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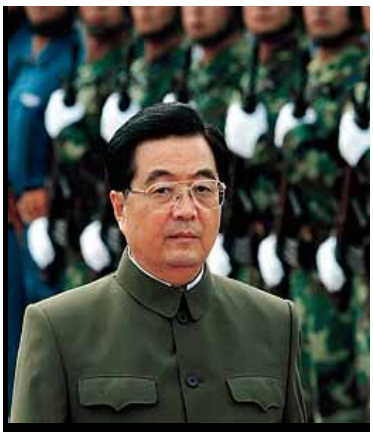

CMC Chairman Hu Jintao

In a Fortnight

HU SIGNS NEW REGULATIONS SAFEGUARDING MILITARY SECRETS

By L.C. Russell Hsiao

Against the backdrop of an uptick in high-profile cases involving military secrets that include startling revelations by Taiwan's intelligence chief of China's growing arsenal of strategic weapons, Beijing is beefing up its secrecy regulations to better safeguard its classified information. On April 1, Chinese President and Central Military Commission (CMC) Chairman Hu Jintao signed into order the "Regulations of the Chinese People's Liberation Army on Secrecy (*Zhongguo renmin jiefangjun baomi tiaoli*) (hereinafter "Regulations"). According to *Jiefangjun Bao*, the new Regulations, which will reportedly go into effect on May 1, are intended "to accentuate and ensure the priority in secrecy work by narrowing down the scope and shortening the front" (*PLA Daily*, April 2). The signing of the new regulations also underscores growing concerns in Beijing over its ability to maintain military secrets under conditions of informationization, and the intensification of distrust as well as military tensions between Taipei and Beijing in spite of a thaw in cross-Strait relations.

During a recent hearing before the Legislative Yuan (Taiwan's parliament), Taiwan's intelligence chief, Tsai Der-Sheng, claimed that his bureau had intelligence that China had begun deploying a new weapon system, Dong Feng-16 (DF-16) ballistic missiles, which experts believe have a range of up to 1,200 kilometers. There is currently no open source information available on the DF-16. Tsai argued that while Western intelligence estimates relied on surveillance satellites to gather information on China's weapons development, the National Security Bureau (NSB) had access to raw human intelligence (*Taipei Times*, March 17; See "Taiwan's Intelligence Chief Warns about the PLA's Growing Strategic Weapon Systems," *China Brief,* March 25).

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The current regulations on PLA military secrets were issued in 1996. The revised regulations modify the scope of what the PLA considered military secrets, define the responsibilities of military personnel who are involved in the handling of confidential information and added provisions concerning the development and use of a classified information database, as well as the Internet and mobile phones. It also stipulates how to investigate and handle cases regarding the leakage of military secrets and specific duties of PLA units and personnel (Xinhua News Agency, April 2; *PLA Daily*, April 2). Ostensibly, the revised regulations intends to establish a hierarchical system of secrecy by assigning the level of sensitivity to military secrets.

The new regulations are consistent with the trend toward military informationization, and the security requirements of building a data classification system (PLA Daily, April 2). On balance, these new measures will establish a mechanism that provides clear division of duties and responsibilities as well as close cooperation among relevant departments, the duties and responsibilities of the 'secret-keeping' committees, military personnel, and leaders at various levels. Relevant departments could also help to clarify and strengthen regulation and management of military secrets (*PLA Daily*, April 2).

The promulgation of the new regulations demonstrates growing concerns in Beijing over the security of maintaining military secrets, and the intensification of overt and covert military tensions between Taipei and Beijing. The new regulations also reflect the modernization of China's data classification system, which underscores the importance of protecting classified information and assets under conditions of military informationization. To that end, the Hu administration appears to be taking steps toward establishing a regulatory framework that imposes additional safeguards for handling classified information. While the signing of the new regulations was overshadowed by the release of China's *White Paper on National Defense in 2010*, it is no less significant. The full extent of these new regulations remain to be seen, however, it is clear that they will strengthen coordination and add to the Chinese government's toolbox for controlling the flow of information about the country's military secrets.

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North African Revolutions and Protests Challenge Chinese Diplomacy

By David H. Shinn

The protests and revolutions that are sweeping across North Africa since the beginning of 2011 pose a serious test for Chinese diplomacy. The circumstances forced Chinese diplomats to adapt quickly to the unfolding situation, a measure Beijing has been adept at doing elsewhere in Africa when the government in power is threatened or toppled. Yet, the stakes are higher in North Africa than they are in all but a few Sub-Saharan African states. Indeed, China has important commercial and trade ties with all of the North African countries except for Tunisia. In 2009, total trade with Egypt was $5.9 billion, Libya $5.2 billion, Algeria $4.2 billion and Morocco $2.5 billion (International Monetary Fund, Direction of Trade Statistics Yearbook 2010). More than 1,000 Chinese companies have invested an estimated $800 million in Egypt (*Bikya Masr* [Egypt], August 10, 2010). China has major construction contracts throughout North Africa, especially in Libya. China also has long-standing security assistance relationships with Algeria and Egypt. The extent and seriousness of the opposition to existing North African governments even caused concern in Beijing given that these movements might encourage dissent within China. As a result, Chinese authorities carefully restricted media coverage of the protests in North Africa and the Middle East (See "Beijing Wary of 'Color Revolutions' Sweeping Middle East/North Africa," *China Brief*, February 10). These developments resulted in a quick visit by a high-level Chinese envoy to several of the North African countries and an effort by Beijing to link Chinese policy to positions taken by the African Union and Arab League.

Tunisia, Morocco and Algeria

The Jasmine Revolution in Tunisia, which forced President Zine El Abidine Ben Ali to flee the country, led to subsequent serious protests in Algeria, Egypt and Libya as well as milder ones in Morocco. The fact that the protests in Morocco have not seriously threatened the government may explain Beijing's near silence on developments there. The cordial China-Morocco relationship continues unchanged. The revolution in Tunisia presented a dilemma for China, which initially reacted by saying almost nothing about the protests. Even in the case of Algeria, where its interests are considerable, China has avoided comment on the protests and only discusses continuing cooperation. As compared to western reaction during an early stage of the different protests, especially in the case of Tunisia, China essentially absented itself.

After Ben Ali left Tunisia, Chinese Foreign Ministry

spokesperson Hong Lei said that "Tunisia is China's friend. China is concerned with what is happening in Tunisia and hopes stability in the country is restored as early as possible" (BBC, January 15). China subsequently dispatched Vice Foreign Minister Zhai Jun to Tunis to reinforce close ties with the new government. Zhai Jun said China respects the choice of the Tunisian people and wants to develop its traditional friendship with Tunisia. He also announced a donation of $6 million for a development project to be defined later (Xinhua News Agency, March 7; *Tunisia Online*, March 8). China seems to have made a successful transition from the Ben Ali government to the new one. This demonstrates again that China is able to move quickly and usually successfully when regime change occurs in Africa.

Zhai Jun combined his visit to Tunis with one to Algiers where he met with President Abdelaziz Bouteflika. He emphasized that China is willing to strengthen political exchanges with Algeria, expand mutual cooperation and enhance coordination on international and regional issues so as to protect the common interests of developing countries. Bouteflika responded that China is Algeria's reliable friend and serves as a model for cooperation between developing countries (Xinhua News Agency, March 6). So long as Bouteflika remains in power, China-Algeria relations are likely to remain strong.

Egypt

The situation in Egypt, a strategic ally of China and a country where Beijing has far more important interests, posed a more difficult challenge for Chinese diplomacy. China was also concerned about the safety of some 2,000 Chinese nationals living there. Initially quiet about the Egyptian protests, spokesperson Hong Lei at the end of January finally said that China hoped Egypt could restore stability and order at an early date (Reuters, January 31). While the Hong Kong-based Phoenix TV network broadcast live from Cairo without interference, news reports on Chinese Internet portals were largely restricted to Xinhua, which provided neutral stories. *Sina.com* and *Netease.com*, two of the largest online portals in China, blocked the keyword search for "Egypt." State-controlled media framed the Egyptian protests as chaotic, implying there are pitfalls for countries that try to democratize before they are ready (*CSMonitor.com*, February 1; *International Herald Tribune*, February 1; *Opendemocracy.net,* March 2).

As the protests expanded, China said it supported Egypt's efforts to maintain "social stability and restore normal order," adding that it expected relations with Egypt to develop unaffected. Chinese Foreign Ministry spokesperson Ma Zhou added that Egypt's affairs should be determined without any foreign interference (Xinhua News Agency, February 10). Zhai Jun arrived in Cairo after visiting Tunis and Algiers. Following a meeting with Arab League Secretary-General, Amr Moussa, he called on all Arab countries to return to peace and stability. He also met with Egyptian Deputy Prime Minister Yahiya Jamal and Foreign Minister Nabil Elaraby with whom he emphasized the long friendship between China and Egypt. He called for stability and development in the country, stating that China wanted to enhance its strategic relationship with Egypt. Jamal and Elaraby said Egypt's ties with China will not change (Xinhua News Agency, March 11). Although China did evacuate several hundred Chinese nationals from Egypt, the relationship between the two countries remains solid. There was apparently a lot of discussion behind the scenes concerning the evacuation of Chinese nationals from Egypt and those who arrived in Egypt from Libya, but no indication of major discussions on other issues except for those that took place during the Zhai Jun visit.

Libya

Libya posed and continues to present by far the greatest test for Chinese diplomacy in North Africa. Although Libya under Mu'ammar Qaddafi was the last North African leader to recognize Beijing and since then his government has periodically engaged politically with Taiwan, much to the consternation of Beijing, the commercial relationship has become enormous in recent years. Libya provides three percent of China's imported oil. This constitutes 10 percent of Libya's oil exports. When violence broke out in Libya, there were 36,000 Chinese nationals with 75 companies working on 50 projects primarily in the oil, railroad and telecommunications sectors. The value of Chinese contracts, mostly construction projects, had reached an estimated value of $18 billion. The China Railway Construction Corporation, for example, has three projects worth more than $4 billion (*Los Angeles Times*, March 9; WantChinaTimes.com, March 8). Saif Al Islam Qaddafi , heir apparent to his father, visited China in October 2010 when he described Libya-China relations as the best in history. Wu Bangguo, chairman of the Standing Committee of China's National People's Congress, responded that China is ready to increase cooperation on large scale infrastructure, energy, mining and telecommunications projects (AfriqueAvenir.org, October 3, 2010).

As in the case of the other North African protests, China was reluctant to speak out about the situation. Once security in Libya began to disintegrate, China's highest priority was the evacuation of its nationals. It first called on Libya to ensure the safety of its nationals following attacks on them at work sites. More than 1,000 Chinese construction workers fled their compound in eastern Libya when gun-wielding robbers stormed and looted the facility. China's Commerce Ministry reported that 27 Chinese construction sites and camps had been attacked and looted, resulting in some injuries and a monetary loss as of late February of almost $230 million. The

China Railway Construction Corporation and China National Petroleum Corporation also independently acknowledged attacks (Terradaily.com, February 22; *Straits Times* [Indonesia], February 26; *South China Morning Post*, February 27; Xinhua News Agency, February 28; WantChinaTimes.com, March 8).

In an impressive military/civilian operation, China evacuated 35,860 Chinese nationals from Libya by March 3 without any loss of life. This was the largest and most complicated overseas evacuation ever conducted by the Chinese government since it took power in 1949. The People's Liberation Air Force (PLAAF) sent four IL-76 transport aircraft to Libya. As of March 2, they evacuated 1,700 Chinese to Khartoum. The PLA Navy (PLAN) dispatched the frigate *Xuzhou* to waters off Libya to support and protect the evacuation of Chinese via commercial ferries and ships. Some Chinese made it to the Egyptian border by land. This operation was China's first operational deployment to the Mediterranean and the first to Africa other than its engagement in the anti-piracy operation in the Gulf of Aden. Its success has important implications for future Chinese security policy (See "Implications of China's Military Evacuation of Citizens from Libya," *China Brief*, March 19; Xinhua News Agency, March 3 and 4).

As Libya became a critical issue before the UN Security Council, China experienced increasing pressure to join other countries to put pressure on Qaddafi . China voted on February 26 with all other members of the Security Council in support of Resolution 1970 that imposed an arms embargo , a travel ban and an asset freeze on Libya [1]. China indicated that it did not, however, favor a resolution in support of a no fly zone (Reuters, March 10). According to Foreign Ministry spokeswoman Jiang Yu: "We oppose the use of force in international relations and have some serious reservations with part of the resolution" (Xinhua News Agency, March 18). China's position became more nuanced after the Arab League urged such action. These measures put China in a difficult position as it tried to balance its traditional opposition to sanctions and the views of the Arab League that pressed for more action against the Qaddafi government. In addition, its Permanent Representative to the United Nations, Li Baodong, was Security Council President for the month of March.

On March 15, Baodong said stability is essential in Libya and called for full implementation of Resolution 1970 (UN Security Council website, March 15). On March 17, the Security Council passed Resolution 1973 that called for an immediate cease fire, authorized member states to "take all necessary measures" to protect civilians, authorized a no fly zone and strengthened the arms embargo [2]. China and four other countries (Russia, Germany, Brazil and India) abstained). In his remarks after the vote, Baodong said the Security Council must follow the UN Charter, international law and respect the concept of sovereignty as well as territorial integrity. He added that China is against the use of force but attaches importance to the views of the Arab League and African countries (UN Security Council website, March 18). China's willingness to abstain on a resolution that called for the use of force may signal a new approach driven partly by its growing global economic and political role. On the other hand, since the passage of Resolution 1973, China has protested constantly about the air strikes, emphasized the need for an immediate cease fire and warned against imperiling civilian lives (Xinhua News Agency, March 25). President Hu Jintao took President Nicolas Sarkozy to task during a meeting in Beijing when he argued that "if the military action brings disaster to innocent civilians, resulting in an even greater humanitarian crisis, then that is contrary to the original intention of the Security Council resolution" (The Associated Press, March 30).

Libya's Foreign Minister until he defected at the end of March, Moussa Koussa, commented on March 19 that his country is prepared to grant oil blocs to China and India in appreciation for their abstention on Resolution 1973 (*Aljazeera*, March 19). This is the same Moussa Koussa who said in 2009 that "China's presence in Africa is neo-colonialism and aims to rule over the continent" (*Asharq Al Awsat*, November 10, 2009; See "Libya Cautions China: Economics Is No Substitute to Politics," *China Brief*, December 3, 2009). Since the protests began, Beijing has neither supported nor criticized Qaddafi . China's future in Libya is not clear, especially if rebel forces depose Qaddafi. It is certain, however, that Chinese companies have taken significant financial losses. Should it wish to reengage in Libya, it probably has enough financial leverage to tempt even a new government.

Conclusion

With the possible exception of Libya, China's relations with the countries of North Africa have not been harmed following the political upheavals. Chinese diplomacy worked quietly behind the scenes to insure that it maintained its interests. China was notably silent in the early stages of all the uprisings and fell back on its traditional public support for stability, national sovereignty and non-interference. At the same time, it supported mild UN Security Council sanctions against Libya and abstained—when it could have vetoeds—strong collective military action favoring rebel forces. China has significant economic and political leverage in North Africa. In the case of Libya, China rationalized its abstention on Resolution 1973 by emphasizing Arab League support for it. Once coalition forces began bombing Libya and some Arab League and African Union member countries began objecting, China did not hold back its criticism of the way the coalition carried out the military campaign.

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Notes:

1. See SC Resolution 1970 at http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/245/58/PDF/N1124558.pdf?OpenElement.
2. See SC Resolution 1973 at http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/268/39/PDF/N1126839.pdf?OpenElement.

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China's Looming Labor Supply Challenge?

By Jianmin Li

China has the largest labor force in the world. In recent years, new strains have emerged in China's labor supply that raise concerns about the country's economic growth mode. The shortage of migrant workers that gripped the Pearl River Delta region and the coastal areas of Fujian Province in 2003 gradually seeped its way into the Yangtze River Delta region and other coastal provinces. In 2009, this trend extended to several cities in central China. The wage of migrant workers, which had been stable for more than a decade, also began to see a gradual increase. From 2005 to 2010, the average wage per month for migrant workers increased 14.1 percent from 875 yuan (about $130) to 1,690 yuan (about $252) (People's Daily, March 23). These noticeable changes in the Chinese labor supply and market have caught the attention of authorities in Beijing. Indeed, in the Report of the Work of the Government at the Fourth Session of the Eleventh National People's Congress (NPC) on March 5, Premier Wen Jiabao emphasized the need to accelerate the transformation of the pattern of economic development and economic structure. Some analysts argue that these changes are short-term phenomena brought about by the business cycle. Yet, fundamental shifts in the long-term supply of labor resources have had a profound impact on China's economic development.

Working Age Population Reaching Tipping Point

China's working age population (aged from 15 to 64) has experienced steady growth over the past few decades. According to the projection by the Report of China's Population Development Strategy (2008), this figure increased to 968 million in 2010, occupying more than 71 percent of the total population. While China is currently enjoying the largest scale of working age population and the lowest dependency ratio, new trends have began to emerge in the growth rate of working-age population in China.

First, the average annual growth rate of China's working-age population is beginning to slow down. The figure decreased from 1.39 percent during the 1990s to 1.28 percent between 2000 and 2005 and further to 0.81 percent between 2005 and 2010 [1]. Yearly increment of working-age population dropped from 10.2 million in 2005 to 8.6 million in 2010, and according to the 2008 Report of China's Population Development Strategy the percentage will drop to 2.36 million in 2015 [2]. The working-age population will stop increasing in 2017, when it reaches a peak of about 999.6 million, and will reduce gradually from then on [3]. Second, the proportion of working-age population to total population will reach its peak in 2013 (72.14 percent) and then decline slowly while the population dependency ratio will begin to rise [4]. Third, a significant year-on-year reduction of new laborers appeared. The number of 18 year-old new laborers was 27.9 million in 2002, decreased to 22.5 million in 2010, and will decrease to 16.6 million and 14.8 million respectively in 2015 and 2020 [5]. Fourth, trends regarding the aging workforce and the continual decrease of the proportion of young workers to the whole working-age population are emerging. The proportion of workers aged between 15 and 24 will decrease from its peak in 2006 (16.63 percent) to 12.84 percent in 2020; and the proportion of workers aged between 25 and 39 will decrease from 25.95 percent in 2005 down to 22.12 percent in 2020 [6].

Limited Surplus of Rural Labor Force

The demand for labor resulting from rapid economic growth was filled by the steady mobility of a rural surplus labor force. It is estimated that more than 200 million farmers left the agriculture industry since the mid-1990s. According to the statistical bulletin of the PRC Ministry of Human Resources and Social Security, there were totally 229.78 million migrant workers in 2009, of which 145.33 million left their hometown [7].

Presently, two important phenomena are worth noting. First, with the abundant absorption by cities and non-agricultural industries, the number of rural surplus labor has been greatly decreased. It was estimated only about 100 million left at present or even less than that [8]. Second, the supply of young labor force under 30 years old is gradually tightening. The second national agricultural census data showed that nearly 1/4 of the rural labor force went out for employment in 2006, of which 52.6 percent were young workers under 30 years of age. Specifically, more than half of the labor force aged between 21 and 30 went out for employment. In 2009, migrant workers aged from 16 to 25 and from 26 to 30 accounted for 41.6 percent and 20 percent of the total migrant workers respectively [9]. "Labor shortage"

and the upward trend in wages for migrant workers indicate that the transfer of rural surplus labor in China may have reached a turning point, changing from an infinite supply to a finite surplus. A shortage of the young labor force is beginning to emerge.

Structural Imbalance between Labor Supply and Demand

Although the long-term trend of labor supply is changing, China is still at the stage with the most abundant labor resources and the lowest dependency ratio. China has not yet entered the era of labor shortage. Rather, the basic causes for the present labor shortage and the rising of labor costs are not caused by the contradiction between the total supply and demand of labor force, but by structural imbalances and changes.

First, the change of the rural labor force from infinite supply to finite surplus, especially the significant reduction in the stock of young workers, essentially reversed the supply and demand system maintained for more than 20 years in the migrant worker market. Second, the cost of living increases and labor supply behavior of the "new generation" of migrant workers are changing. With economic development, living standards of Chinese urban and rural residents have shown a substantial improvement and the cost of living a corresponding increase. Therefore, reservation wages of migrant workers have started to rise. In addition, the new generation of migrant workers, who were born during the mid and late 1980s and 1990s are better educated compared to their fathers and seniors and who pay more attention to their own life experience in the city, require higher reservation wage and a better work environment. So the original wage level has lost its attraction to the new generation of migrant workers.

Third, with the abolition of agricultural taxes, the boost of the prices for farm products and the construction of agricultural infrastructure, agricultural productivity and income showed remarkable improvement in recent years. This change increased the opportunity cost of migrant workers, thereby increasing their reservation wage. Fourth, economic development in the Middle and West Areas aroused growing demand for labor. Since the beginning of this century, the Chinese government formulated a series of development plans to promote economic development of the center and western areas and to narrow the differences in regional development. On the other hand, due to the industrial restructuring of the developed East Area as well as the continual increase of rental, environmental, and labor costs, some companies have begun to move to the center and western areas.

These two changes resulted in rapid growth of the Middle and West Areas in labor demand, forming the competition between these two areas and East Area in labor demand. This can be verified by the changes in direction of labor mobility. In 2004 and 2008, more than 70 percent of migrant workers who left their hometown flowed into the East Area, and 14 percent and 16 percent to the Middle and West Areas respectively. Compared with 2008, the number of migrant workers increased by 4.82 million in 2009, and the regional distribution pattern began to change, with the percentage flowing to the East Area decreasing to 62.5 percent and those to the Middle and West Areas increasing to 17.3 percent and 20.2 percent, respectively [10].

Long-Term Trends of Labor Supply

From a long-term perspective, the turning point of the continuing labor supply trend will bring about a more profound and far-reaching impact on the economic development of China. With the start of the negative growth of the working age population, the aging of the workforce, the substantial decrease of the surplus rural labor force, the improvement of living standards and rising of cost of living, as well as the continual decline of the labor force participation rate (Labor force participation rate was as high as 86 percent in 1995, dropped to 74 percent in 2005 and has now fallen to below 70 percent) [11], long-term supply and demand in the labor market will change gradually from an overall surplus of labor to a structural shortage in the next 10 to 15 years. The comparative advantage of cheap labor, on which China's economic growth and international competitive power rely on, will gradually be weakened or even lost, severely straining the vigor of economic development. Under these circumstances, the traditional labor-intensive industries will face enormous pressure. The traditional mode of economic growth will face enormous challenges. In doing so, the Chinese economy will face a major structural adjustment, leading to a transformation of the economic and technological structure.

Conclusion

Faced with these challenges, China appears to be transforming economic development strategies without delay, building new comparative advantages, improving the dynamic structure of economic growth with technological progress and innovation as the main driving force, optimizing the industrial structure and reducing the environmental costs of economic development to enhance the overall quality of economic development. The human resources basis for the realization of this new development strategy is the comprehensive improvement in the quality of workers. In the process of economic development, the shift of the comparative advantage from cheap labor to high quality human capital is the prerequisite for a nation to enter a developed state and maintain international competitiveness. It should be China's strategic choice to stimulate new impetus for economic growth and sustainable economic development by increasing investment in human capital, improving the efficiency of human resources

and building new comparative advantage in human resources on the basis of improving the quality of the labor force.

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Notes:

1. It was estimated based on the data of Population Census in 1990, 2000 and 1 percent Population Sample Survey in 1995 and 2005.
2. Report of China's Population Development Strategy, National Population and Family Planning Commission of P.R. China, 2008.
3. Report of China's Population Development Strategy, National Population and Family Planning Commission of P.R. China, 2008.
4. Report of China's Population Development Strategy, National Population and Family Planning Commission of P.R. China, 2008.
5. It was estimated based on the data of 1 percent Population Sample Survey in 2005, National Statistics Bureau of P.R. China, 2006.
6. Report of China's Population Development Strategy, National Population and Family Planning Commission of P.R. China, 2008.
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10. Zhang Juwei, Study on Floating Population of China, Research report, National Population and Family Planning Commission of P.R. China, October 2010.
11. Wang Jinying. Labor Supply and Economic Growth, Research Report, National Population and Family Planning Commission of P.R. China, July 2010.

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Beijing Confronts Japanese Nuclear Meltdown

By Richard Weitz

The nuclear crises at the Fukushima Daiichi Nuclear Power Plant in neighboring Japan that began with the March 11 earthquake and tsunami has induced the Chinese government to pause and perhaps moderate its civilian nuclear buildup. Describing safety as its top priority, the State Council suspended approving new nuclear power stations on March 16 so that existing safety standards and nuclear plants could be assessed in light of the events in Japan (Xinhua News Agency, March 16).

Initially the Chinese leadership resisted modifying its plans to dramatically expand the domestic production and use of nuclear power in coming years. Many other governments are pursuing similar policies—continuing with their existing nuclear programs though with enhanced safety checks. Yet these Japanese events have added to existing concerns in China and neighboring countries about the safety of its rapid civilian nuclear buildup, which also faces shortfalls in specialized nuclear equipment and trained personnel. As of early April, Chinese officials seem prepared to somewhat reduce the tempo of their civilian nuclear buildup.

Even with the anticipated post- Fukushima reductions, the People's Republic of China (PRC) is unique in the magnitude of its nuclear energy expansion plans, which Chinese officials see as essential for achieving the PRC's energy security and other goals. Since China still imports much of its advanced nuclear technologies and supplies, the PRC will also remain for years to come one of the most lucrative markets for international exporters of advanced civilian power reactors and other nuclear energy products.

This situation is unlikely to last, however, since there is little reason to believe that Chinese industries will not, as they have done in many other sectors, soon produce and export their own more advanced systems. Over time, China could emerge as a leading supplier of nuclear services to developing countries that seek to obtain acceptable nuclear reactors and other technologies at modest cost. This transformation in turn could see a revival of the nuclear nonproliferation disputes between China and Western countries that were widespread during the 1990s but, even in the case of PRC-Pakistan nuclear cooperation, have decreased in prominence in recent years.

Ambitions

It was not until late 1991 that the PRC's first civilian nuclear power reactor went into operation at the Qinshan Nuclear Power Plant in east China's Zhejiang province (Asia Times Online, March 30). At present, China has 13 operating nuclear reactors situated in seven power plants in Zhejiang and Guangdong provinces. Altogether, these facilities yield slightly more than 10 gigawatts (GW) of total generating capacity, which amounts to only some 2 percent of China's electricity needs. This low figure is comparable to Japan, where nuclear power provides almost 30 percent of the country's electricity needs, or France, which

derives some 75 percent of its electricity from nuclear energy [1].

The 12th Five-Year Plan approved by National People's Congress on March 14 confirmed the earlier goal, set by the PRC's National Development and Reform Commission in 2007, of doubling this figure to 4 percent by 2020. The Medium- to Long-term Development Plan for Nuclear Power issued by this Commission envisioned achieving a fourfold increase in aggregate generating capacity, to almost 40 GW, by the end of this decade (Xinhua News Agency, March 26). To achieve this goal, the PRC State Council had authorized the building of 26 nuclear power plants—12 have already started construction—with 53 additional nuclear reactors (The Associated Press, March 25). Measured in terms of ongoing and planned nuclear energy capacity under construction, the PRC is building almost half of all the new nuclear reactors in the world (MSN, March 24). A further hundred additional new nuclear reactors had been proposed for construction in China by various entities before the recent disaster in Japan (MSN, March 24).

According to some Chinese sources, until recently, certain PRC officials had hoped to have 66 nuclear power plants in operation by 2020, generating 66 GW, of 6 percent of the PRC's anticipated total power capacity (Xinhua News Agency, March 26). This boost would help the government achieve its goal of increasing the share of energy China obtains from non-fossil sources to 15 percent from the present low figure of under 10 percent (The Associated Press, March 26). Before the recent crisis in Japan, there were some indications that the Chinese government would announce this year that it had raised its 2020 target to 80 GW or more (*China Daily*, March 29).

Obstacles

Even before the accident in Japan, some Chinese and Western observers had expressed concern about the speed and size of the PRC's nuclear expansion plans. Concern focused in particular on whether Beijing could meet such ambitious targets while still adhering to the demanding safety standards required of such a dangerous technology, which necessitates highly trained nuclear technicians as well as detailed and demanding regulations supported by regulatory agencies empowered to suspend plant operations or construction regardless of planned production targets [2]. In April 2009, the head of the PRC's National Nuclear Safety Administration, Li Ganjie, cautioned that, "If we are not fully aware of the sector's over-rapid expansions, it will threaten construction quality and operation safety of nuclear power plants" (*Time*, March 28). In September 2010 Li, who is also vice-minister of environmental protection, told the media that the PRC lacked an adequate number of trained and experienced nuclear professionals (Reuters, September 20, 2010). Earlier this year, a research panel that offers recommendations to China's State Council urged policy makers to scale back their ambitious targets to avert shortfalls of uranium, equipment, and trained personnel" (*Time*, March 28). Another worry is corruption. If manufacturers or regulators could be bribed to overlook shoddy work or safety violations, then a disaster could more easily occur.

Nonetheless, many PRC leaders continue to deny the problems at Fukushima require changes in China's own nuclear policies. In an interview with the *People's Daily*, Tian Shujia, a senior nuclear safety official in the Ministry of Environmental Protection, said that China's strict laws, regulations, and technical standards regarding site selection, design, construction, testing, operation, and retirement of nuclear power plants in the PRC "guaranteed" their safety. According to Tian, the Chinese government wrote these codes taking into account developed countries' nuclear standards, earlier nuclear accidents, and the safety recommendations of the International Atomic Energy Agency (IAEA). He claimed that the PRC's current nuclear power plants regularly record safety measures higher than the global average (Xinhua News Agency, March 26).

Chinese nuclear power enthusiasts have denied that the nuclear accident in Japan should lead Beijing to abandon its nuclear energy ambitions. Supporters argue that the Fukushima mishap was due to a rare set of circumstances—a 9.0 magnitude earthquake followed immediately by a massive 14-meter-high tsunami—unlikely to recur, or occur in China. (But state television later reported that Chinese technicians were assessing the sea walls at the coastal Daya Bay nuclear plant north of Hong Kong, which presumably could be affected by some tsunamis [The Associated Press, March 29].) Chinese nuclear power enthusiasts also note that the global nuclear industry has surmounted past accidents by adopting improved safety procedures. Furthermore, they observe that other types of energy pose their own risks—from major oil spills such as occurred in the Gulf of Mexico last year to the deaths of thousands of coal miners from underground accidents (Xinhua News Agency, March 22, 2011). China's nuclear energy industry, they add, has always had a strong safety record and never experienced a serious incident (*China Daily*, March 26).

Even so, some of China's indigenous plants also employ older technologies with less effective safety standards (China Daily, March 26). Another concern is that, while the PRC's six existing nuclear power plants are situated along the country's eastern and southern coasts, the government is considering constructing several nuclear stations in inland provinces such as Liaoning, Jilin, Henan, Hubei and Jiangxi provinces (Xinhua News Agency, March 12). According to the State Grid Corporation of China, 31 out of 43 sites suitable for a nuclear plant are located in inland regions (People's Daily, March 31). Nuclear energy is particularly in demand in certain areas remote from

coalfields and where the local economy is developing rapidly. Yet, the location of the Fukushima plant along the coast allowed the Japanese to use sea water as an emergency coolant when the Tsunami wiped out the power to the main and back-up cooling systems. Chinese nuclear plants built at inland locations will lack this advantage. Supporters of the inland sites claim that the PRC will only construct the most advanced reactors, with enhanced safety features (*China Daily*, March 26). Lu Qizhou, general manager of the China Power Investment Corporation, said that the AP1000 nuclear power reactors intended for inland regions are third-generation reactors, and therefore more advanced than the reactors at Fukushima. They also employ an emergency cooling system that does not rely on an uninterrupted electric supply: the Chinese construct an enormous tank of water above the reactors and then rely on the force of gravity to ensure they operate "just like the flush toilet, no power is needed" (Xinhua News Agency, March 12).

Many Chinese are not ready to accept these assurances without further question. The crisis in Japan has made the Chinese public more conscious about their country's nuclear power program, which until now has proceeded without the broad public debate and criticism seen, for example, with the PRC's dam-building hydroelectric projects. On March 11, ironically the day of the accident at Fukushima, the Japanese newspaper *Asahi Shimbun* published an interview with Liu Wei, vice president of China Nuclear Power Engineering Corp., in which he said that, "Unlike in Japan, we do not encounter opposition from local communities" (*Asahi Shimbun*, March 11). Partly this absence of protests has reflected the limited scale of the PRC's nuclear power program, partly its somewhat clandestine nature resulting from its association with China's military program, and perhaps awareness of the imprisonment of a pair of prominent anti-nuclear activists (uranium mine worker Sun Xiaodi and his daughter, Sun Haiyan) [3]. Yet now the Fukushima incident has made many more Chinese aware of nuclear safety considerations. For example, following the accident, residents of Shanghai and other Chinese cities stocked up on iodine pills and face masks for fear that the radioactivity from Fukushima would drift towards them (*The Washington Post*, March 16). To counter exaggerated fears about the danger of radiation from the stricken Japanese plant, the Chinese Environmental Protection Bureau started issuing daily reports on the level of radiation in major urban areas [4]. Even so, the free ride that the PRC nuclear energy sector enjoyed in the past about deciding what to build and where has probably ended.

As of early April, some PRC officials have indicated they will scale back their civil nuclear expansion plans somewhat, at least for the next few years. Wei Zhaofeng, deputy director of the China Electricity Council, reported that the PRC's nuclear energy sector during the next five years would reorient its approach from "energetic development" to "safe and highly efficient development." The Council is an industry group whose members include the PRC's largest nuclear manufacturers such as the China National Nuclear Corporation, the China Guangdong Nuclear Power Corp, and the State Nuclear Power Technology Co. In concrete terms, Wei said this revised approach would lead to about a 10 GW decrease in the planned growth of nuclear generating capacity during this decade. Instead of nuclear power providing 5 percent of China's power by 2020, the figure would more likely be 3 percent under the new policy (The Associated Press, March 29). In compensation, some PRC sources indicate that the government would seek to double the volume of solar energy China produces in the next few years (*China Daily*, April 1). Although the PRC is the world's largest solar panel producer, some 90 percent of these panels are sold to other countries (Xinhua News Agency, March 30). The government might also soon announce modest increases in the use of other non-nuclear energy sources such as wind power, natural gas, and hydroelectric power.

Conclusion

Nonetheless, the logic of Beijing's energy security imperatives—the need to minimize China's dependence on foreign energy sources—will probably lead PRC policy makers to recommit to higher levels of nuclear power generation and use in coming years barring another major mishap. For the same reason, Beijing will likely also seek to improve the quality of China's indigenous nuclear energy technology. Not only would raising domestic capabilities decrease the need for China to purchase expensive foreign reactors and related items, but the PRC could become an important civilian nuclear technology supplier in its own right, likely confronting Russia and Western nuclear sellers with a formidable low-cost competitor. If Beijing sells nuclear technologies to states of proliferation concern, which is also very possible, then Western governments could easily find themselves entangled in additional nuclear proliferation conflicts with China beyond their long-standing differences over Pakistan.

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China's Maritime Strategy Is More Than Naval Strategy

By James R. Holmes

The sporadic confrontations that punctuated the past two years in the China seas subsided for a time. Senior U.S. military officials depicted the lull as a temporary, tactical retreat from the assertive stance Beijing assumed on such controversies as conflicting maritime territorial claims, foreign naval operations, and military surveillance in the "near seas" [1]. A string of recent events bears out their assessment, suggesting both that Chinese leaders have not abandoned their ambitions in these waters and that these ambitions are apt to encounter pushback from fellow Asian sea powers. Furthermore, the uptick in maritime confrontations demonstrates that China's "smile" diplomacy—a diplomatic campaign designed to portray China as an inherently beneficent great power—is on hold.

Beijing's mercurial approach to strategy in nearby waters may be attributed in part to the fact that it lacks a maritime strategy yoking various implements of national power to national policy. Rear Adm. Yin Zhuo, chairman of the Expert Committee on Navy Informationalization and a leading advocate for such a strategy, notes that "China does not have a clearly defined ocean strategy at the national level." Some agencies focused on economic development have developed strategies, while "naturally the navy has its own ocean strategy considerations, but these are all actions by certain departments and not at the national level" [2]. To borrow U.S. military lingo, "stove-piping," or dispersing functions among disparate bodies without coordinating their efforts effectively, impedes uniform policy. This helps explain the apparent inconsistencies in China's approach to maritime affairs.

Maritime strategy is more than naval strategy. It involves all government bodies with responsibilities in the oceanic domain. It encompasses not only the navy but the coast guard, law enforcement, oceanographic agencies, and the like. Taming disparate agencies can be a challenge for oceangoing states. Indeed, the United States issued its first truly maritime strategy—covering not only the U.S. Navy and Marine Corps but the U.S. Coast Guard, an arm of the Homeland Security Department—only in 2007.

By portraying China as an inoffensive great power, in short, diplomats have handed other governments a yardstick by which to measure Chinese actions at sea against stated Chinese purposes and intentions. These governments increasingly doubt Chinese assurances. But Beijing could clarify its message at any time Rear Adm. Yin has reported that Beijing is formulating a maritime strategy and will soon publish the results [3]. If so, Beijing's erratic behavior in nearby seas and skies may resolve into something steadier. Aligning the conduct of the maritime services with political guidance handed down by senior officials—and with the words uttered by diplomats—would make Chinese behavior more predictable for outsiders in places like Washington and Tokyo.

Bureaucratic Politics on the Upswing

Writing in the Winter 2011 issue of *Washington Quarterly*, George Washington University professor David Shambaugh attributes the dissonance between Chinese words and deeds in large part to jostling among various interests within China's increasingly pluralistic political system [4]. Shambaugh is onto something. In past years, while the People's Liberation Army (PLA) remained relatively backward, Chinese diplomacy toward the Yellow, East China, and South China seas appeared rather deft. Senior political leaders orchestrated foreign policy while the PLA leadership remained consumed with modernizing the armed forces. Yet, as China's military and naval project starts to mature, allowing the PLA greater influence over the nation's environs, military commanders probably enjoy more say in policy circles. Prestige confers bureaucratic clout with the military's political superiors.

New interests, it seems, have joined the mix of voices clamoring for the attention of senior leaders. Bureaucratic politics is in full swing. What will the final product—presumably a maritime strategy published in the public domain—look like? Maj. Gen. Luo Yuan, an outspoken research fellow at the PLA Military Academy, implores China's leadership to establish five "presences" in the near seas, including "public administration, laws and legislation, defense, public opinion, and economic affairs." Luo, for one, seems to understand the need to align these instruments toward stated political ends.

So do others. Recent remarks from Adm. Yin hint at the possible contours of a Chinese maritime strategy. Yin takes an upbeat view of China's strategic environs, noting that the end of the Cold War essentially did away with the threat of a nuclear exchange. Once the nuclear impasse faded, Beijing was free to turn its attention to "ocean security problems such as Taiwan, the Diaoyu Islands problems, and the South Sea problem." He faults

the United States for tensions on the high seas, branding the "American factor" one of "the major factors for ocean problems" over the past year. On the other hand, the admiral contends that economic malaise and military commitments elsewhere will slow Washington's "return to Asia." Given these dynamics, "China must seize this strategic opportunity while it is available" [5]. There could well be an edge to Beijing's maritime strategy.

Indeed, if Yin's words are any indication, Beijing will act energetically to consolidate what it sees as a favorable position in the China seas and beyond. Indeed, he raised eyebrows by proclaiming that China has an interest in the Arctic Sea [6]. The admiral divides maritime strategy into three components: "ocean security, ocean development interests, and how to deal with the problems of disputes in peripheral oceans." In the realm of ocean security, the "greatest problem and central interest" is "the Taiwan problem" because it is "related to the key question of the unification of China." Ocean development involves "ensuring the security of shipping lanes and peripheral island disputes." It is noteworthy that both ocean security and ocean development potentially involve the use of armed force, even though Yin insists that "we do not desire to resolve island disputes through military means" [7].

There is little sign China will back down on its maritime territorial claims or postpone settling them indefinitely. Asked about Beijing's readiness to set disputes with rival claimants such as Japan, Vietnam, and the Philippines aside for the sake of joint resource development, Yin observes that "'table disputes and develop jointly' is prefaced with 'sovereignty is mine.'" In the Senkaku/Diaoyutai dispute in particular, "there is room for neither negotiations nor compromise" since Tokyo "violated an unwritten agreement" with U.S. connivance "and challenged China's rights." As he notes, China does "not desire to resolve island disputes through military means nor we wish to disturb the external environment" [8]. Nor does he unequivocally rule out a trial of arms should "ocean problems" in the near seas prove intractable.

Shaping Matters in China's Favor

On what principles will Beijing found its first-ever maritime strategy? The common denominator among the indicators of Beijing's intent explored above is the resolve to achieve China's interests on the high seas while avoiding armed conflict at—almost—all costs. No one wants a sea war, least of all China. Beijing's preference for "shaping," or creating favorable conditions in the strategic surroundings so as to achieve important goals without resorting to force, stems from the fact that armed conflict is risky, can squander resources needlessly, while even victorious war can provoke the vanquished into seeking vengeance—perhaps undoing the victory. Sun Tzu, whose writings are a staple of Chinese strategic discourses, proclaims that the "acme of skill" is to win without fighting. In Pentagon parlance, prudent statesmen use economic and military resources sparingly in foreign-policy enterprises, taking an "economy-of-force" approach that husbands assets for future contingencies.

At the same time, Sun Tzu concedes that few attain such virtuosity. Hence the need for military preparedness in wartime and peacetime alike. If combat readiness is the key to prevailing in war, *perceived* capability and skill represents the critical determinant of peacetime encounters. By deploying military capability artfully to back up its words, the Chinese leadership can arrange matters so that rivals desist from challenging its policies or never oppose China in the first place. An obvious mismatch of power could dissuade adversaries and dishearten third parties that might be tempted to bandwagon against China. Words, capabilities, and deeds would let China win without fighting. The guiding logic is that people love a winner but will not place their bets on an obvious loser.

Thus, peacetime clashes are head games. Scholar Edward Luttwak maintains that the outcome of peacetime crises at sea depends on how important stakeholders think a hypothetical trial of arms would have turned out [9]. This is why military analysts pore over the technical specifications of ships, aircraft, and armaments. They are attempting to glimpse the future. Convincing a prospective foe that it would stand little chance in battle is central to prevailing in peacetime disputes. In short, whoever most people think would win in wartime generally does in encounters short of war.

Diplomacy

So there exists a nexus among diplomacy, perceptions, and military capability. Let's survey some of the tools in China's maritime toolkit. Diplomacy ranks over and above the other instruments Gen. Luo identifies. Diplomacy—defined roughly as the art of negotiating with foreign governments—makes use of all of these implements to bolster diplomats' credibility vis-à-vis foreign interlocutors. The mix among these instruments depends on such variables as the strategic circumstances, the value each competitor attaches to its political aims, and thus the amount of resources it is prepared to expend on behalf of these aims and for how long.

Diplomacy was the advance guard of the Chinese effort to shape the maritime environment in the near seas. Chinese diplomats rallied such legendary figures as Confucius and the Ming Dynasty admiral Zheng He behind a charm offensive vis-à-vis fellow Asian powers. Think back to the 2008 Beijing Olympics opening ceremony, when Chinese youth paraded images of these

forefathers for all to see. Beijing's apparent messages were that China was once a strong, seafaring nation that—unlike predatory sea powers of the past—refrained from abusing its neighbors, and that it is destined to follow this pattern as it regains its station among the great powers. Beijing will—and indeed must—be a trustworthy keeper of Asian maritime security.

This represents an appealing story about China. Yet, by making Confucius and Zheng He its ambassadors, Beijing has also set an exacting standard for itself. While China is, without a doubt a venerable civilization, the People's Republic of China remains a new regime. It must live up to the Confucian benchmark if fellow Asian states are to believe its tale of an intrinsically harmless great power. Failure to do so, consistently and over a long time, may partially or wholly discredit Beijing's narrative—as recent events attest (See "Is China a "Soft" Naval Power?" *China Brief*, August 20, 2009).

Maritime Forces

If diplomacy has been the vanguard of Chinese foreign policy, Beijing has been industriously building up maritime forces to match. Chinese authors grasp the psychological impact that skillful, well-equipped forces make an impression on key audiences. "If military hard power is a sharp sword," proclaims Ma Henghui, writing in *PLA Daily*, "soft power is its awe-inspiring gleam and clang." Military soft power derives from "non-material elements such as strategic thinking, resolve, and combat spirit." Gauging it is not a simple matter of examining quantifiable factors like numbers and specifications of weaponry; "it involves a consideration of the quality of its key factors and the ability with which it can be utilized ... Toward the enemy, it is expressed as the power to deter, contain, and collapse" [10].

This is not soft power as scholars such as Joseph Nye construe it. That is, it is not a "power of attraction" that emanates from appealing culture, traditions, and institutions, helping a country's leadership persuade others to want what it wants. For Ma, by contrast, soft power imbues successful military forces, convincing others this is not a military to be trifled with. By projecting such an image, the PLA can bolster the potential of coercive or deterrent diplomacy, enhancing Beijing's chances of prevailing without actually resorting to arms. A PLAN rich in military soft power could overawe lesser militaries, boosting China's chances of bloodless victory.

Nor is maritime shaping confined entirely to the PLAN. As the latest run-in between Manila and Beijing testifies, nonmilitary services like coast guards and fisheries services represent an invaluable supplement to naval power. Moreover, land forces such as the PLA Air Force and the PLA Second Artillery Corps—the Chinese missile force—have their part to play in nautical diplomacy. Land-based tactical and maritime patrol aircraft provide a defensive shield over PLAN flotillas operating in the near seas, as do anti-ship cruise missiles and, potentially, the much-discussed anti-ship ballistic missile (i.e. DF-21D).

Acting jointly, these maritime capabilities—sea- and land-based—furnish a recessed deterrent against foreign actions China wishes to proscribe. That is, these platforms can deter from over the horizon because of their known capacity to strike within certain sea areas. Those being deterred understand that the consequences of defying Beijing's will could be deadly and may modify their behavior accordingly. If the PLA develops the skill to operate these capabilities harmoniously, the gleam and clang will represent potent adjuncts to Beijing's diplomacy.

Misshaping the Strategic Environment?

The Chinese has evidently mounted a sequential diplomatic campaign in the near seas over the past decade, adding each element of national power as it becomes available. Diplomacy is inexpensive. Chinese diplomats could tell their nation's story how they wanted, even before China had amassed sufficient material power to put substance into their words. Economics came next, made possible by swift economic growth. By knitting itself into a tapestry of economic interdependence, Beijing furthered the narrative of China as a nation whose peaceful rise benefited all Asian states. Military power comes last, and indeed it remains an ongoing project. It is far from clear, for instance, that Beijing could enforce a "core interest" in the South China Sea. At the very least, Chinese leaders would incur grave risk to interests elsewhere should they seek unquestioned primacy in any one theater [11].

Beijing appears to have misjudged the part military power should play in a maritime strategy that taps all sources of national strength. The mailed fist is a poor accompaniment for smile diplomacy. China's bellicosity over the past two years has squandered many of the gains it reaped from adroit diplomacy in previous years. Its overemphasis on military force may be premature in any event. China cannot yet impose its will by force, while Asian powers have pushed back hard amid the recurring maritime confrontations with China. Beijing risks uniting a hostile coalition.

While it is doubtful whether Beijing can easily return to smile diplomacy after departing from it, successful attempts remain to be seen. China's track record as a benevolent power now includes repeated blemishes. Beijing may have shaped the strategic surroundings to its disadvantage, benefiting competitors such as the United States and Japan rather than its own interests. Whether the leadership will follow through with a coherent maritime strategy—and thereby impose discipline on the myriad

executors of Chinese policy at sea—also remains to be seen.

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