

Democratic World Engagement with China in 2015

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Let me begin with something politicians, diplomats, sinologists, journalists and business executives sometimes forget: China is its peoples, cultures and history far more than its unelected government. The criticisms many of us within and outside China make are of the party-state governance, not the hard-working and long-suffering citizens.

We are all thankful that the policies of paramount leader Deng encouraged hundreds of millions of Chinese families to lift themselves out of the grinding poverty that existed essentially unimproved from Mao's seizure of power in 1949 until Deng's reforms began after 1978.

The widespread corruption, violence and other governance problems today in China result partly from the conflation of Deng's earlier initiatives into a system of 'crony capitalism/Leninist governance', primarily benefitting individuals and favoured factions in the Party. Abuses have become so endemic as to raise the question as to whether ethical foreigners and socially responsible companies can still do legitimate business in China.

The anti-corruption campaign of President Xi appears to be aimed at winning support from a corruption-weary public while simultaneously removing at the highest levels Xi's opponents. In short, it is a thoroughly cynical initiative.

Dr. Lynn Knight

Consider, as one of a myriad of examples, the experience of American Dr. Lynn Knight during eight years in China before 2013. He returned to California from working with international corporations and teaching at a number of universities in China with no desire ever to revisit China. He went with a Masters degree from Harvard and a Ph.D. from San Diego

University. He worked with a number of multinational companies in China, including BMW, Bank of China, Lenovo, the Sino-British Institute, and China Agricultural University, and coached a range of CEOs and other business leaders.

What happened to him in China is clear in a news story in a 2013 news story: <http://www.theepochtimes.com/n2/china-news/the-cost-of-doing-business-in-china-345631.html>

Here is one segment of it:

... on Sept. 21, 2007 in Beijing... Knight had plans to go out and meet some friends for dinner. But a colleague called him and told him that ... Beijing police were beating every dark skin male they could find... So he decided to stay in. China was preparing for the Olympic Games, and the Chinese government wanted the world... to see how nice and safe Beijing was... They decided to instigate a fake drug bust in a large Beijing neighborhood called Sanlitun that foreigners frequent.

From what Dr. Knight learned later, security forces brought in hundreds of poor young Chinese men from the country side... armed them with sticks. And then they were given orders to round up every black male they could find in the Sanlitun area, thoroughly beat them up, and bring them in. It didn't matter who or where they were—in a restaurant with the family, walking down the street, or in a grocery store—as long as they were black and in this area, they were to be beaten and brought in.

The young men were trained with a videotape of the Rodney King beating (from) 1991 in Los Angeles, Dr. Knight said... "If you're from Africa, that's like the kiss of death in China." The Guardian of the UK was the only international daily to report on the attacks (<http://www.theguardian.com/world/2007/sep/26/china.internationalcrime>).

Engagement

Despite such outrages, the world's democrats, including our national governments and civil society institutions should continue to engage with

the Xi/Li government in Beijing and the broadest possible range of citizens across China. Democracy with very Chinese features is probably much closer than many think. How many 'experts' anticipated the fall of European totalitarianism in 1989 or the 'Arab Spring'?

No-one on the democratic side should forget that the values we represent include equal dignity for all, the rule of law, multi-party democracy, corporate social responsibility, transparency and accountability.

Mao Legacy

Any discussion of governance in Beijing today must still begin with Mao because he remains the overarching icon of its party-state. Jung Chang and Jon Holliday end their comprehensive biography, *Mao, The Unknown Story*, by saying, "Today (2005), Mao's portrait and corpse still dominate Tiananmen Square in the heart of the Chinese capital. The current Communist regime declares itself to be Mao's heir and fiercely perpetuates the myth of Mao." Virtually all independent historians today include him with Stalin and Hitler as the three worst mass murderers of the 20th century. Chang-Holliday note, "In all, well over 70 million Chinese perished under Mao's rule in peacetime."

Warsaw

In a talk in Warsaw on Jan 26 of this year, the day before the ceremony to commemorate the liberation of Auschwitz, David Matas, my co-author of *Bloody Harvest*, discussed similarities and differences between the **Holocaust** and what has been happening for 15 years to the Falun Gong exercise- meditation community across China. The talk can be accessed at

[http://www.david-kilgour.com/2015/Commemorating-the-Holocaust\(2015\) by David Matas.pdf](http://www.david-kilgour.com/2015/Commemorating-the-Holocaust(2015) by David Matas.pdf)

Matas, a scholar of the Holocaust, ended his address thus:

The phrase 'Never again' is often repeated. Yet, history never repeats itself in exactly the same way. Restricting the phrase "Never again" only to an exact replica of the Holocaust is a recipe for doing nothing ever again. To give the phrase "Never again" meaning we have to learn general lessons

from the Holocaust we can adapt to present circumstances. The killing of prisoners of conscience in China for their organs is not the Holocaust. Yet, it would disrespect the legacy of the Holocaust to ignore the evidence of these killings and do nothing. We honour the memory of the victims of the Holocaust best by keeping the legacy of the Holocaust alive. Poland and the Jewish community both have a special role.

The Slaughter

The 2014-published book, *The Slaughter (Prometheus)*, by Ethan Gutmann places the persecution of the Falun Gong, Tibetan, Uyghur, and House Christian communities in context. He focuses mostly on Falun Gong, the group most viciously and continuously targeted since 1999, when the Party itself estimated the number of practitioners to be 70-100 million.

Gutmann explains how he arrives at his “best estimate” that organs of 65,000 Falun Gong and “two to four thousand” Uyghurs, Tibetans or House Christians were “harvested” in the 2000-2008 period alone. Uniquely in China, no “donors” survive pillaging because all vital organs are removed to be trafficked for high prices to wealthy Chinese nationals and even higher ones to “organ tourists” from abroad.

Dr. Huang Jiefu, formerly China’s vice-minister of health, has now admitted both that prisoners constitute virtually all of China’s sources of organs for transplantation and that he personally has performed over 500 liver transplants. Huang has not once conceded the obvious: Falun Gong prisoners of conscience—who are mostly sent to forced labour camps for up to three years on police signatures only—are the principal, and in some of China’s many hospitals doing transplantations, probably the sole source.

Huang announced in March 2012 that the Party-state would end organ pillaging/trafficking in three to five years. Later he claimed that by 2014 it would be finished. Today, it has become clear to the world that organ pillaging/trafficking will continue as ‘business as usual’ in China.

The closing eloquent words of *The Slaughter* are addressed to all: “No Western entity possesses the moral authority to allow the (P)arty to impede the excavation of a crime against humanity in exchange for

promises of medical reform. As a survival mechanism of our species, we must contextualize, evaluate, and ultimately learn from every human descent into mass murder ... The critical thing is that there is a history. And only the victims' families can absolve the (P)arty from its weight."

Show Trials

It is difficult for many outside China to understand that 'trials' there are theatres. Canadian lawyer Clive Ansley practised law in Shanghai for 14 years, handling about 300 cases in their courts before returning to British Columbia.

He explains the reality of what happened to Nobel Peace Prize laureate Liu Xiaobo, Gao Zhisheng and so many other courageous dissidents: "There is a current saying amongst Chinese lawyers and judges who truly believe in the Rule of Law...: 'Those who hear the case do not make the judgment; those who make the judgment have not heard the case'.... Nothing which has transpired in the 'courtroom' has any impact on the 'judgment'." The Party is above the law.

Climate Change/Exports

The Ph.D. dissertation of Eija-Riitta Korhola, a former member of the European Parliament for Finland, relates to the Kyoto Protocol and Climate Change. Her central point is that emission control initiatives by some governments to date have not achieved what is badly needed from all nations to combat climate change and reduce greenhouse gases effectively. EU countries reduced CO2 emissions in member countries with a number of initiatives, but the costs to do so resulted in the relocation of much manufacturing from Europe to nations without any effective regulation of emissions.

As Korhola puts it, "...the EU's unilateral and expensive climate measures... can be called decarbonising of the production or outsourcing the jobs or emissions, but the EU strategy does not mitigate the emissions globally... the impoverishing (of) our continent, along with inefficient climate and energy policy, is a significant political damage."

Twenty million jobs

Manufacturing remains the lifeblood of most successful economies, including China, Germany and South Korea.

Your professor Peter Navarro and Greg Autry have pointed out in *Death by China* that across the US more than 50,000 manufacturing plants and more than 20 million American jobs in the sector have been outsourced over several decades mostly to China. (In class today, Navarro indicated that the current figures should be about 70,000 plants and 25 million jobs gone.)

Permit me to query how much of the relocated manufacturing from America to China was encouraged by your tax loophole that allows U.S. multinationals to avoid paying taxes on profits earned abroad, or ones shifted into foreign countries from the U.S. to reduce taxable income at home? Some jobs and much needed tax revenues might come home if the Congress and administration can agree to tax yearly about \$2-trillion of profits now being held offshore. According to Reuters, as of April 2014, GE had \$110 billion stored abroad, Microsoft-\$76-billion, Pfizer-\$69-billion, Merck-\$57-billion, and Apple-\$54-billion.

A related issue is the use of forced labour to manufacture export products in 350 or so camps across China. Matas and I visited about a dozen countries to interview Falun Gong, who managed to leave both the camps and the country. They told us of working in appalling conditions for up to sixteen hours daily with no pay and little food, crowded sleeping conditions and torture. Inmates made a range of export products, including Christmas decorations and chopsticks, as subcontractors to multinational companies. This constitutes both gross corporate irresponsibility and a violation of WTO rules; it calls for an effective response by all trading partners of China. Governments should place an onus on importers to prove their goods are not made in effect by slaves.

In China, manufacturing has boomed, but coal to the best of my knowledge still provides about two-thirds of China's energy and it already burns more

of it than Europe, Japan and the U.S. combined. Sulphur dioxide and nitrogen oxides from coal plants in China reach South Korea and no doubt many other nations in east and south Asia.

A World Bank study in 2007 done with China's environmental agency concluded that outdoor and indoor pollution was causing an estimated 750,000 preventable deaths a year across the country. The New York Times reported that a 2010 study indicated that the number of premature deaths from pollution could be over a million (<http://www.nytimes.com/.../air-pollution-linked-to-1-2>).

The greenhouse gases and other pollution from burning huge quantities of industrial coal across China wreaks environmental havoc widely in Asia and beyond. On Jan 20, 2014, a New York Times piece by Edward Wong indicated that up to 29% of San Francisco's air pollution came from China. The net result for the world climate is that emissions stopped from closed manufacturing facilities in the US, Canada, Europe and elsewhere are more than exceeded by new ones in China and other countries without effective emission controls.

Consider:

- Nearly half a billion Chinese lack access to safe drinking water, yet many factories continue to dump waste into surface into surface water with impunity.
- Some multinational companies from North America, Europe and elsewhere are full partners in degrading China's natural condition by dumping waste into its rivers and dumping smoke into its sky.
- Many experts have concluded that China cannot go green without political change.
- Why doesn't the party-state in Beijing introduce surcharges on coal and electricity to reflect the true cost to the environment and people of China? Why does it subsidize the cost of driving cars by controlling the price of gasoline?

Lake Tai and Wu Lihong

Let me illustrate a point with the case of Lake Tai. The large lake, located inland from Shanghai, was for centuries one of China's most beautiful natural endowments. Here's what the *International Herald Tribune* said about it in a front page story in Oct 2007 under the heading, "In China, a lake's champion imperils himself." Writer Joseph Kahn makes a number of points. The lake succumbed earlier to industrial and agricultural waste by turning fluorescent green. At least two million people who live among the rice paddies and chemical factories on its shores **had to** stop drinking or cooking with their main source of water.

Local farmer Wu Lihong had protested for more than a decade that the chemical industry and its friends in the local government were destroying an ecological treasure. Shortly before the pond scum erupted on Lake Tai, Wu was sentenced to three years in prison on what Kahn described as "an alchemy of charges that smacked of official retribution."

Economy of China

International affairs columnist Jonathan Manthorpe concluded in the *Vancouver Sun* several years ago that China's economy has many features of a Ponzi scheme. "A local government, without a functioning system for raising tax revenue—and...riddled with corruption...sells development land to garner cash... (first getting rid of (farmers) living on the land)... And, this being China...the municipality has the power to instruct banks to lend the development company the money for the sale. So the local government gets its cash, the municipally-owned company gets to build a speculative residential or industrial complex, and all seems well".

In the *Financial Times* not long after Manthorpe wrote was a story about how in one coastal city luxury apartments were to be built for as much as 70,000 Yuan (\$11,000) a square metre, which is about twice the annual income of the average resident. To finance a 150 square metre apartment in the building would consume every penny of a typical resident's income for 350 years. Is that a housing bubble that's going to burst?

He Qinglian, a Chinese author and economist, wrote a few years ago that in China today. "Over 100 million farmers do not have land. Tens of millions

of city dwellers are unemployed...there are four basic requirements for a society to sustain itself: the ecological system...; the moral system...; basic living rights...; (and) a political system that maintains the normal operations of a society. Currently, the...only thing left is the political dictatorship. “

A report on state capitalism in the January 21, 2012, issue of the *Economist* made two key points:

- State capitalism (fuses) the power of government with capitalism through such mechanisms as listing government-owned companies on international stock markets. The Chinese party-state is the largest shareholder in the country's 150 largest companies and directs thousands of others. The heads of the 50 or so leading companies have a “red machine” on their desks, providing a link to the Party's high command. It also has cells in most companies in the private sector.
- Transparency International ranks China 75th on its perceived corruption index for 2011. The *Economist* quotes a central bank of China estimate that between the mid-1990s and 2008 some 16,000-18,000 Chinese officials and executives of state-owned companies “made off with a total of \$123 billion (about six million each).” It concludes, “By turning companies into organs of the government, state capitalism simultaneously concentrates power and corrupts it.”

Former Premier Wen jiao-bao noted before he left office, “The reform in China has come to a critical stage. Without the success of political structural reform, it is impossible for us to fully institute economic structural reform. The gains we have made... may be lost, new problems that have cropped up in China's society cannot be fundamentally resolved and such a historical tragedy as the Cultural Revolution may happen again.”

Governments, investors and business people should examine why they are supporting the violation of so many universal values in order to increase trade and investment with China. For years this has resulted mostly in national jobs being outsourced to China and a continuous increases in our bi-lateral trade deficits. Are the rest of us so focused on access to inexpensive consumer goods that we ignore the human, social and natural environment costs paid by Chinese nationals to produce them?

In mid-January, 2013, Wal-Mart pledged to hire more than 100,000 American veterans and boost its sourcing from domestic suppliers. The retailer announced a three-part plan to help jump-start the American economy, which includes spending \$50 billion to buy more American-made goods over the next ten years and helping its part-time workers move into full-time positions. How about American, Canadian and companies from other nations again recognizing that citizens with good manufacturing and other jobs are their best consumers?



Peter Navarro

Peter Navarro, your professor with a Harvard PH.D. in economics, argues convincingly that consumer markets worldwide have been "conquered" by China largely through cheating. Navarro has proposals to ensure that trade becomes fair. Specifically, he says all nations should:

- define currency manipulation as an illegal export subsidy and add it to other subsidies when calculating anti-dumping and countervail penalties;
- respect intellectual property; adopt and enforce health, safety and environmental regulations consistent with international norms;
- ban the use of forced labour effectively-not merely on paper as now-and provide decent wages and working conditions for all;
- apply provisions for protection of the natural environment in all bilateral and multilateral trade agreements in order to reverse the 'race to the environmental bottom' in China and elsewhere.

The Nobel laureate economist Paul Krugman has predicted that Beijing's ongoing refusal to let its currency float will cause retaliation in a world struggling with overcapacity. He adds that by displacing the output and jobs of other nations with its own low-wage goods, China is arguably the prime culprit in holding back a robust recovery in global economies.

The Chinese people want the same things as the rest of us, respect for all, education, safety and security, good jobs, the rule of law, democratic and accountable governance and a sustainable natural environment. If the party-state ends its systematic and gross violations of human rights at home and abroad and begins to treat its trade partners in a transparent and equitable way, the new century can bring harmony and coherence for China and the world. The first step in a better direction is to end organ pillaging now.

Thank you.