



In This Issue:

IN A FORTNIGHT By David Cohen	1
THE CCDI'S LAST HURRAH? ZHOU'S ARREST MAY MARK SLOWING OF ANTI-CORRUPTION EFFORTS By Willy Lam	3
ARMY DAY COVERAGE STRESSES CONTINUITY OF REFORM By Peter Mattis	5
AN EQUAL AND OPPOSITE REACTION? XI'S GRAND TOUR OF THE AMERICAS By Clark Edward Barrett	8
PUTTING PRECISION IN OPERATIONS: BEIDOU SATELLITE NAVIGATION SYSTEM By Kevin N. McCauley	11



China's Beidou satellite positioning system plays an important role in military operations.

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NOTICE:

Owing to Jamestown's summer publications break, the next issue of *China Brief* will be published in three weeks.

In a Fortnight

RECLAIMING DENG'S LEGACY FROM LIBERALS

By David Cohen

Celebrating reform-era leader Deng Xiaoping's 110th birthday two days early on August 20, China's leaders sought to harness his legacy for today's politics by claiming him as a socialist and a uniquely Chinese thinker. While Deng is best remembered for implementing market reforms and opening China to the outside world, speeches and official commentary argued, he was neither a capitalist nor a Westernizer. Official messages also highlighted Deng's reform and opening policies, likening their "courage and innovation" to that of the current leadership's reform agenda, but they consistently did so in ways that leave no room for advocates of Western-style reform.

Putting Socialism Back in “Socialism With Chinese Characteristics”

Following in Deng’s footsteps today requires that China “never forget its roots,” said President Xi Jinping. “The independent path, theory and system are key to the sovereignty and dignity of our country as well as the self-esteem and independence of the Chinese nation,” he added, in a part of his speech highlighted by official coverage. “We will try our best to reform areas that are weak and unsound and learn from the good experiences of foreign countries, but we will never completely copy the foreign experience let alone absorb bad things from them” (translation [Xinhua](#), August 20; full-text [People’s Daily](#), August 20). Speeches made by other high-ranking officials applied these lessons to ideology, the military and provincial government ([People’s Daily](#), August 20).

This interpretation of Deng’s legacy—as a natural development in the history of Chinese socialism, rather than a rejection of the Mao era—was highlighted in coverage of Xi’s speech, given at a forum of the Chinese Communist Party’s top echelons, and echoed in commentaries published across the spectrum of Chinese official media. The ideological journal *Red Flag* carried a long commentary using Deng’s “Four Cardinal Principles” to answer liberals who believe that Marxism is holding China back, while the website of mass-audience broadcaster CCTV reminded readers that “socialism can make use of a market economy” and of Deng’s statements that socialism is a superior system ([Qstheory.com](#), August 20; [CNTV.com](#), August 20). The *Red Flag* article also addressed democracy, reminding readers that Deng had chosen a “people’s democratic dictatorship” over “bourgeois democracy.” It also used a code word for foreign-backed subversion to accuse liberals of seeking to undermine China, describing their views as the belief that the Four Cardinal Principles (upholding the road of socialism, the dictatorship of the proletariat, the leadership of the Communist Party, and Maoism and Marxism-Leninism) are “a stumbling block to China’s ‘peaceful evolution.’”

The effort to distinguish Deng from Western-inspired liberals is reminiscent of the themes of Xi’s visit to Europe earlier this year, where he told audiences that China had “experimented with constitutional monarchy, imperial restoration, parliamentarism, a multi-party

system and presidential government, yet nothing really worked. Finally, China took on the path of socialism” (see [China Brief](#), April 9). While this week’s messages drew on very different sources—Communist theory rather than the language of civilizations—both led to the same conservative conclusion: China’s destiny requires the leadership of the Communist Party and resistance to copying Western political ideas.

Implications

Ideological threats and subversion have been a major theme of the Xi leadership, with repeated high-level warnings and an ongoing wave of arrests of intellectuals and human rights advocates. Beijing clearly retains the belief that Western governments, in cooperation with Chinese dissidents, seek to undermine the regime. However, continuing efforts to reject “Western” ideology do not appear to have deterred party leaders from seeking pro-market reforms or attempting to rein in abuses of power—and indeed, China today is far more marketized and open to the world than it was at the time of Deng’s retirement or 1997 death. While fearful of threats to China’s political system, the Deng commemorations were equally clear on the need for further reform, reiterating the long-standing argument that economic growth, cleaner government and respect for the people are the keys to the survival of party rule.

Given his efforts to shore up faith in China’s system—and to stamp out its most vocal domestic critics—it appears that Xi feels it is especially vulnerable during his aggressive overhaul efforts. But his pleas in Europe for respect for China’s distinct civilization and “choice of development path,” more vaguely put to the United States as part of the “New Type of Great Power Relations” concept, suggest that he believes it is possible to negotiate an ideological ceasefire. As long as Xi is pursuing difficult political goals at home, it is likely that other countries will have to deal with a China that is especially suspicious of their intentions and sensitive to even mild criticism.

David Cohen is the editor of China Brief.

The CCDI's Last Hurrah? Zhou's Arrest May Mark Slowing of Anti-Corruption Efforts

By Willy Lam

While the downfall of “big tiger” Zhou Yongkang has proven the extent of Chinese President Xi Jinping’s power, it is not clear whether his anti-corruption crusade will continue—or, more importantly, whether Xi will push forward real political reforms that could permanently reduce rent-seeking, abuse of power and related ills.

By arresting former Politburo Standing Committee (PBSC) member and security czar Zhou Yongkang, Xi has broken the long-standing custom that serving and retired PBSC members are immune from prosecution. Just last month, Xi accomplished a similar feat in the People’s Liberation Army by hauling in former Politburo member and Central Military Commission (CMC) vice-chairman General Xu Caihou on charges of massive corruption. Graft is the scourge that has most alienated the Chinese Communist Party (CCP) from its people, and Xi’s success in defanging these “big tigers” could win him enough popular support to make himself the most powerful CCP leader since Chairman Mao Zedong and patriarch Deng Xiaoping (*Apple Daily* [[Hong Kong](#)], July 31; [BBC Chinese Service](#), July 30).

Can Xi's Hunt Continue?

After nabbing close to 40 cadres with the rank of vice-minister or above, the anti-corruption campaign may have passed its high-water mark. According to Beijing-based social scientist Ren Jianming, an expert on clean governance, one third of cadres who have held ministerial-level positions have committed graft-related misdemeanors—a figure confirmed by a 2013 internal party survey, according to unnamed sources quoted by Reuters ([Reuters](#), April 16). This comes to roughly 10,000 officials in total (*Ming Pao* [[Hong Kong](#)], July 2; [Cable News](#) [[Hong Kong](#)] July 1). Will Xi really go after each and every one of them?

All indications suggest that after tackling Xu and Zhou, Xi could very well wind down the tiger-hunting

campaign. The same night that Zhou’s alleged crimes were announced, People’s Daily Online ran a commentary saying that “Knocking down ‘big tiger’ Zhou Yongkang does not mean the end of the anti-graft exercise.” The article, however, was withdrawn from the website several hours later. ([BBC News Chinese Service](#), July 30; [People’s Daily](#), July 29). While it is unlikely that the authorities will officially announce a moratorium on corruption investigations, no further Politburo level, not to mention PBSC-level, bigwigs are likely to be penalized in the foreseeable future. Indeed, the number of mid- to senior-ranked cadres below the Politburo level being nabbed is likely to decline significantly.

Deng Yuwen, a former editor of the CCP Central Party School journal *Study Times*, is one of many analysts who subscribe to the theory that the decision to bring Zhou to justice represented a deal struck between Xi and party elders—including former presidents Jiang Zemin and Hu Jintao, former vice-president Zeng Qinghong, and ex-premiers Li Peng and Wen Jiabao. At least for the foreseeable future, Xi has most likely vowed that he will not go after either these former PBSC members or their well-heeled offspring. “Many people want to know if other ‘big tigers’ or ‘old tigers’ will be ensnared,” wrote Deng in Hong Kong’s Chinese-run paper *Ta Kung Pao*. “The possibility of this happening in the rest of the first five-year term [of Xi’s government] is close to zero” (*Ta Kung Pao* [[Hong Kong](#)], July 26). The influential mainland website Caixin Online suggested that the entire rectification campaign could decelerate because it had hurt the morale of too many mid- to high-ranking officials throughout the party-state apparatus. Commentators Gao Yu and Wang Heyan pointed out that advocates of reining in the anti-graft movement “include party supporters who worry that the campaign could tarnish the public’s view of the government and party.” “Others wonder whether the campaign is hurting economic growth and the productivity of officials, some of whom are lying low in hopes of avoiding the inspectors,” they added ([Caixin Online](#) [[Beijing](#)], July 25).

Power Politics

Another concern is the power of the Central Commission for Disciplinary Inspection (CCDI)—China’s highest graft-buster, responsible for the Zhou investigation and other sensitive cases, which is not noted for its

transparency. Given that CCDI Secretary and PBSC member Wang Qishan is a princeling and close ally of Xi, the suspicion remains that corruption-fighting is a cover for factional competition. Can the Xi administration really rid the party of corruption without meaningful political reform, including the establishment of rule of law and some form of checks and balances within the system?

As respected Beijing-based historian Zhang Lifan has argued, the CCP's anti-graft campaign has more to do with power politics than the law. It is well known that Zhou was involved in an "anti-Xi cabal" within the party, which also included former Politburo member and Chongqing party boss Bo Xilai, who received a life sentence for corruption last year. Two previous Politburo members brought down for graft-related felonies—former Beijing party secretary Chen Xitong (who received a 16-year sentence in 1998) and former Shanghai party secretary Chen Liangyu (who was given a 18-year jail term in 2008)—were political foes of ex-presidents Jiang and Hu, respectively ([Voice of America](#), July 31; [Radio Television Hong Kong](#), July 29). According to Wuhan University public policy expert Professor Chu Jianguo, fighting corruption itself could "exacerbate power struggle within a certain [party] unit—and the accomplishments of the crusade are often the by-product of internal power struggles" ([People's Tribune \[Beijing\]](#), June 2014).

After the Zhou episode, the CCDI's Wang has been praised by numerous Hong Kong and Taiwan media for being more energetic, efficient and forthright than previous top graft-busters ([China Times \[Taipei\]](#), August 2; [Ta Kung Pao](#), August 1). But the commission essentially reports to only one person, Xi—a system which has become even more centralized since Xi took office at the 18th Party Congress. The question of "who investigates the CCDI" if it abuses its power has prompted comparisons between the CCDI and imperial spy agencies run by emperors in the Ming Dynasty (1368–1644) ([Apple Daily](#), July 10; [Singtao Daily \[Hong Kong\]](#), March 8). The Commission has also run afoul of the nation's public intellectuals by using the pretext of fighting rent-seeking to strike at academics who advocate "Westernized" values such as rule of law and checks and balances. A case in point is the accusation made by Zhang Yingwei, who heads the CCDI unit stationed at the Chinese Academy of Social Sciences, that the elite academic institution has been "infiltrated" by "anti-China foreign forces." Legal scholar and Peking

University professor He Weifang responded by saying that "it is bizarre that graft-busters should be doing the work of the Ministry of State Security" ([Radio Free Asia](#), June 25).

Will a Purge Lead to Real Reform?

Xi will have a chance to tell the world that he is serious about reform at the Fourth CCP Central Committee Plenum, scheduled for October. The Chinese media has indicated that one major theme of the conclave will be legal and judicial reform. Last month, the Supreme People's Court released a blueprint for judicial reform during the years 2014–2018. Among other things, the document indicated that more professionally qualified judges will be hired and that efforts would be made to reduce political influence on due process of the law ([Chinacourt.org \[Beijing\]](#), July 10; [Xinhua](#), July 9). Public confidence in legal and related reforms, however, has been dealt a blow owing to the many supposedly promulgated reforms not being carried out. For example, while the much-maligned *laogai* ("reform through labor") system was publicly abolished on January 1, police departments recently admitted that more than 100 penal institutions under the Ministry of Public Security are still taking in inmates for "re-education" purposes outside the judicial system ([Ming Pao](#), August 2; [Southern Metropolitan News](#), August 1). Moreover, Xi has on numerous occasions indicated that the CCP will not accept "universal values" such as the rule of law and independence of the judiciary (See [China Brief](#), June 4).

Xi has surprised observers from across the political spectrum with the success of his power grab, and myriad Machiavellian maneuvers to marginalize real and potential political foes. Optimists including Deng Yuwen seem confident that Xi will use his newly-won powers to push through reform. But we have yet to see whether the "great renaissance of the Chinese nation" can be accomplished without more fundamental change to the Chinese system.

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Army Day Coverage Stresses Continuity of Reform

By Peter Mattis

On August 1, the Chinese People's Liberation Army (PLA) celebrated Army Day, the anniversary of its founding during the Nanchang Uprising in 1927. Commentaries in official media often use the holiday to propagate important military policy themes. While last year's editorials focused on establishing the PLA's part in President Xi Jinping's "China Dream," this year's theme reinforces that "strong military dream" (*qiangjun meng*) and optimistically looks forward after the two major anti-corruption cases, the arrests of retired Generals Xu Caihou and Gu Junshan. Lengthy coverage of Xi's visit to Fujian in the company of other Central Military Commission leaders added instructions for civilian officials on their role in supporting the PLA's modernization. In many respects, the simplicity of the message suggests stability in the ranks, policy direction and civil-military relations.

The "strong military dream" pronounced under Xi includes the following key tenants: the ability to fight and win wars (*neng dazhang, da shengzhang*), absolute PLA loyalty to the party and improved work style (*youliang zuofeng*) (*China Brief*, August 23, 2013). Variations of these policy phrases have appeared repeatedly since last Army Day, including in Central Committee plenum documents, National People's Congress statements and authoritative articles (*China Brief*, March 20). Perhaps the most important part of Xi's dream is the connection drawn between the PLA's fighting capability and the safety of China's development, making the PLA deterrent critical to all other aspects of the "China Dream" (*PLA Daily*, August 1; *Qinshi*, July 31; *PLA Daily*, March 15).

Progress Despite Threatening External Developments

After usual laudatory sentiments on Army Day, the *PLA Daily's* principal editorial marking the occasion used China's two wars with Japan (1894–1895 and 1937–1945) to illustrate the dangers China faces without an increasingly strong PLA. The commentary opined that weakness leads to being pushed around; the first war was a defeat and victory in the second came at too high a price. At the moment, great power competition appears to be intensifying and "external hostile forces are unwilling to

see a strong China and will do everything to contain and curb the development of China," singling out Japan's so-called militarist revival under Prime Minister Shinzo Abe as the most dangerous regional threat (*PLA Daily*, August 1). Writing the senior officer commentary, Central Military Commission Vice Chairman Xu Qiliang stated the PLA's mission is to support the achievement of the "Chinese Dream," reversing the historical humiliations inflicted upon China (*Qinshi*, July 31).

This theme of a strong PLA being a force for peace and the need to provide effective deterrence providing the shield for China's rise continues to serve as the guiding principle for the PLA under Xi Jinping. And this perspective enjoys some acclaim. For example, the editorial staff at the *Global Times* postulated that, if the PLA was not becoming more effective over time, then the story of China's rise "would have to be rewritten." The PLA is "the cornerstone of China's national security and strategic deterrence," enabling China to be competitive internationally and rise on its own terms (*Global Times*, August 1).

Two conclusions should be drawn from this. First, "deterrence" in Chinese terminology can include any coercive diplomacy short of conflict and actual shots fired, so nothing in the Army Day editorials should be taken to suggest that Beijing's behavior will moderate. Second, Chinese leaders continue to see their foreign policy as reactive, trying to protect established Chinese gains from foreign interference.

The defeat by Japan in the 1894–1895 war also served as a reminder of the need for the PLA's absolute loyalty to the Chinese Communist Party (CCP). Cronyism and vanity among the Qing's generals served to divide the military against itself and undermined any unified command (*PLA Daily*, August 1; *Qinshi*, July 31). Regardless of the emphasis on change and reform in most military domains, according to CMC Vice Chairman Xu, absolute loyalty to the party and remaining a people's army are the unchanging foundation of PLA modernization (*Qinshi*, July 31). Or, as Xi noted in a March 15 speech, republished on Army Day, "Reform is to better adhere to the Party's absolute leadership over the army, to better adhere to the nature and purpose of the people's army" (*PLA Daily*, August 1). No matter how much the PLA changes, this requirement is an unswerving and unsurprising element of Xi's military reform drive.

Improving the PLA's work style (*youliang zuofeng*) may be the most visible effort of the last year, with the downfall of former CMC Vice Chairman Xu Caihou and General Logistics Department deputy director Gu Junshan. Both had exploited their positions, as a political officer and logistics officer, respectively, to sell promotions to undeserving officers and establish a network of dependents (Xinhua, July 31; *China Daily*, July 3). Army Day coverage compared Xu's actions to the corruption that sapped the Qing Dynasty's strength (*PLA Daily*, August 1; *China Online*, August 1). In a lengthy interview, the political commissar of the Shenyang Military Region explained that, because war is decided by human factors, cronyism, corruption and anything else that affects the selection of talented officers undermines military strength (*Study Times*, July 28). Lauding the anti-corruption successes of the last year, one quasi-official editorial expressed faith in Xi Jinping and military reform and predicted that the PLA will become an effective shield for China against external interference (*Global Times*, August 1).

Leveraging Technology for a Strong Military

One of the areas where the PLA continues to claim progress is producing new technological solutions for old tasks. With the increasing availability and flow of information across society, traditional tasks like military political work have needed to be revisited—a point echoed in General Xu's Army Day essay (*Qishi*, July 31). Maintaining the "absolute loyalty" of the PLA to the party under today's conditions requires reaching soldiers through the media that they use in daily life. Moreover, the intensification of ideological conflict using modern information technology—presumably from hostile foreign forces—requires countervailing Chinese propaganda and more sophisticated filtering mechanisms (*PLA Daily*, August 1). Consequently, the General Political Department is developing online political education and propaganda work applications to reach soldiers outside of mandated study sessions. This development first emerged several years ago, but the repeated references indicate that the PLA views these tools as the future of political education (*China Brief*, February 3, 2012). They might even free up time for more combat-related training, supporting a major Xi-era goal.

The second area where the Army Day coverage highlighted new opportunities offered by technology is advanced simulations—both for tactical and strategic purposes

(Xinhua, August 1; *PLA Daily*, August 1). In terms of its training, the PLA may be pursuing more realistic training exercises; however, the reported equipment and personnel attrition rate through accidents seems unbelievable by modern military standards. Realistic training leads to accidents; yet, for example, the number of PLA Air Force and Naval aviation aircraft that fall out of the sky is remarkably low—averaging less than one per year for the last 15 years, with roughly 75 percent involving variants of the older J-7, based on this author's searches. According to one Western diplomat, the reluctance to engage fully in realistic training may stem from the fact that a service leader could be held accountable for such accidents. For example, the widely-reported crash of a navy Su-27 two years ago might have affected navy commander Wu Shengli. [1] More advanced and realistic simulation could improve capabilities beyond where they are now without the risk to rising leadership. At the operational and strategic levels, simulations offer the chance to experiment with different approaches to campaigns, examining the potential effectiveness of particular ways of fighting. As an example, Naval Logistics Technology Equipment Institute analysts Meng Chunguang and Guo Yadong highlighted the U.S. Navy's simulations of mine warfare against the Japanese ahead of World War II. Meng and Guo assessed the U.S. Navy's rigorous testing contributed to U.S. mines being the single most effective weapon against the Imperial Navy, sinking the majority of Japanese ships, because the navy had invested in mine warfare capacity as a result of the simulation (*PLA Daily*, August 1).

Xi Jinping and Building Relations with the PLA

On Army Day, President Xi visited his old haunts in Fujian Province with the CMC Vice Chairmen Xu Qiliang and Fan Changlong, prompting a lengthy *Fujian Ribao* article that was re-transmitted nationally through Xinhua. The most important elements of the piece dealt with Xi's decisions as a provincial official in his dual PLA role for the military districts, demonstrating the mutually-reinforcing connection between economic development and military modernization.

Economic development and military modernization go hand-in-hand, and the military-civil integration and the PLA's status as a "people's army" requires local officials to think also of local military needs. Xi explained that, learning from communist revolution and witnessing the

close connections between older party cadre and military officers, he formed affection for the PLA. As a rising provincial official in Fujian, Xi helped PLA dependents find part-time government work to supplement their spouses pay and issued directives for his subordinates to provide similar support. In Fuzhou, Xi also used the city's resources to upgrade the road system around one PLA base, improving mobilization times. His willingness to support the PLA and address problems brought to him by local commanders surprised officers, who were who apparently unaccustomed to local officials providing unsolicited support ([Xinhua](#), August 1).

Although there is no way to know exactly how Xi built his much-touted ties to the PLA—which go beyond what one might expect from a brief stint in the Ministry of National Defense and his princeling ties—this exposition offers another insight into Xi's careful rise through the ranks and his thinking. The Xinhua piece cited a *China Defense* article published under Xi's name in 2000 that foreshadowed some of the Army Day themes noted above. Xi wrote, “A country without defense is unstable, a people without soldiers are unsafe [*guo wufang bu wen, min wubing bu an*]. Supporting the development of the reserve forces is to support economic development, to support the Reform and Opening [policy]” ([Xinhua](#), August 1).

Conclusion

This year's Army Day editorials and other publications reinforce existing Xi Jinping's existing military reform policy and offer little new on the policy front. The most interesting elements are the technological and civil-military economic cooperation (with Xi as an exemplar) outlined in the August 1 coverage. Military-civil integration—the theme of Army Day three years ago, which focused on leveraging technological and organizational advances in the civilian sector—seems to be encouraged as a pathway for CCP cadres to advance their careers, and perhaps as a way to trade favors and build networks without undermining national priorities (for more on previous Army Day editorials on civil-military integration, see [China Brief](#), August 12, 2011).

The Army Day editorials also underscores that Marxism has not left the party. CCP and PLA leaders claim their ideological orientation offers unique insights into the course of history. [2] As the chief of the PLA Daily Group wrote in a Central Party School periodical, the openness

of this historical period allows hostile Western forces to expose Chinese soldiers and officers to mistaken ideas and concepts, such as army nationalization (*guojiahua*), constitutionalism and universal values. Only under the leadership of the party can the PLA anticipate and overcome the obstacles to achieving Xi's “China Dream” and the supplemental “Dream of a Strong Military” ([Qinshi](#), July 31). Beneficially, however, for the analyst, the structured and dialectic approach keeps an open window on how the PLA approaches modernization.

Finally, irrespective of the PLA's actual capabilities, the emphasis on deterrence as a core mission means that conveying the impression of improving capabilities is a military end in itself. The relatively objective and critical views of Chinese military capabilities from within the force suggest PLA officers understand their limitations in spite of the propaganda ([Study Times](#), August 11; [China Brief](#), May 9, 2013). Such progress is difficult to assess from laudatory propaganda; however, the danger is less that foreign analysts will be deceived than that Chinese leaders, commentators and citizens may overestimate the PLA's abilities.

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Notes:

1. Autnor's Interview, May 2014.
2. Timothy Heath, “Xi Jinping's Military Reform Drive,” Fourth Annual China Defense and Security Conference, Washington, DC, March 25, 2014. DVD Recording available at < www.jamestown.org/store/dvds >.

An Equal and Opposite Reaction? Xi's Grand Tour of the Americas

By Clark Edward Barrett

This July, Chinese President Xi Jinping embarked on state visits to Argentina, Cuba and Venezuela and attended a summit of the loose group of major developing countries known as BRICS (Brazil, Russia, India, China and South Africa) in Fortaleza, Brazil. This was his second trip to Latin America in less than two years in office, following a previous tour of the Americas in 2013 which included Mexico, Costa Rica, and Trinidad and Tobago.

China's influence in the region has grown rapidly in recent years, facilitated by the rapid increase in bilateral trade and investment, which as of 2013 stands at \$252 billion, second only to the United States. China also appeals to the antipathy of many Latin American leaders toward the United States. Illustratively, this past January the Community of Latin American and Caribbean States (CELAC) in Havana established a China-CELAC forum excluding the United States and Canada.

Historically, China has shown little inclination to engage politically or strategically with Latin America, conceding leadership to the United States due to its manifest advantages, such as proximity and long historical involvement in the region's affairs. This ambivalence, however, has rapidly evaporated due to China's growing commercial interests, U.S. interference in East Asia and fears of encirclement through bodies such as the Trans-Pacific Partnership.

Although China and the countries visited this year signed a large number of deals, many in Latin America have expressed doubts about the benefits of Chinese participation in the region. In the long-term, this skepticism may impede China's ability to form strategically significant partnerships.

Venezuela

Venezuela appears to offer the most fertile ground for Chinese efforts to exert influence and expand profits in Latin America. Antagonistic to the United States, energy-rich and in need of new export markets due to decreasing

U.S. demand, Venezuela is also beset by rampant inflation, a chronic shortage of consumer goods and capital, partly as a result of President Nicolás Maduro's commitment to increase public spending to secure his election. China may also displace the United States as the nation's largest trading partner next year. These factors have encouraged Maduro to attempt to consolidate a "strategic future alliance" with China ([El País](#), September 25, 2013).

During Xi's visit to Venezuela this year, the two countries signed 38 agreements in the areas of technology and innovation, petroleum, mining, industry, finance, housing, construction, transport and agriculture. The accords mainly reiterate previous agreements reached when Maduro visited Beijing in September 2013, which also included a \$5 billion credit line to be incorporated into the China-Venezuela fund and a 60,000-hectare land concession to a Chinese agricultural company. Additional agreements include a mineralogical survey of the country and a feasibility study of development at the Las Cristinas gold mine. Maduro also proposed the creation of a China-Venezuela commission to plan Venezuelan development for 10 years.

The main destination of Chinese investment is Venezuela's oil sector. On September 19, 2013, oil minister Rafael Ramírez announced that the China National Petroleum Corporation would invest \$28 billion in projects at the Orinoco Petroleum Belt. This was boosted by another announcement by Ramírez that Sinopec and Petróleos de Venezuela, S.A. would establish a joint venture to develop the Campo Junín 1 oil field in the region, with China promising to invest \$14 billion ([El País](#), September 25, 2013).

A number of important deals concern the \$36 billion Joint China-Venezuela fund set-up in 2007, through which China finances Venezuelan national projects by receiving crude oil in payment. The fund was divided into three tranches, paid in installments in 2007, 2009 and 2013 ([El Universal](#), July 23). The value of the crude is calculated using below-market reference pricing, thus significantly increasing effective loan financing costs. Money loaned by China to the fund is almost always committed to the purchase of Chinese goods and services ([El Mundo](#), April 21). The fund is augmented by the *Fondo Gran Volumen Largo Plazo*, constituted in 2009 and administering \$10 billion and RMB 70 billion (\$11.4 billion) ([AVN](#), October

25, 2012).

Many Venezuelan public figures have criticized these loan arrangements. In 2011, the then-governor of Táchira state, César Pérez Vivas, noted that the loan-for-oil deals were significantly below cost and pleaded with President Hugo Chavez to stop “mortgaging the nation” ([El Universal](#), November 20, 2011). In 2013, Julio Montoya, President of the Permanent Commission on the Environment, Natural Resources and Climate Change, stated that Venezuela was receiving a bad deal. He asserted that it was impossible to quantify the total value, because the Venezuelan government uses the Economic and Social Bank of Venezuela administered through a Singaporean bank that is not controlled by the treasury inspector’s office and hence cannot be monitored by the National Assembly ([Informe21](#), September 20, 2013). “We’re talking about financing more expensive than what we used to get from the IMF [International Monetary Fund], which was already obscene.” He explained that China supplied funds on the basis that projects in Venezuela had to be contracted, controlled and equipped by Chinese firms adding to the cost of servicing Venezuelan debt. Comparing the Chinese fund with the IMF: “they are more expensive, we pay them with oil and they kill our jobs,” Montoya stated.

José Guerra, economist and ex-chief of investigations at the Central Bank of Venezuela (CBV), stated in September 2013 that the Chinese loan easily exceeds the international reserves of the CBV: “It is difficult to determine the real contractual terms and hence the true economic impact on the nation... it is also questionable that this debt, denominated in foreign currency has not been approved by the National Assembly as demanded by the Organic Administration Law of the Public Sector” ([El País](#), September 25, 2013).

President Maduro has energetically defended the fund, claiming that conditions are much more advantageous than those obtained from the IMF prior to the arrival of “Chavismo” and that IMF loans were predicated on cutting public spending. Moreover, he asserted that previous IMF money did not arrive in the country but instead remained in the accounts of those who had negotiated the loans. “We are looking for money for projects, not to put us in debt,” he added, speaking from a Chinese automobile factory in the State of Aragua ([El](#)

[País](#), September 26, 2013).

Argentina

Xi’s visit to Argentina was particularly opportune: The country is resource-rich, embroiled in diplomatic disputes with the United States and in urgent need of foreign capital to avert a currency crisis. China is now Argentina’s second-largest trading partner, behind the United States, and the country’s third largest foreign investor, raising Argentine hopes of counterbalancing the United States. China has also traditionally supported Argentina’s sovereignty claims over the Falkland Islands, which China considers a legacy of “imperialism and colonialism” ([People’s Daily](#), June 26, 2012).

On July 18, 2014, Presidents Cristina Kirchner and Xi signed 20 agreements, including a cooperation agreement to manufacture heavy water pressure tubes used in CANDU (CANada Deuterium Uranium) pressurized heavy water nuclear reactors. China also agreed to finance, build and equip Argentina’s fourth nuclear power plant, the 700-megawatt Atucha III CANDU-6 heavy water natural uranium reactor. The Industrial and Commercial Bank of China will provide \$4.7 billion to fund the construction of two hydroelectric dams in the province of Santa Cruz. China will also invest \$2.1 billion to renovate the 1500 km Belgrano Cargas railway, which will include 100 locomotives and 5000 wagons with Chinese components ([La Nación](#), July 19).

The most interesting agreement, however, relates to a three-year \$11 billion currency swap between the Chinese and Argentine Central Banks, which some have viewed as a trial effort to internationalize the renminbi.

President Kirchner stated that: “Now is the time to cherish the magnificent opportunity that we have in the world, which is returning to multipolarity... In little time, China will become the largest economy in the world.” In addition, official statements repeatedly asserted that China and Argentina would act as guardians, protecting the interests of developing nations from U.S.-led pressure.

Not all in Argentina have been impressed with the Chinese agreements, especially in relation to the currency swap. Aldo Pignanelli, the former president of the Argentine Central Bank and economist for the opposition Frente Renovador party, stated that the renminbi cannot be

considered an international currency and that what China has done is “provide credit to import Chinese machinery and equipment.”

BRICS

In long-term geopolitical terms, the most productive of Xi’s activities may be the BRICS summit in Fortaleza, Brazil, which included the consolidation of agreements to establish a BRICS development bank headquartered in Shanghai, with initial capital of \$50 billion, later planned to rise to \$100 billion. China will provide \$41 billion with Brazil, India and Russia providing \$18 billion each and South Africa \$5 billion ([O Global](#), July 16).

In Brazil, Xi and President Dilma Rousseff signed 32 agreements ranging from cultural exchanges to trade deals, including the sale of 60 commercial jet aircraft from the Brazilian aircraft manufacturer Embraer SA, valued at \$3.2 billion, and the construction of a rechargeable electric vehicle battery factory ([Bloomberg](#), July 17). The China Import-Export bank and the Bank of China opened credit lines of \$5 billion and \$2.5 billion, respectively, to the Brazilian mining company Vale to buy ships, equipment and services from Chinese firms.

Conclusion

Chinese media have been explicit in describing Xi’s activities during the July tour, especially the Fortaleza declaration as a counterstrike (*nixi*) against Western, particularly U.S., domination of organizations such as the IMF and the World Bank ([China Youth Daily](#), August 4). Additionally, the choice to visit three countries particularly antagonistic to the United States—Cuba, Argentina and Venezuela—may suggest that Xi sought to respond to U.S. interference in Asia, while at the same time as furthering Chinese commercial interests.

However, despite the region’s leaders extolling the benefits of Chinese cooperation, there is considerable domestic opposition to China’s presence. Responding to earlier Chinese announcements that China would like to establish a free trade agreement with the South American Mercosur trade group, Uruguayan President José Mujica stated: “We probably have to discuss a special external common tariff for Chinese products... there will have to be a strategic discussion.” Moreover, Mujica noted that it was “paradoxical” that sales from the bloc to China are

always increasing but the region’s industries “do not have the conditions to resist the prices of Chinese products... we have to put this problem on the table and ask ourselves what to do” ([Télam](#), July 10, 2013).

Worries about China’s true motives, however, are being temporarily subsumed with hopes of using increasing Chinese economic activity to counterbalance the United States. This may be beneficial in the long term to the U.S. as it provides an alternative outlet to economic and political dissatisfaction in the region whilst simultaneously posing little real threat to its position.

On the other side, China appears to retain doubts about the region’s strategic relevance. The region’s ambassadors frequently complain about being ignored in Beijing. Gorge Guajardo, Mexican ambassador to China between 2007 and 2013, complained to an Argentine reporter that he had been unable to secure an audience with the Chinese commerce minister even after submitting a request for a joint meeting signed by the ambassadors of all of the Latin American countries ([La Nación](#), July 22). In addition, China has exhibited dissatisfaction with individual nations’ economic policies and reliability. It has only recently resolved a two-year trade dispute with Argentina and expressed doubts about Venezuela’s ability to repay its loans ([La Nación](#), May 13, 2011; [El País](#), September 25, 2013). Nonetheless, in order to placate domestic fears of encirclement, the Chinese leadership may feel that it is better to appear to be doing something in “America’s backyard” than to be seen to be doing nothing.

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Putting Precision in Operations: The Beidou Satellite Navigation System

By Kevin N. McCauley

China recently announced the development of a fourth-generation Beidou satellite positioning chip providing an accuracy of 2.5 meters, for use initially with the military and police ([Want China Times](#), August 18). The announcement highlights China's largely successful effort to develop a secure, indigenous system to replace the U.S. Global Positioning System (GPS), helping the People's Liberation Army (PLA) to implement precision operations. In particular, the system provides greater accuracy and thus lethality for joint firepower strikes. Moreover, it assists command with an alternate secure communications and a common operating picture of friendly force locations, aids march and maneuver especially in remote areas, and guides logistics support to dispersed units on the battlefield (see [China Brief](#), July 6, 2012).

Many PLA units previously relied on GPS, but Beidou terminals now appear to be deployed to a greater extent throughout the PLA, while providing capabilities not previously available to the Chinese military. Terminals are now deployed throughout the PLA ground forces to at least the brigade/regiment level, PLA Navy (PLAN) ships, Second Artillery Force (SAF) and Air Force (PLAAF). Locational and timing data can assist SAF units in conducting simultaneous strikes from multiple locations against a target. The system will provide all-weather 24-hour support to surveying and mapping, telecommunications, transportation, meteorology, disaster and emergency response, as well as support to public security and military operations (Xinhua, November 2, 2006; Xinhua, February 2, 2007; [Jiefangjun Bao](#), April 17, 2007; People's Daily Online, April 15, 2009; [Xinhua](#), July 1).

Background

China began construction of the Beidou system in 1994. In the first stage (2000–2007), four experimental Beidou navigation satellites were launched into orbit. In 2003, the preliminary system began providing support on a trial

basis. The second stage, which provides regional coverage, began launching satellites in 2007. The system, serving China and the Asia-Pacific region, began providing navigation, positioning and timing data on a pilot basis in December 2011. China announced that BDS achieved full operational capability (FOC) for the regional system on December 27, 2012. The third stage is planned to achieve global coverage with a constellation of 35 satellites by 2020. Its accuracy will increase as more satellites are put into orbit. China announced that a new generation of Beidou satellites with improved performance will be launched beginning in 2015 (Xinhua, January 17, 2010; [China Daily](#), December 28, 2011; [Global Times](#), December 28, 2011; Xinhua, December 29, 2012; [Beidou Navigation Satellite System Signal In Space Interface Control Document: Open Service Signal \[Version 2.0\]](#), December 2013, China Satellite Navigation Office; [Report on the Development of Beidou Navigation Satellite System \[Version 2.1\]](#), China Satellite Navigation Office December 2012, pp. 5-6; China Military Online, May 22; Xinhua, November 11, 2013).

China cooperated with the European Union's Galileo program from 2004 to 2010, when the partnership was dissolved after a prolonged series of disputes. It is unclear how much knowledge and technology China was able to gain from the relationship, although it was able to purchase 20 atomic clocks from a Swiss firm, a vital component for such a system ([Reuters](#), December 22, 2013). China and Russia recently reached an agreement to cooperate in the area of satellite navigation systems, including construction of monitoring stations in each other's territory to promote improved performance and integration of Beidou/Compass and the Russian Global Navigation Satellite System (GLONASS) ([Xinhua](#), July 1).

System Capabilities

Unlike similar systems, Beidou provides text messaging, with 120 Chinese characters per message. PLA units regularly rely on this capability in exercises to augment other communications means. Another open service system provides civilian users with horizontal and vertical positioning accuracy within 10 meters, 0.2-meter-per-second velocity accuracy and timing accuracy within 50 nanoseconds. Specifications for the authorized or military service are not given, but some reporting indicates that it

is comparable to current GPS capabilities. In April 2013, the Beidou Ground Base Enhancement System (BGBES), consisting of 30 ground stations, was approved in Hubei Province to improve accuracy. This more precise system will support mapping, land resources, urban construction and national development projects. In May 2014, the Beidou Radio Beacon-Differential Beidou Navigation Satellite System (RBN-DBDS) improved positioning accuracy to one meter for maritime operations (Xinhua, November 2, 2006; [Beidou Navigation Satellite System Open Service Performance Standard \[Version 1.0\]](#), China Satellite Navigation Office December 2013, p.15; [Press Release](#) at Press Conference of the State Council Information Office; [Xinhua](#), May 26; Xinhua, March 22, 2013).

Terminals include Beidou-only terminals as well as ones capable of receiving signals from other satellite navigation systems. Terminals also transmit their location, so command posts can maintain a friendly common operating picture with location and movement data on units with terminals (Xinhua, January 17, 2010; [China Daily](#), December 28, 2011; [Report on the Development of Beidou \(COMPASS\) Navigation Satellite System \[V1.0\]](#), China Satellite Navigation Office December 2011, pp. 3-6; [People's Daily Online](#), February 5, 2013; [Global Times](#), December 28, 2013). The Satellite Navigation Center of the PLA National University of Defense Technology (NUDT) has developed a Beidou electromagnetic shield to protect satellites, aircraft, missiles and other user equipment from interference ([People's Daily Online](#), February 5, 2013; China Military Online, May 16, 2013).

Operational Employment

Prior to the development of Beidou, units used GPS for positioning and maneuver, and GPS was incorporated into equipment and weapons systems, thus making for an easy transition to Beidou employment. The Beidou communication capability is nevertheless a significant enhancement over GPS, and one which the PLA reportedly uses heavily (Xinhua, September 17, 1998; *Zhongguo Tongxun She*, August 21, 1999; Xinhua, August 15, 2000; *Jiefangjun Bao*, November 14, 2000; *Jiefangjun Bao*, July 17, 2002; *Jiefangjun Bao*, January 15, 2003; *Jiefangjun Bao*, September 17, 2003; Xinhua August 1, 2004; *Jiefangjun Bao*, December 9, 2004; Xinhua, August 5, 2005).

Disaster Support

Beidou proved extremely helpful in the earthquake that hit Sichuan Province on May 12, 2008. Beidou terminals were carried by the first People's Armed Police (PAP) and military units entering the area, providing a desperately needed communications capability, in addition to navigation and positioning support. The General Staff Department's (GSD) Satellite Navigation and Positioning Main Station provided 24-hour emergency support during the Wenchuan earthquake (Xinhua, January 17, 2010; *Jiefangjun Bao*, November 25, 2013; China Military Online, December 21, 2013; Xinhua; November 11, 2013). The GSD also provided 260 Beidou terminals to units engaged in rescue efforts during the Sichuan earthquake in 2013 (*Jiefangjun Bao Online*, April 21, 2013).

Military Employment

The General Staff Department's (GSD) Satellite Navigation and Positioning Main Station, established in 1999, provides research, demonstration, construction, operation and management support for BDS (*Jiefangjun Bao*, November 25, 2013; China Military Online, December 21, 2013; Xinhua; November 11, 2013). The GSD Surveying and Mapping Bureau provides the PLA with a time service signal through the Beidou system (Xinhua, May 29; *Jiefangjun Bao Online*, May 10, 2010).

The PLA and PAP both participated in the experimental first stage of Beidou, with terminals provided to an unidentified group army (likely the 38th in Beijing MR) in 2003. According to press reporting, Beidou terminals appear to be deployed at least to ground forces brigade/regiment levels and probably to lower echelons, PLAN ships and the Second Artillery Force. While PLA aircraft use of Beidou is not highlighted in exercise reporting, it is likely that it is being integrated with established GPS systems. Beidou is part of the integrated command platform down to at least the brigade/regiment levels. Specialized units such as reconnaissance, special forces and PLAAF airborne troops appear to have terminals down to the squad level. Other specialized units that would rely heavily on the system at lower echelons include fire support, logistics and equipment support units. It is likely that ground forces maneuver units will deploy Beidou terminals down to squad level, if they have not already, as the PLA moves to achieve greater

independent operations at lower tactical levels (Jiefangjun Bao Online, December 8, 2009; Xinhua, February 1 2013; Xinhua, November 11, 2013; Jiefangjun Bao Online, May 29, 2013; Xinhua, April 17, 2010; Jiefangjun Bao Online, November 24, 2011; National Air & Space Intelligence Center, [People's Liberation Army Air Force 2010](#), August 1, 2010, p. 86).

PLA exercise reporting on the use of Beidou during exercises began in 2009, including:

- Beidou use during the *Kuayue-2009* exercise, a long range multi-region movement and confrontation training by four divisions, for secure communications as well as positioning and navigation. A reconnaissance detachment from the 121st Infantry Division, 41st Group Army, used Beidou to pass coordinates of an enemy command post for artillery strikes (Jiefangjun Bao Online, August 11, 2009; *Jiefangjun Bao*, September 18, 2009; Jiefangjun Bao Online, December 8, 2009).
- Chengdu Military Region during *Xinan Shiming-2009* used data from both GPS and Beidou, and depicted friendly force locations on monitors in a command vehicle (Jiefangjun Bao Online, October 1, 2009).
- PLAAF Airborne Force exercise *Kongjiang Jidong-2009* where Beidou terminals were distributed to most squads for positioning and navigation during long distance marches, and probably for communication (Xinhua, October 18, 2009; Jiefangjun Bao Online, October 29, 2009).

PLA press reports more recent Beidou use during exercises, notably among logistics units. The navigation and positioning capabilities are particularly important for logistics units moving critical supplies to dispersed and maneuvering units (Jiefangjun Bao Online, March 30, 2010).

Beidou terminals are reportedly used as part of an integrated command platform at various echelons, while also used for battlefield situation display at combined arms tactical training bases (Jiefangjun Bao Online, November 9, 2012). The PLAN uses Beidou as a secure and easy

communications method, as well as to display vessel position, heading and speed (Xinhua, February 1, 2013). The PLAN also trains without Beidou or other satellite positioning systems to maintain manual positioning capability (Jiefangjun Bao Online, March 30, 2012).

Reconnaissance and special forces units use Beidou terminals to pass targeting data to artillery groups, and terminals are deployed to artillery batteries (Jiefangjun Bao Online, August 15, 2010; January 2, 2011; December 5, 2011). Beijing Garrison developed a military vehicle monitoring system for real-time monitoring of vehicles to include location, vehicle information and operational status based mainly on the Beidou system. Gradually all PLA vehicles will have a monitoring system installed (Jiefangjun Bao Online, August 6, 2012). There have been reports of personnel having difficulties because of lack of training on Beidou, but problems appear to be minimal (Jiefangjun Bao Online, August 4, 2013).

Beidou positioning and communications capabilities are particularly important for border defense forces patrolling long remote border sections. Both coastal and border defense maritime units employ Beidou terminals on their vessels (Jiefangjun Bao Online, October 14, 2009; June 4, 2011; June 20).

PLA reporting provides little information on Beidou use for precision strikes other than general information. Special forces and reconnaissance patrols use Beidou for communication and passing target location data to fire support units. Press reports also state that the PLA began retrofitting weapons systems with Beidou. Xinhua reported that the 11th Five Year (2006–2010) Plan applied Beidou to command, weapons guidance, training and other areas. The PLA also recognizes the need to protect Beidou systems against jamming ([People's Daily Online](#), February 5, 2013; Xinhua, November 11, 2013; February 25, 2011).

Short-range ballistic missiles (SRBMs), cruise missiles and long-range guided rocket systems reportedly have Beidou-aided guidance for increased accuracy. For example, the Changjian-10 land-based cruise missile is described as using Beidou for mid-flight guidance. Beidou is reportedly used for advanced flight path planning which allows the SAF to launch from multiple locations against a target. Beidou timing service also would support this capability

(Wen Wei Po Online, July 31, 2011; November 12, 2009). Reports indicate the PLA has retrofitted “dumb” munitions, for example the LS-6 precision glide bomb tested by the PLAAF in 2006. NORINCO also advertises various guided munitions that include Beidou/GPS aided guidance (*Taipei Times*, January 3, 2012; [NORINCO website](#), accessed July 25).

Conclusion

While the PLA is capable of using other satellite positioning systems, Beidou provides a secure indigenous system to support realization of PLA precision operations, and Beidou terminals appear to be deployed more extensively throughout the PLA than GPS. The unique communications capability is relied on heavily for command and communications. Beidou is also incorporated into the integrated command system to provide a common operating picture of friendly force locations on command monitors; PLA reconnaissance forces are using Beidou to provide accurate target positioning at the tactical levels; and precision weapons are incorporating Beidou with the guidance systems for precision strikes. Logistics units rely on Beidou to rapidly supply widely dispersed units.

As Beidou achieves global coverage at the end of this decade, the PLAAF, PLAN and SAF will be able to rely on a secure indigenous system as operational areas move further from China’s borders. Beidou thus provides targeting data, navigation, positioning and timing data for precision operations, and particularly for precision strikes as the PLA deploys greater numbers of longer-range precision weapons.

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