



What is going on with China? V2 Update

**NOT ALL IS AS IT SEEMS TO BE. MAJOR FORCES ARE
SHAKING THE FOUNDATION OF THE PEOPLES REPUBLIC.**

Key Takeaways

- ▶ China's rise is reversing.
 - ▶ China's economy is failing and the general public is undergoing significant financial hardship.
 - ▶ The "streets" faith in and fear of the central government are diminishing.
- ▶ The China Hangover is here.
 - ▶ The failure of Chinese investments to reach the streets is leading to widespread dissatisfaction.
 - ▶ Countries which have benefited from the Belt and Road initiative are pushing back against China's heavy-handed actions.
 - ▶ The local citizens in these countries are rejecting Chinese currency and making Chinese visitors unwelcome.
- ▶ Conflict with China is coming.
 - ▶ We are already engaged in a low level Economic cold war.
 - ▶ A military "hot" war could occur in the next 5 to 10 years as the CCP tries to relieve economic pressures through distraction.

An Economy in Tatters - 1

- ▶ Retail sales growth has slowed as many businesses (320K SMB) have closed their doors and commercial real estate stands unoccupied.
- ▶ Heavily government subsidized investments in EV technology continues despite sluggish growth.
- ▶ China is predicting 5% GDP YOY growth, but there is nothing indicating that it will materialize other than Chinese governmental policy and claims.
- ▶ Key market indicators like Consumption spending and fixed asset investment are weak.
- ▶ Unemployment is rising with college graduates and workers pushed into the streets because they cannot afford shelter and food.
- ▶ Businesses have been destroyed by a worker's revolt due to unpaid wages.



An Economy in Tatters - 2

- ▶ Reports of mass looting of food at private events by attendees and strangers barging in.
- ▶ China's Social Security has collapsed and citizens are turning to street theft of food, items and money.
- ▶ Food spoiled by recent flooding and thrown out has been looted from the trash heaps along city streets.
- ▶ Corn and rice harvests have been attacked and plundered across China by civilians.



An Economy in Tatters - 3

- ▶ International travel has decreased significantly with over 30 international airlines discontinuing individual routes to China if not all flights altogether. Airports are empty and retail spaces are unoccupied.
- ▶ Concerns about international business risks include:
 - ▶ Personal safety – increased security risks and anti-espionage laws threaten foreign business travelers.
 - ▶ Fear of “hostage diplomacy”
 - ▶ Inability to assure due diligence thru a lack of transparency on financial performance.
 - ▶ Fear of arrest, charges and imprisonment when financial performance does not meet Chinese government expectations.



China's Economy is in Free-fall which Threatens CCP Rule.

- ▶ Multiple forces are pushing China's economic decline.
 - ▶ Shrinking Demographics
 - ▶ Collapsing Real Estate Values.
 - ▶ A Youth Rebellion
 - ▶ Soaring Debt
 - ▶ A Tech Blockade
- ▶ Any of these is a cause for concern individually but they inter-relate to each other for a perfect storm.

A Demographic Timebomb

- ▶ China's 1980's one child policy was a disaster.
- ▶ China's published population is falling fast due to:
 - ▶ Governmental lies
 - ▶ Health issues – COVID and a mysterious disease striking China.
 - ▶ It is predicted that China will lose 200 million working age adults by 2050. This is a significant loss for many reasons.
 - ▶ It is sliding to a disastrous 4-2-1 social model where one working adult finances the social safety net for two parents and four grandparents.
 - ▶ Rural deaths have exceeded births for several years.



Collapsing Real Estate Values -1

- ▶ A true picture of the economic collapse is difficult because the government is hiding the damage and reporting is unreliable.
- ▶ Chinese investment is falling back to pre-1998 levels.
- ▶ Chinese real estate, long anticipated to be a safe harbor for individual citizen savings and wealth, has experienced significant loss of value and there is no end in sight.
 - ▶ Official government estimates are a 2% loss in value.
 - ▶ But major city loss in real estate values are estimated at 20% and small city/ country-side loss in value are estimates are 30-60%.
- ▶ Much of China's growth for the past 20 years was real estate construction in the country-side. These investment lie fallow with no realistic expectation that they will ever be occupied.



Collapsing Real Estate Values -1

- ▶ A large portion China's prosperity and economic rise was tied to real estate construction and investment a ponzi scheme tied to economic needs but rather investment for investment's sake. An estimated 65 to 90 million apartments are occupied, yet construction continues.
- ▶ Real estate construction accounts for 52 trillion in economic capital -35% of China's GDP. This is 2x of the value of the US stock, bond and real estate markets combined.
- ▶ New real estate property sales financed developer debt as real estate values fell. Promised new apartments frequently took 2 or more years to build and were largely unoccupied or poorly constructed.
- ▶ Real estate investment was the lunchpin of the average citizens investment with 70% of their wealth tied to real estate. – 2 1/3 times the US average of 30%. So the collapse in real estate values is more devastating to the man on the street.



A Youth Rebellion

- ▶ Their wealth drained, employment prospects gone and fearful of their future, young Chinese are not spending – they are dropping out of the general economy.
- ▶ Housing costs are over 40x their gross annual salary – compared to 3X in the US.
- ▶ Diminished monthly incomes, if any at all are crushing them leaving them struggling to meet social obligation contributions - leaving little for consumption spending.
- ▶ Restaurants and retail are dying reducing consumer choice, shutting down jobs and driving down real estate values.
- ▶ Financial instability and lack of confidence has driven a majority of Chinese youth to forgo marriage and having children despite CCP financial incentives.



Unsustainable Debt.

- ▶ Chinese real estate developers had \$ 0 profit margins in 2024 and an estimated debt of \$ 9 to \$13 trillion – 1/3 of the US national debt in just 20 years.
- ▶ The drying up of international investment and diminished value of their current /projected real estate holdings is cutting them off from funds for future investment and construction.



A Technology Vacuum

- ▶ China consumes 40% of the world's microchips, and it is estimated that it will consume 70% in the next two years but it creates none of the more advanced chips. It needs an alternative source. Hence:
 - ▶ China casts its eyes on Taiwan, the world's largest manufacturer of advanced microchip technology. (This is why Taiwan's and North Korea's investment in US manufacturing is so important to the US.)
 - ▶ China's processing of rare earth materials used in newer technologies (an ecological disaster) is important to the US and others which it is currently leveraging. This is why Trump has set about to create key material mining and processing agreements with other nations such as Australia, Greenland and several African nations.
 - ▶ It seeks to steal technology from others through corporate espionage to fill the gap. (The US has agreed to sell lower level advanced chip technology from NIVIDIA to China as part of a recent trade deal.

A Citizen Revolt

- ▶ Chinese citizens throughout the countryside have assaulted and killed local CCP government officials and police while also destroying government property.
- ▶ Protestors march in city streets protesting failed government housing and policies which have robbed them of their savings and leave them destitute and on the streets.
- ▶ Chinese police and CCP troops have been called to quell protest and arrest participants. Many have been killed by mobs and facilities burned.
- ▶ Internet access continues to be monitored and curtailed to deny citizen access to information incompatible with government decrees.
- ▶ Chinese citizens are protesting with their feet, escaping China for political and economic freedom. In response, the CCP holds individual passports so it is trying to restrict the escape of its citizens to other countries.

Major Political Infighting - 1

- ▶ Xi Jinping has consolidated his power and facilitated an extensive purge of high ranking CMC officers, charging them with threatening party unity and imprisoning them. In all – over nine of China's top command have been purged. His crackdown on the military may well exceed that of Stalin and Mao.
- ▶ Jan 18th – Xi Jinping's two major rivals who were once trusted allies, Vice Chief Zhang Youxia and Liu Zhenli have been purged. Apparently they initiated a move to arrest and kidnap Xi Jinping. However, the plot was revealed 2 hours before the scheduled action, a gunfight ensued, 9 of Xi Jin Pings Security Forces killed but Youxia and Zhenli were captured and arrested. This purge has decimated the PLA top leadership and strengthened Xi JiPing's power.
- ▶ However, a rumor has spread that both Zhang Youxia and Liu Zhenli have escaped and are leading PLA resistance against Xi Jinping. Xi Jinping is rumored to have retreated to a secure bunker 200M below ground and instituted martial law while the PLA has penetrated deep into the environs of Beijing.
- ▶ This is NOT good news for China or the rest of the world. All military deployments are cancelled and the military has been ordered to Xi JiPing's loyalist entourage has shrunk and some loyal CCP members have been elevated in leadership ranks.

Major Political Infighting - 2

- ▶ As a result of the purge, 5 of the top 6 officers of the Chinese Central Committee have been purged in the past four months. This may signal that Xi Jinping was purging military leadership resisitive to his efforts to invade Taiwan.
- ▶ A video was recently released in which a Chinese soldier says “ I came to Southern China to go to war and now my dream will soon come true.” This does not pose good news for Taiwan. Is China readying efforts to Invade Taiwan while the US is focused on Iran and the Middle East.
- ▶ All military deployments are cancelled, ammution and cell phones confiscated, soldiers ordered to indoctrination classes and streets closed.
- ▶ It is rumored that over 17 high ranking officers, 160 generals and some 2,000 PLA officers have been purged and arrested by Security forces loyal to XJP ad replaced by “yes” men.
- ▶ These are all signs that the CMC is dissolving into a dictatorship, breaking from 2 nd generation Chinese leadership families.

Major Political Infighting – Open Letter

- ▶ There are reports and internet videos of PLA convoys into the central city of Beijing, troops rushing doubletime through subway stations to embark on trains and staged tanks and armored vehicles in city neighborhoods.
- ▶ A CIA video was released this weekend providing instructions on how to transmit classified Chinese government and military information along with chaos reports.
- ▶ An open letter has called on the remaining CPLA officers, soldiers and the public to rise up against Xi Jinping – charging him with tyrannical actions, economic destruction, personal corruption, using anti-corruption charges to crush dissent, plundering private wealth through his “common prosperity” policies and isolation from the world at large.
- ▶ It is a Life of Death Warning, calling on them to be protectors of the nation instead of tools of a dictator. This is NOT a letter of protest, it is a call to action!
- ▶ There are reports of armed confrontation between Xi’s Security Forces and the PLA.

What Are Our Risks?

- ▶ Like any society, China needs access the key resources: Land for agriculture, water for drinking, agriculture and industry and raw materials for manufacturing and energy. However, its environmental policies are poisoning the water, land and air. This makes its need for external resources more critical and will accelerate its aggressive behavior.
- ▶ China has been aggressively investing much of its GDP in building new military assets including its pursuit of a blue water (Ocean) navy, mass producing advanced aircraft (often based on stolen US blueprints and advanced missile systems (using technology purchased from the US following approval from the Clinton Administration) and supersonic missiles copied from the Russians. This EDP expenditure far eclipses ours in 6% of GDP. This is what dictatorships do to the detriment of their citizens. You do not invest like this unless you plan to use it.
- ▶ Our economic de-cuppling from China is severely weakening its economy which is creating civil unrest. This threat to the CCP could very well force it to lash out and both internally and externally. It is already seeking to establish strong trading partnerships with Canada and other which western economies which is foolish on their part because they are selling China the rope with which it will hang them.

What Are Our Risks?

- ▶ Cutting China off from oil is a dangerous game. The loss of oil affects its military denying it fuel for ships, tanks, trucks and aircraft.
 - ▶ Just like Japan in 1941, it may be forced into a corner where it must strike unexpectedly and swiftly.
 - ▶ It's push to dominate the South China Sea beyond internationally recognized territorial jurisdiction is a preliminary move. It provides China with a buffer zone along its western and southern edge while also enabling it to control shipping through a vital sea lane. This also enables them to control valuable fishing lands.
 - ▶ It's Belt and Road has enabled China to gain global influence and prepare to accommodate its blue water navy.. It is colonialization disguised as altruism. But, not just roads and infrastructure, it is also building up access to international port facilities and giving China control of their management.

What Must We Do?

- ▶ We have to prepare economically - locking in access to raw materials, investing in secure sources of manufacturing and investing in military assets, people, materials and technology to protect ourselves from an increasingly aggressive China.
- ▶ We have to prepare militarily – watching China while dealing with Iran.
 - ▶ Our military stockpiles of ammunition, advanced drones, missiles and the like have been drawn down to support Ukraine's defenses.
 - ▶ We must aggressively ramp up manufacturing of our own stockpile.
- ▶ We have to continue to push our traditional allies to recognize the risk of an aggressive China and invest in their own defense before defending them becomes too costly for us to invest in.
- ▶ We must do this while wrestling with globalization pressures from within our country and externally. Trump's efforts to do so, while rough and polarizing to our allies, is necessary to help them wake up and save themselves.

Why have we intervened in Venezuela?

- ▶ We have a vital interest in reinforcing the Monroe Doctrine. The greater reach of military technology reduces our ability to rapidly detect and respond to military threats now and in the future.
- ▶ It is an international exporter of drugs – fentanyl and cocaine – through armed international cartels. Both are threats to our national health while fentanyl distribution provides China with funds.
- ▶ It is an international exporter of oil to China and North Korea through “ghost” tankers, providing energy resources that prop up governments that are threats to our interests and future.
- ▶ It props up the Cuban government.
- ▶ It has been reported that it has deep connections to international voter fraud through its ownership of Dominion voting technology and software. This is disruptive to international peace and frankly, Donald Trump, himself, due to its reported interference in the 2020 election.

Why do we care about Iran?

- ▶ Iran is a disrupter of international peace and commerce. We need regime change to create a more peaceful, functioning member of the international marketplace:
 - ▶ It has been a self-identified enemy of the US since 1979 and is responsible for the death of US military servicepeople and civilians.
 - ▶ It is a threat to international peace and our ally, Israel.
 - ▶ It is the key source of funding and support for international terrorism through its proxies – Hamas in Gaza and Hezbollah in Lebanon.
 - ▶ It provides Russia with drone and missile technology in exchange for Russian air-defense systems and cash. These weapons backfill Russia's diminishing stockpile being consumed in its invasion of Ukraine.
 - ▶ It provides oil to China through international "ghost" ships which fuel its China's economy and military aspirations.
 - ▶ It is believed to be a source of funding, manpower and organization for future clandestine terror attacks in the United States.

What is at play and what are our risks?

- ▶ We must support an organic regime change (no US troops on the ground, arms for the resistance). If we fail to act in support of the Iranian people's revolt, the regime will continue to murder its citizens and increase its pressure on them. The opportunity for organic regime change will pass and the Iranian people will know that we cannot be trusted.
 - ▶ Facilitating the revolt and supporting a benevolent regime will turn a enemy into a ally in the middle east, reducing the threat to international peace and our ally, Israel.
 - ▶ It will dry up the majority source of funding and support for international terrorism through its proxies – Hamas in Gaza and Hezbollah in Lebanon.
 - ▶ It will cripple Russia's military capability in Ukraine and diminish its ability to threaten its other neighbors. It provides oil to China through international "ghost" ships which fuel its China's economy and military aspirations.
 - ▶ It will reduce funding, manpower and organization for future clandestine terror attacks in the United States.

What are our risks?

- ▶ Failure to succeed in organic regime change will enable the regime will continue to murder its citizens and increase its pressure on them. The opportunity for organic regime change will pass and the Iranian people will know that we cannot be trusted.
 - ▶ The Islamic Iranian regime In its death throws will continue to deploy foreign fighters from Hamas, Hezbollah and others to massacre Iranian citizens and hold on power.
 - ▶ It will quite possibly activate foreign cells in the US and West to attack infrastructure and soft targets (public places, churches, shopping, theatres) as part of a war of terror. These attacks will threaten lives, property, our economy and our ability to wage war.
 - ▶ It will quite possibly attack Israel with mass missiles and drone attacks in a genocidal war.
 - ▶ It may even attack its Islamic Sunni rivals Saudi Arabia directly or through proxies to destabilize the monarchy and its government.

Recommended YouTube Resources

- ▶ **Iran**
 - ▶ **Tousi TV**
 - ▶ **Business Basics**
 - ▶ **PPR Global**
- ▶ **China**
 - ▶ **China Update**
 - ▶ **Lei's Real Talk**
 - ▶ **Decoding China**
 - ▶ **China Insider**
 - ▶ **China Uncensored**
 - ▶ **China Today**
- ▶ **Russia**
 - ▶ **NIT International**
 - ▶ **Instant Economics**

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