

Frank Gaffney (00:05):

Welcome back. Bill Walton is in the house, as he is about this time most weeks. Very grateful for his participation. He is the host and driving force behind a marvelous podcast program, which I personally am going to be appearing in the days to come. It's entitled the Bill Walton Show. We're going to be talking about our book. Did I mention it today? I think not. The Indictment, we need to talk about it at great length with Bill and you, and we're delighted to be able to do so.

(00:35):

But Bill, just on this question of the inadvisability of our putting more money in China. We've discussed this before and I just want to confirm that it's still your view that if in fact we wind up in a shooting war with the Chinese communists, that it is even more unlikely than otherwise that investors with large amounts plunk down in China. And you mentioned that these are companies that work for the Chinese Communist Party. Of course they all do, but there are some that we're seeing people invest in that are sanctioned. You're not allowed to buy their products in this country because of human rights abuses or because they work for the Chinese People's Liberation Army or both. And yet you can continue to invest in them. Those investments I think are all gone, are they not, in the event of a shooting war?

Bill Walton (01:40):

Well, as I say virtually every week, the amount of investment dollars you ought to have in China just as an individual investor is zero. But you've got to be careful about that because if you're in mutual funds that are internationally-oriented funds, the big companies have not really purged those funds of exposure to China. And so you've got to-

Frank Gaffney (02:04):

Not purged. They continue to expand the presence, it seems to me.

Bill Walton (02:08):

Well-

Frank Gaffney (02:09):

A-shares and all the rest of it.

Bill Walton (02:10):

Well, they like to, but Frank, Wall Street's putting a public face on this that we're all in on China because they've got relationships they have to maintain with all the top party officials there. And they don't want to lose-

Frank Gaffney (02:10):

Lucrative relationships.

Bill Walton (02:23):

... what that they have. But privately they're beginning to think about pulling back. I mean, even Goldman Sachs and Morgan Stanley have cut their projections about doing business in China and the fees they've gotten from China, because the equity underwriting business is virtually gone, has dried up.

And so even Goldman and Morgan are seeing China as less investible than they did a year ago. So, stay tuned. But they-

Frank Gaffney ([02:54](#)):

They better get with it right quick because-

Bill Walton ([02:56](#)):

But let me get at the US-

Frank Gaffney ([02:56](#)):

... everything could be cultural.

Bill Walton ([02:58](#)):

... investors in China. We talk about the brand name Wall Street firms, but there's also the huge venture capital industry. And when you look at how these investors act, it's follow the money. Follow the money. And what's happening is there's sanctions on some companies operating in China, Chinese companies. And investors now are viewing them more favorably rather than less because they think they've got the protection of the Chinese Communist Party. So, when you think you're going in unprotected with something that the party's likely to take out, if you invest in a company they've already taken control of, you're considered more secure. So that's how cynical the investment process works. And I think for those of us watching this, we also need to be watching the private equity industry and venture capital to see where their funds are going and why.

Frank Gaffney ([03:54](#)):

More secure in the sense that as long as the Chinese Communist Party wants to do business with you, you've got business to do. But if they don't, and look at these due diligence firms, they were all brought in there for the purpose of working with the Chinese Communist Party. Needless to say.

Bill Walton ([04:11](#)):

I mentioned the last segment that one of the due diligence firms is making 35 or \$40 million every quarter. And now that's all been shut down at zero. So, buyer beware.

Frank Gaffney ([04:21](#)):

Buyer beware indeed. Speaking of buyers, the Biden administration promised us when it began raiding the strategic petroleum reserves as part of its effort to bring down gasoline prices in the run-up to the 2022 election, that it would replenish them. Make up every bit of it. We've heard from them now for some time that they're actually doing that. And there's been a recent announcement that they're, "No, no, no. Kidding, really. They are doing that." But Bill, as I understand it, they have not bought anything up to this point. And whether they're going to buy 3 million barrels or not remains to be seen. But tell us about whether that would constitute much of a difference even if they finally get around to doing it?

Bill Walton ([05:14](#)):

Well, we've got an election rolling around Frank and the Biden administration is attempting to put lipstick on the pig. Jennifer Granholm recently announced to great fanfare that they were going to purchase-

Frank Gaffney ([05:26](#)):

She's the Secretary of Energy, of course.

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

Secretary of Energy, who doesn't believe we should be in the hydrocarbon industry at all. She announced, to great fanfare, they're going to buy 3 million barrels to replenish the reserve. Well, let's consider that in the context. And by the way, they haven't done it, but they say they're going to do it. They depleted it by 185 to 190 million barrels. So what she's suggesting is literally a drop in the bucket. And the reserve before they began drawing it down was close to, I think, probably 600 million barrels. So, we're talking about an infinitesimal amount. And the odds of them doing it much more than that, I think, are better than your chance of getting your money back from investing in China.

Frank Gaffney ([06:16](#)):

But not much.

Bill Walton ([06:17](#)):

Not much. Not much better. Yeah.

Frank Gaffney ([06:18](#)):

And the point, Bill, is that the cost to the taxpayer of purchasing oil today, again, thanks to Biden's energy policies, and frankly thanks to what we describe in The Indictment, is the energy warfare that the CCP and its friends here have engaged in, is going to be vastly higher than what they got for the sale of it a few months back. Is it not? And certainly what we paid for that oil in the first place when we were filling up the oil reserve under Trump.

Bill Walton ([06:52](#)):

Well, as much as I hate to admit it, Frank, I think they sold the oil for more than they're buying it back. And I can't believe they made a successful trade, but they did by mistake. Oil's about \$70 a barrel now, and I think when they sold it was close to 100. So, they can claim-

Frank Gaffney ([07:10](#)):

Some improvement, but certainly less. It was much less when we bought it originally. So, the value there is-

Bill Walton ([07:18](#)):

It's not going to cover our trillion dollar deficit this year.

Frank Gaffney ([07:20](#)):

That's for sure. And that is yawning before us. And the source of much discussion in Washington at the moment. Bill, we have to leave it at that. I thank you, as always, for your insight into all of these issues of economic warfare against our country and the stakes involved.

Bill Walton ([07:37](#)):

One more thing, Frank. Buy The Indictment.

Frank Gaffney ([07:37](#)):

Buy The Indictment.

Bill Walton ([07:40](#)):

It's a terrific book. It's the best. I'm telling anybody watching, it's a terrific summary of what's at stake in China and what to do about it, so-

Frank Gaffney ([07:49](#)):

Bill, thank you very much for that. I hate to cut you off, but we have to go and we'll see you next week, and we'll see the rest of you again tomorrow. Till then, go forth and multiply.