

Go-Go Years No Longer, We Are Entering New Territories in Xi's China

Written Testimony
of

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Thank you, Chairman Gallagher, Ranking Member Krishnamoorthi and distinguished members of the Select Committee, for the opportunity to appear before you today.

I would like to recount three personal stories that illustrate the essence of doing business in China. In the summers of 1990, while I was a college student at University of Wisconsin, I worked as an intern for my father. He was the first employee of Tyson Foods in the Greater China region. His mandate was to sell American chicken products into China. His business took a hit that summer. It was not because that Tyson chickens became too expensive for Chinese consumers, or the products had any problems. It was because that the US/China diplomatic relations were running into difficulties. The Chinese customs authority, all of a sudden, found issues with Tyson's customs duty and the quarantine authority would not issue the product certificate. My father told me, with resignation, that whenever the US/China relationship had a rough patch, American chickens would not be good chicken for Chinese customers. The Chinese Communist Party (CCP) sees American businesses as hostages to be used for its own purpose. That was my first lesson of China business: rules of the game are whatever the Party says what they are at that moment.

My second story: In 1997, working for an American private equity firm, I invested in AsiaInfo. AsiaInfo was laying telecom cable network to help build China's internet. It was subsequently the first NASDAQ listed China technology company. That was when I first heard of Huawei. Huawei started its meteoric rise because state-owned telecom companies were ordered by the Chinese government to buy from local manufacturers, in exclusion of international telecom equipment providers, despite cost and technology deficiencies. During that period, I also remember to have visited the office of AT&T in Beijing. AT&T was planning to get into the telecom services market in China, as that was promised by the Chinese government in its WTO agreement. After 20-plus years, there's no foreign telecom company operating in China because the promise to open the Chinese domestic market the CCP made was never fulfilled. My lesson: in China, there's no such thing as a level playing field. You either prosper when favoured by the State or you perish when you are not.

Armed with wisdoms from these lessons, and together with my then wife Whitney Duan, we managed to become business partners of now ex-Premier Wen Jiabao's family. This is my third and last story, a personally very sad and bleak one.

In September 2017, Whitney was disappeared by the CCP State without a trace. For four years, no one heard from her, not her parents, not I, not our son. Her phone number was deactivated. Whitney's mother, until her death in June 2021, had made a habit of calling her daughter every day, refusing to give up hope that one day Whitney might answer. But her wish was never granted. She passed away not knowing whether her daughter was alive or dead. Whitney was never charged with any crimes and no reason was ever given for her disappearance. As a matter of fact, the CCP State never acknowledged that it had taken her. I assumed that her disappearance was because of the shifting political landscape with the rise of Xi Jinping. She only re-appeared on the eve of the publication of my memoir, *Red Roulette*. She called me, from the same phone number that had been deactivated for four years, to ask me to cancel the release of *Red Roulette*. Moral of the story: Political power trumps everything else in China. There is no rule of law. Instead, it is rule by law. The CCP is above the law in China, and Xi Jinping is the modern-day emperor on top of the CCP and the State. That is the truth of China.

Lately I get asked quite frequently by businesspeople in the West whether China is still a country one should consider investing. This topic happens to be a popular one within the Chinese business community as well. I would suggest that China is no longer a place for long-term investment. The go-go years of hyper growth are gone. But with a population north of a billion, there would be pockets of opportunities in different sectors. I would caution to keep one's horizon to within 24 to 36 months. If one cannot recuperate one's capital plus return within this timeframe, one would need to reconsider. The political environment in China is fast shifting and is becoming precarious for all businesses. China is no longer a market for long-term investors. Actually, my personal experience has taught me that China is never a market to take long-term risks. It is a casino that one should take his or her winnings and run for the door. More often than not, investors who stayed too long in that market end up losing their shirts.

Last but most importantly, I would stress the importance of safeguarding American economic interest when competing with the CCP China. In this fight, one needs to make a clear distinction between corporate interests and national interests. "What's good for corporate America is good for America" is a myth that has proven to be no longer true. Corporate management, as capitalism dictates, is driven by self-interest and is short term in nature. The de-industrialization of America and the wholesale relocation of supply chains to China in the past decades are a testament to that. In democratic countries, elected officials should be the true guardians of national interests and the long-term wellbeing of its people. I believe that it is very important to keep that in mind when you are presented with advocacy of reengagement / rapprochement from corporate executives. In this competition with the CCP China, I believe economic interest is national interest. Defending American economic interests and the American leadership in the global economy are defending the economic order of the democratic world.