



## RED STAR RISING

by CDR Jim Fanell

For those regular readers of NIPmail it will not come as a surprise to learn NIP leadership

has decided to establish a new column covering the People's Republic of China (PRC) in the pages of the NIP Quarterly. For some time now, there has been a growing flurry of e-mail in the NIP regarding a variety of topics surrounding the emergence of China as a world power. It is the purpose of this column to help bring the latest pieces of open source information about changes in the PRC's military, economy, diplomatic and cultural arena to the readers of NIP. Unlike *Vultures Row* this column will not offer much humor; instead, "Red Star Rising" will attempt to bring NIP readership into an atmosphere of the crusty, old, FDNF Sailor who is just woke up for that first cup of java and a copy of the "South China Morning Post" where thoughts always focused on what was happening with the Dragon. So, sit back, prop your feet up on the desk, grab that cup of joe and enjoy the trip through the Middle Kingdom.

In mid October the 16th Central Committee of the Communist Party of China (CPC) concluded its fifth plenary session. The highlight of this plenum was the Central Committee's approval for the **11th Five-Year Plan (2006-2010)**, the roadmap for the country's development in the next five years. **Premier Wen Jiabao** made an explanation on the proposal, which contains many "**revolutionary changes**", according to analysts in Beijing. The new plan is divided into ten parts with an emphasis on moving "From "Getting Rich First" to "Common Prosperity" to bridge the growing gap between the rich and the poor, and to avoid polarization of the society. Admitting its blind pursuit of "economic growth" led to "blind investment, damage to the environment and false statistics" indicates China's leaders are going to pursue "a fair, balanced and sustainable economic growth pattern" in the next Five-Year cycle. In

another area of economic change, the Plenum stated the next Five-Year plan will change its **heavy reliance on foreign investment** to secure its national economy. PRC government statistics show foreign trade accounts for over 70 percent of the Chinese economy. Finally, Party leadership announced they will place more emphasis on **science and technology**, education and health care in policy and investment. This Central Committee Five-year Plan will be up for final approval at the Fourth Session of the **10th National People's Congress to be held next March.**

In related activity, the PRC issued its **first ever White Paper on Democracy.** Chinese government officials vowed to actively push forward the reforms of its political system, although acknowledging tremendous achievements to date. The White Paper, consisting of 12 parts, states China has always adhered to the basic principle of the Marxist theory of democracy, combined with the reality of China, and borrowing from "the useful achievements of the political civilization of mankind, to include Western democracy. Assimilating democratic elements of China's traditional culture and institutional civilization" has been referred to as "**Socialism with Chinese Characteristics**". Just what are these characteristics? The following three were described in this White Paper: (1) China's democracy is a people's democracy **under the leadership of the CPC**; (2) China's democracy is a democracy in which the overwhelming majority of the people act as masters of state affairs; and (3) **China's democracy is a democracy guaranteed by the people's democratic dictatorship.** The Paper does admit that "despite the tremendous achievements scored in building a socialist political democracy, the CPC and the Chinese people are clearly aware of the many problems yet to be overcome".

Reporting from September indicates **China has tightened its restrictions for news media on the Internet.** China's new

restrictions, the first major update to policies on Internet news since 2000, are intended to limit the news and other information available to Internet users by sharply restricting the scope of content permitted on web sites. The Party views the unrestricted access to the web as a trend toward liberalization. Search engines like **Sina.com** and **Sohu.com**, reportedly used by millions of Chinese each day, must stop posting their own commentary articles and instead make available only opinion pieces generated by government-controlled newspapers and news agencies, the new regulations stipulate. The new regulation also requires private individuals or groups to register with the state **Propaganda Department** as "news organizations" before they can operate e-mail distribution lists (ouch, I'd be in serious trouble) that spread news or commentary, which internet experts say is one of the most significant changes. Now, an estimated 100 million Chinese have access to the Internet.

For the second time in two years China has launched and recovered a manned space vehicle, the **Shenzhou VI.** On 17 October, two **Chinese Taikonauts** made a successful return to earth after nearly five days in space orbit. This event ignited a burst of nationalist sentiment across China and is being used by Party leaders as one of the symbols of the country's economic and scientific power after 20 plus years of reforms. Technicians broke into applause as Fei Junlong, 40, and Nie Haisheng, 41, were shown, on official television, climbing from the Shenzhou VI's round reentry module, which strangely resembles a 1960's era Jacques Cousteau diving bell. This flight marked an important step forward in the PRC's long-term ambitions for space exploration. China, only the third nation to conduct a manned spaceflight, has already announced plans to **send up another pair of taikonauts in 2007 and have them walk in space. Further goals include setting up an orbiting space laboratory and putting a man on the moon by 2017.** The Chinese did announce they had spent \$110 million on the Shenzhou VI mission, demonstrating the PRC's



commitment to promoting national pride.

A couple of interesting side

notes surrounding this event: The word **Shenzhou** - is variously translated as “**Divine Craft**” or “**Divine Mechanism**”, but is also a pun on a literary name for China with the same pronunciation (literally “**Divine Land**” which means “**China**”). It appears the Chinese had particular interest in their lofty taikonauts “habits in the head”. Xinhua, the official Party Paper, ran an article regarding the effects of flatulence in space. Reportedly “astronauts can be blown away by his or her intestinal gas, which can also pollute the air inside space capsules”. Frankly, this is the kind of open and transparent reporting that will help clear the air between our two nations.

In regional relations, China took the lead during the fourth meeting of **Shanghai Cooperation Organization (SCO)** Prime Ministers meeting, which focused on anti-terrorism and deepening cooperation among members in politics, economy and culture. This six-member Central Asian group (**China, Russia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan**), which was started in 2001, met in Moscow in mid-October and took a step closer to forming a Eurasian military confederacy to rival NATO. The SCO’s originally stated goal of cooperation in former Soviet Central Asia, has evolved rapidly toward a regional security bloc and could soon include new members such as **India, Pakistan, and Iran**. This meeting followed on the heels of the Sino-Russian military exercise “**Peace Mission 2005**”, which exemplified the emergent strategic importance of the SCO where China and Russia act as de facto leaders.

Speaking of the SCO, the first Sino-Russian joint military exercise, named “**Peace Mission 2005**,” was conducted from 18-28 August 2005 and involved over 10,000 military personnel from the services of each country. Chinese state

press said the exercise was conducted for “the fight against terrorism, separatism and extremism”; however, many military experts, including this author, believe the drills looked more like a dress rehearsal for an invasion of Taiwan. The exercise began in the Russian Far East city of Vladivostok, where **Phase One** was conducted by senior commanders conducting strategic planning and scenario decision making. **Phase Two** moved towards the Shandong Peninsula and was focused on **delivery and disbursement of troops**, adjustment of the war plan, and organizing for combined operations. **Phase Three**, the actual simulated combat phase, involved three evolutions: **offshore blockade, amphibious assault and forcible separation**. Although the press reporting was vague, China used ten PLAN ships and submarines (SOVREMENNEY DDG, LUYANG I DDG, LUHU DD, and SONG SSK) and more than 20 PLANAF aircraft (Su-27, Z-9, IL-76 and B-6) took part in developing a naval blockade, while Russia contributed the UDALOY S DDG Marshall Shaposhnikov and the SOVREMENNEY DDG BURNY, plus KA-27 helicopters, Su-24, Su-27, A-50, and Tu-22M and Tu-95 long-range bombers. The culmination of the exercise was a **massive amphibious assault**, where Chinese and Russian troops conducted opposed landings on the beaches of China’s Shandong Peninsula. Following the conclusion of the exercise, Chinese Defense Minister Cao Gangchuan with Russian Defense Minister Sergei Ivanov said, “The first joint military exercises have helped promote mutual trust in the international military and security field, and constituted a good practice of the **new concept of security advocated by China**.”

In September, as a direct spin-off from “Peace Mission 2005”, Russian Defense Minister announced Russia would deliver long-range transport jets and tanker refueling planes to China. Press reports the deal will involve **30 Il-76 transport planes** and **eight Il-78 air-to-air refuelling tankers**, worth \$1.5 billion. The Il-76s will join about 20 similar aircraft already in

People’s Liberation Army Air Force (**PLAAF**) and will support the formation of a **new air assault army**. Even with these 30 additional Il-76s, PLAAF airlift resources are insufficient to support an airborne army of three or four divisions, so follow-on orders are likely. China has also modified at least one of its existing Il-76s to serve as an **airborne early warning and control platform**. Acquisition of the Il-78s is a major departure for the PLAAF, which currently relies on about 10 aging B-6s, and represents a **significant expansion of China’s power projection capabilities** as its existing tanker capacity is unable to accommodate advanced fighters. The Il-78s will be able to support China’s Su-30MKK and other probe-equipped combat aircraft, such as the F-8D. This acquisition has also increased speculation that China is going to expand its strategic bomber force with purchases of Russian Tu-22M3/BACKFIRE or Tu-95/BEARS.

In other related military news, relations between the U.S. and China got hot this summer when on 14 July, China’s National Defense University **Major General Zhu Chenghu** stated to an international press audience that “**China is prepared to use nuclear weapons against the US if it is attacked by Washington during a confrontation over Taiwan**... If the Americans draw their missiles and position-guided ammunition on to the target zone on China’s territory, I think we will have to respond with nuclear weapons.” **The good general added that China’s definition of its territory includes warships** and aircraft. Officially China’s doctrine has called for no first use of nuclear weapons since its first atomic test in 1964. General Zhu is not the first Chinese official to refer to the possibility of using such weapons first in a conflict over Taiwan. In **1999**, General **Xiong Guangkai**, now one of seven Deputy Chiefs of Staff for the PLA’s General Staff Headquarters, **indicated China could respond in kind to a nuclear strike by the U.S. in the event of a conflict with Taiwan**. General Xiong is reported to have said, “In the end you care more about Los Angeles than you do about Taipei”.

Official Chinese response insisted General Zhu's statement were his personal views and did not represent the policy of the Chinese government.

In addition to "Peace Mission 2005", there were many other notable events related to the People's Liberation Army Navy (PLAN) activity. In September, a Chinese Foreign Ministry spokesman confirmed the formation of an **East China Sea Reserve Fleet** in Ningbo "to handle peacetime emergencies or **fight wars**." The new reserve fleet will have "important meaning for raising our navy's comprehensive ability to fight wars," and protect its territorial sovereignty, PLA Daily reported. The PLAN also commissioned the first in a new class of domestically designed and built warships. The **missile frigate Wenzhou**, named after a port city in eastern China, entered service in September. According to Chinese press, this class is designed to operate far out at sea, and represents the PLAN's development and implementation of a "**blue water**" navy intended to assert Chinese claims to Taiwan and other territories, and protect sea lanes transporting vital natural resources. There was also interesting news of a **PLAN replenishment ship** supplying fuel using new methods and techniques to a PLAN SAG operating in the East China Sea in late September. On order of the PLA General Logistics Department the new "comprehensive" replenishment ship concurrently supplied fuel oil to a missile destroyer, military diesel oil to two frigates horizontally from each side, and aviation fuel to Z-9 helicopters. Finally, under the "**China Aircraft Carrier Watch**" there were two noteworthy events. First, Russian aircraft manufacturer Sukhoi announced in October that it will establish its first office outside of Russia in Beijing and will introduce the Su-33, carrier-based fighter, at the international air show in Zhuhai in 2006. Secondly, there was much speculation over the paint scheme of the Ex-Russian carrier VARYAG. Website reports carried pictures showing an entirely new

paint scheme on the VARYAG, possibly indicating PLAN subordination.

One area of brewing controversy is over the **disputed claims to gas fields in the East China Sea** by China and Japan. During the month of August, the PRC **deployed five warships** to the disputed gas fields in the East China Sea. The PLAN SAG, including a guided-missile destroyer, were spotted by a Japanese Maritime Self Defense Force (**JMSDF**) **P-3** near the Tianwaitian gas field. JMSDF assets reported PRC aircraft, most likely a **Y-8/AEW** or a **Y-8X/MARPAT** where conducting recce flights from an area south of Kyushu south to the disputed area. Tensions escalated when a Chinese missile frigate **pointed a gun** at a JMSDF P-3C near the disputed area. The Japanese Defense Agency reported the incident was likely meant to intimidate because the P-3C's threat indicator did not show the vessel's targeting tracking radar had locked onto the plane. Then in September, Japan accused China of beginning gas production in the disputed **Tianwaitian field**, as a flare was spotted at the Chinese drilling facility in waters close to the median line between both countries. The Tianwaitian field is located just a few kilometers from Japan's claimed **median line** that separates the two countries' 200-nautical-mile exclusive economic zones (**EEZ**) in the East China Sea. China does not recognize the median line and insists its EEZ stretches further to the East, to the edge of the continental shelf. Japan is concerned the Chinese are going to siphon off resources that could be buried under the seabed on the Japanese side. The two countries held rounds of talks throughout the year, but have failed to achieve a compromise.

To close the China-Japan relations chapter of this issue, on September 3<sup>rd</sup>, **the PRC commemorated the 60th anniversary of Japan's defeat in World War II**. President Hu Jintao used the occasion to emphasize China's economic and military power is not directed against Japan. Hu stated in a ceremony at the Great Hall of the People, in Beijing, that "China did not seek

hegemony in the past, and it will never seek hegemony in the future". Further, he emphasized that by "solemnly commemorating that victory, we will keep history in mind, **never forget the past**, cherish peace and create a better future."

Speaking of Chinese energy requirements, U.S. Energy Department figures state **China imports roughly half of its oil**. Consumption rose by 15% last year and is forecast to jump by an additional 9% this year. By 2025, DOE estimates China will burn through 14.2 million barrels a day, **double this year's level**. In early August, the Chinese National Offshore Oil Company (**CNOOC**) **abandoned its eight-month quest and \$18.5 billion bid for Unocal**, ending the most ambitious overseas takeover attempt by a China. Interestingly, **China heavily restricted domestic news coverage of the failed bid**. Editors at Chinese newspapers, web sites and television stations said they were obeying a central-government directive to publish only official Xinhua news agency accounts of the bid. Then on October 26<sup>th</sup> the **China National Petroleum Corp. (CNPC)**, the nation's largest oil company, won a Canadian court approval for a \$4.18 billion takeover of **PetroKazakhstan Inc.**, sealing China's biggest energy takeover. In the case of PetroKazakhstan Inc., CNPC was able to fend off rival bids by the biggest oil companies in Russia and India. In related news in mid-November, technicians of the China Petrochemical Corporation (more commonly known as **Sinopec**) finished the last weld in the oil pipeline linking China and Kazakhstan following 18 months of effort. The 1,000 km pipeline, the first transnational oil project between China and Kazakhstan, will reportedly push 20 million tons of oil yearly to China.

So what of China's overall economic health? In September, the French-based Organization for Economic Cooperation and Development (**OECD**) reported that **China** is on track to become the **world's biggest exporter and fourth largest economy by 2010**. China's economic transformation appears to be on track to maintain its

average 9.5 per cent growth rate of the last two decades for “some time.” Estimates say the private sector now generates between 57-65 per cent of non-farm GDP, an increase from earlier assessments. Since 1995, the number of state controlled companies has halved, from 300,000 to 150,000, and since 1998, the sector has **shed 16 million workers**. By contrast, local private companies have increased output by five times and foreign enterprises three fold between 1998 and 2003, compared with an increase of just 70 per cent in the state sector over the same period. In October, China’s **industrial production grew by 16.3 percent** in the first nine months this year to \$622.8 billion. These trends will need to continue for some time more, as “an estimated **150 million Chinese are living in acute poverty** despite this impressive economic growth over the past two decades”, according to World Bank President, Paul Wolfowitz statement during his October visit to China.

Of particular interest to the economists in our group is China’s July 21<sup>st</sup> long-awaited currency-policy change to helping ease tensions with trading partners. The People’s Bank of China **revalued the Yuan** to make Chinese currency effectively **2.1% stronger** against the American dollar than it had been for years (**\$1 = 8.28 renminbi**). The PRC’s **peg of the Yuan** has been criticized in the West as being significantly undervalued, making Chinese goods cheaper abroad and thus giving the Chinese an unfair trading advantage. China announced it would no longer peg the Yuan’s value only to the dollar and would allow it to trade within a narrow band against a **basket of currencies**. Beijing has repeatedly stated they are determined to maintain a cautious currency policy because China’s currency is traded almost exclusively within China, making fairly strict controls necessary. As originally announced, the revaluation, would not be allowed to rise or fall more than three-tenths of a percent in a day against the dollar. But since that time, China has only allowed the Yuan to float by a larger amount. And as of the middle of

November, the Yuan had risen to a record high of **8.0831 Yuan to the U.S. dollar**.

In related news from August, China announced it would **suspend production at 7,000 coal mines** - or about one-third of the nationwide total - in a safety crackdown on the accident-plagued industry. Chinese mines, most of them small and poorly equipped, are required to improve safety measures and reportedly won’t be allowed to reopen if they fail to meet national standards. The announcement comes amid almost **daily reports of miners missing or being killed in mining accidents across China**. This announcement came two days after 123 miners missing in a flooded coal mine in southern China were declared dead in this highly publicized disaster. Mine officials were blamed and two local mayors have been dismissed. As of August 2005, **1,324 mines have closed**, and the rest must suspend production by the end of the year. “China Daily” stated China’s energy supplies should not be affected, because the mines account for only a small fraction of coal output.

Some of you right about now are asking, “Why is “Red Star Rising” is going to ignore the testy relationship between the mainland and **Taiwan**?” Be not afraid, I like to save the best for last. Following up on the PRC’s 60<sup>th</sup> Anniversary celebration of the defeat of Japan in WW II, President **Hu Jintao** and other senior officials, in a gesture directed at Taiwan, used the occasion to **modify** a major element of **Chinese Communist dogma** concerning Beijing’s contention that the Communists fought valiantly against the Japanese, while the ruling Nationalists, under Chiang Kai-shek, attacked the rebel Communist army instead of fighting the Japanese. In an increasingly savvy political strategy, **Hu Jintao publicly recognized the contributions of Nationalist military leaders in fighting the Japanese**. Officially the Party still takes credit for the overall victory. Designed to **isolate independence-leaning forces** in Taiwan,

this “new” strategy follows **Mr. Hu Jintao’s** April invitation to the leader of the Koumintang (KMT), now Taiwan’s main opposition party, to visit the mainland for the first time since 1949. And in another first, the CPC marked the anniversary of Taiwan’s return to “**Chinese rule**” by attending a ceremony at the Great Hall of the People on the 25 October anniversary date. The PRC had never celebrated this anniversary because it was viewed as complicating the Communist claim that it was the **Red Army**, not the Nationalists, who had won the eight-year war against Japan. During this ceremony in Beijing, China’s Taiwan Affairs Office (**TAO**) told a press conference the ceremony was intended to “**promote the peaceful reunification of the motherland** and realize the revival and earnest struggle of the Chinese people”. Taiwan’s Mainland Affairs Council (**MAC**), reacted with disdain, saying Japan’s return of Taiwan had “nothing at all to do” with China and “shows that the **Chinese Communists have a gradual plan to work their way into Taiwan**, and citizens should be alert to this”.

And what of Taiwan President **Chen Shui Bien** and former **Lee Tung-hui** you ask? In November President Chen stated that he and his followers were going to push for and achieve “the birth of a new constitution” for Taiwan by 2008. Chen stated the new constitution should make it clear, “**Taiwan is Taiwan, and not a part of China,**” and that “**Taiwan is an independent, sovereign state.**” He further articulated that caring about Taiwan means caring for the **island’s sovereignty**, security, democracy and economy...as well as dealing with the issue of the Koumintang’s “ill-gotten” assets. In October, former Taiwan President Lee Teng-hui warned U.S. con-



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gressional leaders that a **Chinese military attack on Taiwan** could take place within “**a couple of years**”.

Before closing it is worth noting two olive branches in our relationship. First, the Chinese mainland prepared a short list of 11 giant pandas — six males and five females — for “trial marriages” in order to determine the most adorable couple to offer Taiwan. The lucky couple is part of a goodwill gesture to the island following the “**historic**” visit by Lien Chan, the former chairman of the KMT. Finally, in what can only be described as a **major breakthrough** in Sino-US relations, it was announced that a more demure **Pamela Anderson** advertisement has been approved for publication in China. A year after raising censors’ hackles with bus stop ads, **Pamela**

**Anderson’s nearly naked image** is returning to China on phone cards telling people not to buy fur. Yes, the Canadian-born actress appears topless with her back to the camera and an arm partly hiding her right breast behind the slogan, “Give fur the cold shoulder”. Behind her, an image of falling snow appears above Chinese characters reading “Cold shoulders are nothing compared to the pain they feel” and “Please don’t wear fur.” In the spirit of true environmental camaraderie, the state-owned **China Telecom** and People for the Ethical Treatment of Animals (**PETA**) have printed 70,000 of the phone cards with a toned-down version of Anderson’s bus and train stop ads that were altered three times to reduce the amount of skin before being approved

for public display in China.

Well, all jesting aside, that’s a wrap for this first installment of the “Red Star Rising”. I haven’t covered even half the issues related to China’s emergence as world player. Issues like Avian Flu, IPR piracy, Australian Uranium, the Gini-Coefficient Alert, Age and Gender Demographics, 74,000 cases of internal protests, Chinese spy rings, or the post visit assessment from trips to China by CDR PACOM, the SECDEF and the President are all worthy and interesting topics. If during the course of the next quarterly cycle, you find something worth adding to these pages, please, drop me a note. I don’t have all the answers, just trying to man the China Watch.

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## CAPT George A. O’Connell, Jr. Large & Small Unit Awards Announced

Naval Oceanography Intelligence Unit 0182 and Naval Special Warfare Intelligence Unit Two are the winners of the CAPT George A. O’Connell, Jr. Award as the best large and small units, respectively, with Navy Reserve Intelligence Command.

NAVOINTEL 0182, a unit in Reserve Intelligence Area Three (New Orleans), drills at its supported command, the Naval Oceanographic Office at the Stennis Space Center in Mississippi. The unit is comprised of officers and Sailors from both the intelligence and meteorology-oceanographic communities.

The unit and its 51 reserve members transformed and improved the method and turnaround time for the production of life-saving battlespace characterization products for the Naval Oceanographic Office’s worldwide customer base.

NAVOINTEL 0182 contributed to the safety and planning efforts of U.S. and coalition forces across the globe through the quality and timely production of intelligence and environmental

products for war-fighting operations.

Unit members provided products to all major commands, including the efforts of U.S. forces in Iraq and Afghanistan.

CDR Sam Sumwalt, NAVOINTEL 0182’s commanding officer, said the unit’s assistance was time-relevant, crucial, and directly impacted the Naval Oceanographic Office’s ability to provide vital imagery analysis and intelligence information to the warfighter within the tactical decision cycle.

The unit transformed itself into a major independent production department within the supported command by assuming significant responsibility for all phases of production activity.

NSW Intel-2, a unit in Reserve Intelligence Area 15 (Norfolk), was recognized for its high level of support to three commands: NSW Group TWO, NSW Group FOUR and NSW Development Group. The unit provided the Navy Special Warfare community more than 3,700 man-days of support in the last 12 months alone, with unit members averaging 170 man-days of support.

To date, 91 percent of the unit’s personnel have mobilized in support of the Global War on Terrorism.

“This honor is really a tribute to our Sailors,” said NSW Intel-2’s outgoing commanding officer, CDR Tim Dorsey.” They excelled during a period of extremely high operational tempo, playing a significant role in the Global War on Terrorism.”

In order to support special warfare forces in the field, NSW Intel-2 unit members must undergo specialized training, including completion of the six-week Naval Special Warfare Intelligence Course. They also must qualify as first-class swimmers, undergo extensive firearms training and receive high-threat driver training.

Despite NSW Intel-2’s high training and operational tempo, unit members have advanced in impressive numbers. Fostered by mentorship and the steadfast use of Career Development Boards, 40 percent of the unit’s first class petty officers have been selected for direct commission or Chief Petty Officer.