. During calls with Liu, Huang spoke of hair loss on her arms and muscle cramps.

More worrisome were the changes to her mental state. Once a lighthearted person, Huang became anxious and withdrawn. She had curtains drawn even in the daytime, saying that she was afraid of the light. Any visitors would distress her, and she no longer wanted to go outside.

The hospital told the family that Huang's cranial nerves had degenerated.

"She told me she felt like every cell in her body was being tortured," Liu said. "I felt that she was ready to jump off the building at any minute and give up her life."

Huang spoke often to Liu about her physical and psychological pains, but both of them were cautious about discussing the cause, as they knew their phone conversations were likely wiretapped. Liu suspected the guards put psychiatric drugs in her mother's food during Huang's detention.

She came to this conclusion after reading reports online about the detention center and about Falun Gong adherents who have exhibited similar symptoms after being drugged. Some adherents detained at the center have said that their meals had a taste of medicine to them, according to Minghui, a U.S.-based website that tracks the persecution of Falun Gong practitioners.

Xiao Yingxue, a former employee at the Oiaokou District Industrial and Commercial Bureau, was injected with three doses of unknown substances at the same center in 2011 and complained of severe headaches for several years afterward. Wang Yujie, 24, vomited white foam after being injected with unknown drugs on her shoulder at the provincial brainwashing center in Hubei Province, China. She lost her hearing and vision and died in September 2011, four months after her release, according to Minghui.

Liu was only able to learn about her mother's time in detention from messages written by Huang on pieces of paper and held up for her during a video call, which Liu would take a picture of to read later. Huang used this method of silent communication to avoid being detected by potential eaves-

In those notes, Huang wrote about unrelenting torment: how she was forced to sit in a "classroom" with two layers of metal doors

Official reports estimated that roughly 70 million people were practicing the discipline in China in 1999. But fearing its popularity, the regime started a violent campaign to persecute Falun Gong, leading to the arrest of millions of

adherents over the

past 22 years.

An undated photo

playing the piano

for 15 hours daily, where recordings and videos smearing Falun Gong were played on high volume; how inmates, with orders from the guards, forbade her from sleeping and shoved her if she slightly closed her eyes. The guards gave her little food. On the fifth day, Huang's body began to shake uncontrollably. She had stood firm when the guards asked her to sign documents renouncing her belief, but on that day, she vielded.

"She didn't know what it was, but felt she couldn't control herself," Liu said.

Huang was repeatedly made to write "homework" to smear and "express hatred" toward her beliefs until it would satisfy the guards.

Police hadn't left Huang alone even after her release. Less than a year later, they asked her to sign another document renouncing her faith. The measure was part of a nationwide "Zero Out" campaign aimed at eliminating the Falun Gong adherents in the local area.

Provincial Chinese Communist Party Party officials also pressured Huang's husband to divorce her.

Accepting the loss of Huang was difficult for Liu's father, who had also been living on high alert day and night trying to keep Huang safe. Liu's cousin told her that she had never seen him cry like that.

"He never prepared himself for that day,"

Even now, he can sleep only two or three hours, even with the help of sleeping pills, according to Liu.

Just recently, Liu's father called her on the

phone. He was drunk. "He told me he doesn't know how he can

continue living," she said. Eva Fu is a New York-based writer for The

Epoch Times focusing on U.S.-China relations, religious freedom, and human rights. Contact Eva at eva.fu@epochtimes.com

Sarah Lu contributed to this report.



# **OPINION**

# How Do We Deal With Non-Traditional Chinese Threats?

# **CHRISTOPHER BALDING**



The conviction of Harvard University professor Charles Lieber on fraud charges seems to have prompted more

America should respond to non-traditional Chinese threats.

While the Chinese regime presents an unparalleled breadth and depth of threats both traditional and non-traditional, America struggles to deal with them. How do we maintain our American system of openness and address an enemy that seeks to use that very openness against us?

The Lieber case is instructive in how China operates and poses legal risks to Americans. Despite the journalistic and academic dramatic rhetoric to the contrary, the charges against Lieber were not about espionage or information that he may or may not have passed to Beijing. He was charged with much simpler crimes of lying on official funding documents and hiding income and assets received from work rendered for China.

The specific points of the crimes seem well founded with even Lieber admitting he smuggled back large amounts of undeclared cash on his trips to China.

Questions have been raised about prosecutorial discretion and whether charges were really warranted. Given that the basic facts of lying on official documents and failing to report income have been applied to a variety of high-profile individuals—from ex-Trump campaign manager Paul Manafort to Huawei royalty Meng Wanzhou—there is a clear pattern of using these charges against powerful, connected individuals. Furthermore, given the millions of dollars of compensation that Lieber failed to report or disclose on Federal funding applications, the severity clearly represented a material legal breach.

Universities have raised concerns about whether the government is restricting academic research and information flows. These issues are a bit thornier but remain clear. The crimes are not about information flows between countries but failure to disclose potential conflict of interests in research and income derived from work done for third parties.

Think about this scenario in a slightly different manner. For example, imagine a company or an individual who does advanced research for Google and gives assurances that they are not doing research for any competitors or receiving compensation from competitors. Google then finds out that they are doing research for competitors and receiving funding from them. This would at least be the basis of a

good civil suit and criminal charges. The crimes are about disclosure and financing rather than working with other researchers. Academics and universities remain perfectly free to work with China-based professors and universities, but they must accurately disclose those activities when applying for federal funding and reporting income.

Given the focus on China, some have raised whether the China Initiative that ensnared Lieber is racist. While no claims have been raised that the charges against Lieber are racist given he is a white male, they have been raised about an upcoming case of Massachusetts Institute of Technology (MIT) professor Gang Chen. Even though the charges against Chen are nearly identical as

Lieber's with similar underlying facts, concerns have been raised about racial bias. All enforcement should be divorced from considerations of race and class.

The FBI field office in Boston that has brought headline-grabbing charges has a history of raising concerns about malign foreign state ties to research. In 2014, the FBI field office in Boston engaged in a campaign to raise awareness about Russian influence and access to sensitive technologies through venture capital firms. These were clearly not racially motivated but by concern over potentially malign influence and access to technology of adversarial states.

This fails to address the larger issues of how the United States should engage with an adversarial state that has adopted a civil-military fusion model to target American individuals and institutions everywhere. It also requires us to rethink and understand how we conceive of threats from an adversary—the Chinese Communist Party (CCP).

Think tanks and universities accept money from CCP-linked individuals with contractual obligations about discussing the donor and an unwritten understand-



People visit the Forbidden City during the Labor Day holidays, which take place from May 1 to May 5, in Beijing, on May 3, 2021.

U.S. universities are actively avoiding legal obligations to provide information on foreign donors and resisting transparency efforts.

ing about the direction of research content, mission alignment, and personnel. In addition to traditional security and intelligence services, China funds with billions of dollars a year a government department called the United Front which is tasked with influencing foreign individuals, institutions, and securing sensitive technology.

To compound this problem, U.S. universities are actively avoiding legal obligations to provide information on foreign donors and resisting transparency efforts. Chinese government agents engagement in harassment of Americans and Chinese nationals living in the United States—with even university student groups subject to monitoring. Chinese intelligence maintains databases of professors, think tanks, and technology executives—marking them as "important" for their purposes. China is exploiting American openness to further its non-traditional national security objectives.

Entering this new threat theater, legal obligations to the state can only take us so far when dealing with a cunning adversary that's willing to exploit our basest desires for money and sex. Though the Lieber case appears well founded factually, professors and universities need to reconsider their engagement with China

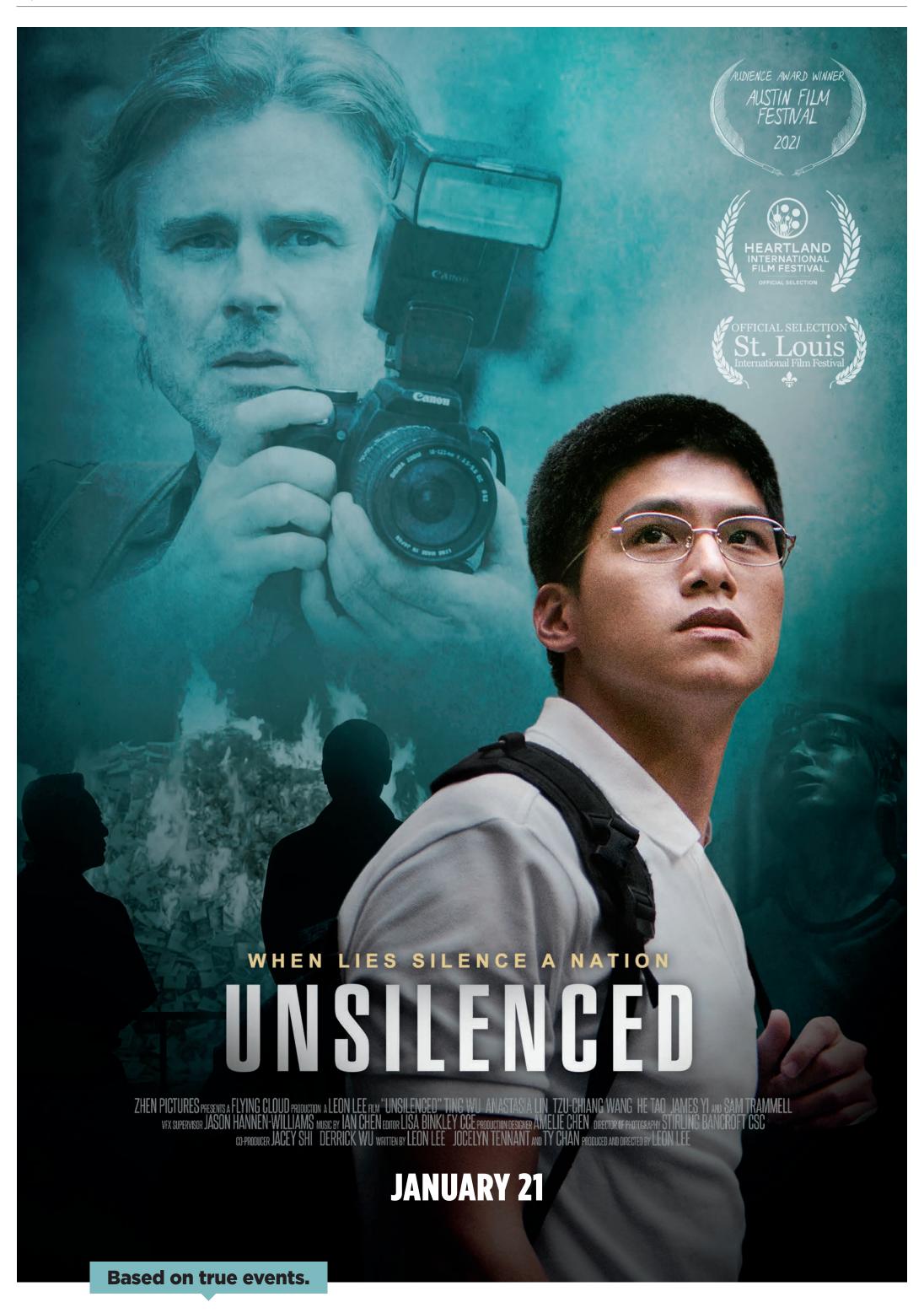
er the following: should we be engaging with the Chinese and how should we engage with them? Just because a technology researcher can engage with China, the time has come to ask if he/she should be engaging with China. There are too many examples of U.S. research ending up being used in Chinese security and oppression products. Even if it is legal, we need to ask whether we should.

beyond the purely monetary and consid-

The case of Lieber captures the dilem ma perfectly. We need to move beyond what is legal in dealing with a wholeof-society civil-military fusion threat. Universities must hold themselves accountable to a higher moral and ethical standard in their engagement with

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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. **CHINA INSIDER** Week 2, 2022 THE EPOCH TIMES



When the Chinese Communist Party launches a brutal crackdown against 100 million citizens, a jaded American reporter and a team of innocent students risk everything to expose the deadly propaganda and fight for freedom.

Unsilenced stars Sam Trammell (True Blood, Homeland) and Anastasia Lin (Miss World Canada) and is directed by Peabody Award-winning director Leon Lee (Letter from Masanjia, The Bleeding Edge).













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**Somerdale, NJ (Philadelphia):** Cinemark Cooper Towne Center

**Newark, DE:** Cinemark Christiana

Pittsburg, PA: Cinemark Robinson Township Fairfax, VA (D.C.): Cinemark Fairfax Corner 14

**Richmond, VA:** The Byrd Theatre

**Newport News, VA (Norfolk):** Cinemark City Center 12

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