

Frank Gaffney (00:10):

Welcome back. I'm very pleased to say, as always, welcome to Bill Walton, one of our esteemed and regular contributors about this time each week. Bill, of course, is the host of the Bill Walton television podcast program, a marvelous contribution to the public policy debate. You can see it, among other places, cpac.org. He is also a man who brings a great deal of expertise from his time as a, well, master of the universe on Wall Street. He ran Allied Capital, a \$6 billion venture there, and knows a lot about what is being done to us, as well as with our money by his former colleagues. Bill, it's great to have you with us, as always. Thank you for joining us.

Bill Walton (00:55):

Frank, as always, it's a pleasure to talk with you. It's not necessarily the topics we have, which are [inaudible 00:01:03] in the moment.

Frank Gaffney (01:02):

No, that's true. Not always pleasant. Well, speaking of which Bill, I just wanted to get a quick take. We were talking with Brad Thayer in the previous segment about this Russia upset. Any thoughts from you as to what's going on there and what it might portend?

Bill Walton (01:21):

Well, the Biden administration has been assiduously working to dislodge Putin from command of the Russian world empire. And it looks like with this internal fight that may happen, we don't know. We haven't heard anything that's definitive from outside Russia or who's in charge. But it's a big problem. Because while we think it's great for him to be gone, it may not be. I mean, we do not know who would end up in control of the nuclear button. We do know that China that's had designs to work more closely with Russia forming an alliance, President Xi, China's relationship with Russia is based on Putin. That all needs to be recalibrated. And it's made a dangerous situation even more dangerous. And in a way, I hate to root for Putin, he's a bad guy. But on the other hand, the instability this may create may be worse.

Frank Gaffney (02:20):

Yeah, the devil you know, really is the operative phrase I think at the moment. And I guess the question is, who would be next? Prigozhin seems like a marked man to me, this chap who led his column, some thousand armed armored vehicles, as I understand it, towards Moscow and then was persuaded that that was not going to be a good thing to do. But if he is not the successor, then it may be somebody of his ilk. And it's hard to imagine that it could be worse than Putin given what we've seen in Ukraine. But it could be for sure. And there's a perennial question as to whose finger would be on the button of all of those nuclear weapons as well.

(03:06):

Bill, let's pivot to China. Something that you are following closely, and are very helpful with us each week describing. In particular, Bill, what we're hearing increasingly from government officials here, like, oh, Janet Yellen, the Secretary of the Treasury, as well as some of your former comrades on Wall Street is, disengagement is just not possible from China. But what we are interested in doing is "derisking". I have no idea what that means in the context of communist China, do you?

Bill Walton (03:52):

De-risking, that seems to be another term to add to our Orwellian vocabulary, derisking, decoupling, disengaging. All these terms are trying to reckon with the fact that China, it's naked global ambitions have become quite apparent, and especially with their in designs on Taiwan. And of course if they attack Taiwan, the US economy would likely collapse because of our dependence on Taiwanese semiconductors. In fact, world economy would likely collapse. So this is more than just a local tinder box we need to worry about. The administration and a lot of the other elites in the military, the industrial complex, financial companies, they're loathed to give up their commitment to China. Fortunes have been made dealing with China. The whole calculation that the US government's made in the last 15, 20 years has been to cozy up to China. And now it's clear that that is not working, didn't work, won't work. And so Yellen knows-

Frank Gaffney ([04:59](#)):

More to the point it's actually dangerous, I think, talk about risk. There's huge risk associated with it as we discussed most weeks.

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

The people are waking up to it. And these are not dumb people. There are a lot of smart people running these big organizations and they see what's happening with China now in a way they may not have before. But the lack of recognition, Blinken went over to bow down to President Xi last week, and he came away saying things like... Or he said things during it like, "China's broad economic success is also in America's interest." Well, I don't know what playbook he's operating from, but China's broad economic interest is not the same as ours. And so it's-

Frank Gaffney ([05:42](#)):

But that was the narrative for decades in terms of this engagement. We just want to make them richer and that will be good for obviously the people of China, but also for us. And I thought basically, Bill, I mean to the point of understanding risk, we've come... At least smart people have come to the conclusion that actually making them richer is just making them more dangerous, no?

Bill Walton ([06:08](#)):

Well, for US investors, I'm not allowed to give investment advice. But remember that your allocation to China should be zero. And corporations and investors in China increasingly realize if something does happen to Taiwan, they might as well write their investment to zero. So that's what they mean by derisking. But the reality is, we've got 2 or \$3 trillion invested in China, American entities do. And getting out of that is not going to happen overnight. It's not going to even happen over decades. So we're intertwined. And that was all part of Chinese strategy all along.

([06:46](#)):

I'm reading an excellent book now. Bob Lighthizer, former US trade representative has written a book called No Trade is Free. I highly recommend it for both a history of what our trade policies were, but also his clear-eyed recognition of China. And he points out that in China all the way back, there's never been a company or entity in China that's not directly or indirectly controlled by the Chinese Communist Party. So we've been wandering in thinking we're going to engage in deals with China, make money. I say we, the would be investors and people would benefit from China.

([07:23](#)):

It just hasn't happened. And as we're seeing now, Xi is eager to jettison a lot of outside investment, and being very aggressive about shutting down due diligence firms in China, and making China basically investible. And that's on purpose. And he no longer thinks that economic growth is his prime agenda item, but would instead is autonomy and controlling critical technologies that he would need for a kinetic war.

Frank Gaffney ([07:52](#)):

Right. And that's really the point. The risk, the ultimate risk that we have to be concerned with is that he is on a mission to dominate the world.

Bill Walton ([08:03](#)):

What they're doing, Frank, and I'm trying to put myself in a position of somebody that's running a big public company or multinational. And they've really got themselves in a situation where they don't think they can get out. The CEO of Raytheon explained just last week that getting out of China is just not going to happen. He said, we can derisk or de-engage, but not decouple. Now again, we're getting into this word game. But basically western manufacturers have got their supply chain so intertwined with China. And remember if you have a couple thousand parts that go into any machine that you're manufacturing, whether it's an airplane, or a computer or a television, just one or two key components can shut it down.

([08:52](#)):

We saw that during the pandemic lockdowns, where delivery basically stopped of key things because they said we couldn't get X, Y, Z semiconductor or critical part out of China. And I think every CEO probably now, their board of directors and their investors is saying to them, "What's our exposure? Can we get out?" And the realistic answer is, "With great difficulty." Even if somebody wants to do that, has got good intentions, has American interest at stake, has got a very, very, very tricky problem.

Frank Gaffney ([09:32](#)):

Yeah. Well it's of some concern, and I don't know whether the CEO of Raytheon is talking about his own company or not, but one of our major defense contractors is talking about-

Bill Walton ([09:45](#)):

Well, we've put ourselves in the position trying for-

Frank Gaffney ([09:45](#)):

... not getting out of China, that's a very worrying thing, no?

Bill Walton ([09:48](#)):

Well, our defense industry, our manufacturers depend on China for critical components. I mean, the Pentagon's got-

Frank Gaffney ([09:54](#)):

What could possibly go wrong?

Bill Walton ([09:56](#)):

Well, yeah.

Frank Gaffney ([09:58](#)):

Like everything

Bill Walton ([10:00](#)):

What they do when they procure things is, they try to buy a lifetime supply of whatever critical components there are in case the supply chain gets cut off. But even that's not enough, because you never really know what you need and how long you're going to need it for.

Frank Gaffney ([10:14](#)):

Or, what's actually in it. One of our favorite object lessons in this regard is, we have now by some estimates 400 Chinese manufactured high voltage transformers in our electric grid. And as I understand it, at least two of them have been taken apart and turns out, surprise, surprise, there are back doors that would allow the Chinese to remotely destroy them, or at least turn them off, which could have dire effects on our electricity distribution system needless to say. Bill, we have to leave it at that for the moment. I want to talk to you about Syngenta, a company that is coming to market and the US may not be able to participate in that, what that says about Chinese changes to their market and implications for decoupling. We'll talk with you about that next week though. Thank you, my friend, for all your help. God bless you. And-