June 29, 2007

The Washington Times

Editorial

The Red Chinese Threat

Hats off to Frank Gaffney for his excellent and incisive analysis of how Communist China operates to exploit the current administration's ruinous trade policies ("China's double standard," Commentary, Tuesday).

Now we learn that in addition to supplying weapons and ammunition to Taliban fighters and Iraqi insurgents with which to kill American soldiers ("China arming terrorists," Inside the Ring, June 15), China is garnering a share of post-liberation Iraq's oil. In mid-2003, our firm prepared a briefing circular that warned of the dangerous consequences to U.S. national security of leaving Iraq's Saddam Hussein-era sovereign debt owed to the Communist Chinese government outstanding. A copy of our brief was provided to both Karl Rove and Condoleezza Rice, who then was the president's national security adviser, and in it we predicted the eventuality of China's gaining access to Iraq's national petroleum reserves through a negotiated debt-cancellation scheme. The administration took no action, with the result that Communist China enjoys enhanced energy security at the cost of the lives of many hundreds of U.S. servicemen and women who fought to liberate Iraq.

Even the most casual observer has to wonder whether it is the permissive stance of this administration toward China's refusal to honor repayment of its defaulted sovereign obligations held by Americans that directly encourages the Chinese government to write its own rules of international conduct. According to the president of the U.S. Foreign Bondholders Protective Council, in more than 40 settlements involving defaulted national debt, the Communist Chinese government is the only nation that steadfastly has refused to negotiate the settlement of its defaulted sovereign debt held by Americans.

We consider the present situation to be nothing short of outrageous. The president, proudly bestowing upon himself the title of "war president," supports trade policies with China that actively undermine the national security interests of the United States and our armed forces. The existing policies only serve the interests of the Chinese government, certain multinational corporations and a select few Wall Street institutions. In this regard, we should not fail to note that under the administration's prevailing trade policies, America's chief export to China consists of U.S. jobs, which are disappearing at an estimated rate of 2,250 per day.

It also is revealing to note the shift in policy recently announced by Treasury Secretary Henry M. Paulson Jr., who stated that the emphasis is shifting away from China's currency manipulation, which constitutes the most proximate cause for the dislocation of U.S. jobs and entire industries, and toward the lessening of restrictions on outbound investment from mainland China. This policy shift may be expected to further the erosion of the U.S. employment base while assisting certain Chinese actors in recycling profits earned from the U.S.-China trade imbalance into U.S. assets. The recent acquisition of 9.9 percent of the U.S. buyout fund Blackstone is just the precursor of the change in ownership of U.S. assets for which the stage is being set hastily.

We join with Mr. Gaffney in urging readers to actively express their support to Congress in favor of H. Con. Res. 160 and similar legislation in an attempt to reform the prevailing policy of coddling Communist China while selling out America.

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