



# The Weaponized Economy of The People's Republic of China

Lost in this week's media furor over the separation of immigrant children from their criminal parents was a bombshell report released by the White House Office of Trade and Manufacturing Policy (OTMP). [The report](#), released on June 19, details how the People's Republic of China is using several unfair trade tactics in an attempt to dominate the world economically.



On many occasions during the 2016 presidential campaign, then-candidate Donald Trump called the Chinese government out for "ripping us off" and for being an "economic enemy." This week's report, entitled *How China's Economic Aggression Threatens the Technologies and Intellectual Properties of the United States and the World*, shows that candidate Trump was right. The report comes out amid news stories that the president is [starting a trade war](#) with China. But that "war" has already been going on for some time, according to the OTMP report.

China's trade aggression comes in many forms. Among them are high tariffs, predatory "debt traps" against developing countries, preferential loans, and unenforced safety standards for industries. The June 19 OTMP report centers on two other forms of economic aggression:

- 1) China looks to acquire Key Technologies and Intellectual Properties from other countries, including the United States.
- 2) China looks to capture the emerging High-Technology Industries that will drive future economic growth and Many Advancements in the Defense Industry.

The implications of these forms of economic aggression are particularly frightening. From the report: "Chinese industrial policy seeks to 'introduce, digest, absorb and re-innovate' technologies and intellectual property (IP) from around the world."

While there are several ways that the Chinese acquire these technologies and intellectual properties, chief among them is outright theft. The OTMP report quotes the U.S.-China Economic and Security Review Commission: "China appears to be conducting a campaign of commercial espionage against U.S. companies involving ... human infiltration to systematically penetrate the information systems of U.S. companies to steal their intellectual property, devalue them and acquire them at dramatically reduced prices."



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So Chinese state actors are infiltrating U.S. companies with the express purpose of physically pilfering company secrets. Law-enforcement efforts in these cases cannot keep up with a state-sponsored burglary operation. Even when companies discover these thefts, they are reluctant to report them for fear of adverse consequences. When companies do report the thefts, the Chinese government is rarely willing to cooperate with any investigations.

China's Ministry of State Security, the Chinese version of the CIA, reportedly has 40,000 or more operatives abroad who are capable of making such thefts.

Possibly even more frightening in today's computer age is China's willingness and ability to engage in cyber attacks against U.S. industries. From the report: "China engages in wide-spread cyber-economic campaigns involving cyber-enabled espionage to infiltrate foreign companies for the purpose of stealing intellectual property, trade secrets, business properties and technologies."

Such cyber-larceny is difficult to track, but low-end estimates say that trade-secret theft costs U.S. businesses between 180 and 540 billion dollars each year. In 2012, Verizon, working in concert with 19 industries or government operations, analyzed 47,000 security incidents and confirmed at least 621 data disclosures and 44 million compromised records. Ninety-six percent of those cases could be attributed to "threat actors in China."

The Chinese government also engages in counterfeiting and piracy and reverse engineering of technology. The communist government also willingly evades U.S. export-control laws by using shell companies, offshore accounts, and false documents.

When the Chinese are not outright stealing from other countries and private companies, they are engaging in regulatory tomfoolery, foreign ownership and patent restrictions, and government-sponsored extortion in the form of unfair licensing requirements, burdensome tariffs on raw materials, and government "security reviews" that give the Chinese government access to source codes, encryption algorithms, and other sensitive intellectual property.

The Company Law of the People's Republic of China allows the government to form Communist Party Committees in companies that are not state-owned, whether they are Chinese companies or not. So, a U.S. company operating in China — whether it be McDonald's, Apple, or Wal-Mart — will likely have a Communist Party Committee advising it on company governance.

The Antimonopoly Law of the People's Republic of China forces American companies into concessions such as reduced pricing and below-market royalty rates by threatening to fine a company up to 10 percent of their profits for any non-compliance with the law, perceived or otherwise.

The Chinese are using "non-traditional information collectors" such as university students and other Chinese nationals who come to the United States for education or jobs, particularly in information and technology industries. In a February 2018 U.S. Senate Intelligence Committee hearing, FBI Director Christopher Wray reported that these non-traditional collectors of information "are exploiting the very open research and development environment that we have, which we all revere. But they're taking advantage of it, so one of the things we're trying to do is view the China threat as not just the whole-of-government threat, but a whole-of-society threat on their end, and I think it's going to take a whole-of-society response by us."

The OTMP report outlines literally dozens of ways in which China is either stealing or extorting information from private companies and U.S. universities. So, the breathless media headlines claiming that President Trump is starting an unwinnable trade war with China are completely wrong. As



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mentioned above, the war has been going on for some time already. The president, and by extension America, are only now beginning to fight back.

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