1) China Rushes to Halt Bird Flu Among Ducks

BEIJING-- China scrambled to respond Tuesday to an outbreak of bird flu among ducks in the southern city of Guangzhou. But as officials sought to reassure the public, there were signs that China was reluctant to release details about a possible health threat.

2) Provinces Undermine Beijing's Goals on AIDS

Communist Party leaders long treated AIDS as taboo. In recent years, however, China has won praise from the West for campaigns to raise awareness. In 2003, the government promised free HIV testing and counseling for all who wanted it, and free antiretroviral treatment for the poor. That year, Premier Wen Jiabao made headlines after being shown on state television shaking hands with AIDS patients. And yet hospitals like the one here in Mianchi County not only fail to offer to test for HIV, they deliberately misdiagnose and cover up the problem, according to experts and Chinese who have contracted the virus.

3) New Push Into China by N.B.A.

HONG KONG— In an age dominated by Chinese exports, one import from the United States has stood taller than most here: basketball. Now, in a move certain to highlight the growing importance of China to both the National Basketball Association and the sport, the N.B.A. plans to announce Wednesday the formation of a Chinese subsidiary. To head it, the league has chosen Timothy Chen, chief executive of Microsoft’s China operations and one of the best-known business executives in China.

4) Typhoon batters China; 2 million flee
A powerful typhoon slammed into China's east coast early today, hours after Chinese authorities evacuated more than 2 million people with the help of text messages and old-fashioned knocks on the door.

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5) China freezes government-set prices

China has begun to enforce a freeze on all government-controlled prices in a sign of the central government’s alarm about rising popular anger over inflation, now at the highest rate in over a decade.

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6) New corruption prevention body eyes NGOs, companies

The newly established National Bureau of Corruption Prevention (NBCP) aims to address the lack of preventive policies against corruption in private companies and non-governmental agencies, the NBCP head said on Tuesday.

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7) China's Hot Stock: Orwell Inc.

The American economy may be teetering on the brink of a recession, but there's an industry our hedge fund gurus believe has an almost limitless future: the Chinese police state.

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8) US, China vie for Philippine military influence

ZAMBOANGA CITY, Philippines - Competition for military influence in the Philippines is heating up, with both the US and China making new pledges of funds, arms and equipment to help modernize the Armed Forces of the Philippines.

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9) Darfur situation 'better, but more has to be done'

Though the situation in Darfur has improved, big challenges remain, and they can only be met with the joint efforts of the international community, China's special envoy for Darfur Liu Guijin said Tuesday.

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10) UN chief says Taiwan's bid to join UN legally impossible

UN Secretary-General Ban Ki-moon stressed on Tuesday that Taiwan's bid to apply for UN membership is legally impossible. Ban made the remarks at a press conference at the UN headquarters in New York before the opening of 62nd session of the UN General Assembly.
BEIJING-- China scrambled to respond Tuesday to an outbreak of bird flu among ducks in the southern city of Guangzhou. But as officials sought to reassure the public, there were signs that China was reluctant to release details about a possible health threat.

The outbreak in Guangzhou's Panyu district is the first of the H5N1 bird flu strain since May, but it has been brought under control, the Agriculture Ministry said. The ministry's Web site said 36,130 ducks had been culled; other news reports suggested more than double that number had been killed.

"All areas which have bird flu outbreaks have to stop trade in live poultry across the board, and shut wet markets," or live animal markets, the director of the State Administration of Industry and Commerce, Zhou Bohua, said at a news conference in Beijing.

China's government has previously played down the severity of natural disasters, public health crises and other problems. It was accused of initially covering up and then responding too slowly to the 2003 SARS crisis, which is also believed to have originated in Guangdong province. The government is particularly sensitive to international perceptions now, as it tries to respond to concerns about food safety.

Zhou's department is in charge of making sure that animal products from contaminated areas do not make it to market. "Beijing, Guangzhou, Shanghai and other big cities have already abandoned wet markets and conduct regulated slaughter, transportation and selling," Zhou said, adding that "every step of the way" was being supervised.

But the Agriculture Ministry in Beijing, Panyu district officials in Guangzhou and other local officials all refused to answer specific questions, saying they would have to wait until a uniform statement was prepared for all news media. That statement was not released.

In Guangzhou, reporters and editors were told not to cover the outbreak themselves, but to use only the version provided by the official New China News Agency. In Hong Kong, some media chafed at the restrictions.

"Alarm Bells Are Ringing," Hong Kong's Mingpao newspaper editorialized Tuesday, a day after the city suspended chilled and frozen duck imports from Guangdong.

The paper said that birds began to die in large numbers in Panyu on Sept. 5, but that it wasn't until last Wednesday that local officials told the Panyu government of the outbreak and not until Thursday that Guangdong provincial authorities learned of it.
"Because local officials have delayed reporting the outbreak to the authorities, people are worried that the central government's rules governing the prevention and control of avian flu may not have been fully followed," the paper said.

On her blog, Luqiu Luwei, a well-known reporter for Phoenix TV, also criticized the delay. "The flaws exposed by this process make people worry about it," she wrote.

About 200 people worldwide have died of the H5N1 strain of bird flu, most of them in Indonesia and Vietnam, according to the World Health Organization. More than 150 million birds have died of the disease or been culled in an effort to prevent its spread.

While some experts speculated that the outbreak in China may have been caused in part because bird flu vaccine was improperly applied to the duck population, others said it was also possible that the vaccine, intended for chickens, was simply not effective in ducks.

Guangdong officials said that the ducks in Guangzhou were injected with bird flu vaccine one to 10 days ago and that the antibodies had not yet been built up in the birds, according to state media reports that cited Yu Yeding, Guangdong's director of animal epidemic prevention and supervision.

A woman from the Animal Husbandry Institute at Guangdong's Academy of Agricultural Sciences who declined to give her name expressed confidence in the government. "Who else can we trust?" she said. "If you are suspicious with anything you eat here, you'd better eat nothing."

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2) Provinces Undermine Beijing's Goals on AIDS
Washington Post
By Maureen Fan
19 September 2007

MIANCHI, China -- Twice a week, just after school lets out in this small county in Henan province, a 13-year-old girl with a short bob and wide smile holds her parents' hands and walks two blocks down the street into the harsh fluorescent light of an emergency medical station.

There, she pulls back the waistband of her pants while a nurse dabs disinfectant, prepares a syringe and gives the girl's right buttock a quick jab. "It doesn't hurt," the girl said after a recent visit. "I'm used to it."

The girl, whose parents asked that her name not be used, has HIV, which they say she contracted through an unnecessary blood transfusion in 1995. Despite early symptoms suggesting she had the virus, doctors at the hospital that treated her said her problems were minor and unrelated to the transfusion. They gave her anti-inflammatory drugs and blister cream.
Not until March, when the family turned to another hospital in neighboring Shaanxi province, did doctors test the girl and determine she had HIV. "At the time, I almost collapsed. I just didn't want to live," said the girl's mother, who asked to be identified only by her surname, Li.

The girl's experience is hardly unique in China, where despite official pledges at the national level to care for people with the virus that causes AIDS, local hospital and government officials frequently express reluctance to do so. Some fear having to compensate people who contracted the virus through blood transfusions, a common method of HIV transmission in China. Others fear that the publicity of AIDS cases will hamper local investment.

Communist Party leaders long treated AIDS as taboo. In recent years, however, China has won praise from the West for campaigns to raise awareness. In 2003, the government promised free HIV testing and counseling for all who wanted it, and free antiretroviral treatment for the poor. That year, Premier Wen Jiabao made headlines after being shown on state television shaking hands with AIDS patients.

And yet hospitals like the one here in Mianchi County not only fail to offer to test for HIV, they deliberately misdiagnose and cover up the problem, according to experts and Chinese who have contracted the virus.

They say the gap between the national official position and the practices of local officials is the result of a political system that makes it difficult to impose reform at a grass-roots level. The central government has the means to curb the epidemic, they say, but the control and corruption inherent in a one-party system prevent courts and state-run news media from uncovering abuses.

The stakes are high. Experts fear that inaction by local officials in China is already contributing to spikes in the incidence of HIV-AIDS, which has spread from high-risk groups such as drug users and prostitutes to the larger public. There were 18,543 new cases of HIV reported in the first six months of this year, nearly as many as for all of last year, according to the official New China News Agency. China's estimate of 650,000 AIDS cases, among a population of 1.3 billion people, is extremely low, domestic and international AIDS groups say.

Here in Mianchi County, the lack of cooperation on AIDS issues extends to the judicial system. Henan province was the center of a scandal in the 1990s, when the selling of blood at unsanitary, often state-run health clinics led to an estimated 300,000 people being infected with HIV. Today, as many of those people seek compensation, they are being turned away by authorities who say that the national government's promise of free treatment has let local jurisdictions off the hook.

Zhou Xihong, a lawyer who has tried to help Henan families whose children have HIV, said the position of local officials was made clear to him when he went to court recently.
"They said AIDS patients can get free treatment, so the court doesn't have to process their cases," he said. "The rule is illegal. The right of action is the most basic right for people."

A man who answered the phone at the Henan High People's Court acknowledged that the court's refusal to take such cases was an unofficial policy but said that there was no formal document outlining the practice. In China, it is not unusual for an internal directive to be handed down instructing judges -- all of whom are appointed by the Communist Party -- not to take certain cases.

"Courts in Henan stopped getting involved in AIDS cases two years ago," said the man, who gave his surname as Wang. "It's hard to deal with AIDS cases. There are many people who have contracted AIDS in Henan, and it has gone beyond hospitals' capability to compensate them. This is the business of the state government."

Nonprofit AIDS groups have exploded in number from about 50 seven years ago to more than 300 today, but their ability to effect change is limited. Local governments do not trust the groups because they are not directly under the control of the authorities. Meanwhile, officials who welcome international aid are often suspicious of domestic nongovernmental organizations that receive funding from foreign groups.

As a result, many nonprofit groups are struggling to avoid government scrutiny. That task is made more difficult during a politically sensitive time -- the Communist Party Congress is next month, and the Summer Olympics in Beijing are less than a year away.

Not every province has failed to use caution or heed the central government's AIDS policies. In July, Hunan province decided to require entertainment industry workers to have AIDS tests every three months because the percentage of people infected with HIV through sex has more than tripled since 2005, according to the New China News Agency.

In Hubei province, the aid group Doctors Without Borders has been running an HIV-AIDS program in the city of Xiangfan since 2003. In a sign of its success, it will be handed over to local health authorities by the end of March 2008, said Luc Van Leemput, head of mission of the group's Belgian section. But in Henan, the group has tried for many years to develop an assistance program without ever getting a green light.

International nonprofits donate money to China with the instruction that it be spent for work with local or domestic groups, but little of the money is actually reaching the grassroots organizations, activists say. In a system that lacks transparency, money just disappears.

Central government officials "should be very strict about implementing their policy. If they don't establish a transparent policy, how do you know that the money at a local level will be used properly?" said Wan Yanhai, a former Health Ministry official who is now a leading AIDS activist and who was detained by Beijing public security officials last November. The money currently available is "far from enough to allow NGOs to have
meaningful and comprehensive, preventative programs. Most of the money is taken away by government or government-controlled NGOs, and no one knows how it's being spent."

Aside from this, nonprofits' operations are being restricted at local levels. Last month, two AIDS conferences were canceled in the southern city of Guangzhou and one in Henan province. In addition, two offices of an AIDS group in Henan were shut down by police. The director of one of the offices was taken into custody; employees at the other were threatened with violence.

"Two police officers came to our office, threatening that I should leave 'as soon as possible,' " said Zhu Zhaowu, manager of the group, China Orchid, in Kaifeng. "When I asked why, they said that the public security situation in Kaifeng was not very good, and we should be careful in case some bad guys from underground organizations endanger us."

As nonprofit groups struggle to help, many Chinese with AIDS struggle to survive.

For now, Li, the mother of the 13-year-old with HIV, depends on loans from relatives and neighbors to help pay for her daughter's care. She has demanded compensation from the hospital but has not received it. She has been told she can't file a lawsuit. And she gets no free medicine. National policies have not reached her family.

The explanation, according to Henan's best-known AIDS activist, is simple. "The government's AIDS policy is superficial. It cannot really be implemented," said Gao Yaojie, a retired doctor who exposed the blood-sale problems in the province. She was allowed to fly to the United States in March to receive an award only after international pressure.

"There is a saying in the countryside," Gao said. "The village tells lies to the township government; the township tells lies to the county government; the county tells lies to the state council; the state council issues a document; the document is read by all levels of the government. After they finish reading it, they go into a restaurant, and the document is never put into practice."

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3) New Push Into China by N.B.A.
New York Times
By Keith Bradsher
19 September 2007

HONG KONG— In an age dominated by Chinese exports, one import from the United States has stood taller than most here: basketball.

Now, in a move certain to highlight the growing importance of China to both the National Basketball Association and the sport, the N.B.A. plans to announce Wednesday the formation of a Chinese subsidiary. To head it, the league has chosen Timothy Chen, chief
executive of Microsoft’s China operations and one of the best-known business executives in China.

For the N.B.A., China is a growth opportunity. It is already the N.B.A.’s largest market outside the United States. Nearly a third of the traffic to NBA.com comes to the Mandarin Chinese side of the site. And branded N.B.A. merchandise is now sold through more than 50,000 outlets here. Still, like Microsoft, the N.B.A. has found that the toughest hoops in China are in the corridors of power.

Microsoft’s big task has been to persuade China’s central, provincial and municipal governments to crack down on pirated software and respect intellectual property rights; the N.B.A.’s challenge has been to win government agencies’ approval for arena construction and to persuade television stations owned by local and provincial governments to join national broadcasters who already carry N.B.A. games.

David Stern, the N.B.A. commissioner, said that these challenges helped make Mr. Chen the best contender for the job. “It wasn’t just about intellectual property; it was his experience in navigating difficult governmental and business issues,” Mr. Stern said in a telephone interview.

The league will own 90 percent of the China subsidiary while selling a 5 percent stake to a “U.S. media company” and another 5 percent to Chinese investors, Mr. Stern said.

He declined to provide more details, except to say that he would probably identify the other investors during a trip to Shanghai in mid-October for an N.B.A. preseason game. Goldman Sachs is advising the league on the transaction, and while the American media company has already been chosen, the league is still negotiating with potential Chinese investors, mainly corporations, Mr. Stern added.

A person with knowledge of the negotiations, who insisted on anonymity, said in June that the American media company was the Walt Disney Company, which owns ESPN and ABC. The N.B.A. is rushing to expand its presence in China as quickly as possible before the Beijing Olympics next year, where the Chinese national team will try to avenge its poor showing at the Athens Olympics in 2004.

For Microsoft, Mr. Chen’s departure presents a challenge. Before his arrival, a succession of executives had cycled through the top China job but had little success in forcing the Chinese leadership to get even government agencies to use licensed copies of Microsoft software.

Mr. Chen abandoned a strategy that relied on litigation and public criticism in favor of close cooperation with the central government and much more investment in Chinese software companies. Microsoft’s partnership with the authorities has provoked the ire of human rights advocates, most notably for having its MSN Internet portal censor searches performed in China on subjects that Beijing deems sensitive, and for killing a blog that offended Chinese authorities.
But Mr. Chen has had considerable success as the central government has urged local and provincial governments to buy licensed software. Chinese law enforcement agencies cooperated with the F.B.I. in July during raids that captured what the F.B.I. described as more than $500 million worth of counterfeit software.

Raised in Taiwan, Mr. Chen took the top job in Microsoft’s 13,000-employee China operations four years ago. Before that, he was the chairman and president of Motorola’s China operations, having worked his way up through the ranks except for a yearlong foray in 2000 and 2001 as the chief executive of a Hong Kong Internet business.

“Certainly his technical background we think is a great fit in our new media and digital area,” said Heidi Ueberroth, the N.B.A.’s president for global marketing partnerships and international business operations. N.B.A. China has just 80 employees but plans rapid expansion.

Mr. Chen became interested in basketball while studying for an executive M.B.A. at the University of Chicago and started rooting for the Chicago Bulls, Mr. Stern said.

The N.B.A. estimates that 300 million Chinese play basketball, a number equal to the entire population of the United States. At nearly a quarter of China’s population, that estimate may be high, but basketball has caught on here in a way that other Western sports have not.

The Las Vegas Sands Corporation has chosen to have two exhibition games featuring N.B.A. teams next month to celebrate the opening of its indoor sports arena in Macao, attached to the new Venetian hotel complex. The game pitting the Orlando Magic against the Cleveland Cavaliers sold out 10 hours after tickets went on sale.

Yao Ming, the Houston Rockets center from Shanghai, has helped popularize N.B.A. basketball over the last four years, but the N.B.A. tapped the Chinese market early. In 1979, just three years after the death of Mao Zedong, the Washington Bullets came to China to play the national team.

Tom Doctoroff, the chief executive of greater China operations for the JWT advertising agency, said basketball was particularly suited to the current tastes of young Chinese for activities showcasing agility, ingenuity and individualism. “In China, the quickest and cleverest guy is also the sexiest,” Mr. Doctoroff said.

“The N.B.A. is Eve’s apple; it’s brash individualism,” he added. “It’s something to admire from afar.”

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4) Typhoon batters China; 2 million flee; Authorities evacuate residents using footwork and text messages. Two deaths are reported.

Los Angeles Times
By Ching-Ching Ni
19 September 2007

A powerful typhoon slammed into China's east coast early today, hours after Chinese authorities evacuated more than 2 million people with the help of text messages and old-fashioned knocks on the door.

All along the heavily populated eastern seaboard, officials shut down schools and factories and ordered ships and fishing boats back to port as cadres in raincoats hustled residents from homes at low elevations, clutching plastic bags of possessions.

By Tuesday evening, more than 2 million people in Shanghai, Fujian and Zhejiang provinces had been moved from harm's way. In Zhejiang alone, where Typhoon Wipha came ashore, about 1.6 million residents were uprooted, the area's biggest evacuation in nearly six decades of communist rule.

Zhejiang authorities also put 20,000 members of the People's Liberation Army and other emergency workers on standby and said all officials had to put storm duty ahead of other tasks to aim for "no death, few injuries and as little damage as possible," the New China News Agency reported.

The Shanghai Daily reported that at least one person died after stepping in water touched by an electric wire. Torrential rains pounded Shanghai, China's financial capital, powerful gusts knocked children to the ground, and traffic was tied in knots. Electrical power and water supplies were cut in some locations.

The city's zoos stepped up security, cutting off electricity and locking animals in cages to guard against injury or escape.

To the south, officials in Fujian province sent 1.4 million text messages warning people as the typhoon was approaching and urging them to stock up on food and water and avoid going outdoors once the storm struck, according to local flood-control headquarters.

In Shanghai, a city of 20 million people, more than 291,000 were relocated by Tuesday evening. Zhang Jiayi, deputy chief of the city's flood-control headquarters, called the storm the most severe test Shanghai had faced in decades.

Parades of festooned cars marking Shanghai's annual tourism festival were canceled Tuesday, as were some Women's World Cup soccer matches.

Wipha, a feminine name in Thai, had lost strength but was still a severe typhoon with sustained winds of 100 mph when it reached land. The storm weakened further to a tropical storm as it moved northward, with winds of 56 mph, according to the Chinese Meteorological Center.
It brought heavy rains and power outages to Taiwan on Tuesday as it swept past. A construction worker was killed when strong winds knocked down scaffolding, Taiwan’s Disaster Relief Center reported.

Typhoons, known as hurricanes in the West, regularly hit China, the Philippines and Japan in the summer season, gathering strength in the Pacific or the South China Sea.

The deadliest storm to hit China was Typhoon Winnie in 1997. It claimed 236 lives.

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5) China freezes government-set prices
Financial Times
By Richard McGregor in Beijing
19 September 2007

China has begun to enforce a freeze on all government-controlled prices in a sign of the central government’s alarm about rising popular anger over inflation, now at the highest rate in over a decade.

The order freezes a vast array of prices still under the control of governments in China, ranging from oil, electricity and water, to the cost of parking and park entrance fees.

The implementation order, issued jointly by six ministries, follows the issuance of a more vaguely-worded announcement on the need to prevent price rises late last month by the State Council, or cabinet.

“Any unauthorised price rises are strictly forbidden...and in principle, there will be no new price-raising measures this year,” the ministries’ announcement said.

The news since the initial State Council announcement that inflation in August hit an 11-year high of 6.5 per cent appears to have galvanised the bureaucracy into a tougher stance.

“As inflation has gotten worse, the government may feel it had to toughen its stand,” said Qing Wang, of Morgan Stanley in Hong Kong.

Rising inflation is especially sensitive in the lead-up to the five-yearly meeting of the communist party, which is due to open on October 15 in Beijing and will choose the top leadership until 2012.

The sharp spike in inflation is largely due to higher food prices, because of a shortage of pigs after a disease killed millions late last year and earlier in 2007, and the rising cost of feed, a global phenomenon.
But Chinese leaders and economists are increasingly worried that the impact of inflation, and the subsequent government policy response, could cause severe problems for the economy.

“We have entered a very delicate stage of development,” said a senior Chinese economist, who asked not to be named.

Once solely a domestic concern, Chinese prices are now also an international issue, because of the possibility of higher import costs feeding inflation in large export markets like the US and Europe.

Beijing has already raised borrowing costs five times this year, both to cool lending and to prevent negative real interest rates, which provide an extra incentive for people to take money out of banks to buy shares.

China raised the one-year deposit rate to 3.87 per cent last week, which is about equal to the eight-month average for inflation, but well below August’s 6.5 per cent.

But higher interest rates may attract further capital inflows, adding to an already swelling stack of foreign reserves and the domestic liquidity fuelling the frothy property and stock markets.

Economists said the price freeze is the kind of administrative measure redolent of China’s former planned economy, but it may be less effective in China today.

“They will not be able to control the price of everything,” said Chen Xingdong, of BNP Paribas in Beijing.

In recent months, numerous small protests related to inflation have been reported, with students at three universities in southern China boycotting canteen meals this week because of smaller servings forced by higher food prices.

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6) New corruption prevention body eyes NGOs, companies

Xinhua
19 September 2007

The newly established National Bureau of Corruption Prevention (NBCP) aims to address the lack of preventive policies against corruption in private companies and non-governmental agencies, the NBCP head said on Tuesday.

"Corruption not only occurs in government departments but also in companies and non-governmental organizations (NGOs). No specific department was responsible for drawing up preventive policies for them and monitoring their implementation until the NBCP was set up," said Ma Wen, the NBCP head and also Minister of Supervision, in an interview with Xinhua on Tuesday.
According to the Ministry of Supervision, the authority had investigated 24,879 cases of commercial bribery, involving 6.16 billion yuan (US$819.15 million), by June this year.

Local media reported earlier that French Supermarket chain Carrefour and Germany-based Siemens both had Chinese employees involved in commercial bribery.

One of the NBCP's major tasks is to expand the preventive network to every corner of Chinese society, Ma said.

The NBCP will work out guidelines on corruption prevention for companies and public undertakings, help trade organizations develop a self-discipline system, put forward policies guarding against commercial bribery and initiate publicity campaigns on corruption prevention.

"Corruption prevention is a cause that every citizen in the society should be engaged in," Ma said.

She listed several problems in the country's corruption prevention work. Besides a lack of preventive policies for the non-government sector, the country also needed a coordinator among relevant departments and professional think tank to collect information, analyze policy risks and work out targeted preventive measures, she said.

"The establishment of the NBCP has undergone careful research and discussion for four years since China signed the United Nations Convention Against Corruption," she said.

The UN convention, adopted at the 58th session of the UN General Assembly in 2003, included an item that all parties should set up a corruption prevention body.

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7) China's Hot Stock: Orwell Inc.

Washington Post
By Harold Meyerson
19 September 2007

The American economy may be teetering on the brink of a recession, but there's an industry our hedge fund gurus believe has an almost limitless future: the Chinese police state.

In a stunning report in the New York Times last week, correspondent Keith Bradsher documented the rise of China's electronic surveillance industry, whose leading companies have incorporated themselves in the United States and obtained the lion's share of their capital from U.S. hedge funds. Though ostensibly private, these companies are a for-profit adjunct of the Chinese government.

Li Runsen, technology director of the government's ministry of public security and the top cop policing China's Internet usage against the occasional appearance of a dangerous
idea, now also moonlights as a director of China Security and Surveillance Technology, a company soon to be listed on the New York Stock Exchange.

CSST, according to Terence Yap, its chief financial officer, produces security cameras and computer software that can monitor crosswalks -- to ensure that demonstrations aren't forming -- and cross-check the faces of Internet cafe users against photos of known troublemakers. Thus will China protect itself against potential terrorists.

China isn't really prey to terrorists. It is, however, subject to strikes of workers who don't get paid; to revolts over deadly environmental conditions; to religious activists who worship gods other than mammon and the state (the two that are officially sanctioned); to Web surfers enamored of a free exchange of ideas; to Tibetans seeking autonomy; and maybe, someday, to another outburst of Tiananmen Square-like, pro-democracy agitation.

An authoritarian government can never be sure how many of its citizens would relish its demise, which means the Chinese Communist Party has 1.3 billion potential targets for surveillance. Bradsher reports that 660 Chinese cities have begun installing high-tech surveillance systems. By one estimate, high-end surveillance will expand from a $500 million industry in 2003 to a $43 billion industry by 2010.

These numbers have drawn Wall Street's notice. CSST has received $110 million in convertible loans from the Citadel Group, a Chicago-based hedge fund, which it has used to buy up smaller Chinese surveillance companies. Some Wall Street executives have even defended their investments by equating the Chinese surveillance system with the surveillance cameras of London and New York.

To be sure, leading American companies have a long and sordid record of investing in totalitarian states, including Hitler's Germany, Stalin's Russia and axis-of-evil Iran (hello, Halliburton). But, distinguish as we must among the various levels of hell, at least those American companies did not invest in the Gestapo, the Stasi, the KGB, the Revolutionary Guard. Maybe that was only because it was hard to turn a buck on the Stasi. Once China turned communist repression into an investment opportunity, however, capitalism responded as capitalism is supposed to respond: It wanted in. There are mega-bucks to be made, the hedge funds concluded, in hedging against democracy.

Capitalism is global now; democracy is not. We are moving toward one unified world market that is home to democratic and authoritarian systems alike. The Chinese model of Leninist capitalism poses a systemic challenge to the democratic capitalism that the West espouses. It promises continuing power and greatly increased wealth to the ruling elites of developing nations. Which means that America must disenthrall itself from one of its most cherished myths: that capitalism and democracy go hand in hand, that the spread of markets inevitably means the coming of democracy. That was a key argument that proponents of extending permanent favored trade status to China made during the 1990s. In fact, the creation of the Chinese-American economic entity that followed -- in effect, moving our manufacturing belt from the Midwest to Shenzhen -- has demonstrated the
opposite. Leading American companies such as Microsoft, Google and Yahoo have acquiesced in Chinese Internet censorship. China's nonexistent standards of product safety -- the direct consequence of its absence of democracy -- became our standards, too.

And now, some of Wall Street's smoothest operators are investing directly in China's suppression of speech, worship and the right to assemble. It would be nice if the United States developed some regulations or enacted some laws that discouraged our financial institutions from promoting a Leninist mega-state. House Foreign Affairs Committee Chairman Tom Lantos (D-Calif.) is looking into the matter, but he hasn't received any encouragement from the White House. Asked about the hedge funds' activities, White House spokesman Tony Fratto said, "It's not appropriate to interfere in the private decisions of Americans to invest in legally incorporated firms."

If it comes down to a choice in the Bush White House between capitalism and democracy, or even capitalism and our national interest, the smart money's on capitalism.

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8) US, China vie for Philippine military influence
Asia Times Online
By Noel Tarazona
19 September 2007

ZAMBOANGA CITY, Philippines - Competition for military influence in the Philippines is heating up, with both the US and China making new pledges of funds, arms and equipment to help modernize the Armed Forces of the Philippines.

Since 2002, Washington has poured hundreds of millions of dollars of military aid into helping the Philippine Army combat radical Islamist groups as part of the US-led campaign against terrorism in Southeast Asia. Now China is responding in kind with its own offers of military assistance to modernize and improve the army's capabilities.

Chinese Defense Secretary Cao Gangchuan and his Philippine counterpart Gilbert Teodoro Jr met this month to discuss new ways to enhance bilateral military cooperation. As part of his five-day "goodwill" visit, Cao was granted full military honors at the Department of National Defense, which on the occasion announced that bilateral relations are entering a new "golden age of partnership".

The senior Chinese defense official later met with President Gloria Macapagal-Arroyo and other senior politicians. Cao pledged an initial US$6.6 million grant to the Philippine Army in what was announced as a "confidence-building" measure. According to senior Arroyo administration officials, the grant was provisionally for non-lethal military equipment, including construction machinery earmarked for the army's engineering department, which manages development projects in various conflict-ridden areas.

 Philippine government sources confirmed that the initial grant will also cover the creation of a Chinese-language training program for the military, participation of the army in
future naval exercises in China, and five seats for Filipino officials to enroll in intensive military courses in Beijing. The cooperative agreement builds on Arroyo's 2004 visit to China, where defense officials of both countries agreed to a continuing dialogue on security matters.

Arroyo has made several visits to China and has reportedly appointed at least four special envoys to manage the two countries' growing economic, political and strategic ties. That strategic cooperation took a significant economic turn this month, with Arroyo signing a confidential protocol with China related to the exploitation of South China Sea oil resources. Government sources also told Asia Times Online that the agreement would allow China to explore for oil resources within the Philippines' exclusive economic zone, including within areas the two sides have historically disputed.

Depending on how the various cooperative programs play out, China appears ready to ante up substantial assistance toward modernizing the Philippine Army's military machinery. A Philippine television station reported that China had offered provisionally to provide as much as $1.2 billion in financial facilities for the Philippine military. The report did not divulge details of the apparent agreement, including conditions concerning how or over what period the funds must be spent. Philippine defense officials contacted by Asia Times Online would not confirm or deny the report.

Nor has the Defense Department articulated how Chinese financial assistance would fit, if at all, with the ongoing and expanding US military joint exercises in the southern Philippines, aimed in particular at uprooting the Abu Sayyaf terror group. Officials told Asia Times Online that the Philippine government views both US and Chinese military assistance as "beneficial", but declined to acknowledge any competition for local influence between the two rivals for regional influence.

"We treat all nations equally. Under our constitution, we have to treat and respect all nations as good neighbors in the spirit of amity and cooperation," Defense Minister Teodoro was quoted in the Philippine press as saying when asked how the country's growing strategic ties with China would impact on Manila's ties with Washington. "Closer ties regionally with all our neighbors are good for the military. We agreed to continue to dialogue, which is a mutual exchange of views regarding regional concerns."

**Competitive arms**

Apart from dialogue, China is bidding to become a leading supplier of arms to the Philippine Army, which has recently relied largely on the US for its procurements. Beijing has reportedly recently offered to sell at a discount rate eight Harbin Z-9 utility helicopters to Manila. A licensed copy of Eurocopter's AS365N Dauphin, the Z-9 has since 1980 been manufactured by the Chinese company, a subsidiary of Beijing's state-owned AVIC II, can transport 10 armed soldiers, and reputedly can be configured for so-called electronic warfare.

The army also reportedly needs new, modern attack and utility helicopters for its expanding fight against Muslim separatists in the country's restive southern regions. In
July, as part of the government's military-modernization campaign, Arroyo earmarked P5 billion ($106 million) for the purchase of new helicopters. The air force has allocated an additional P1.3 billion to purchase six helicopters with night-attack capabilities, and sources say military planners are leaning toward Boeing’s MD530-MG. The air force currently operates an aging fleet of MD520s, Bell UH-1H transports, and Sikorsky S-76 assault helicopters.

Arroyo has gone out of her way to demonstrate equal treatment toward both the US and China, repeatedly saying her administration welcomes any military-related venture that is beneficial to the Philippine people. The US has emphasized development projects with the military aid it has extended to conflict-ridden areas in the southern island of Mindanao and the positive impact the assistance has had on the local economy, including the creation of badly needed jobs. The US recently launched a series of new military-related projects across the region estimated to be worth about $14.4 million.

China has likewise emphasized economics in pursuit of strategic leverage. That includes the two sides' expanding trade ties, including most recently at the Asia-Pacific Economic Cooperation meeting in Sydney, where Philippine Trade Minister Peter Favila and Chinese Commerce Minister Bo Xilai exchanged new trade commitments. Favila told reporters, "As long as I am the minister, we should not allow anything that will get in the way of furthering relations. So let us look at the bigger picture ... our trade with China is expanding."

Arroyo's recent visits to China this year not only benefited the Philippine Army but also several powerful ethnic-Chinese Philippine business people, known locally as tsinoy, who are rapidly expanding their enterprises into China. The ethnic-Chinese Gokongwei family, which has expansive interests in telecommunications, financial services, petrochemicals and power, has through a foundation sent more than 50 young Filipino leaders to China to study that country's economic-development model.

China's recent economic charm offensive toward Southeast Asia in general and the Philippines in particular is clearly starting to take a hard strategic turn, aimed specifically at counterbalancing US military influence in the region. At the same time, Washington seems keen, under the guise of combating terrorism, to establish a new military foothold in the Philippines, where until 1991 the US maintained significant military assets at the Subic and Clark military bases.

So far Arroyo has played both Beijing and Washington deftly and in the process secured significant benefits for both the Philippine military and the economy. But as US-China competition for regional military supremacy intensifies, it will likely be an increasingly difficult balance for her and future Philippine administrations to strike.

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9) Darfur situation 'better, but more has to be done'
China Daily
By Su Qiang
19 September 2007
Though the situation in Darfur has improved, big challenges remain, and they can only be met with the joint efforts of the international community, China's special envoy for Darfur Liu Guijin said Tuesday.

Liu returned on September 11 from an eight-day visit to New York and Washington where he exchanged views on Darfur with senior US and UN officials, international relations scholars, media professionals and NGO leaders.

"My impression is that our discussion has helped narrow our differences and clear some of our understandings on the issue," Liu told reporters at the Foreign Ministry.

Though improvements have been made, huge challenges lie ahead because some rebel groups are still refusing to come to the negotiation table, because illegal weapons have been found on militants in the refuge camps, because houses left behind by people who have migrated have become a new source of conflict, Liu said.

But the biggest challenge is getting the funds, which will make the UN-African Union "hybrid" peacekeeping mission successful, in time, he said.

The largest-ever peacekeeping mission in UN history can cost up to $2.5 billion a year, and a lack or delay in funds will severely jeopardize its implementation.

Liu said all humanitarian aid, worth 80 million yuan ($10.5 million), which China pledged, has been sent to Sudan.

Two Chinese companies will participate in the construction of water supply lines in southern and northern Darfur. They will supply drinking water not only to the local people, but also to the peacekeepers to be stationed there, Liu said.

The international community should work together for an early and fair resolution of the Darfur issue, Liu said, because differing voices and endless arguments can only make the issue more complicated.

"We should not give up political resolution until all diplomatic resources are used up," he said. "Sincerity, wisdom and action all are needed to resolve the issue."

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10) UN chief says Taiwan's bid to join UN legally impossible
Xinhua
19 August 2007

UN Secretary-General Ban Ki-moon stressed on Tuesday that Taiwan's bid to apply for UN membership is legally impossible.

Ban made the remarks at a press conference at the UN headquarters in New York before the opening of 62nd session of the UN General Assembly.
"In light of Resolution 2758, it is not legally possible to receive the purported application for membership," the UN chief said, referring to the application of the Taiwan authorities to join the United Nations in the name of "Taiwan."

He reiterated that the world organization recognizes the People's Republic of China as the only legitimate representative of China to the United Nations.

"This has been the official position of the United Nations, and has not been changed since 1971," Ban said.

He pointed out that the question of UN membership would be discussed by member states with regard to the upcoming meeting of the general committee which will decide whether or not to include Taiwan authorities' application into the supplementary items of the coming session of the General Assembly.

Since 1993, the general committee of the UN General Assembly has for the 14th consecutive time thwarted Taiwan's attempt to join the world body composed of sovereign states by rejecting to include into the agenda of the current session the so-called "question of the representation of Taiwan in the UN."

However, the Solomon Islands and a very few other countries, instigated by the Taiwan authorities and in defiance of the purposes and principles of the UN Charter, have requested on Aug. 14 the issue of the so-called "Taiwan's application for the UN membership" to be considered in the forthcoming session of the General Assembly in a blatant attempt to clamor for and create "Taiwan independence."

The China News Brief is a daily electronic news resource prepared by Williams Mullen Strategies