

Frank Gaffney (00:10):

Welcome back. We're visiting with Bill Walton, as we do each week about this time, for which we're very grateful. Bill is deeply engaged, as always, in tracking what is going on with respect to the Chinese Communist Party, but also what we're doing to enable it. We've been talking about Neil Shen, Bill, and I wanted to pivot to another master of the universe, Jamie Dimon of JP Morgan. He's just had a little party for 2,500 American and other international business leaders in China. He seems all in. Is he not getting the memo that there are real problems here or what?

Bill Walton (00:51):

Well, by way of background, JP Morgan, along with all the other major security firms, commercial banks, have been gaining a toehold in what they hope will be a \$60 trillion savings market, investment market in China. They've got full control of a mutual fund joint venture this year. They've got a futures unit, they've got a securities business they've added in 2021, and they also got approval to invest another 270 billion Yuan in the Chinese Merchant Bank asset management subsidiary. So they're very, very interested in China.

(01:30):

The problem is China is becoming less interested in them, and we've seen with Xi, he's cracking down on all the industries, the big tech firms, the private tutoring companies. He's shutting down due diligence firms in China, and Jamie and the other guys running these big companies are not dumb men, they understand which way the wind's blowing. They also understand that we may end up in a shooting war in Taiwan, and he was recently interviewed on Bloomberg. He now is saying things like, "Well, we're very interested in being a friend of the Chinese people." He didn't say party, but if national security interests prevail, we're American patriots and we're going to do the right thing. But as you point out, in the meantime, they're hosting a party for 2,500 of their closest friends from 37 countries over a two-day conference, hopeful they'll develop relationships and do more in China, not less. It's become very thorny for him and the other guys that have been deeply involved here, and they're going to have to make some choices pretty soon, because Xi seems intent on heating this thing up, in particular going after Taiwan.

Frank Gaffney (02:45):

Yeah. Well, and maybe us too. Bill, one of the things that is clear, is at the same time as Xi is taking these steps to make the investing environment more challenging, shall we say, the message is nonetheless being conveyed, especially through these interlocutors, these friends of China, that it's open for business, that we need to stay very much engaged with China and China with us, that we're conjoined like Siamese twins, I think is the way Elon Musk, one of the other, these titans of American business, has put it. He's deeply invested in China with Tesla and his battery plants and so on. Talk a little bit about Elon Musk and where he sits in this difficult position at the moment.

Bill Walton (03:49):

Well, as always, Elon Musk is a fascinating, and I'd say entertaining, story. While, Jamie Dimon and the other financial titans meet in China more or less quietly with professional people, Elon shows up in China as a rockstar, and he's [inaudible 00:04:07] it all over the country, went to a 16 course dinner in one of the most expensive fancy restaurants in Beijing. Social media is alive with love with him, and you're right, Tesla is deeply involved in China, both manufacturing and in selling cars in China, and it's an critical, important strategic relationship for Musk and I might add, and for China.

(04:33):

But then there's this stubborn fact that Twitter, which Elon Musk also owns, Twitter is not allowed in China. And so that's really, I think, that puts in high relief the problems we've got in dealing with China. On the one hand, we've got these commercial interest, on the other, China, as we know, has completely shut down speech and movement, and they're also clamping down on the Chinese use of their bank accounts. And Elon wanders right into that with his charm and rockstar presence, and it'll be interesting to see next year, 12 months from now, what the Chinese think of Elon, how that relationship's evolved and what they've done about Twitter. It's a story we definitely need to follow.

Frank Gaffney ([05:22](#)):

Well, we do, and in particular, Bill, because one of the things Elon is asserted in his inimitable showman manner is that the leading company in the world, by far, in terms of its use of artificial intelligence is Tesla. And to the extent that Tesla is, if not a wholly owned subsidiary of the Chinese Communist Party, approaching that status, it seems. It certainly would suggest that China is going to be gaining access to artificial intelligence at the very moment that we are increasingly hearing from people who are leaders of that sector, that this thing is a Frankenstein's monster that is now becoming more and more ominous by the day. A number of them were signing a letter saying; it may pose an existential threat akin to nuclear war. Is this really a good idea for the United States and us?

Bill Walton ([06:32](#)):

Well, Frank, China seems to be doing with Elon Musk what it's done with company after company after company over the last two decades, is that they brought Elon in, they brought Tesla in, and oh yeah, there's this little thing called artificial intelligence, which Tesla's becoming a leader in, and I'm sure they've studied and grabbed that technology, and now that's why I say stay tuned, because Tesla's now seeing competition from Chinese made electrical vehicles, and they've got a plant in Shanghai that they hope to expand, but for some reason the permitting has been slow to come. And so there's all sorts of noise on this horizon, which as I said, we need to pay a lot of attention to. Bottom line, though, I think it signals Xi's clear intention to decouple China from us and the rest of the world economy to the extent he can, so he has freedom to-

Frank Gaffney ([07:29](#)):

Go to war.

Bill Walton ([07:29](#)):

... engage in his kinetic adventures.

Frank Gaffney ([07:31](#)):

Exactly right. Bill Walton, we have to leave it at that. Thank you for this tour to resolve of some of the people that China is being helped by.

Bill Walton ([07:41](#)):

There's a lot going on, Frank.

Frank Gaffney ([07:42](#)):

There always is. We'll be back to you with more soon. We'll be back to the rest of you again next time. Until then, go forth and multiply.

