

Frank Gaffney (00:10):

We're back. We're going to continue our conversation with Bill Walton, the host of the Bill Walton podcast television program. Highly recommend it to you all. And, Bill, you were leaving us hanging on the sky. Bill, excuse me. Ray Dalio, who has gone from creating an investment firm in his bedroom decades ago to becoming a billionaire, I gather several times over perhaps. But China played a prominent role in that transformation, did it not? And what is he saying about it now?

Bill Walton (00:45):

Well, speaking of the bedroom, I think Paul Singer of Elliott also started in his bedroom. So, if you want a big hedge fund, find a spare of bedroom. But more to the point, Ray has been successful, global macro strategies, betting on currencies, global trends in the economies. And he's been traveling back and forth to China for, gosh, almost 40 years. Made dozens and dozens and dozens of trips. And he's all in on China. He's made lots of personal friendships there. And China's been very supportive of his investments in China. And he's been more than problematic for you or me because, he as a global hedge fund manager, of course, all these masters of the universe sit above me or countries. And they view this thing from Olympian Heights and saying, "Well, the China's really pretty good because they're a well-run country and United States is a little messy, so who are not so sure about that democracy."

(01:47):

I don't think Ray is quite into the anti-democracy camp, but he is a big, big fan of China. And he went to China within the last month and came back and wrote a long piece about it. And, I guess, the biggest single takeaway is that he thinks that China, based on his conversations and the United States based on his knowledge of all the people here, is on the brink of war. And he certainly thinks that if it's not going to be a hot war, we're certainly going to see an economic war in sanctions. And we're already seeing things like the Chinese beginning to batten their hatches. Where one of the things you do as an investor is that knowledge and information is the lifeblood of your business. And you don't go into something unless you know what's happening.

(02:37):

And there are all sorts of shops that set up business in China as investigative firms, not in the criminal sense, but just to find out what's going on in the country, and what the trends are, and who's doing what and who's in, and who's out. That's the thing you want to know. Well, China has been systematically having its secret police visit. The office of these companies, Deloitte, which is an accounting firm, had its offices shut down for a six-month period. And so, they're cracking down on information in China. And it's not only just those individual firms, but they were cracking down on a database that's been the holy... there's really hope that's quite the wrong term, but it's been a central place where investors have looked for information about the Chinese economy and the actors in it that's been subscribers are now been told that your count has no longer authorized.

(03:33):

And so, it's beginning to creep in all aspects of the economy. And I think many investors are beginning to think, "Well, this is not a place we ought to be." They took a poll 12 months ago and asked investors and companies looking to put factories places, and only about 6% that said they were worried about China. 12 months later, that's about 30%. And that's a big number if you're-

Frank Gaffney (04:03):

That's a very big number.

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

... in that world.

Frank Gaffney ([04:05](#)):

So, Bill, is Ray Dalio saying to people whose money he manages that in light of the fact that we may be in a shooting war here with China, that he's pulling their money out so that they will be able to have it? Or does he think he's going to be able to continue to have this financial arrangement with the Chinese if we go to a hot war with him?

Bill Walton ([04:30](#)):

He was silent on that in his memo. My guess is that Bridgewater is fairly fully invested in China and he's got his people on the ground there watching the investments, his view.

Frank Gaffney ([04:44](#)):

But my question is not whether he's fully invested, but whether-

Bill Walton ([04:47](#)):

Bridgewater.

Frank Gaffney ([04:47](#)):

... the people, his clients, are investing with him, they're fully invested, is what you're saying, I guess, and-

Bill Walton ([04:55](#)):

My guess is-

Frank Gaffney ([04:56](#)):

... continue to do so.

Bill Walton ([04:56](#)):

... she raises the view that foreign investment in China represents about 3% of... China has invested about 3% of its savings dollars in investments outside of China. And he thinks based on the size of the economy, that number should be 15%. Well, that means about 20, 30 trillion dollars that go to the investment firms managing that money. The short answer to your question, Frank, is yes, if you're an investor in Bridgewater, my guess, is you're still in China. And because, as I said, he thinks his relationships are such that he can manage his way through it. But if we get into a hot war, certainly, every single investment in China, all bets are off. And you better look at writing these things down to zero.

Frank Gaffney ([05:47](#)):

Right. And as we've talked about on any number of occasions in this program, Bill, I just can't believe that those responsible for fiduciary, their clients' money aren't putting down markers all over the place. That we've got to at least raise your awareness that the risks of these investments is increasing, if not actually encouraging you to pull them out. And again, as we've talked about, again with regularity, I have

to say the guys who are making the most money out of all of this are the Ray Dalios of the world and the Larry Finks, not so much to [inaudible 00:06:31].

Bill Walton (06:31):

I forgot to mention the most important number, Rays worth about 20 billion.

Frank Gaffney (06:35):

20 billion. Wow. Not bad for a bedroom startup. Bill, let me just ask, you mentioned that we're seeing the Chinese increasingly squeezing some of these companies doing business there, Deloitte, I think you mentioned Bain Capital is another one, apparently, that is being pressed. What is the message that's being sent to those firms about the advisability of continuing to operate in China, do you reckon?

Bill Walton (07:08):

Well, I think the not so very hidden message is, "We don't really want you here." When the secret police or the state police from China come into your offices, and if you can imagine the offices that I think Bains and Shanghai, it's a gorgeous office. It looks be very happy on Park Avenue in New York. And they come in and they've got their guns and their questions, and they start interrogating, start asking about who your clients are and what sort of information you're gathering. It has a really chilling effect. And I think that's exactly what they're trying to do.

(07:43):

Now, G's gambling that foreign companies are so dependent on China that he can get away with this. And if you look at what's happening in Germany, the head of Mercedes came out this weekend or last week and said, it's inconceivable that Mercedes would stop doing business with China. And I did a bit of research, and it turns out that almost 35%, 37% of Mercedes' sales worldwide are to China. So, it's not only menu. And as I've said before, often, Frank, China's the largest luxury goods market in the world, and you can probably find more Vuitton bags there than any place else in the planet.

Frank Gaffney (08:25):

Legitimate and counterfeit as well, of course, not [inaudible 00:08:29] about that.

Bill Walton (08:29):

He's betting that the greed factor is such and they're so all in and that Mercedes wouldn't give it up. And so, he's believing most of the companies, I think he's probably cynically correct.

Frank Gaffney (08:39):

Well, worse, Bill.

Bill Walton (08:39):

Won't pull-out.

Frank Gaffney (08:40):

I imagine what he's figuring is that they will press Washington or Berlin for that matter-

Bill Walton (08:47):

Sure.

Frank Gaffney (08:47):

... to accommodate the Chinese-

Bill Walton (08:47):

Absolutely.

Frank Gaffney (08:51):

... and back away from any conflict.

Bill Walton (08:52):

So, getting back to Ray, as he's seen, The Wall Street is his primary lobby in the United States, and he's got J.P. Morgan, and-

Frank Gaffney (08:59):

His old friends there.

Bill Walton (09:00):

BlackRock, and all our old buddy Larry Fink, he's very much engaged in China. He sees them as his principal ambassador.

Frank Gaffney (09:09):

Yeah. There was a Chinese professor who shortly after Joe Biden's election boasted one of their preeminent influence operators, Dr. D as I recall is his name, that China's old friends on Wall Street have proven reliable and would certainly under the Biden administration and bending not just the capital markets, but of course Washington to their will.

(09:38):

Bill, this is a topic to which we will return doubtless. Thank you for your update on all things financial and well more generally where we are with the great threat from the Chinese Communist Party. God bless you, my friend. Talk to you next week. Be right back with more right after this.