

Speaker 1 ([00:04](#)):

Welcome to the Bill Walton Show featuring conversations with leaders, entrepreneurs, artists and thinkers, fresh perspectives on money, culture, politics, and human flourishing, interesting people, interesting things.

Bill Walton ([00:24](#)):

For decades, the United States has vastly underestimated the threat coming from the Chinese Communist Party. After achieving victory in the Cold War against the Soviet Union, US Political leadership, starting with the Clinton administration, has made a continuing string of strategic blunders that have brought the United States to the point where, after building China up for decades, we now face an enemy that possesses equal resources. Washington, Wall Street, American multinationals, and other pro-engagement elites have funded and supported the CCP since the 1990s. They have been behind the push to send American manufacturing and jobs to China. They've offshored the manufacture of critical pharmaceuticals to China. They facilitated the loss of American intellectual property and manufacturing, know-how to China. And now with their grotesque climate change agenda, they've made America's energy future dependent on China. As a result of these and many more mistakes, the US is in the midst of losing its dominant position in the world.

[\(01:39\)](#):

Why and how did this happen? Who is behind this madness and what can we do about it? With me are for some very interesting answers or the authors of a powerful new book, Embracing Communist China, America's Greatest Strategic Failure, James E. Fanell, a retired US Navy captain and the former director of Intelligence and Information operations for the US Pacific Fleet, and now a government fellow at the Geneva Center for Security Policy. And my returning guest and friend, Bradley A. Thayer, PhD, who's an expert in Chinese grand strategies and the history of Chinese and Western strategic thought. He's also a former visiting fellow at Magdalen College, University of Oxford. Both or founding members of the Committee on Present Danger China. So Brad, how did we get here and what are we going to do about it?

Brad Thayer ([02:36](#)):

Well, great. Well, Bill, it's great to join you today and it's our pleasure to have this discussion with you. That's what we addressed in the book, Embracing Communist China, America's Greatest Strategic Failure is how did this happen? How did China go from an underdeveloped country in 1990? About 0.6 of 1% of world gross domestic product. So not even 1% given its considerable population, to in 2019, approximately having 19% of world gross domestic products. So in 30 years it rose, as you said in the intro. And that is a remarkable fact in international politics that needs to be explained.

[\(03:20\)](#):

But it's also, it has happened rarely in international politics. Bismarck's Germany, for example, rose spectacularly and then Japan after 1868 did so as well. But moreover, the United States, as you anticipated, funded the rise of the Chinese Communist Party and kept it in power. And so that has never happened before in international politics where one state, the dominant state, the United States would fund the rise of its enemy, the Chinese Communist Party. So that's a central question of our book. And our central arguments are that it was first, Deng Xiaoping's genius.

[\(04:03\)](#):

The fact that this guy, Deng Xiaoping, the communist leader at that time, was a strategic genius who recognized that he could make Wall Street, US business, the Chamber of Commerce, his partner, and he

could work with them to essentially ensure that they're invested and they would in turn use their own influence in Washington, for example, and elsewhere to help the CCP. And then it was also, of course, US politicians and businesses that sought to shift manufacturing, US manufacturing investment, and so much other to China. So those are the big arguments of the book. Year after year, we threat deflate it, as we describe it, threat deflation being consistently, year after year, underestimating the threat from the CCP as year after year, it became stronger.

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

Well, but we base our thinking about all things international and strategic based on, I guess what, there's an essay that came out, a very famous one called The End of History. Was it Francis Fukuyama?

Brad Thayer ([05:14](#)):

Yes.

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

And it was just after the collapse of the Soviet Union. And in it, I'm reducing this to a ridiculous, simple formulation, he basically said, "Look, the Soviet Union's collapsed, liberal democracy has proved itself ascendant, we don't have anything to worry about anymore. We don't have any really big enemies. And so we can afford to take this little country China under our wing and help them and turn them into a liberal democracy just like us." Jim, what are your thoughts on that?

Jim Fanell ([05:51](#)):

Yeah, we write about The End of History from Fukuyama in our book, and it's very clear that there was a point in history around this '89 to '91 timeframe where the central threat that we had been facing from the Soviet Union had gone away so we were told, and therefore we were sitting on top of the pile, if you will, and we didn't have to worry about anything. So there's a bit of hubris, there's a bit of arrogance. There's even a bit of racism, I guess you'd say, towards the way we looked at China and didn't think they could possibly be a threat to us.

([06:26](#)):

But more importantly, I think as we say in the book, it's really the idea that we, and you mentioned this, we thought we could make the PRC become more like us, that they would see the value of the system that was created in the post-World War II era, and that they would just naturally drift towards that away from any thoughts that they had about being a communist nation. So we didn't fundamentally understand communism. We didn't understand the Chinese Communist Party's commitment to that ideology. And as such, we allow this hubris and arrogance to take hold of us. I think that's put us in a bad position.

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

Well, that may be okay for people like me who aren't really paying attention to China or grand strategy. I mean, I came out of Wall Street myself and doing private equity, but for people in the intelligence community, shouldn't we ought have known better even in the nineties, even when Clinton was-

Brad Thayer ([07:26](#)):

Well, absolutely.

Bill Walton ([07:27](#)):

This all kicked off, Clinton became President January, 1993, and that's when this really took off.

Brad Thayer ([07:33](#)):

That's right. And it gave rise to what we call the engagement school, where the idea was that by engaging with the Chinese Communist Party, we could reform it and they would in time be integrated into, if you will, the international liberal order. And in fact, what happened is they continued to rise. They took what they could from us either legally or illegally and use their increasing economic wealth to expand their influence in the United States, but expand their military, their diplomatic might to expand their reach around the world. And Jim has ample experience in that. I'm sure he'll address having been involved in the intelligence community during those years and after where he witnessed the rise of China's growing military power.

Bill Walton ([08:26](#)):

Jim, what was your role then in the Pacific region?

Jim Fanell ([08:31](#)):

Well, I had many roles. I spent most of my entire career in the Pacific. When I was a junior officer, I stood watch at the Joint Intelligence Center Pacific watching Soviet ballistic submarines. So when the wall came down, you had this factor of the so-called collapse of the Soviet Union, but our system for quite a while didn't know what to do with that. So we were constantly wondering the ballistic missile submarines and their ICBMs and their military didn't just vanish overnight, was still there. And so it was still considered by the military and the IC still to be the predominant threat.

([09:07](#)):

But then we had Desert Storm. And I think really that for me is the turning point in my recognition of how things change was that Desert Shield, Desert Storm started us off on this kind of what we talk about in the book, these minor distractions or minor wars. That they haven't been minor to any American that died and gave their life for our nation in Iraq or Afghanistan throughout those 35 years, I'm not suggesting that, we don't suggest that. But what we do suggest from a national security standpoint and a strategic concern, those events dominated and transformed the Pentagon from kind of being this forward-looking organization that was looking out 50 years towards how to defeat future threats, which is why they were designed in 1947. We lost that focus and we started having, later on Secretary of Defense Gates who said, "Hey, I don't really care about what's in the future. I have to fight today's war." And this got us distracted.

Brad Thayer ([10:08](#)):

He did indeed. I mean, as we argue in the book, it was the focus on the small war of today, the Afghanistan, the Iraq campaigns, rather than recognizing that the 800 pound gorilla in the room soon to be a 1,600 pound gorilla in the room was the people's Republic of China, the PRC. And so we had, if you will, a tunnel vision where we were focused on the event of the day while the 1,600 pound gorilla was increasingly throwing his weight around. And that was equally the US Military's got to chew gum and walk at the same time. And sadly, under some Secretaries of Defense and with Presidents up until Trump, you had a focus on again, those small wars at the cost of dealing with the fundamental issue of the 21st century, which is the competition between the United States and the People's Republic of China.

Bill Walton ([11:07](#)):

And then 9/11 happened, and the small war world was on steroids.

Brad Thayer ([11:13](#)):

Right. So we had 9/11 of course, we had wars in the Balkans. Bill, you'll remember those well with the breakup of Yugoslavia in Bosnia and Kosovo. And then 9/11 happens, of course, with the immediate attention to Afghanistan. And then Bush and Cheney obviously move against Iraq leading to a considerable military commitment there. And a focus really on Southwest Asia, the Middle East and Southwest Asia to which communist Chinese leaders at the time must be thanking their lucky stars that they had that focus.

([11:51](#)):

We were obviously intensely devoted to that while they continued to rise, and they began to expand their military footprint against the Japanese and the East China Sea, but also in the South China Sea building islands, for example, as well as taking the Spratly Islands and Scarborough Shoal, some of the Spratly Islands and Scarborough Shoal, which was essentially taking that away from the Philippines, right? Scarborough Shoal legally belongs to the Philippines, and the PRC essentially just took that from the Filipinos. So it's naked aggression that we've been witnessing from China to say nothing of the pressure against Taiwan or the crushing of democracy in Hong Kong.

Bill Walton ([12:38](#)):

So Deng, I don't know that he coined the phrase, but what I've heard is it's hide and abide or abide and hide.

Brad Thayer ([12:45](#)):

Yes.

Bill Walton ([12:46](#)):

And that's where they lay low. They build their capabilities. They don't really reveal their long-term strategic intent and take advantage of our naivete. And Deng is the architect of that. When was Deng President of China? Was that in the nineties?

Brad Thayer ([13:04](#)):

Well, he was, he died in '97.

Bill Walton ([13:06](#)):

Yeah.

Brad Thayer ([13:06](#)):

So he was essentially, after Mao died, there was a brief gang of four where you had essentially Maoist rule continued for about a year, but by '78, Deng Xiaoping was in charge of China, an individual with a very colorful background who'd been purged and come back, had more lives than a cat. But from '78 really until his death, he was in charge of China. And he indeed had that strategy, what's called the 24 character strategy or the 28 character strategy, which is hide and abide, which was the argument. The Chinese Communist parties had a period of severe vulnerability and the Americans may execute regime

change against the Chinese Communist Party. That was their fear after Tienanmen when you had the death of communism in central and Eastern Europe, and then the Soviet Union itself, Deng's great fear was the United States would use its leverage to evict the Chinese Communist Party from power.

(14:04):

So he adopted that lie-low strategy, by hiding and biding, growing while essentially not making any threatening moves, and then reaching out to American business communities, Wall Street, to turn essentially Chinese manufacturing capability over to them, he could make them partners. And that was the dawn of the engagement school really, that came-

Bill Walton (14:30):

And that was under Clinton, that was in the nineties under Clinton. And he had Bob Rubin as US Treasury Secretary-

Brad Thayer (14:35):

Lloyd Benson, Lloyd Benson. And then in particular-

Bill Walton (14:38):

I want to focus on Mr. Rubin because he'd also been head of that little company up in New York called Goldman Sachs.

Brad Thayer (14:44):

Indeed. Yeah.

Bill Walton (14:45):

And Goldman Sachs went to China with a lot of passion and greed and made a fortune in bringing US capital and I mean the story raising money for Chinese companies, I mean, all the problems we see today with American investor dollars in Chinese companies actually started with Goldman Sachs in the nineties.

(15:12):

Jim, I'm talking from my world, it just seems like there was a gold rush that went on and we gave him the green light. But the thing I want to probe a little bit though, because was there no one in the intelligence community that said, "Wait a second, guys, we know what," Is it Ding or Dong? You pronounce.

Jim Fanell (15:30):

Deng Xiaoping.

Bill Walton (15:32):

Okay, anyway, so did no one see this happening and they just weren't listened to. Actually Roxy, our guest dog on the set, did see it happening. She pressured. So Jim or Brad, either one, what was going on inside the walls of the Pentagon when we were launching this love affair with China?

Jim Fanell (15:55):

Well, I think it's fair to say that when we get to this point where Deng opens up and reforms and says, we're going to open up our economy, so guys like Rubin can rush in and make their billions, if you will, at that time, the PLA was decimated. You had kind of no growth from the Mao years, and in fact, negative growth with the Cultural Revolution. So their military had been decimated, he had destroyed rank structure. There weren't even ranks. There was no officers. There was no enlisted, they had no modernization, they had nothing. Their military was no threat at all. So from the eighties, the late eighties, up until the '95, '96 Taiwan Missile crisis, there was no real reason to have immediate threat from the Chinese. They didn't present an immediate threat.

[\(16:52\)](#):

And I would suggest that the '95, '96 missile crisis even reinforced that because when we sent our two carriers there, when Clinton sent the two carriers there, the Chinese could do nothing. So it reinforced to the establishment, to the Pentagon and to the Pentagon, and nothing to threat. There's nothing to worry here. But what again we argue in the book is this is just one way to measure an adversary is through how many ships or aircraft or ICBMs that they have, instead of truly understanding the ideological framework that they were operating under and what Deng's strategy was about, which was, I'm hiding and biding until I get strong. And they never envisioned that 30 years hence, you'd have a guy like Xi Jinping who's now completely taken the mask down and said, "Hey, I'm ready to dominate you and I can, because for the last 30 years I've been building up the military." But from that period, from '89 until '96, '97, '99, the Department of Defense and the IC basically didn't see anything. And that's a failure to see something that they should have seen that wasn't immediately present.

[\(18:00\)](#):

And one of the impacts that we had from, and it comes up in 9/11 a few years later, but it's this idea in the IC that you have to have something tangible before you can make an intelligence assessment. Remember everybody after the WMD Commission, they said, "Oh, there's this problem with we only can, we got overextended and we said there was a WMD in Iraq, and that was false. So therefore, from now on, all intelligence has to be documented," and it's a complete antithesis of what intelligence is supposed to be about, which is to take disparate pieces of information, link them together to understand what the future is going to be.

[\(18:37\)](#):

And now we have a compound problem of a decade of where we didn't consider the PRC a threat. We were diverted into the Middle East, and then nine-eleven happens, and it compounds the IC's problem because now we institute a series of rules and regulations that tell intelligence professionals, "Hey, you can't make an assessment unless you have a piece of paper that says, so-and-so's going to do something." So when I arrived at the Office of Naval Intelligence in 2006 out there in Suitland, I was a China Senior Intelligence Officer, and we had line analysts that were afraid to make assessments about the Chinese were going to get an aircraft carrier because they were told, "Hey, we don't believe that's going to happen, so therefore we're not going to write about it. Oh, you can't say that Chinese have an evil intention because you don't have a piece of documentation that says that China wants to invade Taiwan, so we're not going to go there." And we compounded that.

[\(19:28\)](#):

So that's what we've been facing these last 25 years. And it only really changed, as Brad said, when Trump came in and it became so patently obvious that China had, as I say, taken the mask down and was ready to follow on with their great rejuvenation that they talk about of the China dream.

Brad Thayer ([19:49](#)):

Well, indeed it was that by the time that Trump was President, of course it was undeniable. Bill, the tragedy of really what has happened was that with the demise, the death of the Soviet Union, we had, if you will, a Pax Americana where the United States was the dominant state, and we had the ability, we were very secure and had the ability to work with our allies to ensure stability. And that was sacrificed really by the engagement school who added rocket fuel, if you will, to China, to the growth of China so that they could expand their capabilities. And so that a period of peace we should have had perhaps for 50 years or 75 years, stable international politics has now been sacrificed with the rise of China and this very aggressive leader, Xi Jinping.

Bill Walton ([20:46](#)):

Well, yeah, he would be very aggressive. What about Putin's claim now that Russia was ready to work with us after the fall of the Soviet Union, and there seemed to me like there was a golden opportunity to bring Russia into the world community as a citizen and sort of figure out what to do with the nuclear arsenal. You of course had to do that, but otherwise it seems like we could have pushed this in an entirely different direction than where we find ourselves now.

Jim Fanell ([21:16](#)):

Yeah, I think history will judge us for that. I mean, look what we did with the Japanese and the Germans after World War II.

Bill Walton ([21:23](#)):

Right.

Jim Fanell ([21:23](#)):

We were somehow able to come to some modus vivendi to work out a new world order that allowed everybody to benefit under the principles and values of America that have benefited not just Americans, but the whole world. But we couldn't do that with Russia. And now it's clearly impossible at this point.

Bill Walton ([21:42](#)):

Yeah. So staying with the nineties, well, let me turn to something that Brad keeps reminding me when I talk about the Chinese, I tend to think of the Chinese imperial and the emperors and the old Chinese rulers and Brad constantly reassures me, remember, Bill, these people are communists. And that informs with a much more ferocious agenda than your ordinary would-be empire builder.

Brad Thayer ([22:15](#)):

Indeed, Bill, the Communist International that was created in Moscow in March of 1919, sometimes called the Third International, was responsible for the creation of the Chinese Communist Party, and they played an instrumental role in bringing it along. And so the influence of Lenin and the influence of Stalin were heavily weighed on Mao Zedong, for example, by the time he had dominated the Chinese Communist Party near the end of World War II, and thereafter, Mao Zedong saw Stalin as a role model and sought to emulate Stalin in every capacity, in every way, including in his tyranny.

([23:03](#)):

And it's a sad lamentable fact that it was Mao Zedong who killed even more people than Stalin did through his tyranny through, for example, the great famine between 1959 and 1962, which perhaps as many as 40 million or 42 million Chinese citizens died in that famine. So we need to understand the

weight of Stalin and the weight of Communist ideology on Mao Zedong, and then his influence, his weight, if you will, on Deng Xiaoping and subsequent leaders. And Xi Jinping has been quite clear, again, at the Party congresses that they have had in his statements that he sees himself as another Mao. He sees himself indeed actually as Mao's equal or perhaps even greater than Mao Zedong, which shows that he's interested in providing his imprint on communist ideology in China.

[\(24:06\)](#):

We need to understand, Bill, that communism in China is absolutely illegitimate. This was imposed by the Soviet Union at the common turn, it's never asked the Chinese people, right? Whether they consent to the rule of the tyranny of the Chinese Communist Party. It has suppressed the Chinese people and oppressed them. It has killed them. It has been nothing but a terror and a loathsome polity imposed on a great civilization.

[\(24:37\)](#):

The Chinese civilization, of course, is a great one that has done wonderful things, but with its tyranny, this Western import, for example, in China has been absolutely disastrous. And we see with Taiwan what China might have been. If the nationalists had stayed in power, you would've had essentially democracy in China today as Taiwan moved from a period of dictatorship under Chiang Kai-shek to great democracy that you have today, most recently captured by the January 13th, 2024 elections, right? You have a vibrant democracy and a vibrant economy in Taiwan, and that's what China might have been, which is why the CCP hates Taiwan, and they're determined to crush it, for an ideological reason as well as for strategic and economic reasons as well. So communism is very serious. It's very much alive and well in the CCP, and it heavily informs their decision-making.

Bill Walton [\(25:43\)](#):

I want to stay with this. I want to also talk about one of the big themes of your book, which is threat deflation. But let's stay with the Chinese Communist Party for a bit. Context, a billion, 2 billion, 3 people in China, we're not sure exactly how much, but a lot, the Chinese Communist Party has official members, what, 80 million roughly?

Brad Thayer [\(26:04\)](#):

About 96 now.

Bill Walton [\(26:06\)](#):

96 million members now. And then it's got a Politburo, and then they're like 8 or 9 people that are directly reporting to the President. And does the ideology permeate all 96 million? I mean, are they hardened communists or are there many people that say, "Look, I've got to join the Chinese Communist Party if I want to get ahead." And it's more of a practical choice than an ideological choice. And where I'm going with this is trying to figure out how vulnerable the Chinese Communist Party is if the people of China turn against it. Jim?

Jim Fanell [\(26:45\)](#):

I would say that the Party is quite large and the Party is quite ideologically aligned. So the notion, and I think your question that you've been asking about the ancient, they like to trade, and maybe we could work something and we can assuage them away from this ideology, and I think that's wrong. I think the fact is that they're dedicated to this ideology and they have people that are working it up and down the line, and it has historic problems with corruption and things of that nature, but Xi's been all over the

anti-corruption campaign, and they know that they have this internal fear that with a billion plus people, that if they don't control every aspect of life, this could get out of control. And so there's almost this vicious circle where control begets more control because they know that they must maintain it.

[\(27:36\)](#):

And so I think as Brad says, it is an illegitimate ideology. It doesn't come from Han-historic China, it comes from Europe. So that's where the vulnerability is to get to the people, to explain to them that they're being held back, they're being repressed, and that they could do a lot better for themselves if they were to be unencumbered by the Party. That's a tough sell because the Party has over the last, since Deng's opening up of the economy, really helped a lot of people improve their daily livelihood. So it's a tough, tough sell.

[\(28:09\)](#):

And the Chinese have done, the Party's done a great job of also weaving in nationalism, which is another way of helping unify people that would normally may want to challenge the Party. I think we have a high bar for us to get in and make that cleavage. But the idea of saying that the Party itself is not believing in their rhetoric, I think they're all buying into it, and it's all part of their own social and personal salvation, if you will.

Bill Walton [\(28:42\)](#):

This is Bill Walton of the Bill Walton show, and I'm here with James Fanell and Brad Thayer, Bradley Thayer, authors of a really interesting book. It's a 200 pages of chalk filled with what you need to understand about our relationship with China. It's called Embracing Communist China, and we're just talking about that very fact that it is communist China, at least the leaderships are communist. Now, one thing, as I mentioned, my background's in finance, China's become uninvestable. They seem to have a hybrid system for decades, a couple decades really beginning in the nineties up until the last five or six years where they allowed a lot of entrepreneurs to thrive. I think China at one point had 700 billionaires, more billionaires than the United States, and lots of fortunes were made. Venture capital from the US was pouring in, private equity, multinationals, didn't Merck build a big R&D center just outside Beijing? About a \$2 billion investment.

[\(29:44\)](#):

So we of the business community were rushing in and we were welcomed. Now, that's all changed. Xi's really cracked down on security. They've changed their security laws repeatedly in the last several years. So that as an investor, if you want to make an investment in a country, you tend to hire a due diligence firm to find out about the laws and the market and the people. Well, they've begun banning those due diligence firms. They've been shutting them down. So you don't know what you're getting into. And anybody responsible with capital is going to say, "Well, if I don't know what I'm getting into, I'm not going to put any money in." And now just to further that, the couple trillion dollars that it's already been invested there, I think that's toast. I think the gates are closing, and I don't know how you're going to get out of your investments in China given the new regimes of attitudes.

Brad Thayer [\(30:40\)](#):

I think they're simply going to take it and that maybe the business communities should think that that was their donation to the Chinese Communist Party because they're not getting it back. So that really shows, Bill, that it's a communist ideology. You also want to look at Hong Kong. That's a litmus test. Hong Kong's the goose that laid a golden egg in terms of just how it's-

Bill Walton ([31:03](#)):

British colony until when? In-

Brad Thayer ([31:05](#)):

1997.

Bill Walton ([31:05](#)):

1997.

Brad Thayer ([31:07](#)):

Yeah. And then you want to see, of course, Xi Jinping has crushed it, right? He got rid of essentially the two systems division. Political control, because he's a communist, right? Political control is everything. And he's willing to sacrifice economic growth and wealth for political control. And that shows, that's a very important signal. And it's not at all an accident that US businesses and others, Japanese, Western firms are finding the difficulties of investing in the CCP because now the communists don't need them as much anymore, right? They've stolen what they need to steal, and they've learned what they need to know. And so if you will, the mask has fallen and you're seeing the brutality of a communist dictator with Xi Jinping.

([32:04](#)):

And that does not offer well for obviously businesses, but for stability, for peace in international politics because he's determined to crush opposition within China, of course, to his rule, but also to seize Taiwan, to conquer Taiwan. And it also informs his threat perception of the US. Why the United States is his enemy is because the United States is the only barrier. The United States is the only force in international politics that can keep him from getting what he wants. Because he's a good communist he doesn't like obviously Western democracy and capitalism. And that also informs why he sees us as an enemy.

Bill Walton ([32:47](#)):

What about his grand strategy, the Belt and Road initiative and what they've done in the last two or three decades to gain, in effect, control over the globalist institutions like the World Health Organization and some of the development banks and all the other multinational, want of a better word, do good organizations, they've now captured those, haven't they? Isn't Tedros, Head of the World Health Organization, essentially protege of Xi?

Jim Fanell ([33:22](#)):

Yes.

Brad Thayer ([33:23](#)):

They have a plan. They have a strategy and this idea of their economy, a friend of ours named Paul Midler has written a couple of books about China's economy from his experiences in China, and he likes to remind me that China's exports are only about 20% go to the United States. So they export around the world, and as Brad said, they've stolen our technology, they've stolen our capacity to build the things that we used to build. And so the idea of they not needing us, I think is true. But on the other hand, last November, we saw Xi Jinping get a standing ovation twice from 400 of the world's or the United States' richest people. And Tim Cook and others are still investing in China. This last week or last

month, Apple opened up a brand new research and development center outside of Shanghai and a new boutique in Shanghai. So there are still plenty of people that are pouring money into China.

[\(34:23\)](#):

And oh, by the way, when Americans go to their retail shopping center and they buy something, how much of those stuff they buy and you turn it over and you look at where it's manufactured, it's still manufactured in China. And then when you ask people where their 401k money is invested, a lot of it's being invested in China. So I think the issue about decoupling or de-risking as the Europeans call it, is something that we have to address with ourselves if we're going to get off this issue, if we're going to not have this knife at our throat where the Chinese prioritize their spending with all the money they get, the Party gets, the number one priority is building up their military, which they want to use against us, whether through blackmail or through physical violence. And so we got to figure out how to stop them from doing that.

Bill Walton [\(35:15\)](#):

Well, we're taping the show in the DC area, and I think there are many, many people in the deep state here would say, "Well, just calm down guys. It's not that bad. The Chinese really are our friends, will be our friends. You're overestimating the threat." And to put an exclamation point on that, the Biden administration sent four cabinet level officials over there sort of begging to be forgiven for the mean things that Donald Trump did to them. And that's continuing. And I'm shocked to hear Apple's still putting money in there. I mean, Tim Cook should know better, but maybe he knows something, maybe the Chinese have told him something that he hasn't told his shareholders yet. Brad?

Brad Thayer [\(36:05\)](#):

Indeed. I think that what you have witnessed is that Xi Jinping is vulnerable. He's vulnerable politically because fundamentally communism is illegitimate and it just does not square with Chinese traditional polity. But he's also in economic freefall.

Bill Walton [\(36:27\)](#):

But I want to talk about the, I know he is an economic freefall, it has to be, but we'll come back. I want to stay with the threat deflation though. Jim mentioned the standing ovation that Xi got in San Francisco, and it would cost \$40,000 to get a seat at the table with him. And it was oversold.

Brad Thayer [\(36:47\)](#):

It was yes, oversubscribed.

Bill Walton [\(36:49\)](#):

It was oversubscribed, as they say. And of course, I don't know that they were celebrating him so much as they were standing up hoping they'll get that \$2 trillion they've got invested in the country back.

Brad Thayer [\(37:01\)](#):

But Bill, that's appalling that they did that.

Bill Walton [\(37:03\)](#):

No, I know that.

Brad Thayer ([37:03](#)):

At a time where he's committing genocide against the Muslim Uyghur, Cossack and Kyrgyz Muslims.

Bill Walton ([37:12](#)):

I know. But let's talk about what's happening in this country with the threat deflation. That's the biggest issue with the enemy within, we know, I think you've established, in my mind anyway, Xi's a bad guy. He would really have our lunch if we let him, and we're letting him. So why are we letting him, what is this?

Brad Thayer ([37:29](#)):

Because the engagement school still has us in an ideological headlock. That's why.

Bill Walton ([37:33](#)):

Explain that.

Brad Thayer ([37:34](#)):

The engagement school arose as a result of the foundation, if you will, that malevolent genesis between Deng Xiaoping and the Clinton administration, Wall Street, where the idea was engagement, trade with China was going to help. It was going to stabilize them, it was going to improve them, and it was going to, if you will, bring them into accord with our, maybe even make them a democracy among some of the more, I think a little bit more of some of the individuals were making that argument. That idea that you need to engage with the PRC was then spread to the military, as Jim can attest, it spread to universities, it spread to our media. So the idea, Bill, is exactly as you characterized it, right? Oh, they're not really a threat. It's not really a problem that we face when in fact they are a problem.

[\(38:37\)](#):

And what we need to do as, we argue in the book, is get back to power politics thinking in terms of the way our fathers, our grandfathers did when they fought World War II and when they fought the Cold War, which was the recognition of the necessity of US power, sustaining US power to deal with enemies of the United States, to ensure that we worried about relative power, right? To ensure that we remain stronger than the PRC and we recognize that hard power, military might or economic health is absolutely essential for giving the United States the ability to defeat our enemies, like the PRC.

Bill Walton ([39:24](#)):

Well, the hard power strategy, yes, definitely. But the question I always have is with the pronoun we, who is we? Because with elite capture and we see so many of our politicians or universities, I mean, all the major institution in this country seem to have been captured in one way or the other by the Chinese. This subtle strategy that they've had has worked. And I think you've got a blurb in your book from what Robert O'Brien, who was the National Security Advisor to President Trump saying every time they announce something against China, the White House switchboard would light up with calls from Hollywood, from Silicon Valley, from Wall Street, from everywhere, defending China. And so when we talk about a grand strategy, we got to assume that most of the elites in this country are up for that game. And I don't think we are. I mean, that's my concern. Tell me, assure me I'm wrong.

Jim Fanell ([40:26](#)):

You can't prove you're wrong. And the evidence is very clear that we have put ourselves in a position where we're behind the eight-ball. In terms of threat deflation in the military, I mean, I can just give you

a few examples. I mean, in 2008, December, the Chinese sent their first Naval Escort task force to the Gulf of Aden to patrol. When remember, the Somali pirates were disrupting commerce through the Gulf of Aden up through the Red Sea. And when those first ships went out, the established intelligence community and our think tanks all said the Chinese would have dramatic problems sustaining a force out there. They wouldn't be able to do it. They wouldn't be able to keep the ships operating. They wouldn't be able to fly helicopters. They certainly wouldn't fly helicopters at night. They wouldn't be able to do any kind of operations.

[\(41:14\)](#):

And here we sit today, 15 years later, 17 years later almost, and they've been running Naval Escort task forces every day, every day since the first one went out there, uninterrupted, operating without problems, doing NEOs, non-combat and evacuation operations, escorting thousands and thousands of their own ships. Just this last couple of weeks, they did a major naval exercise with the Russians and the Iranians. It was the second naval exercise in less than a year. The last one had been down in South Africa. I mean, there's all kinds of, we could go down a laundry list, we mentioned some of them in the book which is-

Bill Walton [\(41:55\)](#):

Jim and Brad, what's your estimate? I mean, I mentioned that they're power of equal status now. What's your estimate of their hard power? Submarines, nuclear, navy, army, whatever, their hard power versus our hard power?

Brad Thayer [\(42:15\)](#):

We are not in a position of strength in the Western Pacific. If you're going to talk about a conflict in the Persian Gulf, maybe or maybe not now. As I said, the Chinese just ran an exercise with the Russians and the Iranians in the Gulf of Amman just at the southern entrance of the Strait of Hormuz, and they were doing that for the purposes of maintaining stability in the maritime domain of that region. While we are trying to do Operation Prosperity Guardian where we can't even get a coalition together to help us defend against Houthi rebels that are shooting anti-ship ballistic missiles at our ships, for the first time in history, that's been done in conflict and that technology came from China.

[\(43:03\)](#):

But when you go back out to the Western Pacific, they have the largest navy, they have the largest air force in the Western Pacific. They have the largest strategic rocket force. In the last three years they just built 300 to 350 nuclear ICBM silos in Central and Western China that were pointed at us. And just yesterday, the commander of the Indo-Pacific command, Admiral Lung Aquilino, gave testimony before the Senate and said, "Hey, just to remind you, China will be able to invade Taiwan in 2027."

[\(43:35\)](#):

Now, I think that they had been given the orders to do that. We know both Hu Jintao and Xi had given orders to the PLA to be ready by 2020, but that's just three years away. It's actually less than three years away. And now this is the second Pacom, Indopacom Commander to say this on their way out the door, and yet it has no bearing or impact on the US. In fact, we just got some more news today that this new budget, or not today, but this last couple of weeks that we're heading the Navy back down below 290 warships. So we're continuing the decline of the US Navy that really ramped up under Obama, was arrested and started to reverse under Trump, and is now back down again under this administration. We're going to build six new ships next year and decommission 19. So we're not recognizing the threat.

Jim Fanell ([44:24](#)):

They've also demonstrated capabilities we don't have yet with hypersonic missiles, which are very worrisome because of the ability that that gives the Chinese military to hit the United States. They have, if you will, local superiority and ballistic missiles and cruise missiles around Taiwan, which is very worrisome because, Bill, what we want to do is deter war. We don't want to fight a war with China. We want to deter a war, and that deterrence requires strength and that requires overwhelming conventional and nuclear superiority, which we do not have at this time. Again, year after year, we watch their capabilities grow and year after year we did nothing while our capabilities atrophied. They have a dynamic nuclear infrastructure where they're able to make nuclear weapons. We have a nuclear infrastructure which is handicapped by many, many issues and has very limited, if you will, it's coming through a straw rather than a drainpipe, the way the PRC's nuclear infrastructure gives them tremendous capabilities.

([45:36](#)):

So under a hyper-aggressive leader like Xi Jinping, those capabilities are going to be used and that also gives, is a direct threat to the United States, to the American people. The balloon that you'll recall about a year ago floated over the United States, to the humiliation of the United States, was a very important signal. It was not just an intelligence collection device, which it certainly was, but it was a signal that China can reach out and touch Americans, right? They can reach out and hurt Americans if they so choose. An open border where we know thousands, if not tens of thousands, of very likely people's Liberation Army or MSS or Chinese PRC police individuals are coming through that open border. They are here to perhaps commit covert action activities, assassinations, destruction against American targets. So we have now a situation where a balance of power is beginning to shift against us due to our inaction. And that inaction is due to the engagement school. Again, always threat deflating the PRC.

Bill Walton ([46:50](#)):

What's the morale like in the military now, the Navy? It strikes me, it's almost like being in the border patrol in the southwest of the United States, where you've got an administration that's not dedicated to protecting America and projecting power in the world, just the opposite. It seems to me if I'm in the military now, I've got to feel like, "What are we here for? What are we doing?" Jim, what are your colleagues from the old days saying?

Jim Fanell ([47:24](#)):

Well, I can just tell you what's just reported in the news today. The USS Boxer Amphibious Ready Group is unable to get underway for deployment. This is the third time, such time in the last year that they've been failed to get underway and they were failing inspections. And it's talked about the failure in the low morale amongst the crew. Remember a couple years ago we had the USS Bonhomme Richard burn up at pier in San Diego. We had in 2017, 2 collisions of two US Navy destroyers out in the Western Pacific that killed 17 sailors. We have some serious morale problems.

([48:00](#)):

And then when you add in things like transgenderism, DEI, CRT, a new administrative burdens that we've never seen before, I was just informed here this last week that there's a new classification system for controlled, unclassified information that deals with government propriety data. But the new, this administration's instituted a new control system that has more controls than we give the classified documents. So the administrative burdens that we used to face when I was in the Navy, we had CNOs that would come in and try to lift those burdens through wholesale, we're going to lift 25% of the

administrative overhead so you can get back to war fighting, that's just being heaped upon this military today.

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

Well, we've got a few minutes left. I saved the best for last. What should we do? Well, in the first place, if we had the Biden administration for another term, God help us because this is going to continue, but let's presume that Trump wins and Trump comes in. You have an open letter to President Trump. What's in that letter? What should he do once he takes office?

Brad Thayer ([49:20](#)):

Well, the big problem is leadership. We need to have Presidential leadership that sees the PRC as a threat. And so what President Trump should do if he returns to office is advance that leadership and dynamically, as indeed he would, advance and address the problems that we face in every realm, in diplomacy, in trade, and in the economic environment. Again, onshoring, Bill, things that went offshore, COVID showed us the vulnerabilities that we have, that has to be addressed, and it still has not been addressed. Internally dealing with these individuals who've come into the border. The biological weapons laboratories that we found in the United States, at least one in California. Establish the force structure that we need to have, restore morale to the services and provide the services with the weapons that they need. Reassure our allies who are willing to stand with us, including Taiwan, right? Let's recognize Taiwan and make it an ally and increase our force posture there in conjunction with the Japanese, the Indians, the Australians, and the tremendous number of allies we have around the world, as well as, Bill, people of good will who want to help us.

([50:37](#)):

So in every realm, if you go around the horizon, there's much to be done to address the problems that we face, not only from the threat, but because a big cost of the Biden administration was opportunity cost, right? And again, there was not a return to power politics. There was a return to the engagement school under Joe Biden. You mentioned the cavalcade of cabinet officials who went to Beijing to meet with Xi Jinping or to meet with senior officials. And all of those individuals were there to say, "Hey, things are going back to normal. We're returning to engagement. We're not going to balance against you anymore. We're not going to see you as a threat, but we're going to see you as a partner and ensure that the rocket fuel continues to flow to your economy, again to save you Chinese Communist Party in your moment, another moment, of course, of great crisis."

([51:36](#)):

So leadership is actually essential, but the American people also need to recognize the threat, understand the threat, and that was one of the reasons why we wrote the book, was to address the audience of the American people, which needs to understand why the People's Republic of China is a threat and what can be done about it, as well as to recognize and steel ourselves for the struggle of the 21st century, which is between the People's Republic of China and the United States. And Jim, of course has many comments on what Trump should do specifically, but that's a good tour of the horizon of what we need to do. Jim?

Jim Fanell ([52:19](#)):

Yeah, I fundamentally agree with what everything that Brad said, and leadership is really the main element, I think for November. We need to have somebody in the White House who's going to stand up and use the bully pulpit to reshape our nation back because we say, and we wrote a letter to Trump back in the day about staying the course. Getting on this course of confronting an existential adversary,

one that is about to destroy us. We didn't make that up. That's their own words, that's their own strategy. And in terms of their own strategy and words they are on a timeline, and that's another element of this that we need to be cognizant of. The Chinese Communist Party is on a timeline to restore the nation that they see as theirs. And so they believe that they have a lot of territory that was stolen from them in the center of humiliation and more, and they've been trying to get it back, preferably like they did at Scarborough without firing a shot or building those islands in the Spratlys without having to combat anybody. That's what they'd prefer to do.

[\(53:22\)](#):

They took Hong Kong without firing a shot. They were able to seduce Xinjiang and put a million people in concentration camps, essentially without firing too many shots with other nations. But they're concerned about Taiwan. And so they have a plan, and the plan says, "If all these non-kinetic tools don't work, diplomacy, economy, economics, and information warfare, if that doesn't work, then we're ready to go to war." And we don't want that to happen because the impact of that obviously would be bad for the people of Taiwan, but it would also be dramatically bad for American people. It would alter our lives forever because it would essentially erode any trust in America around the world. We're already facing lack of trust from what happened in Afghanistan, what we see in Ukraine, what we see in Gaza right now.

Brad Thayer [\(54:10\)](#):

Israel.

Jim Fanell [\(54:12\)](#):

Israel, what we saw with, even if you go back to the Iraq war, I mean, there's all kinds of problems with us having trust internationally. And if we were to let Taiwan's go, that's a major, probably the last blow to America.

Bill Walton [\(54:25\)](#):

Yeah, the only thing is worse than having America being your enemy is having America be your friend. We've been a treacherous ally.

Brad Thayer [\(54:36\)](#):

An aphorism from the Cold War relevant today.

Bill Walton [\(54:40\)](#):

Well, this has been a sobering show, Brad and Jim, I appreciate the time. We've got to wrap it up. I think we ought to come back someday to talk about that century of humiliation because those a hundred years between the opium wars and today, I guess, 1949 when Mao took back in, they're now fighting those opium wars again with Fentanyl.

Brad Thayer [\(55:04\)](#):

Indeed.

Bill Walton [\(55:05\)](#):

And basically this is payback.

Brad Thayer ([55:10](#)):

If you open your border, anything can come through, Bill. And not good things.

Bill Walton ([55:16](#)):

Well, this has been tremendous. Jim's calling in from Switzerland and I'm happy we could have you join us from there. And Brad's right here with us and the book is Embracing Communist China, and in 160, 170 pages, you'll know really essentially what you need to know about what's at stake, what's happened with China, how we got where we are, and most importantly, what we can do about it. So anyway, guys, thanks for joining and I'll have you back. I'm now a member of the Committee for the Present Danger of China, and you're my founding partners, so I look forward to working with you on that.

Brad Thayer ([55:53](#)):

Thank you, Bill. It was our pleasure to join you.

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

We're going to keep up the fight. So anyway, thanks to you all out there for joining. As you know, you can find us in all the major podcast platforms on Substack, on Rumble, on YouTube. I don't think we've said anything in this show particularly that we get us censored on YouTube, but you don't know yet. Anyway, so thanks for joining. And if you're not already a subscriber, please subscribe. Tell your friends to subscribe. You'll hear a lot here that you won't hear anyplace else, and it's all good information you need to know. And so thanks for staying with us and we'll be back to talk with you real soon.