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CHINA INSIDER

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23 YEARS OF PERSECUTION

FALUN GONG PRACTITIONERS RECALL
STORIES OF CCP TORTURE

See Page 2

Falun Gong adherents hold a candlelight vigil in front of the Chinese Consulate to mark the 23 years of persecution by the Chinese Communist Party, in Los Angeles on July 18, 2022.



Falun Gong adherents hold banners along a road in Goshen, N.Y., on July 17, 2022.

RELIGIOUS FREEDOM

Survivors Share Stories of Torture in Chinese Prisons on 23-Year Mark of Persecution of Falun Gong

PETR SVAB

GOSHEN, N.Y.—Under the blazing, late-morning sun, a petite woman walked onto a small stage. She picked up the microphone and started to talk. Her voice was clear, sometimes agitated and almost reaching a cry, then calm again. The images evoked by her words were so ghastly that they jerked the listener out of the bright, small-town park and into a dark world some 6,000 miles away.

"My name is Yuhua Zhang," she began. "I used to be a professor and chair of the Russian Languages Department at Nanjing Normal University in China. Because of my faith in Falun Gong, I was fired by my university."

"From October 2000 to November 2012, I was incarcerated in several locations, including [the] Women's Labor Camp of Jiangsu Province, Nanjing Detention Center, and Nanjing Women's Prison. I suffered many kinds of torture for several years. "Here, I would like to tell you some of what I experienced."

Campaign of Misery

Falun Gong, also known as Falun Dafa, is a spiritual discipline and meditation practice based on the principles of truthfulness, compassion, and forbearance. The practice found itself the target of Beijing's wrath 23 years ago after the discipline gained significant traction in China, with up to 100 million people practicing in 1999.

On July 20, 1999, the Chinese Communist Party (CCP) launched a whole-of-government campaign against Falun Gong. The plan was to eradicate the popular meditation practice in three months—in time for the party chair at the time, Jiang Zemin, to claim a victory before the Party's National

Two decades later, reports of people tortured to death in Chinese prisons for practicing Falun Gong keep coming.

Falun Gong adherents practice meditative exercises in a park in Goshen, N.Y., on July 17, 2022.

Congress in the fall.

A tried and proven machinery of the repressive state was set into motion: All the media in the country were commanded to print and broadcast a nonstop barrage of propaganda blaming adherents of Falun Gong for every possible societal ill. Overnight, the practice was declared illegal. Teaching the practice, sharing its literature, or even speaking positively about it became punishable by prison or worse.

Two decades later, reports of people tortured to death in Chinese prisons for the "crime" of practicing Falun Gong keep coming.

Zhang, 62, spoke of her last arrest, in

November 2011.

"The police ... took me to a hospital, where they injected me two times by force with an unknown drug. They also tied my hands and legs to a bed, firmly pinched my cheek to force my mouth open, and force-fed me some drugs. These drugs caused me to have a numb tongue, stiff limbs, convulsions, and extreme pain. I lost consciousness," she said, speaking at a rally to commemorate the 23 years since the persecution began.

"The next morning, they forced a tube up my nose and into my stomach, and poured a few vials of unknown drugs into my stomach. I started to feel dizzy, had



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heart palpitations, nausea, twitching, and muscle pain. The twitching was accompanied by bouts of throat spasms, and my facial muscles tightened. I couldn't open my mouth and had difficulty breathing. My heartbeat was racing as though I was about to die. My fingers were stretching uncontrollably. I experienced excruciating pain and lost consciousness."

Methods of Torture

There are thousands of stories like Zhang's. Xia Haizhen, 46, originally from Shanghai, spent a total of seven years in the Shanghai Women's Prison. Her first arrest was in 2003, simply for visiting somebody who practiced Falun Gong, she said during the rally, held in the town of Goshen, New York, on July 17.

"More than 20 police officers took turns interrogating me day and night. They handcuffed my hands, forcibly locked me to an iron chair for six days and six nights, and lit a very bright light bulb in [front of] my eyes, preventing me from sleeping," Haizhen said.

"I went on a hunger strike to protest. A policeman forced me to walk around the concrete floor barefoot, pulling me by the handcuffs on my wrists. When I didn't cooperate, he kicked my head with his leather shoes."

After six days, she was taken to the prison hospital. "I was forcibly held down by four policemen and handcuffed to an iron chair," she said. "One policeman grabbed my hair and prevented me from moving. Another policeman roughly inserted a thick hard plastic tube up my nose and into my stomach. My nose started bleeding immediately."

"Then they put me on the 'death bed,' stretched out my arms and legs, and tied me down with a few ropes so that my body could not move. The ropes were so tight that they dug into my flesh. The pain was unbearable. In order to increase my pain, one police officer pulled the plastic tube back and forth every few minutes, causing a lot of blood to flow from my nasal cavity. "I stayed on the hunger strike for 13 days, and all I vomited was black liquid." Haizhen was eventually released after three years, but then arrested again in 2012.

She was kept in a cell smaller than 10-by-10 feet in size, with six other inmates to "watch over" her.

"The prison guards electrocuted me with electric batons, forced me to wear a straitjacket, and handcuffed my hands behind my back for 15 days. Prison guards

Falun Gong adherents meditate in a park in Goshen, N.Y., on July 17, 2022. A few hundred adherents of the spiritual practice gathered in the park to commemorate the 23 years since the Chinese Communist Party launched its persecution of Falun Gong practitioners in China.



LARRY DYE/THE EPOCH TIMES

Julia Baniyasi (R) with her daughter Nikou (C) and other family members and relatives at a rally against the persecution of Falun Gong in Goshen, N.Y., on July 17, 2022.



PETR SVAB/THE EPOCH TIMES

However, in today's China, thousands of Falun Dafa practitioners are still suffering the brutal persecution that I once suffered.

Xia Haizhen, victim

Xia Haizhen speaks about her experience being tortured in a Chinese prison because of her faith in Falun Gong, at a rally in Goshen, N.Y., on July 17, 2022.

used loudspeakers to force me to listen to songs praising the CCP repeatedly. At the same time, the guards and the inmates who were watching me came every hour to pull the handcuffs and torture me," she said.

Some of the torture methods were simple. In the winter, the guards would tie her to a chair by an open window for two days straight until her hands and feet would become numb from frostbite.

Once, she was forced to sit on a hard, tiny bench with an irregular surface.

"After being forced to sit on the bench for a long time, my rear end was bleeding and sticking to my pants. ... Every moment was painful," she said.

One time, she was forced to hold a glass of scalding-hot water between her thighs. Other times, the guards would send other inmates to beat and abuse her. One prisoner pulled out her hair, "one handful after another," she said. Another prisoner scratched her back with her fingernails until it was covered in blood.

But some of the most intense torture, in her description, was the brainwashing.

"They forced me to watch videos made with lies that reversed black and white. I closed my eyes and refused to watch, and the prisoner pinched my eyelids and forbade me to close my eyes. She also put headphones on me, turned the volume to the maximum, and forced me to listen to the shameless slander of Falun Gong," she said.

"I felt like my spirit was being stabbed with one stroke after another endlessly." It was the proper description of hell, she said.

"I couldn't survive, I couldn't die, and my spirit was almost collapsed. Only the three words of truthfulness, compassion, forbearance [Falun Gong's tenets] were in my mind and supported me through this very dark experience.

"When I came out of the prison, my entire body was blue and purple, scarred, and skinny."

Upon her release in 2016, Haizhen managed to escape to the United States.

"Today, I can stand on the free land of the United States and have the freedom to believe in truthfulness, compassion, forbearance. I feel extremely lucky," she said.

"However, in today's China, thousands of Falun Dafa practitioners are still suffering the brutal persecution that I once suffered."

She called on "kind-hearted people to lend a helping hand to jointly stop and end this inhumane persecution as soon as possible."

World's Response

The persecution of Falun Gong has been denounced by governments all over the world, including in a number of U.S. Congress resolutions and U.N. reports. In 2020, an independent tribunal in the UK determined that the CCP has been killing imprisoned Falun Gong adherents and other dissidents for their organs, which are then used for transplants, often for high-paying foreign patients.

Still, the topic draws relatively little attention in government and media, leaving it largely to adherents of Falun Gong themselves to spread the word, several attendants of the rally said.

"It's important because somebody has to do it. Nobody does," said Julia Baniyasi, 44, who attended the rally with her family.

In China, the CCP keeps a tight grip on information about the persecution, especially about the torture and abuse in prisons.

"A lot of Chinese people in China, they don't even know about the persecution," Baniyasi said.

Even in the United States, the media have seldom touched the topic.

"The media cover a lot of it up," Baniyasi's daughter Nikou, 18, said.

"Just mainstream media, they don't report on it, they don't present it, nothing. For some reason, it's always hushed up. So I guess we just have to take our own initiative to go out and tell people."



LARRY DYE/THE EPOCH TIMES

NATIONAL SECURITY | SENATORS RAISE CONCERNS ABOUT LARGE CHINESE CONSTRUCTION DEVELOPMENT

National Security Concerns Mount as Chinese Company Builds Major Plant Near North Dakota Military Base

Sen. Kevin Cramer seeking answers why company chose location near base that houses sensitive drone, satellite, and surveillance technology

ALLAN STEIN

A China-based agribusiness with links to the Chinese Communist Party (CCP) is moving ahead with plans to build a corn mill in Grand Forks, North Dakota, despite local concerns that the project could pose national security risks.

Fufeng Group—the second largest xanthan gum producer in China—recently purchased 370 acres located north of Grand Forks after the City Council voted to annex the property. The city then changed the parcel's designation to an industrial zone from agricultural to allow the project to move forward under federal law.

A Hong-Kong listed company, Fufeng Group is based in Shandong Province and has subsidiaries in 115 countries around the world.

The future corn mill plant would operate through U.S. subsidiary Fufeng USA on prime land about a dozen miles from Grand Forks Air Force base. Minot Air Force Base sits about 211 miles west of the city.

U.S. Sen. Kevin Cramer (R-N.D.) says the project raises many red flags in terms of national security.

Cramer specifically wants to know why the group selected to build close to a strategic military base in a remote northeast corner of North Dakota that houses sensitive drone, satellite, and surveillance technology.

Located 75 miles south of Canada, Grand Forks is “a wonderful spot in the Red River Valley,” Cramer told The Epoch Times.

“But it’s in the northern reaches of corn country. That in and of itself is a peculiarity,” he said. “It doesn’t seem like a rational investment for this type of facility.”

“In other words [logistically], you would have a corn milling plant in the middle of the corn belt. If this project were 150 miles south of Grand Forks, it would be surrounded by corn fields.”

US Prohibition List

Fufeng Group and Fufeng USA argue they aren't on the White House national security prohibition list.

“The National Counterintelligence and Security Center (NCSC) does not consider agribusiness or wet corn milling an economic and national security concern,” according to a group fact sheet. “The sectors of concern are artificial intelligence, biotechnology [such as biomaterials, biopharmaceuticals, and



Sen. Kevin Cramer (R-N.D.) speaks to reporters at the U.S. Capitol on Oct. 6, 2021.

ANNA MONEYMAKER/GETTY IMAGES

**370
ACRES**

Fufeng Group—the second largest xanthan gum producer in China—recently purchased 370 acres located north of Grand Forks, N.D., after the City Council voted to annex the property.



U.S. AIR FORCE PHOTO BY AIRMAN 1ST CLASS ASHLEY RICHARDS

new vaccines and drugs), autonomous systems, quantum computing, and semiconductor.”

Fufeng USA, a global bio-fermentation company, plans to use the corn mill facility to extract ingredients that go into animal nutrition feed products sold in the North American market.

On July 14, Cramer and fellow Sens. Marco Rubio (R-Fla.) and John Hoeven (R-N.D.) sent a letter to U.S. Treasury Secretary Janet Yellen and Department of Defense Secretary Lloyd Austin expressing their concerns.

In the letter, the senators requested that the Committee on Foreign Investment in the United States (CFIUS) does a full review of Fufeng's corn mill plans for potential security violations.

ANDREW CABALLERO-REYNOLDS/AFP VIA GETTY IMAGES

“Public reports suggest that CFIUS has expressed interest in this transaction and that the city of Grand Forks has requested the company make a voluntary filing with CFIUS,” the senators wrote. “We believe that a full CFIUS review would clarify whether the purchase of this land by Fufeng Group carries national security implications.”

The situation has “led to concern that Fufeng operations could provide cover for PRC [the People's Republic of China] surveillance or interference with the missions located at that installation, given Fufeng Group's reported ties to the Chinese Communist Party.”

However, city officials see the Fufeng USA project only as a win for the city of 59,000 residents, with the lure of jobs and tax revenue.

“The benefits would be similar to any new primary sector business coming to town,” Grand Forks Mayor Brandon Bochenki said.

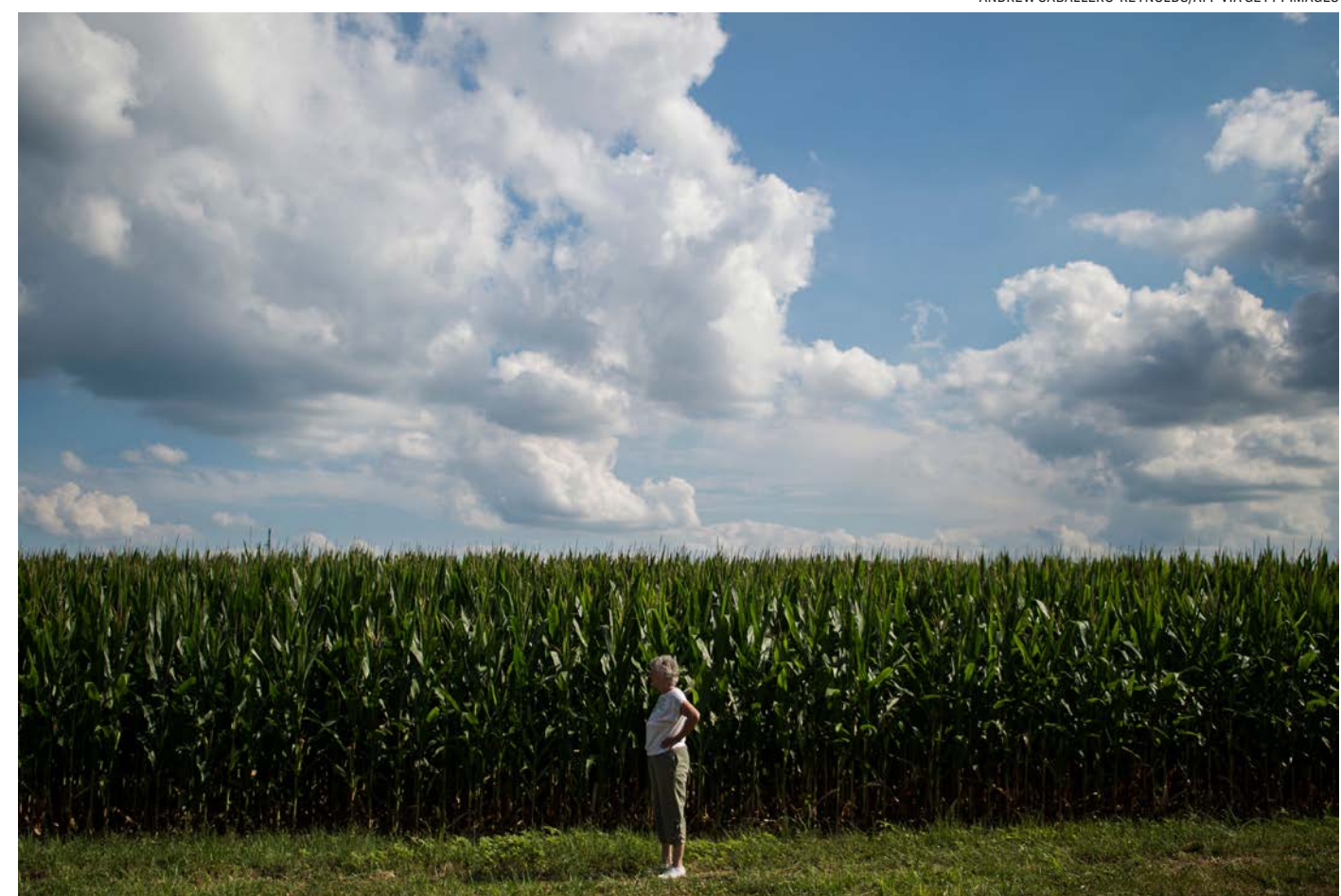
At least on paper, the project anticipates creating 1,000 construction jobs and 233 full-time positions, paying an average salary of \$59,000. The corn mill would generate millions of dollars in property and sales taxes and spur infrastructure improvements in alignment with the city's economic development plans.

Bochenki said local farmers would also benefit from the increased business, while the city would reap additional water and wastewater income for capital improvements.

For the past nine months, the project has been in a “due diligence phase” as Fufeng USA works through the details of an approved development agreement with the city council.

“It would require likely another eight to nine months of due diligence before any construction and ongoing monitoring if the plant is ultimately built,” Bochenki told The Epoch Times.

However, many residents fear that the project would cause pollution and other environmental problems and drain local water resources.



A woman waits near a cornfield for a tractor to be unloaded, in Easton, Md., on July 20, 2018.



Sen. Marco Rubio (R-Fla.) walks to a weekly Republican luncheon on Capitol Hill in Washington on June 22, 2022.

Questions Remain

Then there's the perceived threat of spying by the Chinese government.

“We know specifically that [Fufeng Group] has links to the Chinese government. There's not a company out of communist China that doesn't have ties to the government,” said Jodi Carlson, a member of the local opposition group Concerned Citizens of Fufeng Group Project in Grand Forks.

Fufeng Group has “close ties” to the CCP through its chairman, Li Xuechun, according to a spokeswoman in Cramer's office.

“He previously participated in Shandong 12th People's Congress and has received praise for being the ‘Model Laborer for his business achievements.’” As the company's controlling shareholder, Xuechun has been the top executive at Fufeng Group since November 2016. He once served as a member of the People's Congress of Shandong Province for five years.

Bochenki said the city has approached

the project with “a high level of due diligence.”

“We see economic benefits of a new wet-corn milling facility in the region,” he said. “We are doing as much due diligence as possible and look to the appropriate federal agencies for national security insights and direction.”

Too Close to Home

Cramer said his “personal view” is that the U.S. government shouldn't allow companies based in China to become involved in U.S. agriculture.

“Beyond that, there's concern about the location,” he said. “The Chinese Communist Party has proven to be very competent at spying—very competent at stealing data. It doesn't make sense to me that we would welcome that kind of investment in [Grand Forks].”

“Even if you investigate, we already know there are links to the Chinese Communist Party [which] uses economic leverage over countries all the time. They're predatory lenders in third-world countries.”

Cramer pointed out that North Dakota has no shortage of workers. With 30,000 jobs available in a vigorous state economy, the state's agricultural and business sectors are robust.

“North Dakota is not a desperate place [in need of foreign investment],” he said. “We are doing very well economically. We also are a commodity-based economy. So when food prices go up, [agricultural producers] do very well. We are, in some respects, recession-proof. We produce a lot more than we can sell.”

As such, Cramer said he favors doing more business with America's allies and less with its adversaries—“particularly concerning aggressive economic warfare” by China.

Keith Lund, of the Grand Forks Region Economic Development Committee, recently billed the Fufeng USA project as “the largest single private capital investment in the region's history.”

Local media outlets reported that the plant will be a “wet-corn milling” facility and that it should be fully up and running by 2024 or 2025 at a total construction cost of about \$350 million.

Project opponents feel the project would sap the city's local water supply, using an estimated 6 million gallons per day while the city consumes roughly 7 million gallons.

They also voiced concern about odors, pollution, and other environmental hazards the project might cause.

Petition Failure Spurs Lawsuit

Residents garnered nearly 5,000 signatures in a local petition hoping to bring the project to a referendum vote. The city later denied the petition, prompting one resident to file a lawsuit.

In the suit, Benjamin Grzadziewski argues that the city auditor “impermissibly robbed” residents of their legal right to a referendum vote.

Carlson said opponents have also taken issue over what they consider to be the project's lack of transparency and the “forcible” annexation of private land by the city to make way for the corn mill project.

She said the goal is now to stop the project altogether. To that end, Carlson has been a staunch and frequent voice on her group's Facebook page.

In a recent post, she quoted the Declaration of Independence that included a video of Bochenki in a swearing-in ceremony. The passage stated that it's the right and duty of citizens to “throw off” the bonds of a tyrannical government.

A Knock At The Door

Carlson's post caught the attention of Grand Forks Police Sgt. Michael Jennings, and on June 23 at 1:15 p.m., he and another officer paid a visit to her home.

She said Jennings identified himself and the other man as officers with the Grand Forks Police Department, although his report didn't mention it.

The Epoch Times received a copy of the June 30 police incident report, in which Jennings stated that he “felt it appropriate to have a conversation” with Carlson to determine her intention for making the post.

Carlson “indicated she had no violent intentions” and sought to launch a recall of the mayor and council members.

“It's to intimidate me is the only thing I can call it,” she said.

Through a local media source tip and her investigations, Carlson said she learned that the other officer was an agent with the FBI anti-terrorism unit in Memphis.

“The FBI agent misrepresented himself [and] did not correct Sgt. Jennings when he said ‘We are with the GFPD!’” she said.

Cyndi Barrington of the FBI Minneapolis Division told The Epoch Times, “Per policy, we do not confirm or deny any particular contact” with public members.

Jennings wrote that the case is now closed with “no prosecution, as no crime has been committed.”

“I think it's chilling, quite honestly,” Cramer said regarding Carlson's experience with law enforcement. “Unfortunately, this is what's happening. On the one hand, there's this ‘defund the police’ movement. On the other hand, there's this heavy-handed federal government.”

We believe that a full CFIUS review would clarify whether the purchase of this land by Fufeng Group carries national security implications.

Sen. Marco Rubio and Sen. John Hoeven

WUHAN LAB

FBI Opened Inquiry Into NIH Funding of Wuhan Lab, Emails Show

EVA FU

The FBI launched an inquiry into the National Institutes of Health's funding of bat research at the Wuhan Institute of Virology, newly released emails show.

The interest from the top U.S. domestic investigative agency adds to the international scrutiny of the Wuhan facility, which houses one of China's highest-level biosecurity labs and has been considered a possible source of the COVID-19 pandemic.

The experiment appears to fit the definition of gain-of-function research regardless of its intentions, according to some experts.

"In preparation for our call on Tuesday, Erik [Stemmy] (cc'd) has provided responses to your initial questions below (also attached)," Ashley Sanders, an investigation officer at the National Institutes of Health's (NIH) division of program integrity, wrote in an email

dated May 22, 2020, with the subject "Grant Questions - FBI Inquiry," and directed to FBI agent David Miller.

The email was obtained by government transparency watchdog Judicial Watch through a Freedom of Information Act lawsuit, which sought records of communications, contracts, and agreements with the Wuhan Institute of Virology (WIV).

The scope of the inquiry is unclear because the rest of the email correspondence, five pages in total, is entirely redacted. But the name of the email attachment "SF 424 A1110964-06 (received date 11/05/2018)," corresponds to the NIH grant "Understanding the Risk of Bat Coronavirus Emergence."

The project in question is headed by Peter Daszak of EcoHealth Alliance, which funneled money to the lab in Wuhan. From 2014 to 2019, the New York nonprofit received six yearly grants totaling \$3,748,715 from the National Institute of Allergy and Infectious Diseases under the NIH to fund the project, which was expected to end in 2026.

The FBI inquiry had focused on at least two of the grants, in 2014 and 2019, respectively, the email subject line suggests.

The 2014 grant aimed to "understand what factors increase the risk of the next CoV emerging in people by studying CoV diversity in a critical zoonotic reservoir



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

(bats), at sites of high risk for emergence (wildlife markets) in an emerging disease hotspot (China)," according to the project description. Specifically, the researchers would assess the coronavirus spillover potential, develop predictive models of bat coronavirus emergence risk, and use virus infection experiments as well as "reverse genetics" to test the virus's transmission between species.

In the project summary for the 2019 grant, EcoHealth stated that it had found that "bats in southern China harbor an extraordinary diversity of SARSr-CoVs," and some of those viruses can "infect humanized mouse models causing SARS-like illness, and evade available therapies or vaccines."

Recently disclosed documents show that, under one grant, the WIV had con-

ducted an experiment that resulted in a more potent version of a bat coronavirus.

In the project that took place under the fifth grant, from June 2018 to May 2019, the researchers infected two groups of laboratory mice, one of which with a modified version of a bat coronavirus already existing in nature, and another with the original virus.

Those infected with the modified version became sicker, Lawrence Tabak, at the time a principal deputy director at the NIH, wrote in a letter in response to a congressional inquiry.

The experiment appears to fit the definition of gain-of-function research regardless of its intentions, according to some experts.

The FBI declined to comment to The Epoch Times.

HECTOR RETAMAL/AFP VIA GETTY IMAGES

OPINION

China's Economic Woes Revealed

FAN YU

China's gross domestic product (GDP) likely shrank in the second quarter, contrary to official reports, as the country is making attempts on several fronts to desperately boost its ravaged economy. Beijing announced a 0.4 percent expansion in China's GDP during the second quarter. It was the second weakest quarterly growth ever officially recorded.

But private data paint an even worse picture. Impacts from COVID-related lockdowns in more than a dozen cities across China, sagging consumer spending, and lower demand for goods from foreign countries all suggest a contraction. It would be the first quarterly contraction since 2020 at the onset of the COVID-19 pandemic.

Bloomberg cited multiple alternative private data sources on economic activity to suggest that second-quarter growth is far less robust than what the Chinese Communist Party (CCP) is reporting.

Travel patterns show that China's roads were generally less busy in the first half of 2022 than in the prior year. Domestic Chinese flight activity was also down by more than 60 percent. There was also less movement of goods between cities than in the prior year, in terms of trucking activity.

The China Beige Book, which provides alternative economic indicators for China, stated that Chinese businesses it surveyed indicated weaker activity and demand from customers because of ongoing lockdowns in the second quarter.

Consumer spending is also weaker than last year. Various foreign retail and consumer goods companies, including Nike, have reported weaker sales. Bloomberg calculated—using data from the China Association of Automobile Manufacturers—that automobile sales are down by more than 10 percent in the second quarter of 2022.

Of course, Beijing never would have reported a quarterly GDP contraction. It would have been very bad for optics and morale.

This is a critical year for Beijing and the CCP. Chinese leader Xi Jinping is expected to be granted another term at the helm of the Party at the 20th National Congress this fall. The country's "dynamic COVID Zero" policy, which Xi has been a champion of, requires tough restrictions wherever new virus cases emerge. Beijing has maintained that it will continue with this policy while managing the nation's economic growth.

What are some ways to manage growth despite lockdown challenges and deflating consumer spending?

The tried-and-true playbook of selling more debt, of course.

Chinese local governments issued a record 1.94 trillion yuan (\$290 billion) in bonds in June, a year-over-year increase of more than 140 percent, according to data from Great Wall Securities. China has been issuing debt above the planned pace. More than 93 percent of the 3.65 trillion local government special purpose bond quota for the entire year had been issued in just the first six months of the year, according to Great Wall Securities.

The majority of such debts will go toward infrastructure, which would have the dual purpose of providing temporary employment and generating ongoing revenue for the government. It would go a long way to offset lost revenues from pandemic lockdowns, COVID-related tax rebates, and depressed real estate land sales.

With the 2022 quota almost full, Beijing is considering allowing local governments to issue even more debt by tapping into next year's planned quota. This suggests that China's economy is in even worse shape than originally thought, and Beijing is desperate to fill the growth gap.

But the same old playbook may no longer work. China could turn increasingly more desperate as social unrest—the Party's kryptonite—disrupts the CCP's control over the economy.

By July, there were reports of homebuyers refusing to pay their mort-



A corn vendor waiting for customers at a market in Shenyang in China's northeastern Liaoning Province, on July 9, 2022.

China could turn increasingly more desperate as social unrest—the Party's kryptonite—disrupts the CCP's control over the economy.

gages on newly developed homes that the debt-laden property developers couldn't afford to finish. This phenomenon has spread to about 100 cities across China. Frustrated consumers have been protesting in several cities. One video that went viral in July caught protesters being beaten up by government-paid goons.

To manage consumer morale, China also announced that it would begin offering consumers "consumption vouchers" for dining out. Through municipal governments, the CCP will hand out a number of vouchers that can be spent at restaurants and other establishments.

Desperate measures for a desperate economic situation.

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

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

ANALYSIS

Investing in China Is Becoming More Risky for US and Foreign Companies

ANTONIO GRACEFFO

American and foreign investors in China are experiencing increased risks and lower returns.

A candle burning at both ends, the cost of operating in China is increasing, as is the risk. At the same time, a general downturn in the Chinese economy is decreasing investment and preventing consumers from spending money. Harsh economic times are altering the spending habits of Chinese consumers. They are purchasing less. When they spend, they increasingly choose domestic brands and demand lower prices.

This combination of economic and social factors is driving down the market share of foreign companies. Consequently, international brands face higher costs, greater risk, and lower sales revenue.

Various bilateral chambers of commerce reported that many foreign companies in China are relocating to another country, considering relocating out of China, or shifting future foreign direct investment (FDI) to other countries.

According to the American Chamber of Commerce in China, 25 percent of U.S. firms in Shanghai cut investment. Additionally, 53 percent of U.S. companies nationwide plan to decrease investment next year if COVID-19 restrictions persist. And 23 percent of respondents to a survey by the European Union Chamber of Commerce in China said they were considering shifting current or planned investments out of China.

Among the foreign companies that are moving at least some of their operations and future investments out of China are Samsung, LG Electronics, Adidas, Puma, Zoom, Sharp, Hasbro, Kia Motors, Hyundai Motor Group, Hyundai Mobis, Stanley Black & Decker, Dell, HP, Google Alphabet, Microsoft, LinkedIn, GoPro, Intel, Sony, Nintendo, Under Armour, Steve Madden, and Old Navy. Apple, the country's largest private sector employer, is planning to shift manufacturing to other countries.

China's slowing economy means higher

unemployment, fewer jobs for the country's latest crop of 10 million university graduates, and decreased retail sales.

Increasing political risk is another factor dampening investment. Even before the most recent rash of lockdowns, the American Chamber of Commerce reported that more than one-third of its members were planning to reduce investment because of changes in government policy, which has become toxic for many companies.

The risks of China investments are increasing while returns are decreasing.

Retail sales are also being hit by increasing political control. Last year, a prominent livestreaming queen lost her platform when she was charged with tax evasion. This year, a prominent online retail star was de-platformed for showing a tank-shaped dessert leading up to the June 4 anniversary of the Tiananmen Square massacre. In April, sales were down 11 percent year-

on-year, and in May, they were down 6.7 percent compared to the previous year. With Chinese companies and individuals falling afoul of the censors, U.S. companies must be doubly careful.

Yet another risk facing U.S. companies is restricted entry-exit regulations. Three-quarters of the U.S. companies have reported difficulty getting employees in and out of the country. From the start of the year through March, most international flights had been canceled, business visas had been significantly reduced, dependent visas had almost been done away with, and there was a three-week quarantine for overseas arrivals.

Some of these COVID-related restrictions have been lifted. However, COVID rules change frequently and with no warning. One never knows where and when they may reappear or what form they will take.

Investment is generally correlated with export growth, which has declined in China for several years. And the downward trend is expected to continue. Now, major investment banks have lowered China's growth projections for this year. Moody's cut its 2022 China growth forecast to 4.5 percent. The World Bank cut China's GDP

growth forecast to 4.3 percent, while Goldman Sachs reduced its China forecast to 4 percent.

The Taiwan situation poses an investment risk for Americans in China. One never knows if and when the Chinese regime will invade Taiwan, at which point, all bets would be off. There is a possibility that China would nationalize U.S. companies or kick out American managers and employees. It is already difficult to repatriate profits earned in China, but if war breaks out, it may become impossible.

This year, the Ukraine war and the coup in Burma (commonly known as Myanmar) add additional risk. The cost of raw materials and energy is going up and increasing costs. Additionally, there is a high likelihood that the United States will bring secondary sanctions against China for aiding Russia or supporting Burma's regime.

The U.S. Federal Reserve rate hikes will increase borrowing costs and add more pressure on the Chinese economy. Higher rates in the United States are attracting investment away from China. Chinese leader Xi Jinping's reaction is to tighten controls on capital outflows, which makes it difficult for foreign companies in China to buy raw materials, send profits back to the home office, or pay U.S. investors.

The risks of China investments are increasing while returns are decreasing. For this reason, many U.S. and foreign firms are shifting their investments back to the United States or outside China. The trend is expected to continue and may accelerate if war breaks out.

Antonio Graceffo, Ph.D., has spent more than 20 years in Asia. He is a graduate of the Shanghai University of Sport and holds a China-MBA from Shanghai Jiaotong University. Graceffo works as an economics professor and China economic analyst, writing for various international media. Some of his books on China include "Beyond the Belt and Road: China's Global Economic Expansion" and "A Short Course on the Chinese Economy."



People wearing protective masks visit the main shopping area in Shanghai on Jan. 21, 2022.



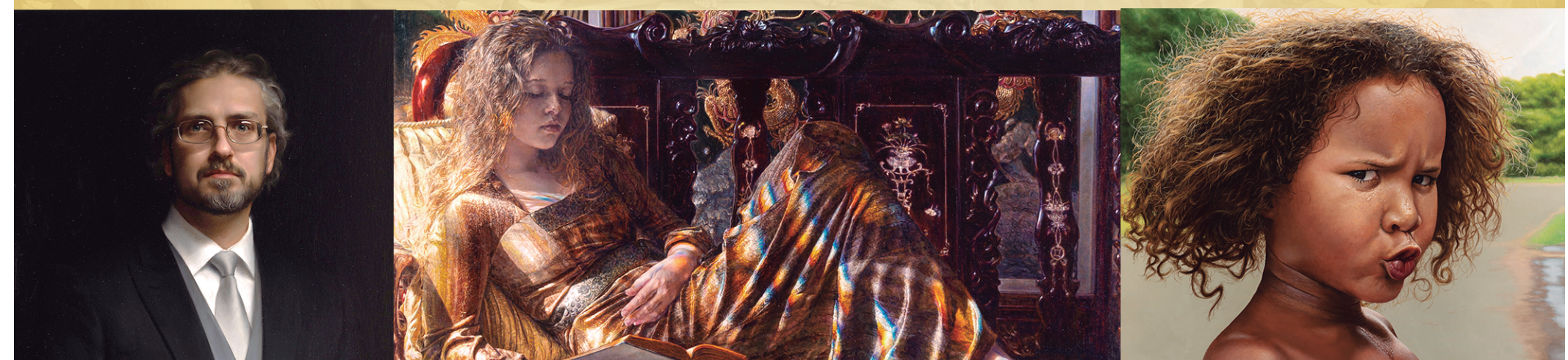
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