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# THE EPOCH TIMES CHINA WEEKLY

## HOW THE WEST GOT CHINA WRONG

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## HUMAN RIGHTS

# US HUMAN RIGHTS REPORT CALLS OUT CHINA, ACKNOWLEDGES ORGAN HARVESTING

JENNIFER ZENG

WASHINGTON—The State Department's annual Country Reports on Human Rights Practices, released on March 13, highlighted China as one of the worst human rights abusers and may have signaled there will be a future investigation of forced organ harvesting in the country.

Presenting the report at the State Department, Secretary of State Mike Pompeo said China was in "a league of its own when it comes to human rights violations."

"In just 2018, China intensified its campaign of detaining Muslim minority groups at record levels. Today, more than 1 million Uyghurs, ethnic Kazakhs, and other Muslims are interned in reeducation camps designed to erase their religious and ethnic identities," he said.

The report lists dozens of different serious human rights abuses in China, including "arbitrary or unlawful killings by the government, forced disappearances by the government, torture by the government, arbitrary detention by the government, harsh and life-threatening prison and detention conditions, political prisoners," and many others.

Ambassador Michael Kozak of the Bureau of Democracy, Human Rights, and Labor, said at a press conference on March 13 at the National Press Club: "From Xinjiang, where you've got hundreds of thousands or millions of people in camps, to the treatment of Falun Gong, to house churches, you go across the board, the situation in China has not gotten better. It's gotten a lot worse over the last several years."

"We do raise these issues with the



Ambassador Michael Kozak, Bureau of Democracy, Human Rights, and Labor, said China's human rights situation has "gotten a lot worse over the last several years."

Secretary of State Mike Pompeo called out China as one of the worst human rights abusers when presenting the State Department's annual Country Reports on Human Rights Practices in Washington on March 13, 2019.

Chinese authorities when we see them. ... What we are trying to do is just raise the level of attention to these issues." Kozak believes that international pressure "does have some effect." In the case of Xinjiang, the Chinese authorities changed their position from denying the existence of the "re-education camps" to admitting it, while claiming that they are "vocational training camps."

**'A Noteworthy Development'**  
The report also identified the issue of organ harvesting in China, about which the House of Representatives unanimously passed Resolution 343 in June 2016, "expressing concern regarding persistent and credible reports of systematic, state-sanctioned organ harvesting from non-consenting prisoners of conscience in the People's Republic of China, including from large numbers of Falun Gong practitioners and members of other religious and ethnic minority groups."

The report says, "Some activists and organizations continue to accuse the government of involuntarily harvesting organs from prisoners of conscience, especially members of Falun Gong."

David Matas, an international rights lawyer and co-author of "Bloody Harvest/The Slaughter," told The Epoch Times he thinks that's "a noteworthy development."

"The mention by the Department of State ... of reports of organ harvesting of prisoners of conscience, primarily Falun Gong, is an indication of the seriousness with which the reports are taken," he said.

"There is an implicit, albeit belated, link here to the House of Representatives' June 2016 resolution calling for



SAMIRA BOUAOU/THE EPOCH TIMES

an investigation by the Department of State."

Among the six items expressed in House Resolution 343, the sixth one directly addresses the Department of State:

"That the House of Representatives ... calls on the United States Department of State to conduct a more detailed analysis on state-sanctioned organ harvesting from non-consenting prisoners of conscience in the annual Human Rights Report, and report annually to Congress on the implementation of section 232 of the Department of State Authorization Act, Fiscal Year 2003 (8 U.S.C. 1182f), barring provision of visas to Chinese and other nationals engaged in coerced

Falun Gong practitioners hold a candlelight vigil to protest the Chinese regime's persecution of the practice, near the Chinese Consulate in New York in April 2014.

## Secretary of State Mike Pompeo said China was in 'a league of its own when it comes to human rights violations.'

organ or bodily tissue transplantation."

Matas said: "The investigation has not yet been done. But when the Department of State itself says that there is a serious issue here, it is hard for them then to say they will not investigate. This year's Department of State report may be a prelude to an investigation. At the very least, it adds leverage to the congressional request for an investigation."

However, journalist and researcher Ethan Gutmann, author of "Losing the New China" and "The Slaughter," criticized the State Department for "parroting Chinese official assurances of transplant reform while over one

million blood-tested Uyghurs are incarcerated in "reeducation" camps."

David Kilgour, a former Canadian secretary of state for Asia-Pacific and co-author of "Bloody Harvest/The Slaughter," said: "The United States should advance its concern about the worsening state of human rights across China at every bilateral and multilateral opportunity, just as it did with the Soviet Union in the 1970s and '80s."

"Relinking human rights with trade talks, applying the Magnitsky Act to surgeons and others participating in organ abuse, and warning U.S. universities about the risk of training surgeons from China, and so on, would all help."

## CHINESE COMPANIES

# US LAWSUIT ALLEGES CHINESE FIRM'S SCHEME TO PROFIT FROM STOCK MARKET MANEUVERS

NICOLE HAO

A recent U.S. class-action lawsuit claims that a Chinese medical firm has misled U.S. and other investors, leading to significant financial losses.

Wuxi PharmaTech (Cayman) Inc. was previously publicly listed on the New York Stock Exchange (NYSE). But after the firm decided to go private, shareholders were persuaded to sell their stocks at \$46 per American Depositary Share (ADS), without being told that the company would return to market less than two years later with an IPO (initial public offering) at a much higher valuation. Effectively, stockholders lost more than \$21.1 billion in total, the lawsuit alleges.

Several large Chinese firms owned by princelings of the Chinese Communist Party (CCP) or their relatives are defendants in the lawsuit—and are alleged to have profited enormously from the scheme.

**A US Listed Company**

On Feb. 21, Altimeo Asset Management, a French financial firm, first sued Wuxi, a multinational company



Former shareholders of Chinese company Wuxi PharmaTech (Cayman) Inc. are suing the company for losses incurred after they sold their shares when the publicly-listed company went private. The company later returned to the market with a higher initial share price.

that develops pharmaceuticals and medical devices headquartered in Shanghai and registered in the Cayman Islands.

The federal court in Manhattan, New York, reviewed the case and revised it to a securities class-action lawsuit.

Since then, New York-based law firms Rosen Law Firm, Pawar Law Group, Pomerantz LLP, and Zhang Investor Law have called for shareholders who purchased or sold Wuxi securities between Sept. 1 and Dec. 10, 2015, to contact them about joining the lawsuit.

**Several large Chinese firms owned by princelings of the Chinese Communist Party or their relatives are defendants in the lawsuit and are alleged to have profited enormously from the scheme.**

Li Ge, head of the defendants, founded Wuxi in 2000. Li, 52, became a U.S. citizen by naturalization after he received his master's and doctorate degrees in organic chemistry from Columbia University and founded a NASDAQ listed company Pharmaco-peia.

In March 2007, Wuxi reincorporated in the Cayman Islands in advance of its IPO on the NYSE, which took place in August 2007.

Li, his wife, WuXi's then-board members, and a group of nine Chinese companies were the primary shareholders. They included Boyu Capital, a Hong Kong-based investment company co-founded and operated by Alvin Jiang, the grandson of former CCP leader Jiang Zemin; Temasek Life Sciences Private Limited, a Singapore state-run investment company; Ping An Life Insurance, one of China's largest insurance companies; and Legend Capital, an investment firm co-founded by the person behind tech giant Lenovo, Liu Chuanzhi. They are the defendants in the lawsuit.

**Delisted**

On April 30, 2015, Wuxi announced that it planned to reorganize and delist from the NYSE. It offered to acquire all shares that weren't owned by the aforementioned executives and nine firms for \$46.00 per ADS. That

made the total equity value \$3.62 billion, according to the lawsuit.

On December 10, 2015, Wuxi announced that it had completed the going-private transaction. That same day, it delisted from the NYSE.

During the process, WuXi "explicitly omitted" that it planned to separate the company into three subsidiaries and return to the stock market, the lawsuit alleges.

On June 6, 2017, Wuxi subsidiary and biopharmaceutical firm WuXi Biologic completed an IPO on the Hong Kong Stock Exchange and raised more than \$510 million, for a total valuation of more than \$3 billion.

On May 8, 2018, Wuxi subsidiary WuXiAppTec completed an IPO on the Shanghai Stock Exchange and raised more than \$354 million, for a total valuation of \$3.5 billion.

In July 2018, WuXiAppTec filed a prospectus in Hong Kong to become dual-listed. On Dec. 12, 2018, it had raised \$1.01 billion on the Hong Kong exchange, for a \$10.2 billion valuation.

WuXi NextCODE, which would focus on developing new medicines based on genomics, remains a private firm. In 2017 and 2018, it had two financing rounds.

The combined market capitalization of WuXi Biologics and WuXiAppTec is estimated to be \$24.7 billion, nearly seven times greater than WuXi's

value during the privatization, according to the lawsuit.

Shareholders were not aware of such plans when they sold their shares in 2015, which is a violation of U.S. federal securities laws, the lawsuit claims.

According to the U.S. Securities Exchange Act of 1934, listed companies have the responsibility to tell their shareholders their reorganization plans.

**Scheme to Profit**

Boyu Capital is a Chinese firm known to profit from similar schemes.

The firm was founded in 2010 by Louis Cheung, former president of Ping An Insurance; Mary Ma, the former CFO of Legend Holdings and main shareholder of Lenovo; and Alvin Jiang, grandson of former Chinese leader Jiang Zemin.

In an April 2014 report, Reuters explained how Boyu bought 40 percent of shares in Sunrise Duty Free—a group of government-authorized duty-free shops operating in Beijing and Shanghai airports—for \$80 million in 2011, only to have its value increase to \$1.6 billion by 2013, according to bankers' estimates cited by Reuters.

"They [investors] believe, [the Sunrise deal] provided evidence that Jiang Zemin's grandson could gain access to a strictly controlled state

sector and convert those assets into a highly profitable investment," Reuters reported. "There is no evidence that Jiang Zemin had a role in helping Boyu win a part in the Sunrise deal or in any other transaction. That hasn't stopped the belief from spreading that Alvin Jiang is tapping his family connections."

Another prominent case involving Boyu was the then-largest IPO on the NYSE: when Alibaba went public in September 2014.

Shortly after Alibaba's IPO, Boyu Capital sold its 1.28 million shares in Alibaba and received \$84.31 million in cash.

The New York Times pointed out in a July 2014 report that the biggest winners behind Alibaba's IPO included three sons or grandsons of the CCP's most powerful members. They are Alvin Jiang, Winston Wen, the son of former premier Wen Jiabao; and Chen Yuan, the son of Chen Yun, who was a former member of the CCP's most powerful decision-making body, the Politburo Standing Committee.

Having the privilege to invest in profitable companies, Party princelings and their families have profited from investing in the Chinese and Hong Kong exchanges easily. With the latest WuXi case, it appears they could use similar methods with U.S. exchanges.

## NATIONAL SECURITY

## REPUBLICANS PUSH LEGISLATION TO PROTECT US UNIVERSITIES FROM FOREIGN SPYING

BOWEN XIAO

Republicans are introducing new legislation that would seek to protect U.S. universities from the theft of sensitive information by foreign nations such as China, Russia, Iran, and North Korea.

A bill dubbed the "Protect Our Universities Act of 2019," introduced by Rep. Jim Banks (R-Ind.) on March 12, would establish a Department of Education-led interagency task force to address the vulnerabilities currently present on college campuses across the nation.

The task force would manage a list of "sensitive research projects" that have links to the Commerce Control List, and the U.S. Munitions List. It would also manage other "foundational principles developed for advanced military technologies."

Banks specifically singled out spying tactics used by the Chinese Community Party (CCP).

**“**Countries like China may use subversive tactics to gain footholds in major STEM programs in U.S. universities to create a pipeline of data and information back to the mainland.  
*Rep. Jim Banks*

"Countries like China may use subversive tactics to gain footholds in major STEM programs in U.S. universities to create a pipeline of data and information back to the mainland," he said in a statement. "China is also using telecommunications giants Huawei Technologies and ZTE as entry points into the United States' data networks, both on and off university campuses."

In June last year, Banks wrote to Department of Education Secretary Betsy DeVos about the threat that China and other adversarial nations pose to universities in America. At the time, a working group was requested to find a solution, but Banks said the department's response failed to adequately address the issue.

"The Department of Education's lack of an adequate response to this request prompted me to craft legislation on the issue," he wrote. "We must get tough against these covert threats on college campuses and limit the effectiveness of their information-gathering missions." Banks noted that the CCP has a "long record" of methods used to get information back to Beijing. Chinese nationals who study abroad in America are manipulated and pressured to be "information collectors for the communist government and military in Beijing."

Under the new bill, students from the four nations deemed to be a threat—China, Russia, Iran, and North Korea—would have to apply for a waiver to be allowed to participate in sensitive research projects funded by the Department of Defense, Intelligence Community, and Department of Energy. The waiver would need to be granted by the Director of National Intelligence.

**Chinese nationals who study abroad in America are manipulated and pressured to be 'information collectors for the communist government and military in Beijing,' Banks said.**

The legislation would also prevent technology developed by companies that have been recognized as bad actors such as "Huawei, ZTE, Kaspersky, and others" from being used in sensitive research projects funded by the government.

In June last year, a senior official in the Defense Department said they are investigating research partnerships between Chinese companies and American universities, especially on U.S. campuses.

A Senate report released in February by Permanent Subcommittee on Investigations Chairman Rob Portman (R-Ohio) and ranking member Sen. Tom Carper (D-Del.) stated that the Beijing-backed Confucius Institutes on American campuses should be closed if no major changes in their operations occur.

The 93-page bipartisan report pointed to the language and culture at the institutes as a threat to academic freedom and said that many U.S. colleges have failed to disclose money received from the CCP, despite guidance from the Education Department that foreign gifts be reported. The CCP has spent over \$156 million on U.S. schools since 2006.

## FOREIGN POLICY

# HOW THE WEST GOT CHINA WRONG

AMERICAN AUTHOR GORDON CHANG ON THE WEST'S CHINA POLICIES AND THE 'CLOSING WINDOW OF OPPORTUNITY' FOR THE CHINESE REGIME

OMID GHOREISHI

**S**T. CATHARINES, Canada—What is the No. 1 failure of Western foreign policy? Up until a few years ago, many would have said it was the failure to stop the rise of Hitler's Third Reich in Germany in the 1930s, says American author Gordon Chang. But now, Chang says, there is a new contender for the top spot: the inability of the West to moderate the behavior of communist China.

"It's now time for we in the West to acknowledge mistakes and to end self-delusion," said Chang, a frequent China commentator and author of the book "The Coming Collapse of China," in a talk at Brock University in southern Ontario.

The issue goes back to decades of mistaken China policy, but one recent example is how Washington dealt with China's aggression in the aftermath of the 2012 Scarborough Shoal standoff between China and the Philippines in the South China Sea, Chang said.

Following a U.S.-brokered deal, the Philippines withdrew its craft from the area until an agreement over the ownership of the disputed

territory could be reached. However, Beijing didn't withdraw its forces.

"To avoid conflict, senior White House officials decided not to enforce the agreement that they had brokered," Chang said. "But what we did by doing nothing was we showed the Chinese that they can do anything they wanted."

The result was that China went on to increase its military presence in other disputed territories in the region.

"The Chinese were villains, but it's because the West, and in particular the United States, has allowed the Chinese to become villains. We have forgotten every lesson about how to deal with headline regimes," Chang said.

Among the factors putting the West on the wrong course with China is that the West didn't truly understand the nature of the communist Soviet system, thinking that the Soviet Union was a state like any other, according to Chang.

"Instead of recognizing the empirically belligerent nature of communism, we just thought, well, OK, China's just another country."

This mistaken approach could be seen in what Winston Lord, deputy to Henry Kissinger,

Protesters hold banners during a demonstration against plans for a factory to produce paraxylene (PX), a toxic petrochemical used to make fabrics, in Kunming, Yunnan Province, on May 4, 2013. Protests and social unrest in different segments of Chinese society point to a "fundamental discontent in society," according to Gordan Chang, to which communism has no answer.

the former U.S. national security adviser who negotiated rapprochement with China, once said. He said that American policy toward China had to be based on "necessary myths."

But basing policies on myths had its consequences, one of them being that the Chinese regime never headed toward democracy as a result of closer relations with the West, as many had hoped, Chang said.

"Western policy toward China fundamentally underestimated the hostility, the belligerence, the relentlessness, the will to power of China's Communist Party," Chang said.

Drawing on a Canadian connection, Chang pointed to recent comments by the Chinese consul general in Calgary in relation to Canada's arrest of Huawei CFO Meng Wanzhou at the request of the United States. "Unfortunately, some nations seem to be unwilling to give China a chance," Lu Xu said in February.

In reality, Chang said, China has had many chances, "and it has exhausted the patience of many."

**Beijing's 'Closing Window of Opportunity'** China's recent ambitions have escalated as

Chinese leaders see "a closing window of opportunity," which Chang attributes to four factors: environmental degradation, societal unrest and discontent, demographic decline, and economic failure.

Besides worsening pollution, China is facing the issue of water scarcity, which leads to many problems, including inhibition of economic development.

The Chinese regime also understands that it has lost the "hearts and minds" of Chinese citizens, as demonstrated by protests across the country by different segments in society. They include investors, army veterans, aggrieved homeowners, and parents of children vaccinated with expired vaccines, among many others.

"Those point to fundamental discontent in society, and communism has no answer for that."

China's demographic crisis is severe, Chang added, with a century-long demographic decline in the projections. The change from the one-child policy to a two-child policy has not created the baby boom that the authorities had hoped for.

"The effect of a severe demographic crisis, like the one China has, is only felt over time," he said. And that also contributes to the fourth factor, economic decline.

"Even if you believe China's numbers, China is accumulating debt one and a half times faster than economic output," Chang said.

So if the world is observing that China in recent times is acting particularly hostile and provocative, "it's because they're getting a sense that they are indeed running out of time."

And, Chang said, "because China is running out of time, so is everybody else." This means the time is now for the West to change its approach to China, he noted.

"We wagered that we could partner with, reform, make friends with a communist super-state, and we were wrong. And because we were wrong, we will now have to adjust our policies."



Workers wash dishes after lunch in Shenzhen, Guangdong Province, in February 2009. Many factory workers face poor working conditions in China. Chinese companies are not subject to the same standards with respect to environmental, social, and governance issues that many U.S. companies are judged by.

## OPINION

## IMPACT INVESTING MUST HOLD CHINESE COMPANIES TO SAME ETHICAL STANDARDS

AS CHINA STOCKS GAIN FOREIGN INVESTORS, THEIR ESG IMPACT SHOULD BE ASSESSED LEST GLOBAL INVESTORS PRACTICE HYPOCRISY

FAN YU

Socially responsible investing has gained traction in recent years. Traditionally, an underperforming niche product ignored by most serious investors, it has become a key investment rationale and a differentiator among portfolio managers.

There has been tangible growth of investment in companies that make a positive impact in terms of environmental, social, and governance issues—or ESG for short.

As of 2018, \$12 trillion of professionally managed assets consider ESG factors in their criteria, according to a 2018 report issued by the Forum for Sustainable and Responsible Investment. That represents 25 percent of all professionally managed money in U.S. assets, and a 38 percent growth since 2016.

Despite the prominence of ESG in portfolio construction, ESG investing is still largely confined to U.S. companies. In other words, only U.S. companies are judged on their ESG impact.

The fact that ESG only applies to U.S. companies—compared to their counterparts around the world, which are competing in the same global market for customers and the same global financial markets for capital—is increasingly concerning.

This double standard is most egregious when discussing investing in China. China is the world's second-largest economy, and wishes to be viewed as an equal partner in ongoing negotiations toward a trade deal with the United States. Its technology companies, such as Huawei, seek to have a level playing field when pitching services to global governments, and, in general, Beijing believes its stock markets are as transparent, liquid, and prestigious as those in Hong Kong, Singapore, and Tokyo.

Yet when it comes to investing in Chinese companies, foreign investors suddenly toss ESG factors out the window. Investment managers and index providers are eager to jump into the Chinese market, abandoning the otherwise pragmatic, skeptical (and with ESG criteria, supposedly ethical) lens through which they judge other stocks.

At best, it's disingenuous—at worst, it almost seems there is Chinese political influence at work.

## Palpable ESG Growth

Definitionally, ESG is very broad—it's a measure of how "good" a company is outside of financial performance. Entire industries can be expelled, such as those involved in selling tobacco and alcohol, or manufacturing guns and ammunition. It can apply to a company's environmental impact—do its products help or harm the environment, what is the firm's carbon footprint, or does it produce toxic waste, and how does it mitigate the effects?

It can also apply to a company's governance and behavior such as ethics, transparency, executive pay, diversity in culture and thought, ownership structure, and whether it exhibits anti-competitive behavior.

"We see wealth transferring from baby boomers to millennials, who are more interested in social responsibility," Mamadou-Abou Sarr, head of sustainable investing at Northern Trust Asset Management, which manages \$1.1 trillion in total assets, told Barron's magazine recently.

"The younger generation is demanding ESG options," he added.

That's true to anyone familiar with recent developments in the asset management industry. ESG is no longer an underperforming niche sector; it's become



An investor looks at a board showing stock market movements at a securities company in Beijing on July 10, 2015.

front and center in picking stocks. In the past, there was little incentive for companies and CEOs to respect ESG impact, but now, investors have a say and they can vote with their capital.

And generally, that's a positive development.

Sarr said that Northern Trust's ESG screening noticed red flags in Volkswagen Group AG's governance, which caused its funds to cut exposure to Volkswagen before its emissions scandal came to light. That allowed most of its clients to avoid the approximately 23 percent decline Volkswagen stock suffered subsequently.

When it comes to investing in Chinese companies, foreign investors suddenly toss ESG factors out the window.

## China A-Shares Cannot Be Ignored

That's an instance where ESG works and Northern Trust stock pickers should be applauded. But those efforts should be expanded.

Billions in capital are about to pour into China. Global index provider MSCI recently announced that it would increase the allocation of China A-shares in its global and emerging markets indices by the end of 2019. Another index provider, Russell FTSE, is also increasing exposure to China stocks in its indices.

That means many passive funds and exchange-traded funds will be set to auto-purchase swaths of China A shares in 2019, flooding Chinese companies and stock markets with fresh foreign capital.

This is the time to have a serious ESG discussion with respect to Chinese companies.

The biggest listed A-shares are state-owned enterprises such as Bank of China, PetroChina, and Sinopec. Massive state-owned firms of this kind are controlled by the Chinese Communist Party (CCP) and are used by official families as piggy banks to fund their lifestyles and dynastic political wealth.

Even private companies, such as the well-known Alibaba and Baidu, are indirectly controlled or influenced by the CCP. CCP members officially sit on their boards, and Party cells are embedded in the majority of non-government owned businesses in China. Some companies,

such as Hangzhou Hikvision Digital Technology, are directly involved in administering the Communist Party's police state in Xinjiang, where Uyghur Muslims are being incarcerated en masse in concentration camps, while others like AVIC International Holdings are subsidiaries of state firms that develop weaponry for the People's Liberation Army.

"China's large privately owned firms are becoming more like state-owned enterprises, as many in recent years have implanted in their businesses cells of the Communist Party, the Communist Youth League and even discipline inspection committees," columnist Zhang Lin wrote in the Hong Kong-based South China Morning Post in a Nov. 2018 editorial.

Even the CCP's own statistics report that 68 percent of China's non-state enterprises, and 70 percent of foreign-funded companies had set up party cells as of 2016.

The National Intelligence Law of 2017 obligates every organization and citizen to assist and cooperate with national intelligence efforts. Given the breadth of the definition of "national intelligence," it's clear that all companies large or small, private or government-owned, must ultimately answer to the CCP when called upon.

Itemizing all the ways in which the CCP fails to meet most ESG factors is outside the scope of this article. Suffice to say, the list is long.

Beijing has also set up the world's most comprehensive surveillance system to track every movement of each citizen. This culminates in a "citizen score" that rates each individual and determines what type of services can be accessed.

Meanwhile, the CCP—as a reminder, an entity that seeks to control and influence all Chinese businesses—has committed human-rights atrocities such as jailing and torturing millions of Uyghur Muslims, Underground Christians, and Falun Gong practitioners.

This isn't to forcibly weave social factors into investment decisions and financial returns. But as ESG rises in prominence, we can't be prejudiced in its application. And as the Volkswagen example demonstrated, investors who perform honest ESG due diligence can be rewarded.

In today's investing environment, investors can't succumb to hypocrisy—espousing the virtues of ESG on one hand, yet completely ignoring it when investing in China.

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



STR/AFP/GETTY IMAGES

## EUROPE

## EU COMMISSION SLAMS BEIJING'S INVESTMENT STRATEGY, HUMAN RIGHTS RECORD

FRANK FANG

The European Commission did not hold back in its criticism of China in its latest report, calling Beijing a "systemic rival."

The executive arm of the European Union called China a state that promotes "alternative models of governance" in a report on EU-China relations published on March 12. With such an assertion, the EU inches closer to Washington's stance, as U.S. President Donald Trump's national security strategy has defined Beijing as a "strategic rival."

Though Beijing has promised to abide by the rule-based international order, the regime has been selective, agreeing to some rules while refusing to accept new rules that reflect the "responsibility and accountability" of a nation that plays a significant role globally, the report said.

One of the norms Beijing has failed to embrace is the respect of human rights. "The human rights situation in China is deteriorating, notably in Xinjiang and regarding civil and political rights," the report stated. Beijing has detained an estimated 1 million Uyghurs and other Muslim minorities in internment camps in northwestern China's Xinjiang region, where they are subjected to political indoctrination. According to former detainees, some have been tortured and drugged.

## Economic Relationship

Beijing's current business and investment practices in Europe and elsewhere were the subject of the report's scrutiny.

**EU companies also must overcome 'onerous requirements' as a prerequisite to access the Chinese market, including creating joint ventures or transferring key technologies to Chinese counterparts.**

Contrary to the EU's open procurement market, China is increasingly favoring domestic companies over EU firms in a "protectionist trend," the report said. For example, European firms report encountering difficulties when applying for procurement opportunities in China.

EU companies also must overcome "onerous requirements" as a prerequisite to access the Chinese market, including creating joint ventures or transferring key technologies to Chinese counterparts.

Beijing has also set up market barriers in favor of its domestic champions. In one example provided in the report, European finance and online payment

companies are denied access to the Chinese market, while Chinese counterparts dominate the domestic market. By contrast, those Chinese firms have been allowed to develop in the EU market. One example is Chinese payments provider UnionPay, which currently operates in the UK and Portugal.

EU's agricultural and food exports to China are also subject to "discriminatory, unpredictable and burdensome procedures, excessive delays, and decisions not based on science," the report said. China has restricted food imports in its effort to achieve food self-sufficiency.

In developing countries, European companies are also at a disadvantage, as Chinese companies have "access to state backed loans and export credits at preferential terms and applying different corporate and labor standards." In some countries such as Ghana, Chinese companies contracted for development projects have been the subject of local criticism due to its disregard for environmental regulations.

The report proposed 10 actions that could make the relationship between the EU and China more reciprocal, such as reforming World Trade Organization rules and proposing legislation to more carefully scrutinize foreign acquisitions of EU companies.

## Chinese Investments Elsewhere

The report was also critical of Chinese investments in some unnamed countries, saying that they "may result in high-level indebtedness and transfer of control over strategic assets and resources."

This is an allusion to China's "One Belt, One Road" initiative (OBOR), a project launched in 2013 for Beijing to fund infrastructure projects around the world, with the objective of building up trade routes linking China, Southeast Asia, Africa, Europe, and Latin America. Since then, several countries have been in serious debt—and have surrendered control of their national assets after they were unable to pay off the loans.

One example is Sri Lanka, which converted its Chinese loans into a 99-year-long lease agreement for Beijing to control its strategic port of Hambantota.

Katainen, while speaking to journalists during a presentation of the report, warned EU member states to carefully assess whether to sign up for OBOR, saying that there are "no free lunches," according to European online newspaper Euobserver.

So far, 13 EU member states have signed a memorandum of understanding (MoU) with China to participate in OBOR, according to Euobserver. Italy has announced its intention to sign an MoU



The EU Commission in a report called out the Chinese regime for promoting "alternative methods of governance" and flouting international rules and norms in the areas of human rights, trade, and investment.

on OBOR with China, despite the fact that there seems to be division inside the Italian government over inking a deal.

The report also warned EU member states that they must abide by EU laws, rules, and policies when working with China under different cooperation frameworks, such as the 16-1 format.

Beijing introduced the 16-1 platform in 2012 to increase business deals with 11 EU member states and five Balkan countries in fields such as infrastructure, finance, and technology.

## CHINESE INFLUENCE

# AS BEIJING SPREADS ITS TENTACLES, NEPALESE GROW WARY OF CHINESE DEBT BURDEN

DEEPAK ADHIKARI

KATHMANDU, Nepal—It's not very often that the United States and China, countries locked in a bitter trade spat, engage in a war of words concerning a small South Asian country.

But that's exactly what happened between Joe Felter, the U.S. deputy assistant secretary of defense for South and Southeast Asia, and Chinese Ambassador to Nepal Hou Yanqi in the Nepalese capital Kathmandu late last month.

Speaking to reporters after arriving in Kathmandu on a three-day trip on Feb. 26, Felter urged Nepal to exercise caution before welcoming Chinese money.

"[S]ome of its activities do not appear to be necessarily in the best interest of the countries involved, such as increasing debt burden that we have seen," The Kathmandu Post quoted Felter as saying. Hou, the Chinese ambassador, quickly dismissed his comment as "very ridiculous."

The American diplomat was among the latest to raise questions about Chinese investment in the country, where wariness about debt burden from China-funded projects has grown in recent years.



There is a hidden aspect of corruption on projects under Chinese funds.

Nepal is set to become a conduit for such corruption.

Ajaya Bhadra Khanal, research director, Center for Social Inclusion and Federalism

For decades, China largely viewed its small but strategically important neighbor south of the Himalayas through the lens of security. Nepal not only borders its sensitive Tibetan region, but is also home to an estimated 20,000 Tibetan refugees, the second-largest population outside India.

In the run-up to the Beijing Olympics in 2008, Tibetan refugees intensified their anti-China protest in Kathmandu, prompting Nepal to crack down on them.

Around this time, China began to support Nepal's Armed Police Force (APF) to stem the flow of Tibetans into Nepal.

Several years later, China rewarded the 25,000 strong paramilitary force with a training acad-

emy on the western outskirts of Kathmandu. Handed over to the APF in 2017, the \$350 million academy spans 40 acres, with more than a dozen red brick buildings, an auditorium, football ground, basketball court, helipad, swimming pool, and shooting range.

Following the launch of China's One Belt, One Road initiative (OBOR) in 2013, which has defined its foreign policy ever since, Beijing has brought its investments in Nepal under the framework, according to Ajaya Bhadra Khanal, research director at Center for Social Inclusion and Federalism, a think tank based in Kathmandu.

"China has to seek new markets both for its products and investment to maintain its economic growth. So it has expanded and invested across the world," he told The Epoch Times.

"But in a country like Nepal, big infrastructure projects receive green signal for political reasons. Whether these projects are commercially viable ... these aspects are rarely taken into account while agreeing for the funding," Khanal said.

## Chinese Money Funding Big Projects

During Nepalese Prime Minister K.P. Sharma Oli's visit to China in June 2018, Nepal and China agreed to enhance connectivity through a Trans-Himalayan Multi Dimensional Connectivity Network by building ports, roads, railways, and communications.

Though Nepal had signed on to the OBOR in May 2017, Kathmandu, which earlier had proposed 35 projects under China's flagship initiative, cut it down to nine earlier this year.

China is building a regional airport in the tourist town of Pokhara as well as hydropower projects and roads across the country. From agriculture to tourism to manufacturing, its investment portfolio has multiplied over the years. On March 2, Nepalese and Chinese officials laid the foundation stone for the construction of a cement factory worth \$140 million in Dhading district in central Nepal, the second cement factory under Chinese investment in the country.

A proposed 72-kilometer (45-mile) railway linking the Tibetan region with the capital Kathmandu has been projected as a defining feature of evolving Nepal-China relations, though work on the \$2.2 billion project has been slow in recent months. Nevertheless, it has already prompted China's regional rival India to build similar rail links on its open border with Nepal.

Khanal, also a former editor for an English daily newspaper in Nepal, claimed that China had diverted money allocated to the airport in Pokhara to offshore accounts.

He said he found that the cost of the airport, which is scheduled to be completed in June 2021, was raised from \$216 million to \$305 million.



▲ Nepalese police block a road in Kathmandu in June 2009. After the Beijing 2008 Olympics, China began to support Nepal's Armed Police Force to stem the flow of Tibetans into Nepal.

◀ Nepalese Prime Minister K.P. Sharma Oli (R) reviews a military honor guard with Chinese Premier Li Keqiang at the Great Hall of the People in Beijing on June 21, 2018.

China is building a regional airport in the tourist town of Pokhara as well as hydropower projects and roads across the country. From agriculture to tourism to manufacturing, its investment portfolio has multiplied over the years.

"There is a hidden aspect of corruption on projects under Chinese funds. Nepal is set to become a conduit for such corruption," he said. The airport in Pokhara, which requires 30 daily international flights for the operation to be commercially viable, is likely to fail, he added.

"Nepal suffers from lack of good governance. Big decisions are driven by personal political interest rather than national interest," he said. "Nepal shouldn't have capacity to handle huge infrastructure projects. Neither is it able to control corruption."

Bipin Adhikari (no relation to the reporter), a leading political commentator, said the Nepalese government must ensure that projects are awarded after competitive bidding, the public is consulted adequately, and transparency is maintained.

"We should not turn a blind eye to the issue of debt trap. [Debt] shouldn't be rejected, but we must agree to projects that are sustainable," he said. Projects such as the trans-Himalayan railway also served a strategic purpose and were crucial for the country seeking greater connec-

tivity with its northern neighbor, he added.

## US Countering China

China's growing footprint in Nepal has also prompted its arch rival, the United States, to jump into the fray.

In September 2017, the U.S. Millennium Corporation Challenge issued a \$500 million grant, its largest-ever infrastructure grant in Nepal, to build transmission lines and upgrade and repair roads across the country.

The United States has also placed Nepal under the Indo-Pacific strategy, the Trump administration's geostrategic initiative to counter the rise of China.

After a meeting between Nepalese foreign minister Pradeep Gyawali and his U.S. counterpart Mike Pompeo in Washington, in December 2018, the U.S. Department of State issued a statement noting Nepal's "central role in a free, open, and prosperous Indo-Pacific, and global issues, including North Korea."

Wedged between India and China, Nepal will continue to be a focus for rival powers to gain influence in the small country.

## CHINESE INFLUENCE

## KASHMIR CONFLICT LIKELY TO SPUR PAKISTAN TO GROW EVEN CLOSER WITH CHINA, INDIA'S RIVAL

ABHIMANYU KUMAR

DELHI, India—The recent military confrontation between India and Pakistan in the Kashmir region is likely to bring Pakistan even closer to India's regional rival China, experts say.

Jayaadev Ranade, a former senior official in the Indian foreign intelligence agency Research and Analysis Wing, who now runs a China-focused think-tank in New Delhi, said that China views Pakistan as its "vassal state," using it to keep India in check.

China and Pakistan already have very close military links, Ranade said, with more Pakistani military officers now going to China for training than to the United States.

One of the most important factors behind the closer alliance between China and Pakistan is China's dependence on Pakistan for the success of its One Belt, One Road Initiative (OBOR), Ranade says. Pakistan is a key partner of China in the ambitious infrastructure initiative, and the relationship between the two countries on this initiative is seen to be more of a strategic than economic cooperation.

"There has also been an increase in Pakistan buying military hardware from China," Ranade said.

China is planning to sell an aircraft carrier to Pakistan, Ranade noted, and is using Pakistan's ports in Karachi and Gwadar as its military bases.

Following the Feb. 14 terrorist attack in the Pulwama district of Jammu and Kashmir—which resulted in the killing of 44 Indian security personnel—and the ensuing military confrontation between India and China, Ranade says China and Pakistan are likely to scale up their collaboration.

## Conflict in Kashmir

The attack in Pulwama was claimed by the Jaish-e-Mohammed (JeM) terrorist group. It was carried out by a suicide bomber, Adil Dar, a Kashmiri local who also died in the attack. Kashmir, divided between Pakistan and India, is claimed by both countries as their own territory.

JeM operates in Pakistan with impunity.

Following the attack, India carried out air strikes in Balakot in Pakistan, where JeM has training camps, although uncertainty exists over the number of terrorists India claims to have managed to target. Following one of India's air strikes, Pakistan captured an Indian pilot but released him later as a peace gesture.

China condemned the terrorist attack against India, with the Chinese ambassador sharing a minute of silence for those killed at the Chinese Embassy in New Delhi.

However, on March 14, China blocked a United Nations Security Council committee from declaring JeM leader Masood Azhar a terrorist. A.K. Behuria, a fellow at the Institute of Defense Studies and Analysis, says despite China's condemnation, the link between China and Pakistan is solid.

According to Behuria, the growing warm relations between India and the United States in recent years has seen a reciprocal response from China, which has pulled Pakistan deeper into its plans for regional as well as international supremacy.

## One Belt, One Road Initiative

One of the most important factors behind the closer alliance between China and Pakistan is China's dependence on Pakistan for the success of its One Belt, One Road Initiative (OBOR), Ranade says. Pakistan is a key partner of China in the ambitious infrastructure initiative, and the relationship between the two countries on this initiative is seen to be more of a strategic than economic cooperation.

Ranade noted that China-Pakistan Economic Corridor was the first segment of the OBOR to be operationalized, despite it being the second-largest part of the project, showing its importance to the Chinese.

"In their mind, it is a piece of real estate they are utilizing and they are going to be cautious about their investments in Pakistan, which are huge," he noted.

## CROSS-STRAIT RELATIONS

# CHINA REPORTEDLY RECRUITING TAIWANESE AGRICULTURAL EXPERTS TO SERVE IN GOVERNMENT

FRANK FANG

TAIPEI, Taiwan—Taiwanese authorities are on high alert after Chinese media reports have surfaced that Taiwanese agricultural experts have taken up government positions in China.

Taiwan's Mainland Affairs Council, a government agency that deals with China issues, said it would seek an explanation from Tsai Chih-yang, who, according to a report by Chinese state-run media Xinhua, became a science and technology commissioner in the southern Chinese province of Fujian, according to a March 17 article by Taiwan's Central News Agency.

The council explained that Tsai could be in violation of a cross-strait relations law, which stipulates that Taiwan residents are forbidden to hold any position within Chinese agencies, institutions, or organizations that are affiliated with the Chinese military, political apparatus, or government administration.

Wu Rwei-ren, a deputy researcher with Taiwan's national academy Academia Sinica, said the purpose of recruiting Taiwanese for low-ranking



Judges inspecting tea during a tea contest in Nantou, Taiwan, on May 11, 2012.

SAM YEH/AFP/GETTY IMAGES

Chinese government positions such as the commissioner is for the purpose of spreading "unification propaganda," according to a March 17 article by Taiwanese daily newspaper Liberty Times.

Taiwan is a de-facto country with its own democratically elected government, military, and currency. However, the Chinese regime views the island as part of its territory and has adopted different tactics such as propaganda and coercion in its attempts to sway Taiwanese public opinion into favoring unification with the mainland. Meanwhile, Beijing has never ruled out the possibility of uniting Taiwan with military force.

## Tsai's Case

According to Xinhua article, published on March 13, Tsai was named as one of several Taiwanese citizens hired as special commissioners.

According to Tsai, he came from a farming family in southern Taiwan's Chiayi County. He arrived in China in 2013 and started his own business at an agricultural tech hub in Zhangpu County in Fujian.

Tsai had trouble expanding his business but things changed in February after he became a commissioner for the Zhangpu county government, the report claimed.

"After getting this position, I have greater access to different platforms to promote vegetable and fruits. I am also able to help other farmers with their

problems," Tsai was quoted as saying in the interview with Xinhua.

The goal of recruiting Taiwanese for such commissioner positions was clearly stated in an announcement by the Zhangpu county government on its website on Jan. 16.

There are over 600 Taiwanese-funded companies in the business of fruits, vegetables, tea leaves, flowers, and aquatic products, within the agricultural park and the greater Zhangpu area, according to the announcement. Thus, the government was seeking to hire a group of Taiwanese at these companies to become commissioners. They could then travel to remote villages in China and help local farmers grow crops successfully.

## Tech Focus

According to Chinese news portal Baidu, science and technology commissioners have existed since 1999. The Nanping city government in Fujian first proposed such a position—usually to provide expertise in agricultural science and tech or health care to Chinese farmers.

In May 2016, China's State Council issued a directive, urging all levels of government to implement more policies to recruit these commissioners, for the ultimate goal of boosting the rural economy.

In February 2017, the Fujian provincial government responded to the directive by allocating an annual fund of 20 million yuan (\$3 million) to subsidize

The purpose of recruiting Taiwanese for low-ranking Chinese government positions such as the commissioner is for the purpose of spreading 'unification propaganda,' said Wu Rwei-ren, a deputy researcher with Taiwan's national academy Academia Sinica.

the hiring of 1,000 commissioners with expertise in the agricultural sector. The funds would go toward work and transportation stipends, as well as insurance and training fees.

That same month, the Chinese Communist Party mouthpiece People's Daily reported on its website that the total number of science and technology commissioners in China reached 739,000.

Chen Shih-min, an assistant political science professor at National Taiwan University, told Liberty Times that Taiwan's agriculture industry is set to lose its competitive edge if Taiwan's agricultural experts were to continue traveling to China and assist its farmers.

With regard to Tsai's case, Chen urged the Taiwanese government to take action in accordance with the island's laws, so that its agricultural sector would not be hurt.

In a similar case, Taiwan's Ministry of Interior announced last week that it was investigating reports by Chinese media that several Taiwanese government officials were taking up positions as community and village directors within Communist Party committees in Pingtan County, also located in Fujian.

Taiwan has one of the most diverse agricultural sectors in the world, with exports ranging from rice, fruits, vegetables, tea, to floriculture. According to Taiwanese English-language newspaper Taiwan News, Taiwan's agricultural exports soared to \$5.47 billion in 2018, the highest value in two decades.

# THE EPOCH TIMES

TRUTH *and* TRADITION

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