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Article 1.

Wall Street Journal

Why Israel Doesn't Trust

Obama

Editorial

August 31, 2012 -- Barack Obama is fond of insisting that he "has Israel's back." Maybe he should mention that to the Chairman of the Joint Chiefs.

In remarks to journalists in London quoted by the Guardian, General Martin Dempsey warned that any Israeli attack on Iran would "clearly delay but probably not destroy Iran's nuclear programs." He also said economic sanctions on Iran were having an effect and needed more time to work, but that the good they were doing "could be undone if [Iran] was attacked prematurely."

And to underscore the firmness of his opposition to an Israeli strike, the Chairman added that "I don't want to be complicit if they choose to do it."

We don't know what exactly Gen. Dempsey thinks American non-complicity might entail in the event of a strike. Should the Administration refuse to resupply Israel with jets and bombs, or condemn an Israeli strike at the U.N.? Nor do we know if the General was conducting freelance diplomacy or sending a signal from an Administration that feels the same way but doesn't want to say so during a political season.

Whatever the case, the remarks were

counterproductive and oddly timed, with this week's report by the International Atomic Energy Agency that Iran's nuclear programs haven't been slowed in the least by U.S. or international sanctions. In fact, they are accelerating.

Iran has now installed 2,140 centrifuges at its underground Fordo facility near the city of Qom. Its stockpile of uranium enriched to 20%—or 87% of the enrichment needed to reach bomb-grade levels—has grown from effectively zero to some 200 kilograms in a year. Only 50 more kilograms of 20% uranium are needed to produce a bomb, and that's saying nothing of Iran's additional large stockpiles of reactor-grade uranium that can also be enriched to higher levels of purity.

Administration officials have also repeatedly told the media that they aren't entirely sure if Iran really intends to build a bomb. We'll grant that ultimate intentions are usually unknowable, especially in closed societies such as Iran's.

Yet as the IAEA noted, "the Agency has become increasingly concerned about the possible existence in Iran of undisclosed nuclear related activities related to the development of a nuclear payload for a missile." These activities, by the way, "continued after 2003," according to the report. This puts paid for the umpteenth time the 2007 National Intelligence Estimate that misleadingly claimed the contrary. No wonder the Israelis are upset—at the U.S. Administration. It's one thing to hear from Mahmoud Ahmadinejad that he wants to wipe you off the map:

At least it has the ring of honesty. It's quite another to hear from President Obama that he has your back, even as his Administration tries to sell to the public a make-believe world in which Iran's nuclear intentions are potentially peaceful, sanctions are working and diplomacy hasn't failed after three and half years. The irony for the Administration is that its head-in-the-sand performance is why many Israeli decision-makers believe they had better strike sooner than later. Not only is there waning confidence that Mr. Obama is prepared to take military action on his own, but there's also a fear that a re-elected President Obama will take a much harsher line on an Israeli attack than he would before the first Tuesday in November. If Gen. Dempsey or Administration officials really wanted to avert an Israeli strike, they would seek to reassure Jerusalem that the U.S. is under no illusions about the mullahs' nuclear goals—or about their proximity to achieving them. They're doing the opposite. Since coming to office, Obama Administration policy toward Israel has alternated between animus and incompetence. We don't know what motivated Gen. Dempsey's outburst, but a President who really had Israel's back would publicly contradict it.

Article 2.

The Independent (London)

Morsi's slap in the face brings

Ahmadinejad back to square one

Peter Popham

September 1, 2012 -- Tehran spared neither money nor effort to make the 16th summit of the Non-Aligned Movement, which concluded yesterday, a smashing success.

A spanking new conference hall was constructed in a smart suburb in the north of the capital, the crumbling highways from the airports were spruced up, 200 Mercedes Benz limousines were bought to haul the delegates back and forth. The summit days were declared a public holiday, to give police a justification for stifling any protests, and Tehran residents wishing to make themselves scarce were encouraged to do so by free gifts of petrol.

But it all went badly wrong. The arrival of Egypt's President, Mohamed Morsi, was a coup: the first visit by an Egyptian leader since the Iranian revolution of 1979. And Mr Morsi's decision to come was a slap in the face for Washington, a further reason for the Iranian President to grin.

The grin vanished, however, when Mr Morsi got up to speak. Far from endorsing Tehran's strategy, the moderate Islamist from Cairo, who has now shown several signs of being his own man, went straight for the jugular, identifying the civil war in Iran's close ally Syria as the latest in the line of just struggles that started in Tunis and went on to Cairo.

"We should all express our full support to the struggle

of those who are demanding freedom and justice in Syria," Mr Morsi declared. The world had "a moral duty" to support the Syrian opposition, he went on, whose struggle, was comparable to the Palestinians'. "The Palestinian and Syrian people are actively seeking freedom, dignity and human justice." And he wasn't finished. "Our solidarity with the struggle of Syrians against an oppressive regime that has lost its legitimacy," he said, "is an ethical duty, and a political and strategic necessity."

It was a grave humiliation for Mr Morsi's hosts, and provoked the Syrian delegation, led by the Foreign Minister Walid al-Moallem, to walk out. He later condemned the Egyptian's remarks as "an interference in Syria's internal affairs" and "an instigation for continuing the shedding of...Syrian blood".

The passage of the other trophy guest, the UN Secretary-General Ban Ki-moon, through the summit was no happier for the Iranians. Like Mr Morsi, his acceptance of the invitation was seen as highly auspicious - but like the Egyptian he used his presence in Tehran to make his hosts squirm. Without naming any names, he characterised Iran's denial of the Holocaust as "outrageous". "I strongly reject any threat by any UN member state to destroy another," he said, "or outrageous comments to deny historical facts such as the Holocaust... Claiming another UN member state does not have the right to exist or describing it in racist terms is not only utterly wrong but undermines the very principles we have all promised to uphold." These were not the words of support Tehran would

have liked to hear. Nor was the rejection of a pre-summit tour of Iran's famously peaceful nuclear facilities the warm endorsement of friends that the summit was supposed to be. But these setbacks matter less in a country run by a regime like Iran's where the rulers hold all the cards: Iranians were none the wiser about Mr Morsi's and Mr Ban's scalding words, which were either mis-translated or merely ignored by state media. And Iranian TV viewers' lasting impression of the summit was probably Mahmoud Ahmadinejad giving a sheepish-looking Secretary-General a tremendous ear-bashing of his own.

How much does the Non-Aligned Movement (NAM) matter? Fifty years ago, when the world was split between Washington and Moscow, it was seen as an influential alternative for those who wanted to retain their independence, a stage where the likes of Nehru and Tito could strut their stuff. This week, though 120 countries were represented, fewer than 50 sent their top men. As Shashi Tharoor, India's former deputy UN secretary-general, now an Indian MP, pointed out this week, today the NAM is only one of numerous bodies to which medium-sized powers can belong. India, for example, maintains "a series of relationships, in different configurations, some overlapping, some not, with a variety of countries for different purposes".

If Iran was hoping to use the summit to seize the diplomatic and moral high ground, the attempt blew up in its face: after Mr Morsi's bombshell and Syria's walkout, agreement on a policy over Syria looked remoter than ever. The summit also coincided with

publication of a report by the International Atomic Energy Authority that Iran's capacity to refine uranium has been more than doubled, in defiance of sanctions. And today Tehran is likely to incur further condemnation when a dissident called Arzhang Davoodi, in jail since appearing in a documentary hostile to the Tehran regime in 2003, is expected to be executed. For Mr Ahmadinejad and his colleagues, it's back to square one.

Article 3.

NYT

Republicans, in Search of a Foreign Policy

Brian Katulis

August 31, 2012 -- MITT ROMNEY stuck fast to his foreign-policy playbook in his acceptance speech Thursday night — sloganeering about American exceptionalism, sneering at President Obama's record on Iran and Israel, and obscuring his own lack of new ideas. He said he would “honor America's democratic ideals because a free world is a more peaceful world” and he praised the “bipartisan foreign policy legacy of Truman and Reagan,” but said nothing specific about how he would follow in their footsteps.

The vagueness seems like a strategy in itself, and there's a good explanation: the disarray in his own party over national security. Today's Republicans are as divided on foreign policy as they've ever been, and Mr. Romney is finding it hard to bridge the divisions.

No wonder he zoomed past foreign policy in some 3 minutes of a 39-minute speech.

Centrists and neoconservatives are divided not only over security strategy, but the conservative base is also fractured over government spending — including the defense budget. Neoconservatives who opposed even the modest defense cuts suggested by former Defense Secretary Robert M. Gates have come up against neo-isolationist Tea Party-backed tax-cutters and their guru, Grover G. Norquist. At the same time, some Republicans who have long said that government spending doesn't generally create jobs have promised — hypocritically — to oppose defense cuts that might cause job losses back at home.

Is there a single foreign policy area on which Republicans largely agree?

Not the Arab Spring. Calls from Senators John McCain and Lindsey Graham to arm Syria's rebels and impose a no-fly zone have largely fallen on deaf ears, including Mr. Romney's. Conservatives like Newt Gingrich and Representative Michele Bachmann have stoked fears about Islam in general, leaving it hard to tell just how much democracy they would seek to promote in countries like Egypt — where Islamists of various stripes have been winning elections, most recently for the presidency.

Not Afghanistan. Republicans have struggled to articulate a coherent position distinct from Mr. Obama's, which may explain why Mr. Romney's acceptance speech didn't even mention the decade-long war, in which slightly fewer than 80,000

American troops are still fighting.

Not cybersecurity. Squabbling among Republicans in Congress helped prevent the adoption of legislation this summer to enhance our technological defenses and protect infrastructure from digital attack.

Not diplomacy. The Congressional debate over the Law of the Sea Treaty this year, like the 2010 debate over the New Start treaty, which would reduce Russian and American nuclear missile arsenals, reflected deep philosophical divisions within the Republican ranks over whether treaties and other tools of statecraft advanced or hindered America's interests. In the past, Republican divisions over foreign policy were typically between a realist wing and a more fervent nationalist wing; realism usually won. In the 1950s, President Dwight D. Eisenhower, an internationalist, prevailed over Senator Robert A. Taft and his isolationist followers. Later, President Richard M. Nixon's engagement with China and President Ronald Reagan's diplomatic outreach to the Soviet Union won out over the skepticism of cold-war conservatives.

After the 9/11 attacks, President George W. Bush ushered in a new level of infighting, from which his party has not recovered. Initially, neoconservatives like Paul D. Wolfowitz pressed a doctrine of preventive war and put it into effect in Iraq.

Eventually, more pragmatic conservatives like Condoleezza Rice pulled the president back toward diplomacy.

Over the last four years, Republicans tried to paper

over their divisions. In the 2008 and 2010 elections, foreign policy hardly figured at all. But the Republican primary contest this year bared the deep conservative disarray. And this time, a new battle, between neoconservatives and neo-isolationists, all but crowded out the party's pragmatic internationalists, like James A. Baker III and Colin L. Powell.

Mr. Romney has dealt with these divisions in two ways. He has derided Mr. Obama's handling of foreign policy (notably on Iran and Israel) with overheated rhetoric but only vague hints at alternatives. Ms. Rice (whose rhetorical jab at Mr. Obama's "leading from behind" was a big applause line) and Mr. McCain (whose calls for aiding the Syrian opposition drew muted applause) echoed that theme at the convention.

On the few matters in which Mr. Romney has offered a clearer difference, he has echoed the confrontational approach taken by Dick Cheney, John R. Bolton and other hard-line conservatives from the Bush years. For example, he called Russia the "No. 1 geopolitical foe" of the United States and said he would designate China a currency manipulator on his first day in office. His call for Republicans to block ratification of the New Start treaty put him at odds with all five living Republican former secretaries of state, including Ms. Rice.

But a mixture of cheerleading and fire-breathing does not make for a coherent and credible worldview. Now that he's the Republican nominee, Mr. Romney has an

obligation to clarify his and his party's positions. It is imperative that he justify his plan to add more than \$2 trillion in defense spending over the next 10 years and explain how the plan meshes with his proposals to simultaneously cut taxes, reduce the debt and strengthen America's economy.

Mr. Romney should also explain what — if anything — he would do differently from President Obama in Egypt, which is perhaps the most important test today of America's support for democratic transitions around the world. He should go beyond clichés to specify how, exactly, he would strengthen military cooperation with Israel — which Israel's own defense minister, Ehud Barak, praised a month ago as “more than anything I can remember in the past.”

And he needs to get specific about his tactical approach to Syria, where the United States is already trying to help the Syrian opposition, control which elements of it get foreign military aid, and isolate the murderous regime of President Bashar al-Assad.

Mitt Romney hopes to persuade Americans not only that he can fix the economy but also that he can lead at a time of great uncertainty abroad. To do so, he needs to first unite his party by offering clear alternatives to the president's policies. Vague criticisms of Mr. Obama won't cut it.

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Foreign Policy

10 things you don't know about Africa's booming economy

Susan Lund, Arend Van Wamelen

August 31, 2012 -- Africa is no longer the "lost continent" of popular imagination. The region has been growing rapidly for over a decade, the private sector is expanding, and a new class of consumers is wielding considerable spending power. And because of its young and growing population, the sky is the limit for future growth: Between 2010 and 2020, the continent is set to add 122 million people to its labor force. An expansion of this magnitude should set the stage for dynamic growth, but capturing this potential will require a change in economic development strategy. At its current pace, Africa is not generating wage-paying jobs rapidly enough to absorb its massive labor force, which will be the largest in the world by 2035.

Across Africa's diverse mosaic of countries, the challenge is the same: to create the kind of jobs that will ensure continued prosperity and stability for its citizens and enable Africa to become a major player in the world economy. If current trends continue, it will take the continent half a century to reach the same share of its labor force in stable, paying jobs as we see in East Asia today. Africa's most developed economies have a better record in producing wage-based employment, but shortfalls persist even in countries

like South Africa, Egypt, and Morocco. Without wage-paying jobs, millions will be forced to turn to subsistence activities to survive, squandering vast potential.

To change this picture, Africa's leaders must move to accelerate job creation in order to entrench economic growth and continue to expand Africa's emerging consuming class. But it won't be easy. To illuminate the opportunities and challenges ahead, here are 10 things you might not know about Africa's economic landscape:

1. Africa is booming.

Africa has been the second-fastest-growing region in the world over the past 10 years. It has posted average annual GDP growth of 5.1 percent over the past decade, driven by greater political stability and economic reforms that have unleashed the private sector in many of the continent's varied mosaic of economies.

Poverty is also on the retreat. A new consuming class has taken its place: Since 2000, 31 million African households have joined the world's consuming class. At this point, when their household incomes exceed \$5,000, measured at purchasing power parity, consumers begin to direct more than half their income to things other than food and shelter. The continent now has around 90 million people who fit this definition. That figure is projected to reach 128 million by 2020.

Africa now has considerable discretionary spending power. Indeed, contrary to conventional wisdom, the

majority of Africa's growth has come from domestic spending and non-commodity sectors, rather than the resources boom.

2. Africa is poised to have the largest labor force in the world.

By 2035, Africa's labor force will be bigger than that of any individual country in the world -- even bigger than economic behemoths like India and China. That offers the continent a chance to reap a demographic dividend, using its young and growing workers to boost economic growth.

The story varies from country to country. Nigeria and Ethiopia, Africa's most populous countries, will together add 30 million workers -- an increase in their workforces of about 35 percent by 2020 -- while South Africa is expected to add 2 million workers, growth of only 13 percent.

As Africa's workforce grows, the number of children and retired people that each worker supports will fall from the highest level in the world today to a level on a par with the United States and Europe in 2035 -- the other part of the demographic dividend. With fewer mouths to feed and fewer dependents to support, African households will begin to enjoy even greater discretionary spending power, furthering driving economic growth.

3. African workers are better educated than ever before.

Today 40 percent of Africans have some secondary or tertiary education -- and that share is rising fast. By 2020, the share of workers with some secondary or

tertiary education will rise to nearly half.

While education rates are higher than many outside observers might assume, this is still an area where African countries need to make further progress to remain economically competitive. While 33 percent of Africans in the labor force receive some secondary education, 39 percent of Indian workers receive education at this level. In China, the share is an impressive 66 percent.

Today, educational attainment and skills are not perceived as a major obstacle for employers, as a new McKinsey survey of more than 1,300 African employers reveals. However, this is likely to be an increasingly important factor as the continent's economies develop -- employers in the survey from South Africa, for example, did cite difficulty in finding workers with the specific skills needed as a barrier to business. Across the continent, the right kind of education and practical training programs can give the next generation of workers the soft skills needed to do any kind of job -- not just basic literacy and numeracy, but also punctuality, communication, and dependability.

4. Steady work is still hard to come by in Africa.

But here's the bad news: Only 28 percent of Africans currently have stable, wage-paying jobs. To reap the benefits of its positive demographics and advancements in education, Africa needs to quickly create more jobs. Although Africa has created 37

million "stable" wage-paying jobs over the past decade, 91 million people have been added to its labor force.

As a result, 9 percent of the workforce is officially unemployed, and nearly two-thirds of African workers sustain themselves through subsistence activities and low-wage self-employment -- so-called "vulnerable" jobs. Poverty may be decreasing, but it remains stubbornly high.

Youth unemployment is also a major challenge. In Egypt, one of the flash points of the Arab Spring, the adult unemployment rate is moderate -- but youth unemployment is sharply higher at 25 percent. For the sake of social and political stability, Africa needs to accelerate its creation of stable jobs that are the route to lasting prosperity and an expanding consuming class.

5. With a few reforms, massive job growth is within Africa's reach.

The experience of other emerging economies shows that Africa could accelerate its creation of stable jobs dramatically. When they were at a similar stage of development as Africa today, Thailand, South Korea, and Brazil generated jobs at double or triple the rate as Africa. If current trends and policies continue, Africa looks set to create around 54 million more stable jobs by 2020, boosting the share of Africans with stable employment to 32 percent of the labor force. But if Africa were to match the efforts of Thailand, South Korea, and Brazil, it could create 72 million new stable jobs -- raising the portion of Africans with

stable employment to 36 percent.

This would lift millions more Africans out of poverty and vault millions of others into the consuming class. It would also cut the time needed to reach East Asia's percentage of stable employment by more than half -- from over 50 years to just 20 years. Africa's most developed economies -- such as South Africa, Morocco, and Egypt -- are on track to create more wage-paying jobs than new entrants to the workforce, thereby reducing the ranks of the unemployed and vulnerable employed. Three sectors in particular already have a proven capacity to create jobs in Africa and can do so in the future: agriculture, manufacturing, and retail and hospitality.

6. Africa can become the world's breadbasket.

Africa has about 60 percent of the world's unused cropland, providing it with a golden opportunity to simultaneously develop its agricultural sector and reduce unemployment. On current trends, African agriculture is on course to create 8 million wage-paying jobs between now and 2020.

With two important reforms, however, Africa could add 6 million more jobs. First, policymakers could encourage expansion of large-scale commercial farming onto uncultivated land. African countries need to reform land rights and water management, build up their infrastructure, and improve access to inputs such as seeds, finance, and insurance in order to give a boost to agriculture. Such steps have allowed Mali, which built integrated road, rail, and sea links to transport refrigerated goods, to increase its mango

exports to the European Union sixfold in just five years.

Second, African economies can move from producing low-value grain to higher-value crops such as horticultural crops and biofuels. This will not only boost GDP, but provide much-needed jobs: Staples such as grains employ up to 50 people per 1,000 hectares while horticultural products need up to 800.

7. It's often cheaper for Africans to buy goods made in China than those made at home.

African manufacturing is declining as a share in most economies, and that needs to stop. Africa is on course to generate 8 million new manufacturing jobs by 2020 but could nearly double that tally if it can reverse this trend.

Rising labor costs and exchange rates across Asia give African economies an ideal opportunity to expand their manufacturing industries. There is already anecdotal evidence that Asian businesses are setting up factories in some African countries to regain their competitive advantage.

High transportation and input costs, duties, and bureaucracy are some of the obstacles that have hindered African manufacturing in the past. The continent needs to open itself up to foreign investment too. Lesotho, a country of just 2 million people, has 100 times South Africa's exports of apparel to the United States on a per capita basis because it made investment attractive to foreign players and put the necessary rail and distribution infrastructure in place. Apparel manufacturing is Lesotho's largest employer,

providing 40,000 workers with stable jobs. Prospects for manufacturing vary according to the country. Large, diversified economies like South Africa have relatively high labor costs, more skilled workers, and developed infrastructure, and need to move into higher-value-added production. Morocco has done this in auto parts and assembly. But less-developed African countries still have competitive wages and productivity and could develop as low-cost manufacturing hubs.

8. Nigeria's four largest cities still have only six shopping malls.

Africa's rising number of consumers is already driving growth in retailing, but the sector could grow much faster. The potential of retail still goes largely unrealized: In Ethiopia, Egypt, Ghana, and Nigeria, nearly three-quarters of groceries are bought in tiny informal outlets. If barriers to foreign players were removed and action was taken to boost the share of modern retail outlets, this industry could finally hit its stride.

Hospitality and tourism is another major potential growth area. Africa's advanced economies now receive around 70 percent of international visitors, but less developed countries can quickly improve their appeal to tourists. Take the case of Cape Verde, which offered investors a tax holiday, exemption from import duties, and free expatriation to foreign investors, laying the groundwork for its currently booming tourism industry. Today, tourism employs one in five people in the island nation. Retail and hospitality

together could add up to 14 million jobs throughout Africa by 2020 if the necessary reforms were undertaken.

9. Africa needs more than petrodollars.

Mining, oil, and gas contribute significantly to Africa's GDP, but these sectors employ less than 1 percent of the workforce.

Africa needs a job strategy, not just a growth strategy. Countries in this region need explicit programs to create jobs, targeted at labor-intensive sectors that enjoy comparative advantage. Governments, working with private companies, need to improve access to finance in those sectors, build the necessary infrastructure, cut unnecessary regulation and bureaucracy and create a more business-friendly environment, and develop the skills needed to support the industries of the future.

Morocco's auto-parts industry is an example of success. Realizing the country's unique advantage of proximity to the large market of high-income earners in Europe, the Moroccan government set a goal for the country to become the industrial automotive supplier for Europe. Morocco analyzed its comparative advantage for more than 600 automotive parts and eventually chose around 100 parts on which to focus. It then created two free trade zones dedicated to the automotive industry. Today, the sector employs more than 60,000 people, and this year saw the opening of a 1 billion euro assembly plant by Renault.

10. The future for Africa looks bright -- but there's still a lot of work to be done.

More than 300 million Africans will remain in vulnerable jobs in 2020. And even if African governments are successful at promoting job creation, the number of Africans in vulnerable employment will keep on rising for at least another 20 years because the labor force is expanding so quickly.

Africans in vulnerable jobs -- and those with no jobs at all -- will need government support. African governments can use their newfound resources to mitigate some of the pain of this process: They should invest in programs that help organize subsistence employment more effectively, as well as invest in health and education for the vulnerable.

Africa's employment challenge is daunting, but it is not unique. Many other emerging markets have transformed their employment landscapes and made sweeping gains in economic growth, and with the right policies in place, Africa has the right ingredients to produce similar success. Businesses and investors are beginning to take note of the continent's potential -- not only its wealth of natural resources but its vast human capital. Africa may, in fact, prove to be one of the next great global stories.

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The National Interest

The GOP, China and Sheldon

Adelson

Robert Keatley

August 31, 2012 -- Mitt Romney promises that as president he would be tougher on China than Barack Obama, the man he hopes to replace in the White House. He vows that he wouldn't coddle Beijing's communist leaders and would demand they cancel their expanding list of trade restrictions, give the currency an honest value and stop abusing human rights. He also promises to expand the U.S. Pacific fleet to discourage any expansionist ideas they may hold.

But when it comes to campaign cash that flows, indirectly at least, partly from China with perhaps illegal origins, he seems bent on taking all he can get, even though that money supply depends largely upon the continued goodwill of those who command the Chinese Communist Party.

The issue centers on the relationship of Romney and the Republican Party with Sheldon Adelson, the casino multibillionaire who has pledged up to a startling \$100 million to defeat Obama and put in office a president he expects to be much friendlier to Israel, one of his lifelong concerns. The main source of the Adelson billions has become Macau, a city on the southern coast near Hong Kong that is the only Chinese territory where its wealthy citizens can

gamble legally—and where many, it is commonly believed, find its thirty-five casinos convenient for laundering cash acquired by less-than-honest means. The Adelson political contributions come as he is being investigated by the state of Nevada, the U.S. Department of Justice, and the Securities and Exchange Commission for possible bribery of mainland and Macau officials, which would be in violation of the Foreign Corrupt Practices Act. (He denies all allegations strenuously.)

Sheldon Adelson controls four of Macau's biggest and most spectacular casinos, and they have become the main profit center of the traded companies he heads—the Las Vegas Sands Corp. and its listed subsidiary, Sands China Ltd. Forbes earlier this year estimated his net worth at \$24.9 billion, seventh highest in the United States and fourteenth in the world. The Adelson fortune did not originate with gambling—his first big venture was helping found Comdex, the annual computer-industry show held in Las Vegas, which he cashed out at great profit. By then, he was part owner of Las Vegas's aging Sands Hotel and Casino; the \$862 million Comdex sale let him tear it down and replace it with a lavish casino and resort hotel he titled The Venetian, inspired by a honeymoon trip to Venice with his second wife. It was the first Las Vegas casino built as a destination center, not just a comparatively bare-bones place for losing money. Rivals derided this decision at the time, but The Venetian proved a huge success. Then Adelson discovered Macau.

A bit of history is relevant. Macau (or Macao) was a Portuguese trading outpost from the 1500s and had been a commercial gambling center long before China regained sovereignty in 1999. But its casinos, dominated by one family, were considered somewhat sleazy ventures marred by prostitution, money laundering, corruption and assorted other ills (including Chinese criminal gangs called triads). These casinos were relatively small-time operations that relied mostly on punters from nearby Hong Kong; few mainland citizens were allowed to visit Macau after the communists came to power in 1949. But in 2002, with Macau as a special administrative region of China, that all changed. Its government, short of cash and with Beijing's approval, ended the gambling monopoly and invited outsiders to upgrade its gaming facilities and image—and provide more tax revenue. Adelson's company, along with such others as MGM Mirage and Wynn Resorts, leaped at the chance. They saw increasingly affluent China as their real market and hoped to lure to their tables many from the richest portion of that nation's 1.3 billion people. And they did. Last year, there were some sixteen million mainland visits to Macau; the gambling turnover was more than five times that of Las Vegas and is the world's largest. The first Adelson venture in Macau was an expanded version of his Las Vegas Venetian. Its huge main hall offers assorted games for the commonplace gambler, while high-stakes VIP rooms cater to the truly wealthy. On a floor high above the main hall, singing

Chinese and other gondoliers give patrons leisurely cruises along three indoor canals lined with faux-Venetian shop fronts that offer the globe's leading luxury brands. Costumed sopranos occasionally fling open upper-floor windows and belt out a song or two under a fake blue sky. Macau had never seen the like, but the newest Adelson complex—the \$4.4 billion Sands Cotai Central, which opened in April—is even grander. It offers 540 gaming tables, forty VIP rooms, 5800 hotel rooms managed by Conrad, Holiday Inn and Sheraton, plus twenty restaurants—all protected by a nearly three-ton gold and bronze statue of the “God of Fortune.”

But it has not been an entirely smooth ride for either Sands China or Adelson. He has faced two main problems.

The first is that the sometimes-abrasive casino magnate has had uneven relations with Macau and Beijing officials, and he can't always get speedy approval of all his development plans—such as raising quick cash by turning some property into costly apartments rather than casino resorts and malls. The details are complex, but investigations by such organizations as ProPublica, PBS's Frontline and The Wall Street Journal—plus a lawsuit against Adelson by a former senior Sands executive—have turned up documents that suggest he was willing to grease official wheels with cash to get his way; one document talked about the need to spread \$300 million around Beijing to solve his problems. There are also claims that he approved using prostitution and unsavory

mainland organizers of gambling junkets to entice customers.

Adelson stoutly denies these and other allegations, and nothing has been proved. After Macau police arrested more than one hundred prostitutes in one of his casinos, for example, Adelson said this happened only because he told the cops where to look. He dismisses all claims of illegality outlined in the lawsuit, and it's not clear if official investigations into his operations will lead to charges.

The other problem, even more beyond Adelson's control, is Beijing's ambivalent attitude toward Macau and big-time gambling. It's no secret that the biggest punters include corrupt mainland officials and the executives of state-controlled and private companies who pay the bribes. By getting credit in advance from junket organizers, such gamblers can arrange to suffer nominal losses in VIP rooms, only to have a portion show up in bank accounts offshore. The former Sands official has alleged that some \$3 billion a month leaves China this way via Macau.

All this violates assorted Chinese government and Communist Party regulations, but those who are supposed to enforce the rules can be friends and colleagues of those who break them. So no clear policies have evolved. But there have been hints of what could happen if the new leaders who will assume power in Beijing during the coming months decide to crack down. For one thing, they could limit the visas mainlanders need to enter Macau, thus cutting the customer base. They did this in 2008 and kept

restrictions in place for a year; the growth of gaming revenues slowed sharply, and stock markets grew wary about casino company shares. In June, rumors spread that neighboring Guangdong Province would allow its citizens only three visits per year rather than four, and the market again trembled. Nothing came of it, however, but if future communist leaders decide to get serious about fighting corruption—rather than exploiting it—the results could be hard on Adelson and other casino magnates. Beijing faces rising resentment about corruption, nepotism and other practices, but it's an open question whether government and party leaders will respond. All this would suggest the upright, and to some uptight, Mitt Romney might have second thoughts about welcoming the possibly tainted Adelson cash so eagerly. That doesn't seem to be the case. Sheldon Adelson was a prominent figure during the recent Romney visit to Israel, and he hosted vice-presidential candidate Paul Ryan's first money-raising event at his Las Vegas Venetian. The event was closed to the press, perhaps because Ryan, who stresses family values, didn't want to be seen collecting cash in a casino.

The last GOP presidential candidate is less sanguine. Speaking on the PBS Newshour, Senator John McCain noted that much of the Adelson fortune comes from Macau. "Maybe, in a roundabout way, foreign money is coming into an American political campaign," he said.

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Article 6.

SPIEGEL

How China's Leaders Steer a Massive Nation

Sandra Schulz

08/31/2012 -- There is no question that China is an authoritarian state. But Beijing's efforts to include experts and experiments in the way it governs also help to keep power in check. Once the government supports a project, it normally carries it out -- sometimes on a massive scale. Are there lessons to be taken from the Communist Party's method of governance?

Western democracies consider themselves to be efficient, farsighted and just -- in other words, prime examples of "good governance." But in recent years, the euro and debt crises, along with wars in Iraq and Afghanistan, have shattered faith in the reliability of Western institutions. Disconcerted Europeans are casting a worried eye at newly industrialized nations like China and Brazil. Can the West learn something from countries that for so long sought its advice? This

is part IV in a four-part series looking at how the world is governed today. To read the introduction, click [here](#). For part I, on Brazil , click [here](#). For part II, on the United States , click [here](#). For part III, on Denmark, click [here](#). When Duan Tingzhi dreams, he sees a future filled with fountains. He dreams of water shooting into the air throughout his new city, to the delight of its residents. According to the newspaper, one day there will be one thousand fountains in the Lanzhou New Area, a region north of the old city of Lanzhou.

For now, Duan sees only sheep, sheep with dirty coats, as gray as the skies above them. The sheep walk across Duan's wonderful, multi-lane, freshly asphalted street, and they're disruptive. They remind Duan, the man with the building authority, of just how far away the container terminals, the football stadiums, the sea and indeed the future still are from northwestern China, and how much work it will take to get there. Duan is so busy that he even sleeps in the New Area during the week, and he no longer has time for his family or for journalists.

And yet it isn't often that someone shows an interest in Gansu Province, a relatively poor province of mountains and deserts, and so Duan leans across the conference table and speaks as if he were trying to conjure up the future. The province has "great potential," he says, slicing through the air with the edge of his hand to punctuate his arguments. First, he says, everything is already there: airports, railways and highways. Second, there is "unlimited electricity."

And third, the province has rich mineral resources, including coal, oil and nickel. Of course, he adds, it also has plenty of workers.

Duan's voice softens. He wants to attract international companies to the Lanzhou New Area. "Perhaps," he says, his voice becoming silky smooth, "you can help us convince Siemens to come here." The party official sitting next to him nods.

Then Duan has to go. It's a gloomy day, and the wind is howling through the shells of buildings. According to the plans, there will be 300,000 people living here in 2015, 600,000 by the year 2020 and eventually as many as a million.

But Duan is merely a local chief planner. The important chief planners are in Beijing and have one of the most difficult jobs in the world: governing a nation of 1.3 billion people. China's provinces are as populous as entire countries on other continents. Hunan has as many people as France, Hubei as many as Italy and Sichuan as many as Germany. China's powerful men have achieved much. While millions were still starving under Mao Zedong, China is now the world's second-largest economy.

Europe, immersed in both a debt crisis and a crisis of meaning, is not only mesmerized by Asia's rising powers, but is also asking itself how governing works in these countries. China's economic success also raises another, more outrageous question: Is it possible for an undemocratic government to be a good government?

Beijing's Development Strategy

In China, good governance is primarily defined as the government satisfying the material needs of its people. The people along China's east coast, in particular, have been able to enjoy rapidly growing prosperity. Deng Xiaoping, the reformer, deliberately chose to develop the coastal regions first. Under Deng's policies, the losers were primarily in rural areas and in western China.

Nowadays, when Shanghai residents take a taxi they can learn about the best temperatures for wine by watching advertising clips on a screen in front of their seat. Meanwhile, some farmers in western China live in caves because they can't afford brick houses. The government's response is a policy Beijing calls the "Great Western Development Strategy."

The central government attaches great importance to the strategy, as evidenced by the fact that it has appointed a special "leadership group" headed by Premier Wen Jiabao, as well as a separate agency, to manage the program. The new strategy was adopted in 1999, under then President Jiang Zemin. Even though Jiang may have also been thinking about his legacy, China's "Go West" policy reveals a strength of Beijing's approach: Once something has been recognized as a national problem and defined as a national effort, it is addressed in a consistent and enduring way. A government that is not voted into office has no need to take voting blocs and elections into account. This is the economic advantage of an authoritarian system.

Ms. Li Yingming meets with us in a nondescript, gray

concrete building in Beijing. She is the deputy director of the Department of Western Region Development, which is part of the National Development and Reform Commission (NDRC). Li is satisfied, at least to the extent that she can be today, in the second year of the 12th Chinese five-year plan.

'A Long Road'

Tens of thousands of kilometers of railways and highways have been developed, including the controversial rail line to Lhasa, built at a cost of about €3.3 billion (\$4.06 billion), new hydroelectric power plants, airports, a gas pipeline and a fiber optic cable network. "The progress we have made in this area in the last 10 years is greater than the progress made in the last 50 years."

But when will the Chinese in the west and those in the east have the same standard of living?

"That's a long road," she says with a smile. It isn't the cities that she's concerned about. China also has the "Starbucks Index," which shows where the brand-conscious middle class can be found. In reality, there isn't a single Starbucks in remote Lanzhou, whereas Shanghai has almost 150. Li, however, is more interested in farmers and the illiteracy rate. In Gansu Province, for example, in 10 years, it has fallen from 14.3 percent to 8.7 percent in 2010. Nevertheless, it is still significantly higher than the 2-percent illiteracy rate in China's southern Guangdong Province.

"Talented people play the most important role in China's development," says Li. And then she talks about how schools and dormitories are being built,

and how hundreds of cooperative efforts bring together the different parts of the country. Universities on the east coast support their counterparts in the west, and there are partnerships between eastern and western provinces. Besides, says Li, more than 10,000 university graduates voluntarily go to western China each year to teach subjects like English. Of course, she adds, this experience is useful to young people embarking on government careers, and some of the most sought-after positions are reserved for them. "But," says Li, "these graduates also have a very strong spirit of volunteerism. They want to make a contribution to society."

At the end of the meeting, as we are walking through the hallway, she says: "Our leaders have told us that this is a hundred-year project." And then she hurries past a tall floor vase to her next appointment. Her time is precious.

A New Quality of Life

Duan, the official in the west, is also in a hurry. Duan builds things, and he does so because he can. Lanzhou is not Stuttgart, where protests have held up a major rail development project. Chinese pragmatists don't have to worry about how their plans will affect endangered species like the hermit beetle.

The land already belongs to the state, and the migrant workers who are building this city are hardworking and happy to be earning about 2,500 Yuan, or roughly €300, a month. The people who are living there now can be relocated. A government brochure clearly outlines how they should feel about the whole thing.

"The construction of the Lanzhou New Area is a splendid solution that was conceived by the city government and the party committee to implement the Great Western Development Strategy," the brochure reads. It also specifies, in tiny lettering, how much compensation the government will provide for specific items, such as 4,000 Yuan for a concrete well and 700 Yuan for a gravesite (per coffin).

There are indeed farmers in Lanzhou who support the New Area, even though they know that there will be a lake where their houses now stand. They hope that they will be able to work as drivers for business executives in the new city. And then there are people like the medical student who eventually wants to move to Beijing, because it's the best place to work. He says that his biggest dream in life is to own a Lamborghini. They are the people for whom the government is doing all of this, so that it can offer them something, a new quality of life. It doesn't want the students to leave, because the brain drain is one of Lanzhou's biggest problems. It wants farmers to be motivated by hope instead of rage. And, of course, the mayor and the party secretary in Lanzhou are also thinking about their careers, given that economic growth is still the gauge of a local politician's success.

Meanwhile the city is growing rapidly, with a current population of 3.6 million. But Lanzhou, wedged between mountains, declared the world's most polluted city 14 years ago, has no room to expand. Officials even considered removing mountaintops, but then they opted for the flat, undeveloped land out near the

airport instead.

There are also those in Lanzhou who would have preferred to invest in the old city instead. But they don't want to see their names in print. The Chinese efficiency praised by so many in the West comes at a price: the silence of critics. The government decides what is good for the people. And if something is deemed good for everyone, the individual must conform.

How Five-Year Plans Keep Power in Check

But the Lanzhou New Area is only one piece of the puzzle. There was always more at issue for Beijing in its development program for the west. Most of all, it wanted to bring the west closer to the rest of the country. This creates stability, and "stability" is the favorite buzzword of China's rulers. And so the "Go West" strategy was incorporated into the national five-year plan.

This plan is an idiosyncratic political instrument. Just writing it alone takes more than two years. First a subset of chief planners within a larger group of chief planners, that is, the Department of Development Planning of the NDRC, develops the initial proposals -- under the leadership of the Central Committee and the Politburo, of course.

Then city and provincial governments are brought into the mix with their proposals, as are ministries and experts from universities and think tanks. Countless drafts are evaluated, adjusted and reviewed by the Central Committee, until a new plan is born and a consensus is reached. A beneficial side effect is that

planning alone holds the giant Chinese administrative machinery together. Besides, the same principle applies here as it does elsewhere in Chinese politics, where draft documents are constantly being circulated and conferences never end: Consensus creates obligation, and those who have agreed to something later bear some of the responsibility for it.

In the third year of a given five-year plan, there is an interim evaluation. The last time this happened, the NDRC even asked the World Bank for its opinion, which led to the bank publishing its own report on implementation of the 11th five-year plan in 2008. By the fourth year, preparations for the next plan are already underway.

Of course, China's five-year plans have changed since the first one was launched in 1953. Whereas the Chinese initially emulated the Soviet Union, today Beijing doesn't seek to supplant the market's role in guiding the economy, but rather to steer the economy according to market principles. The terminology has also changed, with officials now referring to the plan as a program. But it still involves planning.

Five-year plans have their own dynamics, because the beginning of a new plan generally does not coincide with a change in leadership. This means that a new leader will likely remain tied to an existing plan and its established goals, and thus cannot immediately implement a radical change of course. This may irritate the individual at the top, because it prevents him from boosting his profile, but the principle creates continuity in the larger political picture. The plan

keeps power in check.

China Experiments with Dual Approach to Governing
Ding Wenguang dreams of being part of the central government's next five-year plan. Ding, 48, is a short, clever man who knows what participation, one of the key elements of good governance, can look like in China -- to those with patience. He also knows that Beijing has recently been trying to combine two approaches to governing: from the top down and from the bottom up.

Ding also wants to fight poverty in the west, not only with investments but with an idea. He is the director of a non-governmental organization and a lecturer at the University of Lanzhou. When he came to the village of Qingshuiling in 2003, he witnessed a vicious cycle. Farmers were cutting down trees for heating, cooking and to sell the wood. This leads to erosion and landslides. But the more frequently nature punishes people, the poorer they become.

Ding wanted to create a "cycle of good" instead. Under his plan, the farmers would raise cattle, which meant that they had to plant grass, and the cow dung could be converted into biogas. To start the cycle, an aid organization donated cows to the poorest people in the village. In return, they were required to give the calves to the second-poorest residents, with the next generation of calves going to the richest of the poor. Today, the farmers live in brick houses, they have more tractors, mopeds and mobile phones, and everyone has a color TV set.

But how could Ding convince the government to

apply his model on a large scale? How was he to explain to officials that everything has to be viewed as part of a bigger plan, one that incorporates both cow dung and disaster management? Ding began his lobbying effort.

If there is one thing that someone hoping to get his idea put into practice needs in China, it's trust. But a certain social status is needed to build trust. "I am a professor," says Ding. "If I were nothing, the officials wouldn't listen to me." It's also helpful to have received awards and official positions, such as being a representative in a people's congress. When close to 1,500 people died in landslides in Gansu Province, Ding was invited to conferences held by the provincial government. He is also a permanent advisor to the Ministry of Science and Technology in Beijing, for which he provides expert reports. Finally, Ding is a party member. That, he says with a smile, is important in China.

The Politics of 'Guanxi'

At the time, however, the first thing he needed was a "partner" in the local government. Fortunately he had a contact in the provincial government, namely the father-in-law of one of his students. He ensured that local officials would show interest in Ding's project village.

Another element of the game is called "guanxi," or the relationship between a supplicant and a sponsor or protector. Guanxi is part of Chinese culture and, therefore, Chinese politics. Having things in common with others, such as having attended the same school

or university or having served in the same military unit, are the prerequisite for the development of guanxi.

Ding once served in the provincial government for four years, where he worked in a poverty reduction program. His former coworkers put him in touch with their supervisors. It was also helpful that Ding had traveled through Europe with officials for the purpose of "group brainstorming." The most important thing of all, however, is that Ding will be participating in a research project at the Chinese Academy of Sciences in the future, which will involve frequent flights to the capital. "If you have guanxi," says Ding, "you have to spend less time on lobbying efforts."

Nevertheless, he still had to demonstrate that his proposed reforms were feasible and not too costly. He had learned that while it was important to have many meetings with officials, the reports had to be no longer than three pages and the restaurants had to be good.

"Dinners can create an open and friendly atmosphere in which to champion your interests," says Ding.

Guanxi thrives at such dinners, where participants are freed of the constraints of their respective roles.

Banquets and politics are Siamese twins in China.

And because Ding kept bringing journalists to his project villages, and his ideas were even featured on a party website, he was successful. He believes that his model will become part of the provincial government's policy in 2014. He also expects 2016 to be a very big year for him, when his ideas will be incorporated into Beijing's next five-year plan.

Meanwhile, the Chinese government is asking for help in governing the country, for reasons Prime Minister Wen Jiabao has candidly admitted: "Given the complex and varied economic situation, it would be impractical to expect a few top leaders to always make the right decisions. Therefore, we need to seek advice from experts in order to make the decision-making process more scientific and democratic." Apparently Beijing also aspires to professional management, another dimension of good governance.

A Unique Think Tank Culture

One of the brains behind it all, the Chinese Academy of Social Sciences (CASS), is located in a light brown high-rise building. It is one of China's most important think tanks. However, unlike their counterparts in the West, whose credibility is enhanced by their independence from the government, influential Chinese think tanks tend to have close ties to the government.

Sometimes the State Council assigns certain tasks to the Academy. For example, professors working for CASS were asked to develop proposals for a new civil law. In another case, the Ministry of Railways wanted to know what would happen if passengers were required to provide identification when buying tickets. CASS also provides impetus for reforms that might, for example, involve the combining of government agencies. Of course, the premier also consults with CASS experts to obtain advice on economic policy. Sometimes CASS even publicly corrects elements of the administration. For instance, it has accused the

National Bureau of Statistics of inaccuracies in calculating the rate of inflation.

The deference given to experts began with Deng Xiaoping, who sought to replace the emphasis on Mao and ideology with a focus on professionalism and knowledge. He wanted the intellectual to contribute to China's modernization. Today the University of Pennsylvania counts 425 think tanks in China, making it second only to the United States, where there are 1,815 think tanks.

In China, Experimentation Is the Norm

Chinese policies always follow the same pattern: First ideas are considered and then they are simply tried out. The government has turned the concept of the experiment into the norm. It uses small, local testing laboratories to try out a pilot project, but only once a proposed reform has been shown to be successful and applicable in multiple locations does the government venture to implement it more broadly. This stands in contrast to the Western concept of the constitutional state, in which the law comes before implementation. The Chinese version has its advantages. For instance, it makes it easier to assess the consequences of innovations. A successful real-life test also helps convince opponents to support a reform. Flexibility is assured through the development of competing models. Sinologist Sebastian Heilmann has called China a "learning authoritarian system."

The establishment of special economic zones in the 1980s was already part of this model. There were pilot projects in healthcare, pension reform and the system

of registration. Everything was tested, from road tolls to smoking bans to travel requirements for Taiwan.

Small Signs of Goodwill

The government even experiments at the local level with those elements of good governance it would normally refuse to accept: transparency and giving citizens a say. The towns of Wenling and Baimiao became famous for publishing their budgets and listing their expenditures in detail. This prompted the state-controlled newspaper China Daily to print an article under the headline: "Transparent Budget, Happy People." It concluded that publishing budgets leads to fewer people complaining about the squandering of taxpayer money and puts an end to the private abuse of public funds.

These are small signals of good will that the authoritarian regime is sending to its people. One milestone was an environmental law which requires the solicitation of public input. The people are even asked to comment, via email, on the five-year plan. China's leaders sense that they can no longer simply govern as they see fit, and they are feeling new pressures. China now sees up to 180,000 so-called mass incidents a year. The people are becoming adept at staging sit-ins and blocking streets to champion their interests. What was once a matter for the very few now triggers nationwide solidarity activities. The Internet has become established as a marketplace for opinions and innovations. For instance, the rumors about a coup in Beijing only gained as much traction as they did because China's leaders generally act

behind a cloak of secrecy, so that without freedom of the press the people can do nothing but speculate.

What is happening on the web is direct participation, as short-lived as it is intense, a forced instead of tolerated participation in politics.

Officials in Lanzhou have also felt the effects of local residents' fury. When they tried to stage a run through the city on New Year's Day 2012, artist Ma Qizhi protested online. "Refuse to be a filter made of human flesh!" he wrote on Sina Weibo, a Chinese microblogging website. He meant that the people of Lanzhou shouldn't offer themselves up to be sucking the city's polluted air into their lungs.

The protest wave surged through the Internet for only a few days, but more than 10,000 discussed their opinions of Lanzhou's plans on Sina Weibo. "The decision-makers must have swallowed some kind of pill if they think that children should run under such conditions," noted one person. Another wrote: "In China, the leaders are more interested in saving face than in their underwear, which is why they will not take back their instructions."

Even the state-owned news agency reported favorably on the resistance, and the local sports agency announced that it would take the suggestions of the environmental agency into account in the future.

Ma knew that he had succeeded in teaching the people a lesson. "The sad thing is when citizens don't say what they want to say. Taxpayers support this group of people, which is why they should perform their duties well."

The People Will Hold Government Accountable

The Chinese government has to get used to the idea that its people will be holding it accountable. The country is still filled with confidence. Chinese society has been shaped by the experience that everything was improving for everyone. This combination of economic growth and patriotism lends legitimacy to the regime, turning the people into a society of consumers and patriots.

But farmers, unemployed university graduates and the people in western China also want their share of success. President Hu Jintao himself has identified corruption, the opposite of good governance, as one of the greatest threats to party dominance. In the 2011 Transparency International Corruption Perceptions Index, China was ranked 75th out of 183 countries. Beijing punishes people, even with the death penalty, but by pointing to the individual it seeks to divert attention away from the failings of the system.

Some are simply refusing to accept the deal that the Chinese government offers its citizens: We'll stay out of your private life if you stay out of politics on a large scale. Chinese civil rights activists are going to prison for values that most in the West take for granted. But some in the West also forget that voting rights, an independent judiciary and a democratic constitutional state are never only a means to an end, and never exist only to furnish results. Instead, they are values in their own right. Most Chinese are still satisfied with results, but they have to be good. A minority in China, however, wants more. Those are the people who are

locked up for their opinions.
No government that does this can call itself a good
government -- even if it delivers good results.