

Frank Gaffney (00:00):

We are back and Bill Walton is still with us, I'm happy to say. Bill, we were talking earlier about some of the ideas that are afloat in terms of trying to, well help keep the Chinese government afloat, I think it's fair to say. Very ill-advised ideas like this science and technology agreements renewal. I wanted to turn to some other evidence of the difficulties the regime is having economically at the moment and your sense of whether we should be encouraging those problems or alleviating them.

Bill Walton (00:49):

Well, we should be alleviating problems if we're sharing technology with China. But Frank, I think investors may have been watching our show. As you know, we've been covering the hostility that Xi has shown to outside money, doing things like shutting down due diligence firms, disappearing billionaire tech entrepreneurs inside China, basically taking the entrepreneurial economy that was there and shutting it down if he can. Well investors noticed that and what's happened in the last quarter is that foreign direct investment into China from all sources have dropped to \$20 billion. Now that sounds like a big number, but that's down from \$100 billion in the same quarter a year ago. And the other thing, people are voting with their feet. They're voting with their feet to stay where they are. Foreign visitors to China numbered about 52,000 in the first quarter of this year, and that's down from pre-pandemic numbers of 3.7 million people in the quarter. So it's a dramatic change. Now, a small-

Frank Gaffney (02:02):

Which has impact on tourists dollars and all the rest of it.

Bill Walton (02:06):

...tourism. Apple used to have a hundred planes, I think I exaggerate, but only by a lot. No, they had like 250 seats reserved every day to fly their engineers into Beijing to work on joint technology initiatives and that's all been shut down. So scientists going into China, it's tourists going into China. A lot of it though is local. China's policies have not made a lot of friends with its neighbors, China suffers a dramatic shortage of water, but China also controls the headwaters for most of the rivers that provides water to Southeast Asia, most notably the Macon. And they're beginning to put dams up and try to control the flow of water to their neighbors. It's not good neighbor policy. They're noticing and people don't want to go to China.

Frank Gaffney (02:55):

When you say control, I think that's generous. I mean it's basically deprived them of water downstream from those dams that is vital to life in those countries, not just their economic wellbeing.

Bill Walton (03:08):

Absolutely. And Morgan Stanley, I find there are two aspects of this. One is Morgan Stanley taking a look at the unemployment and the catastrophic real estate over investment in China and some of the other investment problems, has downgraded China to 13 out of 28 countries and it's, "developing nation roster." Now, it's interesting that Morgan Stanley still considers China a developing nation when its economy is almost as big as the United States. But who knows what my friends on Wall Street, how they consider developing.

Frank Gaffney (03:50):

I think Morgan Stanley helped set up MSCI, a long time ago. It's now spun it off I believe. But Bill, MSCI, this index fund that's widely used and BlackRock, one of its principle enthusiasts, have now both, we were speaking about Mike Gallagher earlier in the program, been announced to be under investigation by that House Select Committee. To the extent that these outfits are continuing to try to prop up the Chinese Communist Party with our money, that seems long overdue to me. What do you make of it and what do you think they're likely to discern in the course of that investigation?

Bill Walton ([04:44](#)):

Frank, once again, this is something you and I were talking about almost a year and a half ago, and thanks to the work of Roger Robinson and you and some of the other people and-

Frank Gaffney ([04:53](#)):

Committee on the present danger of China, what I remember, yeah.

Bill Walton ([04:58](#)):

This Morgan Stanley index is a way to include Chinese companies and US investors portfolios. And most notably, the US government federal pension funds of government employees, has been invested big time in Chinese companies through this index. And we've been working to have them strip the Chinese companies out of the index. They have the means to do it. If you know your way around a spreadsheet and I do, it would take about 10 minutes to purge it of Chinese names, but they're saying it's way too difficult.

([05:37](#)):

Well, I think what Mike Gallagher's doing is exactly right, and it's not just the Morgan Stanley index, but BlackRock and the other major investment houses, don't really want to see any change because once again, BlackRock, JP Morgan, the other financial houses, still long for that big Chinese market, the trillions and trillions of dollars of investor savings in China, and they'd like to make some money managing it. So BlackRock is keeping China close and I guess they're not keeping us closer. They're still pushing us away.

Frank Gaffney ([06:13](#)):

Yeah. Well, it's our money that I wish they were pushing away rather than getting more of it, because I think its-

Bill Walton ([06:20](#)):

They're economic actors, Frank. They're economic actors.

Frank Gaffney ([06:22](#)):

Well they are, but we need a political decision made here to predict that sort of thing from happening, I think. Bill, speaking of political, you had a very important conversation on your program, the Bill Walton Show with Robert Lighthouse recently, a long time leader on trade with China, Donald Trump's trade negotiator among other things. He had some interesting comments about the Chinese and Joe Biden. Can you recall those for us?

Bill Walton ([06:56](#)):

Well, Bob is a fascinating man. He's been involved in the trade wars for over 40 years as a lawyer. He was Ronald Reagan's assistant US trade representative, and he was for all four years, Donald Trump's US trade representative, and Bob has been to China many, many times. He sat across the table from President Xi and all the top economic and trade officials in China-

Frank Gaffney ([07:19](#)):

We're almost out of time Bill, what did he say about Joe Biden, quickly?

Bill Walton ([07:22](#)):

He said, you got to be careful because China has all the records on Joe. They have the bank account locations offshore. They've got the numbers of the accounts, they've got the records of all the phone conversations-

Frank Gaffney ([07:34](#)):

They own his cuff links, I think is another way of putting it in Washington terms. Bill, we have to leave it at that, I'm afraid. Thank you for your time, my friend, as always, and for your insights on all of these issues. We value them very greatly and we'll look forward to talking with you again next week. We'll be right back with more.