

State of Mankind

How much do you know?

Excerpts from

How the Specter of Communism Is Ruling Our World

(146)

If external foreign propaganda, perception-management, and united front work are the Party's forms of soft power, then its high-tech industry must become the Party's hard power. In the 1950s, the CCP's slogan was to "surpass the United Kingdom and catch up with the United States" — but it was a farce. Today, however, the same strategy has become a legitimate threat.

Since the 1980s, the CCP has implemented a series of strategic plans in science and technology, including the 863 Program (the National High-Tech R&D Program), Program 973 (National Program on Key Basic Research Projects), and Made in China 2025 (to transform China from a manufacturing country to a manufacturing power by 2025, taking the lead in big data, 5G, and the like). The strategy includes ambitious plans for artificial intelligence, in which China aims to be a world leader by 2030. The purpose is to upgrade China's status as the world factory to an advanced manufacturing giant, thereby attaining global supremacy.

It's not wrong for a nation to pursue industrial development. For a country to use state power to allocate resources to research and development in key industries is also legitimate. Why, then, is the CCP's high-tech development strategy a threat to the West?

The most fundamental reason is that China under the Chinese communist regime is not a normal country. The purpose of the regime's technological development is not so it can join the ranks of the world's other high-tech countries or compete on equal footing with them. Its purpose is to use any means to eliminate opponents and take down Western economies — especially that of the United States — and thus be one step closer to dominating the world. The CCP's development of its scientific and technological strength is for serving its communist ideology, and ultimately for having communism rule the world.

Technological innovation is the fruit of individual liberty in a capitalist society, which is in natural conflict with the totalitarian rule of communism. Researchers in mainland China are deprived of the freedom to use foreign search engines, let alone express their freedom in other ways. Thus it's indeed difficult to make real breakthroughs in scientific and technological innovation given the CCP's restrictions on thought and access to information.

To make up for this, the Party has used various underhanded means to steal Western technology and win over cutting-edge talent, and has also used unfair and extraordinary measures to undermine Western industry. The CCP has stolen technologies the West has spent decades and vast sums of money to develop. It assimilates and improves upon the stolen intellectual properties and then simply mass-produces them at little cost and dumps the products on the world, debilitating private Western enterprises and economies. Thus, the regime has been using its techniques of unrestricted warfare in its technological competition with the West.

The Trap of Trading Technology for Market Access

In recent years, China's high-speed rail network has become almost like a business card for the country's high-end manufacturing prowess, and the idea of "high-speed rail diplomacy" has developed. Chinese state media has called China's work in this area legendary, given the short developmental period of only around ten years. But to Western companies, China's high-speed rail buildup has been a nightmare of technology theft, endless traps, and what ultimately became small gains for huge losses.

Work on China's high-speed rail project began in the early 1990s. By the end of 2005, the authorities abandoned the idea

of developing the technology independently and turned to Western technology. The CCP's goal was clear from the beginning: It planned to first acquire the technology, then manufacture it, and finally sell the same technology more cheaply on the global market.

The Chinese side requires that foreign manufacturers sign a technology-transfer contract with a Chinese domestic firm before bidding on construction contracts, or else they're not allowed to enter bids. The Chinese authorities also established formal internal assessments called "technology-transfer-implementation evaluations," which focus not on how well foreign businesses teach their systems, but on how well domestic companies learn them. If domestic enterprises don't learn the technology, China doesn't pay. The authorities also required that by the last batch of orders, local companies must produce 70 percent of the orders.[40]

Because foreign companies felt China's market was an opportunity not to be missed, such terms didn't prevent them from signing on. Japan's Kawasaki Heavy Industries, France's Alstom, Germany's Siemens, and Canada's Bombardier all submitted bids. Despite the promise of market access in exchange for technology transfer, no Western company was willing to transfer its core, most-valued technology. However, the CCP continued to play games with several of the companies

in the hopes that at least one would relent and give up something of real value for the benefit of short-term interests. Sure enough, when it appeared that one company would get a chunk of the Chinese market in exchange for technology, the others began to fear being left out. Thus, several of them fell into the CCP's trap, with the result that China was able to extract key technology from the above four high-speed rail companies.

The Chinese government has invested huge sums in the project, acting regardless of cost. China's high-speed rail network subsequently entered a period of exponential development as Chinese firms built out the world's most extensive high-speed rail system by mileage. In a few years, China rapidly assimilated Western technology, which was then turned into "independent intellectual property rights." What really shocked Western companies was when China then began applying for high-speed rail patents abroad, with Chinese firms becoming fierce competitors against their former teachers on the international market. Because Chinese companies have accumulated a great deal of practical experience in this realm, and are afforded all the industrial advantages brought by large-scale production capacity and massive state financial backing, China's high-speed rail industry possesses a competitive advantage against peers. It has become a key element of the Party's One Belt, One Road project.

While foreign companies once dreamed of getting their share of the huge market for high-speed rail in China, they found instead that not only were they squeezed out of that market, but they also had created a tough international competitor. Yoshiyuki Kasai, an honorary chairman of the Central Japan Railway Company, said with distress: “The Shinkansen [Japanese bullet train] is the jewel of Japan. The technology transfer to China was a huge mistake.”[41]

The CCP itself acknowledges that China’s success in high-speed rail was achieved by standing on the shoulders of giants. Indeed, its purpose from the beginning was to slay all other giants. The CCP has an explicit dual purpose: Its short-term goal is to use economic achievements to prove the legitimacy of its regime and to make economic and technological progress to maintain and excite nationalist sentiment and propaganda. But its long-term purpose is to prove that its communist system is superior to the capitalist system, so it unscrupulously steals technology and turns the power of the entire country to competing with capitalist free enterprise.

China’s tactics of promising market access in exchange for technology, coercing tech transfers, absorbing and improving foreign technology, having its own firms practice in the domestic market before advancing to the world, and dumping products

globally to undercut competitors, have led Western companies to suffer immensely. Now some are beginning to reflect. Others, however, are drawn like a moth to a flame and are still willing to do business with the CCP for their immediate benefits. The CCP's ambitions to acquire Western technology have never abated, and the Made in China 2025 program is the embodiment of this ambition.

In 2015, the Chinese government proposed the ten-year Made in China 2025 project, envisioning that by 2025, China would have transformed from a big manufacturing country to a manufacturing power, and that by 2035, the country's manufacturing industry would surpass that of industrially advanced countries like Germany and Japan. By 2049, the CCP hopes it will lead innovation in key manufacturing sectors as global leaders in key technologies and industries. Using lofty words, the CCP regime has raised the status of its manufacturing sector to "the foundation of the nation" and "the instrument for rejuvenating the country."

From Chapter Eighteen

The Chinese Communist Party's Global Ambitions