



China's Economic and Demographic Headwinds, Kishida's G7 Tour, and Beijing's Overseas Police Stations

China Insider #6

TRANSCRIPT

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Wilson Shirley:

Hello and welcome back to the China Insider, a podcast from the China Center at Hudson Institute.

I'm Wilson Shirley Media fellow here at Hudson, and I'm joined by Miles U, the center's director. It's Wednesday, January 18th. Today we'll go through China's GDP numbers and demographic statistics, which came out yesterday. We'll go through Japanese Prime Minister Kishida's World Tour around the G7 countries and his visits to the UK and Washington, and we'll finish up with a conversation about the CCPs overseas police stations, including in the United States. Miles, yesterday there were a few things out of China that everyone was talking about and has been waiting for a while, and those were demographic numbers and numbers about growth in 2022. So top line numbers on both of those really quickly and then I'd love to get your reaction. The first is, China is saying that its economy grew by 3% in 2022. Now 3% might seem healthy in a place like the United States, a developed country, but 3% is the lowest since 1976 for China. That's the year that Mao died, and the cultural revolution ended. The second number that everyone is talking about is something that we've been anticipating for a long time, and that is potential demographic decline in China. China is saying that the population dropped for the first time since 1961, down 850,000 people. So, what's your reaction to those numbers?

Dr. Miles Yu:

Well, numbers in China actually is directly related to politics, and China's politics is just politics of mendacity and the party ruled the country with what they call the, which literally means propaganda. Now, propaganda is not a negative term in China. It's actually a positive policy necessity because the party has no credibility when it comes to numbers. Therefore, a lot of numbers really lack veracity. So just for example, if you look at the Chinese GDP announcement yesterday, it is exactly 3%. Yeah, I mean really, really exact. So, you can basically surmise it might be somebody from above say, Hey, listen, let's just make a 3%. Now, if you look at the Chinese economy, last year the whole country was in lock down. You got tens of thousands of factories, the plants were closed, unemployment runs as high as 20%. It's actually unimaginable incredible.

We even see China has a positive growth, yet the number came out as 3%. The tragedy of all this is that there's no alternative way of really assessing China's economic growth because the monopoly of all power by the party. Now you talk about the demographic announcement yesterday it's even a bigger joke. Yeah. China says, last year in light of the national lockdown zero covid policy, there is still about the quarter million people immigrating to China last year. Really about 245 some thousand people as a result of entry into China. That is just a flat out lie. It's the arbitrariness of the Chinese statistics that really, really destroyed the nation.

Wilson Shirley:

So you're saying that these numbers for economic growth that we're seeing over the last year are about as reliable as the COVID data we've been getting and have been about as reliable as the COVID data we've been getting since 1949?

Dr. Miles Yu:

Yeah, I mean the Covid number is also a joke. I mean two weeks ago China said nationwide, despite hundreds of thousands of infection cases reported that death number was about single digit. And then because of WHO, they so embarrassed, they're constantly pushing China to come up with something more credible. So, China came up with something. All of a sudden, a week later, the number of death jumped from single digit to 60,000 nationwide. Now if you look at the 60,000 also is a political number because it is just shy of the number reported by Japan. So, China always compares itself to other country. I mean in terms of demographic. So, China's total number of population, total population was reported just little bit above India's. So, China will still say we're the number one in terms of total population politics dominates all the other economic measurements.

Wilson Shirley:

My reaction to these numbers was along the lines that you've just said, it's hard to know what to trust, what not to trust and these numbers definitely aren't trustworthy. But the fact that China is even admitting that the economic growth rate is the lowest since the cultural revolution and that they lost as many people last year as they lost during the famine in the sixties means that it has to be really, really bad.

Dr. Miles Yu:

Yes, but I think in light of what has been going on, the numbers were so incredible. So, they had no choice but to retreat a little bit. But the retreat still is a positive message from the Chinese point of view, 3% of growth is still growth and in terms of growth rate, that's pretty remarkable if it's a market economy. So, they're always spinning the message. And I think 40 years of one child policy in the first portions on the systematic level and the China's population drop last year is about

Wilson Shirley:

850,000.

Dr. Miles Yu:

Now, that is a negative growth, but it's not really that credible because people will still think about with that many deaths. It is just hard to believe it.

Wilson Shirley:

I'm glad you brought up the one child policy because I think that hangs over anything. And they officially scrapped the one child policy in 2016. It became a two child policy, then a three child policy, but the birth rate hasn't gone up very much in China, even if we can trust whatever the actual statistics are. So, I'm glad you brought that up because that does hang over the entire demographic situation in the country.

Dr. Miles Yu:

One child policy began to implement with the Draconian degree in China since the early 1980s. So, for 40 years, the demographic catastrophe was so obvious China had to really change that. But it's impossible to really go back to normalcy with the ease because if you have 40 years of

one child policy, what you have here is you have a single child of families right now who are in their most productive age, but then they have their own one child. On top of that you have four parents both from yourself and your spouse to support. Mm-hmm. So in other words, under the four decades of the one child policy, the pressure economic, financial and the psychological pressure on the young couples on the population who are still reproductive possible were enormous. So suddenly you reverse the policy. People say, you know what? Even if policy wise I'm allowed to have more than one child, but they economically, financially could no longer support that.

Wilson Shirley:

it doesn't make sense

Dr. Miles Yu:

That's why when you suddenly allow people to have more than one child, most people don't even bother. That's because China has already destroyed the very condition that people could really prosper and make their own decision.

Wilson Shirley:

It's a sad reality on the ground in China. So, moving on to how you talked about China is always comparing its economic growth to countries like Japan. It's demography to countries like India. Japan has been doing something over the last few weeks that China, the CCP is not very happy about. So, we talked about doubling defense spending as a percent of GDP to 2% acquiring Counterstrike offensive capabilities a couple weeks ago. But now Prime Minister Kishida is going on a world tour, and that's because Japan is hosting the G7 meeting in May in Hiroshima. So, he's going around to G7 partners, he's been to Britain, France, Italy. Last week he was in the United States, and on Friday met with President Joe Biden. What were the major takeaways from Prime Minister Kishida's visit to the White House?

Dr. Miles Yu:

Japan has been living in a shadow of its own catastrophe, known as World War II. So after World War II, Japan has been completely transformed from the militaristic nation to a full blown democracy. Yet because of that World War II, shadow Japan, when it comes to his own defense and natural security, he has been very passive and indolent. So it's basically confined itself voluntarily to a self-defense force and also it's a defense posture has never been global nor has ever been offensive. Right. Yeah. That's all changed in light of the China threat. So, under Prime Minister Kishida and which this trend has finally reached its full of pollution, this trend started with the Prime Minister Abe. Yeah. So, what Japan has done in the last couple weeks is just really historic and revolutionary marking the final stepping out of the shadow of World War II by Japan.

So Prime Minister Kishida, first of all wanted to make Japan not only the leader of original security but global security. That's why he started his trip to Europe in Korea, Italy and the UK and France, Japan announced that it is going to spend up to 2% of his national GDP on defense. This is remarkable. Japan has never wanted to spend more than 1% of its GDP and most importantly, the Japanese defense program announced by Prime Minister Kishida said

Japan now is going to develop preemptive and counter strike capabilities. This is remarkable. I think the time has come to view Japan not just as a regional power but also global power. And it's all because of China. Because China and its Allied North Korea constantly flying missiles over Japan,

Wilson Shirley:

Including when Nancy Pelosi visited in the fall, they shot a couple of missiles into the exclusive economic zone.

Dr. Miles Yu:

Right. So, this has created incredible alarm and stir in Japan. So Prime Minister Kishida actually is very confident that he's able to do so with such a drama dramatic change precisely because he has the solid support of Japanese people.

Wilson Shirley:

So, let's talk about the substance of this a little bit. You mentioned the 2%. If Japan does that, which it looks like they're going to do they would be the third largest military in the world. And it's not just top line numbers and it's not just rhetoric. During his visits, prime Minister Kishida has made a couple of tangible policy remarks and policy statements. When he went to the United Kingdom, he was with Rishi Sunk and they agreed on a reciprocal access agreement, which means that the UK can station forces in Japan. And then there was also an agreement that he reached while he was in the United States. The defense secretary Austin talked about, he talked about how the 12th marine regiment, which is an artillery regiment, would be re-designated as the 12th marine littoral regiment and that would make it more lethal in the area, more capable of if push comes to shove, needing to engage to counter any Chinese ships that come into the area. So, there's real substance behind it as well. I also wanted to get your thoughts on how China is reacting to this, and I saw that the foreign ministry spokes spokesperson Wong Wen Bin said that Japan is using all of this to justify an aggressive military buildup and has been falsely hyping up regional tensions. It is even seeking to bring NATO into the Asia Pacific, which gets to your point about Japan being more of a global force. So, what's your reaction to how China is perceiving this.

Dr. Miles Yu:

Describing all the other cliches by spokesperson one win being, but there was one thing that really, really is China's real concern, that is he mentioned the word nato. Yeah. So, what Prime Minister Kishida actually has done is to connect NATO with the peace and security in Asia Pacific. In his announcement about this new defense postures, prime minister Kishida specifically mentioned that 2% g p spending on defense by Japan is actually a NATO standard. Yes. And Japan, of course was invited by NATO to attend the NATO summit last July. So, it's not just one way street. There's a reciprocal reaction on both sides, NATO and Asia. I think Japan is going to play a very important role in bringing NATO to the Asia-Pacific.

Wilson Shirley:

Yeah, I think that's definitely true, especially as it's military becomes much more capable and moves beyond purely self-defense. I want to talk about something that strikes much closer to home, literally including here in my home city of New York. There was a story last week about how the FBI has searched what turns out to be a Chinese overseas police station that is based in Brooklyn here in New York, and that raised a lot of eyebrows in the United States and it turns out that China has overseas police stations all over the world, including Japan, Italy, France, Hungary, the Czech Republic about a hundred such stations around the world. So, what are these Chinese overseas police stations all about?

Dr. Miles Yu:

Well, I think if you're a Chinese leader what keeps you up at night is just one issue, that is how to control 1.4 billion Chinese people. So Chinese people really, really is the number one fear of the Chinese Communist Party. So, there are traditional methods, obviously it's to control China, spend the enormous amount of money on policing. Its people inside China. So, with this massive economic engagement by China to the rest of the world. So, you have some really huge developments in Chinese diaspora communities in the United States, in Europe and Australia, in Africa and Latin America. So, it's really natural for the Chinese government to extend its arm of repression overseas everywhere. They could not do so openly. So, they do it subversively. That is to set up the rules of phony service centers staffed by the real Chinese cops. You mentioned about the overall there's over a hundred my suspicions probably is more than that. China set up a lot of those police stations. His job is to basically control the Chinese diaspora communities. So, in New York, Los Angeles, San Francisco, Washington, DC they're all over the place. This actually is not surprising to a lot of people in China in those diaspora communities. I'm surprised it actually surprised it took this long to even show up in the mainstream media.

Wilson Shirley:

Yeah, it's amazing In New York they're in kind of a non-descript building. They're not as obvious as they are in other places in the world. I think I've seen pictures of Chinese police officers in Serbia who are wearing their uniforms out on the streets, and to your point, it's their relationship with the Chinese diaspora that sets them apart from other governments that also have police stations overseas. The N Y P D actually has officers that are all over the world doing counterterrorism work, but it's the relationship with the diaspora that sets them apart. And on that note I wondered if you could talk a little bit about how these stations and how the CCPs interactions with the diaspora flow into what has been called Operation Fox hunt. So just tell us what is Operation Fox Hunt? And you can get into a little bit of the history of it.

Dr. Miles Yu:

Okay. Operation Fox Hunt is the Chinese government sponsor program to basically, literally, coerce and kidnap what Chinese government regards as fugitives. Yeah, some of them are real criminals economic crime criminals, but a lot of them are actually dissidents and they do it again as a special operation in secret without informing the host countries like the United States and Australia and the UK, there's hundreds of people on that list. And there were more or less successful getting those guys back and then when they were successful sending these guys back, they have a public show trial to do what Chinese government is very good at, that is to have a public show trial to intimidate their masses. They also try to use a legitimate channel to

get the people from overseas back to China, for example. China actually successfully and when the presidency of the Interpol, for example, many years ago with a specific purpose, trying to get people back from the overseas to China, the high value targets they wanted and through the rate notes of the Interpol. And that effort actually didn't work out very well because obviously it is politically motivated and subsequently the guy who China sent out to be the Interpol president was lured back to China and was purged.

Wilson Shirley:

That's ironic.

Dr. Miles Yu:

This is basically the Chinese police overseas. In the Chinese diaspora. Their sole purpose is to intimidate and to keep tabs on the Chinese communities without any agreement with hosting countries. So it is a violation of actually sovereignty of all those hosting countries.

Wilson Shirley:

That's also what sets it apart in addition to the mission to monitor and to coerce the diaspora. I think you're thanks for bringing that out, that it's without the permission of the host country, which is why the FBI is searching places like this. I think that's all the time that we have for this week. Miles, thank you so much and I'll look forward to talking to you next week on another episode of the China Insider.

Dr. Miles Yu:

Great. Thank you Wilson, and we're looking forward to the next episode.

Wilson Shirley:

See ya Miles. Thanks for tuning in to this episode of the China Insider, a podcast from the China Center at Hudson Institute. We appreciate Hudson for making this podcast possible follow miles and all of the additional great work we do at hudson.org. Please remember to rate and review this podcast and we'll see you next time on the China Insider.