

## A WHITE PAPER: US-CHINA POLICY

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### What's Wrong with China?

China is best understood in the context of its history. For more than 2000 years, the Chinese people have labored under the oppression of Asian Despotism. That despotism was implemented by a series of imperial dynasties beginning in 221 BC (Han), a system based on historic political and intellectual roots that went back yet another thousand years. The last of these dynasties ended officially only in 1911, when the Ch'ing, or Manchu, Dynasty was swept away, and the Republic of China ("ROC") was established in its place. The ROC was China's only experiment with democracy, and that experiment in its formative years was deeply flawed and short-lived. The ROC was pushed from the Chinese mainland by the Chinese Communist Party ("CCP") in 1949 and has maintained a tenuous toehold on Chinese history through its continued presence in Taiwan, an island separated from the Chinese mainland by only the 100 miles of the Taiwan Straits.

The ROC's brief period of power in China proper hardly merits attention, overshadowed as it was by two great world wars and the occupation of much of the country, first by multiple warlords in the early decades of the century and then in the 1930s by Japan. A few items are worthy of mention. The ROC's time on the Chinese mainland is largely identified with the Chinese Nationalist Party, or "KMT," which was established in 1919 and was the ruling party from 1928 to 1949. The KMT came to be dominated during the 1920s by Chiang Kai-shek and his faction and was plagued by corruption throughout its tenure. To its credit, the ROC did slowly emerge as a true, multi-party democracy after its move to Taiwan in 1949 and today represents a major economic and political success story, along with the other "tigers" of East Asia. Unfortunately, its future continues to be threatened by the growing power of the CCP, which views Taiwan as a part of traditional China, which must inevitably be reincorporated into the PRC, like Hong Kong. The failure of the CCP since 1997 to successfully integrate democratic Hong Kong into the PRC gives little comfort to the people of Taiwan.

In 1949, the CCP, led by Mao Tse-tung and other radical communist revolutionaries, succeeded in conquering the entirety of the Chinese mainland, chasing the ROC to Taiwan. The Peoples Republic of China ("PRC") was formally established by the Communists on October 1, 1949.

Millions of Chinese have since suffered under the mindless and brutal policies of the CCP, without question history's most devout Marxist-Leninist dictators. Even Stalin pales by comparison. From 1949, the Chinese people groaned under the most brutal form of oppression the world has ever known. In the 1950s alone, they endured thought purges; the Korean War; land "reform" in which millions of landlords were destroyed and many exterminated; reorganization of agriculture into coops, followed immediately by forced collectivization; the Hundred Flowers Movement; and the so-called Great Leap Forward (1958-60), followed by the Great Famine of 1959-1961, itself caused by the mindless agricultural policies of the CCP. The 1960s were little better, starting off with the Sino-Soviet split beginning in 1961, when China turned away from post-Stalin Russia, finding the Soviets too "liberal." To distract the Chinese

people from the CCP's massive political and economic failures, in 1966, Mao launched the Cultural Revolution, a disaster ending only with the death of Mao and arrest of his wife's clique 10 years later, in 1976. In the Cultural Revolution, the lucky ones were subjected to social shaming, beatings, loss of livelihood, and imprisonment; the less fortunate were killed by mobs or wasted away in prisons run by the Communist authorities.

What was the price tag in human terms for this CCP-inspired insanity? In the Great Famine alone, between 1959 and 1961, it is estimated that anywhere from 40 to 50 million people died. In the years from 1949 to Mao's death in 1976, it is thought that as many as 80 million Chinese people were sacrificed to the political ambitions of the CCP. Beyond that, the economic loss to China resulting from these failed policies is incalculable. And it would be wrong to blame this all on Mao: as the "great helmsman," he was certainly the most visible of the CCP's leaders, but all played their part. By contrast, Stalin executed a mere million of his political enemies, and even his penchant for class warfare and genocide added only some 5 to 7 million deaths to that figure.

While Mao Tse-tung was no doubt the principal author of China's disastrous policies, he was also, in the final years of his life, responsible for China's ultimate re-opening to the international community. In his final "pivot" of China's foreign policy, he cooperated with the Nixon Administration to achieve rapprochement with the United States in 1970-71, which culminated in Kissinger's secret trip to China in 1971 and the much-ballyhooed Nixon trip in 1972. Both parties to this re-opening no doubt sought to blunt the power of the Soviet Union, but there was another aspect of this new relationship that is less discussed. Not long after Mao's death in 1976, Deng Hsiao-ping was able to out-maneuver his numerous competitors to become head of the CCP (1978), no mean feat since Deng had been purged twice during the decade of the Cultural Revolution. Often viewed as a 'pragmatist' on the skewed spectrum of CCP ideology, Deng adopted economic and political 'reforms;' institutionalized education, technical, and bureaucratic standards within China; and formalized diplomatic relations with the US (1979).

None of this should delude anyone into thinking that Deng was not a deeply committed communist. While recognizing that China would do better to attract Western investment and technology to support its economic development, he also built on Lenin's insight that capitalists will sell you the rope you hang them with, by adopting "socialism with Chinese characteristics." What that meant was that China would behave internationally like a capitalist, and domestically would even allow the markets to signal prices. However, all business enterprises in China would still be controlled, at least indirectly, by the CCP through its members. (It is one of the "Big Lies" about China that a "private sector" exists.) For foreigners seeking to do business in China, the Chinese government created an elaborate regulatory framework, all of which boiled down to one thing: any foreign business enterprise in China had to be implemented through a joint venture (jv). These ventures were invariably owned and controlled, behind the scenes, by Chinese Communist Party members. Despite these drawbacks, during the 1980s and 90s, thousands of US businesses set up operations in China, never really knowing who their jv partners were. Talk about turning a "blind eye!" Of course, the real purpose of this policy from the outset, beyond making top CCP members fabulously wealthy, was to exploit market

efficiency to increase profits, then redeploy those profits to better enable the communist regime to control the economy and society domestically and to outspend China's enemies abroad.

For a fleeting moment in time, the events of Tien An Men Square in 1989 brought all this to a screeching halt. But in a matter of months, it was back to "business as usual" where China was concerned. Hard to believe that Tien An Men was 30 years ago. And still we refuse to admit China's true nature!

So what happened to America during the 1980s and 90s? Caught up in the myth of "adding an inch to the shirttails of every Chinaman" and lusting after the ostensible riches to be had at the end of that rainbow, the "vanguard" of American business began to "offshore" production. The cheap labor in China, together with lower costs resulting from its lack of labor and environmental regulation, did indeed reduce the cost of manufacture for US companies, and, in time, other US businesses had the choice of following their competitors to China or going out of business. During the 1990s, the big box stores further committed US business to the China myth. Once that happened, there was no turning back. Across America in the 1990s, thousands of local manufacturing companies, both large and small, were shuttered, their jobs exported to China. Meantime, what was the US selling to China? Nothing. By the end of the 1990s, America's maritime ports were sitting on tens of thousands of empty containers, and still the ships came. But the trade imbalance was only the most conspicuous aspect of what was wrong with the US-China relationship by then.

From the very beginning, during the 1980s, the Chinese attitude toward western intellectual property ("IP") was abundantly clear to anyone who was paying attention. As a condition to approval by the Chinese Government of each of the new US joint ventures in China described above, the US partner was always required to cede its IP to the Chinese side at the end of the JV term. Not content with the pace at which this contractually-legalized theft of US IP was proceeding, the Chinese Government turned in due course to wholesale industrial espionage, targeting not just US companies doing business in China, but Silicon Valley and other target-rich environments—including the universities that produced much of the basic research that underpins US technological strength. And why not? We made it simple for them. Recall that the number of Chinese students studying at US colleges and universities mushroomed after the start of China's "turn to the West." In the late 1980s only some 20,000 Chinese students were enrolled in US institutions of higher learning. That number quickly doubled in the early 90s and by the end of the decade reached 60,000. Even that number pales by comparison with the decades that followed. Chinese enrollments continued to grow steadily, peaking in the academic year ending in 2020 at more than 370,000. Most of these students are in post-graduate work, primarily in the sciences. Many go on after graduation to work in technical jobs in US companies; all of them have family members still living in China, making them subject to extortion by the long arm of China's intelligence services. Yet no one seems to care. Why is this Trojan Horse allowed to exist? Simple, greed. Where the Chinese now account for more than 30% of all foreign student studying in US universities, academia has simply been unwilling to ignore this gravy train.

But theft of our IP was not the worst of China's "socialism with Chinese characteristics." Not by a long shot! The Chinese Communists, it turns out, do not scruple at using slave labor to produce

wealth in their workers' paradise. It is by now well documented that various political enemies of the CCP—Uyghurs and other Muslims, Falun Gong, and Christians, just to name a few—have been forced into factories to generate profits for the CCP before they are finally worked to death. Funny how that was considered so impolitic when the Nazis did it to the Jews in Germany but is just not a problem for so many of our fellow Americans who are in bed with the Chinese now.

We paint a pretty picture, yes? America's elites, driven by greed and perhaps a touch of naivete, have over the course of four decades aided and abetted China in its subversion of everything we hold dear as Americans. And it is important to understand how widespread this phenomenon is. We have already noted the role played by our business elites and academics, but it goes further than that: Whether at your company, your university, your nonprofit, or your government agency, to be in charge of the "special" China relationship means advancement, prestige, perhaps even power. So today we see the new "China Lobby" at work not just at Fortune 500 companies and prestigious universities, but anywhere our political class congregates--Hollywood, the NBA, local government, and so many more, all willing to give China a pass because they want to make few bucks on the China relationship. And as we have learned, Americans willing to take Chinese Dollars to sell out their country can be found even at the very highest levels of Government! This phenomenon is well documented in Peter Schweizer's "Red-Handed" published in 2022.

And through it all, the China Lobby has continued to spin its cover narrative: the myth that this "liberalization" of the Chinese economy would ineluctably lead to the liberalization of China's political and social system. On this theory, there is no price too high for the US to pay, no freedom too dear to be auctioned off, since these sacrifices will lead to a kinder, gentler China. For many years that narrative could be termed merely ill-advised. But consider the political situation today in Hong Kong; or China's aggressive foreign policy, whether the economic and political hegemony in Africa or the Belt and Road Initiative in Asia; or the aggressive posture of China's military in the Pacific and Indian Oceans. This is without even considering the activities of China's proxies around the world—from the Taliban in Afghanistan, to Iran's mullahs, to Syria's despots, to North Korea's strongman. Today, China's goal of world domination is all too clear. Only someone who is willfully ignorant could pretend otherwise. The only real question is, is it too late for the US and the West to regain the initiative?

If that weren't enough, as described by Gregory Copley in his 2020 book "The New Total War of the 21<sup>st</sup> Century," China's supreme leader, Xi Jinping, actually declared war on the US in September 2018, declaring the beginning of a "New Thirty Years War" to replace the 1648 Peace of Westphalia. US leaders ignored him.

### China Today

We noted above how in the 1990s, all over America, manufacturing companies were forced out of business and their jobs lost to China. Since then, China has emerged as the globe's sole surviving mercantile power, whose ambitions dwarf the efforts of Europe's colonialists in the 19<sup>th</sup> Century. In effect, China has declared war on the rest of the world. Oddly, while the Left in the West screams incessantly about the evils of European colonialism a hundred or more years ago, they seem to have no issue with China's efforts today to dominate the globe economically

and politically. At least in the 19<sup>th</sup> Century, European colonialists generally tried to bring the benefits of liberal democracy and modern education to their captive countries. None of that for the Chinese!

As part of its mercantile policy, China takes the position that all global manufacturing must be performed by Chinese companies, ruthlessly seeking to destroy competition in all corners of the globe, not just at the expense of emerging economies like Brazil, India, and Russia, but also of dozens of the world's poorest economies in Africa, Asia, and Latin America. It also uses its unopposed influence to extort the most rapacious extraction concessions for fossil fuels, traditional and rare earth minerals, and other natural resources from Third World governments in Africa and around the globe. Controlling all the natural resources of these nations, China has now become their largest creditor. And these governments are starting to find that once the camel has forced its nose under the tent, it is impossible to keep it from taking over the whole camp.

The truly disturbing part of this for us as Americans is that China's economic and political aggression in recent decades is being funded from the vast reserves of US Dollars that China has amassed by becoming the sole source of manufacturing for the US economy since the 1990s. That's right, we are actually financing our own demise! This is the truly evil aspect of the trade imbalance with China that goes unremarked upon by Washington's savants. And that funding is set to continue: Wall Street is now using your pension funds—often without your knowledge or consent—to finance and support the greatest tyranny the world has ever known. And this is even before we mention China's on-going assault on our democratic institutions, also funded by their piggybank of US Dollars.

In that light, COVID has been a pointed illustration of how China's aggressive policies are concealed by China's apologists, not just in the West but throughout the United Nations system as well. COVID in the first instance shows how reckless a government can become when it is possessed of 1.4 billion souls that it has no compunction about squandering to attain its ideological goals. The one benefit of COVID may be that, for those who are paying attention, it has clearly demonstrated that China no longer cares to stop at undermining our economy and our culture. Now they are well on their way to hollowing out America's democratic institutions, by buying off gullible American politicians and subverting free elections.

### A Modest Legislative Agenda

As noted above, competition makes it very difficult for even the most patriotic businessman to stay away from China when his competitors are taking advantage of the cheap labor costs there. This is why the US government ("USG") must act, to maintain a level playing field, while discouraging US companies from investing in China. Congress must give serious consideration to the passage of legislation, and press for USG policies, aimed at the following:

#### Economy/trade

- Clean up the USG, getting pro-China bureaucrats out of positions of influence at DOD, State, CIA, and other key policy agencies

- As Trump did, insist on “free & fair” trade, meanwhile imposing import tariffs on Chinese goods
- Start using Exon Florio more aggressively to curb Chinese acquisitions in America
- Limit China’s ability to raise capital in US: Bar US pension funds, private equity funds, and others from investing in Chinese companies, whether listed here or in China— emulate Florida
- Similarly, ban listing of Chinese companies on US exchanges, as they lack transparent disclosure, an exception tolerated by the SEC for no other nationality
- Stop investment by American industrial and service companies in China, which can be readily done through the tax system by disallowing business expense treatment for costs incurred there as well as amortization of capital expenditures relating to such investments
- Get Chinese products out of the US supply chain by encouraging US companies to diversify sourcing, which may also require tax and other financial incentives
- Ensure Chinese products are banned in sensitive civilian and military sectors such as defense, dual use technology, pharmaceuticals, medical equipment, and healthcare generally
- Get Western allies to follow suit, as we did with the Soviet Union

#### Politics/Defense

- Acknowledge that China is at war with the US
- Curb DOD cooperation with Chinese military
- Political aspects: get China out of elections; expose donor and other relationships at state and local government level; enforce ban on foreign political contributions
- Close all Chinese consulates in the US, leaving only the embassy in Washington, to impair Chinese intelligence operations within the US
- Expose complicity with China in UN system and block China’s influence there
- Enforce US and international IP protections at home and abroad

#### Society & Culture

- Confucius Institutes on college campuses are just the nose of the camel: CRT is backed by CCP; expose academics and state & local government officials in bed with China
- Require disclosure of nonprofit links to CCP to retain charitable tax status
- Tik Tok must be banned; other social media checked for independence from CCP influence
- Ban Chinese investment in film industry and US media companies

#### MEANTIME...MAKE A DIFFERENCE:

Even as an individual, you can make a difference. At a minimum, stay informed. But you can also take action. See links below. Shop a bit harder: look for items NOT made in China. For some products (e.g., light fixtures) it is very hard today to avoid Chinese manufactures. But for many products, there is an alternative. Even if you just do an internet search for “made in usa,” you can find lots of options in many kinds of products. If there is an online site where you like to

shop, and it seems flooded with Chinese products, send the CEO a message. Note that many of the largest corporations—Amazon comes to mind—are afraid of you and your opinions and make it hard for you to “contact” them online. If they have that attitude, maybe you should find someplace else to shop! Meantime, do it low tech, and send them a letter by snail mail.

Beyond more careful shopping, you can also support organizations like Decouple China, Present Danger China, and Victims of Communism. Also, get the word out. Make sure friends and family understand the immediate existential threat China poses to America and its future. A subscription to The Epoch Times makes a great gift. Young people especially in America have no sense of history or even of current events (how could they with these schools!) and need to know what has happened in America over the last 40 years.

### Stay Informed

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### Take Action

<https://www.decouplechina.org>

<https://presentdangerchina.org/>

<https://victimsofcommunism.org/>

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