

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

We're back, and we're joined, as we have the privilege of being most weeks about this time, by Bill Walton, a former master of the universe on Wall Street. He used to run a \$6 billion operation called Allied Capital. He is, these days, the master of the Bill Walton Show, a terrific podcast/television program with superb guests and great content. And we are always privileged to be able to benefit a bit from what he's learning and thinking about and talking with his team here at Securing America. Bill, welcome back. It's good to have you with us, sir

Bill Walton ([00:44](#)):

Frank, I love talking with you.

Frank Gaffney ([00:47](#)):

Thank you. Let me start by asking you about a topic that we turn to with you most weeks, I think it's fair to say now, and that's what's going on in communist China, on the economic side in particular, Bill. It seems as though there's increasing evidence that it's really bad business doing business with the Chinese Communist Party at the moment. Your thoughts?

Bill Walton ([01:11](#)):

Well, the working assumption of most the international community for the last decade has been that investing in China would be easier because the Chinese Communist Party would always want to make China investible in order to attract capital and promote their agenda. Well, that has changed. And I think our friend Gordon Chang talks about the unlimited warfare strategy that China has, and it looks like that's been ongoing now for at least three years. And as a part of that, they are no longer welcoming international investors. In fact, they seem to be turning them away.

([01:54](#)):

And Exhibit A for that is what's happening with the Evergrande restructuring. Evergrande, as you might recollect, was much in the news last year as the largest real estate firm in the world. Failed catastrophically after the Chinese Communist Party failed to shore up the capital markets and keep the plates spinning in the real estate investment market. And they were sitting on hundreds of billions of dollars of debt that they couldn't repay. Part of that debt were bonds that were owed, largely to international investors. Just this last week, they announced a settlement on those bonds, or proposed settlement, where international investors will discover that there might get two cents on the dollar, maybe six cents, or if they want to take more bonds, they can be paid in interest in the form of additional bonds from Evergrande.

Frank Gaffney ([02:50](#)):

Well, that's an offer you can refuse, right?

Bill Walton ([02:53](#)):

Yeah.

Frank Gaffney ([02:53](#)):

So, Bill, I'm struck by this because it seems as though there's an ongoing effort, certainly by Wall Street, to encourage their clients to invest in China. Is this a question of cognitive dissonance as they say,

they're just not seeing what they don't want to see? Or are they not actually picking up on some of the grim news coming out of China?

Bill Walton ([03:20](#)):

Well, China's the most confusing economy to analyze on the planet. I mean, on the one hand, it's ruled with an iron fist by the Chinese Communist Party, totalitarian state. On the other, it's home to more billionaires than any other country in the world, almost 1,000 billionaires. And it has the largest consumer luxury goods market in the world. So, what the Wall Street firms and the other multinationals that want to keep doing business in China are seeing is that it's been a great market for them and they want to keep that going. But it's becoming clear because of pressure here in the United States that people like you and others that have really raised with concerns about how much we want to be doing with China, there are fewer and fewer business leaders that are willing to travel there. There's an event this week that... Let me see if I can't find my note here.

Frank Gaffney ([04:17](#)):

The China Development Forum, I think it's called.

Bill Walton ([04:19](#)):

Yeah. The Development Forum. And traditionally, that's been a place where everybody has gathered, running all the big banks and the big multinationals. This year, only Ray Dalio and I think Tim Cook, who runs Apple, will be attending. So, we're seeing some ebbing of that enthusiasm, but at the same time, I think as I told you a couple weeks ago, Morgan Stanley's still got a buy signal on the Chinese market. So, my advice is stay away. I mean, you're depending on the good graces of the Chinese Communist Party for everything you do there, and you cannot count on that.

Frank Gaffney ([05:03](#)):

Yeah. And in that regard, there's been a raid on a Western, I guess a US company, that is in the due diligence business. Obviously, they're not interested in having people do due diligence in China. But again, the signals seem to be that they are indifferent to the conclusion that people might draw that... Just as you say, it's time to stay away from China.

Bill Walton ([05:28](#)):

Well, this one's really interesting because it's -- it raid a group called the Mince Group, which is a due diligence an an investigations firm, and I've worked with many of those when I was in the private equity business, of the investment business. And what you do when you go into a deal is you ask one of these firms to investigate the company, the people, the markets, and maybe most importantly, whether there's anything fishy going on with their track record. And Mince Group was one of the leading companies in the world, or at least in China. It has almost 18 offices around the world. And they have a lot of information in their files that the Chinese Communist Party could find very useful about the personal lives of people doing business in China and elsewhere, really, worldwide. And it's interesting that they raid the firm this week because it's the same week that conference is going on, and to me, that sends a signal that the Chinese Communist Party just doesn't care how we feel about what they're doing. And they're battering down the hatches for a larger conflict.

Frank Gaffney ([06:46](#)):

Well, that's the point of our recent webinar, Bill, as you know, the Committee on the Present Danger: China, which you can find, folks, again at [presentdangerchina.org](http://presentdangerchina.org), is if they are battening the hatches, if they are, in fact, hunkering down, if they are preparing for conflict, these are the sorts of things you'd expect to see them do.

Bill Walton ([07:10](#)):

There's a pattern.

Frank Gaffney ([07:11](#)):

It's troubling, to say the least. Bill, one other tell that I wanted to get your take on is that the Chinese apparently are actually signaling that they expect very low growth this year. Again, one can't trust their data as far as you can throw it, but what do you make of the fact that they seem to be owning up to the prospect that this is going to be a tough year?

Bill Walton ([07:39](#)):

Well, I think this is part of the picture they're painting about China, and historically, China's always shown that it wants to project rosy growth. 10%, 12% every year was routine for the past 15, 20, 25 years. And this year, the central bankers, the central policy makers in China have announced a 5% growth rate, which is by far the lowest they've announced. And normally, they would worry that would be scaring off international investment, but they don't seem to care and so they just put the real number out. And of course it's up last year. They're claiming the economy grew at 3%. I doubt that. We can't trust the statistics. Remember, they had the zero COVID policy totally enforced and they were preventing people to come into the country. My guess is they shrunk last year. But the Chinese numbers, we've never really believed. They're only directional. And I think, as you point out, the signal here is that they're willing to say, "Look, it's lower growth, and so if you don't want to come in to invest, we don't need you anyway."

Frank Gaffney ([08:58](#)):

I hope the message will be not lost on Wall Street and on those American investors who we fear will stand to lose everything if there is, in fact, a conflict with China.

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

Yeah.

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

Bill, I wanted to ask you about the CEO of TikTok's testimony before the Congress earlier this past week. It was quite a performance, I think, and I'd be interested in your take on where things go from here.

Bill Walton ([09:25](#)):

Well, it was wonderful theater. And all the congressmen, all the people got grandstand and say terrible things about China and TikTok and our privacy and things like that, but-

Frank Gaffney ([09:39](#)):

On both sides of the aisle.

Bill Walton ([09:40](#)):

Both sides of the aisle. But I viewed this as kabuki theater. This was exactly the kind of thing we thought. And that young CEO, you almost had to feel sorry for him because he was hung out to dry by the party officials, taking the heat. But the question is there gambling going on in this casino? Yeah. I mean, have the Chinese had access or information through TikTok? Absolutely. Did we just find that out with this hearing? No. We've known this for a long time. The issue before us right now is there are 150 million users of TikTok in America and a disproportionate the number of those users are young people, so-called Gen Z and Millennials. And the stunning thing, Frank, is they just don't seem to care about national security or issues with China, and they see this as sort of more or less of a generation gap where these old politicians are telling them bad things about their favorite app.

[\(10:46\)](#):

The other issue we've got here is that TikTok is now generating seven or \$8 billion in profits from sponsorship and ad revenues. Okay. Well you say, "Well, that all goes to TikTok," but that's not really the point. Is the point is sponsors and advertisers find it an incredibly valuable platform. And so, the constituencies to keep this going include the companies that want to advertise and also the kids that just don't see an issue. When you tell them, "Gosh, guys, there's some issue about personal privacy or propaganda," they don't seem to care. Although, the one issue that does seem to resonate-

Frank Gaffney ([11:26](#)):

They may not, but we certainly do.

Bill Walton ([11:27](#)):

.. is it also leaves you open to blackmail because you got a pattern of use on TikTok that-

Frank Gaffney ([11:34](#)):

Bill, I have to leave it at that, I'm afraid. Thank you for your time today, my friend, and for your insights and all of this. We'll be talking more about where we go from here with Kevin in a moment. God bless you. We'll talk to you next week. Stay tuned for more right after this.