

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

Welcome back and it always delights me to be able to say a very special welcome to our next guest, one of our regulars here about this time each week. I'm pleased to say his name is Bill Walton. He is the host of the Bill Walton Show, a terrific television podcast. I highly commend it to all of you. Bill is also a man whose present work on his program and ours is informed by some very relevant and interesting experience, notably as a Master of the Universe on Wall Street where he ran Allied Capital for a time. He has also been running aspects of the conservative movement here in Washington since he came hither. We're always delighted to have a chance to visit with him. Bill, once more, welcome back.

Bill Walton ([00:50](#)):

Frank, great talking with you.

Frank Gaffney ([00:52](#)):

So let's talk first of all about the balloon, Bill. We're taking stock with all of our regulars about what you make of what went down last week, besides of course the balloon itself at long last.

Bill Walton ([01:08](#)):

Well, the balloon is the gift that... Well, let's back up just a minute. This balloon comes right over the United States at a time when Antony Blinken is planning to go to China and some reports, and I think they're credible, are that we knew the balloon was up there, but we didn't want to tell people, or the Defense Department did, but they didn't want to tell people because it would spoil Tony's trip to Beijing. Well, that's one of the problems. I mean, the administration continues to try to see that China as a strategic partner and not as the mortal enemy that they are. And consequently they keep accommodating. And my deeper fears are, Frank, is that they may even see these balloons as an accommodation to the Chinese in exchange for who knows what. And so this is not the first evidently, that we've had these things flying up above us for three to four or five years. I'm not sure how much of that was in the Trump administration. Nobody knows right now, but it's disturbing-

Frank Gaffney ([02:17](#)):

[inaudible 00:02:16] in itself.

Bill Walton ([02:17](#)):

For what it says about what we think about our relationship with China, and also that we wouldn't shoot it down right away.

Frank Gaffney ([02:22](#)):

Amen. President Trump and his team have said it didn't happen on their watch. It's a little hard to imagine that if it had, we wouldn't have noticed, just as was the case in this instance. But Bill, I think to your point, one of the things that's being speculated about is that the concession may be yet to come in terms of the Chinese for swearing sending more of these our way, if we will forego having intelligence operations off of their coast in international waters and international airspace. And that would seem to me to be a very bad idea, especially if it extends the full distance of the First Island Chain, which some are thinking is what's in the works here.

Bill Walton ([03:05](#)):

The balloon's a chess piece, Frank. And it's part of a larger game that China's playing and I'm not so sure they're playing chess, that they're playing chess and we're playing checkers.

Frank Gaffney ([03:15](#)):

Well, they're playing Go, I think is the problem, which is even more sophisticated than chess. Bill, this brings me to one of the things that is a somewhat promising development, and I agree with you that there's many troubling aspects to that balloon story, but we're apparently continuing to see companies that have been involved with China moving production facilities and manufacturing assets and so on out of the PRC. I'm a little bit apprehensive that they're joining the Chinese and moving them to Vietnam, which suggests that maybe this is just sort of a cutout, but talk a little bit about the importance of reshoring, as they say, such capabilities, not just moving them out of China.

Bill Walton ([04:05](#)):

Well, let's make sure we keep this in context. The US companies like Apple, if Apple is a US company, are deeply involved in China and in fact they couldn't manufacture iPhones without China's involvement. They've got to have almost 1.5 million people on the payroll, either directly as employees or as contractors in China. And their CEO, Tim Cook, made his career developing supply relationships and manufacturing and technology relationships with China and the Chinese Communist Party. And so what we are seeing though is that some of the smaller companies, particularly taking their cues from the COVID lockdown which was catastrophic, nearly drove most of them out of business. They're deciding that maybe they got to pick up stakes and move to another country. They're not coming to the United States, but they are going to places like Vietnam and India. And as you point out, the companies in Vietnam may or may not be independent from the Chinese and may still be under their shadow control. So I wouldn't view... Any movement of companies out of China is going to be glacial at best. And there's no disengagement that's going to happen very quickly.

Frank Gaffney ([05:24](#)):

But it should, is I think the key point. My concern about the Vietnamese is that the Chinese have for some time been gaming these country of origin laws in our country, and if it says "Vietnam" but it's essentially just a cutout for China, it's not [inaudible 00:05:45]

Bill Walton ([05:44](#)):

Apple's moved some of their operations to India, but all they're doing there is they're assembling and putting them in packages. It's the lowest value end of the supply chain and all the critical manufacturing and technology is still being produced in China. So that's another example of what you're talking about.

Frank Gaffney ([06:04](#)):

Well, and speaking of the technology being developed in China, Bill, there's a report that billions of dollars are still being invested by American companies in artificial intelligence in China. This would seem to be a technology that we would particularly want done here, not there, since it has such immense dual-use or principally even military applications, no?

Bill Walton ([06:35](#)):

Well, this is another example of where US companies, in particular technology companies, were all in the movement to invest in China, create strong ties with China. And the larger strategic purpose for the United States was, "We're going to bring them into the economy and we're going to make them more

like us and we'll have happily ever after." Well, as we now know that's not happening. But the report is essentially almost 40% of the total investment transactions and Chinese artificial intel companies had a US investor and it totals to almost 40 billion dollars, a little over 40 billion dollars, and it involves 251 Chinese artificial intelligence companies. So this is no small thing where you've got an off the cuff investment in a couple of companies. It's a strategic involvement with China, and that's an issue and how we unwind that is going to require some time and some very smart people.

Frank Gaffney ([07:38](#)):

Bill, I have to apologize. I've run over my climb. I've got to ask you to pause. Bill Walton, we're going to come right back with more on the other side of this very short break. Stay tuned.