



**Forecast**

this week: **China**

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China was ruled by a *Dragon-Emperor* for over 2,000 years. The subsequent sixty years of rule by the Chinese Communist Party has used that as a model for its equally unquestioned centralized dictatorship.

Note: Where possible *pinyin* standard transliteration has been used. Pinyin was officially adopted in 1979 for spelling Chinese in Roman letters. Variants such as “Peking” and “Mao Tse Tung” will soon disappear entirely.

## **The Dragon Emperor (221BC – 1967)**

In 221BC *Yi Zheng* (of *terra cotta warriors* fame) founded the *Qin* dynasty and united many warring fiefdoms into a single entity that continues through to today as the core of modern China. This was not an astonishing creation from nothing. Many of the fiefdoms were themselves millennia ahead of most of Europe – they had settled agrarian populations, centralized governance, writing systems, currency and, most importantly, *bureaucracy*. The new idea that *Yi Zheng* imposed was not like the unification of the German states (or the USA); it was more like the “unification” brought by the Roman Empire, or by the European Union.

Three hundred years before *Yi Zheng*, **Confucius** (K'ung-fu-tzu; 551-479 BC) had committed the principles of good governance to writing. Confucius – like his contemporary **Lao Tzu** – was an *archivist*, a courtier familiar with the written precedent and able to advise the ruler on traditional wisdom, “*lessons learned*” in modern terms. These social systems proved resilient against all impacts – when the **Mongols** invaded China in the 13<sup>th</sup> century, they were subsumed into Chinese society, and ruled in the Chinese manner.

Although the *Han* are the dominant ethnic group, the *Manchu* were able to supplant the *Ming* dynasty in 1644, establishing the *Qing* dynasty centered on Beijing. This was to be last dynasty. Assailed throughout the 19<sup>th</sup> century by the **British** and others who forced China to trade at gun-point, by **Russian** intrigue and by Chinese republicanism, the last emperor **P'u Yi** (1906-1967) was deposed by the nationalists in 1912, and was “non-ruling emperor” until 1924. The **Japanese** later attempted to reinstate *P'u Yi* for their own imperialistic purposes but he was captured by the Russians, handed over to the incoming Chinese Communists and re-educated. The last *Dragon Emperor* -- *Lord of Ten Thousand Years* – died as an ordinary Chinese citizen in 1967.

## **The Dictatorship of the Proletariat (1949-- )**

The emperor was the least of worries for the republican nationalists **Sūn Yìxiān** (“Sun Yat-sen”) and his protégé **Jiǎng Jièshí** (“Chiang Kai-shek”). From 1916 into the 1920s, China fragmented into *warlordism*, shifting alliances between warring regional leaders. The Russians fresh from their own people’s revolution were eager to advise the nationalists and helped establish the **Guómíndǎng** (“Kuomintang” - Nationalist People's Party) with the germinal **Chinese Communist Party** as junior partners. With the death of *Sūn Yìxiān* in 1925, *Jiǎng Jièshí* saw it necessary to take full control of the *Guómíndǎng* and he started to kill his Communist allies. Twenty years of struggle followed, punctuated by a brutal invasion by **Japan**, ending in 1949 with the Communists under **Mao Zedong** winning control. *Jiǎng Jièshí* fled to **Taiwan** and declared Taipei the capital of the **Republic of China**; *Mao Zedong* declared Beijing the capital of **People's Republic of China** (PRC). Taiwan retained the “China” seat on the UN **Security Council**.

China was exhausted. Generations, perhaps centuries, of failing imperial rule, depredation by the West, *genocide* by Japan, and twenty years of civil war had done little to improve the lot of an agrarian, feudal population.

## **The Great Leap Backwards (1958-1966)**

The authority of the Communist Party quickly filled the vacuum of public order throughout the country,

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with order assured by the massive politically-correct **People's Liberation Army** (PLA) still bloodied from years of battle. Within a decade *Mao* thought he knew better than his Russian advisers and instituted the **Great Leap Forward**, universal industrialization from the bottom up. Countless “backyard” iron and steel refineries and small factories sprang up throughout much of China. This revolutionary approach may in some form have worked over time – in some ways it did – but in the short-term it was disastrous and China experienced the worst famine in history 1960/1961. The disaster coincided with emerging ideological differences and Russia ceased all technology transfer, withdrawing all advisers by August 1960. Sino-Soviet relations froze.

Most, if not all, saw the need for a new strategy and **Liu Shaoqi** (State President) and his protégé **Deng Xiaoping** (Party General Secretary) promulgated practical middle-way policies. *Mao* (Party Chairman) refused to forsake his Way and in 1966 launched a vast proletarian “*Cultural Revolution*” against the “revisionism” of *Liu* and *Deng*. The **Red Guards** – youth with *Mao*'s authority and a zeal verging on religious mania -- attacked party and state officials and organizations at every level to purge China forever of reactionary thought and backwards-going. Few were killed but a generation of intellectuals and the capable were deposed, humiliated, and “re-educated” by ignorant 14-year olds. The widespread anarchy achieved nothing to advance the Chinese people.

By about 1973, the teenagers had exhausted themselves and *Deng* was appointed in 1975 to the *Politburo Standing Committee*, Chief of the *PLA*, and Deputy Premier, a potent triumvirate of posts. But the *Mao* camp was not beaten -- *Mao*'s wife, *Jiang Qing*, and three others (later known as the **Gang of Four**) continued the *Cultural Revolution* and fought all that *Deng* stood for. On 05 April 1976, a spontaneous demonstration was staged in **Tiān'ānmén Square** in memory of the popular *Zhou Enlai* (who had died in January) and in implicit support for *Deng*. They may also have sensed *Mao* was on his death-bed. The authorities panicked and forcefully dispersed the demonstration. *Deng* was blamed for the un-Chinese disorder and stripped of official posts.

With *Mao*'s death in September 1976, the *Gang of Four* were arrested and humiliated and then China went very quiet for almost a year while workable consensus was reached among the elite. In August 1977, *Deng* was rehabilitated to all of his previous posts and “pragmatic” – rather than “revolutionary” – policies were again on the table. The party also tried to rehabilitate elements of society who had been alienated by the *Cultural Revolution*; intellectuals and social critics were given license for critical analysis but it was clear to all that no license extended to criticism of the Party's singular authority. In 1980 the *Cultural Revolution* was officially described a catastrophe. Appointment of reformist **Hú Yàobāng** to *Party General Secretary* in 1981 further signaled the future course had been set.

Reform policies, and particularly the suspension of central direction – a *de facto* “free market” -- brought immediate improvement in the living standard, particularly among urban workers. But market forces also brought price rises, the re-emergence of crime, and seemed only to highlight how much greater reform was possible. In December 1986, there were *demonstrations* calling for faster reform. The Party failed to see this as healthy social criticism. Spontaneous assembly was seen as social instability and next month *Deng* was forced to blame his own protégé *Hu Yaobang* for the “unrest” and dismiss him as *Party General Secretary*, to be replaced by Premier **Zhao Ziyang**. Note how this reveals the relative importance of posts – *Party General Secretary* is a more powerful post than *Premier* (“Prime Minister”).

But *Zhao* was also a reformist and he came under attack from both camps – from some in the Party for courting social upheaval, and by some in the population for either slow reform or for consequences of reform such as price rises and inflation. A border away, in June 1987 **Mikhail Gorbachev** introduced the policy of *Perestroika* (“restructuring”), a watershed in Soviet history and winds of change that may have frightened some in China. A *disaffected urban population* was forming and the death of *Hu Yaobang* in April 1989 provided focus for demands for continued and faster reform, and for an end to official corruption. Protestors, mainly students, assembled in Shanghai, Chengdu, and Guangzhou and in Beijing at **Tiān'ānmén Square**. The crowd in *Tiān'ānmén* refused to heed government directions to disperse; *martial law* was declared on 20 May 1989 and several more days of standoff followed. On the night of 3/4 June army units from beyond Beijing cleared the Square with prejudicial force and a yet unknown number of demonstrators died. *Deng* and the reformers were again blamed for causing social instability



and “reform” became a politically-dangerous word.

Three years later, *Deng* made his third and final comeback. In early 1992 he traveled to the industrial heartland in southern China signaling market-based pragmatism was again to the fore. The living standard of the proletariat was to be China's primary policy objective, even if this meant arrangements with "capitalist" principles were necessary. Crucially, the Party **Politburo** publicly issued an endorsement of *Deng's* policies of economic openness. This has remained official policy since that day. China had finally resolved the dilemma between Communist rule and Free-market Capitalism with a unique solution – free-market capitalism under Communist dictatorship.

## Transition

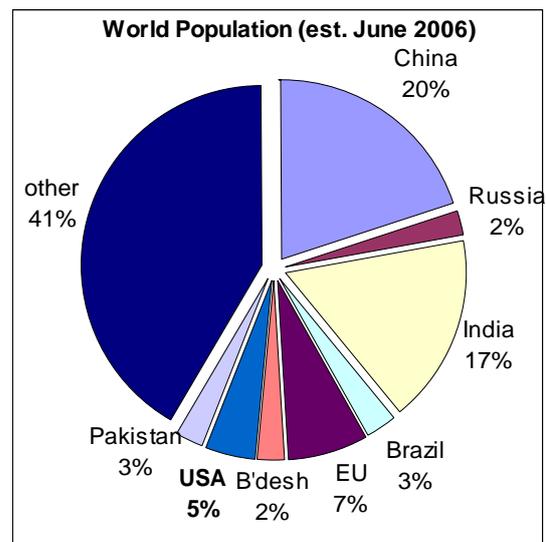


**Deng Xiaoping** died in 1997 (1904–1997). Unlike *Mao*, Deng was an urbane man educated in France (as were **Ho Chi Minh**, hero of **Viet Nam** and **Zhou Enlai**, China's first Communist premier). He never held top State office of President or Premier but for 20 years was *de facto* leader of China, and for decades before that one its key helmsmen. He is the person most responsible for the form of modern China. His repeated survival and re-emergence attests to consummate skills of negotiation and persuasion. Transition to a new generation was seamless; power devolved to President **Jiāng Zémín** (1926- ) and in March 1998 **Zhu Rongji** replaced **Li Peng** as Premier. In November 2002 **Hú Jǐntāo** (1942-), another *Deng* protégé, became General Secretary. By late 2004 he was also elected President and Chairman of the Central Military Commission, control of the PLA.

China has not significantly resiled from its commitment in 1992 to economic reform and accession to the **WTO** in 2001 meant China had met “free market” standards that Russia is yet to meet. China sees its hosting of the 2008 **XXIX Olympiad** in Beijing as a final proof that the *Long March* has brought a modern China into a modern world.

## People

The *Han* Chinese (92%) are the overwhelmingly dominant ethnic group but minorities such as the *Manchu* (10 million) have played a major part in centuries of Chinese history. Other minorities – the *Turkic* and *Muslim Uyгур* (7 million), the **Mongolians** (5 million), and **Tibetans** (5 million) – are not fully willing citizens of the Chinese Republic. Other substantial minorities are **Zhuang** (16 million), **Hui** (9 million), **Miao** (8 million), **Yi** (7 million). The Chinese population of 1,314 million is **20%** of the human population. The government estimates the population will stabilize in around 2050 at around 1,600 million. Decades of *zero-population-growth* (ZPG) policy has produced an demography similar to Western nations – the median age of **33 years** is closer to that of the USA (37 years) than to the median of Indonesia (27 years). Indicative comparisons are: **Nigeria 19; India 25; Indonesia 27; China 33; USA**





37; UK 39; Germany 43. There were reports of forced abortions in some regions to enforce ZPG but this may have been excesses of local party apparatchiks rather than the hand of Beijing. The one-child policy has been mainly pushed through propaganda and monetary sanctions. ZPG has largely worked and China has curtailed unsustainable population growth. As a capricious side-impact this has produced a nation of only children, often obese and self-centered only children, a vast number of “Me Generation” individuals which will have yet unknown social and political consequences.

## Government

The Chinese constitution places the 2,985 seat **National People's Congress (NPC)** as the legislative branch and supreme organ of government. This is a delegatory body, representing the Chinese population more than any other institution. It elects (or confirms Party recommendations for) the **President**, the **Premier**, and the **State Council** (Cabinet) and other functionaries of day-to-day government. The NPC has a permanent **Standing Committee** which exercises the authority of the NPC when it is not in session. In reality the Party runs China and, in the most cynical view, the NPC simply rubber-stamps Party programs. Only 5% (66 million) of the population are members of the **Chinese Communist Party**. Constitutionally, the Party's supreme body is the **Party Congress**, which generally meets every 5 years but the 24 member **Politburo** (and its core 9 member **Politburo Standing Committee**), and the **Secretariat** headed by the **General Secretary** are the locus of real power. In a reductionist analysis, the Party General Secretary (or the *Chairman* in *Mao's* day) is the center of power. But with *Hú Jintāo's* rise to power all three key offices of *President*, *General Secretary*, and head of the PLA, reside in him. This may signal the first generation of a shift of gravity from Party to State-like apparatus. China's reality mitigates against a hopelessly cynical analysis. The complex story of China's last 50 years is conspicuously lacking the purges and murders of *Stalinist Russia*. *Deng Xiaoping* would not have returned from political disgrace so many times – or lived to 93 -- in many other societies. China does believe that only a ruthless autocrat – the Dragon Emperor – can rule China but the Chinese way is also one of personal relationships and consensus. The world press sees highly orchestrated NPC meetings but China watchers say there is active debate in closed sessions and a desire to rule by consensus.

## Opposition

The **China Democracy Party** – with offices in Washington DC – is overtly opposed to the Chinese regime. Along with opposition elements based in **Taiwan**, it seeks the democratization of China in the Western manner. Although fundamental human rights shortcomings remain in China, the new policies of guided free market capitalism has considerably defused economic arguments for regime change. The reasons China has banned **Fǎlún Gōng** as a subversive group are not clear. It is a quasi-religious spiritual movement with no overt antagonism to the regime; however it is fiercely proscribed in China and the government seeks to deny it comfort anywhere in the world. A likely explanation is *Fǎlún Gōng's* success. It was formed in 1992 and by 1999 was said to have over 70 million followers, more than the Chinese Communist Party. The Party may find it perturbing to see a movement of any type grow so large so rapidly. It may be that *Fǎlún Gōng* offers a dangerous precedent for a broad-based democracy movement.

**Separatism** is a threat in waiting for China. The Turkic Muslim **Uigars** of *Xinjiang-Uigar Autonomous Region* have more in common ethnically, religiously, historically with **Kazakhstan** and **Kyrgyzstan** than with Beijing. The Uigars identify with other “oppressed” Muslim populations in Central Asia where Islamist activism is a challenge to some degree to each government in the region around the *Fergana Valley*. During the 19<sup>th</sup> century when central authority was already weakened by a number of challenges, **Russia** fomented separatism in *Xinjiang* that almost succeeded in breaking it from China. At least two other Autonomous Regions are similarly disenchanting with being part of China -- **Nei Mongol** (“Inner Mongolia”) and **Xizang** (Tibet). People of *Nei Mongol* identify with adjoining independent **Mongolia**, and Tibet, the last repository of tantric Buddhism, is threatened by complete cultural obliteration by Chinese transmigration. Of these alienated provinces, only *Xinjiang* is capable of mounting serious armed (asymmetric) insurgency against Beijing. China is rightly fearful of any salutary examples of separatism.



Were *Xinjiang* to revolt, it is most likely other provinces would follow the lead and pose a stinging embarrassment to China.



As some say, “freedom” can be messy. Economic liberalization has brought a taste of affluence and personal choice and that curse of the West, individualism. It has also brought crime, traffic jams, electricity shortages, unemployment, and rising prices. There is no precedent for such a massive undertaking, for the transition from a feudal basket-case to the world’s largest economy within two or three generations. Perhaps China’s rulers are wise enough to know that great social upheaval is possible, which is why they respond with such disproportionate force to any show of massed public disaffection. Proof of this nervousness amidst economic liberalization is China’s persistent censorship of the *internet*. Some degree of control is possible if Internet Service Providers (ISP) filter a growing list of proscribed sites but the measures fall into the absurd when individual entries in encyclopaedia pages need to be modified for China conditions. It is unclear precisely what groups of users China is trying to protect from what content – to stop anyone knowing the *Politburo* puts on its trousers one leg at a time, to stop villages knowing how far they are falling behind the cities, or to stop urban elites knowing things they already know. One clue is the order in September 2006 that all foreign news bureaus must distribute their content through the state news agency *Xinhua*. The ability of large sections of the population to communicate and to coordinate is probably the underlying reason for nervousness. This is consistent with the measures against *Fālún Gōng* and the *Tiān’ānmén* protestors. The regime seems to think it is less secure than everyone else thinks it is – these measures are the clue.

With increased *officer exchange* and growing professionalism in the military, the **PLA** may in future play an unexpected role in Chinese political affairs. Several possible scenarios may place the PLA in a dilemma between Party authority and the constitutional civil authority. Ideological correctness will incline them one way, modern military doctrine will incline them another.

## Economy

China has had the fastest sustained economic growth in history. Its continuing growth of 8% to 10% has boosted PPP GDP to almost \$9 Trillion and PPP GDP per capita from subsistence levels to almost



\$7,000. Average unemployment is 9% but substantial unemployment (and underemployment) in rural areas is 20% or more. Since *Deng* launched the notion of a "socialist market economy" in 1992, China has moved step-by-step towards *privatization* of state enterprises and relaxation of controls throughout the economy. This has brought immense social risks. Prices for basic foods freed from command economy controls have risen and many millions of workers have been left jobless when unsustainable state enterprises closed. Today, China is the fourth largest economy in the world -- in parity adjusted (PPP) terms it is second to the US – but there is a need to sustain nothing less than world record growth to manage the economic transition without social disaster. The **World Bank** estimates 100 to 200 million people in the inland provinces live in poverty on less than U.S. \$1 a day. Incomes of the middle class urban elites has grown substantially in the last decade but the 50% of the population engaged in growing food have standards of living largely unchanged since 1950. This disparity is unlikely to trigger a *Great Proletarian Revolution* but it may trigger famine, epidemics, unrest, and embarrassment. The massive increase in throughputs of money which deregulation and growth have brought is fertile ground for *corruption, tax avoidance, petty crime*, and serious *organized crime*. These bring loss of government revenue and social discomfort. There are other discomforts as well. Much of China's basic industrial growth has used 19<sup>th</sup> century processes and pollution is now apocalyptic in some areas. Apart from white-goods, China's economic miracle has also exported unemployment to the US and other countries. The euphemism *off-shoring* has meant factories throughout the industrialized world have closed and moved their capacity (sometimes lock, stock, and barrel with plant and equipment) to China. At first, vast numbers of unskilled workers were left without jobs (but with the prospect of buying cheaper white-goods); now *off-shoring* means workers at any skill level may have their jobs exported. Perhaps China's 1950 goal of exporting proletarian revolution to the West will succeed afterall.

## Energy

Energy policy is of supreme strategic importance for China. Any interruption to the relentless growth will throw millions into unemployment, whole regions into poverty, and a population into discontent with the regime. In 2003, China passed **Japan**'s energy consumption and became the second-largest world energy consumer after the **US**. China is energy rich – it is the third-largest energy producer in the world after the **US** and **Russia** but supplies are inadequate to its current growth. Energy concerns are two-fold – China needs to *import* an increasing proportion of its energy, and the main of primary energy source is still *coal*, a dirty 19<sup>th</sup> century source that has caused massive pollution problems. China is the world's largest producer and consumer of coal; it contributes over 60% to energy inputs. Although China has steadfast policies on reduction of the share of coal in energy inputs, consumption will continue to rise for many years in absolute terms due to the rate of growth. A slightly cleaner fuel is *oil* but China's own production can not meet needs and it has been a net importer since 1993, largely from the Middle East. Imports are forecast to be around 3.5 million barrels per day by 2010. China is interested in diversifying the **sources** of its oil imports and has invested in oil operations around the world, from **Sudan** to the **Gulf of Mexico**. China is driven by the two equally important imperatives: *energy security* and *pollution reduction*. It seeks energy security through greater efficiencies, diversification of sources, and security of delivery. The *11th Five-Year Plan* (2006-2010) calls for a 20% improvement in energy efficiency per unit of GDP by 2010, development of *renewable energy* sources and increased regard to environmental issues. With a forecast 45% increase in GDP during the plan period, efforts will need to be ceaseless to meet the goal. Among China's "renewable" energy alternatives, is nuclear power and the country's abundance of *hydro*-electricity potential but these projects – such as the *Three Gorges Dam* (\$24B)– are capital intensive, long in completion, and invariably present new downsides. The *Three Gorges Dam* will have a total output 18 Gigawatt of "free" energy when fully complete in 2009, but China estimates it needs to add 15 Gigawatt of capacity each year to maintain present growth. Clearly, imported primary energy sources will be crucial for some years to come.

Unlike Japan which imports most of its oil from the Middle East through the **Malacca Strait**, China has diversified its sources and means of delivery. Oil sources at present are **Angola** (18%), **Saudi Arabia**, **Iran**, **Russia**, **Oman**, **Equatorial Guinea**, **Yemen**, **Congo**, **Libya**, **Venezuela**, a diversity that provides



some measure of intrinsic security. One additional layer in protection of energy sources is the *String of Pearls* strategy, which calls for a string of tanker facilities on the Indian Ocean rim in **Thailand, Myanmar, Bangladesh, Pakistan**. Much of this infrastructure has already been built. In Pakistan, the first stage of the new port of **Gwadar** will be working during 2006. China can offload oil at Gwadar and pipe it through Pakistan to Western China. A project in waiting is a long-discussed plan to build a new canal across the **Kra Isthmus** in **Thailand** which would bypass the *Malacca* route entirely. Projects such as Gwadar indicate that China seems to have foreseen the current energy crunch years before some Western governments. Years of careful preparation have begun to deliver results apart from Gwadar. During 2006 the first batch of crude oil arrived through the *China-Kazakhstan pipeline*, a huge *LNG terminal* was opened, and *natural gas* reserves exceeding 100 billion cubic meters were proven in deep water in the Pearl River Basin. Also in 2006 China announced two *coal-to-oil* plants (\$12B) in the Northwest that will produce oil at around \$27 per barrel, and announced a Sino-Thai *hydro* plant in **Myanmar** on Southeast Asia's longest undammed waterway. Apart from maintaining good trading relations with **Iran** and **Venezuela**, China sees an oil future in **Africa**. It continues to cultivate relations with oil-rich **Angola**, and has a 40% stake in **Sudan's** oil industry. Some think that **Chad's** recent nationalization of *ChevronTexaco* and *Petronas* assets, ostensibly in a dispute over taxes, is a move in preparation for China to manage the reserves [Opinion].

During 2006 the State Council (Executive cabinet) produced a *strategic energy policy*, the first of its type in China. This and the goals of the present *Five-Year Plan* call for 10% of energy to come from *renewable* sources by 2020. At present *nuclear* power accounts for just over 1% in 2000 but this is forecast to grow to 5% by 2030. China's high earthquake risk present difficulties for wide-spread use of nuclear power but energy imperatives may force an accelerated use of this problematic source.

## Environmental Degradation

Diseases caused by air pollution are now a leading cause of death in China. Seven of the world's ten most air-polluted cities are in China. On a bad day, Chinese air pollution reaches **California**. Acid rain now affects one third of the country and some regions are receiving nothing but acid rain. Around 20% of agricultural land has been lost or degraded since 1949, with serious desertification in some areas. Half of the population now lacks access to clean water; 90% of water bodies in urban areas are severely polluted; one third of cities have no centralized sewage treatment. *Water scarcity*, particularly in Northern China, is now a serious brake on sustained economic activity.

All of this has resulted from China's rapid industrial development. The leadership are giving increasing attention to these severe, sometimes irreversible, problems; not as idle tree-huggers, but from genuine concern that decades of progress can grind to a halt in a toxic swamp. Various studies have estimated pollution costs the Chinese economy 7%-10% of GDP each year, more than \$80 billion in 2004. In response to the hazards looming ever larger, the *State Environmental Protection Administration* (SEPA) was upgraded to ministry level in 1998; but the levers on re-greening the environment are not as responsive as the levers of industry. China has recently admitted that the water pollution goals, and the goal of the *Tenth Five-Year Plan* (2001-2005) to reduce total toxic air emissions by 10% have not been achieved. China is caught in the dilemmas that all development brings. The massive *Three Gorges Dam* project will produce the hydro-electricity and flood mitigation China urgently needs but it will bring about displacement of large populations, silting of the *Yangtze River*, loss of endangered species, and – environmentalists warn – other long-term dire consequences.

China actively participates in global environmental forums. In 2005, it joined the *Asia Pacific Partnership on Clean Development* (with **Australia, India, Japan, South Korea, US**), a forum on strategies for pollution reduction and climate change mitigation and adaptation. It is a signatory to the *Basel Convention* governing the transport and disposal of *hazardous waste* and the *Montreal Protocol* for the Protection of the Ozone Layer, as well as the *Convention on International Trade in Endangered Species* and other major environmental agreements. But China insists that this is a shared problem – in one way or another, the cost of any remedies will be shared with the industrialized world. This may mean a doubling (or tripling) in the price of many Chinese exports and/or assistance with remediation projects



of a gigantic scale. Assistance may also take the form of cutting edge technology transfer -- in September 2006, China invited foreign investment in water conservation, sewage treatment, waste water treatment and recycling.

China is taking every step to ensure a positive outcome from the Beijing **Olympiad** in 2008 and is investing heavily in pollution control measures directed at Beijing. One measure is to close all industry in the Beijing region for the duration. Only time will tell if the action taken is cynical window-dressing or a useful pilot project that can be applied in the rest of China.

## Transnational Crime

**Crime** and **organized crime** is new to China.<sup>1</sup> In 1992 China had 1.2 million **police** officers and, like the PLA of the Long March, no system of rank – *the men know who to obey*. In pre-1992 China, a society with limited personal property, cash, and freedom of movement, petty crime was difficult and unprofitable and the crime of old *Shanghai* and similar entrepot cities was extirpated by the incoming communists. With the liberalizations starting in 1992, there was new mobility, a gravitation to urban areas; money, jobs, unemployment, and, as night follows day, crime. Affluence and urban concentrations also brought recreational **drugs** and drugs of addiction which spawned crime sub-cultures of their own. Whereas China was once a transshipment point for **opiates** from the *Golden Triangle*, it is now also a significant market. It is now also a manufacturing source for newer drugs such as **amphetamines** now in wide use (as **shabu**) throughout south-east Asia. Personal crime such as highway robbery of bus passengers in rural areas is a priority for the government because it is seen as a direct challenge to its ability to keep law and order. Persons convicted of this and a vast range of “petty” crimes are executed. The Chinese government has a very keen vision of what China should be like and it does not include new anti-social trends such as crime. Organized crime is doubly anathema because the leadership have a particular dislike for covert organized groups. In 2005 China reported success in over 50 money laundering cases involving around US\$1.25 billion, but this is only a fraction of the estimated annual money laundering turnover of \$37B to \$50B. During the first half of 2006 China claimed a fall in (already low) violent crimes and solving of 33,000 white-collar (“economic crimes”) involving about \$7.27B. Organized crime and the associated **money laundering** need some degree of official **corruption** to survive. Corruption of public officials robs the Party of credibility at the level of the masses, and often deprives the government of revenue. In 2002, the Party established the high-level **Central Discipline Inspection Commission** and charged it with extirpating corrupt party officials. China and organized crime brings **triads** to mind; wrongly say experts. The secret societies now known as **Triads** date from 1674 when underground groups formed to resist the *Manchurian* interlopers.<sup>2</sup> Starting something not unlike the *Masons* or *Opus Dei*, they are now a collection of loose-knit groups or gangs and not a monolithic criminal organization as such. Some organized crime syndicates may include triad members but that is incidental.

## Foreign Relations

In the early 15<sup>th</sup> century, China extensively explored the world by sea. Using the magnetic compass and other advanced navigation and mapping skills, Admiral **Zheng He** sailed to most corners of the world including the Americas in fleet of 300 ships.<sup>3</sup> *Zheng He*’s report on return was detailed and extensive. But the Chinese did not like what they heard. The world was different to China, hence inferior and dangerous. The fleet was burned and any further contact with the outside world was prohibited.

The few years after the declaration of the PRC in 1949 had foreign policy implications that resounded for decades. China was quick to form fraternal relations with the **Soviet Union**, and the West suddenly saw

<sup>1</sup> “Organized Crime In China”, Dr. Chu Yiu-Kong, Visiting Assistant Professor, Sociology Department, University of Hong Kong, <http://www.crime.hku.hk/organizecrime.htm>

<sup>2</sup> “Triad” is derived from the triangular sign of the societies.

<sup>3</sup> The “Bimini Road” in the Bahamas thought by some to be remnants of *Atlantis* is the slipway *Zheng He* built to repair his ships. The stones are “foreign” because they are ballast from China.



the specter of world-wide godless Communism beating at the gates. Proof came the next year when China sent troops to assist **North Korea** against UN forces. The *Yellow Peril* was on the move. With *Mao's Great Leap* into the Iron Age, the Soviets withdrew their advisors from by August 1960. Cooperation had suddenly transmuted into competition for ideological influence throughout the world. Bewildered Communists in the West had to choose between *Moscow-line* and *Peking-line*; *Marxism* or *Maoism*. The Soviet invasion of **Czechoslovakia** (1968) was condemned by China as vigorously as in the West but Radio Peking had a better vocabulary – *Soviet hegemony* was abroad in the world and was just as much an enemy as *US hegemony*. China accused the Soviets of colonizing various parts of the world such as **Cuba** and **Vietnam**. Clashes on the *Sino-Soviet border* in 1969 proved the disagreement was not just ideological; the two great Communist powers thought the world wasn't big enough for both of them, a dangerous sentiment for two nuclear powers. China embarked on its own foreign policy throughout the world. It sought influence in third world nations and neighbors such as **Pakistan** and **Indonesia**, third-world nations which were resource-rich or of other strategic value and which the Soviets had not yet signed up for fraternal relations.

By the early 1970s, it became an increasing global absurdity that China – a quarter of the world's population -- was not a member of the *United Nations* and the China seat as a permanent member of the **Security Council** was held by tiny **Taiwan**. In 1971, Taiwan was unceremoniously displaced by PRC, the first major recognition that Communist China would not simply go away. **Japan** established diplomatic relations in 1972..

China continued to court far-flung members of the *Nonaligned Movement* (NAM), but now also began improving ties with the West, notably the US, the world's anti-Communist flag-bearer. China offered an enticing deal – it could assist in countering *Soviet hegemony* if the West assisted China with modernization. Sino-US diplomatic relations were finally restored, after a 30 year interval, in 1979 and the two set about technology transfer and vigorous trade. As a condition of diplomatic relations China has always insisted, then and now, on the *one-China policy*, recognition that **Taiwan** is an inseparable part of China. Any support for the principle of *self-determination* has proven weaker than the desire to trade with China. Now 159 states have diplomatic relations with Beijing; 25 have diplomatic relations with Taipei (the **Holy See** and some of the smallest nations in the world).

In the 1970s China continued to see hegemony in its immediate region. It condemned **Vietnam's** adventures in **Laos** and **Cambodia** in late 1978 and fought a token border war with Vietnam in early 1979. The Soviets were on the move too, invading **Afghanistan** in December 1979. Also, the Soviets continued to maintain troops on the Sino-Soviet border and in **Mongolia**, provocations that China feared would foment separatism in **Nei Mongol** (“Inner Mongolia”) and excite the Muslim population in **Xinjiang** bordering Afghanistan.

June 1989 was a turning point for both China and the **Soviet Union**. Russia withdrew from **Afghanistan** with 14,000 dead; two years later the USSR had collapsed. China cleared *Tiān'ānmén Square* with unknown number of dead; the world realized that China meant what it said – any liberalization would be on the Party's terms, not Western notions of free market anarchy. In the immediate aftermath of *Tiān'ānmén*, many countries suspended or reduced diplomatic and trading contacts with China. China worked vigorously to rebuild relations, but only on its own terms. Cheap white-goods prevailed. By late 1990, normal relations had been reestablished with almost all nations including the republics of the former Soviet Union.

The first two thousand years of self-imposed isolation created the highly homogenous self confident culture that lives on as modern China. But, for better or worse, isolation in the 24-hour connected global village is not possible. Foreign relations now take China's leaders around the world in continual relation-building. China's national interests are found both far and near. In its immediate neighborhood, China borders 14 countries -- **Afghanistan** 76 km, **Bhutan** 470 km, **Burma** 2,185 km, **India** 3,380 km, **Kazakhstan** 1,533 km, **North Korea** 1,416 km, **Kyrgyzstan** 858 km, **Laos** 423 km, **Mongolia** 4,677 km, **Nepal** 1,236 km, **Pakistan** 523 km, **Russia** (northeast 3,605 km, northwest 40 km), **Tajikistan** 414 km, **Vietnam** 1,281 km. Now China seems to have made peace with world at large, it has concentrated on affairs in its immediate sphere of influence. The *Shanghai Cooperation Organization* (SCO), established



in 2001, comprises **China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan**. It is primarily a *security* alliance with counter-terrorism as its main objective. China has also overcome much of the suspicion of *Chinese hegemony* in **Southeast Asia** and now has constructive relations with the *Association of Southeast Asian Nations (ASEAN) Regional Forum*, and the new (2005) *East Asia Summit (EAS)* which comprises ASEAN along with China, **Japan, South Korea, India, Australia, New Zealand**, with **Russia** as an observer. **SCO** and **EAS** – China is the only full member of both – places China at the heart of an oil rich high-growth consortium of nations which already rivals the economic might of the US. Forums such as this also serve to improve China's relations with sometime enemies **India** and **Russia**. Premier Wen's visit to India in 2005 and President Putin's visit Beijing in April 2006 symbolize efforts on all sides to forge new relations..

China is the only nation to have a "special relationship" with **North Korea** and is relied on in the **Six-Party Talks** to prompt some reasonable position on North Korea's nuclear weapons program.

China is no longer a revolutionary regime. Although China once actively exported revolution to the *Viet Cong, Pathet Lao, Khmer Rouge*, in recent years it has carefully guarded the franchise on the term "Maoist". It specifically says that **Peru's Shining Path** rebels, **Nepal's** self-described *Maoists*, and the *Naxalite* revolutionaries in several states on **India** are not Maoist revolutionaries and are unworthy of the word. Export of revolution is no longer a priority; it's bad for business. This is not to say that China is not engaging in the more rewarding great game of *cultural imperialism*. Already, there is astounding growth in numbers learning *Mandarin* in **Latin America** and other parts of the world. Some forecasts see Mandarin passing English as a *second language* of choice throughout the world with a decade or two. In recent years, China has been increasingly active in the UN and other world forums and has contributed to UN peace-keeping missions. However, China has shown tardiness verging on contempt for multilateralism in its efforts to combat transborder disease threats such as **H5N1** and **HIV/AIDS**, and in issuing alerts on the **SARS** crisis. This *Chernobyl syndrome* – unwillingness to admit problems – is systematic in a Politburo-led system without a *fourth* or *fifth estate*.

## International Disputes

Beijing has now resolved many long-standing border and maritime disputes, significantly with **Russia** in 1997 and in 2000 with **Vietnam** (with some islands in the oil-rich *South China Sea* still disputed). Disputes with **Japan** over areas in East China Sea are largely perpetuated by heart-felt hatred over Japan's genocide against China in the Second World War.

In 2005, China and **India** began to resolve multiple border disputes, particularly in the vicinity of the **Siachen Glacier** and **Karakoram Pass** where the borders of China (Aksai Chin, North Ladakh) and **India** (Jammu and Kashmir) and **Pakistan** (Azad Kashmir and Northern Areas) meet.

China's occupation and cultural genocide in **Tibet** (*Xīzàng Zìzhìqū*) is regarded by the Tibetans as an outstanding dispute but no major nation has thought the *self-determination* of the unique Tibetan people sufficiently important to risk its trade relationship with China.

China asserts sovereignty over the **Spratly Islands** together with **Malaysia, Philippines, Taiwan, Vietnam**. The parties in 2002 promulgated the *Declaration on the Conduct of Parties in the South China Sea* which has eased an unseemly scramble to erect tents and weather stations on various tiny islands. Vietnam has sometimes breached the code of conduct in establishing "site-seeing" tours to certain islands, but China has been instrumental in a pragmatic scheme to exploit the Spratlys oil/gas resources without conflict – by initiating joint ventures with other claimants, and has commenced projects with the **Philippines**, and **Vietnam**. Whilst all claimants have been quick to condemn any one nation making territorial gestures, the group finds it more difficult to oppose joint activities. This may well be simple effective tactics born in Beijing's politburo.

China occupies some islands in the **Paracel Group** that are claimed by **Vietnam** and **Taiwan**.

## Projection Capability

Starting in 1978, the PLA demobilized millions of personnel and, consistent with Deng's modernization policies, embarked on strategic redesign of the armed forces. Although *Tiān'ānmén* (1989) emphasized



that the PLA (rather than the police) would remain the bulwark of ideological correctness, China remains intent on transforming the PLA into a modern, high-tech, high-leverage, mobile force. In a model set first by the UK and then by the US, a state needs a **blue-water navy** to credibly protect its strategic sea-lanes. Apart from strategic nuclear weapons, China has also developed a range of modern missile and other systems and acquired Sovremenny-class destroyers, SU-27 and SU-30 aircraft, and Kilo-class submarines from **Russia**. Although this gives China the capability to wreak its will on a state such as **Angola** (and perhaps **Taiwan**), it is a limited projection capability for a nation that will soon be the world's second economy. Although the US has expressed general nervousness about growing military power it is confident China will have no substantial force projection capability for several decades, but all observers agree that the question is not if but when China will acquire or build its first aircraft carrier and start to form credible carrier battle-groups.

Russia started constructing the Kuznetsov-class carrier *Varyag* (67,500 tonne) in 1985 but work was discontinued in 1992 and she was partly stripped and sold for scrap in 1998. Despite rumors that she was to be a floating casino in Macau, the ship is now being repaired by PLA-Navy in drydock in *Dalian* (*Liaoning* Province bordering on **North Korea**). China claims it will be a tourist attraction but it has now been painted service gray and most believe China intends to commission the carrier, either as a training ship or as its first operational carrier.

Although **India**-China relations have improved considerably, India is still a strategic rival, particularly as much of China's oil imports still cross the Indian Ocean. India expects carrier *INS Vikramaditya* (formerly *Admiral Gorshkov*) to enter service in 2008 after refitting. It also began construction of another carrier (37,500 tonne, 30 aircraft) in 2005, scheduled for completion in 2013 to replace the *INS Vikrant* (formerly *HMS Hercules*) decommissioned in 1997.

## Proliferation

Although all Russian technical assistance was withdrawn from China in 1960, China was able to continue its nuclear weapons program and hold its **first nuclear test** in October 1964. China was the first nuclear power state to announce a **no first use** policy. It joined the **IAEA** in 1984, agreed to halt atmospheric testing in 1986, acceded to the **NPT** in 1992 and signed the Comprehensive Test Ban Treaty (**CTBT**) in 1996 (but has not yet ratified CTBT). Also in 1996, China agreed not to provide assistance to nuclear facilities without specified safeguards and began implementing regulations establishing controls over nuclear-related dual-use items in 1998. In May 2004 China joined the **Nuclear Suppliers Group**. China has committed not to engage in new nuclear cooperation with **Iran** (even under safeguards), but will complete existing cooperation as soon as possible.

China became a major international exporter of conventional arms during the 1980s and 1990s to many of the world's conflicts. It joined the Middle East arms control talks in 1991 but walked out in September 1992 when the US agreed to sell F-16 aircraft to **Taiwan**. China is not a member of the *Missile Technology Control Regime* (MTCR) but since March 1992 has undertaken to abide by MTCR rules; however in August 2003 a Chinese enterprise was found to have transferred scheduled equipment and technologies to **Iran**, leading China to issue more comprehensive regulations on arms export. In April **1997** China ratified the *Chemical Weapons Convention* (CWC) and by October 2002 had promulgated regulations on dual-use agents and precursors on the *Australia Group* control list.

## US-China Relations

The journey from fighting a war in Korea in 1950 to President Nixon's visit to Beijing in 1972 was eventful. The American Embassy had followed *Jiǎng Jièshí* to Taiwan in 1949 and China and the US exchanged artillery fire and vitriol since then.

Starting with exchange of *ping-pong* teams, Sino-US relations were sufficiently positive for President Nixon to make a state visit in February 1972. This produced a joint statement, the "Shanghai Communiqué", which has been a yardstick for Sino-US relations since. China insisted the communiqué embody the "**one China policy**" but acknowledged the US would maintain normal trade relations with **Taiwan**. As a transition, a *Liaison Office* operated in both countries 1973-1978, and **diplomatic relations**



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were formalized 01 January 1979, ending thirty years of antipathy. Several high-level visits were exchanged during the 1980s but with *Tiān'ānmén* in June 1989, the US and many other governments reduced or suspended bilateral arrangements and arms sales on human rights grounds. Although some of these suspensions remained for 10 years, trade and Chinese intransigence triumphed.

But continuing improvement in relations could not prevail against one of China's raw nerves. In 1996, following the "private" visit to the US of a Taiwanese former President to the US, China held military exercises near **Taiwan**. The US saw this as a provocation and sent two carrier battle groups to the vicinity. Both countries believed they had made their point. But US-China relations survived this and the (accidental) bombing of the Chinese Embassy in Belgrade in May 1999 and collision of a Chinese F-8 with a US Orion in international airspace near China in April 2001.

US investment in China is now over \$50B. US-China trade has grown ten-fold in the last 10 years and is presently growing at 20% each year. The US trade deficit with China now exceeds **\$200B**. Consistent US policy is to encourage China's integration into a "global, rules-based economic and trading system", but confusion about what those fine sentiments exactly mean is evidenced by the recent death of the *Doha Round*. China has grown very quickly from an isolated impoverished agrarian country to become an active participant in international institutions and a major trading nation. Both *Marxism* and *Wall Street* can claim a share in the credit.

One of the fruits of Sino-US relations is the role it is believed China can play in the *Six-Party Talks* with **North Korea**. China has long had a special relationship with the failed Stalinist state but this has produced little practical progress yet. Similarly it is hoped that China (along with Russia) can reinforce the US/EU views on **Iran's** ambivalent nuclear program. This not a certainty, as Iran is an important (and close) *oil* supplier.



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## NEAR-TERM

Chinese over-reaction to demonstrations and to ostensibly harmless groups such as **Fǎlún Gōng** betray insecurities felt by the leadership that are apparent in no other way. It is likely that the **Politburo** is correct – the population will not tolerate *partial* political freedom; it will be all or nothing. Like everyone else, the Politburo doesn't know how the story ends yet but how it responds to challenges will be critical. China's position as the "hub" member of both *Shanghai Cooperation Organization* and *East Asia Summit*, and its forward looking energy strategy, will gain it status on the world stage faster than economists predict. The only obvious weak point in its security is terrorism / separatism in **Xinjiang** province.

## Mid-Term

As China rapidly becomes a world power and its leadership is populated by the only child **me-generation**, there will be increasing pressure on the Politburo to make the sort of compromise that **Deng** saw as China's only course. Unless there is widespread unrest accompanied by separatism in border provinces, the Party will not be forced to cede power to a multi-party system. But some wise Party official may see that the only way to guarantee the 1949 Revolution for another 50 years is some **astounding compromise** – perhaps 50% multi-party seats in the PNC, 50% old system. Communist Capitalism was a compromise nobody foresaw. China may have similar tricks to play.

## Long-Term

China does not have a history of imperialism far beyond its borders, but in one or two decades growing wealth, and the massive Chinese industrial capacity, may be able to produce a number of **carrier battle groups**. If there are then any awkward standoffs with the US these may be over the question of Taiwan but they are more likely to be disputes involving **energy** sources, and they are likely to be in awkward places such as off Nigeria. Chinese cultural "imperialism" throughout the world will make the world significantly more *Sinophone* and *Sinophile* than now. That world will be very different; it will fundamentally change the nature of "them" and "us".

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### World Crises [based on monthly assessments by *International Crisis Group*]

!!!	<b>Alert</b>	<b>DR Congo, Lebanon, Pakistan, Somalia, Sudan</b>
↓	<b>Deteriorated</b>	<b>Burundi, Iran, Kuril Islands/Northern Territories (Russia/Japan), North Korea, Pakistan, Sri Lanka, Sudan, Taiwan Strait</b>
↑	<b>Improved</b>	<b>Angola, Lebanon, Togo, Uganda</b> [resolution opportunity]

<http://www.crisisgroup.org/home/index.cfm?id=4296>

### LEGEND

Hazard Level	Change Codes
	↓ Deteriorated
	• Steady
	↑ Improved
	!!! Alert



## Threats

Summary

see daily items on the web at

<http://meta2.com/PDB/pdbDetail.asp?THREATS>

<b>Poverty</b>	<ul style="list-style-type: none"> <li>The <b>World Bank</b> has made arrangements with large commercial banks that may assist in detection of corruptly misdirected development monies — the <b>UK</b> has protested that the World Bank is "interfering in the affairs of developing countries by imposing overly strict conditions on the granting of aid". <b>George Soros</b> has donated \$50M a world poverty project.</li> </ul>
<b>Infectious Disease</b>	<p>↓ Two more died in Chicago from <b>West Nile</b> virus; 20% of infected people will get sick — a new <b>polio</b> strain from Uttar Pradesh [<b>India</b>] is now being found across the world. It's not in the headlines as often, but the hazard from <b>H5N1</b> is undiminished, and new <b>World Bank</b> estimates of cost are up. <b>WHO</b> has officially approved spraying <b>DDT</b> indoors despite the risks to fight the 1 million <b>malaria</b> deaths each year.</p>
<b>Environment</b>	<p>↓ The increased melting of Arctic ice due to <b>global warming</b> between 2004 and 2005 is "enormous".</p>
<b>Inter-State Conflict</b>	<p>↓ <b>Iraq</b>: Some US forces say <b>Anbar</b> Province is lost politically and have redeployed to reinforce <b>Baghdad</b>; one plan is surround the capital with <b>siege trenches</b>.</p> <p><b>Afghanistan</b>: Despite the effort, the <b>Taliban</b> today seem better paid, better armed, better connected than ever; 150 militants stormed a police HQ ; <b>Kandahar</b> is under threat; <b>NATO</b> calls for more troops — "from victory to bloody stalemate in five years" said one analyst. British forces mentioned civil affairs projects they are trying [in the <b>Malay</b> emergency tradition] – "Taliban or tractor?"</p> <p><b>Israel, Lebanon</b>: Domestic blood-letting over the <b>Lebanon</b> campaign has started with the resignation of <b>Israel's</b> Commander of Northern Command — Israel says the shelling on the <b>UN</b> observation post may have been the result of an inaccurate map — the <b>Kifaya</b> movement in <b>Egypt</b> has called for the annulment of the U.S.-sponsored 1979 peace treaty with Israel. The <b>UN</b> is considering creation of its first military command center, modeled partly on US CENTCOM, to manage the Lebanon force.</p>
<b>Civil War</b>	<p>↓ The <b>African Union</b> proposes to send 8,000 peacekeepers to <b>Somalia</b> to support the interim government but the <b>Islamic Courts</b> regime threatens to oppose them — "About 50 jihadist leaders have left <b>Pakistan</b> for Somalia ..."</p>
<b>Genocide</b>	<ul style="list-style-type: none"> <li>[nothing significant to report]</li> </ul>
<b>Other Atrocities</b>	<p>↓ With <b>torture</b> in the headlines, the <b>CIA</b> wants the Administration to confirm that its "alternative set of procedures" for interrogation are legal. Interest groups said <b>Britain</b> is no better than <b>Mozambique</b>, <b>Tajikistan</b>, and <b>Chad</b> in meeting its commitment to clear <b>mines</b> from places such as the <b>Falklands</b> — it was claimed that <b>Myanmar's</b> military regime makes more extensive use of <b>mines</b> than any other government in the world. International Crisis Group said the Bush White House has made "10 grievous mistakes" that have only made the risk of <b>genocide</b> worse in <b>Darfur</b>. <b>Amnesty International</b> said <b>Israel's</b> actions do not justify <b>Hezbollah's</b> equally indiscriminate attack on civilian areas. Even <b>Philippines</b> President Arroyo's allies believe retiring General Palparan should be cleared of charges of <b>extrajudicial killing</b> before appointment to the National Security Council.</p>



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<b>Proliferation</b>	<p>!!! The IAEA says there are two tons of <i>radioactive material</i> badly stored in <b>Serbia</b> that is an easy target for terrorists seeking to build a <i>dirty bomb</i>. <b>China</b> has underlined its support for <b>Iran</b>'s peaceful use of <i>nuclear energy</i>, and has urged resumption of talks with <b>North Korea</b>. The <b>Arab League</b> conference in Bahrain has asserted Arab rights to <i>nuclear technology</i> and demanded that <b>Israel</b> give up its <i>nuclear weapons</i>.</p>
<b>Terrorism</b>	<ul style="list-style-type: none"> <li>• An evolving "nuanced understanding" of <i>counterinsurgency operations</i> by the US military has produced new wisdom such as "The most important decisions are not made by generals."</li> </ul> <p><i>Shoko Asahara</i>, leader of <i>Aum Shinrikyo</i> in <b>Japan</b>, has exhausted all appeals and may be <i>executed</i> within 6 months.</p> <p><i>Car-bomb</i> attacks on <i>oil refineries</i> in Maarib and Dhabba in <b>Yemen</b> have been foiled.</p> <p>The Salafist <i>Group for Call and Combat</i> in <b>Algeria</b> signed up with the <i>al-Qaida</i> franchise.</p> <p>A significant <b>Turkey-Central Asia [Turkic]</b> alliance met to address terrorism. A <i>University of Chicago</i> study finds that <i>occupation</i> of homeland is a common root cause of <i>suicide bombings</i>. The NAM Summit tried to broaden the definition of 'terrorism' to include the <b>Israeli</b> invasion of <b>Lebanon</b> and the US occupation in <b>Iraq</b>.</p> <p>A former member says southeast Asia's <i>Ji</i> has a new manual and a new emphasis on smaller operations by <i>smaller independent groups</i>. <b>Philippines</b> troops have seized four CDs in <i>Bhasa Indonesia</i> in <b>Sulu</b> which may be of high intelligence value, relating to <i>al-Qaeda</i> operations in Southeast Asia and adjoining regions.</p> <p>President <b>Musharraf</b> of <b>Pakistan</b> said the "center of gravity" has shifted from <i>Al-Qaeda</i> to the <i>Taliban</i> -- the <i>Taliban</i> has roots in the people, <i>Al-Qaeda</i> does not.</p>
<b>Transnational Crime</b>	<p>↓ Gunmen rolling five human heads across a dance floor is indicative of the recent heightened violence of <b>Mexican drug gangs</b> with US connections. The <b>UK</b> says sophisticated <i>cyber scams</i> are increasingly run by organized crime syndicates for profit, not by "hackers". A gathering on <i>narcotics</i> enforcement in <b>Asia</b> heard the landscape has suddenly changed ... large-scale smuggling of heroin and cocaine, amphetamines is now "rampant" in the region. The National Security agency in <b>Sri Lanka</b> said the analysis of the synergy between <i>drug trafficking</i> and <i>insurgency</i> financing by the <i>LTTE</i> is of broader interest of use elsewhere.</p>

↓ deteriorated	• steady	↑ improved	!!! ALERT
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# Public Daily Brief



## Policy Summary

see daily items on the web at  
<http://meta2.com/PDB/pdbDetail.asp?POLICY>

<b>Agriculture</b>	•	[nothing significant to report]
<b>Debt</b>	•	[nothing significant to report]
<b>Diplomacy</b>	↓	The <b>Pope</b> for unknown reasons made comments that could only inflame <b>Islamic</b> sensibilities — the <b>Arab League</b> envoy to <b>Iraq</b> since June 2006 has resigned seemingly due to lack of funds and lack of mission. <b>NAM Summit:</b> Castro was elected President of the 100-nation NAM organisation — <b>China</b> accepted the invitation to attend as an observer; the <b>US</b> did not accept — the summit denounced the “ <i>preventive wars</i> ” and the “proclaimed rights of the world’s only superpower to occupy countries illegally and change regimes” A Georgetown Professor observes that if the <b>US</b> continues headlong into a “ <i>clash of civilizations</i> ”, oil prices will be the least of our worries.
<b>Economy</b>	•	The proportion of <b>US</b> consumers pleading poor (22%) is second only to <b>Portugal</b> — the <b>IMF</b> said financial markets have failed to price in the risk offered by a range of <i>threats</i> .
<b>Education</b>	•	[nothing significant to report]
<b>Energy</b>	•	The <b>US nuclear waste</b> issue is still far from resolved; 2,000 tons are produced each year; <i>Yucca Mountain</i> is still at least 10 years away. Big Oil told consumers to quit buying as much <i>gasoline</i> .
<b>Family</b>	•	[nothing significant to report]
<b>Immigration</b>	•	[nothing significant to report]
<b>Justice</b>	↓	"The world is beginning to doubt the moral basis of our fight against terrorism." said <i>Colin Powell</i> ; and a majority of the <b>Armed Services Committee</b> agreed — separately, the <b>British Lord Chancellor</b> condemned the <i>Guantanamo</i> process. <i>Christian Science Monitor</i> examined whether there are still undisclosed <i>detainees</i> , and the issues underlying the question of <i>torture</i> — some <b>CIA</b> officers were said to be buying liability insurance in case of future legal difficulties.
<b>Security</b>	↑	Democrats said it was inappropriate for the <b>NSA</b> to provide “talking points” on the <i>wire-tapping</i> issue to a Senate Panel. <b>Syria</b> , instrumental in stopping a concerted attack on the <b>US Embassy</b> , said only Syrian nationals were involved.
<b>Social Security</b>	↓	It seems certain a litany of fixable problems will plague the upcoming <b>US elections</b> . A report said one in five <i>children</i> will become <i>obese</i> and the government has killed one of the few remedial programs proven to work.
<b>Water</b>	•	<b>China</b> announced a big-picture plan to fix its dire water problems.

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# Public Daily Brief



## Challengers

Summary

see daily items on the web at

<http://meta2.com/PDB/pdbDetail.asp?CHALLENGERS>

<b>Brazil</b>	• [nothing significant to report]
<b>China</b>	• China opposed putting <b>Myanmar</b> issue on <b>Security Council</b> 's agenda through a nice legalism ... repressive regimes do not necessarily constitute "threat to international peace and security", the UN criterion for action [and a sensitive issue for China perhaps]. The <b>IMF</b> predicts 10% growth rate for China in the coming year — a former German chancellor predicted China's economy will overtake <b>Germany</b> in a few years; " <i>There has never been such a phenomenon in the world's history.</i> " The <b>US</b> thinks <i>proliferation</i> of Chinese armaments (or designs) to <b>North Korea</b> and <b>Hezbollah</b> is more carelessness than geopolitical strategy. China is inviting foreign investment in <i>water conservation, sewage treatment, waste water treatment</i> and <i>recycling</i> — China reminded the nervous world that <i>energy efficiency</i> may ease fears over energy supply.
<b>India</b>	• The <b>IMF</b> raised the growth forecast for India to 8.3% in 2006.
<b>Indonesia</b>	• [nothing significant to report]
<b>Iran</b>	↑ The <b>IAEA</b> has hotly disputed US claims on the state of Iran's <i>enrichment</i> program -- "This is like prewar Iraq all over again". Also shades of <b>Iraq</b> ... the Iranian <i>opposition</i> is furnishing uncorroborated evidence, contradicting <b>IAEA</b> , on Iran's <i>nuclear program</i> . " <i>Neo-cons</i> " are expected to work hard to discredit current intelligence [by <b>CIA</b> , <b>IAEA</b> ] and "substitute their own alternative as they position themselves for the attack on Iran they have long wanted".
<b>Russia</b>	↓ <i>Radio Free Europe</i> presented a good discussion of the significance of separatism in <b>Transdnier, Abkhazia, and South Ossetia</b> . A central banker was shot dead, possibly in relation to the bank's revocation of licenses of unreliable commercial banks. Russia test-fired two <i>submarine</i> -launched <b>ICBMs</b> 6,000km to a land target in Arkhangelsk.
<b>Venezuela</b>	• [nothing significant to report]
<b>[wild-card]</b>	↓ The situation in <b>Balochistan</b> is suddenly highly volatile after the killing of a tribal leader; observers warn that <b>Pakistan</b> should not try to fix a political problem by military means. The first <b>India-Brazil-South Africa</b> ( <b>IBSA</b> ) Summit held in Brasilia called for a global effort to eradicate <i>terrorism</i> . The <b>US</b> is applying diplomatic pressure to <b>Turkey</b> to stop it hitting <i>Kurds</i> in northern <b>Iraq</b> .

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