**Open Source Intelligence now officially used by Defense Intelligence Agency**

In recent times, we have seen the value of open source intelligence information serve good and bad purposes. In law enforcement, we have seen how the use videos combined with other technical capabilities in cell phones have resulted identifying and punishing of hundreds of insurgents who invaded our Capital Building on January 6, 2021.

Without this use of open sources, hundreds of extremists would have escaped identification and prosecution by the courts.

We have also seen how foreign governments and digital criminals have exploited open source channels to blackmail and extort companies, our government agencies, and critical utility infrastructure.

Now the Department of Defense is officially directing the Defense Intelligence Agency to collect, process and manage open source information. I believe that open source collection and processing has been ongoing long before this recent edit, but now this effort is officially sanctioned, so open source collectors including our diplomas and military attaches will be better respected for their official duties.

Military and intelligence operations have already been impacted by digital equipment and devices, so this effort is not surprising to anyone involved with open source information collection and analysis.

The monitoring of the foreign press is commonly practice by government organizations and their intelligence organizations in virtually all nations, thus this official sanctioning for DoD intelligence to collect and evaluate information is ex post facto sanctioning of a lot of intelligence that has been collected for decades.

Our own historian published a daily open source report for ten years, consisting of news clippings that was provided to his colleagues throughout the intelligence community. A sample of his daily report can be viewed by interested readers.

**SOURCES:**



**One of our historians Daily OSINT reports:**

**110424 China Briefing**

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**Country's regional GDP growth in Q1 slows down**

**Source: *Globaltimes.cn* , [ April 22 2011]**

China's regional GDP growth fell lower than it did last year in the first quarter, while Beijing and Ningxia's Q1 GDP growth dropped 6.3 and 9.2 percent year-on-year respectively, according to the China Business News.

Regional GDPs in some provinces and cities such as Guangdong and Beijing in the first quarter grew faster than the national scale, 9.7 percent. However, the economic growth of these regions was not as attracting.

Tianjin still topped in economic growth with a GDP of 225.65 billion yuan ($34.65 billion), up 16.5 percent year-on-year. However, it (growth) still fell behind in comparison with the same period last year, which was 17.4 percent.

The municipality is expected to realize an annual economic growth of 12 percent during the Twelfth Five-year Plan period. Experts also predicted that Tianjin's growth will maintain between 14 percent and 18 percent.

Fujian ranked second on Q1 GDP growth at 14.5 percent （the number hasn't been certified by the government） among the provinces and cities whose statistics were published.

GDP of provinces in central China continued to grow rapidly. For instance, Hubei Province's GDP hit the mark of 359.24 billion yuan ($55.16 billion), growing 14.4 percent year-on-year.

The GDP brake has as main reason the weakening investment drive, Cheng Jiansan,researcher of Guangdong Academy of Social Sciences introduced. "The purposely braking of the world's fastest-expanding GDP, which has streched from the latter half of 2010 to present has led to lesser investments of fixed assets and credit growth," Cheng said. He also predicted that economic growth will further slow down in the next three quarters if tightening policies continue to perform in order to deal with inflation.

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***NYT*, April 17, 2011**

# Inflation in China Poses Big Threat to Global Trade

###### By [DAVID BARBOZA](http://topics.nytimes.com/top/reference/timestopics/people/b/david_barboza/index.html?inline=nyt-per)

**SHANGHAI** — As the United States and Europe struggle to get their economies rolling again, China is having the opposite problem: figuring out how to keep its revved-up growth engine from generating runaway inflation.

The latest sign that things were moving too fast came on Sunday, when China’s central bank ordered the biggest banks to set aside more cash reserves.

The move essentially reduces the amount of money available for loans, and is an attempt to cool down the economy. It follows the government announcement on Friday that China’s economy was growing at an annual rate of 9.7 percent, by far the strongest performance by any of the world’s biggest economies.

Because China is now the world’s second largest economy, after the United States, and because the country has been a leading source of global growth during the last two years, money problems here can reverberate from [Wal-Mart](http://topics.nytimes.com/top/news/business/companies/wal_mart_stores_inc/index.html?inline=nyt-org) to Wall Street and the world beyond.

High inflation endangers China’s status as the low-cost workshop for the world. And if the government’s efforts to fight inflation cause the economy to stumble, that will cloud the outlook for international businesses — whether multinationals like [General Electric](http://topics.nytimes.com/top/news/business/companies/general_electric_company/index.html?inline=nyt-org) or copper miners in Chile — that have been counting on China for growth.

Inside China, inflation also poses a threat to social stability, a particular worry for Beijing, especially since authoritarian governments in North Africa and the Middle East have become the focus of popular uprisings.

“China’s inflation is a big concern, and actual numbers are worse than officially reported,” said Carmen M. Reinhart, an economist at the [Peterson Institute for International Economics](http://www.iie.com/) in Washington.

She says Beijing is engaged in an economic tug of war, trying to encourage sustainable growth while struggling to control inflation.

[*Food prices*](http://topics.nytimes.com/top/reference/timestopics/subjects/f/food_prices/index.html?inline=nyt-classifier) *are soaring, and the government said on Friday that the* [*consumer price index*](http://topics.nytimes.com/top/reference/timestopics/subjects/c/consumer_price_index/index.html?inline=nyt-classifier) *in March had risen 5.4 percent, its sharpest increase in nearly three years. Hoping to tame inflation, in the last six months Beijing has tightened restrictions on bank lending and raised interest rates on loans (to discourage borrowing) and deposits (to encourage savings).*

The decision on Sunday to raise the capital reserve ratio for banks, to 20.5 percent of their cash, was the fourth such increase this year.

The government has also increased agricultural subsidies to curb food prices, and tried to forbid some Chinese companies from raising consumer prices. These efforts stand in contrast to those in the United States, where inflation is low (the underlying annual inflation rate was 1.2 percent last month) and where the debate centers on how much to stimulate the economy given the size of the deficit. Inflation is also running low in Europe, where some countries are imposing harsh austerity measures to pare their budget gaps.

But analysts say the results of this economic management have been mixed. Growth has begun to moderate from its torrid pace of about 10 percent annual growth but inflation has become worse.

For example, housing prices continue to climb even though Beijing has long promised to curb the property market and to spend billions of dollars over the next few years on affordable housing.

The average apartment in central Shanghai now costs more than $500,000. Even in second-tier cities like Chengdu, in central China, the price of a typical home costs about 25 times the average annual income of residents.

Analysts say too much of the country’s growth continues to be tied to inflationary spending on real estate development and government investment in roads, railways and other multibillion-dollar infrastructure projects.

In the first quarter of 2011, fixed asset investment — a broad measure of building activity — jumped 25 percent from the period a year earlier, and real estate investment soared 37 percent, the government said on Friday.

Some of the inflationary factors, like global commodity and food prices, may be beyond Beijing’s ability to influence. Gasoline prices have also jumped sharply, in line with global oil prices. As the world’s largest car market, China’s demand for fuel is soaring, and gasoline prices are close to $4.50 a gallon, up from $3.82 a gallon in late 2009.

Rising food prices, meanwhile, are showing up in various ways — including higher prices at fast-food chains, like Master Kong, which in January raised the price of its popular instant noodles by about 10 percent.

China’s current supercharged boom began in early 2009, during the global financial crisis, when Beijing moved aggressively to increase growth with a $586 billion [stimulus package](http://topics.nytimes.com/top/reference/timestopics/subjects/u/united_states_economy/economic_stimulus/index.html?inline=nyt-classifier) and record lending by state-run banks.

The loose monetary policy, and big investments in local government projects, did revive economic growth. But even at the time there were already concerns about soaring property prices, undisciplined bank lending and the huge debts being amassed by local governments.

The fear among some experts is that the bubble will eventually burst, leading to a wave of nonperforming loans at the big state-owned Chinese banks, which have been the main financiers of the nation’s phenomenal growth dating to the economic reforms in the 1980s.

Some economists have begun to argue that high inflation may be around for some time. Here again, the tug of war is evident.

To encourage the growth of a consumer market that will help meet the Chinese people’s demand to share the nation’s wealth, Beijing and many municipal governments have required employers to raise wages.

The government has raised minimum wages in the hope of reducing the big income gap between the rich and the poor, and the urban and rural. But higher wages drive up the costs of production, leading to higher prices. Some experts say rising wages may be an unavoidable inflationary force for years to come.

“China is moving into a new era, a new norm,” said Dong Tao, an economist at [Credit Suisse](http://topics.nytimes.com/top/news/business/companies/credit_suisse_group/index.html?inline=nyt-org) in Hong Kong. “In the previous decade, inflation was about 1.8 percent a year; in the next decade, it may be closer to 5 percent.”

The implications of such a shift are huge, not just for domestic consumers but perhaps even more so for exports. As wages and production costs rise, coastal factories are demanding higher prices for the goods they ship overseas. That means Americans, Europeans and other buyers will have to pay more for those goods or seek lower-cost suppliers elsewhere. In some cases, retailers are bidding for goods at prices the exporters consider too low.

“I hear that many Chinese exporters are rejecting orders from Wal-Mart and other Western retailers,” Mr. Tao said. “I’ve been covering the Chinese economy for a long time, and I’ve never heard that before.”

Many analysts say the government is going to have to do even more to slow the economy, through measures like placing additional restrictions on lending and continuing to raise interest rates, the textbook methods of fighting inflation by tightening the nation’s money supply.

But the mixed results so far do not inspire widespread confidence. In fact, some experts say that despite the Communist Party’s efforts to manage the economy by committee, the absence of a top autonomous central banker — Beijing has no equivalent of the United States [Federal Reserve](http://topics.nytimes.com/top/reference/timestopics/organizations/f/federal_reserve_system/index.html?inline=nyt-org) chairman, [Ben S. Bernanke](http://topics.nytimes.com/top/reference/timestopics/people/b/ben_s_bernanke/index.html?inline=nyt-per) — means no one actually has a hand on the growth throttle.

“The roots of inflation were laid down after the financial crisis, with the stimulus policy,” said Zhang Weiying, a professor of economics at Peking University.

After a big stimulus, stamping out inflation is not easy, Professor Zhang said. “It may take a long time.”

Citizens like Wang Jianren, 56, a retiree in Shanghai, a bustling city of 20 million, say that over the years China has benefited from its rapid economic growth. But like so many here, he complains that inflation is beginning to erode those gains.

“Prices have gone up a lot,” Mr. Wang said at an indoor vegetable market on Friday. “Unstable prices make people nervous and make society unstable. In this sense, our generation even has some nostalgia for Mao’s era.”

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**China Should Use Currency to Curb Inflation, Government Researchers Say**

***By Bloomberg News -* Apr 22, 2011**

Two prominent Chinese state researchers added to calls for the government to use the yuan to help curb inflation that accelerated to a 32-month high in March.

*“A moderate acceleration in the yuan’s appreciation would help China effectively deal with imported inflation”,* [*Ba Shusong*](http://topics.bloomberg.com/ba-shusong/)*, a researcher at the State Council’s Development Research Center, said in* [*Shanghai*](http://topics.bloomberg.com/shanghai/) *today*. Wang Yong, a professor at the central bank’s training center, said policy makers should let the currency rise faster and widen its daily trading band by an “appropriate margin” in the second half of the year.

The two academics join a growing number of Chinese officials and academics who have this month highlighted how the yuan may aid efforts to curb inflation that is threatening social stability. Premier [Wen Jiabao](http://topics.bloomberg.com/wen-jiabao/) said last week that the exchange rate may play a role in reining in prices and deputy central bank governor Hu Xiaolian said more yuan flexibility would ease inflation pressure.

“Allowing faster appreciation of the yuan will be an important policy consideration in the next phase” of deciding how to tackle price increases as the cost of internationally traded commodities continues to surge, Wang wrote in a commentary published in today’s Securities Times. He opposed a one-off revaluation of the currency.

[China](http://topics.bloomberg.com/china/)’s crude oil shipments in the first quarter rose 12 percent by volume and 39 percent by value to $43.7 billion. The cost of iron ore imports jumped 82.5 percent to $27.7 billion while the amount of metal climbed 14.4 percent, customs data show.

**Record Reserves**

Policy makers may use foreign-exchange tools more frequently than in the past to tame inflation, Ba said today. China’s foreign-exchange reserves may climb to $4 trillion next year, which will force the central bank to drain liquidity more regularly, he said.

The nation’s foreign-currency holdings, the world’s biggest, rose by the second-largest amount on record in the first quarter to exceed $3 trillion, the central bank said April 14.

The room for China to raise [interest rates](http://topics.bloomberg.com/interest-rates/) will be limited if the U.S., [Europe](http://topics.bloomberg.com/europe/) and [Japan](http://topics.bloomberg.com/japan/) continue to maintain low rates, Ba said today.

The People’s Bank of China has raised borrowing costs and savings rates four times since mid-October. Its benchmark one- year lending rate is 6.31 percent and the deposit rate stands at 3.25 percent. The U.S. Federal Reserve’s benchmark interest rate stands at a range of zero to 0.25 percent.

**Record Gains**

Yuan forwards traded at the biggest premium to the spot rate in more than five months today. Twelve-month non- deliverable contracts rose 0.3 percent to 6.3235 per dollar as of 5:22 p.m. in [Hong Kong](http://topics.bloomberg.com/hong-kong/), 2.9 percent stronger than the onshore exchange rate of 6.5067, according to data compiled by Bloomberg. That’s the largest gain projected since Nov. 11.

The Chinese currency is currently allowed to rise or fall as much as 0.5 percent against the [U.S. dollar](http://topics.bloomberg.com/u.s.-dollar/) from a daily [reference rate](http://topics.bloomberg.com/reference-rate/) set by the People’s Bank of China. The rate was fixed at a record high of 6.5156 yuan today.

Yuan appreciation may alleviate pressure on the central bank to buy foreign currency, which would help ease excessive liquidity and curb inflation, Wang wrote today. The government at the same time should strengthen supervision of capital flows as yuan gains may attract hot money, thereby boosting liquidity and increasing inflation pressure, he said.

Xia Bin, an academic adviser to the central bank who also heads the financial research institute of the State Council’s Development Research Center, said this week that yuan gains will have a “certain impact” on easing imported inflation pressure although officials can’t rely on the [exchange rate](http://topics.bloomberg.com/exchange-rate/) alone.

**Export Orders**

Still, he said current conditions aren’t conducive to overly fast gains.

The Ministry of Commerce said today there is “relatively large” pressure for the yuan to appreciate, which has had an impact on export orders. The ministry made the comments in a report on China’s foreign trade environment posted on its website.

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***NYT,* April 20, 2011**

# China’s Plan to Cut Taxes Puts Burden on Wealthy

###### By IAN JOHNSON

**BEIJING** — [China](http://topics.nytimes.com/top/news/international/countriesandterritories/china/index.html?inline=nyt-geo) is considering an income tax cut, but its impact may be smaller than expected.

The initiative, which was taken up by the country’s legislature on Wednesday and could become law this year, would raise the minimum income required to pay the tax to $450 a month from $315.

News reports have said the increase is a way to reduce the tax burden on low- to middle-income earners — a highly delicate issue in China, which has one of the largest gaps between rich and poor in the world. The nation also is suffering from a relatively high inflation rate, especially for food and fuel. The official news agency Xinhua called the proposal “good news for consumers amid rising inflation.”

But the move may actually do little to help the poor because the tax cut will affect people who earn average incomes, in urban areas about $450 a month. Minimum-wage earners, who earn about $184 a month in the cities, were earning so little already that they did not have to pay income taxes.

Only a small percentage of Chinese file income tax forms — about 26 million in all — and they tend to be high earners. “I don’t think that this move is going to do anything to improve the distribution of income in China,” said Nicholas R. Lardy of the Peterson Institute for International Economics in Washington. “If anything, it’ll do the opposite.”

The main effect of the tax cut would be to remove several million people — estimates vary widely — from the tax rolls, allowing the authorities to concentrate on taxing those who make more.

Analysts dismissed reports that the proposed tax changes were in response to recent signs of unrest — including this week among Shanghai container-truck drivers who were protesting high fuel prices. The changes were part of the 12th Five Year Plan, passed last year.

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**China’s Energy Agency Raises Power Use Forecast on Economy**

***By Bloomberg News* - Apr 22, 2011**

[China](http://topics.bloomberg.com/china/)’s top energy industry regulator raised its forecast for the nation’s electricity demand in 2011 because of faster-than-estimated economic growth.

The country’s power use may increase as much as 12 percent to 4.69 trillion kilowatt-hours this year following a “good start” in economic expansion, the National Energy Administration said in a statement today. That compares with the 9 percent growth forecast made by the agency in January.

[China’s economy](http://topics.bloomberg.com/china%27s-economy/) expanded 9.7 percent in the first quarter, boosting its demand for energy and raw materials. The country’s power use grew by 15 percent to a seven-month high in March as industrial output rose more than expected, the Beijing-based National Bureau of Statistics said on April 15.

China’s electricity use may climb 11 percent to 2.2 trillion kilowatt-hours in the first half, the National Energy Administration said today.

The country may add 30 gigawatts of power capacity between January and June, and 80 gigawatts for this year, it said.

China’s apparent fuel demand may rise 9 percent to 130 million tons in the first half and gain 8 percent to 265 million tons this year, it said. Natural gas output for the full year may jump 7.5 percent to 104 billion cubic meters, the agency said.

The nation spent 24.3 billion yuan on nuclear and wind power projects in the first quarter, it said. Its wind-power generation gained 60 percent to 18.8 billion kilowatt-hours and nuclear electricity output rose by 17 percent to 20.6 billion kilowatt-hours in the first three months of this year.

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# China's Premier Wen: 'Speak the truth'

## [BEIJING](http://articles.cnn.com/keyword/beijing), [btn_close](javascript:cnnHideOverlay('cnnShareThisStory123'))

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**April 21, 2011|By Jaime FlorCruz, *CNN***

pixelIn a round-table meeting with government advisers and researchers of a government-run think tank on April 14, Premier Wen Jiabao enjoined them to listen to people's voices and relay these truthfully to top leaders.

Wen's call to speak the truth comes at a time when the Chinese authorities are rounding up dissenters and muzzling whistle-blowers. A contradiction?

Analysts say Wen's statement is designed to counter public scepticism and to warn officials against lying or pandering to higher ups. Others suggest it may just be part of Beijing's crisis management.

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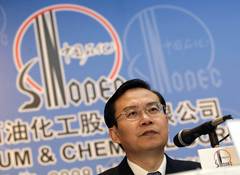
**The Rise of the Energy Faction in Chinese Politics**

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**By:** [**Willy Lam**](http://www.jamestown.org/articles-by-author/?no_cache=1&tx_cablanttnewsstaffrelation_pi1%5Bauthor%5D=90)

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***Su Shilin***

The appointment earlier this month of **Su Shulin**, Chinese Communist Party (CCP) secretary and general manager of Sinopec, as acting governor of Fujian Province highlighted the growing clout of the Energy Faction in Chinese politics. Senior executives of the Big Three yangqi (or centrally-controlled firms) in the oil-and-gas sector—Sinopec, China National Petroleum Corporation (CNPC) and China National Offshore Oil Corp (CNOOC)—have frequently been named to top-level provincial positions throughout the past decade. Jiang Jiemin, 55, general manager and party boss of CNPC, deemed the “big brother” among the three monopolies, is about to be made governor of Yunnan Province (Reuters, April 8, Chinareviewnews.com, April 9; China Business Times [Beijing], April 12).     
  
Su and Jiang, who are both alternate members of the CCP’s ruling Central Committee, had in earlier parts of their careers already served in important provincial slots. Su, 49, was a member of the CCP Committee of Liaoning Province from 2006 to 2007. He is a ranking member of China’s Sixth-Generation cadre corps—a reference to up-and-coming officials born in the 1960s. Jiang, 55, who started his career as an oilfield technician in 1972, was vice-governor of Qinghai Province from 2000 to 2004 (Chinavitae.com, April 8; South China Morning Post, April 10). Other top-level officials who earned their first spurs in the petroleum sector include Party Secretary of Hainan Province Wei Liucheng, who is a full member of the CCP Central Committee. Wei, 64, was CEO of CNOOC before being appointed deputy party secretary of Hainan in 2003. Equally significant is the fact that two Politburo members began their careers in the oil-and-gas sector. They are Politburo Standing Committee member in charge of law and order Zhou Yongkang, and Politburo member and Party boss of Tianjin, Zhang Gaoli (Bloomberg.com, April 8; Financial Times, March 3).   
  
The power of the so-called Energy Faction has also been boosted by the increasing prominence of a host of electricity-related yangqi, most of which also run China’s fast-burgeoning nuclear plants. Foremost among these behemoths are the State Grid, China National Nuclear Corporation, China Huaneng Group, and Guangdong Nuclear Power Group (World-nuclear.org, April 13; Energychinaforum.com, March 30). Much more than the oil-and-gas field, the electricity and nuclear firms boast a number of senior executives with the background of princelings (a reference to the offspring of retired leaders). For example, the son and daughter of former premier Li Peng, respectively Li Xiaopeng and Li Xiaolin, have had successful careers in electricity-related corporations. Li Xiaopeng, 51, a former general manager of Huaneng, has served as Vice-Governor, and then Executive Vice-Governor, of resources-rich Shanxi Province since 2008 (Stratfor.com, April 7; Asianews.it [Rome], January 28).  
  
The leaps-and-bounds growth of the energy conglomerates – plus the penetration of their senior managers into politics—has produced the first major CCP faction that is anchored upon an industrial sector (South China Morning Post, April 11; Freepressers.com, March 28; Apple Daily [Hong Kong], April 19). Traditionally, most Chinese cliques have been based on geography and political guanxi (connections). For example, the Shanghai Faction headed by ex-president Jiang Zemin consists of cadres who were either born in the Greater Shanghai Region or who spent the bulk of their career there. The Gang of Princelings is made up of the sons and daughters of party elders. Moreover, the Communist Youth League Faction (CYLF), arguably the CCP’s largest camarilla, comprises officials with close affiliations with the League, which was once headed by President Hu Jintao (Chinaelections.net, March 17; Daily Telegraph [London], January 3).   
  
What is the significance of the rise of the Energy Faction? On the positive side, these industrial behemoths have provided the party-and-government apparatus with relatively capable cadres who are conversant with modern management concepts, including ample exposure to global business norms. This is particularly vital in light of the fact that since the Tiananmen Square crackdown of 1989, the CCP’s Organization Department has put its emphasis on grooming officials known for their unquestioned loyalty to the leadership. In their speeches over the past few years, Director of the Organization Department Li Yuanchao and Vice-President and Central Party School President Xi Jinping have indicated that the criteria for promotion are “morality and ability”—meaning political trustworthiness and professional competence—but with morality taking precedence over ability (People’s Daily, March 16; Xinhua News Agency, August 15, 2009). Having begun their careers in the 1970s as junior workmen and technicians in oil-and-gas fields that are often located in climatically harsh regions, the likes of Su Shulin and Jiang Jiemin are considered to have an ideal combination of “morality” and managerial know-how. It is also not an accident that oil executives are among the first batch of entrepreneurs who have been inducted into the CCP’s Central Committee.   
  
The downside of the flourishing Energy Faction is that the dozen-odd oil-and-gas and electricity conglomerates seem to have become too powerful for individual State Council departments to handle. Moreover, their monopolistic status militates against the overall spirit of economic liberalization and marketization, which underpins China’s 33 year-old Reform and Open-Door policy. Last year, the three oil corporations raked in profits of 265 billion yuan ($40.58), up 35.7 percent over that of 2009. Particularly given that petroleum and petrochemical products in China are often more expensive than those in the West, calls have been made for these super-rich corporations to “return wealth to the people” (China News Service, March 29; Xian Evening Post, March 29).  
  
More significantly, in view of the record number of Energy Faction-affiliated executives who have snared senior party and government slots, questions about lack of proper scrutiny—and inadequate checks and balances—have loomed ever larger. Like other yangqi such as the four major commercial banks, the energy conglomerates are in theory under the direct control of the State Assets Supervision and Administration Commission (SASAC). Yet, given that the ministerial-ranked SASAC has the same party and administrative status as most of the state-held giants, it would be hard-put for the commission to maintain a tight grip over their charges (See “Chinese SOEs a Target of Hu-Wen’s “Inclusive Growth?” China Brief, January 14). Perhaps in view of these concerns, the State Council set up early last year a high-level National Energy Commission (NEC) to take charge of energy policy as well as to oversee energy-related state firms. Its Director and Vice-Director are respectively Premier Wen Jiabao and First Vice-Premier Li Keqiang. Yet, the day-to-day work of the commission, which does not meet regularly, is handled by the National Administration of Energy, which is another ministerial-level unit (People’s Daily, January 27, 2010; Epmag.com [Houston], February 9, 2010). Despite the NEC’s star-studded membership, there is little evidence that it has enabled central party-and-state authorities to exercise tighter oversight over the energy behemoths.  
  
There are also fears that the relentless trend of the fusion of business and politics within the energy sector might exacerbate corruption. This is in light of a number of high-profile graft scandals that have hit the oil and nuclear sectors in the past few years. For example, former Sinopec Chairman Chen Tonghai was given a suspected death sentence in 2009 for pocketing ill-gotten gains worth more than $28 million. A year later, then chairman of the China National Nuclear Corp Kang Rixin was jailed for life for accepting some $1 million in bribes. Kang was also stripped of his membership in the CCP Central Committee (Financial Times, July 16, 2009; BBC News, November 19, 2010).    
  
The overweening clout of the Energy Faction is also evidenced by the controversy over whether China should press ahead with its ambitious nuclear-energy blueprint after the debacle of the Fukushima Dai-Ichi Plant in Japan. Within a week of the nuclear-leakage crisis, Premier Wen declared a temporary moratorium on the approval of new nuclear reactors in China. Relevant State Council organs also started examining the safety standards of existing facilities as well as those under construction. 26 nuclear plants are being built in China, and at least 28 are planned for the coming decade (Xinhua News Agency, March 19; Ming Pao [Hong Kong], March 19).  
  
China is unlikely to emulate countries such as Germany in announcing a halt on all nuclear plants. Premier Wen’s cautionary gesture notwithstanding, lobbyists for the pro-nuclear lobby have been vocal in their claims that the Japan accident is “irrelevant” to China’s energy calculations. Cai Guohan, a senior researcher on nuclear radiation in the Ministry of Environmental Protection, indicated that for China to slow down its nuclear program “will be tantamount to stop eating for fear of choking.” Cai also asserted that China’s coastal topography would render the country less susceptible to tsunami-related damages. China National Nuclear Corp specialist Chen Zhuzhou also contended that because most of China’s reactors were using 21st-century technology, “our safety equipment and standards are much better than those in Japan” (Xinhua News Agency, March 29; Sina.com, March 26; Global Times, March 18).    
  
In an apparent attempt to convince critics that the central government has the wherewithal to rein in the Energy Faction, the SASAC announced last week that both Sinopec and CNOOC would be setting up Western-style boards of directors to run their operations. It is understood that CNPC would introduce a similar reform soon. (Subsidiaries of the three oil giants, which are listed on the Hong Kong stock market, are already managed by boards of directors). Yet it is too early to tell whether the mere creation of a board of directors would either bring about a significant improvement in corporate governance or enable the State Council to keep closer tabs on the yangqi’s business practices. After all, thirty other yangqi under the SASAC had already set up management boards as of the end of 2010 (China News Service, April 13; Nanfang Daily [Guangzhou], April 13). The fast-growing tentacles of the Energy Faction may ensure that only officials and executives who fervently back its sectoral interests would be appointed to the relevant boards.

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# Shanghai fuel protests unnerve Beijing

# April 23, 2011

**(**[***FT***](http://www.ft.com)**)** -- Chinese authorities were locked in negotiations on Friday with striking truckers who have besieged the country's largest port, in a bid to prevent the unrest from spreading to other cities.

Truck drivers at the Shanghai port of Baoshan are demanding relief from rising fuel costs and port fees, in a rare industrial action that will reinforce government fears about the destabilising impact of rising prices.

While localised labour and land disputes are common and usually contained, one of the government's greatest fears is that popular discontent over inflation could spark a wider protest movement.

"Every intersection has riot police," one Baoshan trucker interviewed by phone on Friday afternoon, who declined to be named, said. "I don't know how long it will last."

In an alert, a logistics company at the port warned clients that strikers had blocked traffic in a protest over "domestic fuel [costs] and the high handling fees charged by port terminal operators".

Wen Yunchao, a rights activist who has been monitoring the protests, said authorities had agreed to eliminate or reduce a range of port fees. However, the parties were still divided over the port's container fees, which management offered to cut from Rmb50-75 to Rmb20.

"I think the strikes will wrap up in the next day or two," Mr Wen told the Financial Times. "But what I don't know is whether truckers in Ningbo or Tianjin might see this example and be inspired to follow it."

Last summer, industrial action over pay at a Honda components factory inspired copycat strikes at automotive factories across the country. The unrest was focused on management at Japanese-invested factories rather than the Chinese government, which mediated negotiations leading to pay rises.

With Brent at $124 a barrel, fuel-related protests are a growing concern for developing economies. China is just the latest in a series of countries experiencing fuel price protests, including the Philippines, Uganda and Kenya.

The trucker protests at Baoshan have spread to other Shanghai ports over recent days, according to news agency reports. Witnesses said thousands of drivers protested on Wednesday, while Reuters reported that 600 drivers were massed at Baoshan on Friday. Some of the strikers hurled rocks at vehicles whose drivers declined to join the protest.

The strike elicited an immediate police crackdown and media blackout. This year's unrest across the Middle East and unsuccessful efforts to spark a "Jasmine Revolution" in February have made Chinese authorities particularly sensitive to any signs of incipient unrest. Several dissidents, including the artist Ai Weiwei, have been jailed in recent weeks.

Chinese officials have warned that soaring prices and rampant official corruption pose the greatest threat to Communist party rule. While the government has raised interest rates repeatedly, the measures have failed to rein in inflation, which hit a 32-month high in March.

China has raised fuel prices twice this year, biting into the revenues of truckers, cab drivers and even farmers who use diesel for tractors.

The authorities in Shanghai, by some measures the largest port in the world, have declined to comment on the protests and whether shipping operations are being impacted. In Wuxi one wire factory reported that its shipments would be delayed because of damage to trucks that occurred on Thursday.

News about the Shanghai trucking protest has been swiftly deleted from Chinese websites and even microblogs that refer to the demonstrations are erased in a matter of minutes. The media blackout seems to have been surprisingly successful in preventing the spread of information. Truckers and logistics companies across the country have all been squeezed hard by rising fuel costs and intense competition to offer the best rates. But at a trucking hub on the southern outskirts of Beijing, almost no one had heard of the Shanghai protests.

"People complain a lot, but they don't protest," said one burly former driver called Mr Zheng, who now works in management at Guide Logistics. His firm has a fleet of 40 trucks that ship white goods as far away as Xinjiang and Tibet.

Hardest hit by the rising diesel prices are independent truckers, who typically spent their savings to buy a single vehicle that they drive themselves .

In southern Beijing, a young Anhui native sits behind the wheel of his truck, eating sunflower seeds and waiting for a job. "All of my fees are going up - parking fees, fuel costs, rent, you name it." "This truck is all I have to support my wife and my kid."

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***NYT*, April 21, 2011**

# Chinese Truck Drivers Protest Rising Fees and Fuel Prices

**SHANGHAI (*AP)*** — The police on Thursday clamped down on a demonstration by hundreds of truck drivers upset over rising fees and fuel prices in Shanghai, China’s busiest port city, in the latest display of public resentment over surging inflation.

The police acted after the drivers blocked a dock in the Pudong district of eastern Shanghai on Wednesday, according to an employee of a logistics company.

Drivers gathered about 40 trucks on Thursday at a cargo-handling center in the Baoshan district on the city’s northeastern outskirts, but there was no repeat of the violence that broke out on Wednesday, when a trucking company owner said that eight or nine truckers were arrested when they tried to overturn a traffic patrol car.

China’s leaders have been trying to defuse mounting public frustration over inflation, which reached 5.4 percent in March, a 32-month high, driven substantially by a nearly 12 percent increase in food costs.

They have said that restraining inflation is their priority this year. Cities have raised minimum wages by 10 percent to 20 percent, but that has failed to keep pace with rising living costs in many areas.

The authorities reacted quickly to the Shanghai truckers’ protest, deploying police officers and removing accounts of the unrest from Chinese Web sites.

Late Wednesday, protesting drivers smashed the windows of trucks belonging to drivers who refused to take part in the protest, said the employee at the Shanghai Oriland International Logistics Company, who gave only his last name, Zhang.

In the Baoshan district on Thursday, reporters saw about 40 drivers, but no sign of violence or arrests. Ten vans with police officers were at the scene, with some officers in military-style bulletproof vests. The main gate of the cargo-handling complex was sealed with yellow police tape.

The drivers are upset about new fees charged by private warehouse operators and rising fuel prices, which they say sharply cut into their profits. Gasoline and diesel prices, which are set by the government, are at a record high after an increase of about 5 percent two weeks ago to reflect higher global crude prices.

The protests also suggest that tensions are growing in China over the gulf between the nation’s tiny elite and its poor majority. Incomes are rising, but inflation is squeezing families and small business people like self-employed truckers, while profits at major state-owned companies are higher than ever.

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**Third day of Shanghai strike threatens China exports**

**Fri, Apr 22 2011**

**By** [**Melanie Lee**](http://blogs.reuters.com/search/journalist.php?edition=us&n=Melanie.Lee) **and** [**Royston Chan**](http://blogs.reuters.com/search/journalist.php?edition=us&n=Royston.Chan)

**SHANGHAI, April 22 (*Reuters*)** - Striking truck drivers gathered for a third day on Friday in Shanghai's main harbour district amid heavy police presence and signs the action has already started to curb exports from the country's busiest container port.

A crowd of up to 600 people milled about outside an office of a logistics company near the Baoshan Port, one of Shanghai's ports. Some threw rocks at trucks whose drivers had not joined in the strikes, breaking the windows of at least one truck.

The strikers, many of them independent contractors who carry goods to and from the port, had stopped work on Wednesday demanding the government do something about high fuel costs and what some called high fees charged by logistics firms, said the drivers, who clashed with police officers on Thursday.

As many as 50 police officers were dispatched to the area on Friday, and at least two people were arrested after throwing rocks at trucks.

The strikes and protests, if they continue, could become a worry for the ruling Chinese Communist Party, which fears public discontent that could erode its authority and alarm investors.

The crowd thinned out after a policeman said authorities plan to meet with the representatives of the truck drivers on Monday for talks aimed at ending the strike.

"Please disperse and go back," he said with a loudspeaker, telling truckers who had gathered near a road junction. "We are already talking to your representatives. There will be an answer for you on Monday."

Earlier, workers had told Reuters they planned to continue the job action.

"We are continuing our strike," said a 38-year-old truck driver surnamed Liu. "There has been no response from the government or anybody else. There's nothing we can do."

One driver, 31, who declined to give his name, said his transport company was passing on more and more costs to drivers, including for fuel, because it was making losses.

"The market is just a mess now," he said.

Another driver surnamed Liu, 28, said his main problem besides rising fuel prices was that police had started fining drivers for all sorts of infraction without warning -- for not meeting environmental standards, for instance.

He asserted that logistics companies were colluding to charge them higher fees.

The strike comes against a backdrop of rising consumer prices and fuel price increases. China's inflation rate hit 5.4 percent in March, prompting officials to renew vows to use all available means to contain price rises. [ID:nL3E7FF0AC]

China's tightly-controlled state media has made no mention of the unrest, and nor has the city's government, which is working hard to turn glamorous Shanghai into a global financial hub to compete with Hong Kong or London.

**EXPORTS DELAYED**

An official reached by telephone at Shanghai International Port (Group) Co Ltd, which runs the Shanghai port, told Reuters that the strike "has not affected operations", though would not comment further.

But one executive said the action was already starting to affect the port's operations, at least for exports.

"The strike has delayed exports and many ships cannot take on a full load before leaving," said Wei Yujun, assistant to the general manager at China Star Distribution Center (Shanghai) Co.

"For example, if one ship carries 5,000 containers en route to Hong Kong and the U.S., now they can only carry 1,000 or 2,000 containers," Wei added.

Shanghai overtook Singapore in 2010 to become the world's busiest container port. The Shanghai port handled 29.05 million 20-foot equivalent units, or TEUs, in 2010 -- 500,000 TEUs more than Singapore [ID: nTOE70700A].     Shanghai's cargo throughput rose to about 650 million tonnes in 2010, remaining the world's largest, up from 590 million tonnes in 2009.     The unrest is occurring near at least two of the port's five major working zones -- Waigaoqiao, a massive free-trade zone and bonded storage warehouse, and Yangshan, a deep water port.     China said in early April it would increase retail gasoline and diesel prices by 5-5.5 percent to record highs. [ID:nSGE736009].

Last May, a burst of labour disputes disrupted production for many foreign automakers including Toyota and Honda, which laid bare the rising demands of China's 150 million migrant workers and raised questions about the region's future as a low-cost manufacturing base.

"The most fundamental issue from the strikes last year still has not been resolved, and that is that workers still need their rights," Li Qiang, Executive Director of China Labor Watch, told Reuters from New York.

"In China, workers aren't permitted to have independent unions. The most basic issue isn't simply that fuel prices are rising. It is that when fuel prices rise, the truck drivers don't have an independent channel to express their interests."

Situated at the middle of the 18,000 km-long Chinese coastline, the Shanghai port is managed by the publicly listed Shanghai International Port (Group) Co Ltd , which is 44.23 percent owned by the Shanghai Municipal Government.

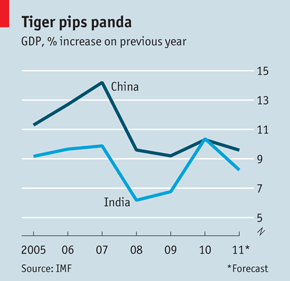
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**India v China**

*The X factor*

*Which of Asia’s emerging giants grew faster in 2010?*

**Apr 20th 2011 | *HONG KONG* | *the Economist***



MORGAN STANLEY thinks it could happen in 2013; the World Bank thinks it might happen next year. Many pundits have speculated about when India’s growth might outpace China’s. But the IMF’s World Economic Outlook says it’s already happened—without fuss, fanfare or felicitation. China grew by 10.3% last year; India by 10.4%. How can that be?

There are two idiosyncrasies in the way India typically reports its GDP figures. It calculates growth for the fiscal year, not the calendar year. More important, it reports its GDP “at factor cost”. That means it adds up all the income earned (by labour, capital and other “factors of production”) in the course of producing the country’s goods and services. By that measure, its GDP grew by 8.6% in 2010.

But other countries, including China, normally report their GDP “by expenditure”, adding up all the spending on domestically produced stuff. In principle, expenditure should equate to income. But taxes and subsidies get in the way.

A sales tax adds to the amount you have to spend on a good, boosting measures of GDP by expenditure. A subsidy has the opposite effect. In India net indirect taxes seem to have risen from 7.5% of output in 2009 to 9.2% in 2010. That was enough to lift India’s growth by expenditure to 10.36% in 2010, fully 0.06 percentage points faster than China’s.

Some bloggers have suggested the 10.4% figure is an artefact of inflation or exchange rates. Not so. GDP was measured in rupees, not dollars, at the prices prevailing in the 2004-05 fiscal year. Nor is the figure an IMF concoction. It drew its data from India’s Central Statistics Office (CSO), which estimates GDP using both methods. The country’s statisticians prefer GDP by factor cost because it is less prone to revision. The CSO still finds it easier to track production in farms, factories and offices than to track consumer spending or investment.

As India struggles to count its GDP the way most other countries do, China has begun to report its growth rate the way America does (comparing one quarter’s GDP with the previous quarter, rather than the same quarter of the previous year). So China grew by 9.7% in the year to the first quarter under its old method of reporting, but by just 2.1%, or 8.7% at an annualised rate, under the new methodology. That is the kind of pace India might well match or surpass, however you measure it.

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**Iran, China to form joint oil, gas committee**

***Tehran Times*, Economic Desk, April 22, 2011**

**BEIJING** -- Iran and China will establish a “joint oil and gas committee” to accelerate the execution of energy projects between the two countries, the Iranian minister of economic affairs and finance said in Beijing on Thursday.

IRNA quoted Shamseddin Hosseini as saying that the aim of forming this committee is to speed up projects execution and to develop the Sino-Iranian ties in the field of energy.   
  
He made the remarks on the sidelines of the 14th session of Iran-China Joint Economic Commission held in the Chinese capital of Beijing on Thursday, Press TV reported.   
  
The Iranian minister said that the formation of the Iran-China joint oil and gas committee was stressed in a memorandum of understanding on trade and economic cooperation that was signed between Tehran and Beijing on April 21.   
  
The Iranian minister and Chinese Minister of Commerce Chen Deming signed the memorandum on Thursday, aiming to explore venues to further strengthen mutual cooperation in various areas, including investment, banking, insurance, transportation and energy.   
  
During the meeting, the Chinese commerce minister hailed economic and trade ties with the Islamic Republic, saying the expansion of bilateral cooperation would benefit the both nations and the region as well as the world.   
  
Chen noted that Chinese companies have invested some $570 million in the Islamic Republic of Iran over the past two years.   
  
The Chinese minister pointed out that Iran has rich resources of oil and gas, and expressed his country's willingness to further enhance energy ties with the Islamic Republic.   
  
Iran is currently China's third largest supplier of crude oil, providing it with roughly 12 percent of its total annual oil consumption -- nearly one million barrels per day.   
  
The volume of Iran's trade with China stood at about $30 billion in 2010, up from $400 million in 1994. The two countries have sought to enhance their bilateral trade ties significantly.   
  
In February, Head of Iran-China Joint Chamber of Commerce Asadollah Asgaroladi pointed out that the two countries have drawn plans to increase the value of bilateral trade exchanges to USD 50 billion by 2015.   
  
The 13th meeting of Iran-China Joint Economic Commission was held in the Iranian capital city of Tehran in 2009.   
  
Caption: Iranian economy minister Shamseddin Hosseini () and Chinese commerce minister Chen Deming () signed a memorandum on trade and economic cooperation following the 14th session of joint economic commission in Beijing on Thursday.

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# China's 'princelings' come of age

[**Daniel Bardsley (Foreign Correspondent)**](http://www.thenational.ae/authors/daniel-bardsley)**, *The National***

**BEIJING** . If China's vice president, Xi Jinping, confirms predictions and takes over as chairman of the Communist Party next year before ascending to the presidency in 2013, it will represent more than a transition to the "fifth generation" of leadership since Mao Zedong's revolution in 1949.

Mr Xi will become the first of China's "princelings" - a term used to describe the male and female children of former revolutionaries who have achieved power or wealth - to claim the ultimate prize in Chinese politics.

The 53-year-old son of Xi Zhongxun, a revolutionary during and after the time of Mao Zedong who was a vice-premier and a governor of Guangdong province, is one of many offspring of China's former and current leaders to have gained prominence in "the people's republic".

Other "princelings" have made fortunes in business or finance, winning lucrative government contracts, securing senior positions in major companies or using their unmatched insider connections or knowledge to aid foreign firms looking to access the Chinese market.

Among those sometimes highlighted is Wen Yunsong, also known as "Winston" Wen, a successful venture capitalist whose father is Wen Jiabao, China's premier.

In a country where public anger simmers over widespread corruption and alleged nepotism, the princelings have often been viewed with scepticism, especially when it comes to their business success.

"With lot of the state-owned enterprises … the high-level government officials cannot come out and buy the property themselves, so their sons and close relatives bought the property, like the factories and enterprises," said Chan Chepo, political science professor at Hong Kong's Lingnan University.

As a result, Prof Chan said the term "tai zi dang" which roughly translates as princeling has "very negative connotations" among the Chinese public.

Even so, he said top government posts did not automatically go to men and women with impressive family backgrounds. Prof Chan said the likes of Mr Xi have had to prove their worth, although he acknowledged that changing public perceptions was difficult.

There are many other princelings who have entered the upper echelons of the Communist Party. Seven of the 25 members of the central politburo are the children of former leaders, among them Bo Xilai, the head of the Communist Party in Chongqing, one of China's largest cities, and often seen as one of China's most charismatic officials.

The 61-year-old is the son of the late Bo Yibo, one of the "eight immortals" who ran China in the 1980s and 1990s. He is a likely candidate to next year enter the nine-member standing committee of the politburo, the country's most powerful body.

For the Bo family, power and influence, or at least high-profile status, is already passing to a third generation. Bo Xilai's son, Bo Guagua, 24, attended one of Britain's most prestigious private schools, Harrow, before studying at Oxford University. Mr Bo's undergraduate antics attracted a heavy online following thanks to the many photographs of him posted on the web.

Now at Harvard, he has been the focus of more attention thanks to his girlfriend, Chen Xiaodan, a fellow Harvard student who like the younger Mr Bo is the grandchild of one of the eight elders, as well as being the daughter of the chairman of China Development Bank. The pair have been described in British media as the closest thing China has to a royal couple.

Yet while Bo Xilai sent his son to an elite western school, the Chongqing official displays few signs of introducing the kind of liberal reforms many in the West would like to see in China.

He has waged an uncompromising war against corruption in the municipality that, while welcomed by many, also raised concerns over the treatment of defence lawyers.

Among those who fell victim to the take-no-prisoners purge of the corrupt was Wen Qiang, the 55-year-old former deputy police commissioner and later head of the justice bureau executed last year after being convicted of rape and taking bribes to shield gangsters.

More recently, Chongqing has been encouraging citizens to sing "red songs" that hark back to Mao's era, and to send Mao quotations as text messages.

According to reports from the city's media, local newspapers will publish a red song each day as the city prepares for the 90th anniversary of the founding of the Communist Party on July 1.

In late 2010, the municipality said urban students would be sent to work in the countryside for a month, an echo of Mao's Cultural Revolution. Tu Jingping, the deputy secretary general of the municipality, has been quoted in reports as saying the measure would improve the young people's knowledge of society, while also helping them learn practical skills.

"Maybe this will give a good impression to the general public for a short period, but nobody truly believes that can really be helpful in solving problems," said Dr Chan.

Observers have pondered the effect Mr Bo's high-profile initiatives, and the activities of his son, will have on his chances of securing a place on the communist party's supreme body next year.

Reports have speculated that the photos of Bo Guagua's partying at Oxford may not be well thought of in China, potentially a source of harm to Bo Xilai's career. There has also been speculation that the promotion of red culture in Chongqing by Mr Bo is aimed at impressing party officials who will decide the make-up of the next standing committee of the politburo. Even so, the princelings as a whole remain a group that is difficult to categorise politically, said Ding Xueliang, a professor and political analyst at the Hong Kong University of Science and Technology.

"Among the children of the older generation leaders there have been many, many different ideologies and attitudes," he said.

"[Princelings] is just a popular term. But it does not have much to tell us. From my own personal contacts with members of the same family background they have displayed very important differences."

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**Two die in clash with Chinese police at Tibetan monastery, activists say**

*Confrontation at Kirti monastery reportedly occurred during raid in which police took away 300 monks*

[**David Batty**](http://www.guardian.co.uk/profile/davidbatty) **and agencies,** [***guardian.co.uk***](http://www.guardian.co.uk/)**, Saturday 23 April 2011 18.12 BST**

Two people have reportedly died in a clash with Chinese police during a raid on a Tibetan Buddhist monastery where tensions have run high over the recent suicide of a monk.

The incident marks some of the worst violence in the ongoing troubles at Kirti monastery high in the Himalayan foothills in a Tibetan area of Sichuan province.

Police who have blockaded the monastery and restricted the movements of its 2,500 residents launched a raid on Thursday night, according to the US-based [International Campaign for Tibet](http://www.savetibet.org/).

Police took 300 monks to an unknown location and two villagers trying to block the monks' removal were killed, it said.

The dead were named by the group as 60-year-old Dongko, and a 65-year-old woman, Sherkyi. The area has since been closed off to outside visitors, it said.

Tensions in Kirti were heightened by the suicide on 16 March of 21-year-old monk, Phuntsog, who set himself on fire in a protest against government controls of Tibetan [Buddhism](http://www.guardian.co.uk/world/buddhism), which recognizes the exiled Dalai Lama as its leader.

[China](http://www.guardian.co.uk/world/china) occupied [Tibet](http://www.guardian.co.uk/world/tibet) in 1950 and claims the region has been part of its territory for centuries, although many Tibetans, who are linguistically and ethnically distinct from Chinese, say they were in effect independent.

Information from the remote region is extremely limited, and it was not immediately possible to confirm the incident.

Without mentioning the clash, the state-run Xinhua News Agency said authorities had ordered residents of Kirti to attend a course of legal education, a form of political indoctrination deeply resented by monks.

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**China is Ageing, and the Rich are Fleeing.**

***Business Insider*, Apr. 22, 2011, 11:45 AM**

[China will face an ageing population](http://www.alsosprachanalyst.com/real-estate/real-estate-prices-and-demographics-implication-for-china.html).  Worse still, the [rich are fleeing](http://china.globaltimes.cn/society/2011-04/647415.html).

Bain & Co and China Merchant’s Bank Private Wealth Report 2011 found that the so-called high net worth individuals rose 19% in 2010 compared to 2009.  Sadly, 60% of them are considering emigration or are already doing so, and 27% of those with 100 million yuan have already emigrated, and 47% of those are considering.

According to the ***Global Times***:

There are three major reasons behind rich people’s immigration: a better education for children, safety of personal wealth, and a preparation for [retirement](http://www.businessinsider.com/china-is-ageing-and-the-rich-are-fleeing-2011-4), the report showed.

“Safety of personal wealth” is probably the main motivation.  The story I have been hearing is this: these folks emigrate to other places and [invest](http://www.businessinsider.com/china-is-ageing-and-the-rich-are-fleeing-2011-4) in real estate in other places as a form of “political insurance”.  Too many of these rich folks got their wealth because of their connections with officials, probably bribery and corruptions, and they don’t see their assets in China being “safe” in a sense that if they get caught, they will have nothing left.  So it makes some sense for them to flee before it is too late.

So the implications?  Anything but good.  [Ageing is generally not very good for economy](http://www.alsosprachanalyst.com/economy/the-world-in-2030-super-cycle-or-grey-age.html), and [ageing is bad for real estate](http://www.alsosprachanalyst.com/real-estate/ageing-and-asset-prices.html).  People fleeing might be even worse.

***Read more:*** [***http://www.businessinsider.com/china-is-ageing-and-the-rich-are-fleeing-2011-4#ixzz1KNKgKdFj***](http://www.businessinsider.com/china-is-ageing-and-the-rich-are-fleeing-2011-4#ixzz1KNKgKdFj)

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**The Chinese in Africa**

Trying to pull together

*Africans are asking whether China is making their lunch or eating it*

**Apr 20th 2011 | *NAIROBI***| ***The Economist***

On his first trip three years ago Mr Zhu filled a whole notebook with orders and was surprised that Africans not only wanted to trade with him but also enjoyed his company. “I have been to many continents and nowhere was the welcome as warm,” he says. Strangers congratulated him on his homeland’s high-octane engagement with developing countries. China is Africa’s biggest trading partner and buys more than one-third of its oil from the continent. Its money has paid for countless new schools and hospitals. Locals proudly told Mr Zhu that China had done more to end poverty than any other country.

He still finds business is good, perhaps even better than last time. But African attitudes have changed. His partners say he is ripping them off. Chinese goods are held up as examples of shoddy work. Politics has crept into encounters. The word “colonial” is bandied about. Children jeer and their parents whisper about street dogs disappearing into cooking pots.

Once feted as saviours in much of Africa, Chinese have come to be viewed with mixed feelings—especially in smaller countries where China’s weight is felt all the more. To blame, in part, are poor business practices imported alongside goods and services. Chinese construction work can be slapdash and buildings erected by mainland firms have on occasion fallen apart. A hospital in Luanda, the capital of Angola, was opened with great fanfare but cracks appeared in the walls within a few months and it soon closed. The Chinese-built road from Lusaka, Zambia’s capital, to Chirundu, 130km (81 miles) to the south-east, was quickly swept away by rains.

**Business, Chinese style**

Chinese expatriates in Africa come from a rough-and-tumble, anything-goes business culture that cares little about rules and regulations. Local sensitivities are routinely ignored at home, and so abroad. Sinopec, an oil firm, has explored in a Gabonese national park. Another state oil company has created lakes of spilled crude in Sudan. Zimbabwe’s environment minister said Chinese multinationals were “operating like *makorokoza* miners”, a scornful term for illegal gold-panners.

Employees at times fare little better than the environment. At Chinese-run mines in Zambia’s copper belt they must work for two years before they get safety helmets. Ventilation below ground is poor and deadly accidents occur almost daily. To avoid censure, Chinese managers bribe union bosses and take them on “study tours” to massage parlours in China. Obstructionist shop stewards are sacked and workers who assemble in groups are violently dispersed. When cases end up in court, witnesses are intimidated.

Tensions came to a head last year when miners in Sinazongwe, a town in southern Zambia, protested against poor conditions. Two Chinese managers fired shotguns at a crowd, injuring at least a dozen. Some still have pellets under healed skin. Patson Mangunje, a local councillor, says, “People are angry like rabid dogs.”

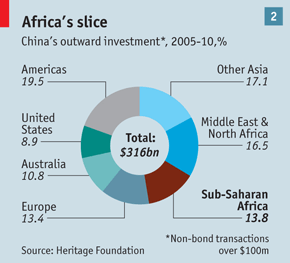
There is anger and disappointment on the Chinese side too. In the South African town of Newcastle, Chinese-run textile factories pay salaries of about $200 per month, much more than they would pay in China but less than the local minimum wage. Unions have tried to shut the factories down. The Chinese owners ignore the unions or pretend to speak no English.

They point out that many South African firms also undercut the minimum wage, which is too high to make production pay. Without the Chinese, unemployment in Newcastle would be even higher than the current 60%. Workers say a poorly paid job is better than none. Some of them recently stopped police closing their factory after a union won an injunction.



“Look at us,” says Wang Jinfu, a young factory-owner. “We are not slave drivers.” He and his wife came four years ago from Fujian province in southern China with just $3,000. They sleep on a dirty mattress on the factory floor. While their 160 employees work 40 hours a week, the couple pack boxes, check inventory and dispatch orders from first light until midnight every day of the year. “Why do people hate us for that?” says Mr Wang.

Indeed, China has boosted employment in Africa and made basic goods like shoes and radios more affordable. Trade surpassed $120 billion last year (see chart 1). In the past two years China has given more loans to poor countries, mainly in Africa, than the World Bank. The Heritage Foundation, an American think-tank, estimates that in 2005-10 about 14% of China’s investment abroad found its way to sub-Saharan Africa (see chart 2). Most goes in the first place to Hong Kong. The Heritage Foundation has tried to trace its final destination.



One answer to Mr Wang’s question is that competition, especially from foreigners, is rarely popular. Hundreds of textile factories across Nigeria collapsed in recent years because they could not compete with cheap Chinese garments. Many thousands of jobs were lost.

**Mixed blessings**

Quite a bit of criticism of China is disguised protectionism. Established businesses try to maintain privileged positions—at the expense of consumers. The recent arrival of Chinese traders in the grimy alleys of Soweto market in Lusaka halved the cost of chicken. Cabbage prices dropped by 65%. Local traders soon marched their wire-mesh cages filled with livestock to the local competition commission to complain. “How dare the Chinese disturb our market,” says Justin Muchindu, a seller. In Dar es Salaam, the commercial capital of Tanzania, Chinese are banned from selling in markets. The government earlier this year said Chinese were welcome as investors but not as “vendors or shoe-shiners”.

Another answer, according to China’s critics, is that the Chinese are bringing bad habits as well as trade, investment, jobs and skills. The mainland economy is riddled with corruption, even by African standards. International rankings of bribe-payers list Chinese managers near the top. When these managers go abroad they carry on bribing and undermine good governance in host countries. The World Bank has banned some mainland companies from bidding for tenders in Africa.

China’s defenders reply that its detrimental impact on governance is limited. African leaders find it surprisingly hard to embezzle development funds. Usually money is put into escrow accounts in Beijing; then a list of infrastructure projects is drawn up, Chinese companies are given contracts to build them and funds are transferred to company accounts. Africa, for better and worse, gets roads and ports but no cash. At least that is the theory.

A third answer is that China is seen as hoarding African resources. China clearly would like to lock up sources of fuel, but for the moment its main concern is increasing global supply. Its state-owned companies often sell oil and ore on spot markets. Furthermore, its interest in Africa is not limited to resources. It is building railways and bridges far from mines and oilfields, because it pays. China is not a conventional aid donor, but nor is it a colonialist interested only in looting the land.

The ambiguities in China’s relationship with Africa have created fertile ground for politicians. Opposition parties, especially in southern Africa, frequently campaign on anti-China platforms. Every country south of Rwanda has had acrimonious debates about Chinese “exploitation”. Even in normally calm places like Namibia, antipathy is stirring. Workers on Chinese building sites in Windhoek, the capital, are said to get a “raw deal”. In Zambia the opposition leader, Michael Sata, has made Sino-scepticism his trademark.

Much of this is wide of the mark. Critics claim that China has acquired ownership of natural resources, although service contracts and other concessions are the norm. China is also often accused of bringing prison labour to Africa—locals assume the highly disciplined Chinese workers in identical boiler suits they see toiling day and night must be doing so under duress.

Even so, the backlash is perhaps unsurprising. Africans say they feel under siege. Tens of thousands of entrepreneurs from one of the most successful modern economies have fanned out across the continent. Sanou Mbaye, a former senior official at the African Development Bank, says more Chinese have come to Africa in the past ten years than Europeans in the past 400. First came Chinese from state-owned companies, but more and more arrive solo or stay behind after finishing contract work.

Many dream of a new life. Miners and builders see business opportunities in Africa, and greater freedom (to be their own bosses and speak their minds, but also to pollute). A Chinese government survey of 1,600 companies shows the growing use of Africa as an industrial base. Manufacturing’s share of total Chinese investment (22%) is catching up fast with mining (29%).

In part this spread is happening because Africans have asked for it. Some countries made industrial investments a precondition for resource deals. In Ethiopia two out of three resident Chinese firms are manufacturers. Yet the Chinese did not need much pushing. They have always wanted to do more than dig up fuel when investing abroad. They hope to build skyscrapers in Tokyo, run banks in London and make films in Hollywood. In Africa they can learn the ropes in a region where competition is weak. The continent—soon to be ringed with Chinese free-trade ports—is a stepping stone to a commercial presence around the globe.

To this end, the government in Beijing is encouraging all sorts of activity in Africa. Construction is a favourite, accounting for three-quarters of recent private Chinese investment in Africa. The commerce ministry says Chinese companies are signing infrastructure deals worth more than $50 billion a year. For investment in African farming, China has earmarked $5 billion. A lot of Africans view this anxiously.

Perhaps the most significant Chinese push has been in finance. Industrial and Commercial Bank of China has bought 20% of Standard Bank, a South African lender and the continent’s biggest bank by assets, and now offers renminbi accounts to expatriate traders. Other mainland banks have opened offices too, and from their sleek towers they make collateral-free loans to Chinese companies. In theory Africans are eligible to borrow on the same terms, but this rarely happens.

The government in Beijing, which controls the banks, is alert to such criticism. China’s image in Africa is sullied by more than just cowboy entrepreneurs, admits an official. Many of the government’s own practices could be improved.

Suspect above all is the type of transfer that China offers to African countries. Most loans and payments are “tied”—ie, the recipient must spend the money with Chinese companies. (Japan, Spain and others followed a similar model until fairly recently.) But tied aid leads to shoddy work. With no competition, favoured firms get away with delivering bad roads and overpriced hospitals. Creditors and donors often set the wrong priorities.

Worse, the Chinese government is anything but transparent about its money. Aid figures are treated as state secrets. China Exim Bank and China Development Bank, the main lenders, publish no figures about their vast loans to poor countries. The Democratic Republic of Congo was persuaded at the last minute by international advisers to scale back a Chinese lending facility from $9 billion to $6 billion.

**Firm friends**

Politics can be even murkier than finance. For years China has been chummy with African despots who seem to be reliable partners. Publicly, China presents its support for odious incumbents as “non-interference” and tries to make a virtue of it. Africans are less and less convinced.

Relations get especially tricky for the Chinese when strongmen fail to maintain stability. In Zimbabwe in 2008 Robert Mugabe’s sabotage of elections set off civil upheaval. Chinese investors fled, yet the ascendant opposition still linked them to the dictator. In Sudan Omar al-Bashir, who is wanted by the International Criminal Court on genocide charges, has long been a Chinese stalwart. But following a referendum in January, the oil-rich south of his country has seceded. Rulers in Beijing are belatedly trying to befriend his enemies.

Africans are not helpless in their business relations with the Chinese. Some, admittedly, have not been strong in their dealings: a usually bossy Rwanda lets Chinese investors run riot. But African governments by and large get reasonable deals; and some, like Angola, are masterful negotiators. Its president publicly told his Chinese counterpart, “You are not our only friend.” Brazilians and Portuguese are numerous in Luanda, the capital, and Angolans frequently play them off against the Chinese. Angola once banished a Chinese state oil company after a disagreement over a refinery. The company came crawling back a year later, offering more money.

Increasingly, however, it is the Chinese who play Africans off against each other. Growing policy co-ordination between African embassies in Beijing is a useful first step in improving African bargaining power. The World Bank and the IMF are valuable advisers. But no matter how hard African governments try, they cannot cope with the sheer volume of new enterprises. Rules exist to protect employees and the environment, but institutions are too weak to enforce them. Labour inspectors in Lusaka, who monitor sweatshops, have use of only one car and recently it was broken for four months. In the meantime Chinese engineers built an entire cluster of garment factories from scratch.

For aeons the prospect of China and Africa coming closer together had seemed otherworldly. W.H. Auden wrote:

I’ll love you, dear, I’ll love you  
Till China and Africa meet,  
And the river jumps over the mountain  
And the salmon sing in the street.

Sweet-and-sour salmon now regularly croon in sub-Saharan streets. Africans are embracing new opportunities made in China yet remain wary of all the pitfalls.

Western countries too will want to observe the progress of Chinese privateers who cross the Indian Ocean: men like Danny Lau, a 31-year-old from Shanghai, who a year ago followed a group of friends to Zambia, where he is now a successful coal trader and dabbles in property. In a few years, he says, they will move on to a richer continent. What they learn in Accra and Brazzaville will travel with them to Vancouver and Zagreb.

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**Africa and China**

Rumble in the jungle

*Why the Beijing regime needs to act to avert a backlash against Chinese investors in poor countries*

**Apr 20th 2011 | *The Economist***

CHINA has a competitive advantage that is rare among economic powers investing in faraway developing countries: a lack of ancient hostility. In the past decade Chinese investors have been welcomed with open arms in places where Western colonial powers once misbehaved and their descendants sometimes still arouse suspicion.

Hundreds of thousands of Chinese have comfortably set up shop in Africa, bringing with them economic growth and useful technical skills. Their government, eager to loosen constraints on resources and industrial expansion at home, supports them with abundant loans. Africa now supplies 35% of China’s oil. Two-way trade grew by 39% last year.

China deserves credit for engaging a continent that desperately needs investment. Millions of Africans are using roads, schools and hospitals built by Chinese companies or financed with fees from resources they extracted. Not surprisingly, many African leaders have embraced the Chinese, especially when offered vast loans for infrastructure projects. By contrast, the leaders say, Western governments these days offer little more than lectures on good governance.

But the honeymoon is coming to an end. Growing numbers of Africans are turning against the saviours from the East. They complain that Chinese companies destroy national parks in their hunt for resources and that they routinely disobey even rudimentary safety rules. Workers are killed in almost daily accidents. Some are shot by managers. Where China offers its companies preferential loans, African businesses struggle to compete. Roads and hospitals built by the Chinese are often faulty, not least because they bribe local officials and inspectors. Although corruption has long been a problem in Africa, people complain China is making it worse.

**From welcome to backlash**

This antipathy should worry the Chinese government. Granted, it is unlikely to lose access to resources controlled by friendly dictators who have benefited personally from China’s arrival. But its ambitions stretch far beyond securing resources. Chinese companies, private as well as publicly owned, are investing in farming, manufacturing and retailing. Many depend on co-operation with a wide array of increasingly unhappy locals. In Dar es Salaam, Tanzania’s commercial capital, Chinese are banned from selling in markets. In South Africa their factories face closure at the hands of enraged trade unions.

Moreover, China’s investments spread far beyond Africa. Stains on China’s reputation are harming its commercial plans elsewhere—and governments in other continents will be keener than African politicians have been to find reasons to put obstacles in China’s way. A Chinese construction firm had an ear-bashing when bidding for a Polish motorway contract, in part because an Angolan hospital the company had built fell apart within months of opening its doors.

China’s government says it can do little about bad eggs among its expatriates. In fact it can do plenty. It might start by enforcing the many sensible international rules it has signed up for, such as the UN Convention Against Corruption. Some Chinese officials and businessmen are punished for bribery at home; the same should apply abroad. Treating financial dealings with African governments as a state secret, as China does, aids embezzlers and fuels suspicion.

Expecting much more than this, you might say, is hopelessly naive. For a start, the Chinese government has a foreign-policy doctrine of not interfering in the internal affairs of other countries. Even such an apparently modest step as training African officials in enforcing business rules could fall foul of this. When China so often seems indifferent to the rape of its own countryside or to working conditions in factories and mines at home, there may be no reason to expect it to foster better conditions abroad. And it dislikes lectures from Westerners whose own history in Africa lays them open to charges of hypocrisy.

Yet China’s rulers may find that it is increasingly in their own country’s interest to demand better behaviour from its companies. As an economic giant with global ambitions it may have little choice—as America learnt a century ago. It is in the interest of a big trading power to ensure that markets function well, and that its businesses are welcomed, not feared and distrusted—especially when they have often done good.

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**China’s 2010 National Defense White Paper: An Assessment**

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China released its latest national defense White Paper on March 31. The document, entitled China’s National Defense in 2010, is the seventh that the Chinese government has released since 1998 when it began publishing the biannual defense White Papers [1]. Like all of China’s defense White Papers, this is primarily an externally focused document. Since 1998, the defense White Papers have served as an element of China’s strategic messaging. The White Papers are intended to respond to external concerns about transparency and to reduce mistrust based on China’s growing defense spending and military modernization. On balance, China deserves some credit for its efforts even though they fall short of what many observers would like to see.   
  
The latest White Paper offers an overview of Chinese assessments of the country’s security situation, some discussion of China’s national defense policy, a general overview of People’s Liberation Army (PLA) modernization, and a recounting of the PLA’s involvement in activities such as participating in U.N. Peacekeeping Operations, conducting escort operations in the Gulf of Aden and waters off Somalia, holding joint military exercises with other countries, and participation in international disaster relief operations. In addition, it includes sections on topics such as national defense mobilization, the military legal system, China’s defense expenditure, military confidence building, and China’s arms control and disarmament policy.   
  
**China’s View of the Security Situation**  
The section that outlines China’s assessment of its security situation is one of the most noteworthy parts of the latest White Paper because it articulates China’s views of the international strategic environment and outlines Beijing’s strategic threat perceptions. The section reflects China’s mixed perception of its external security environment, highlighting developments that are generally positive from Beijing’s perspective but also underscoring growing unease about trends that Chinese analysts view as threatening. It summarizes China’s view of the security situation as follows:  
  
The international situation is currently undergoing profound and complex changes. The progress toward economic globalization and a multi-polar world is irreversible…the current trend toward peace, development and cooperation is irresistible. But, international strategic competition and contradictions are intensifying, global challenges are becoming more prominent, and security threats are becoming increasingly integrated, complex and volatile. (p. 3)  
  
This section also reflects Beijing’s assessment that its comprehensive power is growing relative to that of the United States and other major countries, especially in the wake of the global financial crisis. As the White Paper puts it, “the international balance of power is changing, most notably through the economic strength and growing international status and influence of emerging powers and developing countries.” (p. 3)  
  
The latest White Paper paints a relatively favorable picture of a security environment in which China’s power is increasing and the world is becoming more multi-polar. China is still able to enjoy a period of opportunity for domestic development, one that has already enabled it to become a much more powerful country. The White Paper also highlights positive developments in cross-Strait relations over the past few years. At the same time, however, it notes that further progress in the cross-Strait relationship “is still confronted by some complicating factors.” (p. 5) [2]. In addition, it points to some security trends that are deeply concerning from Beijing’s perspective, such as threats posed by “separatist forces” in Xinjiang and Tibet.   
  
The White Paper also portrays the broader international security situation as one that has become “more complex.” According to the document, “International strategic competition centering on international order, comprehensive national strength and geopolitics has intensified. Contradictions continue to surface between developed and developing countries and between traditional and emerging powers, while local conflicts and regional flashpoints are a recurrent theme.” (p. 4) Although this section does not call out any particular country by name, it is fairly clear whom the authors have in mind when they characterize international military competition as “fierce.”   
  
According to the White Paper: “Major powers are stepping up the realignment of their security and military strategies, accelerating military reform, and vigorously developing new and more sophisticated military technologies. Some powers have worked out strategies for outer space, cyber space and the polar regions, developed means for prompt global strikes, accelerated development of missile defense systems, and enhanced cyber operations capabilities to occupy new strategic commanding heights.” (p. 4) Indeed, this is clearly a reference to U.S. activities of concern to China, such as the development of new military capabilities and emerging operational concepts like air sea battle and the establishment of the United States Cyber Command (USCYBERCOM) [3].  
  
Turning to the situation in the Asia-Pacific, the White Paper proclaims that it is “generally stable,” but also warns that it is “becoming more intricate and volatile.” According to the White Paper: “Profound changes are taking shape in the Asia-Pacific strategic landscape. Relevant major powers are increasing their strategic investment. The United States is reinforcing its regional military alliances, and increasing its involvement in regional security affairs.” (p. 4) The document paints a picture of a United States that is taking a more active role in regional security issues as it becomes increasingly concerned about the potential implications of China’s rising economic, political, and military power. It also highlights China’s growing wariness about what it sees as U.S. efforts to check its emergence as a great power through containment. In the White Paper’s words, “Suspicion about China, interference and countering moves against China from the outside are on the increase.” (p. 5) In addition, it argues that China is facing greater pressure in preserving its “maritime rights and interests.” (p. 5)  
  
**Reassuring the Neighbors about China’s Defense Policy and Military Spending**  
Following the discussion of the security situation, the White Paper turns to China’s defense policy. The section on national defense policy seems intended to assuage concerns about how China will use its growing military power by reiterating that China “pursues a national defense policy which is defensive in nature.” (p. 5) It also appears to be aimed at addressing concerns about what China will do as it becomes even stronger economically in the future. According to the latest White Paper, “China will never seek hegemony, nor will it adopt the approach of military expansion now or in the future, no matter how its economy develops,” (p. 6) a consistent theme that Beijing also emphasized in nearly identical language that appeared in its 2008 defense White Paper.  
  
The national defense policy section of the White Paper also presents Beijing’s vision for the future of the cross-Strait relationship, which involves a process of resolving differences “through consultation on an equal footing,” discussing political relations “in a pragmatic manner,” holding exchanges on military issues and building mutual trust in the military field “at an appropriate time,” reaching a peace agreement, and ultimately achieving reunification. In addition, it outlines “the goals and tasks of China's national defense in the new era,” which include (1) safeguarding national sovereignty, security and interests of national development; (2) maintaining social harmony and stability; (3) accelerating the modernization of national defense and the armed forces; and (4) maintaining world peace and stability. (p. 6)  
  
The White Paper’s coverage of Chinese defense expenditure seems intended to counter concerns in the United States and in the region about the growth of China’s defense budget, which has increased by double-digit percentages almost every year since the early 1990s. According to the White Paper, “China has increased its defense expenditure moderately as needed,” but has kept its defense spending “at a reasonable and appropriate level” in line with its economic development. The paper reports that the share of GDP devoted to defense “has remained relatively steady” in recent years, while the portion of the government’s total financial expenditure devoted to national defense “has been moderately decreased.” The White Paper also notes that as a result of “the residual impact of the global financial crisis and other uncertainties, the tension between revenue and expenditure in China's finances persists.” Moreover, the paper suggests that this means defense spending has to compete with other priorities, such as agriculture, rural development, education, science and technology, health, and social welfare. As a result, “the growth rate of defense expenditure has decreased.” (p. 30)  
  
**Modest Transparency on PLA Modernization**  
The White Paper also includes a section that covers the modernization of the PLA, providing an overview of army, navy, air force, and Second Artillery modernization, but it offers little that is genuinely new in the way of details about the PLA’s growing capabilities. Instead, it provides general discussions of the modernization of Chinese ground, air, naval, and nuclear and conventional missile forces. One interesting part of the section on PLA modernization, however, is a brief discussion of advances China has made in modernizing its command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) architecture. According to this part of the White Paper, the PLA has made major strides in its communications infrastructure and related capabilities:  
  
The total length of the national defense optical fiber communication network has increased by a large margin, forming a new generation information transmission network with optical fiber communication as the mainstay and satellite and short-wave communications as assistance.   
  
Significant progress has been made in building information systems for reconnaissance and intelligence, command and control, and battlefield environment awareness. Information systems have been widely applied in logistics and equipment support. A preliminary level has been achieved in interoperability among command and control systems, combat forces, and support systems, making order transmission, intelligence distribution, command and guidance more efficient and rapid. (p. 11)  
  
**More on MOOTW**  
Prominently featured in the latest White Paper following the discussions of defense policy and PLA modernization is a new section on the “deployment of the armed forces.” This new section covers *PLA participation in military operations other than war (MOOTW) activities and it lists several accomplishments, such as Chinese participation in U.N. Peacekeeping Operations, PLA contributions to domestic and international disaster relief efforts, and the PLA Navy’s involvement in counter-piracy patrols in the Gulf of Aden and off of Somalia*. This section seems intended to offer an overview of the PLA’s MOOTW accomplishments and highlight the growing international role of the PLA. For example, in the area of peacekeeping, the White Paper reports, “As of December 2010, the PLA had 1,955 officers and men serving in nine U.N. mission areas. China has dispatched more peacekeeping personnel than any other permanent member of the U.N. Security Council.” (p. 18).  
  
China’s naval escort activities are also highlighted as a constructive contribution to international security. The ships China has deployed to conduct escort operations in the Gulf of Aden and waters off Somalia since December 2008 are responsible for “safeguarding the security of Chinese ships and personnel passing through the Gulf of Aden and Somali waters, and the security of ships delivering humanitarian supplies for the World Food Program and other international organizations, and shelter pass-by foreign vessels as much as possible.” As of December 2010, according to the White Paper, the PLA Navy “has provided protection for 3,139 ships sailing under Chinese and foreign flags, rescued 29 ships from pirate attacks, and recovered nine ships released from captivity.” (p. 18)  
  
**What’s Missing**  
Perhaps as interesting as what is included in the White Paper is the exclusion of several subjects that have figured prominently in recent international media coverage of Chinese military developments. Indeed, some rather high- profile issues—chief among them the test flight of the developmental J-20 stealth fighter that took place during Defense Secretary Robert Gates’ visit to Beijing in January and what seems to be a growing willingness to discuss China’s determination to deploy aircraft carriers—are conspicuous by their absence. China’s defense White Papers generally do not offer many details about specific capabilities, and the potential political and diplomatic sensitivity of topics like China’s aircraft carrier ambitions could be further reasons for avoiding detailed discussions in a document like the defense White Paper.   
  
Perhaps less notable than the carrier but also omitted are any mention of China’s January 2007 anti-satellite (ASAT) test or its January 2010 missile defense test, even though the White Paper reiterates that China opposes the weaponization of outer space and implicitly criticizes U.S. missile defense policies [4]. Nor does the latest White Paper mention other capabilities that have generated a great deal of international media attention since the release of the last White Paper, such as the anti-ship ballistic missile (ASBM) intended to hold U.S. aircraft carriers at risk. In addition, the lack of discussion of China’s evacuation of citizens from Libya would also seem to be a notable omission, especially given the emphasis of the White Paper on China’s participation in activities like disaster relief, peacekeeping, and counter-piracy operations, but it was most likely left out because it happened too recently to be included in the document without delaying its release.  
  
**Conclusion**  
In spite of the White Paper’s lack of detail on specific capabilities, it would behoove Western analysts to study the perspectives offered in the biannual assessment. One reason is what the White Paper tells us about changes in Chinese threat perceptions. Beijing still sees a security situation that is favorable on the whole, but its suspicion of U.S. strategic intentions seems to be increasing and it perceives growing challenges related to China’s maritime interests. Another reason to study the latest White Paper is its emphasis on PLA participation in MOOTW, which it portrays as part of an adaptation to the requirements of a changing security environment in which China’s military must be prepared to deal with a variety of traditional and non-traditional security challenges.  
  
***Notes:  
  
1. China released English and Chinese versions of the document. For the English version, see Information Office of the State Council, China’s National Defense in 2010, March 31, 2011,*** [***news.xinhuanet.com/english2010/china/2011-03/31/c\_13806851.htm***](http://news.xinhuanet.com/english2010/china/2011-03/31/c_13806851.htm)***. For the Chinese version, see Information Office of the State Council, 2010 年中国的国防, March 31, 2011,*** [***news.xinhuanet.com/politics/2011-03/31/c\_121252219.htm***](http://news.xinhuanet.com/politics/2011-03/31/c_121252219.htm)***. Page numbers are from the PDF on the U.S. National Defense University’s website:*** [***merln.ndu.edu/whitepapers/China\_English2010.pdf***](http://merln.ndu.edu/whitepapers/China_English2010.pdf)***.   
2. The White Paper charges that the “‘Taiwan independence’ separatist force and its activities are still the biggest obstacle and threat to the peaceful development of cross-Strait relations.” It also criticizes the United States for continuing to sell weapons to Taiwan “in the defiance of the three Sino-US joint communiques,” which it argues remains a serious impediment to the further development of U.S.-China relations and continues to impair the development of cross-Strait ties.   
3. In addition to these more traditional security concerns, another set of problems described in the White Paper centers on non-traditional security challenges. According to the White Paper, the security threats associated with problems such as terrorism, global climate change, nuclear proliferation, information insecurity, natural disasters, public health threats, and transnational crime are growing, and the situation is becoming more complex as “Traditional security concerns blend with non-traditional ones and domestic concerns interact with international security ones, making it hard for traditional security approaches and mechanisms to respond effectively to the various security issues and challenges in the world.”  
4. On missile defense, China’s 2010 National Defense White Paper states: “China maintains that the global missile defense program will be detrimental to international strategic balance and stability, will undermine international and regional security, and will have a negative impact on the process of nuclear disarmament. China holds that no state should deploy overseas missile defense systems that have strategic missile defense capabilities or potential, or engage in any such international collaboration.”***

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**Is China’s Carrier Aviation Program Kicking into High Gear?**

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**Varyag Aircraft Carrier**

China will soon be one-step closer to its long-standing quest to operate an aircraft carrier. Various reports confirmed that the aircraft carrier Varyag, which China purchased from Ukraine and has been under refurbishment at the port of Dalian, may be set for sea trials this summer—perhaps in July or as early as May (Navy Times, April 13; China Times, April 19). Chinese shipbuilding and military sources have indicated that the People’s Liberation Army (PLA) has plans to build two new Varyag style carriers, followed by two larger nuclear-powered carriers which could be expanded to four or possibly six vessels (Asia Times, July 23, 2010; Aviation Week, January 5). While much speculation has arisen about the Varyag’s hardware and launch date, the sea trials of China’s first aircraft carrier raise important questions about the extent of its pilot training programs, which are an essential element for determining the effectiveness of its carriers’ strike force.  
  
On September 5, 2008, PLA Daily reported that the Dalian Naval Academy—China’s premier military institution under the command of the navy headquarters—had established a program to recruit pilot cadets. The article revealed the recruitment of 50 pilots, ostensibly selected to receive a four year education in ship-based aircraft flight. It has been widely assumed that this program was for the recruitment and training of the PLAN’s first class of carrier aviators (PLA Daily, September 5, 2008). Some analysts have speculated that if in fact the report is true then the first pilot program of recruiting pilot cadets is an indicator of an important decision made by the PLAN as a final stage of preparation for its highly touted carrier program (Chinamil.com.cn, September 10, 2008).  
  
Another element of China’s carrier pilot training program that is shrouded in mystery is how it is training PLAN aircraft carrier pilots. After all, the Varyag will be China’s first aircraft carrier. To that end, China has been building training centers and actively seeking outside expertise to help train its pilot in carrier naval aviation. There are also reports that China is building several carrier-based fighter pilot systems for training. A couple of these installations, which are reportedly located in Liaoning, Hubei and Shanxi provinces, are designed to simulate the deck of an aircraft carrier landing system. For example, the massive carrier pilot training base at Huludao, Liaoning province appears to be a near duplicate of the design of NITKA (Ukrainian Nazemniy Ispitatelno—Tryenirovochniy Kompleks Aviatsii: Land-based Naval Aviation Testing and Training Complex). The NITKA facilities are state of the art land-based installations for operating one of the Russian-designed carriers that utilize a ski ramp for take-off instead of the steam catapult and arresting cable/tailhook landing system used on U.S. and French aircraft carriers (Taipei Times, February 15). Another ground aircraft carrier fighter pilot simulation training system made of concrete and modeled after the Varyag appeared in the vicinity of Wuhan City, Hubei Province, with an almost identical medium-sized aircraft carrier landing runway and bridge (Russian World Arms trade and Analysis Center, February 9). Other facilities ostensibly for training of carrier personnel and engineering support specialists have been identified in Xian, Shanxi Province (Taipei Times, February 15).   
      
China is also reportedly seeking to train pilots for ship-based aircraft at naval aviation training centers in Ukraine. The center is equipped with state-of-the-art simulators for taking off from angled decks, landing with arresting wires, and emergency response operations (China Review News, April 21). Furthermore, Brazil and China had reached an agreement in 2009 to train personnel from the PLAN in Brazil. In the interview (available in Portuguese), Brazil's Defense Minister Nelson Jobim announced that the two sides reached a training agreement to stage PLAN officers abroad the NAe Sao Paulo, Brazil’s Clemenceau-class aircraft carrier (See “PLAN Officers to Train on Brazilian Aircraft Carrier,” China Brief, June 12, 2009).   
  
There are currently nine navies with aircraft carriers in active service, and the United States, France, Russia and Brazil are the only four naval forces that have operational aircraft carriers capable of launching and recovering conventional aircraft. Reports that appeared in the Chinese press as well as its activities indicated that the PLAN may be planning to use a mix of CATOBAR and STOBAR launch and recovery systems for its carriers, which would explain why Chinese leaders have reached out to both Ukraine and Brazil for carrier aviation training (China Review News, April 21; Defasanet, May 13, 2009).   
  
There remains a long period of training, development and exercises before the carrier becomes operational. It is likely that the Varyag will be used mainly for training purposes for a completely indigenous model. While a single carrier is largely symbolic, nevertheless it underscores the progress that China has made and its ambition to become a global maritime power. The upcoming sea trials for the Varyag will mark China’s ascension in a rare class of naval powers. While China has demonstrated that it is catching up with Western powers in terms of hardware, yet China’s rise as a true naval power is far from assured. Much will depend on the extent to which it is able to educate and train the personnel that will ultimately determine military capabilities. This remains to be seen for now.

***RD Comment: It's going to take more than 1 -4 aircraft carriers to threaten America. Big ships are great targets for many different military platforms. Our own carriers are great targets to the great concern of our military leaders.***

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**A special report on China's place in the world**

*The fourth modernisation*

*China is becoming a military force to reckon with in the western Pacific. How should America respond?*

***The Economist*, Dec 2nd 2010** |

THIRTY-FIVE years ago Deng Xiaoping accused the People’s Liberation Army (PLA) of “bloating, laxity, conceit, extravagance and inertia”. Even so, three years later, when he set about modernising China, he put the PLA last in the queue, behind farming, industry and science. And when the commander of the navy in 1982 laid out his plans for China to become a world sea power, he did not expect his goal to be realised before 2040.

Later military modernisation became more of a priority, thanks to two demonstrations of American firepower. First, America’s use of precision weapons in Operation Desert Storm during the first Gulf war convinced China that it could no longer base its defence on the weight of numbers. Second, when the PLA was hectoring Taiwan with missile tests in 1996, President Bill Clinton ordered two aircraft-carrier strike groups into the region, one of them headed by the provocatively named *USS Independence*. China had to back down.

The collapse of the Soviet Union had persuaded China’s leaders that an arms race with the world’s only superpower could squander enough money to pose a threat to the party’s grip. To challenge America head on made no sense. Instead China put its efforts into affordable “asymmetric” weapons.

**In this special report**

This unorthodox strategy has made the PLA’s progress harder to measure. Western opinion is deeply divided. Military analysts are alarmed at what they see as a growing threat to American maritime supremacy in the western Pacific. China security specialists tend to scoff at all the scaremongering. Who is right?

Three areas of the PLA’s modernisation stand out. First, China has created what the Pentagon calls “the most active land-based ballistic- and cruise-missile programme in the world”. The Second Artillery has about 1,100 short-range ballistic missiles facing Taiwan and has been extending their range and improving their accuracy and payload. The Second Artillery is also improving its medium-range ballistic missiles, able to carry either conventional or nuclear warheads. The PLA has deployed several hundred air- and land-launched long-range cruise missiles. And it is developing the world’s first anti-ship ballistic missile, fitted with a manoeuvrable re-entry vehicle for added menace.

Second, China has transformed and enlarged its submarine fleet, which can now berth in the newly completed base on Hainan Island, just off China’s southern coast. In the eight years to 2002 China bought 12 Russian Kilo-class submarines, a big improvement on its own noisy Ming- and Romeo-class boats. Since then the PLA navy has been introducing longer-range and stealthier Chinese designs, including the nuclear-powered Jin class, which carries ballistic missiles, and the Shang class, a nuclear-powered attack submarine. China has about 66 submarines against America’s 71, though the American boats are superior. By 2030, according to the Kokoda Foundation, an Australian think-tank, China could have 85-100 submarines.

And third, China has concentrated on what it calls “informatisation”, a tongue-twister that Jiang Zemin coined in 2002 to describe how the PLA needs to function as one force, using sensors, communications and electronic and cyber-warfare. China now has a good idea of what is going on far into the Pacific, thanks to a combination of satellites, over-the-horizon radar, medium-range surface-wave radars, reconnaissance drones and underwater-sensor arrays.

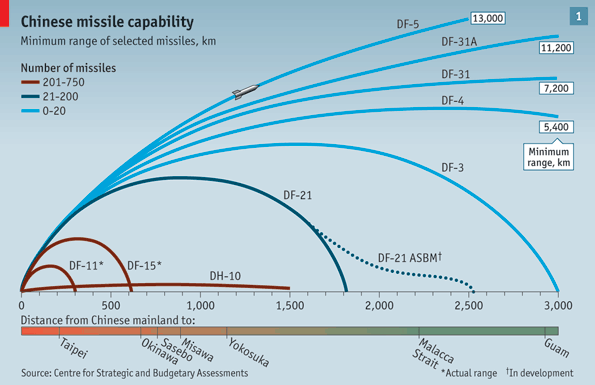
China has also been working on anti-satellite weapons. American satellites have been “dazzled” by lasers fired from the ground. And in 2007 a ballistic missile launched from Xichang space centre in Sichuan blew up a broken weather satellite—no mean feat, though other countries were furious because it produced more than 35,000 new pieces of space debris.

Chinese hackers have been busy, too. In March last year Canadian researchers discovered a spy network containing more than 1,300 computers, many of them in China, that had got into governments’ systems. Taiwanese and Western targets suffered from severe Chinese cyber-attacks at least 35 times in the decade to 2009, according to Northrop Grumman, an American defence contractor. The Pentagon concedes that it is not sure the PLA was behind such attacks, but argues that “authoritative” analysts in the PLA see cyber-warfare as important.

**The new arsenal**

What does this amount to? Military experts in America, Australia and Japan think China’s new arsenals are a greater threat than its higher-profile plans to launch aircraft-carriers in the next decade or so. Alan Dupont, of the University of Sydney in Australia, says that “missiles and cyber-equivalents are becoming the weapons of choice for the conventionally outgunned.”

According to the Centre for Strategic and Budgetary Assessments (CSBA), an American research institute, Chinese firepower threatens America’s Asian bases, which until now have been safe from all but nuclear attack. The Second Artillery’s missiles could swamp the bases’ defences and destroy runways as well as large numbers of fighters and ships. Japan is already within range of Chinese missiles, many of them currently pointing at Taiwan. Guam soon will be (see chart 1).



*China’s submarines, missiles and anti-ship cruise missiles threaten America’s aircraft-carrier strike groups within 1,000 to 1,600 nautical miles of the Chinese coast*. According to Ross Babbage, an Australian defence analyst and founder of the Kokoda Foundation, if China had an anti-ship ballistic missile, coming in fast and without much warning, it would be even harder to defend against. And China’s space and cyber-weapons could serve as what Chinese planners label an “assassin’s mace” in a surprise attack designed to smash America’s elaborate but fragile electronic networks. That would leave American forces half-blind and mute, and its bases and carriers more vulnerable still.

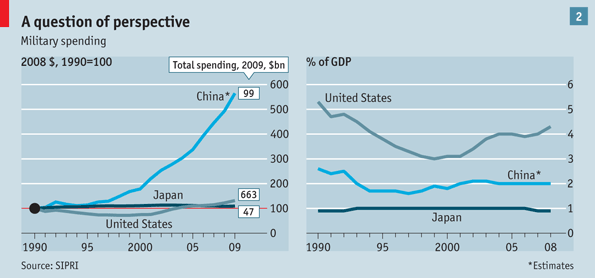
In sum, China’s abilities to strike have soared far beyond seeking to deter American intervention in any future mainland dispute with Taiwan. Today China can project power out from its coastline well beyond the 12-mile (19km) limit that the Americans once approached without a second thought. Mr Okamoto, the Japanese security expert, believes China’s strategy is to have “complete control” of what planners call the First Island Chain. Ultimately, China seems to want to stop the American fleet from being able to secure its interests in the western Pacific.

America’s most senior officials have taken note. Last year Robert Gates, the defence secretary, gave warning that “investments [of countries like China] in cyber- and anti-satellite warfare, anti-air and anti-ship weaponry and ballistic missiles could threaten America’s primary way to project power and help allies in the Pacific—in particular our forward air bases and carrier strike groups.”

Mr Babbage is blunter: “Current defence planning is invalid,” he says. He and the analysts at CSBA argue that America needs to rethink its strategy in the Pacific. It should strengthen its bases and be able to disrupt Chinese attacks with decoys and by spreading aircraft and ships around the region. American forces must have better logistics and be able to fight even when their information networks are impaired. Crucially, they must be in a position to disable China’s electronic reconnaissance, surveillance and battle-damage assessment, some of which is protected by a system of tunnels beyond easy reach of American weapons.

**Pacific in name only**

Critics say the cold warriors are suffering from a bad case of “enemy-deprivation syndrome”. For a start, the impression that China’s defence spending has soared is misleading. The PLA’s budget has broadly kept pace with GDP in the past decade, after two decades in which its share of GDP fell (see chart 2). Experts differ about the size of China’s defence budget, which is only partly disclosed. Sam Perlo-Freeman, of the Stockholm International Peace Research Institute, puts overall spending in 2009 at $99 billion in 2008 dollars, though some estimates are higher and the official total is only $70 billion. The United States is planning to spend $663 billion. As a share of GDP, China spends less than half the American figure and less than it did at the start of the 1990s. “There is not much evidence of an arms race,” says Mr Perlo-Freeman.



Some doubt the quality of China’s equipment. One retired American admiral says that much of the Russian equipment it bought was “junk”. *Despite China’s progress, it lags in guidance and control, turbine engines, machine tools, diagnostic and forensic equipment and computer-aided design and manufacturing. “China has come a long way fast,” says Professor Dupont, “but military modernisation gets harder from here*.”

Some have doubts about China’s manpower, too. The PLA is much more professional now than when it was a peasant army, but it lacks experience. Nigel Inkster, of the International Institute for Strategic Studies (IISS), recalls one of the founders of the Chinese navy once telling him: “It’s not that I didn’t know much about sailing, but I hadn’t ever seen the sea.”

Complex subjects like submarine warfare take years to master. “If you fight, there are holes,” says the IISS’s Christian Le Mière. “And until you do, you don’t know where they are.” The retired admiral thinks Chinese forces suffer from a lack of trust, which could slow them up in battle. “We give our people responsibility and initiative,” he says. “That’s anathema to them.”

Robert Ross, a professor at Harvard, argues that the pessimists overestimate China’s threat and underestimate America’s powers. The United States is better able to track the other side’s submarines; it is superior in cyber-warfare and less vulnerable than China in space—if only because it has built-in redundancy. China would struggle to penetrate the countermeasures and electronic camouflage that protect American ships. *Carlyle Thayer, of the Australian Defence Force Academy, notes that it has already deployed 31 of its 53 fast-attack submarines and three Ohio class nuclear submarines to the Pacific*.

For all the uncertainties in this debate, three things are beyond dispute. First, China has already forced American ships to think about how and when they approach the Chinese coast. The closer American vessels come, the more missiles and submarines they face and the less time they would have to react to a strike. Anyone sailing a carrier worth $15 billion-20 billion with a crew of 6,000 would think twice about taking on that extra risk. To deny America possession of seas it has dominated for decades, China does not need to control its own coastal waters; it just has to be able to threaten American ships there. Hugh White, a former Australian security and defence official, foresees the western Pacific becoming a “naval no-go zone”.

Second, China’s ability to project power is improving. Its submarines, fighter aircraft, missiles, and cyber- and electronic warfare, once poor, now pose a threat. China’s weapons will continue to improve, and its forces will gather experience. Provided that the economy does not fall over, budgets will grow, too, absolutely and possibly as a share of GDP. Other things being equal, China can project power into its backyard more easily than America can project power across the Pacific Ocean. At risk is what Mr Gates has called “the operational sanctuary our navy has enjoyed in the western Pacific for the better part of six decades”.

Third, although the United States is able to respond to China, it will have to overcome some obstacles first. America’s military spending in Asia is overshadowed by the need to cut overall government spending and by other military priorities, such as Afghanistan. Jonathan Pollack, of the Brookings Institution, points out that some ideas, such as replacing aircraft-carriers with more submarines, would inevitably run into opposition from the navy and from politicians whose constituencies would suffer. “For many officers the navy’s core institutional identity is indelibly tied to carriers and the power-projection mission they perform,” he says. “Reducing their numbers is going to be a very painful process.” Above all, big shifts in military planning take decades: America needs to think now about China in 2025.

All this points to an important principle. Military planning is framed differently from diplomacy. Diplomats are interested in what they think states intend to do, but military planners have to work with what they think states can do. Intentions change and states can mislead. If you are charged with defending your country, you need to be able to meet even improbable threats.

That logic works in China, too. America has not been shy of going to war in recent years. Not long ago a retired Chinese admiral likened the American navy to a man with a criminal record “wandering just outside the gate of a family home”. American strength in the 1990s made China feel insecure, so it transformed the PLA to shore up its policy on Taiwan and protect its economically vital coastline. Yet by adding to its own security, China has taken away from that of its neighbours and of the United States. Perhaps China does not mean ever to use its weapons aggressively. But American defence planners cannot rely on that, so they must respond.

In this way two states that never intend harm can begin to perceive each other as growing threats. If you do not arm, you leave yourself open to attack. If you do, you threaten the other country. A British historian, Herbert Butterfield, called this the “absolute predicament and irreducible dilemma”. It is one reason why relations between China and America will probably sour.

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**Wanted: high-tech weapon operators**

**Source: *Global Times*, [01:38 April 22 2011]**

**By Liu Linlin**

In a further step to modernize itself to cope with the challenges of a new era, China's army is trying to develop officers of higher caliber, able to handle advanced weaponry and master warfare in the information age by 2020, a military blueprint said.

Details of the plan were posted on the website of the Ministry of National Defense on Monday, after its approval by the chairman of the Central Military Commission, Hu Jintao, the Xinhua News Agency reported.

The People's Liberation Army (PLA) already possesses an array of high-tech weaponry, but the quality of its soldiers has been lagging, the plan said.

Therefore, eight projects have been identified to optimize the military's personnel structure, including cultivating high-tech military talents, introducing overseas intelligence and high-quality talent education, training in new combat weapons, cyber warfare and non-traditional security missions, such as the humanitarian missions being carried out domestically and overseas by 2020, Xinhua reported.

The plan did not specify the size of such a talent pool, but it noted that overseas intellectual participation was welcomed, although further details as to this were scarce.

The PLA General Political Department, which will oversee the plan's implementation, was not available for comment.

In a written instruction on the utilization of talented officers Wednesday, Hu called on the military, particularly military colleges and academies, to fully realize the importance of talent cultivation and to foster "a large number of high-quality military talents," People's Daily reported.

Hu stated that military talents would be a pillar for the scientific development of China's defense and military.

A senior official with the PLA General Political Department outlined the reasons why this recruitment process was key to the army's transformation, the PLA Daily reported Tuesday.

Although the academic qualification level of army officers has improved, with 80 percent having bachelor degrees and 20 percent holding master degrees, overall capacity to manage information, as well as performance, during joint operations remains poor, combined with ongoing problems in assigning resources and policymaking, according to the official.

Liu Yong, a senior editor with China Security, a defense magazine, told the Global Times that Beijing will accelerate its military overhaul as army operations have Liu said he believed that the willingness of China's military to absorb overseas intellectual achievements, as displayed in this plan, was positive, as it "demonstrates the military does not keep its door shut to the outside."

"It shows that high-level military officials have realized the importance of drawing lessons and experience externally, which could boost China's own development especially in grass-root research programs," Liu said.

However, Liu conceded that China would take a while to finish a network capable of drawing out full efficiency from its advanced weapons and high-tech equipment.

Senior Captain Li Jie, a researcher with the Chinese Navy's Military Academy, told the Global Times that China's military-personnel buildup has shifted from pure expansion to upgrading the quality of its soldiers to meet the requirements of high-tech war.

"China has made efforts to sharpen its scientific and technology innovation ability in recent years, including speeding up its development of new and high-tech weaponry, which needs to be mastered by technologically geared talents," Li said.

To improve combat capability, the military has to be staffed with highly talented soldiers who are not specialized in just one field, but proficient in the joint operations of all three forces, Li added.

As to absorb overseas intelligence, Li said China has already kicked off military exchange programs.

However, he downplayed the possibility of recruiting foreign experts on a large scale due to information security concerns.

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| AviationweekImage |
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| **Sizing Up China's Military Capabilities - April 5, 2011** |  |
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| **By Richard D. Fisher, Jr., Bill Sweetman Washington, Washington** | |
| UCAS-D-NorthropGrummanIt is no secret that long-term U.S. Air Force and Navy planning is focused on China. This alone is straining U.S.-China relations, as well as triggering U.S. domestic criticism from those who regard war with China as inconceivable, and an internal squabble between China-focused planners and “boot-centric” Army and Marine Corps leaders.  The U.S. focus on China—and from all outward signs, China’s military focus on the U.S.—has been driven by several factors since the mid-1990s. China’s rapid economic and technological progress gives it the resources to compete militarily with the U.S. The Taiwan Strait crisis of 1995-96—in which China’s apparent goal of persuading Taiwanese voters to reject its pro-independence government was frustrated, in part, by a U.S. show of force—was one factor that triggered drastic reforms and modernization of China’s non-nuclear forces. The Taiwan issue, and the broader concern of military power in what Chinese leaders have historically considered home waters, have led to a visible direction in China’s military modernization toward changing the balance in the Western Pacific.  A decade ago, many U.S. analysts were unimpressed by the People’s Liberation Army (PLA). One heard snickers about the “million-man swim” required to invade Taiwan. By 2011, such hubris has given way to palpable concern: The PLA has made great strides toward implementing a strategy described in Pentagon documents since 2005 as “anti-access” or “area denial,” or the shorthand “A2/AD,” to deter or defeat U.S. forces in the Western Pacific.  The elements of this capability include:  •Information exploitation. Digital connectivity, now available from troops to top command levels, has helped implement and refine new joint force operations, especially between the second artillery missile force, the PLA air force and the PLA navy (PLAN). Networks of optical, radar and electronic surveillance satellites, new over-the-horizon (OTH) radar, AWACS and electronic intelligence aircraft plus new passive counter-stealth radar and soon, a 30-plus navigation satellite constellation, enable precision targeting at increasing distances.  •Information attack. In the mid-2000s, U.S. intelligence agencies identified the Advanced Persistent Threat (APT), a pattern of cyberespionage largely traceable to China and aimed mainly at the U.S. defense industry and armed forces.  •Precision air and missile attack. China is developing (and offering for export) an expanding range of guided rockets conforming to the range limits of the Missile Technology Control Regime, while domestically producing guided air-launched weapons—bombs and cruise missiles—and ballistic missiles capable of threatening U.S. bases and naval forces.  •Growing sea denial. PLAN has Asia’s most formidable sea-denial capability built around a growing force of 50-80 conventional submarines (SSKs). Soviet-era boats are being replaced by the Song and Yuan classes and imported Russian Kilos (see p. 15). A yet-undesignated new SSK similar in shape to the Kilo was revealed in September. The Songs and Kilos carry sub-launched YJ-82 antiship cruise missiles and the Kilos carry the formidable Novator 3M-54 Club cruise missile family.  In the Soviet era, it was commonplace for U.S. intelligence agencies to exaggerate Soviet capabilities and predict that new systems would enter service sooner and in larger numbers than actually happened. A consistent trend in analysis of China’s military capabilities is to do the reverse. The emergence of the DF‑21D antiship ballistic missile (ASBM) program (around 2007) startled the U.S. Navy, triggering a crash program to retrieve SM-2 Block IV missiles from storage to establish an initial terminal ballistic missile defense (BMD) capability (for a report on antiship missiles, see p. 41).  Late in 2010, U.S. Pacific Command leader Adm. Robert F. Willard made the surprise declaration that the DF-21D had reached initial operational capability, indicating not only that the missile and its guided reentry vehicle had been tested but were ready to be used with targeting systems such as OTH radar and ocean reconnaissance satellites. (Around the same time, Chinese documents emerged describing the use of submunitions to disable a carrier and damage its aircraft.)  The same trend has been seen with China’s aircraft carrier program, where Western leaders were slow to acknowledge that the former Soviet carrier Varyag was being rehabilitated as (at least) a test and training carrier until Chinese Internet imagery showed this was the case.  Even a conservative estimate of the J-20 fighter (DTI February, p. 32) casts doubt on U.S. Defense Secretary Robert Gates’s assertion in 2009 that China would have no operational stealth fighters before 2020. In the Western Pacific context, the J-20’s size and design suggest that one mission could be to threaten U.S. aircraft such as the E-3 AWACS, or Rivet Joint signals intelligence aircraft and tankers, without which U.S. tactical air assets would be rendered useless.  U.S. officials have tended to view this increasing A2/AD force through the prism of a potential conflict over the future of Taiwan or a contest for dominance in the Western Pacific. In the event of a conflict, it is assumed the PLA would launch cyberstrikes against regional U.S. and allied military facilities and U.S. political and military leadership, while directing air, naval and special forces strikes against nearby American facilities in Okinawa and Guam. Should Washington refuse to sue for peace, and deploy forces into the theater, the PLA would fashion joint missile, air and submarine strikes to deter or defeat naval and air forces.  U.S. options in response do not include the rapid development and deployment of major new weapons, with limited R&D and procurement resources under increased pressure from Joint Strike Fighter cost overruns (see p. 28 for issues surrounding development of a new bomber). The emerging AirSea Battle concept, consequently, relies on the reorientation of current programs and the use of networking to ensure freedom of operation in A2/AD environments—the euphemism for a hostile Western Pacific.  The Center for Strategic and Budgetary Assessments (CSBA) has issued some of the key documents behind the AirSea Battle. They should not be taken lightly since former CSBA staff, including Deputy Navy Secretary Robert Work, occupy key positions in Washington. CSBA’s most comprehensive report stresses that “AirSea Battle, as a doctrine for the operational level of war, cannot and should not be seen as a ‘war-winning’ concept in itself. Nor should it be viewed through the lens of a particular scenario, for example, the defense of Taiwan. Instead, it should be considered as helping to set the conditions at the military operational level to sustain a stable, favorable conventional military balance throughout the Western Pacific region.”  So it is not about fighting China, but maintaining a military balance to sustain stability in the region—but it is a military concept for combat operations, which responds to visible Chinese developments and China’s lack of transparency about strategy and intentions. Some of the key “air-sea” linkages mentioned by CSBA and others include:  •Air Force counter-space operations to blind PLA space-based ocean surveillance systems and prevent targeting of ASBMs. (This may be why USAF is developing the X-37B agile space vehicle and why, according to the Heritage Foundation’s Dean Cheng, Chinese defense bloggers are upset about it.)  •In January, it was announced that the Air Force Joint Stars (Surveillance Target Attack Radar System) aircraft had completed a demonstration of the Network Enabled Weapon architecture, in which moving ships were tracked by Joint Stars and hit with AGM-154C glide bombs released from F/A-18s.  •Navy Aegis ships in the BMD role would provide a front line of defense for USAF forward bases and permit shoot-look-shoot engagements of incoming missiles. Sea-based BMD has driven a shift in Navy fleet planning in recent years, with curtailment of the DDG-1000 and its replacement by a BMD-optimized version of the Burke-class frigate.  •Long-range penetrating strikes would destroy PLA ground-based, long-range maritime surveillance systems (such as OTH radars) and missiles aimed at ships and bases. Concurrently, Navy submarine-based strike support against PLA integrated air-defense systems would pave the way for Air Force strikes.  Another example of air-sea collaboration would be the development of an airborne infrared sensor capability for BMD based on long-endurance, land-based unmanned aerial vehicles, to fill the gap until a space-based system is available in the 2020s. Either system allows the new Burke, armed in the future with the Next Generation Aegis Missile (formerly the SM-3 Block IIB), to be as or more effective than the now-abandoned CG-X missile cruiser.  The U.S. Defense Advanced Research Projects Agency’s (Darpa’s) Long-Range Anti-Shipping Missile (LRASM) project is also aimed at air-sea warfare deficiencies. LRASM is a three-part program that encompasses two airframe/propulsion approaches, both developed by divisions of Lockheed Martin Missiles and Fire Control, and a common multimode seeker from BAE Systems of Nashua, N.H., the former Lockheed Sanders.  One set of demonstrations will focus on air launch and the other on surface-ship launch, but both teams will define air- and ship-launched versions, confirming that the plan would be to take only one weapon into full-scale development. LRASM-A is being developed by the Strike Weapons unit in Orlando, Fla., and is based on the Joint Air-to-Surface Standoff Missile Extended Range airframe. Its demonstration program will culminate in two air-launched demonstrations.  LRASM-B is run by Tactical Missiles of Grand Prairie, Texas, and uses “prior ramjet development activities” to provide a supersonic-cruise missile with stealth qualities. The ramjet technology comes from Pratt & Whitney. LRASM-B will wind up with four boosted launches out of Vertical Launch System tubes. The program is due to be complete by April 2013.  BAE Systems’ role suggests that the core of the sensor suite is based on passive radio-frequency technology. However, previous discussion of LRASM has made it clear that it will use multiple sensors to autonomously select warship targets even in a cluttered sea lane *while operating in a GPS-denied environment.*  However, if it is indeed the case that China’s technology is advancing more quickly than the West expects, there is a chance of technological surprise.  Some potential developments are being hinted at. The PLA’s preparations to carry out the new “historic mission” given by the Chinese Communist Party in December 2004, which includes a mandate to defend the party’s international interests, takes the PLA’s challenge beyond its increasing A2/AD capabilities in Asia. The beginning of distant activities is seen in the PLA’s deployment of joint-force packages for exercises in Russia (2008) and Kazakhstan (2010) and its participation in counter-piracy patrols off Somalia since late 2009.  *In some cases Washington’s initial A2/AD response is meeting challenges. For example, one counter to the DF-21D 2,000‑3,000‑km (1,240-1,865-mi.)-range ASBM has been the Navy’s UCAS-D unmanned combat aerial system program, for which the Northrop-Grumman X-47B made its first flight on Feb. 2. The X-47B has an initial range of about 2,100 nm., but may not enter the fleet until 2020*. On Feb. 20, China’s Global Times carried a public disclosure that by 2015 the PLA would deploy a new family of 4,000-km intermediate-range ballistic missiles. This family, the paper said, would carry out offensive missions, likely nuclear and non-nuclear strike, and defensive missions, probably meaning it will carry improved terminally guided antiship warheads.  Chinese sources have referred to future DF-25/26/27 missiles: One may be the new 4,000-km missile. Future PLA medium- and short-range ballistic missiles and cruise missiles will be faster and more maneuverable to counter defenses. A new air- and missile-defense interceptor family, sometimes called the HQ-19 (HHQ-26 for the naval version), reportedly has performance goals similar to the 400-km Russian S-400.  By the 2020s the U.S. hopes to resolve technology challenges for deployment of energy weapons. Indicators point to the possibility that the PLA is not far behind in development of tactical lasers, high-power microwave weapons and rail guns. There is also heavy Chinese investment in research centers for electromagnetic launch technology, the basis for rail guns, electromagnetic aircraft catapults and spacecraft launchers.  China is working on counter-stealth and counter-network technology. At IDEX in February (see p. 17), China released details of the meter-wave (VHF) HK-JM and HK-JM2 radars, both mobile and with detection ranges of 330 and 500 km, respectively. The radars could cue more accurate tracking systems. China also unveiled the DWL002 ground-based electronic surveillance measure system, which could be deployed as a passive coherent-location radar, using long-range broadcast signals to detect non-emitting targets.  But these newer trends in Chinese power are not sufficiently reflected in U.S. government documents—like the annual China Military Power report—that influence debate over strategy and spending priorities. One possible result is that U.S. weapons timelines will increasingly trail rather than lead PLA developments.  ================================================ | |

[**US drones migrating to China**](http://www.pakistanpatriot.com/?p=34529)

***Pakistan Patriot*, Posted on 23 April 2011.**

Tags: [China](http://www.pakistanpatriot.com/?tag=china), [General Atomics MQ-1 Predator](http://www.pakistanpatriot.com/?tag=general-atomics-mq-1-predator), [Pakistan](http://www.pakistanpatriot.com/?tag=pakistan), [Pentagon](http://www.pakistanpatriot.com/?tag=pentagon), [Shamsi Airfield](http://www.pakistanpatriot.com/?tag=shamsi-airfield), [United States](http://www.pakistanpatriot.com/?tag=united-states), [Unmanned aerial vehicle](http://www.pakistanpatriot.com/?tag=unmanned-aerial-vehicle), [Washington Times](http://www.pakistanpatriot.com/?tag=washington-times)

[](http://commons.wikipedia.org/wiki/File:MQ-9_Reaper_in_flight_%282007%29.jpg)

**A MQ-9 Reaper unmanned aerial vehicle prepares to land after a mission in support of Operation Enduring Freedom. Image via Wikipedia.**

The [Long War journal](http://www.longwarjournal.org/), a site run by current and past CIA officials discussing the drone strikes in [Pakistan](http://www.lonelyplanet.com/pakistan)–says “The Predator program likely has peaked in its utility. Each strike now generates an enormous amount of negative publicity while further inflaming Pakistani actors.”

“The Long War” folks seem to have realized what [the US](http://www.lonelyplanet.com/usa) is not accepting, at least publicly–the era of the drones in Pakistan is over. Its getting too hot from the drones in the Hindu Kush. As the drones migrate out of Pakistan, the birds are making their way to Libya and to the Chinese break away [province of Taiwan](http://en.wikipedia.org/wiki/Province_of_Taiwan).  The drones would most likely be stationed in South Korea, and Okinawa Japan. Data gathered by the drones can be transmitted almost instantly to bases on the ground, while they could also fire deadly accurate missiles in emergency situations.

[The Pentagon](http://www.lonelyplanet.com/usa/washington-dc/sights/government/pentagon) will be moving many of the armed drones (Predators and Reapers) to its Pacific Command force from where they will be used in part to support spy on  [China](http://www.lonelyplanet.com/china). The [unmanned aerial vehicles (UAV)](http://en.wikipedia.org/wiki/Unmanned_aerial_vehicle) would monitor China’s military buildup and North Korea’s nuclear and missile programs. ”The drones would become available in the coming months as the US draws down forces from theaters in Afghanistan, Pakistan and Iraq.”

[William Lowther has](http://www.lonelyplanet.com/usa) written an article on the plans more drones for Pacific.  The article in the [Washington Times](http://www.washingtontimes.com/) describe the [DoD](http://maps.google.com/maps?ll=38.8709888889,-77.0559611111&spn=0.01,0.01&q=38.8709888889,-77.0559611111%20(United%20States%20Department%20of%20Defense)&t=h) plans. The Pentagon has budgeted US5 Billion for a total worldwide force of 33 Predators and 32 Reapers — using support staff of about 12,000. Each Predator costs about US$5 million and the Reaper is about US$10.5 million. The Predators and Reapers, which can stay up for 24 hours at a speed of 644kph

After the closure of the [Shamsi Air Force Base](http://maps.google.com/maps?ll=27.85,65.1666666667&spn=0.03,0.03&q=27.85,65.1666666667%20(Shamsi%20Airfield)&t=h) in Balochistan, the drones will have to take off and land in Jalalabad in Afghanistan. Last year, the American military stationed Global Hawk surveillance drones in Guam. This year the birds are to be nested in Taiwan.

The Global Hawks, the Predator and Reaper drones would monitor the movements of China’s forces, its coastal missile batteries. According to press reports–John Pike, head of the -Washington-based [Global Security](http://www.globalsecurity.org/) think tank, told the Taipei Times that the Predators and Reapers would probably be used to monitor the Chinese coast where they could provide more “persistent” coverage than is provided by spy satellites.  China has developed advanced drones and the US policy makers are concerned about their development.

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**Roughead Says ‘Fragile’ Ship Base Must Be Factored in Review**

**By Tony Capaccio and Peter Cook - Apr 21, 2011 11:35 AM PT**

***Bloomberg.*** The Pentagon’s comprehensive review, which will include the U.S. Navy’s vessel procurement budget, must consider the “fragile” status of the nation’s shipbuilding industrial base, according to the chief of naval operations.

“The industrial base is really a strategic asset,” Admiral [Gary Roughead](http://www.navy.mil/navydata/bios/navybio.asp) told Bloomberg TV. The Pentagon is reviewing its future spending after President [Barack Obama](http://topics.bloomberg.com/barack-obama/) last week announced his plan to reduce the national debt.

“That has to be part of our calculus as we make decisions,” he said. “The industrial base today, particularly as it applies to shipbuilding, is probably as fragile as it has ever been.”

Roughead’s remarks on TV and separately to Bloomberg reporters and editors foreshadow some of the arguments he will likely make to protect his service’s interests during the review process.

President Barack Obama on April 13 proposed cutting $400 billion from the national security budget through the 2023 fiscal year. The goal extends cuts beyond the $78 billion through 2016 proposed in January by Defense Secretary [Robert Gates](http://topics.bloomberg.com/robert-gates/) at White House direction.

Reassessing programs is “only a piece” of what Pentagon officials will be examining, the department’s undersecretary for acquisitions, [Ashton Carter](http://topics.bloomberg.com/ashton-carter/), said yesterday. The review will cover the roles and missions of the U.S. military services and the force structure and capabilities required to accomplish those missions, he said.

**Shipbuilding Budget**

The Navy’s current 2011-2016 shipbuilding budget [plan](http://www.finance.hq.navy.mil/FMB/12pres/DON_PB12_Press_Brief.pdf) calls for spending $74.7 billion to buy 55 vessels, including $14 billion in fiscal 2012, increasing to almost $17 billion in 2015.

The largest quantity of ships is 19 for the Littoral Combat Ship. Two teams led by [Lockheed Martin Corp. (LMT)](http://www.bloomberg.com/apps/quote?ticker=LMT:US) and [Austal Ltd. (ASB)](http://www.bloomberg.com/apps/quote?ticker=ASB:AU) are designing and building respective LCS versions. The first two vessels have been commissioned into the Navy. Six others are under contract.

“We have a fairly lean shipbuilding plan and, as we make our decisions, we have to make those with an eye toward what is the health of that industry because that’s what gives us the capabilities” the nation needs, Roughead said.

“It’s not so much the big guys, but it’s the second and third-tier industries -- who’s making the valves, the solenoids -- because when you go aboard one of our ships it is a collection of things that come from all over the country,” Roughead said.

**‘Pressures Are On Us’**

Roughead, asked if he was surprised at the president’s goal for spending cuts, said “the pressures are on us.”

“There is no question the economic issues of the country have to be addressed but it is important we look at it from the standpoint of what does this nation want” the Navy to do, he said.

The role of aircraft carriers in prior defense budget reviews has often come into question “but my sense is that, given what we have been doing with aircraft carriers lately, I’m not getting the same questioning attitude ‘are these ‘relevant,’ ” he said.

Roughead cited the operation of two carriers in the Middle East region providing 30 percent of the airstrikes in [Afghanistan](http://topics.bloomberg.com/afghanistan/) as an example.

Separately, Roughead said he’s not “surprised” that China’s naval capabilities are “progressing faster than most would think.”

**China Threat**

The U.S. Navy is continually assessing and observing Chinese naval capabilities to potentially deny the U.S. regional access, Roughead said.

The Navy is seeking to develop directed-energy technology to complement ballistic and cruise missile defenses.

“Warfare is going to get faster and faster and if you try to do everything kinetically -- you know, the bullet on bullet analogy -- we are getting up in that area of the curve where improvements in performance are going to cost a lot of money,” he said.

Asked about the threat posed by [China](http://topics.bloomberg.com/china/)’s anti-ship DF-21 missile to U.S. aircraft carriers, Roughead said that the ships’ maneuvers could make them harder to target.

“I can tell you today exactly what the coordinates are for each land base anywhere in the world,” said Roughead. Aircraft carriers “won’t be in the same place tomorrow,” he said.

The Chinese military’s non-nuclear missiles can pose a threat to U.S. bases in the Pacific region and the U.S. needs to focus on “hardening” those bases and employ its ballistic missile defenses, he said.

The U.S.-China Economic and Security Review Commission found last year that the Chinese missiles can attack and close down five of six major U.S. Air Force bases in [South Korea](http://topics.bloomberg.com/south-korea/) and [Japan](http://topics.bloomberg.com/japan/).

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# China boosting missile strength: think tank

*TAKING AIM:A former US Department of Defense official said an expansion of Chinese military infrastructure was largely driven by a desire to coerce Taiwan*

**By William Lowther, *Taipei Times*, Staff Reporter in WASHINGTON**

A Washington-based think tank said China was in the process of significantly expanding its ballistic missile infrastructure opposite Taiwan, a development that is occurring despite extensive efforts by US President Barack Obama’s administration to persuade Beijing to scale back the missiles it has aimed at Taiwan.

Mark Stokes, executive director of the Project 2049 Institute, a think tank that focuses on the Asia-Pacific, said the Chinese People’s Liberation Army (PLA) Second Artillery base is growing rapidly.

*The PLA has formed its first unit equipped with anti-ship ballistic missile (ASBM) systems, and the Second Artillery is investing in a new generation of conventional medium-range ballistic missiles (MRBM) and is also incorporating two ballistic missile brigades previously under the PLA Army.*

In a Web entry published this week, Stokes wrote: “The expansion of the Second Artillery’s infrastructure in Southern and Southeastern China has been driven largely by the PLA’s desire to coerce Taiwan into political settlement on unfavorable terms.”

“The expansion also reflects PLA interest in undercutting the capacity of the United States to assist Taiwan in a conflict against China and enforce other territorial claims around its periphery,” he said.

Stokes, a former US Department of Defense official, says trends suggest that existing short-range ballistic missiles targeting Taiwan could gradually be replaced with MRBM systems with ranges greater than 1,000km.

Extended range ballistic missile systems have higher re-entry speeds that could reduce the effectiveness of Patriot PAC-3 missile defense systems expected to come online in Taiwan over the next few years.

“A relative erosion of Taiwan’s military capabilities could create incentives for Beijing’s political and military leadership to assume greater risk in cross-strait relations,” Stokes wrote.

The “first noteworthy” example of the Second Artillery’s expansion is the apparent deployment of *a follow-on variant of the DF-21 MRBM that is capable of engaging moving targets at sea at a range of 1,650km*.

All of these new missiles are believed to be at 53 Base, headquartered in Kunming, Yunnan Province and commanded by Major General Zhou Yaning (周亞寧).

“There are indications that two tactical missile brigades under the PLA Army have transferred to the Second Artillery. The Nanjing Military Region’s First Missile Brigade, based in Fujian Province’s Xianyou County, may now be assigned to the Second Artillery’s 52 Base,” Stokes said.

Meanwhile, the Guangzhou Military Region’s Second Missile Brigade, based in Puning City’s Hongyang Village, Guangdong Province, may now be subordinated to 53 Base.

The Second Artillery has also incorporated the brigades’ inventory of unmanned aerial vehicles, which “would be particularly useful in a Taiwan scenario,” he wrote.

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# [“Everyone’s afraid of China”](http://prestowitz.foreignpolicy.com/posts/2011/04/21/everyone_s_afraid_of_china)

## *Foreign Policy,* By [Clyde Prestowitz](http://prestowitz.foreignpolicy.com/blog/12503), Thursday, April 21, 2011

It was one of those passing remarks, usually quickly lost in the flow of conversation, that caught my attention last night at one of those establishment think tank dinner parties of which there are dozens in Washington every night.

This was the type of gathering where 20-30 big thinkers, former officials, media pooh-bahs, and the odd business executive or two gather with a current high-ranking official to find out what's really going on and/or to tell him/her what he/she should really be doing about the state of the world. The governing protocol is always Chatham House rule which stipulate that the discussion is off the record and no one can be quoted by name outside the room.

While this is meant to encourage frank and open discussion, I am always impressed by the extent to which people are careful about what they say at these dinners. No one trusts the rules enough to venture too far off the orthodox reservation of whatever the topic of the night happens to be. That's why I was very surprised at last night's discussion of globalization and how to make it work for the United States when one eminent participant commented that it is becoming virtually impossible to consider further rounds of global free trade negotiations because "everyone is afraid of China." This, of course, meant that many, if not most, countries fear that further opening their markets to Chinese producers and investors may put them at an economic disadvantage.

Now please understand. This was not an AFL-CIO or textile industry dinner. This was a group of people who had mostly championed China's entry into the WTO and the granting of permanent Most Favored Nation treatment to China by the United States. The premise of those decisions was that bringing China fully into the world global trading system and the process of globalization would foster adoption of western free market ideas and policies and eventually even adoption of western democratic politics by China. In other words, the notion was that globalization would tame China and make it a nice global partner like, say, Singapore  -- maybe a little authoritarian but firmly committed to free market, free trade, capitalist ideals.

But now some important people in this group were saying it wasn't working. That had already been somewhat indicated by the global trade figures and the chronic and enormous surpluses that China has long been accumulating in contradiction of forecasts to the contrary by many in the room. But until last night I had not heard such direct admissions of concern. Indeed, another key thinker emphasized deep fear of China's vacuuming up of intellectual property around the world without regard to patent and copyright protections.  Several people agreed that the China phenomenon is seen as a threat by countries around the world.

The conclusion was that for the foreseeable future new trade deals will have to be bi-lateral, regional, or sectoral in scope rather than global and comprehensive. At one level, that seems logical and correct. But it is actually a frightening admission of a much larger and more dangerous failure. It means that rather than having one trade regime covering all countries and administered by one WTO, globalization is leading to a proliferation of Preferential Trade agreements (we call them Free Trade Agreements (FTAs) but they are really PTAs) administered by a congeries of different bodies and governments.

But that is exactly what we had prior to the Great Depression and World War II. The whole point of the post war creation of the General Agreement on Tariffs and Trade and eventually of the WTO was to obviate and avoid this discriminatory system of preferential and special bi-lateral or multi-lateral deals that contributed so much to the breakdown of the global economy and the outbreak of war in the 1930s.

Does the passing, little noticed comment about everyone being too afraid of China to negotiate free trade suggest a return to the future? This is one of the great questions being posed to global leaders. We shall return to it.

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### Is China winning the cyber war?

*Leaked documents suggest China might have the upper hand*

**By** [**Michael Hardy**](http://fcw.com/forms/emailtoauthor.aspx?AuthorItem=%7b9E8BCB3C-A260-4C01-9456-5759DA0AA18E%7d&ArticleItem=%7bF0253277-213C-440A-BEE5-D0140B1B372A%7d)*,* ***Federal Computer Week****,* **Apr 21, 2011**

The Cold War took its name from the relative lack of shooting that characterized it. The United States and Soviet Union fought one another politically, diplomatically and economically but rarely with guns or tanks. It was not a hot war.

We have a couple of hot wars going on now, but there's another cold war under way, too — one being fought between the United States and China, primarily using IT.

And it looks as though China has the upper hand at the moment.

"According to U.S. investigators, China has stolen terabytes of sensitive data, from user names and passwords for State Department computers to designs for multibillion-dollar weapons systems," write **Brian Grow** and **Mark Hosenball** in a report for [***Reuters***](http://www.reuters.com/article/2011/04/14/us-china-usa-cyberespionage-idUSTRE73D24220110414). "And Chinese hackers show no signs of letting up."

Grow and Hosenball credit WikiLeaks for revealing many previously secret details about China's ongoing cyber assault, which the U.S. government has code named Byzantine Hades. Specifically, they write, the State Department cables that WikiLeaks published show that the Chinese military was the source of those attacks, not some rogue hacker group.

Responding to the Reuters report, **Adam Martin**, blogging for [**The Atlantic**](http://www.theatlanticwire.com/global/2011/04/report-china-spying-extensively-us-government-companies/36686/), said: "In short, the Chinese are way better at cyber spying than pretty much anybody else."

However, he dismisses the idea that cyber spying is a serious threat to U.S. national security. "The Chinese are unlikely to invade any time soon, even if they find out when the secretary of Defense takes his lunch break," Martin writes. "Rather, the attacks are one of many tactics China is employing to keep its economy growing." Chinese cyberattacks have also targeted private businesses, and news reports detailing individual intrusions are plentiful, he said.

**Collin Spears**, a blogger for the [**Foreign Policy Association**](http://chinatrade.foreignpolicyblogs.com/2011/04/18/trading-with-the-enemy-sino-american-cyber-espionage/), read the situation the same way.

"The infamous 'Google E-mail Hacks' of 2010 are a case [in] point," Spears writes. "Google openly implicated China in an e-mail hacking scandal, but this situation is actually not uncommon. It is just that Google went public and garnered significant media attention due to its status."

Spears notes that more than 34 other companies, including technology and defense firms, are believed to have been cyber targets.

But **William Jasper**, writing in the [**New American**](http://www.thenewamerican.com/world-mainmenu-26/asia-mainmenu-33/7135--china-accelerates-cyber-attacks-espionage), takes a dimmer view of China's motives. Although some experts think China might not be the perpetrator but instead the victim of outside forces hacking its poorly defended systems and using them to stage attacks, those arguments are unsupported, Jasper writes.

People who feared Soviet infiltration of the United States during the Cold War have been proven correct in at least some instances, Jasper writes. "The arrests in the past months of Russian and Chinese spies in the United States provide ample evidence that the communist propensity for espionage and deception has not abated among the supposedly 'reformed' leadership of the Beijing regime."

Jasper and others also point out that the cyberattacks haven't been trivial test runs. Chinese hackers penetrated Defense Department computers and gained access to material on the Joint Strike Fighter program. Chinese hackers have also apparently penetrated the United States' energy grid and left behind software that could be used to disable the grid remotely, the [**Wall Street Journal**](http://online.wsj.com/article/SB123914805204099085.html) reports.

The concerns are not new. In September 2007, the [**Times of London**](http://technology.timesonline.co.uk/tol/news/tech_and_web/the_web/article2409865.ece)published an article headlined, "China’s cyber army is preparing to march on America, says Pentagon." Reporter **Tim Reid** said U.S. military officials believed that the Chinese military had a detailed plan "to disable America’s aircraft battle carrier fleet with a devastating cyberattack."

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**Japan’s Approach to China’s Control of Rare Earth Elements**

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**By:** [**Cindy Hurst**](http://www.jamestown.org/articles-by-author/?no_cache=1&tx_cablanttnewsstaffrelation_pi1%5Bauthor%5D=641)

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**Rare Earth Elements**

Japan has been dealt a number of blows over the past few years which have put the country’s high-tech production capacity at risk. Most recently the massive earthquake and subsequent tsunami that hit Japan in March has directly affected production efforts through rolling blackouts and damaged equipment. Another issue, and one that has been missed by public scrutiny, is the country’s struggle to obtain steady supplies of certain key materials needed to produce its high-tech products. Some of those key ingredients are rare earth elements (REEs), of which China has been cutting back export quotas. China has also reportedly announced that it was going to create a REE strategic reserve, a measure that some analysts feel will give the country more control over the industry. In an industry that is ever changing, other countries, whose economies and national security depend on technologies produced with REEs, could learn by Japan’s example.  
  
While REEs have long been in the cross-hair of industry analysts, the issue of REE production and supply increased its public spotlight in 2010 after a territorial dispute between China and Japan over the Senkaku/Diaoyou islands during which China imposed a de facto ban on all rare earth exports to Japan. The ban, according to Japanese Economy, Trade, and Industry Minister Akihiro Ohata, further reinforced the idea that the country needed “to craft a long-term strategy to procure rare earths” (Kyodo World Service, October 1, 2010).  
  
China first began cutting back export quotas for REEs in 2006. Japan, however, began to take action to reduce its reliance on its neighbor by early 2007. Dudley Kingsnorth, executive director of the rare earth consulting company Industrial Minerals Company of Australia (IMCOA), is forecasting global demand to increase from 124,000 tons annually in 2010 to 250,000-300,000 tons by 2020. Of this amount, he expects 110,000 to 130,000 tons to account for the rest of world (ROW) demand [1]. In what could be deemed a race for rare earth elements, Japan has already been placing itself at an advantage by taking early action.  
  
REEs are the 15 elements that comprise the family of lanthanides on the periodic table, plus yttrium and scandium. These metals are vital to the production of hundreds of modern technologies such as cell phones, i-Pods, computer hard drives, green technologies, and critical military weapons systems. China dominates the industry, producing over 95 percent of the world’s REEs, but the country has been steadily cutting back export quotas, causing worldwide concern [2]. These cuts are a result of several factors including China’s desire to stomp out illegal activity, consolidate the industry and stockpile the metals. These cuts, while seemingly necessary for China, enslave nations to the whims of the country’s production quotas. Meanwhile, Japan has been seeking to come up with alternatives over the past five years.  
  
While Japan’s consumption of REEs has been increasing somewhat steadily over the past three decades, imports from China continue to go down. In December, imports were at 4,080 tons after trade resumed following China’s de facto ban on shipments. In January Japan imported 1,783 tons from China. In February, that number dropped to 1,138 tons (Reuters, March 30). In 1995, the country consumed 7,654 metric tons. In 2000, that figure rose to 13,690 metric tons. In 2005, Japan consumed 18,855 metric tons. Prior to the earthquake and subsequent tsunami that occurred in March, Sojitz Corporation, a Tokyo based trading company and one of Japan’s largest rare earth importers estimated that Japan would use 32,000 tons of rare earths in 2011 [3]. Experts estimate that in the near term, Japan’s consumption rate will decrease as the country struggles to regain its footing in the production of high tech products and that the country’s consumption rate in 2011 will be less than originally forecasted. The problem is that Japan does not possess any REEs of its own, forcing the country to rely wholly on imports, approximately 90 percent of which come from China (Japan Today, October 8, 2010). Therefore, because of its already tight supplies, Japan will likely continue to seek alternatives outside of China.  
  
**History of Japan’s Rare Earth Elements Industry**  
Japan used REEs as early as the 1940s when the country first saw their value as polishing agents and began producing lighter flints. By the 1960s, research, development and the use of REEs in the country expanded. By 1973, Japan began producing samarium cobalt (SmCo) magnets. Two years later Sony was using these magnets in their Walkman radios. In 1982, the Rare Earth Study Association was established. The name of the organization changed to The Rare Earth Society of Japan in 1995. In 1985, Japan began producing neodymium iron boron magnets (NdFeB), which are the strongest magnets available on the market today and make miniaturization possible [4].  
  
Over the past two decades, Japan transferred some of its production bases to China, a strategic move to help Japan ensure future supplies. Today, however, due to China’s steady export cuts and proven ability to use its rare earth resources as a political bargaining chip, Japan no longer feels comfortable relying on China. As a result, Japan has been seeking a more diverse supply by creating joint ventures and signing supply agreements with countries having known reserves of REEs. In addition, Japan has been actively pursuing other options, including recycling, and developing alternative materials that will lessen the country’s dependence on REEs.  
  
**Diversifying Supply**  
Figure 1 (See PDF)  
  
The global demand for Japanese products is what drives Japan’s demand for REEs. For example, Japan is a major producer and exporter of sintered rare earth magnets and NdFeB alloys, nickel-metal hydride batteries, auto catalysts, digital cameras, fluorescent lamps, and others. The country is also the largest global producer of hybrid electric vehicles (HEV).  
  
HEVs rely heavily on REEs. According to IHS Automotive, an organization that provides automotive market forecasting services and strategic advisory solutions to automotive manufacturers, suppliers, and financial organizations, the rate of production of Japanese HEVs has increased steadily over the past decade. In 2007, Japan produced 443,253 units. By 2010, that number nearly doubled to approximately 883,000 [5]. According to some estimates, HEVs contain up to 25 pounds of REEs. For example, NdFeB magnets are used in electric motors because of their high efficiency and light weight. Lanthanum and cerium are used in the hybrid NiMH batteries [6].  
  
The increase in demand for HEVs, coupled with China’s cuts in rare earth quotas, has prompted Japanese companies, such as Toyota Motor Corporation, to seek REEs elsewhere outside of China to ensure production is not affected.  
  
Beijing began cutting export quotas for REEs in 2006. By early 2007, Hiroshi Okuda, a senior advisor to Toyota Motor Corporation, was concerned enough to organize a forum on natural resources and diplomacy (Asahi Shimbun, February 4, 2008). In March 2007, Okuda began asking the question: “Is there a way we could purchase an entire mine?” [7]. Soon after, Toyota Tsusho Corporation, Toyota’s trading house, set out to find alternative sources of rare earths by dispatching teams to Canada, Australia, and Vietnam [8]. Other Japanese companies soon followed suit.  
   
In 2008 Toyota Tsusho and Sojitz Corporations established a joint venture with Coal and Mineral Industries Group (Vinacomin), a Vietnamese state-run company. In exchange for financial and technical support, Japan acquired the right to mine REEs at the Dong Pao mine in Lai Chau province, Vietnam. Mining operations could begin in Dong Pao as early as 2011 [9]. Sumitomo Corporation, Japan’s third largest trading company, recently launched a feasibility study on a mine in Yen Bai, located in the northern province of Vietnam. They are expected to start exporting rare earths to Japan as early as 2013 (Vietnam Business and Economy News, January 7).  
  
Sojitz Corporation also signed a contract with Lynas Corporation, an Australian mining company, which owns the Mount Weld mine (The Daily Yomiuri Online, December 9, 2010). Mitsubishi signed a contract with Molycorp, which owns the Mountain Pass Mine in California, to import 750 tons of rare earths yearly [10]. These are just a few examples. There have been many other deals between Japanese companies and leaders and the countries of Kazakhstan, Namibia and India, and Mongolia (Reuters, July 30, 2010; Jiji Press, November 19 2010; The Daily Yomiuri Online, December 9, 2010).  
  
The Japanese government has also stepped in by creating a $1.25 billion integrated policy to try to mitigate any future disruptions. According to Mr. Shigeo Nakamura, president of the Advanced Material Japan Corporation, $490 million is going toward improving the production of REEs through technological innovation. $370 million is going toward supporting Japan’s foreign rare earth mining ventures. Japan is also planning to spend money on research and development to come up with alternatives and other projects [11].  
  
**Recycling Rare Earth**  
  
The temporary ban of shipments of rare earth to Japan has had some leading companies focusing on recycling. Hitachi, hopes to meet 10 percent of its rare earth needs through recycling by 2013. Mitsubishi Materials Corporation began researching costs associated with extracting dysprosium and neodymium from washing machines and air conditioners.  
  
One criticism of recycling rare earths is the cost. Most applications use such small quantities of rare earth that it is unlikely to be economical to recycle. For example, in cell phones, the 0.3 gram NdFeB magnet used to make the phone vibrate contains only about 0.1 gram of neodymium [12]. On the other hand, some applications require significantly greater amounts of REEs which would make them ideal candidates for future recycling. For example, MRI machines use two to three tons of the NdFeB magnets.    
  
**Developing Alternative Materials**  
Japan has been developing alternative materials that do not rely on REEs. For example, Toyota and Tesla Motors are in the process of developing an induction motor that does not rely on such elements.  
  
Intermetallics Co. Ltd, a research and development company that specializes in permanent magnets, is developing a technology that could reduce the amount of dysprosium used in electric-motor magnets without affecting performance. Dysprosium can be added to NdFeB magnets to increase the coercivity of the magnets, which make them able to withstand greater temperatures before losing magnetic properties (Nikkei Telecom 21, October 22, 2010).  
  
**Conclusions**  
  
Despite an easing of tensions between Japan and China over the Senkaku Diaoyu Islands, some experts believe that a return to a free flow of rare earths from China’s mines is unlikely for various reasons. The two countries share a history of bitter feelings and mistrust. Additionally, Chinese analysts believe that Japan has been hoarding REEs. According to a Chinese report, Japan imports about 92 percent of its rare earths from China. Yet, Japan uses only one third of its imports for production, with the rest going toward strategic reserves (Qingnian Cankoa, November 9, 2010).  
  
Experts believe that Japan should be able to stop worrying about supplies of REEs by 2012 or 2013. Kingsnorth predicts that between 2010 and 2013/14, the ROW rare earth production will increase tenfold from 4 to 6,000 tons of rare earth oxides produced annually to 40-60,000 tons. According to Kingsnorth, for the ROW to be self sufficient in 2020 then ROW supply will have to triple between 2013/14 and 2020, representing a 30-fold increase in the next ten years. Through its efforts over the past five years, Japan is paving the way to ensure it does not suffer any future shortfalls. The potential suppliers would have to step up the plate as well [13].  
  
Finally, no one wants to be beholden to China anymore. As Japan forges ahead, it could well spark a new form of competition against China. Japan has long been a leader in technology and innovation. As Japan, through its technological prowess, regains its production capacity and weans itself off of China, it will continue to develop alternative technologies that might one day rival current technologies. It could be that the move to self-reliance may see other countries’ manufacturers moving upstream as well in order to secure reliability of supply; a reversal of the trends of the past two decades.  
  
[The views expressed in this report are those of the author and do not necessarily represent the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.]  
  
***Notes:***

***1. Dudley Kingsnorth, “Rare Earth Opportunities – Real or Imaginary?” BBY Rare Earths Conference, April 2011.  
2. For more information on why China has been cutting back export quotas, see Cindy Hurst, “China’s Rare Earth Elements Industry: What Can the West Learn,” Institute for the Analysis of Global Security, March 2010.  
3. Shigeo Nakamura, Rare Earth Statistics of Japanese Market in 2006, a presentation at the Beijing Conference of Minor Metal 2006, September 7, 2006; and Yuka Hayashi and James T. Araddy, “Japan Scrambles for Rare earth,” Wall Street Journal, October 15, 2010.  
4. Eiji Nakamura, “The History of Rare Earths in Japan,” a presentation given during the Tokyo Rare Earth Conference, 2010.  
5. At the time this report was written, the final tally had not been determined.  
6.  “Hybrid Electric Vehicles,” Molycorp website, accessed February 6, 2011,*** [***www.molycorp.com/hybrid\_ev.asp***](http://www.molycorp.com/hybrid_ev.asp)***.  
7. Ibid.  
8. Ibid.  
9.  “Coverage from Minor Metals & Rare Earths 2010 – Xiamen, China,” Rare Metal Blog, October 22, 2010; and Shigeo Nakamura, “Current Trends in the International Rare Earth Market, Rare Earth Conference in Tokyo, December 7, 2010.  
10. Ibid.  
11.  “Coverage from Minor Metals & Rare Earths 2010 – Xiamen, China,” Rare Metal Blog, October 22, 2010; and Shigeo Nakamura, “Current Trends in the International Rare Earth Market, Rare Earth Conference in Tokyo, December 7, 2010.  
12. Dudley Kingsnorth, Telephone Interview, September 24, 2010.  
13. Dudley Kingsnorth, email correspondence, April 21, 2011 and Dudley Kingsnorth, Rare Earth Opportunities – Real or Imaginary?”***

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**Singapore's financial rise**

Going swimmingly

*The city-state has a handy habit of taking advantage of financial upheaval*

**Apr 20th 2011 | *Singapore***| ***the Economist***



IN THE 1950s the Bank of China could use 20-year-old architectural designs for its Singapore headquarters near the central post office. From buildings to businesses, things moved slowly in the city-state. Today the picturesque old Bank of China building stands out because little else in Singapore’s financial world stays the same.

One change is physical. Citigroup has moved its headquarters from the same district as Bank of China, first to Shenton Way, which now serves as one financial centre, and then to another, known as Suntec City. It will soon join Standard Chartered at a third site, Marina Bay, which has been built on reclaimed land. A fourth centre for back-office workers is opening up near the (excellent) airport. In an area near Chinatown once known for brothels, converted shops now house investment firms, lawyers and the like.

Perhaps the best measure of change is employment. In 1970 Citi could fit every last member of staff, perhaps 100 or so, on a boat for an advertising image. Michael Zink, Citi’s Singapore head, keeps a copy of the ad near his desk as he oversees 9,400 workers and counting.

The scale of the transformation has been enough to propel Singapore into the ranks of the world’s leading financial centres. As places like London and Switzerland debate whether to welcome bankers or punish them, Singapore has started its own special government school to train private bankers and leased a mansion once used by the British armed forces to UBS to do the same. Credit Suisse has plans for something similar.

Demand for capable people is unquenchable. More than 2,880 financial institutions have registered with Singapore’s monetary authority for one activity or another. They include the usual big names as well as a vast array of smaller firms.

One clear thread in Singapore’s rise has been its ability to take consistent advantage of global upheavals, beginning in 1971 when America de-linked the dollar from gold. Singapore was quick to grasp this opportunity to create a regional centre for foreign exchange, says Gerard Lee, the chief executive of Lion Global Investors and a former executive at GIC, Singapore’s sovereign-wealth fund. Things are no different today: Singapore is positioning itself to grab a chunk of offshore trading in yuan as the Chinese currency gradually starts to internationalise.

Ancillary businesses such as derivatives have thrived. One of the large banks says more than half of Asia’s over-the-counter derivative volume in commodities passes through Singapore. According to Barclays Capital, the trading volume of foreign-exchange-related products has jumped 29-fold since 2005 in retail markets alone, and that of interest-rate-related products 43 times.



Similarly, Singapore anticipated the effects of the 1997 handover of Hong Kong. In the early 1990s the environment was so hostile for asset-management firms that only a few existed. That changed. It became easier to open firms and, says one private banker, regulations were structured to avoid costly provisions, notably a tax on transactions. As the handover approached, numerous clients took steps to “book” assets in Singapore. It is now home to more institutional assets than Hong Kong (see chart).

To retain those assets, Singapore produced a legal framework enabling trust accounts, once the preserve of Jersey and Bermuda. This was despite the fact that Singapore itself does not tax estates and Singaporeans have no need of the service. Good trust laws combined with strong asset-management and foreign-exchange capabilities make Singapore appealing for wealth-management types everywhere.

Singapore’s approach is the antithesis of laissez-faire. Broadly speaking, it has kept a tight rein on domestic finance and done what it could to induce international firms to come. Licences can be obtained efficiently and quickly, a blessing in a bureaucratic world. So can work visas for key employees. There are tax breaks for firms considered important, as well as reimbursements for relocation expenses.

Bankers and hedge-fund managers talk enthusiastically about an environment that is safe, clean and efficient. The speed of the internet, for example, can be 100 times faster than in China, with its many internal firewalls, and eight times faster than in Hong Kong. Singaporean taxes are low and stable, unlike American and European ones. Foreign firms report that it has become more common to see people rejecting promotions to head offices because pay rises would be wiped out by tax.

Many of these advantages are likely to increase. A widely repeated story in Singapore is that the only people who have read all of America’s gargantuan Dodd-Frank financial-regulation act are American academics, who find it a mess, and the Singapore Monetary Authority, which is mulling the opportunities it might create.

And yet, for all its strengths, Singapore has had its failures, too. Most notably, its equity market, often but wrongly thought of as a vital core for a financial centre, has sought listings from China only for many of these “S-chips” to become embroiled in scandals. A few companies have recently delisted from Singapore and relisted in Hong Kong, whose appeal as a gateway to the Chinese mainland is hard to beat.

The Singapore Exchange’s effort to acquire Australia’s exchange was recently rejected on national-interest grounds. That decision may have been partly grounded in the two countries’ different financing cultures—Australia’s use of tiny, cheap offerings to fund mineral exploration, for instance, and its tolerance of a far more permissive media environment.

Actions in other countries may also constrain Singapore’s growth. Already many financial firms there want nothing to do with affluent Americans, given America’s forceful approach to global taxation. But to get the better of Singapore others will have to provide a safe environment with low taxes and scant bureaucracy. No need to worry, then.

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***WSJ,* APRIL 23, 2011**

**Can Needles Soothe Wounded Warriors?**

*Military doctors in Afghanistan are using acupuncture to treat brain injuries, with promising*

**By Michael Phillips**

Marine Lance Cpl. Tristan Bell was injured in a jarring explosion that tore apart his armored vehicle, slammed a heavy radio into the back of his head and left him tortured by dizziness, insomnia, headaches and nightmares.

He is recovering on a padded table at Camp Leatherneck, Afghanistan, beneath strings of soft, white Christmas lights, with the dulcet notes of "Tao of Healing" playing on an iPod and a forest of acupuncture needles sprouting from his head, ear, hands and feet.

In a bit of battlefield improvisation, the Navy is experimenting with acupuncture and soothing atmospherics to treat Marines suffering from mild cases of traumatic brain injury, commonly called concussions—the most prevalent wound of the Afghan war.

After hitting on the idea in late November, Cmdr. Keith Stuessi used acupuncture, along with the music and lights, to treat more than 20 patients suffering from mild brain injuries. All but two or three saw marked improvements, including easier sleep, reduced anxiety and fewer headaches, he says. Cmdr. Earl Frantz, who replaced Cmdr. Stuessi at Camp Leatherneck last month, has taken charge of the acupuncture project and treated 28 more concussion patients.

"I think a couple years down the road, this will be standard care," predicts Cmdr. Stuessi, a sports-medicine specialist turned acupuncture acolyte. "At some point you have to drink the Kool-Aid, and I have drunk the Kool-Aid."

While researchers are still investigating how exactly it works, studies have found that acupuncture can help relieve pain, stress and a range of other conditions. The newest Defense Department and Department of Veterans Affairs clinical guidelines recommend acupuncture as a supplementary therapy for post-traumatic stress disorder, pain, anxiety and sleeplessness.

The VA is recruiting candidates for a study of acupuncture's effectiveness in treating PTSD and traumatic brain injury. Based on other studies of its benefits, "there is good reason to believe that acupuncture will induce recovery across a number of trauma spectrum dysfunctions in patients with TBI and PTSD, at low cost and with little risk," the VA wrote.

In 2008, the Navy put Cmdr. Stuessi, a 44-year-old from Wales, Wis., and a handful of other doctors through a 300-hour acupuncture course. When he came to Afghanistan in August to create a clinic to treat concussions and minor physical injuries, the commander brought his collapsible needling table. He expected to use it for the usual array of sprained ankles and sore backs.

Once at Camp Leatherneck, though, Cmdr. Stuessi stumbled across an article about using acupuncture to treat PTSD and realized many of the symptoms overlapped with those of mild traumatic brain injury: insomnia, headache, memory deficit, attention deficit, irritability and anxiety.

Lance Cpl. Bell, 22, from Billings, Mont., was patrolling a ridgeline in mid-January when the Marines in his vehicle spotted a half-buried bomb in the road ahead. They backed up onto a second booby-trap, leaving five of the seven crewmen, including Lance Cpl. Bell, unconscious. He took medicine, but the headaches and insomnia grew relentless as the days passed. "If I took a nap, I'd have nightmares and crazy dreams," he says. "I don't take naps."

He was waiting to see his regular doctor when Cmdr. Stuessi invited him to watch another Marine get acupuncture. The lance corporal hates needles, but he was getting desperate. The back of his head throbbed so hard it made his eyes hurt. "I thought, 'Something has to change here—I want to get back out there,' " he recalls.

The night after his first session, he slept eight hours, twice what he had managed before. Soon he was returning eagerly every three days, when the benefits began to fade. He made a recent visit after a bad night, in which he woke up disoriented, headed out for a smoke and hit his head on the bunk bed.

When Lance Cpl. Bell showed up at Cmdr. Stuessi's plywood office in a green Marine Corps sweatshirt and camouflage pants, the doctor turned off the overhead fluorescent light and switched on a string of Christmas lights his wife had shipped him. He shuffled his iPod from "Mack the Knife" to the flute notes of his healing music.

He slipped one needle into the top of the Marine's head, and more into his left ear and hands. As he worked, he spoke softly of "chi," which he described as the rush of numbness or warmth when the needle hits the spot, and "shen men," a point in the ear connected to anxiety and stress. "This is Liver Three," he said, sliding a needle into Lance Cpl. Bell's left foot and moving it until the Marine felt the desired effect.

"Right there," murmured Lance Cpl. Bell, letting his eyelids fall closed.

A 2008 RAND Corp. study found that one in five troops who serve in Iraq or Afghanistan suffers traumatic brain injury, ranging from severe head wounds to more common concussions. Standard treatment for the latter can involve painkillers, antianxiety medication, sleeping pills, counseling and group therapy.

Acupuncture immediately appeared to speed recovery, Cmdr. Stuessi says. His first patient, unable to sleep more than four hours a night despite two weeks of standard treatment, put in 10 hours the night after his initial needling. Most other patients have seen similar results.

Cmdr. Stuessi is unsure why acupuncture eases concussions. A few of Lance Cpl. Bell's buddies remain unconvinced.

Lance Cpl. Dominic Collins, who shared a vehicle with Lance Cpl. Bell, was plagued by headaches after the bombing. One night in February, he dreamed he was being mortared. He rolled out of his bunk to take cover.

He declined the clinic's offer of acupuncture. "It's kind of not my thing," he says. "I have tattoos, but it's the idea of getting stuck" that puts him off.

One Marine tried jokingly to discourage Cpl. Francisco Sanchez, who hit two mines in one day, from using acupuncture by making him sit through an action movie in which the hero stabs the villain with a needle in the back of the neck. The villain's eyes bleed. Then he dies.

But word has spread around camp, and Marines with everything from job stress to snuff addiction now plead for acupuncture.

"All we can say is we've learned from the Chinese on this," Cmdr. Stuessi says. "They've been doing this for a couple thousand years."

***RD Note: Acupuncture appears to provide effective temporary relief for a variety of ailments for many patients, but must be used repeatedly. There have not been any reports of side effects, which should not be surprising, as no man- made chemicals are introduced in our bodies to disrupt any body function, or to destroy or attack body cells. Acupuncture treatments are also not astronomically expensive, and costs can be predicted and controlled. Our other contemporary medical remedies are cursed with crippling costs that are one reason our national debt will be growing out of control until healthcare costs can be managed.***