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THE EPOCH TIMES

CHINA WEEKLY

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TRILLION
YUAN

► China's total debt
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Applicants look at recruitment information displayed at a labor market in Yiwu City, Zhejiang Province, China on February 19, 2016.



VOG VIA GETTY IMAGES

ECONOMY

A BITTER NEW YEAR

SCORES OF CHINESE REPORT LAYOFFS, MISSED YEAR-END BONUSES

NICOLE HAO

Many Chinese are starting the Lunar New Year holidays with bad news. According to Zhaopin, one of China's top three recruitment websites, only about 55 percent of white-collar employees surveyed said they would receive a year-end bonus, which may be in the form of cash or goods. Year-end bonuses have become an important element of many Chinese employees' income, especially to help them buy goods for the Lunar New Year celebration, as well as buy gifts for family and relatives.

Boys sheltering from the rain during a Chinese New Year parade in via Paolo Sarpi in Milan, Italy, on February 10, 2019. The traditional holiday is celebrated by Chinese communities around the world.

But this year will be tough. Compared with the roughly 66 percent surveyed by Zhaopin in 2017 who said they received bonuses, 2018 saw an 11 percent decrease in the number of workers receiving this extra money for the new year of the Pig. At the same time, many Chinese recently posted on social media that they were laid off just before the new year. China Fund, an economic newspaper printed by state-run outlet People's Daily, reported on Feb. 2 about one of the most discussed social media posts reportedly written by a laid-off employee of Netease, one of China's four major web portals.

Some Netease employees who joined Netease at the beginning of 2018 said they were promised an extra eight times' their monthly salary as year-end bonuses. But now, they would only receive one month's salary as compensation without the bonus. They added that by the N-1 formula, they should receive two months salary as compensation, but that the human resources and financial departments told them they were only entitled to one month.

In the original post, the employee, who didn't give his name, said that he was laid off on Feb. 1, four days before the Lunar New Year. He said Netease planned to reduce the number of employees in its online store division to 900 from 1,400. The employee said some peers were laid off together with him, and that the company would lay off more than 400 within the first working week of the Lunar New Year. In the technical team, half of the 400 programmers will be laid off. His words attracted the attention of many fellow Netease employees, who commented with their own stories of being laid off. Some of them said they received a layoff compensation of "N-1," meaning the number of service years in monthly salary plus one month. For example, a laid-off employee will receive six months salary as compensation if he has worked for five years at Netease.

Another Netease employee said he wasn't surprised by the layoffs, as the online store business had performed very badly in 2018. "No profit, big losses ... even the year-end bonuses [for some employees] had to come from the company's 2019 budget," the employee wrote. Netease denied that on Feb. 2, but said that the online store division is under "structure optimization," meaning it would fire poorly performing employees. China's economy could be worse than it previously anticipated. Ning Jizhe, the director of China's National Bureau of Statistics, said Jan. 21 that China's unemployment rate in 2018 was around 5 percent, which is similar to 2017. China calculates the number of unemployed people as only those who seek unemployment social security benefits with the government, specifying that only men aged 16 to 50 and women aged 16 to 45 qualify. The Chinese regime considers unemployment a taboo topic—as it hints at social instability. Thus, political observers believe the true unemployment rate is far higher.



CHINESE INFLUENCE

FLUSHING LUNAR NEW YEAR PARADE 'DYED RED' WITH CHINESE FLAGS

CATHY HE

NEW YORK—The main street in Flushing, Queens, was lined with more than 100 large Chinese flags, rising like crimson peaks above the crowds and billowing violently in the wind, as revelers welcomed the Year of the Pig at the annual Lunar New Year Parade. The annual parade, which draws thousands of spectators each year, is a celebration of Asian-American culture as well as the contribution of Asian-Americans to New York society, according to event organizers the Flushing Chinese Business Association. Parade-goers were greeted not only with dragon dancers and performers donned in traditional Chinese dress, but also the sight of more than 100 Chinese flag-bearers stationed behind police barricades along the parade route on Flushing's Main Street on Feb. 9. The flag-bearers were spaced roughly six feet apart for the length of about five blocks along the main thoroughfare of the bustling Chinese enclave. Each wielded identical five-star flags—a symbol of the unification of China under the



Red envelopes are commonly given out during the Lunar New Year.

Chinese Communist Party (CCP)—which stood at roughly eight feet and filled Main Street with the blood-red color that signifies the Party. No American flag of comparable size could be seen along the street.

Organized Effort

A reporter from the Chinese-language Epoch Times at the parade observed a group of people distributing the Chinese flags outside an entrance to the Main Street subway station at roughly 10:30 a.m., half an hour before the parade started. After receiving their flags, the bearers then moved to designated

positions along Main Street, with each person positioned at a police barricade. Reporters from The Epoch Times and sister media NTD Television, posing as bystanders, asked several flag-bearers whether they could also carry a flag. One flag-bearer told a reporter that only people who pre-registered were able to carry one and that they must stand in an area designated by the organizer. One male flag-bearer of African-American appearance told a reporter that he was paid \$20 to carry the flag. Another male, an apparent coordinator who was giving out flags, was observed telling recipients to keep their red envelopes safe, adding that the payment was \$30. Red envelopes containing cash gifts are traditionally given out during Chinese New Year. A middle-aged man wearing gray was also observed telling people around him, "If people ask you whether you get money [for holding the flags], tell them there's no money."

At 11 a.m., at the start of the parade, Li Huaohong, the head of a CCP front group known as the Chinese Anti-Cult World Alliance (CACWA), was observed

Local community leader Peter Tu said that this behavior hurt the image of Asian-Americans and undermined efforts to bridge the cultural gap between the community and mainstream America.

instructing flag-bearers in the area to unfurl their flags. She also was seen ordering flag-bearers to stand in their designated area. In the past, the CACWA has harassed and intimidated local adherents of Falun Gong, a spiritual group that is currently banned and heavily persecuted in mainland China. The CACWA is currently banned from participating in the Flushing Lunar New Year parade after violating the organizer's rules in a previous year. The group had displayed Chinese flags during the parade, in breach of a rule stipulating that participants must only carry American flags. The group also put up banners bearing hate speech against Falun Gong on their float. The group also was behind the recent protests at Lincoln Center in New York against Shen Yun Performing Arts, a New York-based classical Chinese dance company whose mission, according to its website, is to revive 5,000 years of traditional Chinese culture. The company's portrayal of a divinely inspired civilization and the ongoing persecution of the spiritual discipline Falun Gong has drawn ire from the communist regime.

Locals Upset

Peter Tu, chairman of the Flushing Lunar New Year Parade and executive-director of the Flushing Chinese Business Association, said he was upset after seeing the spectacle during the Feb. 9 parade. Tu said this was the second year the



Heavy smog covers Beijing (above); in contrast to Beijing on a clear day, on Aug. 12, 2008 (right).

SVEDOLIVER/SHUTTERSTOCK.COM

ENVIRONMENT

SEVERE AIR POLLUTION SPREADS ACROSS CHINA DURING LUNAR NEW YEAR HOLIDAY

NICOLE HAO

Amid the Lunar New Year holidays, severe air pollution in great swathes of China has caused major highways and roads to be closed due to poor visibility. During the week-long national holiday, most factories, mines, and companies in China are closed. There are also fewer cars on the road as families spend time at home to celebrate. But the air quality recently became worse. China's Ministry of Ecology and Environment released data on Feb. 5 that at 2 a.m., the average density of fine particulate matter, or PM2.5, of all Chinese cities with a monitoring system was 139 micrograms per cubic meter of air (m3), reaching an air-quality level unhealthy for sensitive groups. PM2.5 is fine particulate matter no bigger than 2.5 microns—or two-and-half millionths of a meter—in diameter. Particles of this size can bypass the human body's natural filtration systems and reach the lungs, according to scientists.

The ministry further noted that in 116 of the total 338 cities, PM2.5 levels reached higher than 150 micrograms/m3, indicating that air quality conditions were unhealthy. In 40 cities, PM2.5 levels were above 250 micrograms/m3, which means air quality conditions reached very unhealthy levels, according to international standards. In Beijing, the capital city and one of China's most severely polluted cities, the PM2.5 level reached 177 micrograms/m3. Furthermore, air pollution caused dense fog.

The China Meteorological Administration announced on Feb. 6 that thick fog spread in most regions of Shandong, Jiangsu, Jiangxi, and Hunan provinces. That day, half of the provinces of Anhui, Zhejiang, Fujian, Hubei, Guizhou, Guangxi, Henan, Shanxi, and Shaanxi also had dense fog. Visibility was less than 500 meters (1,640 feet) in these regions. In Jiangsu, Zhejiang, Hunan, and Guangdong, the visibility level was at less than 200 meters (656 feet). But most of the affected provinces were even worse, at less than 50 meters (164 feet).

In eastern China's Shandong Province, most of the highways were closed on Feb. 5 due to the fog and did not reopen until the afternoon of Feb. 7. State-run media Xinhua reported on Feb. 6 that not only Shandong highways but also most of the cross-provincial roads would be closed due to the fog. Because roads could be closed for several days, the report suggested that travelers plan ahead before they leave. Normally, the provincial roads, built by local governments and free to the public, are the alternative highways in China. But if both the highway and provincial roads are closed, travelers are left with no option.

Shandong's total length of highways is 6,058 kilometers (3,764 miles), while the total length of roads is 273,000 kilometers (169,600 miles). Feb. 7 is the third day of the new year, which is the traditionally the day married couples visit the wife's parents in the local culture of Shandong. The poor visibility made the traffic very difficult. Xinhua reported that few cars were on the road that day. Xinhua also said the recent bout of air pollution was caused by firecrackers people set off during the new year, but many Chinese questioned this reasoning.

Most Chinese cities have rules against the sales and use of firecrackers. Chinese usually buy electronic firecrackers to celebrate the new year, which play the sounds and lights of real firecrackers without any fire or smoke.

CHINA PHOTOS/GETTY IMAGES



CHINESE REGIME

CHINA FORCES UYGHUR MUSLIMS TO EAT PORK, DRINK ALCOHOL DURING LUNAR NEW YEAR

ANNIE WU

Chinese authorities are forcing Uyghur Muslims to eat pork, drink alcohol, and observe the Lunar New Year holiday, according to reports by Radio Free Asia (RFA).

Uyghurs are a Turkic ethnic minority, the majority of whom practice Islam and reside in the northwestern region of China known as Xinjiang. They don't traditionally celebrate the Lunar New Year, and consumption of pork and alcohol is strictly forbidden in Islam. Chinese authorities have, in recent years, stepped up persecution of the minority group, including rounding up Uyghurs and placing them in detention facilities, where they undergo political indoctrination and are forced to denounce their faith. The United Nations estimates that there are about 1 million Uyghur and other Muslim minorities detained in these so-called "vocational re-education centers."

Former detainees have recounted human-rights abuses inside the facilities, such as torture, drugging, and rape. Local officials in the prefecture of Ili Kazakh in Xinjiang invited residents to a Lunar New Year dinner where pork was served, and threatened to send the invitees to the "re-education centers" if they refused, according to a Feb. 6 RFA report.

Another resident told RFA that attempts to force Muslims to eat pork began in late 2018. Officials have been sticking Lunar New Year poetic couplets on the doors of Uyghur and Kazakh households and giving them pork, according to

a woman by the name of Kesay who belongs to the Kazakh minority. "If we won't put up the couplets or hang lanterns, they say we are two-faced, and they send us to re-education camps," she said. The latest effort to force Uyghur Muslims into disobeying their religious tenets is part of the Chinese regime's campaign to repress their faith. The Chinese regime has used the excuse of fighting terrorism and radicalization to persecute Uyghur Muslims. Dilxat Raxit, spokesman for the World Uyghur Congress, an organization for Uyghurs in exile, told RFA he had received similar reports regarding Uyghur households. "According to our information, the Chinese government is stepping up its campaign to assimilate Uyghurs into Han Chinese culture," he said. Han Chinese are the majority ethnic group in China. Amid international criticism of the "re-education centers," Shohrat Zakir, the Communist Party chairman of the Xinjiang region, made similar justifications for their existence. "We are teaching the national common language, law, and regulations to aware them about the country and world as well as their legal rights, obligations, and duties," Zakir told a small group of foreign journalists who were given a tour of facilities in southern Xinjiang in early January. He further claimed that the centers were constructed to transform and educate those the Chinese Communist Party deems at risk of the "three evil forces" of "extremism, separatism, and terrorism."



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flag-bearers were present in the spectacle crowd, but there appeared to be even more Chinese flags this year. The local community leader said he could not stop people from bearing the Chinese flag on the sidewalks, but implored that they should also carry the American flag, as a sign of respect for the country that they've adopted as their home. "The American government [has given] us a lot of opportunity to let us have freedom, to have [the] opportunity to make business as well as we can," he said. "So we can't say that we ... [do not] appreciate America." Tu said that this behavior hurt the

Dozens of people hold Chinese flags along Flushing's Main Street just before the start of the Lunar New Year Parade in Flushing, New York, on Feb. 9, 2019.

image of Asian-Americans and undermined efforts to bridge the cultural gap between the community and mainstream America. Many parade-goers also expressed disappointment with the display. One parade-goer told a reporter, "These people should be investigated, find out what their background is." One man told a reporter that Li had previously offered him money to stand for an hour holding the flag, and told him to escape if people took photographs. The man said he refused Li's offer. Another said: "The five-star red flag is a kind of evil. It represents dictatorship, a fascist uprising."

HUMAN RIGHTS

900 FALUN GONG ADHERENTS SENTENCED ARBITRARILY IN 2018

STEVEN W. MOSHER

Why have the Chinese suddenly decided that now is not the time to have children? Because China is in the grip of its deepest economic downturn since “the reform and opening” to the outside world began some 40 years ago. Three years ago, the Communist Party announced an end to the one-child policy, thus ending its 40-year war on the Chinese population—a war

Guo Zhenxiang, 82, was persecuted to death several hours after she was detained at a police station.

that has cost an estimated 400 million lives. Party leaders anticipated a quick uptick in births in response to the policy change, if not an out-and-out baby boom.

But now that the Chinese people are finally free to have two children, they are proving strangely reluctant to have even one.

The National Health Commission had predicted that more than 18 million babies would be born in 2018. The actual number reported on Jan. 21 by the National Bureau of Statistics was only 15.23 million.

In fact, some believe that even these anemic numbers are an exaggeration,

and that the most populous country on earth is already filling more coffins than cradles.

Among them is researcher Yi Fuxian of the University of Wisconsin-Madison.

“The year of 2018 was the turning point of China’s population structure, which witnessed negative growth for the first time,” Yi told the Global Times. His numbers show that deaths outnumbered births by over a million: 11.58 million to 10.31 million.

Yi’s belief that China is already in absolute demographic decline is disputed by some, but even his critics admit that such a turning point is at most only a few years off. In any event, there is little doubt that the country is already in a full-blown demographic crisis.

Why the Decline?

Some might explain the recent downturn in births by saying that 40 years of anti-natal propaganda have done their work, brainwashing young people into rejecting marriage and children. Others might point to rapid industrialization, urbanization, and rising levels of education as factors that have gradually taken young Chinese, especially young women, out of the business of procreation.

But these explanations hardly explain the precipitous drop in China’s fertility rate over just the past couple of years. At present, Chinese couples are averaging only 1.05 children. This is half the 2.1 children needed for the country to sustain its current population and is among the lowest fertility rates in the world.

China’s current birth rate of 12 births per 1,000 people is by far the lowest level ever in recorded Chinese history. In fact, it is even lower now than

during the famine that followed the Great Leap Forward. From 1960 to 1962, even as 45 million Chinese villagers were starving to death, the birth rate hovered around 19 births per 1,000.

This suggests that the economy must be far worse than Beijing would like us to believe.

Naive foreigners may still believe Party officials who claim that the country’s GDP is expanding at an annual rate of 6.5 percent or so, but the Chinese know better. They know that more than 10 million workers have been laid off, that tens of millions of newly constructed homes and apartments stand vacant, and that thousands of businesses, including some of China’s largest firms, are on the verge of bankruptcy. The entire country is so heavily in debt that it’s a dead-man walking.

Even China’s most successful hi-tech firm, Huawei, is feeling the pinch. Its founder, Ren Zhengfei, whose daughter languishes under house arrest in Canada, announced recently that “bitter days” lie ahead for the company, and warned that layoffs are coming.

All this is to say that China’s economy is in freefall, and the birth rate is following it down.

There is no doubt that birth rates tank during recessions. The Great Depression, for example, slashed the U.S. total fertility rate in half. American women went from bearing four or more children over their reproductive lifetimes down to bearing only two. Americans were understandably reluctant to bring children into a jobless, stagnant economy, or even to marry at all.

As with Americans in the 1930s, the Chinese of today are increasingly wary of marriage and children in the face of a dramatically slowing economy. The fact



that per capita incomes in China are far higher than they have ever been is irrelevant to their calculations. Marrying and having children are expressions of hope in the future, after all, not the past, and the future to many working-class Chinese is looking increasingly grim.

Only about 10 million couples registered to get married in 2017, which marked a 7 percent decrease from the year before. The figures for 2018, which haven’t been released yet, are expected to show a further decline. Since the state forbids single motherhood—a vestige of the one-child policy—a decline in marriages presages a further decline in births.

If the economic slowdown has undercut the birth rate, then the reverse is also true: The declining birth rate will cripple economic growth over time as the aging and shrinking of China’s population accelerates.

Old-Age Tsunami

Yi points out that China’s current demographic profile bears an ominous resemblance to that of Japan in 1992. It is a snapshot of a society characterized by ever fewer births, a shrinking number of workers, and a surging elderly

population.

Japan’s prolonged birth dearth had, by the end of the nineties, produced the world’s first “demographic recession.” I would argue that China’s decades-long one-child policy has now produced its second.

In fact, birthrates in China have fallen further and faster than in Japan because of decades of government coercion. And they will continue to fall because so many millions of girls have been eliminated from the population because of a cultural preference for sons.

All this is to say that the old-age tsunami that is about to hit China’s economy will be even more severe than the one that sent Japan’s into recession 20 years ago.

Add to this a further critical difference between Japan and China. The Land of the Rising Sun grew rich before it grew old. The Middle Kingdom is growing old—rapidly—while it is still relatively poor.

Japan possessed the wealth to weather its demographic recession, although its economy has never recovered its original dynamism and vitality. China, which has only recently joined

▲ Falun Gong adherents practice their discipline’s exercises on the west lawn of the U.S. Capitol on June 20, 2018.

the ranks of middle-income countries, will quickly run out of options.

Economists, impressed by China’s large population and rapid growth, have long predicted that the Asian giant would one day overtake the United States economically. Now, as the ranks of Chinese workers thin and gray, that possibility seems to be receding out of reach.

Japan never became “number one”—despite the many predictions that it would—because of its dismal demographics. So, too, will the increasingly moribund Chinese population, along with the heavy hand of the Party-state, ensure that China’s economy continues to lag behind America’s more youthful population and more dynamic economy.

The Chinese Communist Party has only itself—and its wrongheaded war on people—to blame.

Demography is still destiny, after all, even if you have a billion people.

Steven W. Mosher is the president of the Population Research Institute and the author of “Bully of Asia: Why China’s Dream is the New Threat to World Order.”

HUMAN RIGHTS

WOMAN DIES AFTER YEARS OF TORTURE IN PRISON

ELIZABETH LI

Before she succumbed to her injuries, Liu Zhenfang filed a criminal complaint recounting her ordeal—a harrowing description of how the Chinese communist regime destroyed her body, but could not break her faith—over twenty long years.

Liu, a 60-year-old resident of Huangchuan County, Henan Province passed away on Dec. 7, 2018, three months after her release from Henan Women’s Prison, according to Minghui.org, a U.S.-based website that serves as a clearinghouse on the persecution of Falun Gong in China.

Her body was emaciated, and most of her internal organs had festered.

In 2017 Liu had been sentenced to a 1.5-year prison term for practicing Falun Gong, a spiritual discipline which upholds the tenets of truth, compassion, and forbearance. Those who subscribe to this belief have been persecuted by the Chinese communist regime from 1999 to the present day.

The Persecution

Liu, a hairdresser, began practicing Falun Gong in 1998 after hearing about its health benefits at a time where China’s health reforms were outdated.

Falun Gong, which translates to “law wheel practice,” is a spiritual discipline with a set of meditation exercises and texts that preach virtues, containing moral philosophies with Buddhist and Taoist elements, and draws on China’s long tradition of qigong, a regimen of controlled breathing and gentle physical movements.

When then Chinese Communist Party (CCP) leader Jiang Zemin launched a systematic campaign to vilify and destroy Falun Gong in 1999, Liu refused to renounce her faith, and became a police target. Her house was ransacked three times between 1999 and 2003.

In early 2000, Liu was detained in the Hedian Detention Center, where police extorted 2,000 yuan from her before she was released.

Her second arrest in 2001 saw police bring her to a secret detention facility after finding Falun Gong materials in her home. Liu was forced to stand overnight without sleep, and the police took all the money she brought with her.

Police interrogated Liu for the source of the materials, and she was beaten for more than 20 hours for her silence. Her head was slammed against a wall, and clumps of hair were pulled out, resulting in scalp injuries. She was hung from the window frame with handcuffs and beaten until she vomited blood.

She was sent to the Hedian Detention Center again and held for three months,

She was verbally abused, fed nerve-damaging drugs, forced to do slave labor, stand for days without sleep, and squat for hours with her hands on her head.

until her family paid the deputy director at the Domestic Security Division to secure her release.

In 2004, Liu was arrested for distributing Falun Gong materials. Following her incarceration, she was beaten for 16 hours by police at the Guangshan Police Department.

They pulled her hair and ripped her clothes. When the officers became tired of beating her bareheaded, they used a metal rod and took turns hitting her until the rod was broken. They used the broken metal rod to beat her fingers.

Then she was taken to the Guangshan Detention Center, where she was beaten for 33 hours. Her internal organs were damaged, and following these attacks, she often vomited blood.

Liu survived the torture.

The police also detained Liu’s husband in 2004 for five months, despite him not being a Falun Gong practitioner. He was forced to do slave labor and was given one meal per day. Guards tied his testis with a thin thread and burned it with a lighter.

Liu was arrested again in 2012. She was sentenced to a five-year prison term, where her ordeal continued. Despite her injuries, she was forced to work for 14 hours every day.

In 2017, Liu was handed another prison term for 1.5 years, and it would end up killing her.

During Liu’s total time in incarceration, she was also verbally abused, fed nerve-damaging drugs, forced to do slave labor, stand for days without sleep, and squat for hours with her hands on her head.

Before the persecution, Falun Gong had an estimated 70 million to 100 million adherents in China across every social class, including members of the communist party. Meditating practitioners were a common sight in parks and public squares in every city.



▲ A reenactment of a Falun Gong practitioner being tortured by police in a detention center.

ORGAN HARVESTING

STUDIES MAY HAVE USED ORGANS STOLEN FROM CHINESE PRISONERS

CATHY HE

A new study has called for the retraction of more than 400 research papers on organ transplantation over concerns that the organs may have been unethically harvested from Chinese prisoners who did not give consent to donate their body parts.

The first-of-its-kind study, published in the medical journal *BMJ Open* on Jan. 6, examined papers published in English-language peer-reviewed journals between 2000 and 2017 using research from mainland China about Chinese organ transplants.

The Australian-led team of researchers found widespread failure by the international transplantation research community to comply with ethical standards, which prohibits the publication of any research involving organs from executed prisoners, or that lacks donor consent.

“I was shocked by the number of respected journals that have accepted studies for publication without conducting due diligence on the ethical

aspects of the reported research,” said study co-author Dr. Robyn Clay-Williams, a researcher at Australia’s Macquarie University.

Transplant Abuse in China

Experts and human rights organizations have called into question the source of organs used in China’s organ transplantation system. Since 2015, the Chinese Communist Party has maintained that the organs came from voluntary donors. Prior to that, authorities claimed the organs only came from executed prisoners on death row.

An in-depth 2016 report by transplant ethics group International Coalition to End Transplant Abuse in China, found a huge discrepancy between China’s official transplant figures and the number of transplants performed in hospitals. By analyzing the public records of 712 hospitals that carry out liver and kidney transplants, the report showed that roughly 60,000 to 100,000 transplants are conducted each year, far outstripping the official number of 10,000 to 20,000 per year.

The shortfall is made up by organs forcibly harvested from prisoners of conscience in China, primarily from practitioners of the spiritual discipline Falun Dafa (also known as Falun Gong), the report concluded based on undercover calls to hospitals, accounts from Falun Dafa adherents who survived detention, and other evidence. A 2018 report by the China Organ Harvest Research Center, a nongovernmental organization based in New York, provided further evidence to support these claims.

‘Failure of Action’

The report examined 445 studies that covered more than 85,000 transplants. It found that more than 92 percent of the studies failed to report whether the organs had been sourced from executed prisoners, and 99 percent failed to report whether donors had given their consent.

In addition, there were 19 papers involving transplants conducted before 2010 that claimed no prisoners’ organs were used. During that time, however,

“I was shocked by the number of respected journals that have accepted studies for publication without conducting due diligence on the ethical aspects of the reported research.”

Dr. Robyn Clay-Williams, researcher, Australia’s Macquarie University

there was no organ donation system set up in China—so that claim could not be true, the study said.

The researchers concluded that the studies almost certainly include data from executed prisoners, “given China’s acknowledgement that during this period executed prisoners were the principal organ donors.”

This is the first study to track the progress of the transplant community in vetting unethical research.

Lead researcher and clinical ethics professor at Macquarie University Wendy Rogers said that reviewers, editors, and journal publishers failed to ask questions about the source of the organs from Chinese research.

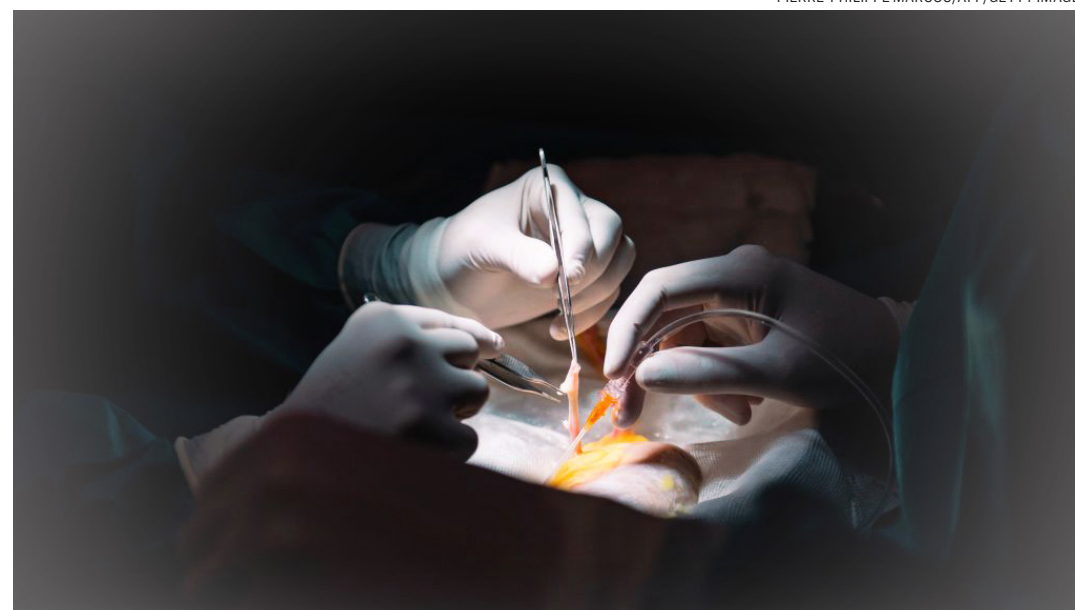
“When you get this kind of failure of action, the result is that unethical practices can flourish,” Rogers said.

Enforcing Ethical Standards

While a number of bodies including the World Health Organization and The Transplantation Society (TTS), have condemned the use of organs of executed prisoners for transplants, including research arising from such transplants, there is no enforcement action backing up these ethical standards, the study said.

Currently, there are no sanctions for ethical breaches, and no audits have been conducted to investigate compliance, the paper stated.

Rogers said the transplant commu-



PIERRE-PHILIPPE MARCOU/AFP/GETTY IMAGES

▲ Doctors prepare for a kidney transplant in this file photo.

nity has been aware of these concerns for some time, referring to TTS policies starting in 2006 with the barring of conference papers and research involving organs sourced from executed prisoners.

“I don’t know whether [people in the transplant community] just forgot or they think it must have stopped by now,” Rogers said. “But I think if you’re working in a field, you have a professional obligation to be pretty careful about what you review and what you

say about it.”

Rogers’s research found that the TTS’s official journal, *Transplantation*, published five papers in breach of its own policies banning publication of unethical research.

The paper called for the retraction of all affected studies pending an investigation of the individual papers. It also recommended an international summit to develop policy for handling research involving China’s transplantation system.

ECONOMY

CHINA'S ECONOMIC BUBBLE

WILL IT BURST OR SLOWLY DEFLATE?

HE QINGLIAN

News Analysis

Since January, the signal released by the Chinese communist regime has been very clear: it will invest in urban rail transit construction to stimulate the economy, a repetition of the old trick used in 2009 whereby the government spent 4 trillion yuan (\$594 billion) to revive the economy. (All these measures are not intended to serve as the savior of the world economy, but to save the Chinese economy, and to reach the "six stabilities" economic growth goals set by the Politburo of the Chinese Communist Party Central Committee in August 2018. They represent stabilities in the areas of employment, finance, foreign trade, foreign investment, domestic investment, and development targets.)

Ever since "Made in China 2025" became the key target of the U.S.-China trade war, in order to cope with the outflow of manufacturing orders, the continued economic decline and the increasing unemployment pressure, China has to return to the old path of expanding credit and increasing government spending.

China's new slogan, the so-called "six stabilities," is actually meant to stable an economic bubble, the bubble of real estate market.

Why is Chinese Economy Still Hungry for Capital After Five Consecutive RRR cuts?

The one percent bank reserve requirement ratio (RRR) cut and the release of 1.5 trillion yuan (\$222.5 billion) worth of new loans in early January

this year was quite mind-boggling. On top of that, an official of the State-owned Assets Supervision and Administration Commission (SASAC) revealed on Jan. 16 that the new policy "required that the role of government bonds be strengthened as a benchmark financial asset, and can be used as quasi-currency." These have triggered a public outcry—China's central bank is practically issuing a credit card directly to Ministry of Finance.

Now the question is, after five consecutive RRR cuts, why is China's financial situation still tight, and it is necessary to release a large amount of government bonds to serve as quasi-currency? The answer is, China's massive debts have become an unresolvable problem. The enormous debts have become a such big mess that even the Chinese government has a hard time sorting them out. As the amount of debts in 2018 is still an unknown, we have to use the 2017 data to analyze and discuss the situation.

According to official data from the Chinese government, at the end of 2017 total debt had exceeded 200 trillion yuan (\$30 trillion), China's per capita debt had reached 170,000 yuan (about \$25,372), and the total debt was a whopping 200 percent of China's GDP.

Estimates by international financial institutions are much more serious. An estimate based on some

verifiable data from China showed that, by the end of 2017, debt to GDP ratio is 364 percent. Bloomberg surveyed 21 economists in March last year, and according to median of their estimates, China's total debt will reach 260 percent of gross domestic product by the end of 2018, basically unchanged from a year ago.

Corporate bonds and local government debts account for a big percentage of the total debts. Considering the borrowers' ability to repay these debts, a serious debt crisis may occur at any time. Central Bank's RRR cuts are intended to avoid this crisis, and they have two purposes. One is for the repayment of the debts; the other is they hope the expanded credit funds, that is the increased release of currency, can help boost the real economy.

For example, a total of 1.5 trillion yuan (\$222.5 billion) were released via one percent RRR cut on Jan. 4, 2019. According to a Reuters' report, 900 billion yuan (\$133.5 billion) was used for investments, the remaining 600 billion yuan (\$89 billion) was used to pay back maturing Medium-term Lending Facility (MLF) loans, to stabilize the financial markets.

China's development model, to stimulate economy through investments, has long suffered diminishing marginal utility. According to the International Monetary Fund (IMF), investment funds must be tripled for China to maintain the same economic growth rate as before. That is why the financial market is always hungry for additional funds, despite Central Bank's constant quantitative easing policies.

No Way Out

There are several so-called "grey rhinoceroses" for the Chinese economy. Among them is huge debt from government spending on the construction of railroads, roads, and airports. Now that all completed projects of high-speed rails and subways are in deep debt, why would the National Development and Reform Commission (NDRC) intensively approve more than 1.2 trillion yuan of urban rail projects in the recent two months, and still regard infrastructure as the key to the "stable investment" for governments?

The losses of the high-speed rail and the subway are verifiable facts. Since the opening of China's first high-speed rail, China Railway Corporation has always been in debt. In 2018, the company's debts were as high as over 4 trillion yuan (\$593 billion). Some may argue that the high-speed rail is not the focus of government investment this year, as its focus is on urban rail or subway instead.

However, subways are constantly losing money as well. According to a research report, "The Overall Development of China's Urban Rail Transit Industry," by the end of 2016 a total of 43 cities have been approved for the construction of subways, with a total planned mileage of about 8,600 kilometers (5,344 miles). Looking at the level of individual subway routes, except for Beijing Metro Line 4, Beijing Metro Airport Line, and Shanghai Metro Line 1, all other lines are operating at a loss.

The investment behavior of the Chinese regime can never be understood from an economic perspective. It needs to be understood from a political perspective.



▲ People look at a model of real estate development plans of Beijing's Central Business District at Beijing's Urban Planning Exhibition Center in this file photo.

364%

China's debt to GDP ratio in 2017

▲ A pedestrian walks past a Chinese bank in Shanghai on July 30, 2009.

▲ A high-speed train goes on a trial run in Shanghai on May 11, 2011.

For example, the slogan of this round of government investment is "make up the weak point to achieve stable investment. However, urban rail projects should not be considered a "weak point." Subways in the first and second-tier cities are seriously oversupplied. For the 50 third-tier cities, at least there is no urgent need for subway construction.

The reason why local governments are vying to build subways is simply because it is a "money-burning" project. According to data published by Zhao Chenxi, a spokesperson of the NDRC, the average cost of subways is about 700 million yuan per kilometer.

The main source of construction funds is govern-



ECONOMY

2018: THE YEAR OF CHINESE ECONOMIC DECLINE

CHENG XIAONONG

News Analysis

As we bid 2018 farewell, we see China's 40 years of economic windfalls draw to an end—this last year, the fact that the Chinese economy is in decline has become clear as day, and for many, is a great cause for concern.

A Chinese economist warned recently that China's economic growth in 2018 may be close to zero. As I see it, this decline is the logical consequence following the unsustainable "prosperity" drive by exports and real estate development. Such decline is guaranteed to continue.

The Professor's Warnings

In 2015 the Chinese government moderated its growth rate estimation to the lowest in a quarter century, and admitted that the slowdown will become the new norm for China. But the Chinese authorities failed to clarify to what extent the economy will weaken. Now

warnings came that zero growth may be what "new norm" means.

On Dec. 16 last year, Xiang Songzuo, Chief Economist of Agricultural Bank of China, made a bold statement in his speech at China's Renmin University. Xiang said that while China claimed a GDP growth of 6.5 percent, the real growth rate may be just 1.67 percent according to an unpublished study by an important organization. Another estimate, he said, revealed that the economy may be shrinking.

His speech went viral on Chinese social media platforms, but the news became the target of Chinese internet censorship. The 1.67 percent and the negative number Xiang quoted would average out at around zero percent growth rate. Xiang did not name the "very important organization" that conducted the said research, but under today's environment in Beijing, such terrible news isn't something he could simply make up. Which organization dares to offer such data? Companies or banks would not dare to publish such

results. I think that only a government institute consultancy for senior economic policymakers, one that has more power than National Bureau of Statistics (NBS), would be in a position to issue internal economic warnings like this. Very likely this organization is the Office of the Central Leading Group for Financial and Economic Affairs.

The Ban on Publishing Local Figures

In the economic statistics issued by China's local governments, analysts noticed declines in many monthly and year-to-performance indicators compared to the same periods last year. But the statistics departments manipulated the algorithm to create the impression of positive overall growth. For example, they excluded the businesses with poor performance in 2018 from 2017 data and compared based only on businesses that are still doing well in 2018, so the data showed growth over 2017. But had the poorly-performing businesses been included in both years' data, 2018 would have shown a decline from the previous year. By focusing the comparison on good performers, the governments turned decline into growth in their reports. This obviously does not reflect the reality.

The local statistics departments' tricks are rather awkward and obvious, making a pure embarrassment of the National Bureau of Statistics' economic growth story. This is likely the reason why the NBS decided to forbid local governments from publishing GDP figures. In October, the NBS withdrew the permission for local governments to publish provincial economic data, according to a Dec. 17 article by the South China Morning Post. The excuse, as quoted in the report, was to make it more convenient to compare the data from local and national statistics bureaus. In plain language, non-government analysts would grow skeptical when they see that the aggregated growth data from the NBS is higher than data published by the local governments prior to October 2018. After the ban, the analysts, having no means of comparison, would have no choice but to accept the NBS' "authoritative" data on economic growth.

Since the NBS ban, some cities and provinces failed to publish their incremental growth figures for November. On Dec. 10, the Ministry of Industry and Information Technology of Guangdong Province published a brief statement on its website, saying that the ministry received orders from the NBS at the end of October that the province should stop publishing local statistics, according to the aforementioned South China Morning Post report. I searched the statistics bureau websites of Jiangsu Province and Zhejiang Province, which are the most economically developed provinces, and

found that November data was unavailable for both.

The ban only validated the warnings by Xiang Songzuo. It also explains why significant gaps exist between what the NBS is ordered to share with the public and what the country's senior leadership knows.

Is Economic Decline Temporary?

Among the many major events of 2018, the trade war between U.S. and China is the most economically significant. Now that the two sides are in cease-fire, people wonder if the economic prosperity will return once the two countries are able to come to an agreement and end the trade war. In other words, is the downward economic trend temporary, or is it here for the long term?

In "China: Ailing but not Collapsing," authored by myself and He Qinglian, we pointed out that the unusual economic prosperity that began in the late 1990s is unsustainable, and that decline is inevitable. Broadly speaking, the economy of any country is supported by consumption, investment, and exports. Decline occurs when any of the three loses momentum. We often refer to this pattern as the "three-horse carriage." Why are the three horses slowing down?

Before 2009, export was the strongest horse, and created a decade's worth of "export prosperity." But as production

cost soared in China, foreign investment in apparel manufacturing gradually moved to other countries. The export industry could no longer maintain its annual growth of 25-35 percent, and the growth slowed after 2009. With or without the trade war, the export horse would have been exhausted sooner or later. The trade war, caused by trade deficit and China's rampant infringement of intellectual property, is a stab in the horse's leg. This was fully elaborated in my article "The Fate of China's 'World's Factory'" published by The Epoch Times in Chinese last Oct. 8.

Since about 2009, investment has become the top horse pulling the Chinese economy. The most active investments were in real estate and infrastructure, which brought a "construction prosperity" phase of less than 10 years. Construction prosperity accelerated urbanization nationwide, but also caused a real estate bubble. The housing supply is enough to cover demand for the next 20 years, and prices are boosted to unaffordable levels for salary earners, meaning that the real estate bubble cannot grow any bigger. Today the bubble is already shrinking. It was proposed in a recent central economic work session in Beijing that future investment should focus on not-for-profit public welfare projects in rural areas. This means Beijing has realized that a stimulus like the 4-trillion yuan

Reforms cannot solve the problems of export contraction, the real estate bubble, and weak consumption.

infrastructure investment Wen Jiabao launched 10 years ago to boost real estate development would not work in today's China. The real estate bubble that resulted from Wen's strategy threatens China's financial security, and has become a major headache for Beijing. The real estate route has reached an end, and the once hard-working investment horse is keeling over.

The only horse left now is consumption, but this one is also struggling to stay on its feet. When thousands of millions of people in rural population are seeing their incomes stagnate, and urban residents overburdened with high costs of housing, education and healthcare, and worsened by waves of layoffs and salary cuts, the consumption growth in 2018 is close to zero. In 2005 China's retail growth was 24 percent, compared with 4 percent in the first 11 months of 2018, a figure that includes 2 percent from inflation. The net growth, therefore, is only 2 percent, a 7-percentage point decline from 2017. This trend is very likely to continue.

Along with the economic decline, China's revenue is also dropping. According to official data, revenue in November 2018 was 1.08 billion yuan, or 5.4 percent lower than the previous November. April saw the highest revenue in 2018 at 1.85 billion yuan, which was over 40 percent higher compared the previous year. Comprehensive analysis

shows that the revenue decline in November is mainly due to overall economic decline, instead of the tax cut introduced the same month. Will accelerated economic reform create a new economic prosperity? The analysis above indicates that the failure of all three horses in the economic field is a manifestation of macroeconomic principles, and not just a consequence of systemic defects. Reforms cannot solve the problems of export contraction, the real estate bubble, and weak consumption. In conclusion, the economic decline in the second half of 2018 was no accident, but a foreseeable consequence of the unsustainable "prosperities" of export and consumption.

Dr. Cheng Xiaonong is a scholar of China's politics and economy based in New Jersey. He is a graduate of Renmin University, where he obtained his Masters degree in economics, and Princeton University, where he obtained his doctorate in sociology. In China, Cheng was a policy researcher and aide to the former Party leader Zhao Ziyang, when Zhao was premier. Cheng has been a visiting scholar at the University of Göttingen and Princeton, and he served as chief editor of the journal Modern China Studies. His commentary and columns regularly appear in overseas Chinese media.

ment financial funds and indirect financing. The operation mainly relies on financial subsidies, so whether it makes a profit or not is not a matter of concern (at least for Chinese officials). Once the approval for subway construction is approved, local government will achieve at least three "stability" goals: stable investment, employment, and expectations. It takes several years to build a subway, as long as these officials can achieve those three stabilities during their tenure, and ensure local economic growth, they will be able to "stabilize" their official titles or even get promotion.

That is why Chinese local government are wearing new shoes but still taking the same old road. The government focuses on exploring underground transportations and keeps spending on infrastructure construction.

Stability Depends on Whether the U.S. is Willing to Let China off the Hook

The remaining two "stabilities" are stable foreign trade and stable foreign investment. The latter determines the former.

Affected by U.S.-China trade frictions and the slowing economic growth, China's trade surplus in 2018 fell by 16.2 percent to a total of \$ 352 billion, the lowest since 2013. The most noteworthy is that China's trade surplus with the United States reached \$323 billion, an increase of 17 percent from the previous year, surpassing the historical record of \$276 billion in 2017. These data indicate that 90 percent of China's trade surplus in 2018 came from the United States. This situation shows how unrealistic it is for the United States to cut off all economic ties with China, as proposed by some U.S. experts, and why China must end the trade war as soon as possible.

China's foreign trade mainly relies on foreign capital (funded companies), especially Taiwanese capital. Taiwanese businessmen have opened about 100,000 factories and companies in mainland China.

China's top 10 exports to the United States are all foreign-funded enterprises, eight of them are Taiwanese. Seventy percent of China's top 100 exports to the U.S. are foreign-funded enterprises (40 percent are Taiwanese companies), while only 30 percent are pure Chinese companies. Presently, foreign investors are very worried about the impact of an increase in tariffs, as a result of the U.S.-China trade war.

Many of them are considering moving their companies out of China, which would eventually lead to global industrial restructuring.

On Jan. 18, both Bloomberg and Reuters quoted information sources on major developments in U.S.-China negotiations. Bloomberg revealed that China had offered to increase its imports from the U.S. by a combined value of \$1 trillion in the next six years to balance the huge trade deficit between the United States and China. Reuters reported that the United States demands "regular reviews of China's progress on pledged trade reforms as a condition for a trade deal, and could again resort to tariffs if it deems Beijing has violated the agreement."

Whether China can purchase \$1 trillion worth of U.S. goods in the future involves U.S. regulations on exports to China. With existing regulations, the United States cannot provide this amount of goods. The regular review proposal—still dependent on future negotiations at this stage—will help end the trade war and will be greatly helpful for China in achieving two of its "stability" goals, stabilizing foreign trade and stabilizing foreign investment.

The "Six Stabilities" are Meant to Stabilize Bubbles

The bursting of the real estate bubble set housing prices into a protracted decline and the Japanese economy into "the lost two decades." According to some researchers, excluding all other losses real estate and stock price drops alone caused a loss of wealth of 1,500 trillion yen, equivalent to the sum of Japan's nationwide personal financial assets, which is the sum of Japan's GDP over three years at the time.

Any country relying on credit expansion to develop its economy will eventually create a real estate bubble.

According to the 2018 Global Wealth Report published by Credit Suisse Research Institute (CSRI), by mid-2018, China's family wealth ranked second in the world. The 2017 Hurun Wealth report claimed that one in every 940 people in China has a net worth of 10 million yuan (about \$1.48 million).

Domestic research revealed that real estate accounts for more than 70 percent of China's household assets. In recent years some property owners, fearing the loss of household wealth, launched protests against real estate developers when they offer price cuts, and it happened in many locations across China. This phenomenon is undoubtedly a Chinese characteristic. Real estate binds the government, banks, and property owners into a community of shared interests. Together, they go all-out to maintain this huge bubble for their own interests.

The injection of additional currency into the markets at the beginning of 2019 has made the long-suffering and helpless local governments feel relieved. Government officials and relevant industries may think that, another round of development opportunities is now on the horizon. These short-sighted people are unwilling to think deeply. It's actually a new round of drinking poison to quench a raging thirst.

Premier Li Keqiang gave a speech at a forum on Jan. 15, saying "it is necessary to keep the economy growth rate within an appropriate range. We must avoid 'big ups and downs', and definitely cannot allow the economy to 'fall off a cliff'."

His words are by no means a declaration of further development, but a call for stable burst of the bubble. That is, the bubble should slowly deflate under the control of the government. A drastic burst must be avoided at all costs.

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

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