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SPEAKERS

Announcer, Bill Walton, Frank Gaffney, Roger Robinson

A Announcer 00:04

Welcome to the Bill Walton show, featuring conversations with leaders, entrepreneurs, artists and thinkers, fresh perspectives on money, culture, politics and human flourishing. Interesting people. Interesting things.

B Bill Walton 00:24

Welcome to the Bill Walton show. I'm Bill Walton. want to read something to you to see if you're interested? Here we are, quote, it's come to the attention of us that the Federal Retirement Thrift Investment Board is proposing to open a mutual fund men window in June. By doing so would make available to thrift savings plan participants the opportunity to invest up to a quarter of their savings in 5000 mutual funds. So what's the problem? Well, the problem is those 5000 mutual funds include a lot of Chinese companies who aim to actually hurt America, American citizens and, and have companies aimed at building things that destroy wood, wood, kill and maim American soldiers and sailors. So that's why this innocuous piece of paper from the Federal Retirement Thrift Investment Board matters to us. And joining me who shares the concern is Frank Gaffney, my old friend and frequent partner on his show security America and real America's voice. Frank was founder is founder of the Center for American security policy, and vice chairman of the committee for present danger China. Also joining as Roger Robinson, who's also a member of the, I think, a founder Roger of the committee for present danger, China and Rogers got an extensive career on Wall Street, started out with David Rockefeller, back in the day at Chase Bank worked in the Reagan administration has extensive subject matter, knowledge of capital markets, mutual funds, and how investor dollars should and or are and should be employed. So Roger, welcome, Frank, welcome. Thank you, Frank, once you kick this off and frame the issue, I teed it up a little bit, but why don't you give us some more color here?

F Frank Gaffney 02:26

Well, you I think, hit the key pieces of Bill, the United States financial sector, has been putting the funds of American investors writ large, into Chinese Communist Party owned and controlled companies. For quite some time now. The exact amount of the transfer of wealth that it represents is somewhat of a matter of speculation. I've heard as low numbers \$3 trillion dollars, as high a number is seven or 8 trillion, whatever the exact amount is, what is clear, is such funding transfers, have translated into our underwriting of the unrestricted warfare, that the greatest danger this country has ever faced, namely, the Chinese Communist Party has been mounting and intensifying in the past 20 plus years. Roger Robinson, our friend and colleague, is a man who has studied this matter closely. He's actually not a member of the Committee on the present danger, China just for the record, but he has been a very formidable influence on its work, because we have made something that he's been warning about. Well, going back to the era when he worked for Ronald Reagan as his senior director on the National Security Council staff for international economic affairs, that you must not provide cash flow to hostile nations back in the day, the Soviet Union today, the CCP as it's called. So I'm delighted to have him with us to expand upon the challenge that we're facing here at the macro level. And specifically, Bill, as you said the extreme in advisability not to say outrage that America's men and women in uniform and other patriotic government employees might soon find their investments in their retirement savings going into some of these dangerous Chinese companies, human rights abusers, national security threats in the light.

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Bill Walton 04:53

Well, Roger, how does this work? My understanding is there's a basket of mutual funds that include Would about 6700 individual companies and they're located all over the world. And then included in that would be about 99% of the investable equity market. And it's interesting China in that is on the list as an included country among developing countries. The fight the idea that China is developing as a fairly comical one, and only the federal government might think that it's lodged right in between Chile and Colombia as a developing country. So Roger, what's, how's this working? And how do we, how do we evaluate this and do something about it?

R

Roger Robinson 05:40

Well, Bill, there's a history to this. As you know, two years ago, we faced a similar circumstance with a federal Thrift Savings Plan, the same board of five generally former Wall Street figures sitting on it, there was an effort to change the index that basically governs the International Fund of the TSP the Thrift Savings Plan, they were going to move it to the MSCI All Country World ex us to be precise. But the problem there is it was replete with Chinese corporate, bad actors, including those sanctioned by the United States for egregious national security and human rights violations. We brought this to the attention of President Trump and Capitol Hill, there was a bipartisan expression of outrage and kind of disbelief that you'd have Chinese military companies are being placed as Frank pointed out in the portfolio's of our, of our sitting servicemen and women in uniform, you can understand the irony, they would have no idea that their retirement dollars were going to be funding the advanced weapons systems designed to kill them, and arguably their families. So this is just one element, the Human Rights angle of genocide, concentration camps, trafficking and slave labor are also implicated. And that was the case two years ago, it was narrowly stopped by President Trump. But it was stopped and abruptly and there was an instruction that there'll be no Chinese companies in the federal Thrift

Savings Plan. Well, over this period, Wall Street didn't want to take no for an answer. And we basically found that they had selected a new index that included Hong Kong companies, as though Hong Kong is other than just another Chinese city today, after the strangulations of freedom there. So we have 35 Chinese companies in the international fund of the Thrift Savings Plan. Now, this new so called mutual fund, a window that's going to be initiated in June multiplies that ver to a an alarming degree, because as you pointed out, these companies I mean, these funds, which have international and emerging market exposure, are generally speaking, holding Chinese companies. And again, there's been no differentiation here between those sanctioned bad actors. And what you might think of as a more benign Chinese.

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Bill Walton 08:31

You mentioned Wall Street that's euphemistic for that euphemism for BlackRock. And if you look at the recent minutes of this committee, Kimberly Weaver features large Annette, she's one of the I think, Chief Operating Officer and spokesman for it. And she she talked about Blackrock for a couple couple paragraphs there about how well they were doing. They were 11 basis points over the over the other indexes over the indexes. And so it's there's a specific bad actor here, and it's with BlackRock and Vanguard and State Street and the other big mutual funds are doing to influence this. There's another aspect of this, though, that's not just the problem investing in Chinese companies, but also there's no oversight of the Chinese companies by the PCAOB, which is the pension, Public Company Accounting Oversight Board. And so even if you've got a Chinese company that is pure has driven snow when involved in national security, you still don't know what their financials are. And China's the only country that falls outside of that went outside of that oversight. And that's another big problem.

R

Roger Robinson 09:44

It's a black box bill and the sad fact is, there's not one Chinese company in the portfolio's of scores of millions of unwitting American retail investors, that is in compliance with US Federal securities laws. I mean, that's a fact. Sarbanes Oxley being the most prominent for the PCAOB angle that you just referenced. So even from a fiduciary and risk management perspective, it's a failing grade. Not to mention, again, the human rights and national security dimensions. And as you could see from the minutes of the Federal Retirement Thrift Investment Board meetings, they understand the problem that accompanies not one having ever identified who these mutual funds are to zero diligence performed three, no disclosure of material risks intended for the TSP participants. So you know, they basically said it's too costly, and it would require too many resources to do. So last time I checked, that's not a very good excuse.

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Bill Walton 10:54

Well, this is not an agenda List Driven exercise on the part of the Wall Street firms I referenced. They're eager, and BlackRock has already gone in with a wholly owned, wholly owned entity, as I understand it. Now. They're eager to get their hands on the investment dollars of the 440 and 50 million Chinese with some savings right now. They're mainly in Chinese banks, and, and they want to help, they want to help help in that. And it's a goldmine for these companies if they can get into the Chinese market. So that's I think, part of the reason they don't want to exclude Chinese companies from the index, and why they've been lobbying this so hard,

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Frank Gaffney 11:33

Frank? Well, I think that is part of it, Bill. Greed operates clearly. But I think you mentioned an agenda. And I think Black Rocks CEO, Larry Fink, does, indeed have an agenda. And that agenda is not simply mutating beyond recognition of the financial sector of the United States, with his so called environment, social governance agenda ESG. He is also deeply committed to this partnership with China. And whether it's getting access to Chinese savings, or whether it's just migrating the savings of Americans to China, I doesn't seem to be clearly the former and not the latter. Indeed, he's said he thinks American investors should treble, three times treble the size of their investment in China at this point. And I guess, really build the thing that, of course, our committee on the present danger, China, of which we're very proud to have you as a member as well, is so seized with is, this isn't happening in a strategic vacuum. This is happening in an environment, when were these entities Rogers described are actually enabling and whether they're working directly for the People's Liberation Army, or whether they're part of the surveillance state apparatus of Communist China, and engage therefore, in facilitating enabling otherwise aiding and abetting human rights abuses, including genocide, or whether they're just so called civil or private sector companies in China, they all work for the Chinese Communist Party, without exception.

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Bill Walton 13:34

How does the Chinese Communist Party I mean, we talk about Chinese companies, and what's the mechanism, Roger Frank through which they the Chinese Communist Party controls these companies,

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Roger Robinson 13:47

they're to build a come to mind right off the bat, Article Seven of the national securities law, National Security Law in China requires all companies of that country, even the quays, AI, fraudulent private sector companies, to basically be available on demand from the Communist Party to be in effect weaponized, that is used for intelligence gathering, to assist the Chinese PLA, anything that they have in mind. Those companies must adhere to those instructions. And second, they've actually put Communist Party cells in the senior management structures of all Chinese companies, it's very hard to find an exception. Well guess why they're there. They're not there because of the coffee and doughnuts at board meeting. They are there to basically ensure that those companies are compliant with the strategic and military aims of the Chinese Communist Party.

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Bill Walton 14:51

So this is a little bit like the old political officers we'd see on all the movies with the Soviet commissar to to people To people running the submarine, the captain and the and the political affairs officer. Red October. There it is. Yeah. So the the, as I understand that the what is it section seven or seven? Which one? What's Article? Article Seven, that also extends to individual Chinese doesn't operating or living outside of mainland China?

R

Roger Robinson 15:24

It does. And I should frame that just to correct myself. It's the National Intelligence law, not the National Security Law, which can be confused with Hong Kong. So yes, the you know, there's no, there's no Chinese citizen, who's a free agent here, particularly if they're operating in the United States, they are interviewed. And they are instructed, as required by the CCP to carry out missions as the party deems indicated, well, in

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Bill Walton 15:53

our enemy here is the Chinese Communist Party, not necessarily the Chinese people. But if you're just a regular China's Chinese person living outside of China, the party still expects you to be helpful to their cause. So it's, it's a really ugly situation.

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Frank Gaffney 16:10

And Bill is a way just just to add that point, it's, it's almost certainly the case, especially if you're a student here, and there been something on the order of 300,000 Chinese nationals here as students, you've actually been selected by the party to go to the United States. There are some who've fled successfully, Chinese misrule, but by and large people here in this country from China, have the authority of the party to be here. And secondly, whether they expect it or they don't expect it, they will compel you to conform to their dictates, even here in the United States by threatening your family, all of whom are still left at home. Not all necessarily, but enough. And that's a reason that I think, again, we're looking at this monstrous regime, using and weaponizing every instrument at its disposal for the purposes that we've talked about, which are destroying the United States.

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Bill Walton 17:15

So Roger, Kimberly Weaver, tells us that it's way too hard to oversee which mutual funds on which security and that it's just too much work to exclude these companies. I don't buy it. But what do you think? I mean, how much work would it be to exclude Chinese companies from these indexes?

R

Roger Robinson 17:38

Well, my firm has done precisely this. We've looked at all the industries, and identified those Chinese companies, we've looked at all of the exchange traded funds that benchmark against those industries, I mean, I we can do it as a private sector firm, and have done. So the notion that this kind of critical, risk related diligence is too hard, and that we're okay. Putting the harder retirement dollars of our military into black boxes that may well have PLA stamped on them is is an outrage in that connection. It's interesting that the Biden administration, much less the Trump administration before it issued an executive order in June of last year, executive order 14032 That termed the notion of Chinese companies tied to the PLA in the military, and tied to surveillance technologies in any way, as a, quote, national emergency, and has issued

capital market sanctions, excluding such companies from even being held by American persons at the threat of violation of law. So how can it be a national emergency in the view of the President, and have the same president presiding over this fiduciary irresponsibility of the type that you're discussing right now?

B Bill Walton 19:12

So how do we how do we, how do we stop this? And we have a deadline?

R Roger Robinson 19:18

We do have a deadline. We're not sure exactly what it is in June, but I can tell you, June is upon us. And the what I think we need to go for because of that bill is a postponement. I mean, we need to take the time to do the diligence to get the answers empirically, so that we know precisely what we're looking at at an absolute minimum that has to be done if they try to move forward in this non disclosure, non transparent Millia that they've got going now that can only tell you one thing, we're being stampeded into a non transparent covered up event for the very reasons that you mentioned in terms of Wall Street's greed driven salivating over getting their hands on the savings of the Chinese people and all of the other fees, which are very fat fees, as you know, that are involved with a China portfolio. We can't have greed supersede our fundamental values, our national security and the protection of retail US investors,

B Bill Walton 20:28

how many Congress I think we've got a fair number of congressmen that are aligned with this on that, can you maybe we ought to be thinking about reaching out and supporting them?

R Roger Robinson 20:37

Absolutely. That's underway, as we speak. In fact, Frank, and

B Bill Walton 20:41

I think Rubio, Rubio has come out to who else leaked Mike Lee, who else has come out on on this

R Roger Robinson 20:47

bomb, cotton tuber Bill has come out. And we're expecting a bipartisan letter to emerge from the Senate with, with any good fortune in the near in the near term. Again, truly bipartisan, to demonstrate that this kind of sleight of hand is perilous to our country. And is, is a is a very sad and even sickening display of greed over our true national priorities.

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Frank Gaffney 21:24

And, Bill, can I just add, in terms of what you've asked about? What can we do about this, that effort to get support from the Congress is all the more necessary, because every single one of those members of Congress in the Senate in the house has a likelihood at least money invested in the Thrift Savings Plan. So this is their money we're talking about as well as men and women in uniform past and present veterans as well as serving and other civilian government employees. As we said, this is of concern in two respects. One is, obviously you don't want them aiding and abetting our mortal enemy, especially if the likelihood is particularly in the case of the military, but maybe others. The result will be advanced weapons being acquired with that money with which to kill us. But the second thing is Bill, and this is a point that Roger speaks to very powerfully and that is, the dangers of having the US government's will be it in the form of this Federal Retirement Thrift Investment Board, which oversees the Thrift Savings Plan. But nonetheless, a federal agency legitimating investments in the kinds of Chinese companies that two presidents, not just Donald Trump, but Joe Biden, as well, as Roger said, have, in fact, put down executive orders, saying you may not invest in these companies, these kinds of companies. And so it's really vital that we get this turned off and right quick, and one of the ways we can do it is to get numbers. I want

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Bill Walton 23:15

to thank you, I want to thank thank the two of you for bringing this to our attention. I mean, Frank, you and I've talked about on our show, this is just yet another example of a so called faceless bureaucrat acting at the behest of I think the Chinese lobby to slip something through that I said at the outset, sounds really boring. I mean, who cares about your mutual funds, really, nobody understands it. Unfortunately, I do and is a big problem. But it's innocuous. And we talked about this, we've got a bureaucrat at HHS who who wants to amend the World Health Organization's bylaws that would call all all all countries in the world at the time at the site of the next pandemic to obey the orders of the President of the World Health Organization. talk some more about that was my gratuitous editorial there. Great segue, but we need to focus on talk some more about the influence that the Chinese have in the decision making. Where people have relatives in China, I mean, the most the most startling examples, Elaine Chao whose family owns a shipping company in China. And if you want to know why Mitch McConnell is more silent on these Chinese issues, and he should be there her family fortunes, it depends on the Chinese Communist Party.

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Frank Gaffney 24:37

Well, there are two aspects to this bill. The part that I was describing earlier was kind of the coercive practice visa vie Chinese nationals in our country to ensure that they not only tow the party line, but they serve the interests of the Party and the People's Liberation Army and its intelligence services and so on. What what you're talking about is the subject, of course of a terrific book by our friend, Peter Schweitzer, red handed the Chinese term for his elite capture. And this is sort of course of aspect do

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Bill Walton 25:13

this. Is there this clip I want to make? This is their term. This is their term. This is this was an

agenda.

F

Frank Gaffney 25:19

Exactly. And it's bipartisan and character Joe Biden himself, of course, has been deeply compromised, I'm sorry to say. But there are people on both sides of the aisle. And Mitch McConnell's family, I think is, is one of them who have been doing business with the Chinese very lucratively. And it shows in their refusal, in some cases, or at least, their reluctance to be seen as opposing the Chinese sometimes they'll, in a small way, you know, express opposition to a genocide, for example, but in the end, they're old friends of China. And that's true of Larry Fink on Wall Street, as well as people in government and academia and so many other walks of life.

R

Roger Robinson 26:03

I would say, Bill quickly to chime in there on Frank's good observation, you know, when you where is the SEC in this, are they a potted plant? Where is treasury? Where is the National Economic Council run by a former Blackrock executive? Treasury's number two run by a Blackrock executive? Jay Clayton used to be a Wall Street Journal, Wall Street lawyer that brought Alibaba to market. Steve Minuchin was very friendly with the Chinese then and now the long and short of it is we've got a US government regulatory problem here. This revolving door that we've known about forever, is now imperiling the United States with multi trillion dollar flows from a democracy namely ours, to a totalitarian police state, bent on our utter destruction, aided and abetted by greed driven Wall Street firms, and those conflicted US government regulators that look the other way at moments precisely like this one.

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Bill Walton 27:19

Right. Roger? That sounds like a great summary of where we are now. I've got about 20 things on my list here to talk with you to about but I promised you both I'd get you out of here and a half an hour and Alas, my time is up. Roger, where can we find you? What's the name of your firm and what are your coordinates?

R

Roger Robinson 27:39

Well, that's in flux right now is I just fortunately was able to sell my firm but I will liquidity event I love that. I will be back to you on that matter.

B

Bill Walton 27:50

Okay, great. Well, that sounds like a successful exit. That's great. And Frank, I know where to find us security America and real America's voice and and what is our other channel that we're on with our show?

F

Frank Gaffney 28:03

American Family Radio Network is where the the audio track of the shows that we have the privilege of taping with you each week, Bill and others appear every weeknight at 11 o'clock pm Eastern Time, the same time slot that real Americans voice video is, is there.

B

Bill Walton 28:23

This has been the VO Walton show I've been here with Frank Gaffney and Roger Robinson talking about why we do not want to invest in Chinese companies. But there's a lot of other things to dig into on the Bill Walton show and the Frank Gaffney show, and we hope you will tune in for our next episodes to find out what's true. What's right. And what's next. Thanks. I hope you enjoyed the conversation. Want more? Click the subscribe button or head over to the Bill Walton show.com to choose from over 100 episodes. You can also learn more about our guest on our interesting people page and send us your comments we read everyone and your thoughts help us guide the show. If it's easier for you to listen, check out our podcast page and subscribe there. In return. We'll keep you informed about what's true. What's right. And what's next. Thanks for joining