

CHINA WEEKLY



BUILT FROM STOLEN DATA

CHINA HAS A DATABASE ON AMERICANS

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CHINESE ECONOMY

BEIJING PLANS NEW WAYS TO BOOST ECONOMY

MOVE YOUTH TO COUNTRYSIDE, EASE HUKOU RESTRICTIONS

NICOLE HAO

The Chinese regime recently rolled out two new plans that look contradictory on the surface, but actually serve similar purposes.

Beijing has operated a strict household registration system, known as “hukou” in Chinese, since 1949, that has restricted citizens’ movements based on where they are born. There are two primary groups: urban residents with a non-agricultural hukou and rural residents with an agricultural hukou. Each person can only have one hukou.

With this system, urban residents can’t work on a farm, while a rural one can’t work in the city. But since the 1980s, restrictions have loosened as more migrant workers choose to move from the countryside to the city in search of higher, more stable income. Migrant workers today are allowed to work, but often do not have health insurance, pension, or other government benefits.

This order is reminiscent of a time during the Cultural Revolution when urban youth in middle school, high school, and university were forcibly sent to the countryside to work in the fields.

The Chinese regime recently announced that it would ease such hukou restrictions and allow 100 million villagers to move to urban areas.

At the same time, it announced plans to move 10 million unemployed youth from cities to the countryside.

Villagers Move to Cities

The National Development and Reform Commission (NDRC) released its tasks for the 2019 year on April 8, including encouraging villagers to give up their agricultural hukou and move to big, middle, or small-size cities.

The NDRC mandated that each city government must enact measures to give 100 million rural residents a city hukou.

However, large cities such as Beijing, Shanghai, and Guangzhou, will keep the current hukou policy—which only grants a city hukou to those who meet stringent government standards or Party officials who can pay an exorbitant fee (the latter system is not open to the public).

This policy is meant to encourage people from rural areas to move to lower-tier cities.

However, those who move to the cities will lose their rural hukou, including their land

and any property in their home village. Adding the burden of buying or renting an apartment in the city, this means a permanent move to the city is only a viable choice for those rural inhabitants who are relatively well-off.

The state-run Beijing Daily reported on April 12 the true reason for Beijing’s sudden change of heart: new rural residents who move into the cities can help stimulate the local real estate market.

The report used Tianjin City as an example. The municipal government launched a program in 2018, which gives well-educated people the ability to earn a Tianjin hukou.

“The real estate market became hot in Tianjin [after the plan was launched],” the report said. In April 2018, about 4,000 apartments were sold in Tianjin. In the following month—the first month after the new policy was launched—more than 9,000 apartments were sold.

Youth Moving to the Countryside

Meanwhile, the central committee of the Communist Youth League, an organization for cadre hopefuls, released an order on March 22, requiring 10 million youth to move to rural areas within three years—in the name of “rural revitalization” and “modernizing agriculture.” This order is reminiscent of a time during the Cultural Revolution when urban youth in middle school, high school, and university were forcibly sent to the countryside to work in the fields. Known as the “Up to the Mountains and Down to the Countryside Movement,” then-Party leader Mao Zedong launched this effort in the late 1960s as part of his campaign to rid youth of “pro-bourgeois” thinking and learn from the proletariat farmers. Approximately 17 million youth were sent to the countryside until the campaign ended in the late 1970s.

Analysts believe that this time around, the Chinese regime is encouraging youth to move to the countryside due to growing unemployment in the urban cities.

“Currently, youth are having a hard time finding a job in the city. Meanwhile, the countryside is lacking laborers,” due to the exodus of residents to the big cities to work as migrant workers, said Li Yuanhua, formerly an assistant professor of history at China Capital Normal University who now resides in Sydney, in an interview with the Chinese-language Epoch Times on April 11.

Unemployment rates are a taboo topic in China and rarely disclosed by authorities, as it often signals social instability. Independent economist He Qinglian has estimated that the true unemployment rate in China is currently around 22 percent.

“There’s no solution to unemployment—even though some youth rely on parents [for financial support], while some choose to continue pursuing higher education,” said Canada-based China affairs commentator Wen Zhao in a YouTube video published on his channel on April 10.

Wen added that the Chinese regime’s new sets of agendas are unlikely to work, as wealthy villagers don’t wish to change their hukou because their rural land can become valuable when a local government decides to redevelop the area.



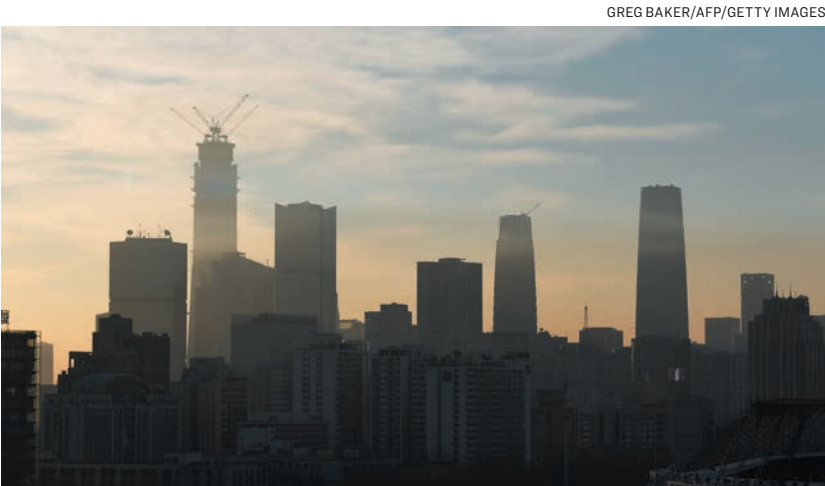
STR/AFP/GETTY IMAGES



STR/AFP/GETTY IMAGES

- ▲ Farmers check ginkgo leaves used to make ginkgo biloba tea, at a tea field in Linyi in China’s eastern Shandong Province on April 15, 2019.
- ◀ A Chinese villager uses her mule to carry containers of water collected from an underground well miles away from her village during a severe drought in Kunming, southwest China’s Yunnan Province, on March 31, 2010.

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GREG BAKER/AFP/GETTY IMAGES

A thin layer of pollution drifts over the skyline of Beijing on the morning of December 16, 2016.

CHINESE ECONOMY

China’s Electric Vehicle Industry Hit Hard by Policy Shift as Beijing Turns Toward Hydrogen Fuel

OLIVIA LI

China’s electric vehicle (EV) industry has been booming for nearly a decade, with generous subsidies from the Chinese government and state-sponsored marketing efforts.

However, the research and development (R&D) subsidies are now shifting to vehicles with hydrogen fuel cells, a new technology that, according to industry, is cleaner and more efficient than lithium battery-run cars. Current EV automakers in China will have to face the cruel reality: The EV industry will soon suffer financial losses with the disappearance of state support.

Chinese Regime Shifting Subsidies

On March 26, China’s Ministry of Finance, Ministry of Science and Technology, and other agencies jointly announced changes to the subsidy program for lithium battery-powered electric cars, slashing subsidies by 67 percent.

Electric cars with driving ranges of 400 kilometers (250 miles) and above will be cut by half, to 25,000 yuan (\$3,700) per vehicle, from 50,000 yuan. And to qualify for any subsidy, electric cars need to have a range of at least 250 kilometers, compared with 150 kilometers previously.

In addition, subsidies for EV vehicles will be phased out completely after 2020.

The Trigger: Li’s Trip to Japan

Chinese Premier Li Keqiang’s visit to Japan in 2018 fundamentally changed his thinking about electric vehicles.

Li visited Toyota Motor Corp.’s factory for manufacturing EV auto parts in Hokkaido on May 11, 2018, and saw a hydrogen fuel-cell vehicle called “MIRAI.” He learned that the MIRAI, which takes only three to four minutes to fuel, has a 650 kilometer (404 miles) driving range.

According to several Chinese media reports, upon Li’s return to China, several ministries and commissions in China quickly assembled a team to develop hydrogen fuel-cell technology, the first signal that China’s policymakers would make the fuel cells a major R&D project.

A lithium battery has several drawbacks when compared with a hydrogen fuel cell, which uses hydrogen gas as power.

Lithium batteries contain heavy metals such as nickel, cobalt, and manganese, and the mining process to extract such metals can cause pollution to nearby water sources. Meanwhile, processing of copper, lithium, and other metals create toxic waste that, if not treated and recycled properly, can cause serious environmental problems.

On March 15, China’s cabinet-like State Council publicized 83 amendments to its annual Government Work Report delivered before its rubber-stamp legislature. Among them was a provision to promote the construction of infrastructure related to electric and hydrogen fuel-cell technology. At the time, there were no additional policy details, but it was the first time that hydrogen fuel was included in the report.

Eleven days later, the Chinese government announced the new EV subsidy policies.

On April 11, the state-run, English-language newspaper China Daily reported that the central authorities’ development plan for hydrogen fuel technology set targets of getting 5,000 hydrogen energy vehicles on the road by 2020, 50,000 by 2025, and 1 million by 2030.

Subsidy Reductions

China’s EV automakers are already losing money.

For example, Chinese automaker BYD is a star brand in the domestic market. BYD started new energy vehicle (NEV) R&D 10 years ago.

According to Chinese news portal Sohu, citing information from BYD’s

financial reports, in the past five years, the company has received a total of 6.93 billion yuan (\$1.03 billion) in electric vehicle subsidies from the Chinese regime.

But the industry’s profitability was already falling. In BYD’s 2018 annual report released on March 27, the company’s net profit attributable to shareholders was 2.78 billion yuan, down 31.6 percent from the previous year. BYD explained that decline was mainly due to the reduction in subsidies and increases in R&D costs.

In early March, NIO (known as Shanghai Weilai Automobile in Chinese), which specializes in making electric autonomous vehicles and became publicly listed only half a year ago, reported revenue of 4.951 billion yuan (\$738 million) in 2018 while net losses were 9.639 billion yuan (\$1.44 billion). In addition, NIO also announced that it would cancel plans to build a new plant in Shanghai.

In the Chinese regime’s 10-year economic blueprint ‘Made in China 2025,’ released in 2015, NEVs were among the 10 high-tech sectors that Beijing targeted for aggressive development, so the country could emerge as a global tech manufacturing powerhouse.

According to an October 2018 Morgan Stanley research report, NIO has been losing money year after year. The net loss in 2018 was 9.639 billion (\$1.44 billion), almost double the figure from 2017. Total losses from 2016 to 2018 amounted to 17.233 billion yuan (\$2.57 billion).

The Chinese regime’s phasing out of EV subsidies could be devastating to the industry.

Rise and Fall of China’s EV Industry

The concept of new energy vehicles (NEV) has long existed. The Paris agreement adopted in 2015 has led many countries to transform in that direction.

The Chinese regime took it as an opportunity to “surpass competitors by overtaking them at the curve,” hoping that NEVs would help China transform from a follower to a leader in the auto industry.

In the Chinese regime’s 10-year economic blueprint “Made in China 2025,” released in 2015, NEVs were among the 10 high-tech sectors that Beijing targeted for aggressive development, so the country could emerge as a global tech manufacturing powerhouse.

At the same time, the Chinese regime provided multiple incentives—subsidies to EV manufacturers; mandatory requirements for government agencies to purchase certain percentage of EVs; subsidies to auto consumers to buy EVs; and increased access to EV-only carpool lanes among them—all of which quickly propelled the growth of EV industry. China is now the global leader in making and buying electric cars.

Morgan Stanley estimated that by 2020, China is expected to account for 59 percent of worldwide EV sales.

NEWS ANALYSIS

CHINA OPENS CREDIT FLOODGATES IN MARCH

FAN YU

China has opened the credit spigot. Credit growth in March exceeded all estimates after a slowdown in February, according to official central bank data on April 12.

Total social financing (TSF), a broad measure of credit within the Chinese economy, grew by a net 2.86 trillion yuan (\$426 billion) in March compared to the previous month, after a relatively modest increase of 703 billion yuan in February. TSF includes financing that is outside of traditional banking loans, such as loans issued by trust companies, initial public offerings, and bond offerings.

While Beijing has pulled out all the stops to ensure that economic growth is stable in the short-term—first-quarter GDP (gross domestic product) figures will arrive next week—it’s exacerbating longer-term leverage issues.

\$252 BILLION

▲ of new loans in March

March’s credit growth was broad-based, with financial institutions underwriting 1.69 trillion yuan (\$252 billion) of new loans in March. Bank loans and M2 money supply—a measure of cash in circulation—also grew during the month. This credit growth and an uptick in the manufacturing purchasing managers’ index for March are signs that recent policy easing is bearing some fruit.

Since last year, Beijing authorities and the People’s Bank of China have taken a series of measures to combat economic slowdown triggered by the 2017 deleveraging campaign and a debilitating trade war with the United States.

The easing measures included five cuts to banks’ reserve requirement ratios, allowance of perpetual bond issuances, and infrastructure spending.

In its dramatic shift to amplify infrastructure spending, Beijing has

lifted debt quotas on local governments. Local authorities issued debt at a record pace during the first three months of the year. Most of the debt was “special purpose,” for the financing of infrastructure projects such as subways and bridges.

Timing Is Critical

This round of stimulus measures—and the resulting credit growth—seems different. Unlike previous periods, this series of policy easing isn’t attempting to invigorate growth, but to combat an ongoing growth slowdown.

March’s credit growth will be seen as extremely helpful. Beijing is set to release its GDP growth rate for the first quarter next week. All eyes are fixated on the first-quarter GDP metric, which will determine the course of action for the rest of the year.

At a macro level, 2019 is an especially fraught year economically and politically. The Chinese Communist Party (CCP) leader Xi Jinping kicked off the year in January with a meeting to address “extraordinary risks” facing the economy and by exten-

sion, China’s political, ideological, and social stability—a focal point for the CCP as it heads into the 70th anniversary of the founding of the People’s Republic of China later this year.

Trading Future for Present

But China’s longer-term issues will likely worsen going forward. Beijing has essentially traded longer-term economic health for near-term stability.

The International Monetary Fund (IMF) recently warned that China will face a “sharp slowdown” in the future if it continues to loosen monetary policy or engage in massive infrastructure spending to shore up growth, according to IMF’s semi-annual Global Financial Stability report.

“Further monetary and credit support may exacerbate the existing financial vulnerabilities, as faster credit growth will make it harder for smaller banks to clean up their balance sheets,” said Tobias Adrian, director of the IMF’s monetary and capital markets department,



CHINA PHOTOS/GETTY IMAGES

during an April 10 press conference.

Beijing has essentially abandoned its recent efforts to deleverage the economy, and instead is doubling down on infrastructure and real estate, two already overleveraged sectors.

Regulators have also delayed reforms over China’s sprawling asset management industry and instead are creating more potentially bad debts. China’s National Audit Office recently found that some banks in central Henan Province registered 40 percent of their loan books as bad debt at the end of 2018, according to an April 8 Financial Times report.

In addition, while recent tax cut measures are temporarily boosting consumption, they come at the expense of putting pressure on local and regional budgets.

It’s important to remember that the United States and European economies are still on solid footing. So if China uses up all of its ammunition to stabilize economic growth during 2019, what will it do when the global economy really falters and demand slows?



A joint session of Congress held in the U.S. Capitol in Washington on Jan. 8, 2009.

OPINION

TO HOLD ONTO THEIR DEMOCRACY, THE PEOPLE OF TAIWAN NEED TO CHOOSE WELL

JENNIFER ZENG

Concern about Taiwan is growing. The tiny nation of around 23 million people has been a democratic success story, showing, to the shame of the giant nation on the mainland, that they can indeed govern themselves.

And while governing themselves, the Taiwanese have stood firm, facing down the giant military of the People's Republic of China that has regularly threatened invasion.

But now, observers agree, the danger to Taiwan may now come less in the form of brute force, and more by turning the nation's ballot box against itself, as subversion by the Chinese Communist Party (CCP) threatens to change the character of Taiwan and undo its proud legacy of freedom.

“China's influence campaigns are primarily undertaken using economic apparatus. By relying on ourselves, with the United States and other free market countries, we can reduce our economic reliance on China, and their capacity to interfere in our media, politics, and security.”

Taiwanese President Tsai Ing-wen

‘Unprecedented Challenge’

In a speech commemorating the 40th anniversary of the Taiwan Relations Act (TRA), Taiwanese President Tsai Ing-wen said that Taiwan is faced with “unprecedented challenge,” and called for a U.S. commitment based on “shared values.”

Addressing a full house at the Center for Strategic and International Studies in Washington via video footage on April 9, Tsai said, “Because of the Taiwan Relations Act, the U.S. has played a crucial role to help [Taiwan] reject coercion.”

Tsai praised the Taiwan Relations Act for helping Taiwan go through the darkest time in their history, and is proud of the fact that Taiwan has become one of the freest countries in the world.

“In terms of security, [the act] laid out a framework to not only ‘provide Taiwan with arms of a defensive character’ but also ‘to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States,’” she said.

When asked about one wish she wanted to make, Tsai said it would be for the young generations in Taiwan to know democracy as the only way of living.

However, this way of life “is under unprecedented challenge. Using economic incentives, control over sources of information, and political subversion, China's objective is to divide our society, erode trust in public institutions, and make people question our traditional alliances. The U.S., together with other like-minded countries, can help.”

Tsai hopes the United States can express to China at a very “senior” level that “it considers the security of Taiwan vital to the defense of democracy, both here and around the world. And similarly, it considers any threat to Taiwan's freedom, democracy, and our way of life, of critical concern to the United States.”

Tsai also used the opportunity to push her agenda for a bilateral free trade agreement with the United States, “an agreement that is based on our values and ideas.”

“Today, Taiwan, a country of 23 million people, is United States’ 11th-largest trading partner,” she said. “It’s a complementary relationship, not a competitive one.”

Tsai said that she “could not agree more” with U.S. President Donald Trump’s view that “economic security is national security.” She believes Taiwan is “part of that,” as Taiwan has the capacity to expand its economic relationship with the United States.

Tsai said that Taiwan and the United States have the potential to work together in “crafting an agreement that can become the model for the rest of Indo-Pacific region.”

“China's influence campaigns are primarily undertaken using economic apparatus. By relying on ourselves, with the United States and other free-market countries, we can reduce our economic reliance on China, and their capacity to interfere in our media, politics, and security.”

Tsai said that “Taiwan is a crucial link in the global high-tech supply chain, which the U.S. and other like-minded countries are looking at more closely in terms of its integrity, and data security.”

Tsai said this is particularly relevant in the case of Huawei, and the battle over the control of the 5G networks.

“We need to shape the flow of the supply chain, so that critical technologies, infrastructures, and assets do not fall into the wrong hands,” she said.

Tsai praised the Trump administration for having shown that “it has the capacity to be creative when it comes to trade,” and hopes that “they can apply the same principle when it comes to discussion with Taiwan.”

Tsai said that Taiwan is committed to defending itself from China's military threat, and has made more investment in defense.

Referring to Trump's approval of \$1.4 billion in arms sales in 2017 that included advanced missiles and torpedoes, followed by a second arms package worth \$330 million in 2018, she said, “Cooperation between our two countries has continued to fulfill the spirit of these articles. Already, a steady drumbeat of arms sales have been announced by the current U.S. administration, and we have more in the pipeline.”

Tsai ended her speech by again stressing the “shared values” of the United States and Taiwan.



Taiwan's President Tsai Ing-wen takes part in an interview at the Presidential Office in Taipei on June 25, 2018.

“At this critical moment, it is more important than ever to ensure that the letter and the spirit of the TRA prevail, and that the values we share continue to shape the future of our region,” she said.

“Our shared vision has made two countries even closer than ever before. And together, with your support, we will continue to remind the world that Taiwan is an irreplaceable force for good in the world.”

Hybrid Warfare Tactics

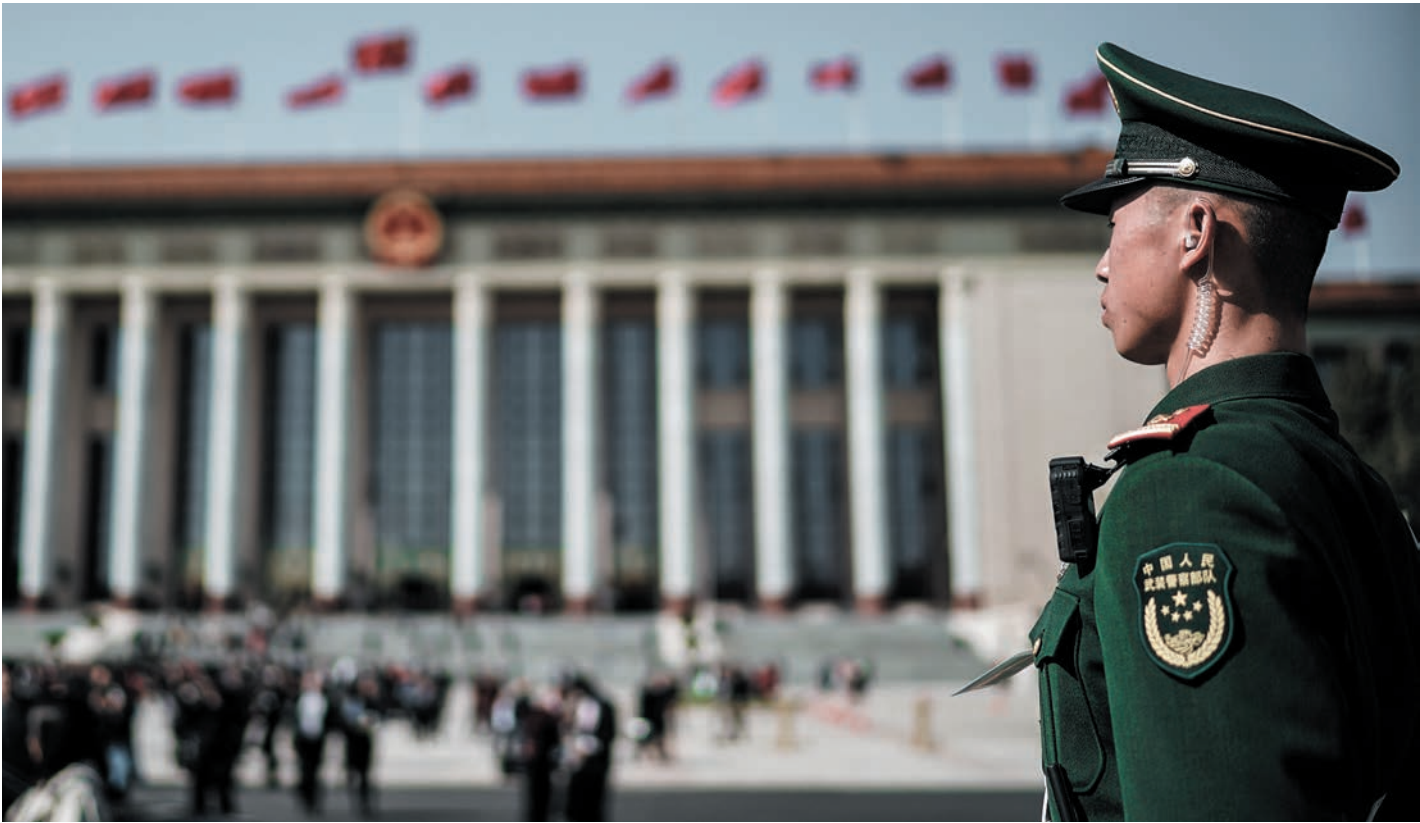
While Tsai sounded more optimistic and hopeful toward what's in store for Taiwan, China experts and observers are more concerned.

“Here in Taiwan, it's China that dominates every discussion. Beijing's malign influence is apparent everywhere, while the United States is seen as largely absent. Washington must wake up to the danger of China's massive effort to infiltrate, undermine and eventually abolish Taiwan's democracy,” Josh Rogin, a columnist for The Washington Post wrote in an opinion article.

Rogin wrote, “Following its successful interference effort in last November's local elections, Beijing is now focused intensely on ousting Tsai and her Democratic People's Party in next January's presidential contest.”

He said that “a Chinese military invasion is no longer the scenario Taiwanese fear most. China's strategy to take over Taiwan is focused now on the hybrid warfare tactics authoritarian regimes increasingly deploy in free societies.”

A Chinese paramilitary policeman stands guard at Tiananmen Square during the opening session of the National People's Congress, China's rubber-stamp legislature, in Beijing on March 5, 2019.



LINTAO ZHANG/GETTY IMAGES

fiercer internal struggles in the CCP and objections from the Chinese public, as well as the United States’ military intervention.

By influencing elections, deploying spies, and buying out the media and elites in the political and business communities, Xie said, the CCP has raised its interference to a dangerous level. The media and compromised elites have become representatives of the CCP.

Xie said that even some Taiwanese-founded Chinese-language newspapers in the United States have now become mouthpieces for the CCP, such as the World Journal and The China Press.

Xie said Taiwan should adopt a law similar to the United States’ “Foreign Agents Registration Act,” and require those media that actually represent the CCP to register as foreign agents so the Taiwanese public would not be misled by these outlets’ fake news that harms Taiwan.

The third threat Taiwan is facing, Xie said, is its economic dependence on China. In 2017, Xie was invited to National Taiwan University to conduct research on the trade relationships and interdependence between Taiwan and China.

After analyzing economic and trade figures for the past 20 years, Xie and his co-researcher found that Taiwan's economic dependence on China was 10 times China's dependence on Taiwan.

Xie said this was an alarming figure, and Taiwan should realize the grave danger.

He said a bilateral free trade agreement between the United States and Taiwan is a very good initiative. Given the Trump administration's strong support for Taiwan, Xie said the opportunity is ripe for Taiwan to start direct talks with the United States.

Free Trade

Chinese political and economic analyst Qin Peng told The Epoch Times that a bilateral free trade agreement between the United States and Taiwan would not only enhance U.S. national security and offer Taiwan more protection by reducing Taiwan's dependence on China, but also will benefit China by encouraging healthy development there.

Qin said, as part of the global high-tech supply chain, Taiwan plays a critical role in global information security, including the security of the United States and the Indo-Pacific region.

If a free trade agreement can be achieved, given that the United States has started to restrict the transfer of high-tech to China, more Taiwanese high-tech companies would choose to move back to Taiwan. This can in turn prevent the CCP's forced technology transfer, theft, and potential compromise of critical parts of the supply chain.

Qin said a free and safe Taiwan is the beacon for many mainland Chinese who long for democracy. Taiwan's development and safety can give Chinese people hope and more incentive to strive for freedom and democracy, and to contain the CCP's predatory expansion.

Tang Baiqiao, former 1989 Tiananmen Square-uprising student leader and president of Democracy Academy of China, said a free trade agreement would bring U.S.-Taiwan relations to another height, and make the United States feel more secure about Taiwan's attitude. If Taiwan becomes too close with the CCP, there is little the United States can do to intervene, even when the CCP tries to suffocate free institutions in Taiwan.



Frank Tian Xie, business professor at the University of South Carolina–Aiken.

Tang said a trade agreement with the United States can also set an example for other countries, encouraging them to improve trade relations with Taiwan, and he hopes that Taiwan can seize the opportunity.

Support Chinese Democracy

Cao Ji (alias on Twitter), a former professor at a university in Shanghai who now lives in Taiwan, said that whether or not the status quo between Taiwan and China can be maintained depends on China's economic status in the coming years.

If China's current financial stimulus policy cannot save China's economy, the CCP could use “Taiwan independence” as an excuse to create and intensify tensions at the Taiwan Strait to distract attention from its own crisis. Both Taiwan and the United States should prepare for this possibility in advance, he said.

Cao said, faced with the CCP's aggressive pressure on all fronts, Taiwan should cooperate more with the United States in politics, the economy, diplomacy, and the military.

At the same time, the Taiwanese government should be more proactive in supporting the Chinese people's fight against the CCP's tyranny, as well as their struggle to gain freedom and democracy.

Taiwan should be more involved in international human rights and the activities by NGOs to expose the CCP's atrocities.

Cao said that Taiwan is an important base for the semiconductor industry, and has the responsibility to ensure that sensitive technology will not fall into the CCP's hands. Taiwan and the United States should cooperate in law enforcement to punish Taiwanese businesses and individuals who secretly transfer U.S. technology and patents to the CCP, to prevent further damage.

US Attitude

He Qinglian, a China scholar, wrote in a commentary in Chinese that among the new “Romance of Three Kingdoms” of the United States, China, and Taiwan, the U.S. attitude is an important force to balance the relationship across the Taiwan Strait.

However, the main “function” of the TRA is to ensure that the United States will ensure Taiwan's safety if, and only if, the CCP tries to “unify” Taiwan with force. The TRA cannot and will not protect Taiwan from CCP's “peaceful” infiltration.

That is why the United States has never tried to intervene with Taiwan's affairs, even when Taiwan was about to pass the Cross-Strait Service Trade Agreement, which was thought to be a building block for “peaceful unification.”

In this sense, He argued, the TRA does not have the function of protecting Taiwan's democracy, as many Taiwanese have wished.

Therefore, the greatest challenge for people in Taiwan, who have somehow taken free elections for granted, is how to select the next president in 2020, who can fight against the CCP's red influence, and develop Taiwan's economy at the same time, while finding the fine line to balance its relationships with the two superpowers: the United States and China.

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

OPINION

FOR CHINA, SPACE IS ABOUT POLITICS AND WAR

JOSHUA PHILIPP



The Chinese Communist Party (CCP) wants to become a major space power by 2030, and a global leader in space equipment and technology by 2045.

It seems the regime is well on its way to achieving this goal, which could give it significant leverage in business, politics, and military power.

A report on the CCP's pursuit of space power, and what it means for the United States, was released by the U.S.-China Economic Security Review Commission on April 11. It states that although the CCP currently trails the United States in space power, it's putting significant efforts into catching up fast.

It says, “U.S. policymakers should not expect China's space program to remain significantly behind the United States’ indefinitely,” especially as its programs serve both military and civilian purposes, with the deeper goal of “leapfrogging the United States.”

Included in the CCP's space programs are an alternative to GPS, a new Chinese international space station, dreams of a lunar base, and other goals. For the CCP, the uses of these go beyond science and exploration.

Behind the scenes, the CCP has been testing anti-satellite weapons since at least 2005. Its use of a missile to destroy its Feng Yun 1-C weather satellite in 2007, sending more than 3,000 pieces of debris into low-earth orbit, is what got the CCP barred from working with NASA.

When U.S. government funding for the International Space Station (ISS) ends in 2024, the report notes, China “may be the only country to have an active space station.” That would give the CCP an upper hand in diplomacy, since while it says UN member countries may be able to use it, this access could be determined by political stance.

In the same light, the CCP's replacement for GPS has significant importance for military power. The U.S. GPS system is used not just for civilian products such as smartphones and apps, but also for military navigation and weapons targeting. If a war broke out between major countries, or if a rogue state was using this technology to commit atrocities, the United States could deny it access to GPS—shutting it off from key military capabilities.

The CCP, on the other hand, has a permissive stance on government tyranny. Part of the “China model” is a “do as thou wilt” stance that keeps the CCP supporting rogue regimes such as Iran and North Korea, regardless of sanctions.

For the CCP, this means both military strength and diplomatic power. And according to the report, this is a key trait of the regime's space goals.

“Compared to the U.S. space program, China's program is also more connected to the ‘levers of power,’ meaning its goals more often draw support from top leaders and are interconnected with the overall priorities of China's industrial and foreign policies.”

Among these key “levers of power” is the CCP military, which the report says “plays an important role in organizing and overseeing China's space activities, meaning most of China's ostensibly civilian space activities have dual-use applications.”

When it comes to media coverage and public statements about actions in space, the CCP tries to maintain a peaceful veneer, but its actions say otherwise.

The CCP recently criticized India for testing an anti-satellite weapon, and followed that with lofty sounding talk of peace. The Chinese Foreign Ministry spokesman declared that “Outer space is shared by the entire mankind. Every country has the right to make peaceful exploration and use of outer space.”

Yet, behind the scenes, the CCP has been testing anti-satellite weapons since at least 2005. Its use of a missile to destroy its Feng Yun 1-C weather satellite in 2007, sending more than 3,000 pieces of debris into low-earth orbit, is what got the CCP barred from working with NASA.

A retired Indian Army colonel, Vinayak Bhat, also revealed satellite imagery showing secret space weapons facilities in China, including anti-satellite laser systems, as well as electromagnetic pulse (EMP) generators.

The CCP's military strategy for a war with the United States would rely heavily on weapons like this, under its so-called “Assassin's Mace” or “Trump Card” program. This would include the use of anti-satellite weapons and other key technologies to destroy the systems that enable core technologies of the U.S. military.

“These modern Trump Card and Assassin's Mace weapons will permit China's low-technology forces to prevail over U.S. high-technology forces in a localized conflict,” states a 2011 report from the National Ground Intelligence Center.

And as the new report notes, one of the key CCP agencies in charge of its space programs, the China Aerospace Science and Industry Corp., also “plans and oversees China's direct-ascent anti-satellite weapons programs.”

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

OPINION

CHINA HAS A DATABASE ON AMERICANS, BUILT FROM STOLEN DATA

JOSHUA PHILIPP

Recent comments from Rep. Chris Stewart (R-Utah) support what The Epoch Times reported more than three years ago, in the article “You’re on File: Exclusive Inside Story on China’s Database of Americans,” published Feb. 26, 2016: The Chinese regime has built a database on Americans, and it is using that database for espionage.

Included in this database are the estimated 23 million records of U.S. federal employees, stolen by Chinese hackers from the Office of Personnel Management (OPM). The FBI revealed the cyberattack on June 4, 2015.

“They can run through those 23 million names in a heartbeat and connect dots in a heartbeat,” Stewart said at a meeting of the Committee on the Present Danger: China, according to The Washington Free Beacon. Stewart, a former U.S. Air Force B-1 bomber pilot, is a member of the House Permanent Select Committee on Intelligence.

“Have we seen evidence that they’ve done that? Absolutely,” he said.

In 2016, an insider in China revealed to The Epoch Times that he helped build a database for the Chinese Communist Party (CCP) that it’s now using to store and use data stolen on Americans. He said this includes the OPM data, and information from other CCP breaches.

Included in the OPM data are evaluations of federal employees for security clearances, which often includes sensitive personal information that a regime such as the CCP could use for blackmail, or other purposes.

According to the insider, the CCP database on Americans is similar in

The CCP database on Americans is similar in use to its Social Credit System that tracks data on each Chinese citizen.

use to its Social Credit System that tracks data on each Chinese citizen, based on almost every trackable element of their lives—including their daily behavior, their connections, and their political stances—and assigns them a score that determines their level of freedom in society.

According to the insider, Chinese spy agencies finished building their system for the database around July 2013.

During the construction of the database system, the CCP brought in a small group of independent software developers from the United States, who worked with Chinese agencies to build and implement the system.

Among the agencies involved, he said, was the 61 Research Institute. The little-known department was under the CCP military’s General Staff Department, Third Department that used to run many of its cyberattack operations (the infamous Unit 61398 was under the Third Department, for example). The CCP has since restructured these operations under its Strategic Support Force.

Another inside source, who formerly worked in a CCP spy agency, revealed details about the 61 Research Institute to The Epoch Times in September 2015. He disclosed that the man in charge of the 61 Research Institute was Maj. Gen. Wang Jianxin, son of Wang Zheng, who was a pioneer of the Chinese Communist Party’s signals intelligence operations under Mao Zedong.

Another son of Wang Zheng was the lieutenant general of the deputy secretary of the CCP Central Guard Bureau, the official guards that protect the Chinese regime’s top leaders at

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DOTSHOCK/SHUTTERSTOCK



GORDENKOFF/SHUTTERSTOCK

Zhongnanhai. His nephew is Wang Lei Lei, the CEO of one of the top finance companies in China.

The source alleged that, in China, “This family, they control all the communications.”

Recently revealed information helped confirm those claims. It wasn’t until September 2018 that the U.S. government officially confirmed that China was behind the OPM breach. The confirmation was made by White House national security adviser John Bolton.

The source who had disclosed the details on the database on Americans also revealed that, in addition to the 61 Research Institute, various CCP police forces were involved in the program,

The software used by the CCP for the database was originally a big data analytics program for ‘smart cities.’ Among its capabilities were tools to track massive amounts of people, display large records of personal data, and track family members, relations, and background information. Among its key features was its display of data in nodes, which could be sorted and viewed in relation to other data, events, or time frames.

as well as about six branches of the secret police.

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TECHNOLOGY

TAIWAN, PAKISTAN RAISE SECURITY CONCERNS ABOUT HUAWEI WI-FI EQUIPMENT

FRANK FANG

TAIPEI, Taiwan—Wi-Fi cards made by Chinese tech giant Huawei have come under scrutiny in Taiwan and Pakistan after experts noted potential security vulnerabilities.

Zhinan Bus Co., a bus operator in New Taipei City and Taipei City, recently disclosed that 20 of its vehicles were equipped with 4G Wi-Fi cards made by Huawei. Together with routers made by Latvian internet equipment provider MikroTik, they provide free wireless internet service to bus riders, according to Taiwanese media. The bus operator began offering the free internet connection in September 2017.

Wi-Fi on Taiwan Buses

The public acknowledgment was made by company General Manager Lee Chien-wen, after local media began reporting about the company’s alleged use of Huawei products. Lee explained that the company began using the Huawei Wi-Fi cards about six months ago, and the purchases were made in accordance with Taiwan laws.

The National Communication Commission, Taiwan’s telecom and broadcasting regulator, began banning Huawei base stations in 2013, according to Taiwanese media. Since then, Taiwan’s central government, including the presidential



A MAJEED/GETTY IMAGES

office, legislature, defense ministry, and chief intelligence agency, has put in place bans against any Chinese-made telecom equipment. However, local governments don’t yet have restrictions.

The Taiwanese government shares similar security concerns to many other countries around the world, including Australia and the United States, which have restricted their market access to Huawei, owing to its close ties to Beijing.

Under China’s National Intelligence Law, enacted in 2017, all Chinese companies are required to supply intelligence

information to Beijing, if requested.

Lin Ying-dar, a professor specializing in wireless communications and network security at Taiwan’s National Chiao Tung University, warned that Huawei equipment and gadgets, including smartphones, Wi-Fi cards, internet base stations, and core networks, are all likely to have built-in backdoors. That would put users at risk of being spied on or having their communications intercepted, he said in an interview with Taiwanese daily newspaper Liberty Times, about the Wi-Fi cards used by Zhinan Bus Co.

“If you put a Wi-Fi card in, then you’re potentially giving someone some other form of remote access to it.”
Alan Woodward, cybersecurity expert

Meanwhile, Shen Pao-yang, assistant professor at the Graduate School of Criminology of National Taipei University, said in an interview with the Asia-Pacific branch of New York-based broadcaster NTD that public transportation services should be proactive about disclosing any equipment they use that is made by Chinese companies.

Shen called on the Taiwanese government to pass a law that would prevent the use of any equipment made by countries that are considered adversaries to Taiwan, if the equipment could be illegally used to collect information in Taiwan.

Taiwan’s national defense is built on fending off military attacks from China, because the Beijing regime considers the island part of its territory and has threatened to unite it with the mainland, with military force if necessary.

Things may soon change, as an executive order about mainland Chinese-made IT products used by government agencies is slated to be issued later this week, according to an April 10 report by local English-language daily Taipei Times.

The executive order is expected to extend the telecom ban to local government agencies, in addition to expanding the breadth of prohibited China-made products to mobile devices, security cameras, and server components made by Huawei, Chinese tech giant ZTE, and Chinese video surveillance equipment maker Hangzhou Hikvision Digital Technology, according to Taipei Times.

The full list of prohibited items is expected to be finalized when the executive order is issued.

Like Huawei, ZTE has ties to China’s military. Hikvision is a key supplier of

technology for Beijing’s massive surveillance network to monitor citizens and track dissidents, including in the Xinjiang region, where Uyghur Muslims are heavily persecuted.

A similar Wi-Fi concern was raised in March, after revelations at a legislative hearing that a Taiwanese contractor that provides free 4G Wi-Fi for some of Taiwan’s metro, railway, and high-speed railway, could, in fact, be controlled by a Chinese telecom company.

Pakistan Security Cameras

Huawei has marketed its package of IT solutions, surveillance systems, and internet networks, under the concept of “smart city,” around the world. According to Huawei’s website, the German city of Gelsenkirchen and the South African city of Ekurhuleni already have employed the company’s “smart city” technology.

In the Pakistani city of Lahore, an autonomous government body focused on public safety, signed a deal with Huawei to use its “smart city” surveillance camera system in 2016.

But recently, the PSCA told BBC that it discovered Wi-Fi transmitting cards within the infrastructure of its Huawei-made surveillance system—that weren’t supposed to be there. Upon discovery in 2017, PSCA had asked Huawei to remove the cards due to the “potential for misuse,” the company complied.

According to the BBC, a Huawei representative told PSCA at the time that the cards were placed into 1,800 “CCTV cabinets” around Lahore, so Huawei engineers could easily access them remotely for troubleshooting. However, two un-

named people involved with the Lahore smart city project told BBC that remote access to the cabinets was already possible through a main network, without the cards.

“If you put a Wi-Fi card in, then you’re potentially giving someone some other form of remote access to it. You might say it’s done for one purpose, but as soon as you do that, it’s got the potential to be misused,” cybersecurity expert Alan Woodward told BBC.

One of the sources told BBC that the cards were removed before there was a chance to test whether they could be exploited.

According to a May 2016 article by Pakistani English-language newspaper The Express Tribune, the PSCA contract with Huawei was for the installation of about 10,000 surveillance cameras in Lahore, including in key infrastructure sites, public institutions, and markets. Huawei was awarded the project after a successful bid of 12 billion Pakistani rupees (about \$84.7 billion).

PSCA wrote on its website that many of these surveillance cameras are equipped with facial-recognition software.

The dangers of Huawei exporting smart city technology abroad were explained by the U.S. think tank Jamestown Foundation, in an article published in June 2018.

“While the smart cities of the future could be better, more efficient cities, they could also provide authoritarian regimes with previously undreamt of tools of surveillance and control,” the foundation warned. Additionally, when used in democratic countries, Huawei equipment may “act as a conduit for [Beijing’s] intelligence gathering.”



LUKE SHARRITT/GETTY IMAGES

A bulldozer works a coal mound at the American Electric Power coal-fired Big Sandy Power Plant in Cattsletsburg, Ky., on June 3, 2014.

TECHNOLOGY

SENATE BILL AIMS TO FREE US FROM MINERAL DEPENDENCE ON CHINA

FRANK FANG

Three U.S. senators have introduced new legislation aimed to reduce U.S. reliance on Chinese imports of rare earth metals that are key materials for making nearly all high-tech products, such as electric vehicles, smartphones, and guided missiles.

The bill, named the “Rare Earth Element Advanced Coal Technologies Act (REEACT),” was introduced by Sens. Joe Manchin (D-W.V.), Shelley Moore Capito (R-W.V.), and Lisa Murkowski (R-Alaska). Manchin and Capito are sponsors of the bill, while Murkowski is the chairperson of the Senate Energy and Natural Resources Committee.

The bill’s objective is to provide federal funding to support the development of U.S. technology that can be used to extract rare earth elements (REEs) from coal and coal byproducts in U.S. mines.

The bill would authorize the Department of Energy to spend an annual budget of \$23 million from 2020 through 2027 to carry out U.S. research.

“As the leader of the free world, the United States should not be depending on China and other foreign nations for our supply of rare earth elements,” Manchin said in a press release released by Murkowski’s office.

Manchin added: “This important technology would go a long way in re-establishing our domestic production which is critically important to our national security.”

China’s Near Monopoly

China currently controls more than 90 percent of the global supply in rare earth metals, according to a January 2017 report by the U.S. Department of Energy.

China’s dominance is, in part, the result of cheap labor and lax environmental regulations. The extraction of rare earth metals from ores, which involves a separation and refinement process that often requires toxic chemicals, could result in serious environmental pollution. But many Chinese companies don’t spend money to treat the toxic waste.

With such price advantages over foreign rare earth companies, Chinese companies then buy up mines from failed competitors—with some of the funding for buying overseas natural resources coming from Beijing’s foreign-exchange reserves.

According to data from the U.S. Geological Survey (USGS), the United States is dependent on imports for 64 strategic metals and minerals—in quantities to meet more than 25 percent of U.S. demand as of 2017. Of the 64, about 35 are mostly imported from China. The total value of all rare earth imports in 2017 was roughly \$150 million.

“Rare earth elements are essential to our economy and national security,” Capito said. “This legislation would help support the research and development of these technologies, a win-win-win for Appalachia’s economy, the environment, and our national defense.” The Appalachian region is home to much of the U.S. coal mining industry.

If passed, the bill would authorize the Department of Energy to spend an annual budget of \$23 million from 2020 through 2027 to carry out programs to develop such technologies.

Additionally, the Secretary of Energy, in consultation with the Secretary of Defense and the Secretary of Interior, would submit to Congress a report less than a year after the bill is passed, assessing the research, development, demonstration, and market impact of American REE production technologies.

“Breaking our foreign mineral dependence is critical to the future of manufacturing in America,” Murkowski said in the press release.

The bill includes provisions to “clean up mine sludge and acid mine drainage and reduce the environmental impacts of coal production,” James Wood, interim director of the West Virginia Energy Institute, said in the press release.

Manchin first introduced a similar version of the REEACT Act in July 2017.

Electric Vehicles

A key material used to manufacture batteries for electric vehicles (EVs) is lithium. To address China’s dominance—it produces about two-thirds of the world’s lithium-ion batteries compared to 5 percent by the United States—U.S. officials plan to meet with U.S. automakers and lithium miners in early May to launch a national strategy on the electric vehicle supply chain, according to Reuters, citing three unnamed sources.

The Chinese regime has targeted development of its electric vehicle industry as a national priority; thus, many Chinese automakers are boosted by government subsidies. Chinese EV makers CATL and BYD have reportedly received millions in such subsidies. To squeeze foreign competitors out of China, Beijing also rolled out preferential subsidies for Chinese EV makers who use domestically produced batteries.

According to the USGS, U.S. imports of lithium have doubled since 2014 in part because of rising demands from U.S. electric car maker Tesla and battery makers.

As part of the national strategy, Murkowski is expected to introduce separate legislation aimed to streamline the permitting process to license lithium and other mines; bolster state and federal studies of domestic supplies of critical minerals; and encourage mineral recycling, among other topics, according to Reuters, citing an anonymous source.

Reuters contributed to this report.

THE EPOCH TIMES

TRUTH *and* TRADITION

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