

Frank Gaffney ([00:10](#)):

We're back and as we often are about this time in the week, we are joined by Bill Walton. A man I have come to admire and value as one of our regular contributors here at Securing America, not least because of his background in the financial sector as the CEO of Allied Capital, good size firm on Wall Street. He was a master of the universe at the time. He's come a long way though, baby. He is now a host of a terrific television podcast and very much a leader of our conservative movement. It's entitled the Bill Walton Show, and we're always delighted to have a chance to visit with him here to talk about what he's covering there and what we all need to be paying attention to. Bill, it's good to have you back, sir. Welcome,

Bill Walton ([00:58](#)):

Frank, great talking with you.

Frank Gaffney ([01:00](#)):

So much to talk about. Bill, I just wanted to pick up where we left off a moment ago with Trevor Loudon who was warning us of this phenomenon of elite capture. And it has been particularly evident and I would argue devastatingly effective in your old stomping grounds, Wall Street. Your thoughts on the importance as this new select committee in the House of Representatives gets underway with hearing tomorrow that it be fully able to focus on the problem of people who have well, been working for and arguably betraying our country too, the Chinese Communist Party, whether it's among the masters of the universe class or elsewhere in the financial sector.

Bill Walton ([01:53](#)):

Well, Trevor's spot on. I mean, the amount of elite capture that's gone on in our government is astonishing, very nuanced but real. And it's equally true among the leaders of the, on Wall Street and our major multinational corporations. I think what you need to keep in mind is the globalist, internationalist investor mindset. And that mindset says you take capital to where you can get the highest return and hopefully the safest return. And they're not really at all focused on ideology. And as we see that play out, I mean they're looking at all these events in China right now, the lockdowns and Xi getting tough on companies. They're just waiting it out. I mean, they think this will pass and they're ready to come back into China in a heartbeat.

Frank Gaffney ([02:47](#)):

Well, you said something very interesting though, is safety.

Bill Walton ([02:51](#)):

Sure.

Frank Gaffney ([02:51](#)):

We're doing a webinar tomorrow in which I'm glad you're going to be able to participate in which we're going to talk about the lack of safety in investments in China. And I guess the guys in your elite class aren't so worried because as long as they're making their commissions, they don't particularly care. But is safety really one of the priorities for investors?

Bill Walton ([03:17](#)):

Absolutely, Frank. I mean, the people that run billions of dollars of hedge fund money, private equity money, venture money, they absolutely care about safety. And one of the big concerns you've got is political risk and is the government, if you go into something going to protect your investment, and people are rethinking China. And it's not just in the United States. Singapore is rethinking its biggest investment firm that invests a lot in private equity in China, manages almost a trillion dollars. They're rethinking China. They're not sure that China is investible as it was. Notably though they've hit the pause button, they haven't hit the halt button, they just want to see what happens next.

[\(04:01\)](#):

Same thing's true in for Japanese companies and investors. I think it's one of the big ones, Akira, which is in the tech space has used China as its manufacturing workshop. They don't want to do not want to build more plants in China because of the government risk, the political risk in China. Also, the Japanese hate the Chinese, so there is that.

Frank Gaffney [\(04:28\)](#):

That ought to be a factor too. But Bill, I guess what you're saying is that people have heretofore thought investing in China was safe, but now that's becoming more and more-

Bill Walton [\(04:37\)](#):

Frank, America's given them cover.

Frank Gaffney [\(04:40\)](#):

Yeah.

Bill Walton [\(04:40\)](#):

America pushed the, bringing China into the world economy, World Trade Organization, urging US investment in China to make them wealthier and more democratic and more like us. Well, we've talked about it over and over again. That didn't happen. It's not going to happen. But they were encouraged. They were encouraged by America's leadership in what we did with China and we're all paying a price for it.

Frank Gaffney [\(05:06\)](#):

Well, we may yet pay a far bigger price, including Bill as we're talking to talk about on this webinar. And again, you can register for it at presentdangerchina.org. Is that, you might lose your money if this thing goes bad, if there is in fact a kinetic war with China, which seems to me to be a distinct possibility here.

[\(05:26\)](#):

But Bill, one of the other things that is raising questions about the safety of your investments in China is the latest turn in this ongoing saga about whether China will allow investors to actually have confidence in the companies in which they're investing. Specifically, will there be audits worthy of the name that are performed? And something called the PCAOB, the Public Company Accounting Oversight Board has been up to its eyeballs in some shenanigans there to try to sort of make it look as though they can have confidence in audits. Give us the latest developments on that front, if you would.

Bill Walton [\(06:11\)](#):

Well, the PCOB got involved with this and they declared the Chinese companies were investible because they saw some clean audits, they say coming out of it. I'm deeply suspicious of their leadership.

Frank Gaffney (06:26):

Again, these were audits that they were allowing to be done in China, as I understand.

Bill Walton (06:29):

Yeah, well, they were done, many of them by the big four accounting firms, the big international accounting firms and only used to be the big eight, now because of turmoil, they're only big four. But interestingly, just the reason I love this world is love is really quite the wrong word, is that for every action there's a reaction and the Chinese have said, "Okay, we'll let you see the audit papers of the companies auditing or the audit firms auditing the Chinese companies, but we're not going to let the Chinese companies hire a big four auditing firm." And of course, the auditing firms have, I think their revenues from Chinese companies is in the range of three to four billion dollars. So this is a major blow to them.

(07:10):

But what that does is it takes an additional piece of the trust out of the investment equation. I mean, I think people overlook the fact we talked about safety. Safety in part depends on trust. Trust in your counterparty. And if you've got a local accounting firm in China, maybe owned by the nephew of President Xi, as an investor you're going to look at those audit papers very differently than if it were, say for example, KPMG.

Frank Gaffney (07:40):

Especially if you're doing the audits in China, which is what the PCAOB has now permitted to be done. This looks like a fraud of epic proportions. And so combine that with the possibility that the Chinese just simply seize your investment in case of war. All of this just adds up, it seems to me Bill, to be a very bad bit of business. And yet Ray Dalio, one of the guys who has been a prime mover behind getting Americans investments placed in Chinese entities, he may be retiring, but I understand he's going to keep his hand in propagandizing on behalf of the CCP. Have I got that right?

Bill Walton (08:24):

Well, Ray is after many, many, he founded Bridgewater Associates, one of the largest hedge funds in the world managing I think trillions of dollars. And he's been a huge advocate of investing in China. But he caught-

Frank Gaffney (08:39):

He's done well, it's fair to say, right?

Bill Walton (08:41):

Well, yeah. I mean they've taken care of him. I mean, he's one of the privileged investors in China. He's welcomed in every time he goes. He's treated like royalty, so he loves it and he's made a fortune, but he's retiring. And two parts of this, one, he got a incredible sweetheart deal with preferred stock in Bridgewater that will pay him billions over the years. But the other thing he did interestingly, and I'm not sure about the details, and this may have changed, but I think he retained the right to write the Bridgewater newsletter so he could say nice things about China. I mean, Ray last year was the one that said, "We ought to think of the Chinese Communist Party more as a stern parent than a totalitarian state." And he did catch some heat.

Frank Gaffney ([09:32](#)):

You can't buy that kind of misdirection.

Bill Walton ([09:34](#)):

He has not changed his beliefs. He just thinks that Chinese Communist Party is misunderstood.

Frank Gaffney ([09:41](#)):

Well, I'm busily trying to make sure we understand them exactly as they are.

Bill Walton ([09:47](#)):

Well, we are.

Frank Gaffney ([09:47](#)):

That's what we do here every day. Lastly, and Bill, this is an important story. There are now repercussions in China with respect to their chip manufacturing operations. Talk us through both what that means for China, what it might well mean for us as well.

Bill Walton ([10:08](#)):

The sanctions put in place last year on the chip manufacturing and all of it's very complicated, but all the basic-

Frank Gaffney ([10:16](#)):

By the Biden administration.

Bill Walton ([10:18](#)):

By the Biden administration, I hate to say it to their credit, has done a lot of good in terms of causing the Chinese to retrench from its involvement in our sophisticated ship manufacturing. And what it's one of the fall-outs of here is that five or six or 7,000 Chinese chip manufacturers went out of business last year, went bankrupt. There's always big turnover in the chip industry, but this is unprecedented. This is roughly twice the number. So you'll say, "Gee, that's probably good news, isn't it?" Well, probably not because if China looks around and says, "Gee, where can we find a great place to get our chips from?" They're going to look across the, what is it? South China Sea?

Frank Gaffney ([11:04](#)):

Taiwan Strait.

Bill Walton ([11:05](#)):

At Taiwan, the Taiwan Straits, and they've got the biggest, most sophisticated ship manufacturer on the planet there. And of course, they're not interested in Taiwan simply for traditional territorial reasons. They're interested in the technology,

Frank Gaffney ([11:23](#)):

They want the chips, and that will be a body blow of course to our industry as well.

Bill Walton ([11:29](#)):

We depend mightily on that.

Frank Gaffney ([11:30](#)):

We do indeed. Bill Walton, as always, a font of information and insight. We appreciate you so much and thank you for taking the time to join us. I know you'll keep up the great work you do at the Bill Walton Show, which you can find on all kinds of platforms, and I hope you will. Bill, we'll talk with you again next week. Stay well my friend. Be right back with more right after this.