

[The Bill Walton Show](#)

Bill Speaks with Klon Kitchen and Dean Cheng on Reckoning with China

Bill Walton:

[inaudible 00:00:00] and you can reach a lot more people. It's primarily meant to be an audio podcast but we're doing this with Zoom to get a video image because I wanna be on YouTube. And YouTube, you need to have the video to make that work. And the happy thing about making this decision on YouTube, they're two billion people YouTube. Turns out a lot of them are Chinese. And I've had, by far in way, my largest audiences are people interested in China. A lot of them Chinese living all over the world. I think right now we've got listeners, viewers in over 170 countries. So whatever we're going to talk about here, there are gonna be a lot of people listening which is sort of the point. So because it's a podcast and not TV, were really more having a conversation than we are talking into a camera and such. You two are colleagues, and I'm involved with Heritage so it'd be more or less the three of us are talking about what we see really going on.

Bill Walton:

And you saw the email that I sent this morning. The idea is that, where we've been, where we are, quickly; and then where we think we ought to go. And using maybe, the core of this is maybe, we've got a yin and a yang. We've got United States where we got Google protesting their involvements in anything defense related because they don't wanna be baby killer. And then you have China which has a completely integrated ... I think Dean you coined the term whole of ... it's not just whole of government, its whole of society, and strategies. I don't think most people, the men on the street, the heritage, the daily signal people, a lot of people outside of the beltway will have any idea about the stark differences we're dealing with. So I wanna highlight that.

Bill Walton:

And we'll do a brief introduction. Dean, I've got you as Senior Research Fellow, Asian Studies Center at Heritage. And then Klon, you're Senior Research Fellow, Technology at Heritage as well. I'm not going to go into all the institutes we've got 'cause that's not helpful. And then I'm gonna pick one other key bio piece for each of you. Dean, what else should I say previously, he was, what's the more salient thing for this conversation?

Dean Cheng:

For this conversation, probably that he has also worked at the Center for Naval Analysis at SAIC, where that he's the author of Cyber Dragon. A book that talks about China's abuse on information in future warfare.

Bill Walton:

Wow. Okay. Cyber Dragon?

Dean Cheng:

Yup.

Bill Walton:

And the Center for ...

Dean Cheng:

Naval analysis.

Bill Walton:

Naval Analysis. And I got your bios here, but let me just write is down. And then Klon -

Klon Kitchen:

Sixteen years in the U.S. Intelligence Community and former National Security Advisor to Senator Ben Sasse.

Bill Walton:

Sixteen years in the National Intelligence Community?

Klon Kitchen:

Yeah in the U.S. Intelligence Community.

Bill Walton:

And Ben Sasse.

Klon Kitchen:

National Security Advisor to Ben Sasse. Yup.

Bill Walton:

Okay. We'll go for that 35-40 minutes. We won't edit, we'll just talk back and forth. I think the more ... and you guys are wonderful at this anyway ... the more revealing anecdote or telling detail or alarming fact or that sort of thing; the more we can take it down to vivid images, I think the better we'll communicate. Backing up just a bit, I think the United States is got a big problem because were not doing enough to think about China. We need to ... I see this as raising awareness in that process so ... Here we go.

Klon Kitchen:

Great.

Bill Walton:

So we're gonna get started. Let me pull together my notes. Okay Marie, we good to go?

Speaker 1:

Yes we are.

Bill Walton:

Just so it's clear. I've got another camera over here and I'm gonna be framed like this and Klom, you're gonna be framed in this part of the screen. Dean you're gonna be on this part of the screen. So we'll be the three of us on the screen, a little bit like it looks like on Fox or the other stations.

Dean Cheng:

Okay.

Bill Walton:

Welcome back. Today I'd like to talk with you again about China and the strategic challenge it poses for the United States. For those of you watching on YouTube, you might notice we've got a little different set here, different background. We're taping this from my house out in Virginia on the side of a mountain. And we're gonna be talking about Chinese technology and telecommunications expertise among other things and we don't quite have their level of technology here on this side of the mountain so bear with us if we get cut out on the feed.

Bill Walton:

China, did you know that China's got nine of the top 20 technology companies in the world? The 30-40 percent of graduates from Chinese colleges major in science and technology? Did you know in the United States it's only about five percent? Did you know that China plans to devote almost two and a half percent of its GDP to scientific research and development? And that their venture capital industry which has been one of the glories of the United States in its innovation machine, now is as large as the industry in the United States at roughly \$50 billion and growing. And China also has a search company that's capabilities are equivalent to Google and an online shopping company that's equivalent to Amazon? There's a lot we don't know, there's a lot we should know about China and you gonna, I think, appreciate what we wanna be dealing with. These are some of the things you need to know. They also just built the largest telescope to study the universe. And robots, we're concerned about job loss in the United States. Well their use of robots is growing dramatically in China, in their factories and they actually have fully unmanned factories.

Bill Walton:

With me to learn about this and China's grande strategy are two very, very smart men. Senior Fellows at Heritage Institute, Heritage Foundation, where I'm a trustee. Klom Kitchen, Senior Research Fellow, Heritage. You spent 16 years in the U.S. Intelligence business, Intelligence Community and was a Senior Advisor to Ben Sasse, U.S. Senator. Also, with me is Dean Cheng who was a Senior Research Fellow, and he worked in the Center for Naval Analysis and also is an author of a very compelling book, which I hope you'll, after watching the show or listening to the show, you'll pick up called Cyber Dragon.

Bill Walton:

Dean. Klom. Welcome. [crosstalk 00:07:44]

Bill Walton:

Dean, you've recently testified to Congress about the science and engineering technology strategy that China has and laid out for Congress pretty much where they are and where they're going. Could you start us out with a bit of summary on that?

Dean Cheng:

Sure. So the Chinese sees science and technology as feeding into all of the elements of what they term Comprehensive National Power. Comprehensive National Power is basically, how do you rack and stack all the world's [inaudible 00:08:17], how do you compare a Brazil, a France, an America and a China? And so you have the military piece of course, you have the economics, you have political unity, you have diplomatic respect, you even have cultural security. And from the Chinese perspective, science and technology affects all of us. The military part is pretty self-evident; better weapons, more accurate capabilities, longer range.

Dean Cheng:

But economics is particularly important. You don't want to simply make washing machines and t-shirts for other people. You want to design the operating system that is on everybody else's computers. You want to design space systems that's from your interests, not rent other people's systems. It even has an impact on your culture and your political reputation. If you're a science and technology powerhouse, other countries respect you more. Think about how often everyone around the world has raised the idea of, well you know, we've gone to the moon. When we say we've gone to the moon, we mean the United States has gone to the moon. China wants to put a man on the moon eventually, partly to make a point. You know what, China can also do the same sorts of things.

Dean Cheng:

So to that end, as you noted, they are willing to spend 2.5 percent of the world's second largest GDP, on research and development. They are developing a broad array of space capabilities. They are experimenting in genetics, even on humans at this point. Something that we have some real ethical issues and worries about. Information technology, seven of the world's fastest supercomputers are Chinese. People had always a sort of assumed what one be a [inaudible 00:10:05] or an American. But only this year did we finally retake the world's fastest supercomputer title. But for the last several years, its actually been Chinese.

Bill Walton:

Didn't we have one in progress and Congress decided to kill the project because it was too expensive?

Dean Cheng:

That's a different project. I think that was the supercollider. Again the Chinese are willing to pour money into basic research because they see that potentially also [crosstalk 00:10:37] the reputation.

Bill Walton:

And they not only wanna go to the moon, they wanna go to the dark side of the moon. Been listening to Pink Floyd I guess about [inaudible 00:10:45].

Bill Walton:

Klon, you wrote recently about Google and about Google's unwillingness to be involved the U.S. Strategic Initiative of Technology Defense and that sort of thing. And one of the things I'm sure Dean hadn't talked about yet but there's a cohesiveness in China that the station between government industry and the rest of society really isn't there. There all working more or less for common purpose, or at least at a high level they are.

Bill Walton:

Klon.

Klon Kitchen:

Yeah you're exactly right. One of the things that the Chinese have been very deliberate and cultivating and seem to be increasingly capable in executing is an integration of the state, the industry and academia. So Tsinghua University which is their version of MIT, has recently rolled out a brand new program that explicitly has as its name, the development and delivering of cutting edge artificial intelligence technologies to the government, to the military, to the intelligence community there in China. The Chinese government, as Dean lays out so well, understands that technology is the bedrock capability that then facilitates the other elements of national power and it is seeking to leverage all of its aspects of society to achieve their aims.

Klon Kitchen:

Now, historically where the United States has been able to thrive is a lot of that integration and cooperation has happened quite organically, it didn't require state compulsion. I think there was a broad shared understanding that American economic growth and superiority led to national thriving in general, it led to a more healthy business environment, better governance, better industry and that was a self-perpetuating reality. One of the things that is beginning to challenge that though, is particularly in the tech industry. Many of the top companies self identify as global [inaudible 00:13:05]. They tend to be American companies who operate internationally; but they take on a persona and self-identify as sort of global actors. And for I think some legitimate or at least understandable reasons, they seek to portray themselves as kind of neutral actors in the international economy.

Klon Kitchen:

One of the challenges however, is that because of the way China, for example, is pursuing its economic policy and deliberately using its market as a means of compulsion; many of these companies are being essentially forced to choose a flag. And so, in the case of google, a key example of that is how they are considering rolling out or delivering a government approved censored search capability in China for the express purposes of regaining access to that market. So that is something that the government is requiring of them and they seem to be willing to comply.

Bill Walton:

Yeah, as you've written, I mean google, is basically, four thousand of their employees say they don't wanna work with the Defense Departments project Maven because the part of the United States war machine, yet they turn around and deliver technology into China.

Bill Walton:

Dean.

Dean Cheng:

Well I mean, this is an interesting turn around, American corporations have often been able to benefit. We operate globally and so we wind up hiring globally and benefiting from the huge pool of talent that comes from both, not only within the United States but outside. The chairman of PepsiCo recently changed hands but the outgoing chairman was an Indian woman, right, because India's a huge market for Pepsi products and she was smart and therefore rose to the top of that ladder. That's a great benefit. What the Chinese have done howev -

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Dean Cheng:

... that ladder. That's a great benefit.

Bill Walton:

Mm-hmm (affirmative).

Dean Cheng:

What the Chinese have done, however, is to flip this on its head, which is to say if you want to operate in China, you're going to have to play by our rules, rather than we have to play by your rules.

Dean Cheng:

Particularly in information technology, this is facilitated through the so-called Great Fire Wall of China. It's not just that Google can't operate in China, because the Chinese government doesn't want them there. But, it's almost impossible to access Google, because the Great Fire Wall of China prevents Chinese people, Chinese internet users, from accessing Google, YouTube, Facebook, Twitter. In an interesting way, it is electronic mercantilism.

Bill Walton:

Well, interesting, the shows I've done on China, you can see the firewall working. Now, we've had tremendous interest among Chinese living all over the world. I think over 170 countries have been represented by people watching or listening to this on YouTube but nobody from China. At least they haven't shown up in the YouTube statistics.

Bill Walton:

I don't know, Klon, you worked in the defense intelligence community for years, what's your take?

Klon Kitchen:

Yeah, so I'll pick up on your point on the Project Maven issue. What Project Maven was, it's a Department of Defense research initiative looking to use artificial intelligence particularly what's called image recognition. Artificial intelligence that is able to see and understand pictures and apply it to a broad range of defense initiatives.

Klon Kitchen:

Now, certainly, that would include offensive capabilities, but it is also the types of things that we would deploy in support of humanitarian aid efforts, or, for example, we could put it on a drone, and it could fly ahead of a convoy and proactively identify potential improvised explosive devices or scan wide areas and very efficiently look for a downed pilot or all kinds of humanitarian and otherwise nonviolent applications.

Klon Kitchen:

The Google employees, about 4,000 of them, very few of whom actually worked on that project by the way, signed an internal petition saying we don't want to be a part of war-making, which as a private company they can make that choice.

Klon Kitchen:

Where it became particularly problematic though was they issued this set of artificial intelligence principles that they would seemingly violate with virtually any interaction and cooperation that they would have with the Chinese government. There's no doubt that their research and that their capabilities would be employed by the Chinese government to suppress human rights, to suppress political dissidents both inside and outside of China, and a whole host of other violations that would seemingly violate the principles that Google's articulating.

Klon Kitchen:

What Google has is a real internal coherence problem. That they're not doing a good job of articulating, and that is over the course of time I think cultivating broader and broader skepticism about how they think about these things.

Klon Kitchen:

The final point I'll make, and this is the bigger point to your question, the reality is, is that there is no scenario going forward where the United States is able to secure its national interests without integrating the private sector at the root level of policy and strategy. That is because so much of these capabilities, so much of this talent, and so much of the data itself resides in the private sector.

Klon Kitchen:

We have to find a better way of bridging these communities, so that the antagonism begins to recede, and the cooperation expands.

Bill Walton:

Well, Dean, you've written about the ... It seems to me, we've got a tremendous cultural difference here. Where China sees itself as one whole thing with a national strategy, and people feel then caught up within that. A long history of authoritarian rule and people are just fine with that, and they're doing well.

Bill Walton:

Since Mao has died, the wealth creation in China has been extraordinary. Most people in China thank the Chinese government for doing that. If you want to enlist us in the national strategy, let's have it, because we're thriving here.

Bill Walton:

Whereas in the United States, we're individualistic. It seems like national security is also colliding a bit with the culture wars. Where the culture wars, we've got people that don't think America's such a great country. Whether it's Google or employees at Google, they don't want to do anything to help advance America's interests in the world. In China, my perception is they don't have that issue, yet.

Bill Walton:

Dean, what are your thoughts?

Dean Cheng:

It is important to recognize that, on the one hand, it's very hard to create consensus among 1.3 billion people. One of the really interesting things that the Chinese have tried very hard to hide is the amount of internal unrest.

Dean Cheng:

China's defense budget has been rising by double digits almost every year except for the last couple since the mid-1990s. What is fascinating is that's external security, the Chinese military, the People's Liberation Army.

Dean Cheng:

China's internal security spending, the People's Armed Police, Ministry of Public Security, as far as we can tell from the very spotty Chinese numbers have been rising even faster. What that says is that there is a lot of internal unrest. Part of the reason for the Great Fire Wall of China, part of the reason why every phone call, every text message, every social media outlet is constantly being monitored, both through artificial intelligence and human sensory, is because they see this as a fundamental threat to them.

Dean Cheng:

Within that context then, the Chinese see the ability of the free flow of information into China as something that has to be stanching, almost at any cost.

Bill Walton:

Well, it used to be said of China that all that held it together was an imperial culture and taxation. You're saying though that technology really radically changed that calculus.

Dean Cheng:

Well and-

Klon Kitchen:

Absolutely.

Dean Cheng:

If I can just add to that, I think we're about to even see what it looks like to have that essentially super enabled. What we're going to be seeing is a type of technologically enabled authoritarianism, unlike anything we've ever seen before.

Dean Cheng:

When you put that into context of say, the emerging social credit score that the Chinese government is doing where individual citizens will be assessed a running score, a citizenship score, if you like, based on voting patterns and purchasing habits and whether or not they adhere to social norms and a whole host of other things. All of which are increasingly collectible now as the Chinese government rolls out an advanced surveillance state.

Dean Cheng:

Well, that's going to then enable these sophisticated, or lack thereof, or not sophisticated assessments about the citizenship viability of an individual Chinese person. Those decisions will affect what jobs they can have, where they can live, if they can move, what type of ...

Dean Cheng:

What we're going to see then, the bottom line is, is a level of authoritarianism that is highly desirable to the Chinese government. That is previously unseen, and the government's going to be in a race. I think that they're going to racing to realize as many, from their perspective, of the benefits of this type of technological enabled authoritarianism as possible, faster than the inevitably socially corrosive impact of that type of authoritarianism. I think it's frankly unknown as to who's going to win that race.

Klon Kitchen:

Can I follow up on that real quick?

Bill Walton:

Jump in. Yeah.

Klon Kitchen:

It's important to recognize, for example, that the Chinese media environment is state-owned, newspapers, television, et cetera. When a story is played up in Chinese media, it's almost always, because the government supports it.

Klon Kitchen:

One of the stories that they've been playing up is women are now, according to the Chinese media, picking their dating partners based on their social media, basically, their Chinese social credit score. Basically, keep in mind, because of Chinese demographics, there are way more men than there are women. The implicit story that the Chinese media is pushing is if you want dates behave, because that's how women are picking their dates.

Klon Kitchen:

Whether it's true or not is a separate issue. This is the story backed by their social credit score system that they are pushing.

Bill Walton:

Wow. Well, but there may be some rationality to that though, because if your job prospects depend on your social credit score, then it's pretty rational for a woman to pick a man who's got good job prospects or income or power or whatever, so it's not crazy.

Bill Walton:

You guys know Gordon Chang. Gordon Chang writes, and I'm interested in your take on this, that by 2020, Chinese security officials plan to have 600 million surveillance cameras installed. They're bragging that facial recognition software can scan the entire population in one second. That's your billion three people. I guess last April, they picked out a suspect in a crowd of 60,000 people at a concert in Nanking.

Bill Walton:

Is that consistent with your understanding of where their technology is in facial recognition?

Klon Kitchen:

Yeah, so there have been a series of competitions for AI image recognition software, and Chinese companies have won that competition for the last four years in a row. They are ...

Klon Kitchen:

The lifeblood of technology and, particularly, of AI technology is data. The deeper volume of data you have, the more sophisticated and refined your AI algorithms can become. Because the Chinese government essentially has carte blanche freedom of movement to surveil as it sees fit and coupled with its geographic size and its population density, they're able to collect, and they do collect all the data they want.

Klon Kitchen:

What we have seen is the proving out of that reality. That data feeds AI algorithms.

Klon Kitchen:

Now, there are trade-offs there. Because of the oneness of ethnicity, there are open questions about whether or not those AI algorithms can then be applied to non-Chinese or non-Asian demographics, and if they'll collect as efficiently and effectively. But, even that I think honestly it's, we're not far from those types of general learning algorithms being applied more specifically, and they're demonstrating real capacity.

Klon Kitchen:

The only thing I'll say in addition to that is as we think about the Chinese Belt and Road Initiative, this initiative to build out economic and infrastructure ties across-

Bill Walton:

[crosstalk 00:26:39] Road the way to roll out this outside of China.

Klon Kitchen:

That's right. The idea of a deliberate, broad building out of economic and political ties across the world to facilitate a grand strategic aim of China. Dean can speak at length about that I'm sure.

Klon Kitchen:

I think one of the things that will be the key exports along the Belt and Road is going to be this technologically enabled authoritarianism. To the degree that we see China cultivating client states, say in Africa or in Asia or elsewhere-

Dean Cheng:

In Turkey.

Klon Kitchen:

Yeah, Turkey, Hungary. We're going to see this type of technologically enabled government be something that those regimes are asking for help with.

Bill Walton:

Dean.

Dean Cheng:

You don't have to look so far afield. One of the largest sources of closed-circuit and security cameras in the United States is from China. The Chinese are manufacturing a lot of the cameras that are now being put up at your bank, at 7-Eleven, at the grocery store, or the gas station. The problem is it's not clear where that data is going.

Dean Cheng:

Sure, it's going into the backroom of the 7-Eleven, or the bank, or the grocery store, but it appears that the Chinese have also wired in a lot of that data going back to China which then gets fed into their databases.

Dean Cheng:

Part of the question in the past has been well, where would the Chinese get all of this information? The same thing applies if you think about it to the depth of data that they have collected whether it was the Office of Personnel Management hack, whether it is the health care agency and insurance company hacks, your health insurance.

Dean Cheng:

An interesting point here, if you or your viewers have ever submitted your data to Ancestry.com or any of those places that will help you find out who you are, and where you came from that data has been packaged and resold. We believe that one of the biggest clients and customers for that has been the Chinese. Therefore, they've got your image. They've got your health data. They've got your ancestry data. They've got probably your personal banking and all the other information. This is what feeds into building an artificial intelligence database.

Klon Kitchen:

That's precisely why the Department of Defense last year issued a directive forbidding DoD personnel from owning and operating DGI drones. DGI is one of the most popular commercial drones available. It's Chinese-owned. It was precisely because the data that was being filmed and collected on those drones was being passed back through Chinese servers.

Klon Kitchen:

This is real. This is happening on a broad, broad spectrum.

Bill Walton:

I guess my only personal consolation is that when I ran a public company, I used to have The Washington Post publish my compensation every May, so I'm used to being out there at least in that sense. But this is beyond science fiction.

Bill Walton:

They have Belt and Road. They have a strategy to work with countries, some people call it a debt trap, but they say we'll come in and help you build your port or build your infrastructure, things like that. You borrow the money from us-

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Bill Walton:

... build your infrastructure, things like that. And you borrow the money from us, and then once you discover you can't pay them back, then they just basically take a 99-year lease, and so this is not just in China. This thing is being rolled out. Are there other examples on this thing here ... I know Germany has gotten concerned about Chinese investment in Germany. What thoughts?

Dean Cheng:

So, one of the things that the United States has is the Committee on Foreign Investment in the U.S., CFIUS. What that is, is it serves a gatekeeper function. If somebody from abroad wants to come in and buy an American company, then the CIFIUS review process looks it over and says, "Is this strategically important?" So if somebody wanted to buy Google or Intel, the entire company or a huge share of it, CIFIUS would probably say no. On the other hand, Smithfield [inaudible 00:30:54].

Dean Cheng:

... Chinese have been steadily purchasing high-tech companies in Germany, and there was no gatekeeper for it. So they prevented the sale, the most recent sale [inaudible 00:31:19] I think it was a company named [KUKA 00:31:21], but more importantly, the Germans and other Europeans are now basically saying, "We need something like CIFIUS. We need something that will review any high-tech sales, not a product, but of entire companies if China or somebody like them wants to buy it up."

Bill Walton:

Well, I think the CIFIUS law though or the process is inside the Treasury Department, and if you talk to ... I talked with those people in 2016 as a part of the Trump transition, and they were really focused mainly on technology ... or not technology but on economic interests and monopoly and the economic impact of foreign investment. They weren't so much focused on strategic, military, and other dimensions of that investment. Isn't there a new law that's being rolled out call FIRRMA, F-I-R-R-M-A, which is supposed to be a more comprehensive attack on this problem?

Klon Kitchen:

Yes, they are. It's been over a year-long process of trying to update and refine the CIFIUS mandate in light of the digital age. I think to some degree they've made, I think some necessary and obvious improvements, but one of the challenges when it comes to technology is, unlike in the industrial age where we were concerned about particular types of aluminum tubes, for example, which only had essentially one application, with technology, say with an AI algorithm, it's not the underlying algorithm that's the problem. It's the potential application of that algorithm, and so you can regulate the content of an algorithm if you want, but there's just nothing inherently sneaky or bad about that. It's the potential application of it. So that's one of the key challenges.

Klon Kitchen:

The other key challenge is increasingly significant portions of technological advancements are done in what's called open source ways, where it's not being done in, at least significant parts of them, aren't being completed in secret government research facilities. They're being done by private entities, by universities often in the public where portions of the solution are crowd sourced and uploaded to Reddit and you can just download it and tweak it and play with it, and that's kind of the iterative process by which a lot of technology is developed.

Klon Kitchen:

And so when we talk about the challenge of technological proliferation, when we talk about nuclear weapons, the problem was only a few people have it. How do we keep that to the smallest group possible? Well, one of the challenges with technology, increasingly software particularly, is if anybody has it, everybody has it. So what does that mean? How do we as a nation think through those types of dynamics from a security and defense perspective?

Bill Walton:

And how do we think about it? Are we organizing the agencies to work together on this? How aware is Congress of this issue? I mean these are certainly not issues that are at their part of the political process. This is not the kind of thing that's deciding elections. I mean how do we raise consciousness to deal with this?

Klon Kitchen:

I do think that Congress is increasingly feeling the pain point. I think they want to address it. I do think that they are not addressing that as quickly as they might. I think one of the key challenges that they face, frankly is a lack of sophisticated understanding, and trying to appreciate that, but I don't want to get too pessimistic. There are lawmakers out there. When we talk about the Chinese cellphone maker, ZTE and Huawei, precisely because of some the concerns that we've already articulated in terms of where data is going and Chinese access to U.S. sale or infrastructure and concerns about that.

Klon Kitchen:

People are aware, I think, and are now just trying to figure out what the best approaches are. I think what people probably don't have a sophisticated understanding of is what Dean has laid in terms of the comprehensive nature of the challenge, that it's not just cellphone makers, and it's not just the technologies themselves. It's establishing the standards for the technologies, standards that would facilitate what China wants and that would benefit it. So this is a bigger problem than I think we've dealt with previously in the most recent history, and it's going to require a level of coordination and political will that we haven't demonstrated yet.

Bill Walton:

How much of this has been forming what Trump is doing and his negotiations with China on trade? I mean Bob Lighthizer is a friend, and it seems like they've got a more ... this is not just about opening up our markets or keeping steel and aluminum companies. I think there's a whole technology component in what they're doing with China. How do you see whether we're getting proper engagement from Trump and Bob Lighthizer?

Dean Cheng:

Well, the administration has been very clear that as it has been applying tariffs and doing other things, that these are issues that cover a gamut. Some of it is old manufacturing sectors, aluminum and steel, but one of the big complaints that this administration has laid out against the Chinese has been the issue of intellectual property theft.

Dean Cheng:

Intellectual property theft is not simply buying an airline or a piece of steel or whatever and trying to reverse engineer it. More and more, it is a matter of breaking into the networks and just wholesale scooping up the blueprints, the marketing plans, the formulations and formulas, and this is one of the things that is absolutely vital that we as a nation need to recognize.

Dean Cheng:

Yes, government absolutely does have a role to play, but so do individuals both people and companies. Your listeners need to recognize that if they are working for a midsize chemical firm or a midsize paint firm or a midsize agricultural firm, just because they're not making absolute high-tech programs or weapons does not mean that they are safe from the Chinese.

Dean Cheng:

The Chinese are going through their databases, are going through their marketing plans, are going for their intellectual property, that if their marketing and customer relations and R&D directors are going to China, they should not be taking their personal laptops that have their emails, all of their company documents, et cetera. It's really disturbing how often folks still seem to do that because they think, oh, but if I don't make F35s or components, if I don't make navy warships, then the Chinese probably aren't going to be interested in my stuff. If you're going to China to sell them something, they're interested in your stuff.

Bill Walton:

You bet. I've got about three or four more pages of questions. I think we're going to run out of time before I can get to that. We're going to have to have a part two, probably part three, but before we do on to that, I just want to get a who's behind all this? What's behind all this? What's the Chinese leadership like? We just had President Xi declare himself president for life, but as I understand it, that's more of a ceremonial post. There are couple other posts that are as important or more important, like head of the Chinese Communist Party that he's not yet been appointed for life.

Bill Walton:

There are pressures on the party to maintain power, and I've always wondered about this relationship between all the billionaires in China and so-called private sector and the government and the leadership there. Is there a common vision about what China ought to be and thereby more or less buying into that, or are there pressures or at least [inaudible 00:39:40] forces that might pull it apart?

Dean Cheng:

Well, Xi Jinping is easily the most powerful Chinese leader in 40 years. He did succeed in changing the Chinese Constitution so he is president for life. The party doesn't have a constitution like that, but I don't think anyone is expecting him to step down as general secretary of the Chinese Communist Party, and that really is the most important position.

Dean Cheng:

As for Chinese millionaires and billionaires, if we take a look at companies like [Amdong 00:40:18], like [Wanda Dalian 00:40:20], like [HNA 00:40:22], the Chinese are systematically basically investigating, and in many cases, arresting or otherwise influencing top Chinese millionaires and even billionaires to either pull them into line or else to make very clear if you don't tow the line there are very, very ugly consequences. So, for a long time there was a hope that as millionaires and billionaires developed, as China economically grew, as the middle class grew that you would have a middle class track, if you will, that China would have to politically liberalize the same way it had economically.

Bill Walton:

That was the theory about opening up trade from the very get-go.

Dean Cheng:

Exactly. If you economically liberalize, politics will follow, and what Beijing has demonstrated, what the Chinese Communist Party has demonstrated is, "no, you don't." And the Chinese Communist Party has made very clear, far from liberalizing, it is more authoritarian. It is more restricted. Xi Jinping is more powerful and has to listen to fewer people today than his predecessors, be they Hu Jintao or Jiang Zemin.

Klon Kitchen:

If I could just add one more thing to that. Just the only thing I would say about Xi Jinping, particularly, is that if you look at the various strategies and plans that he is behind, he makes the point, and this is politically risky to some degree, of establishing specific metrics and specific milestones.

Klon Kitchen:

I mean, Bill, you'll know from your time, a strategy is only as good as its details, and it's kind of like, what are we actually going to do? We can do big hand waves and that only goes so far. But President Xi Jinping has a plan, and he is moving deliberately to provide the type of change that he has promised, and I think there's every reason for us to respect him and what he says. I think we should take him at his word.

Bill Walton:

Okay. Well, we need to wrap up here. On that note, thank you for your insights, Klon Kitchen and Dean Cheng, both senior research fellows at Heritage Institute, and you can be found, Dean, your email address is ...

Dean Cheng:

Dean.cheng, CH-E-N-G, @heritage.org.

Bill Walton:

Klon.

Klon Kitchen:

Klon, K-L-O-N, .kitchen, just like the room, @heritage.org. You can also follow me on Twitter @klonkitchen.

Bill Walton:
Twitter, Dean.

Dean Cheng:
I'm afraid I don't actually have a Twitter account.

Bill Walton:
We know too much about the dangers of having a Twitter account.

Dean Cheng:
That's right.

Bill Walton:
So, anyway, hope to have you guys back soon, and thanks for the insights. I think we need to think about China as being a real problem for us unless we do something to address it, so thank you, and [crosstalk 00:43:21] thank you for joining me and join us again for next conversation. Okay.

Bill Walton:
You guys are wonderful. This is great. Lot of content.

Dean Cheng:
Oh, good.

Klon Kitchen:
Glad you liked it.

Bill Walton:
Can we all hear each other? [inaudible 00:43:38]

Klon Kitchen:
With Dean I usually just try and get out of the way.

Speaker 2:
[inaudible 00:43:44].

Dean Cheng:
[inaudible 00:43:45].

Bill Walton:
Didn't get out of the way that much and that was a good thing. Now I got to tell you though. I didn't want to tell you before the show, but after the last one ... I can't remember who we had on. I think we had on, who's the guy that was embedded in the Republican campaign?

Speaker 2:
Stefan Halper.

Bill Walton:
We had Stefan Halper on. He's done a lot on China. One of the comments on the YouTube chat board was ... I had Stefan with somebody else, who said, "These three will soon be arrested," and given [inaudible 00:44:16]. So this will be fun to see what kind of feedback we get.

Dean Cheng:
Excellent.

Klon Kitchen:
I'm glad it was helpful and I'm happy to help again whenever it's right.

Bill Walton:
Be more to come. This is [inaudible 00:44:30] on Daily Signal and I'm starting this new and I've done it before, but more ... I'm showcase more Heritage research and research fellows and this is all part of that, so thanks.

Klon Kitchen:
Great.

Dean Cheng:
Thank you very much.

Bill Walton:
Yeah. It's a [crosstalk 00:44:43].

Speaker 2:
Great. Thanks.

Klon Kitchen:
Bye-bye.

Speaker 2:
I'm going to get in here.

Bill Walton:
You have to take over?

Speaker 2:
Yeah.

Bill Walton:

Okay.

Speaker 2:

Take over control. All right, guys, I'm going to end the meeting. Take care. Good to meet you.

Klon Kitchen:

Bye-bye.

Dean Cheng:

Nice to meet you. Bye-bye.

Bill Walton:

That is a-

PART 3 OF 3 ENDS [00:44:56]