Suzanne Scholte: Good afternoon, I'm Suzanne Scholte, President of the Defense Forum Foundation, and it’s my pleasure to welcome you to DFF's Defense and Foreign Policy Forum. Our Forum is a bipartisan program established in the 1980s to provide congressional staff the opportunity to hear from expert speakers on critical issues facing the United States and her allies. We always promise you an excellent speaker on a critical topic, and the chance to ask your questions. Before we introduce our speaker, I just want to recognize a few special people. First Vice Chairman of the Defense Forum Foundation, Ty McCoy. He has been a great vice chair and I am so thankful to him as he is one of our most active board members. Also, a genuine hero in the audience today, a survivor of Tiananmen Square Massacre who has devoted his life to the people of China, that they may one day enjoy the freedoms we are blessed to have: Dr. Yang Jianli. If you are not getting Dr. Yang’s emails I highly recommend signing up for them at Initiatives for China, www.initiativesforchina.org. And someone who is very near and dear to me, my brother, who is also very near and dear to many of you, Ambassador Moulud Said of the Sahrawi Republic.
Now, for today’s forum I do feel a little guilty because I am literally bringing our speaker “down to Earth”. I know that Dr. Autry would much prefer to focus on his number one passion, Space. He is the author of a report for the FAA on US National Competitive Advantage in Space Flight Markets and recently served on the Presidential Transition Team at NASA and as White House Liaison to NASA. But for today, I have had to bring him down to earth to discuss a topic that impacts so many of us who focus on American national security, but also work for the advancement of freedom and human rights abroad. Since we have a new administration focused on “America First,” and Dr. Autry’s passion is also for the prosperity of this country and other free societies, I thought he was the perfect person to address this topic. And this was the perfect time to do so.

You all have his biography and know Dr. Autry to be an educator, writer, and technology entrepreneur. But for today, to me he is one of the leading experts on understanding the ways in which appeasement of state-dominated economies, and totalitarian regimes like China, has had a devastating impact on Americans and our economic prosperity. Certainly, the fictional president from The West Wing, Dr. Josiah Bartlett, understood that. And hence, Martin Sheen narrated the documentary film “Death by China,” which was based on the book Dr. Autry wrote with Peter Navarro. So while today’s topic is a doozy, “Death by China: China’s Endgame Strategy - Leveraging US Capital and Research to Leapfrog America in Cyber, Military and Space Tech.” Dr. Autry is the best person to present it.

Dr. Greg Autry: Thank you. I hope I can live up to that. Quite an introduction. I do want to point out that there is not necessarily such a disconnect from the stars to Earth here, and the reason I am passionate about both these topics is the same. We are at a critical point in human history. I believe the next 50 years will be the most important years in the history of mankind. We are going to see ourselves make the first permanent steps off of the Earth, and into our solar system, and begin to occupy the universe that God or nature created for us. When we do that, we are going to have a choice of who is going to occupy that universe, and what values they are going to take with them.

So, I was proud to serve on the NASA Agency Review Team and as White House liaison with NASA, but I am also proud to be very concerned about issues of human rights, economics, freedom and civil liberties.

If we don’t pursue actively American dominance in space, we are going to find out that our number one competitor, the Chinese Communist Party, is going to take the values of Marx and Lenin and Mao to the stars, and the legacy of humanity would be lost. There is nothing more important going on in the world today, and I really believe that. Al-Qaeda is an annoyance compared to what we face if we allow that to happen.

Anyway, thank you very much. I am going to talk about a broad look at China because I am a generalist. I know a little bit about whole lot of topics, from cyber espionage to human rights issues, but I think that the key thing we have to do is to integrate all things because our opponent, the Chinese Communist Party, has an integrated strategic approach that America has failed to consider.

I come from Yorba Linda, California, Richard Nixon’s home town. I lived just down street from the Richard Nixon Library, birth place, and his resting place. He was a great American president in lot of ways, clearly a flawed human being in many ways as well. He is most known for opening up China to the West. I believe his intentions were good, the strategy of triangulating against the Soviet Union was brilliant, and it clearly contributed to the ability for later presidents, particularly Reagan, to bring down the Soviet Union. But later he made this remark about China, that we may have created a
Frankenstein monster. And I believe he was very right. We failed to hold China accountable for what was expected in his day after the détente was opened. And that is, unfortunately, a legacy that belongs to some folks in this building. And we need to correct it.

The first thing I want to get clear is they are still communists. This is not a liberal democracy, and it is not some normal government that is just like any other government that has a slightly different point of view. It is not a government that is acting in the interests of its people. It is a government that acts in the interests of a cadre of powerful men, who enjoy a very good life at the expense of the lives of many millions of other people whose rights and daily economic options are trampled. Yes, the Chinese have done some amazing things in technology and the culture and in business lately. And I applaud the individuals who do that, and it is not the Communist Party of China that lifted them up from poverty. The Communist Party of China held the people of China in the middle ages for an additional 50 years, while the people of South Korea, the people of Taiwan, the people of Japan, rebuilt and advanced themselves, and all the Communist Party did was lift the boot a little bit, and let the resourceful people of China do what they do and fix their own economy.

Xi Jinping, is a little bit of a different ruler that we had in the past. The previous Chinese rulers were traditionally engineers. Does anybody know what Xi Jinping’s field of study is? And you don’t answer that. (laughter) In Tsinghua University his degree is in Marxist ideology and political education. So remember that, they are still teaching that, they are still handing out degrees in that, the hammer and sickle is not there just because they didn’t know how to take it down. They believe in that. They intend to pursue that. But they understood what the Soviet Union did wrong, which is they didn’t go through the Marxist-Capitalist phase. Marx believed that capitalism was an extremely powerful tool, and you had to go through a capitalistic phase before you could enter communism. They still intend to go there.

This is a lawyer’s oath that was introduced just 4 years ago in China, that all lawyers are now required to swear. They have to swear to “faithfully take the sacred mission of legal workers in socialism and uphold the leadership of the communist party.” It is not something from 1949, this is something from 4 years ago. They still believe in these fundamental things. If we continue to delude ourselves and pretend that the Chinese are just another democracy in development or they are moving towards real capitalism, we are being very, very, foolish. They do not believe in those things.

Ok, why do I do this? It’s personal, and I want to relate a short story. A few years ago, I was going to Shenzhen to tour Foxconn City, Hon Hai High Precision Manufacturing’s large factory, where most Apple products are made, and a lot of stuff from HP, Dell and everyone else. Seven hundred-something thousand people in that factory, more than half the people lived there. I had an interesting event I will tell you about in just a minute.

I also care about people—Jennifer Zeng standing next to me in this photo, this beautiful lady, she happened to be a Falun Gong practitioner. I don’t particularly share her belief system, but I will fight to the death to defend her right to have her belief system. But she was jailed, she was tortured, she was separated from her family, because she chose her religion. The gentlemen next to her, David Kilgour, a good friend of mine, former member of the Canadian Parliament, has fought for years to expose the Chinese business of organ selling, which the Chinese military is actively complicit in. I have seen horrors, and I take it very personally. I do not separate the fact that I can buy a cheap consumer device, or what our trade deficit is, and what our military position is, from these ideological and human rights issues. (Any of you been to the Canadian parliament? You must go, it is a beautiful building, isn’t it? I strongly recommend that if you have a chance to check that building, it’s gorgeous.)
So this was what happened when I went to Shenzhen. Before I went to Foxconn, I was going to meet with few people. One was a gentleman who had been at Tiananmen, and had done some protesting, and done some time in jail, and was out now. Another person was a lady who had been fighting the One-Child Policy for years, and the other was a gentleman who was an undergraduate Christian minister who ran an illegal church. I was supposed to meet the three of them at the airport in Shenzhen after flying from Shanghai at 6 p.m. For some reason, my flight was delayed by an air traffic control request, according to the pilot, and we flew around for almost thirty minutes in a pattern before landing in Shenzhen. When I did, there was nobody at the airport to meet me. It turns out, later, I got an e-mail that said that at 6:10 p.m., four policemen arrested my friends and took them away, and they drove them around for a while. (PPT slide) This is the actual e-mail, I have crossed out the names, of course. The gentlemen says, “I regret missing the meeting. This is the reality of China.” I wrote back the next morning, telling him that I was really sorry, that that was really evil, that it was interesting that my flight was delayed, but why don’t we try to meet at the hotel near the railroad station. Within a few minutes of that I got an email back from him saying, “The police called me and warned me not to meet with the American writer at the train station, within just a few minutes.” And I sent this from my iPad, which I keep under my pillow when I travel to China. I never take a computer. I keep my personal electronics with me the whole time. I was going through a secure VPN at the University of California. These folks were actively interested in stepping on the rights of their own people, and interfering in the communications with people who might bring enlightenment.

Who does this? There is a group called Unit 618-98 at the People’s Liberation Army Signal Corps, New Pudong Area, Shanghai. In this building, they manage a beautiful cyber espionage operation aimed at both domestic and foreign actors, including people like me.

(PPT slide) Here is a spear-phishing attempt I got from them years ago. I was communicating with a reporter from New Dang Dynasty Television, which is the Falun Gong operated media outlet, and I knew Bing Wong well. And I received this email that said, “follow the link and click on this.” And it was awfully suspicious. That is not how she would greet me. She would have probably said, “how is it going?” and asked after my family or something. So I thought, that was a little odd. And you notice, down below the URL, is ntdsv.com, but up above I noticed that the URL is ntdvla.com. I thought that was odd. So I emailed her back, and I just want to confirm to you, she actually sent this. This is not a phishing attempt. And notice I sent this on Wednesday September 5th at 12:14 pm. And I get this email that says, “Yes, I sent this, follow this link,” and this comes in less than a minute. Somebody is sitting there, waiting for me to respond to this email personally. Interesting.

But I noticed this. It says that she has sent this, but oddly it says I wrote this email at 3:14 in the morning, on the next day. So gee, where is somewhere that is like 15 hours ahead of me in L.A.? So it turned out that this was going through some sort of server in China, and although they had updated their time in their local work station to reflect the local time in L.A., but they had failed to update the local time in their server. So I could see that this was in fact not going through L.A., it was going through Asia. I was able to track that IP address down to a Chinese telecommunications facility in Kuala Lumpur, Malaysia, but it couldn’t get me further than that. The fact is, though, that these people are looking to actively intrude into the United States, into the lives of college professors, into the lives of congressional staffers, and into the lives of researchers and anybody they can, in order to make sure that we are not communicating about things like, God-forbid, religious freedom.

There is an economic impact to this cyber espionage as well, and it is hard to estimate because most of the firms don’t know what it is. Because they don’t know if they have been hacked, or they won’t report it. Although good data that came out recently about 613-98’s efforts show, that in most US corporations, they were active in their network for more than a year before the IT department was able to track them down. I had to testify on this to [House] Foreign Affairs [Committee] a couple of years ago, and I estimated that it cost us 400 billion dollars that year. And among the things that were stolen were Google’s Source code. Mac did an estimate and they estimated a 750 billion dollars. John Huntsman and Dennis Blaire did an estimate later that year, and they came up with a 150 to 240 billion dollars. Anyway, in any case, it is more than the economic cost of 9/11. This is the intentional
act of a foreign military against the economy of the United States, on purpose. It costs more every year than 9/11, and you are letting it go on. You understand that this is serious.

Huntsman estimated that we are running 300 billion dollars a year in loss in exports just because of the intellectual property loss, that this is “the greatest transfer of wealth in history.” So we are not only just losing money, we are handing over our future and our children’s future. And here we are worried about how we are going to pay for health care, or whether the education budget is being cut too much. These wouldn’t be a problem if we just put a stopper back into the hole of where our money is going. The same thing is happening to our friends in Europe. MI 5 estimates that a single attack on one firm cost the UK 800 million pounds, well over a billion dollars. And what is happening in the US because of that?

(PPT slide) I put together a little equation that uses a couple of factors. I looked at our trade deficit with China, I looked at the US labor force, mortality hazard of unemployment, which is basically figuring out how much more likely you are to die if you are unemployed. You are more likely to die if you are unemployed, you have a higher suicide rate, you adopt poor life style choices, and you are less likely to have good health care. And then I factored in the US mortality rate, did my little equation, and guess what? Chinese cyber espionage is killing 7389 Americans every year. And we do nothing, more than twice that life and we do nothing. We invite Xi Jinping to State dinners.

Now, when we engaged with China, when Nixon came up with this idea, we were supposed to get several things. We were going to get economic benefits for the US and access to the world’s largest market. That was the marching orders. And I have spent a lot of time in business school in the 90’s and 2000’s, and we heard about this world’s largest market for a long time. It was going to decrease inequality in China by uplifting the Chinese people. It was going to bring political liberalization to China, that they would adopt our values after they adopted our economic system. And China would be in geopolitical alignment with America. They will have our back. These were the things we were supposed to get. When we started this deal.

(PPT slide) Now let me look at this one at a time. The economic reality, not so good. This is our trade deficit with China. And you notice, not only the imports of Chinese goods continue to grow at a rapid rate, actually the exports to China are now tapering off as Chinese Government has found ways to get successful American companies out of their economy. Middle class in U.S. is now minority. Companies like Uber, Walmart, Home Depot have all failed in China, and even companies that were previously successful, like KFC, are under active attack by the Communist Party who try to corrupt their brand within China because they don’t want any single American company to have any success in that market. Uber had pulled out and had to sell to China.

(PPT slide) And what have we done about income and inequality? Guess what, it is actually worse than it ever has been. In the past, everybody in China was equally poor. Now we have a Gini Coefficient, you see this red line, it is almost a hockey stick curve, the worst in the world. This is the country that imports more Ferraris, more BMWs, you have all those guys in high office of the Communist Party driving around in their Audi 88, and you still have people pushing a wooden plough behind an ox. The disconnect is astounding. How many of you have taken a trip to China? (Few hands) How many of you have gone to rural China? (Fewer hands) If you haven’t, please do, you need to see the reality. Do not take that lovely tour of Shanghai and Beijing and come back and tell me you have seen China. If you have slept a night on a stone floor in a farm, then you’ve seen China.

(PPT slide) This is a picture I took a couple of years ago, in an actual elementary school cafeteria, in Yunnan province in a little village called Yonbae, not far from the Tibetan border. This is what the Chinese government provides to their students. Meanwhile, they donated four million dollars to Stanford, in order to set up a propaganda agency they called The Confucius Institute, which they are putting into our universities, elementary schools and high schools across the country in order to “educate Americans in the Chinese language.” What they do is very subtle. They educate Americans in the Chinese language, they bring American teachers to China on
adjunct trips, and they slowly foster the idea that the China you see today is a logical and normal player in the world stage, and that this is a government that is reasonable, and that we can deal with. You know they draw maps that include Tibet and Taiwan within the borders of China, frankly places that were never really part of China. Don’t let them fool you on that. The only claim they have to Tibet, frankly, is the Mongol’s Khan conquered China and then conquered Tibet at the same time. And the claim to Taiwan is that a fleeing Ming Dynasty admiral took it from the Dutch as a place to seek refuge from the Chinese. It is not Chinese property. We were supposed to get political liberalization. Human Rights Watch noted that under Xi Jinping things have gotten worse. I can tell you that my friends in China tell me that it’s getting worse. They cracked down on free speech, on civil liberties and just everyday activities are much, much worse. And the political repression and the in-fighting going on between the Party, where the Xi Jinping’s troops try to fight against the group in Shanghai and other entities, are becoming worse and worse. They still execute more than all other countries in the world put together.

(PPT slide) Geopolitical realignment. They were supposed to have our backs, right? They were supposed to help us take care of the North Korea problem recently. Of course they were supposed to have done that many times before. Have no doubt that the atrocities that are happening in North Korea, (I feel deeply for this young American man who has lost his life in the hands of these barbarians), but that is nothing compared to the tens of millions of individuals suffering under North Korea and millions dying in conditions that are just inexcusable. It only exists because the Chinese government wants to keep America off-footed. They want to have that buffer between a successful liberal democracy in South Korea and their border, and they want to have a bunch of American troops in as Asian country that costs us money and causes us problems. And they want us to have an irritant that, whenever they need, they can turn on and distract us with. And then pretend they are going to come to our rescue because they are going to help us deal with North Korea. It wouldn’t exist for 2 days if they cut off the supply of aid and the political support they give to that entity.

Do they have our backs anywhere else in the world? No. Every time that there is something the United States wants to achieve, that is important, they are there to stab us in the back. In the UN they are going around the world undermining our allies. They will go out by any countries in Latin America and Caribbean to get them to stop recognizing the sovereignty of Taiwan. They are making some incredible claims, and you are probably aware of them. They have drawn this red line that says that they own the entire South China Sea. It is interesting to see that a lot of people think that it is the South China Sea. But does that make sense? Here is what I propose.

(PPT slide) This would be called the Gulf of Mexico. If I were the president of Mexico, I would claim that, right? (laughter) How would we feel about that? If you are Vietnam, you’ve got to be pretty unhappy about this. If you were the Philippines, you’ve got to be pretty unhappy. And interestingly, China basically has an active border conflict going on with every one of their neighbors, from India to Vietnam, the Philippines. There is nobody adjacent that they are not almost always on the verge of conflict with. They are masters at, though, at brinkmanship and getting right to the edge of conflict and getting what they want and pretending that they are making peace and keeping what they had. They have done this for years and years and we continue to fall for the trick.

I’ve been told by the people in this building that it’s okay if we let China get big and rich because US technical superiority will win the day in the long run. And we don’t need to worry militarily about the Chinese, because they can’t make whatever it was at the time. They couldn’t make hot engine parts for jet engines, so they wouldn’t be able to make an aircraft carrier. They wouldn’t be able to make a fifth generation fighter or they wouldn’t be able to make whatever. You know what? They made every one of those darn things.

Then I hear, theirs is not good as ours, okay? But I ask you, during World War II, who had the best technology? It wasn’t us, it was the Germans. They put a rocket in space in 1942, they had long-range ballistic missiles, the best tanks, they had the best battleships in the world, best submarines, and they had jet fighters, rocket planes. Did that
work? No, because productive capacity is what wins a war. In my book, *Death by China*, I tell the story about a German artillery officer. He was commanding a couple of anti-tank guns in a pass to keep the Americans coming into Germany from Italy. He had ended up in jail and American captors were taunting him. “If you guys are such supermen, what are you guys doing in our jail?” He said, “I’ll tell you what I am doing here. Every time an American tank came down the road, my team took out your tank. But the problem was that we ran out of our shells before you ran out of tanks.” Productive capacity is what wins wars.

We are transferring the works of our factories — we have already done it — to the Chinese. China has the productive capacity. If we ever have to fight in a real war, we are in a serious world of hurt. There are so many fundamental components that we can’t make ourselves anymore because we have chosen to outsource them. Frankly, the Chinese, in concert with a lot of American bankers, decided that that would be a good idea because both make a lot of money on the deal. And they go around this building with their lobbyists convincing you that these trade deals are good deal. We have transferred the ability to win the next war. We used to be able to do that. And even within the US, many of the largest auto parts manufacturing facilities, from Michigan to California, are now owned by Chinese state-owned corporations.

So we have the F-22. It’s way better than the Chengdu fighters, right? How many F-22’s have we got? 186 now. How many more are you authorized to build? Zero. What are you going to do if a thousand Chengdu fighters come over the water to Taiwan? You are going to fire three missiles and you are going to go home, then you are going to surrender. That is definitely what is going to happen. They don’t have to be better, they just have to be good enough. And to make a lot of them. And they are really, really good at doing that. And if we don’t wake up to that, we are going to have a bad day.

(PPT slide) They are building these little islands in the South China Sea, taking over islets in Spratly and turning them into military bases. Why are they doing that? Because there are natural resources there that they want to grab, and they want to be able to project power, establish a military base, expel the U.S. Seventh Fleet and American influence which has made Asia peaceful for 50 years, out of there. If you look at what has happened in the world, particularly in Asia since the US assumed the responsibility of maintaining peace, it has been incredible. And even the Chinese are benefiting out of it. They want us out and to assume that role. They want the rest of the countries in the area to be vassals to Beijing. They are putting missiles on them. You can get detailed briefings on that, but I want you to see how they are integrated. You cannot separate the trade policy or the human rights policy from the military policy. They all go together. They can’t build these islands, they can’t put missiles on them, if we don’t fund it. We fund it when we trade with them. We fund it when we allow the Goldman Sachs to set up a new factory in Shenzhen. We transfer our technologies there so they can acquire it and we let their students come into our schools and learn everything from quantum computing to hypersonics and then go back home. China’s threatening Japan, threatening Taiwan, threatening Vietnam, and threatening the Philippines, threatening Malaysia. What did Obama do? He borrowed a bunch of money from the Chinese so we can fund an Asia pivot to oppose China. Have you ever thought of that? We are borrowing money from the government as a country in order to fund a military we can’t afford, in order to oppose weapons systems that were developed with our capitol and technologies. History is going to laugh at us in a way that is astounding. The late-Roman empire is going to look brilliant compared to what we are doing, if we don’t change the situation.

Recently there was something that really disturbed me. The Chinese government blessed Justin Trudeau. I know he’s really cool when he snowboards and all, but just to name his dad is really good friends with the Chinese government. They love them. And they push through to let the Chinese state-owned company acquire Vancouver-based satellite from North-South who does work for the Pentagon. So we can cut off doing work with North-South, but they got the technology, okay? They are going to run with it and this is happening over and over. We need to not just protect our companies from Chinese intrusions, we need to work forcibly with our allies and make sure that they understand that we take this seriously, and make sure that they protect our technology as well. China’s space infrastructures are massive. They got about the same number of government-run launch sites as we
do. They are building incredible new facilities in Hainan. They have an immense space program that doesn’t frankly impress me, as much as it impresses them, because it is the knock-off of the Russian program and it has been plodding very slowly. But they are methodical. They are not at all as creative as we are. Our commercial space companies are going to win the day. I guarantee you that if they are given a fair chance to go head to head against these state-owned enterprises from China, Russia, or Europe. But the Chinese are methodically proceeding ahead with civilian and military space programs, manned and unmanned, and we will not beat them if they come on government vs. government. If we look at our space program, theirs is a government space program and try to go head-to-head with the Chinese, they will outspend us and they will stick to it because they don’t have the inconvenience of Congress that wants to debate the value of individual programs. They will do what needs to be done and they will beat us. We’ve got to grab our private sectors and creative ability and use that against them.

Quantum communication. You have probably seen this. The Chinese have been able to lead progress in the ability to encrypt information using quantum entanglement, which I won’t go into, but this gentleman here, Jeff Waxman from NASA, would be glad to talk to you after the meeting about the details of that. This is the information that we will never be able to decrypt. Right now, the U.S. has the advantage in encryption technology, but this can’t be decrypted. The Chinese can have the bulletproof communication and they intend to set up the whole alternative Chinese internet using quantum communication system that will be secure. Of course, if they let anybody besides their government into their alternative Chinese internet, I suspect you will not find all the information you want when you do a Google search. So how did we get here? So this is interesting, this is how the quantum thing happened. There was a Chinese student, guess we’re at a western university in Innsbruck, Austria, and he was working with a leading physicist, both of them lobbied their nation’s space agencies for funds, one went to the ESA and one went to the Chinese space agency and said “I want to do this quantum communications experiment because I think it’s got real security value.” And guess what happened? The European proposal perished in a bureaucratic swamp. That sounds familiar. And the Chinese proposal was quickly embraced by the Chinese national space administration and funded, and nobody will stop it. Because there is no legislature to decide whether it’s a good idea or whether they’d rather spend their money on health care.

Foreign student dependence. There’s a report recently which showed that graduates of STEM programs are often more than 90 percent foreign students. I can tell you that in my graduate program in economics and public policy, half of the students in this University of California cohort were Chinese mainlanders. I don’t think that the citizens of the state of California funded and founded the University of California in order to make half of the graduate students in business Chinese mainlanders. Now I love some of them, individually, and I hope some of them stay in the United States and contribute and embrace our values. But the majority of them are going back to compete with us.

(PPT slide) Here’s some data on a number of different schools. The first column of the little number shows you the number of US citizens enrolled in their STEM graduate programs, and the second number is the number of international students. It doesn’t break down into Chinese, but I can guarantee you when you see international students in an American University now, that’s just about code for Chinese. It used to be that when I taught an MBA class, I would have a group of folks from Europe and some Africans and some Taiwanese and some Japanese. Now I have the Chinese and everyone else. They displaced so many of foreign students and the universities are eager to make this happen and again. I’m not picking on the students individually, but this is a huge mistake strategically for our country. We should be educating our own students first. Our universities are powerful sources of competitive advantage. We still have the best higher education system in the world, but we are doing everything we can to undermine the value of that education system by transferring it abroad. Our universities, including my own University of Southern California, they love nothing more than opening a joint campus somewhere in China, and sending a delegation there, and bringing the Chinese here. It’s just so cool to do. We have got to consider that this is a source of competitive advantage that belongs to our children and the seats should be reserved for American students, and secondarily for countries who actually are aligned with American values. What do Chinese students do when they get here? They try to undermine American values. The Dalai
Lama was recently in California, University of California San Diego, and he comes to UC Irvine where I did my studies almost every year. And every time the Chinese student and scholars association get together to protest this man, as though he was the devil himself. I can tell you he’s nicest person you’ve ever met, kind, gentle, well-meaning, and just wants to speak his mind. But they don’t want people to speak their mind. And they repeatedly find ways on campus to stop it. I had arranged at my own University to bring a gentleman who helped lead the protest in Hong Kong, with the yellow umbrellas, a few years ago to UFC. And because I had to get a room reserved on campus by a student organization in order to have the young man come and speak, I reached out to the College Republicans because I knew them and asked them to reserve the room. That wasn’t a Republican event, we were happy to have everybody there. But I thought it made sense for a political activist to meet some politically active students in the United States. Well guess what? Some folks managed to decide that this was a partisan event, that we weren’t celebrating democracy, that it had somehow something to do with the Republican Party, and managed to shut my event down. And I guarantee you that Chinese Student Association was behind this.

Hypersonics. China is proceeding to develop missiles that are virtually unstoppable by our anti-missile systems, either in the theater, like the systems we’re trying to deploy in Korea, or at sea, like the systems that protect our fleet currently. Or even our intercontinental ballistic missile interception systems that we pretend we’re creating for North Korea but were really created to protect us from China. These hypersonic missiles can be flown over on ICMBs and then detached and maneuver at ten times the speed of sound, quickly evading our ability to shoot them down.

(video) I love this video the Chinese government put out. Now notice the Chinese sailors. They report to the Communist Party. The military of China does not report to the civilian government of China. It reports directly to the head of the Communist Party. It is a political organization. It is not accountable to the people. So Chinese are working hard to build a lot of submarines. We’re talking 100 submarines or more. They have one purpose, and that is to keep the U.S. Seventh Fleet out of their territory. It essentially pushes back to Hawaii. Frankly, they are on the track to do that. Again, they don’t have to be the best submarines in the world, they simply have to be a credible threat. The hypersonic missiles, they don’t all have to work, they just have to work well enough, they just have to be a credible threat. The DF21D, which is the missile developed to specifically take out our aircraft carriers, doesn’t have to be anything more than a credible threat, because we are not going in and lose several thousands of American sailors. We certainly are not going to do it in order to probably defend our friends in Asia. But they take this stuff very seriously.

(PPT slide) This is the other thing that concerns me. You see this star. This is our new supply chain. So people come say to me, “it’s okay, I can get flat screens from Taiwan or South Korea, or I can give a memory chips from Taiwan.” They don’t all come from China, right? So I ask you, the day that the Chines military tells shippers in Taiwan and South Korea that it’s probably not a good time to go to sea, how good do you think that supply chain is going to be for us? They are going to quickly eliminate the functionality of every hardware in that area this could be done in days if they decide to be aggressive but I don’t think they need to do it. All I think they need to do is announce that they are preventing the flow of goods to the United States and it will instantly happen because no cargo ship is going to set out of any of these countries believing the Chinese submarines or targeting it and they take out one or two that will be the end of it. This is our military supply chain. We don’t make a good number of things that we need to put into our military equipment. We have to really rethink that when we think about our trade policy, when we think about things like the Trans Pacific Partnership, yeah I love these countries in a lot of ways but we can't make ourselves vulnerable on a 3,000-miles-supply chain if we want to be an independent nation. I actually own a skateboard company interestingly and I was recently trying to get all American-made parts for this that this skateboard. One of the things we’re trying to get was bearings it turns out it's hard to get ball bearings made in the United States anymore and I ran across a gentleman a Chinese gentleman who did international bearing distribution and he was nominally actually trying to help me find some American bearings everybody said to me something that's interesting. You know during World War Two the Americans had to bomb
the ball-bearing factories in Japan and Kyoto over and over and over again, we won't have to do that.

In closing, I love this quote from Henry Kissinger when he went to go visit Mao before Nixon came over. He had this conversation and Mao said perhaps it is in the national character of Americans to be taken in by those who seem kind and mild. If Kissinger said yes and Joe said but the world is not so simple, so he knew that I guarantee you that Deng Xiaooping laid out the 24 character strategy for China's future that said to hide their capabilities and buy their time, they've been planning ever since then for the position we're in now which is the endgame.

A topic that came up recently that I would love you guys to take seriously is this mine in California near the Nevada border. I passed it every time I drive along Vegas to donate my money. It's called the Mountain Pass Mine used to be owned by an American company called Molycorp. Molycorp produced 80 percent of the rare earth elements in the world back around 2000, rare earth elements are critical to technology like this computer, my phone and all of our high-tech military weapon systems. The Chinese decided they want to own that supply chain so they began strip mining rare earths in Szechuan and Inner Mongolia and they've been doing it in a way that's environmentally destructive but they don't care because they can do that. And they were able to lower the price by dumping these products onto the market through Chinese state-owned market in a low cost. So this put Molycorp out of business so this nine shut down. When this mine shut down the Chinese raised the global price of rare earth elements which they then had 94 percent of market share, by 3,000 percent in some cases. Molycorp suddenly said who we can get funding to go back into business and Molycorp began to get some investors and the Chinese again slammed the price and the investors in Molycorp back down. Molycorp went bankrupt. California court has just decided that a Chinese state-owned company can buy the only rare earth mine in the United States. I ask you to go back to your representatives and stop this if there's nothing else you can do, stop that. That's insane.

The most insane part, it is the reciprocity. I tried to go see an iron and sulfur mine outside of Chengdu a few years ago and I had arranged it with the mine operator but when I got there I was blocked by the local security people who said a foreigner can’t see a mine. I can’t even see one, when they can own a mine in California, I can’t see one? No foreigner is allowed to own any land of China. No foreign company can own any natural resources and yet we allow them to go around the world and around our country, buying up things like mines, buying up oil reserves, dying up natural gas reserves, buying up ports, buying up all sorts of infrastructure and they won’t allow it. They buy our car factories and they will be buying our car companies. They already bought one electric car company in California. I guarantee you they’ll try to buy some from the name brand company soon. It would let them. But if you go to Shanghai and you see the Buick plant, right? You think it’s doing well because GM suits are selling all these cars there. Who owns the Buick plant in Shanghai? It’s not GM. GM paid for the Buick plants and put it all the technology and trained everybody and transferred the designs for our cars but it’s owned 51% by the Communist Party of Shanghai through something called the Shanghai Automotive Corporation. GM is a minority partner because the Chinese government forces the American companies in any sector they consider strategic to adopt a local partner and be a minority in the enterprise. We need to do the same thing. Chinese want to come here buy something they can buy 49% and hand us their money. But they don’t get controlling interest.

So, the action items, I would like to stop ignoring ideology and human rights when you consider issues like trade, military.
Please stop this mountain path mine sale. Get more US students into our universities and research lab. Whenever you consider the legislation considers to slow the transfer of capital and technology to your country who is actively engaged in building a military that’s designed to kill your families. Demand reciprocity and market access in a resource asset and please invest in space like I said it’s beginning of this. We are at this moment and is incumbent upon us and make sure that the legacy and humanity that goes forward into stars is more the legacy of the United State, more the legacy of Jefferson than it is of Mao. And if we make this mistake and we turn away from the Stars and turn away from our principles it will curse the next thousand years. It will be the new Dark Ages. Thank you very much.

Q&A
Q: I would like to ask a question about China’s relation to small countries. … Paraguay to have relations with Taiwan instead of China but on the other hand there’s problem of Greenland. There’s an article in new magazine about Greenland. Now Greenland is independent of Denmark, is actually a part of Denmark. I believe the agreement was made of the Chinese names offering the money to the Chinese mining company that said okay we’re going to give you million dollars of infrastructure development to the Greenlanders if they do what we want to do. What they did is that they built a deep water port in which that the Chinese Navy will use out for surveillance for East Coast United States in demand of United States pay for exorbitant fee leasing too late air base they also did questionable fisheries in that area…can you explain what Chinese do to the small nations? A: classic example. The Chinese will do anything. If you go to Grenada, for instance, you'll see there’s a beautiful soccer stadium that get to the People's Republic design of the reason it's there is because the Chinese bought the soccer stadium in order to stop recognizing Taiwan and clip and they've gotten into country after country from Peru to Africa and built infrastructure to extract the resources from those countries and export them back to China's manufacturing monster. Now I would caution those countries frankly to realize that the history of resource colony is not good okay? you can make a little money in the short run but generally you end up in a situation where you have a lack of development outside of your basic resource because you're not compelled to do so and you become entirely dependent on the foreign manufacturer who can actually make it value-added products out of your gift most of the value of your gift your resources that long to you and your children end up in the hands of the foreign manufacturer. Obviously, the British were successful with doing that to many countries. Americans can be accused of that. What the Chinese is doing, unfortunately with the insidious ideology behind them, at least with the British company, they brought the democracy and education and benefits that were long-lasting. Chinese bring short-term benefits that appear to be economically tempting, but are not bringing you liberty, they are not bringing you a long-term future for your country. China has a big interest in Artic. They are prepared to make a territorial claim in Arctic. They have the crazy stretch of imagination to justify that, they will do that and they will bring a friendship game to cease a one little thing at a time and then back off when we are not doing anything and do it few years later again. I am seriously concerned about the Greenland. Greenland is a huge opportunity particularly when you are convinced about the global warming, it is a great place to invest. Chinese are smart for doing that, but we are dumb for ignoring it. Thank you for bring that up. Q: There are reports about Chinese cyber army in Shanghai, Beijing and many of US government agencies being hacked and the new sort of died down. What is the explanation for this?
A: it's another case of brinksmanship the Chinese push and push and push until they get too much attention in pushback and then they relax a little bit and they’re in there the relaxing phase. They’ve done the same thing with their currency. Okay, for 30 years they manipulated their currency, and manipulation means that the Chinese Government announced the
trading range which the RMB would trade in, and then we get a president who's upset about that and now they intentionally move it up to something that many economists believe is parody and they want us to ignore them. They haven't released their hold on the currency they haven't released the tool with the cyber espionage they've cut it back because we've got a president who's paying attention but the problem is not solved. Okay and they've got just about everything they want if you look at company after company they've got Google source code they've got the details for just about every weapon system we ever made they've got the health records of you and every federal employee why do they want your health records because they want to know who in the federal government might be in monetary trouble or who might have a sick relative who needs some help so that they can elicit you. Okay? It’s part of supporting their underground spy program. So, these things are still going on but it's a little bit quieter I guarantee that the hacking happens regularly particularly in academia the other thing they like to do is not just steal the secrets from the company but they'll find personal emails of officers within the company and elicits and bribes them. they'll find the financial of the company and then they'll buy that company from a negotiating standpoint where they know exactly what negotiations are going on and they've done this repeatedly there was a solar company in the Northeast I can basically prove that the Massachusetts government put millions of dollars into. The Chinese hacked and stole their technology then dumped solar panels on the market driving them out business and then bought that company and while they did it they were active inside that company server reading all the emails about the negotiations on both sides so they could get the best deal. These things go on.

Q: Can you elaborate more on the China’s interesting relationship with capitalism as you talked about of course they're government is still communist. But to what extent over time have they involved with capitalism that they've only involved as long as government control can be imposed there, what is the relationship with it?

A: The interesting thing to do is to look at the number of new company startups in China over time and it's a hockey stick curve there is an exciting and dynamic entrepreneurial environment going on in China that nobody can deny and I love going over to China every few years when I used to be able to - I don't go now because it's not safe for me, but I’m seeing what's going on there and that's real. A lot of those people are coming to the United States a lot of them are my students probably 25% of my entrepreneurship students which are teachers are Chinese brilliant kids and they're doing good things. The problem is that their government maintains the control on the top. Firstly, they maintain state control over all strategic industries anything like aerospace or advanced electronics they maintain state control heavy industries and all resource extraction any mining any natural resources in the oil exploitation in China outside of China as well as heavy manufacturing anything that could be used basically to make a weapon system. These state-owned companies including the bank, including the largest retailer in China basically all the airlines dominate the Chinese economy still there's still nearly 70% of the GDP of China so these small companies that you see are very exciting that they're not the ones that count they're the big state-owned companies and even when they are private companies you get companies like Huawei that tries to pretend that it's an entirely private company so that they can get their routers and telephone switching equipment all over the Western world. You'll find that there's these insidious ties and the executives of all these companies have a red phone that reports back directly to the Communist Party so they're one step removed from being a state-owned company the day that the Communist party wants to replace the CEO of any major company in China regardless of who it is they will do it. It has nothing to do with the Board of Directors. When you own stock in a Chinese company, you have no control. The Board of Directors will actually be appointed by the Communist Party of China and this has happened in shocked on American investors repeatedly. My favorite thing with the Alibaba stock offering in the United States so that Ali Baba comes United is clicked tens of millions of dollars in an IPO.
that we send to China what did American stock holders get? You don't know it but what you actually got were shares in a Caribbean holding company that had a contract that promised to deliver profits from Alibaba to shareholders. You had zero institutional or governance control and no seats on the board and in fact ownership of that stock by foreigners is illegal in China so the Chinese courts could at any moment invalidate the entire value of the holdings of Alibaba so you know I wouldn't hold that stock so I believe that they understand capitalism is a tool but I believe they are at the highest levels honestly still communist and if you've read Marx, Marx felt that capitalism was one of the most powerful forces ever for moving people up the economic ladder he understood it he was not opposed to it as a tool for economic growth but he felt of course. Did it repress people in his class warfare way they still believe in the class warfare where they're just letting this capitalist thing happen so they can bring their economy up to the point where they can crack back down about everything.

Q: could you comment on their relationship with Russia?

A: Historically they've always been in conflict and many people didn't know they actually fought wars in the seventies where people died on the border. It’s ironic though that because of the joint communist heritage and now the kind of general belief in what I would call state capitalism or criminal capitalism. They kind of keep each other's back. I don't think they trust each other at all and historically they're ready to go at each other but they still keep each other's back. Last time I was in Shanghai I was talking to some students about history and we were discussing the history of the Second World War and they were completely under the belief that the Russians had saved the Chinese people from Japan. Okay and I tried to explain how the Americans had been in China for years before the Americans got more attacked the only reason that all those Americans died in World War two is we were involved in China, we put sanctions on the Empire of Japan after the rape of Nanjing and the Japanese attacked us. They didn't go attack the biggest country in the world halfway across the ocean for the fun of it. They did it because we were helping China. That's why we got attacked. They don't know that they believe the Russians did that. Russians entered the war after we dropped the bomb on Hiroshima and then they went in and seized a big chunk of Manchuria and kept it. But they don't know that history because the Chinese want to keep the idea of aggressive dictatorships and state capitalism holy, so they cover up for the Russians and pretend they're friends. But as soon as they're done with us, I guarantee you they'll turn right around and go at each other. I hope they're not done with us, but I think that's how they see it.

Q: My mind is always on North Korea nuclear issues and human rights. North Korea is basically surviving because of China, but they didn’t really say we can’t bomb Pyongyang. What if we just bomb Pyongyang and solve the North Korea problem very quickly? Do you think Xi Jinping would send troops?

A: There is the question of what will Kim’s generals do? I love Seoul, it is a beautiful city and I have a son adopted from Seoul. There are enough missiles pointed at Seoul that if they had just a few minutes or an hour, they can kill millions of people, even if their nuclear weapons don’t work. So I guess we have our hands tied. Back in 1998, I believe president Clinton was very close to considering active military action against North Korea, when President Carter went over there, uninvited and tried to negotiate a peace treaty permission, which I think was a very unfortunate situation. But today, I would be very concerned about doing that because the people of South Korea would be at great risk. I hope the military leaders in North Korea would know what they are doing and not kill their friends and relatives and brothers across the border but it’s an awful risk. Thank you.