Chinese Economic Miracle Turning Into A Nightmare

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Chinese Economic Miracle
Turning Into a Nightmare

The Chinese “superpower” myth will soon be revealed as a fairy tale. The world will know the truth: that China is another 3rd-world shit hole...with 500 million unemployed people...exports that are falling (not rising!)...deeply mired in debt it can never pay back. Their bubble economy is about to blow up in their faces.

Half of China's factories are closed. Demand for their products has collapsed. Chinese consumers are spending LESS, not more. Their are entire ghost cities of unsold apartments. China's “miracle” has turned into a nightmare. Which like a cornered bobcat, makes them even more dangerous to America and the west...

We've all heard about the Chinese economic miracle. The 1.3+ billion newly-freed consumers, whose massive spending will lead the world out of global economic slowdown and into the future.

Their buying supposedly will bring back jobs and profits to American companies. These companies are tripping all over themselves to get in on the supposed China boom.

What they don't tell you is any company that invests in China is systematically screwed to the wall. They must have a partner: the Chinese Communist Party. They find they must make massive, ongoing payoffs to their “partner.” In time, the Communist Party robs them blind.

They have to give China their intellectual property. Their technology. They soon discover China rips it all off. They can't do squat.

Then to add insult to injury. The Chinese “super economy,” with its billion plus consumers, turns out to be a lie from the Central Party's spin machine. I explain all this in this report.

China's economy is based on exports. Yet its export growth has been falling for years. For a number of months, China has had negative export growth.

How could it be otherwise? China's main export customers, the Euro zone and the US, never recovered from the 2007/08 financial crisis. Their economies are either stagnating or even dropping. e.g. The EU is seeing massive unemployment (25%+ in Spain), and flat to falling GDP. Even Germany, which drives the EU economy, had
negative economic 'growth' in the most recent quarter.

Yet China magically claims 7%-to-8% GDP growth, year after year! How does that happen? Flat to falling exports. No domestic consumers either. An anemic global economy. Where does China's claimed GDP growth come from?

Wall Street tells you the great emerging Chinese underclass will lift the world out of its economic malaise. The Chinese masses, who are becoming shop-till-they-drop consumers. At the exact time they are losing their factory jobs, that only paid them $1 an hour (max) to begin with.

China's poverty line is 11 cents a day. If you make 12 cents a day or more in China, the Commie government there says you are prosperous. You are part of their emerging middle class. You are the people who are supposedly going to buy cars, flat screen TV's, consumer goods and gold, like all are going out of style.

No one explains the basic problem. How can Chinese “consumers” do all this on an average income of $150 dollars a month?

We're told China has massive trade surpluses. Even while Chinese factory output is plunging...prices are collapsing...exports are falling apart...and the world is in its biggest slowdown in generations.

China supposedly has $3 trillion in cold hard cash. I'll show you a bit later why that is a lie. It supposedly has no debt as a percentage of GDP. I'll show you why this, too, is total b.s.

We're told China's economy will power the world ahead. Even though that economy is only about one-third the size of the U.S. economy. Just 7% of global GDP.

After all the hoopla, you would think China is a real player. But with 7% of world business divided between 20% of the world's population, you see the cold hard truth. China has 10,000,000 prosperous people and 1.29 billion living hand to mouth.

Still Wall Street insists the Chinese are the world's emerging consumer. Again I ask. How the hell does that happen? How does a nation whose GDP is a tiny fraction (one-sixteenth) of world GDP drive the world forward? Especially when it, too, is on economic thin ice?

China claims it sold over 20 million cars last year. More than were sold in the U.S. Of course when you look at the GVW (gross vehicle weight) of those vehicles, you find they are not what we call

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**'Facts' out of China:**

You can sooner believe in the tooth fairy

Statistics from China are as reliable as the stats that used to come out of the USSR in the 1930s, 40s, 50s and 60s. i.e. not at all.

The Communist Party releases all 'facts,' all data. It is impossible for any independent source to verify them. Incredibly, Wall Street and the media constantly accept these fantasies as gospel.
cars. More like motorcycles with side cars on them.

A popular Chinese car. Wall Street says this kind of car will lift the world out of global depression

Like they say, inquiring minds want to know.

We hear about China's great internal consumerism. But consumer spending there has not gone up. It has dropped for ten years in a row.

China's consumer spending is 30% of their $8 trillion GDP. i.e. only $900 billion. U.S. consumer spending is 70% of our $17 trillion GDP. $11.9 TRILLION. Nearly 4 times more. On a per capita basis, US consumer spending is about 16 times more.

Kinda hard to see where Chinese consumers become the engine of growth for the world economy. Those Wall Street TV programs are long on hype. Very short on facts.

China's nerve center is Hong Kong. Every deal is done there. Yet Hong Kong GDP is falling.

25 men run China. The Politburo. They are not capitalists. Not entrepreneurs. They are dyed in the wool Communists, with a capital C. As you will see in this report, their attempts to centrally manage their economy work no better than Stalin's or Kruschev's did in the Soviet Union. They are as disastrous as Castro
in Cuba, and Chavez in Venezuela.

China is divided into 16 separate provinces. 13 of them have little to no participation in the industrial boom. The Chinese “miracle” is centered around just 3 provinces. Their population totals 100 million people.

The rest of China (made up of 1.2 billion peasants) is deep in economic depression. Unemployment has soared: it's the highest in the world of any major nation.

And forget the hype. Chinese workers are among the lowest paid in the world. By government design. Which is why riots over pay and job cuts are common, even though the 1982 Chinese Constitution made strikes illegal. Each year, the Central Communist Party admits to 300,000 to 500,000 official labor disputes. The real number is far higher.

The Chinese national government claims virtually no national debt. But the provinces owe over $20 trillion in debt and guarantees.

So right off the bat, we know the “no-debt” claim is a bald-faced lie. We know their export markets are plunging...and the idea that somehow Chinese consumers are reigning supreme is a fantasy. So what do the Chinese do?

No one knows for sure. Government controls information there with an iron fist. That is a big reason Google, e.g., pulled out of China. There are no good statistics out of China's government.

But we do know this. If you think Dubai went on a building binge of waste, with its castles in the sand and underwater hotels, wait till you see what China has recently done.

Their entire GDP growth these last several years is solely based on a mindless building spree. Greater than any the world has seen before.

They have built entire cities no one lives in. All on borrowed money. They built the world's biggest, brand-new, high-capacity steel mill. The furnace has never been turned on. They built it knowing they already have twice the steel-making capacity they need.

They constructed massive hotels. No one stays in them. Huge stadiums, to impress the world during the 2008 Olympics. They sit empty. They have the world's biggest swimming pool complex: no one uses it.
In this report I give you the story people have risked their lives to tell. There is no free press in China. Many who reveal the facts go to jail. Some have been killed. The truth is quite different from the China myth Wall Street and the communist party want to spin.

China's central committee completely controls its stock and currency markets. They keep wages and the yuan (China's currency) artificially low. That is essential. It gives them an export edge. It makes their products artificially cheap to the rest of the world. The moment they can't do that, China's economy crashes and burns. More on this a bit later.

Any company that does business in China must give the government 30% ownership. Government agents sit on the Board of Directors.

Foreign companies that open operations in China, have access to the export markets. (Domestic markets are a horse of a different color. Foreign companies are almost totally excluded.) But even the exporters need a permit to take any profits out of China.

If you want to manufacture in China, you must transfer all your technology information to the Chinese government. Including patents and proprietary manufacturing techniques. That's before the factory can open its doors.

They also demand you conduct your research and development in China. The Chinese systematically rip off the technology of all companies located there. They are the biggest technology pirates on the planet.

Often the Chinese government comes back later and "renegotiates" deals. It demands and receives information on technology not involved in the Chinese operation.

This is the greatest transfer of technology ever seen. All free to China's government. All forced on the companies.

Once the Chinese feel they can make the product themselves, they throw out their foreign partners. By hook or by crook. Foreign executives who do not play ball often end up rotting in a Chinese prison, doing hard labor. Like several foreign executives of Rio Tinto learned.

These four men blocked a Chinese government takeover of their company. Their reward: 7 to 14 years hard labor in a Chinese prison. A death sentence. Incredibly, the Chinese Communist Party convicted the executives of stealing trade secrets:

China's huge, empty Olympic swimming complex
“The Shanghai Intermediate People's Court said Stern Hu, who headed Rio Tinto's iron ore operations in China, will serve 10 years, with part of the sentences running concurrently, and will also be fined 500,000 yuan ($73,250), and have 500,000 yuan worth of assets confiscated.

“Three other Rio executives, all Chinese nationals, were also sentenced to between 7 and 14 years in prison on bribery and secrets charges.

“The detentions in July rocked the global steel industry and strained diplomatic relations between China and Australia. Shortly before the detentions, China’s steel industry association had complained about the skyrocketing price of iron ore and criticized Rio Tinto and other foreign suppliers for a breakdown in iron ore contract talks. The detentions also came just after Rio Tinto scrapped plans to accept a $19.5 billion investment from Chinalco, one of China’s biggest state-owned mining groups.”

So this is payback China style. Don't let them take over your company, and you end up in prison.

The Communist Central Party also strictly controls the stock markets. Foreign ownership of Chinese stocks is limited, often impossible. The government maintains absolute control, of all managers of each major business.

You have to be out of your freaking mind to manufacture there...to get in bed with these globalists who dream of ruling the world.

**Chinese debt: 8 times greater than America's**

You've heard how various countries have high levels of debt, compared to their GDP? Count China's real debt. i.e. the debt of China's provinces...the guarantees made to Chinese banks, that fail over and over...the mounting bad loans on their books, that the government is on the hook for as well.

It turns out the Chinese government owes 10 times its wildly exaggerated GDP. That's a world record. It is 3 times more debt, by GDP, than the nation considered too deep in debt: Japan. It is 8 times more than the U.S. government owes.

China is a bureaucratic, central-planned communist nightmare. A totalitarian hellhole. Miles of empty apartments dot the landscape, in cities the Chinese people cannot afford to live in. China's steel mills, refineries and factories contain far more capacity than anyone
needs or can use. They sit there, under-used or abandoned.

The U.S. is in a crisis, because its capacity utilization is a little over 70%. China's official rate is under 70%. Yet Wall Street says that is not a crisis.

China's true figure is under 50%: the Chinese government is infamous for lying about its economic and production figures. It's another way they hide the fact that they are in a depression.

Think about it. They admit that in their export-driven economy, exports slumped as much as 30% in some recent quarters. But somehow their factory utilization rates stay the same? WHAT BULL!

They claim Chinese consumer spending is taking up the slack. More b.s. spin. Their retail sales numbers show consumer spending is falling, not rising.

China's real unemployment rate is over 50%. World's highest. 500,000,000 people are looking for jobs. Mostly in the provinces, away from the cities. China admits 200 million of them came to the cities, looking for work.

These hungry (often starving) people desperately need jobs. They can't find them. Government keeps them at bay at the point of a gun.

Most people in China still work on sustenance farms. They raise rice, pigs and chickens. Barely enough to feed themselves. They are struggling to survive. Living hand to mouth.

If they want a shot at getting ahead, they must go to the industrial cities and try to find work. That requires a special relocation permit.

To get this work permit, people must bribe the local Communist Party officials. The permit does not guarantee a job. It lets the applicant and his family go to the designated city to look for work. They usually end up empty handed.

They are not eligible for subsidized housing. So they live with 40 people in a cardboard house on the town's outskirts. This is the real Chinese housing "miracle" they are so desperate to hide.

Their child can only go to grammar school there. When that child reaches high school age, he (or she) must leave and go back to the province he came from. There is no space in the local high schools for the relocated workers' children.

Take the Chinese government highly inflated income numbers of $6747 per capita (even the lie is pretty pitiful). That ranks China 83rd among major nations. Down there with such economic powerhouses as Dominica, Lebanon and Botswana.

China has one of the lowest birth rates of any nation on the planet. This is fallout from the Mao years, when each couple was allowed just one child. Even today, you must get a permit from the
state to have a child. You are still allowed only one child per family.

This policy has stood officially for over 30 years. In practice, it reaches even further back.

For many factory jobs in China, the state forces women to get sterilized. That way there is no maternity leave. Also, Chinese cities and factories are among the most polluted on earth. Sterilization mean fewer horribly deformed babies to deal with.

The Chinese value boys more than girls. So it's common for families to abort female fetuses and babies. Government sponsors these abortions. Sometimes it forces them on the mothers.

Result is a shocking ratio of men to women. The official figure is around 1.2. i.e. 60 men for every 50 women. But that is for the total Chinese population. The key number is far worse.

I told you that for 30 years China has had an official one-child-only policy. Also that for the past few decades they have aggressively euthanized (murdered) girl babies. But the overall national stats include the women born before this policy started.

Back then the ratio was 51 women for every 49 men. Lots more women were born during that era. Women who are old but still alive today.

Look at Chinese men and women of child-bearing age. The ones born since China started its population control policy. They are China's future. You find the ratio is a shocking 2 to 1. i.e. 67 men for every 33 women.

The woman shortage is so extreme, most Chinese men born since 1970 will never marry or have children. This will dramatically change the world, in several key ways.

First, the global slave labor factory will run out of slaves. And already Chinese workers are demanding higher wages, to keep up with inflation. Inflation is a serious problem in China. According to the World Bank, M2 money supply in China has gone up nearly 20% per year, for each of the past four years.

Because of this, many Chinese factories are moving to Cambodia, Laos and Vietnam. Walmart, for example, their biggest customer by far, announced it is going to source more and more of its goods out of India. Higher quality, better prices.

As Chinese workers retire, the labor force shrinks. China’s working age population (age 15-64) peaks in 2015. From then on, the number of workers steadily falls. Making China's retirement crisis -- with hundreds of million of older impoverished people -- an even bigger drain on the nation's finances.

In the next 20 years, they will have to provide housing and medical care for 150,000,000 hopelessly poor retired people. By
2050, they will have 330,000,000 poor, unemployed people over 65.

There is a second implication of this severe woman shortage. It is far more important than the first. I cover it later in this report.

First let me explain how China has (partly) inflated its economic growth figures, by using a trick that is already backfiring, and will soon shoot down the economy in a major way:

**How to falsely make your GDP soar:**

**build cities no one lives in**

You thought America went crazy building too much? You thought Dubai and Spain joined the insanity?

You ain't seen nothing, till you see the empty, vacant homes, ports, buildings, factories and even entire cities in China. It's like nothing before in world history.

You've heard of bridges to nowhere. China has cities to nowhere. It has brand new state-of-the-art factories that produce nothing. They sit there idle.

Why haven't you been told about this? Partly because it runs directly against Wall Street's interest. The big Wall Street investment banks want to hawk their Chinese investments to the public. To do that they have conspired with the Communist Central Party, to create the illusion of great Chinese prosperity.

Also, not many people are willing to die to tell you the truth. That is the penalty you can pay in China, if you expose what is really going on there.

Once again, you can trust NO statistics the Chinese government releases. They have zero transparency. Just like the old Soviet Union, N. Korea, Cuba, and every other communist state.

China is the world's biggest bubble. All run by that small Politburo of twenty five men. Tell me. How can twenty five people plan every building? Every factory? Every port? Every job? Every resource and detail of the economy?

It's impossible. No one is smart enough to do it. That is one of the harsh lessons socialism has taught us.

China's labor force is made up of many highly skilled people. But they are trained to do one job and one job only. For example, China has the largest number of engineers who specialize in how to design cardboard boxes. Their training was so narrow, so specific, they know nothing else. They can't transfer their skills to other disciplines.

China's factories have the worst logistics -- some of the highest costs -- of any country in the world. Let me explain.
China is not like America. We are an entrepreneurial economy. We locate our factories next to the raw materials, or at the end of easy-to-use transport links.

China does it differently. They build their factories in centrally-planned industrial centers. Not on economic grounds, but for political/graft reasons. Often where the Communist Party chief has the most influence...where the biggest payoffs have been made...or where restless populations need to be pacified.

So they have a transport nightmare. On top of that, the Chinese must import most all of the resources they use to manufacture things, and have proven to be terrible material buyers. So they pay vastly more for their production inputs.

Chinese companies only have one advantage. Their slave labor costs are less. Everything else costs more. Transport. Materials.

Here's another huge drawback. The Chinese mentality is different from other Asians. Take the Japanese. Japan is a free society, filled with smart entrepreneurs. They establish their brands and market them globally.

Toyota doesn't make cars for American car companies. It sells Japanese cars direct to America. Made in Japanese-owned factories, with Japanese parts, under Japanese names.

Sony doesn't private label its consumer electronics. It sells its own products, under its own brand. Japanese manufacturers have developed manufacturing, distribution and marketing sophistication. This gives them fat margins, as they go direct to retail.

Not so in China. They believe in the lunacy of central planning. So Chinese factories typically manufacture as private labelers. i.e., they make it for someone else.

They are clueless on how to market. On how to do business in an open competitive economy. So they do not go directly to the retail market. Which means they miss out on the thick profit margins found by skipping the middleman and going directly to retail.

This also puts their margins under constant pressure. They used to make virtually all the iPhone for Apple. When they could not compete, Apple took more and more of its production to other slave labor countries.

Don't let China shit you. They are not a democracy. They sure as hell don't run their economy on the free enterprise system. They have a communist economy.

So they don't compete on quality. Not on innovation. They only compete on price.

China is the poster child for cheap, shoddy goods. Not only do its goods not work as well from the start. They constantly break. Their profit margins are thinner than a sheet of cellophane.
Typically just a few percent. Even slight changes in any economic factor can put them into the red.

And that is happening now. On balance, their currency is rising. That alone makes their products more expensive to the rest of the world.

What's more, their transportation, labor, material and input costs are going up. They are losing there as well. And because of domestic inflation -- again due to their communist system -- they are under incredible labor cost pressures.

The Chinese miracle has become the Chinese tragedy. Central planning means they make mistakes in every aspect of their businesses. Unlike in a free market economy, there is no way for them to catch their mistakes. By then they have spiraled out of control, and it's too late.

Major dams leak and create more flooding. Ports are located too far from the sea, with channels that constantly plug up with silt. Factories are at the end of a long, complex, unreliable supply chain.

Just like the Soviets, China works with 5-year economic plans. Just like the Soviets, these plans are a complete, dismal failure. They can't even keep the lights on.

**Bank of China admits it created bubbles in real estate and stocks**

The Bank of China is China's central bank. The equivalent of our Federal Reserve. Incredibly, the bank admitted it created bubbles in stocks and real estate. According to Bank of China Vice President, Zhu Min...

“The potential risk is that a lot of liquidity goes to the commodities market. So you see asset bubbles in commodities, stocks and real estate, not only in China but everywhere.”

Pay attention to that “everywhere.” The alleged global economic recovery is based on the Chinese miracle. Yet China's top economic officials and researchers say that miracle is in fact a bubble. It is about to burst.

“There’s no way for the real economy to absorb so much liquidity,” said Liu Yuhui, a Beijing-based economist at Chinese Academy of Social Science. “Policymakers in China and around

**Wall Street Journal reports...**

**Rise of Yuan Hurts Chinese economy**

China's reputation as the world's factory floor is being undercut by the yuan's upward march against the dollar, which along with rising wages, is pushing manufacturers to look for cheaper production bases in Asia.

The U.S. has long argued that the yuan has been kept artificially low to boost Chinese exports and maintains it is still undervalued.

The strengthening yuan is hurting Chinese exporters, especially makers of low-cost manufactured goods.
the world are well aware of the harm that could do, but they are unwilling to sacrifice short-term growth and wean the economy from addiction to the stimulus policies.”

Chinese leadership, which is clueless in Cleveland, does not understand the bubbles it has created. Chinese Premier Wen Jaibao, said “China will not pull back from policies designed to revive the economy.”

He said, “stimulus measures have yielded the initial result. We have arrested the downturn in economic growth.”

All I can say is, in his dreams. Even China's top bankers admit this. China Construction Bank Corporation is the nation's 2nd largest bank. Chairman Guo Shuqing said excess cash in the banking system has led to asset bubbles.

I told you that China has created ghost towns, with acres of empty facilities, offices, apartments and factories. They added hundreds of billions of dollars to “GDP.” They are completely empty.

And of course there is the incredible, empty Pangu Plaza. A 5-story complex. Spans the length of 7 football fields. Contains a huge office block. Apartment buildings. A shopping center. The 7-star Pangu Hotel.

Only problem is, the complex is almost entirely vacant. The Pangu Plaza shopping center is empty. No one is in the offices. At night, no lights are on in the apartment buildings. Same with the hotel.

Pangu Plaza. Cost tens of billions of dollars to build. Empty and deserted
The Chinese edition of GQ Magazine threw a lavish launch party at the Pangu Plaza. A New Zealander who attended said, “the hallways in the ground floor are empty. You feel it's a ghost town, apart from the top floor, where we were. It certainly was not full of activity, beyond the show.”

Yingkou is a port city in Liaon Province. An industrial zone, marina and residences are planned. Government officials give a glowing description of the development zone there: “the scale of this will take your breath away. It is comparable in scale to the Pudong Business Center in Shanghai.”

But Yingkou's development zone is mostly empty. The administration building is a monstrous monolith. Vacant. Except for the occasional presentation to foreign dignitaries.

The steel mill there, one of the newest and most modern in the world, was completed a year ago. It, too, sits empty. They have never fired the furnaces. There is too much over-capacity in steel production, both in China and the world over. The new mill has no customers.

In Guang Dong, most residential units are empty. Shops have been empty for years there. Supply far exceeds demand, and has so for a long time. Funding was easily available, though. So developers disregarded demand, and went on a building spree. They put up vast unwanted, unused structures.

China's economy is crashing. Similar to a drug addict whose last fix has run out. The European Union Chamber of Commerce in China said industries including steel, cement and plastics are “still blindly expanding despite the worst global slump since the 1930s.”

China faces similar problems in aluminum, cement, plastics, refining and production of wind power equipment, the group said.

Every one of China's provinces has a mega project. All empty. All offering capacity that is not needed or used.

The economic event China's Politburo can never get through its skull

One of the hallmarks of the failed communist system is its failed economy. Communists do things in a way that guarantees inflation. They create massive unemployment, waste and improper allocation of resources. Never mind the theft of funds and endless
corruption.

But now an event is taking place that few people even in the free world understand: massive deflation of commodities in nearly all parts of the world.

Key commodities prices have collapsed. Aluminum was $1.50 a pound: now it's $.94 cents. Lead fell from $1.75 a pound to a $1.00. Nickel from $24 a pound to $8.40. Tin dropped from $12 a pound to $9.80.

A smart businessman, with a keen eye on the bottom line, realizes the critical relationship between input costs and final price. That is what business is all about.

Our friends in the Chinese Communist Party have a basic disconnect here. Take steel. China already has extreme OVER-capacity to make steel. Prices are falling. Yet they kept building and staffing more steel factories.

This puts China in a deadly dilemma. Steel sales are plunging. Even as the factories produce more. Huge stockpiles of finished steel products are sitting idle in factories all over China.

A profit-based business would cut back. But once again, China is not profit-based. It is job-based. So it is not cutting back.

Actually, it's worse. The official in charge of buying copper sees prices fall. He takes that as a cue to buy more. So they stockpile more and more of the stuff.

In the past two years, over half the materials China has imported have not gone into the production cycle. They sit in warehouses. This is true of chemicals, refined products, iron ore, copper, lead, nickel, zinc and oil, to name a few.

China's communist party leaders think they are scooping up great bargains. The inflation mindset. They don't understand the opposite it true. There is less demand. They don't see that in the rest of world -- where they must sell their products -- the free market is forcing prices of these commodities lower. We are in a depression.

So in reality they aren't snapping up bargains. They are paying too much, for commodities that will drop even further in price.

China is already losing its ass. Most of its factories are major money losers. They only stay open because they get major

Collapsing steel prices another ominous sign for China

On the Shanghai Futures Exchange (SHFE), the most active steel rebar contract slumped to another record low last week. Rebar is the form of steel most widely used in construction.

The SHFE's hot rolled coil (HRC) futures contract fared no better: it closed the week at its lowest level ever.

Property sales and new starts have both been falling across China. There is no end in sight to the downturn.

The fact that HRC prices are also falling, suggests that steel demand weakness is spreading into the broader manufacturing sector.
subsidies, and borrow incredible sums of money from state-owned banks. Soon China will collapse in a crash heard around the world. I expect that to take place this year, or next at the latest.

In Yingchuan, the capital of Ningxi Province, 70% of GDP growth was “fixed asset investment.” Yet high-end residential units there are 50% vacant.

Ordos is a city in Mongolia, with 1.55 million people. China's central government decided the existing buildings were too old. So they built an entirely new city 30 km away. New, expensive (for China) homes. Shopping centers. Factories. Streets, lights, water, bridges, tunnels. This construction gave GDP a huge boost.

But the new Ordos is empty. A ghost city. Virtually no one
lives there. They can't afford to. Ordos' population density is 17.8 people per square kilometer. Manhattan's (New York) density is over 27,000 people per square kilometer.

Yun Guangzhong, mayor of Ordos said:

“The speed of development cannot substitute quality and efficiency. GDP alone cannot represent the people's aspirations for raising their incomes. Fixed asset investment does not mean industrialization, urbanization have improved.”

His next statement nearly knocked me off my chair. Yun admitted the Central Committee's projects failed miserably:

“We must not continue to undertake prestige projects for the sake of image, and must not fake data. The city's government contains elements of laziness, falsification, laxness, and shallowness in work ethic that has seriously damaged our efficiency and image.”

**China “miracle:” a giant con job**

You have been conned. China is no powerhouse. It's not the world's 2nd or even 3rd largest economy. To put it bluntly, it is a shit hole of poverty, corruption and runaway debt.

If you have been taken in by this Asian fascination, I suggest you get over it. This idea that they have money -- that they are an economic powerhouse -- is total b.s.

They run slave labor factories, to keep their vast population in line. But they cannot even manage these factories themselves. They must partner with foreigners.

No other country has so many businesses in strategic partnership as China. You might as well call it the “People’s Out-Sourcing Factory of the United States and Europe.”

Their entire centrally-planned economy is based on huge amounts of debt. Sad to say, you financed much of that debt. Derivatives “backed” by your savings paid the vast excesses China's rulers are enjoying.

Government owns almost all banks in China. The four largest are China Construction Bank; Bank of China; Industrial and Commercial Bank of China; and Agricultural Bank of China.

Ten years ago, after the recession of 1999 to 2002, the state-owned banks were saddled with bad loans. Estimated at about $430 billion. 42% of all loans. In short, the banks were all insolvent.

As part of the IPOs in 2005, the first three banks were recapitalized. The non-performing loans (NPLs) were taken off their books. Many bad loans, about $205 billion, were 'purchased' at face value by specially created vehicles, called Asset Management Companies or AMCs. In exchange, the AMCs got bonds.
The bad loans were not worth their face value. No NPL is. The AMCs were supposed to dispose of the loans through collateral sales, workouts or bankruptcies. But they did not.

The bonds that were exchanged for the NPLs were supposed to pay interest and be redeemed in 2010. So whatever they are worth, they are still on the bank’s books. They were supposed to be paid off by now. But the same old story. The money does not exist to cover these debts from the last Chinese wipeout and default. Never mind the new one they got going no.

As one recent report said...

“A lot of the Chinese growth in recent years has been inefficient, and profitless. As Japan knows (and Belgium), building useless highways, bridges and shipping lifts, does not raise wealth, but raises only government spending. It highlights once more the intransparent nature of the Chinese economic statistics and GDP calculations. More importantly, it shows that the current high level of Chinese GDP growth is not sustainable.

“I do not know, how many ghost towns have been built to sustain growth, and maintain the Chinese 10%-growth illusion. But this resembles one big Ponzi scheme, the biggest bubble in economic history.”

Sure, China has $3 trillion in foreign currency reserves. $2 trillion of that is held in U.S. government securities.

But they owe over $20 trillion in debt. Debt that is disguised: i.e. they do not record it on their books. They learned a lot from Wall Street!

U.S. banks have loaned $3.35 trillion, to regional governments in the Middle Kingdom alone. Creditors like Goldman Sachs are owed huge amounts of money. Much of that money has been quietly defaulted on. China has not paid it back.

In reality, counting its huge debt, China has NO net foreign currency reserves. With bookkeeping sleight of hand, they list their national debt as “regional debt.” So it does not show up on their national books. But they owe those trillions nonetheless.

And China is now nullifying the local governments' financial guarantees on these empty steel mills, apartment buildings and vacant cities built in wastelands. The banks and their international investors that loaned them the money must take the hit.

Here's how this worked. China's central planners set up financial entities. These entities financed their great projects. They brought in the bankers from BA, Citi, Goldman Sachs. They put on the dog and pony show. The bankers bought into the b.s. of the Chinese “super economy.”

Similar to how western bankers bought into the hype in Dubai, and loaned trillions to the Arab sheiks. In Dubai, oil supposedly backed the guarantees. (In reality it did not.) In China the guarantees are supposedly backed by local governments, and the huge industrial might of China.
Chinese banks have been raising funds through investment vehicles. That prevents them from borrowing directly. They borrowed an additional $3.5 trillion this way. But as I've shown you, the projects are not completed. Not fully funded. Not needed.

The regional banks and governments are stone cold broke. The local financing vehicles cannot repay the loans. They put up land as collateral. Rice paddies worth nothing, have become factories that no one needs, wants or uses. Still worth nothing.

In 1997, the collapse of Guang Dong International Trust and Investment Corp triggered the Asian financial crisis. They went down with over $300 billion in unpaid bonds. Dresdner Bank of Germany and Bank One of the U.S. were left holding the bag.

The Chinese authorities failed to bail out the nation's state-owned trust. In other words they defaulted, though none dare call it a default. The “new” bonds come due this year. They will be defaulted on, too.

Bank of China Ltd, China's 3rd largest lender, admitted it has huge exposure to borrowing by local governments. These governments are unable to make payments. Industrial and Commercial Bank of China has huge exposure to loans made the last two years.

I told you how Chinese banks loaned 9.959 trillion yuan (that we know about) to the provinces. China's 3000 local government entities owe $11.429 trillion in outstanding debts. Plus they have drawn down credit lines for 12.767 trillion yuan. So far, 4 trillion yuan of those loans have officially gone bad. The real number could easily double or triple that.

China's $3 trillion in reserves are an illusion too. They only cover one seventh of the country's debt.

China cannot use its cash internally, to support its economy. It must keep the money in reserve, to give itself international credibility. Even though it is starving its own economy.

Also, that $3 trillion equals nearly 5% of global GDP. Only two other times in history have countries racked up that much cash. The United States in 1920. And Japan in the 1980s. Each ended in a depression.

Each month, China buys $30 to $40 billion of mostly U.S. government bonds. This keeps its currency artificially low. It makes Chinese products artificially cheap. This has led to the vast over-investment in factories and industrial capacity. China has over-built by 100% to 200%. Maybe more.

To keep this Ponzi scheme going, China floods the market with dirt-cheap goods. With the global economic slowdown, the world cannot keep buying all these products. That is why Chinese exports often plunge. Yet they keep building more and more empty factories.

Why do it, you may ask. The answer is simple. It's the jobs.
They have to keep the masses working. Otherwise there will be another revolution. The construction projects keep civil unrest (slightly) above the blood-in-the-streets level.

China's over-capacity in steel alone is more than the entire steel capacity of Europe. At the same time, Chinese banks require $500 billion worth of bailouts. Right now. Never mind what pops out of the woodwork when the next wipeout comes.

China's illusory power is the $2 trillion of U.S. Treasuries it owns. But look at how much money the U.S. government has raised this past year, in the capital markets. It's more than the total amount of money China accumulated and holds, over the past 20 years.

And now China's local governments are on the debt treadmill to hell. They use funding for new projects, that no one wants or needs, to hide the fact that the old projects are failing. Your basic Ponzi Scheme.

You heard about America's real estate bubble. China's crisis is its industrial bubble. Chinese overcapacity and over-production are flooding the world -- with goods no one wants or needs.

At the same time, demand is collapsing. We are choking on too much of everything.

The Chinese bubble will burst. Soon. This will put unbearable pressures on the global economy. It will further exaggerate the ongoing depression.

**China: the coming Grandaddy of all Sovereign Debt Defaults**

China's 25 senile members of the Politburo are incapable of guaranteeing prosperity. Hell, they can't even piss when they want. But prosperity is what they promised the 1.3 billion Chinese masses.

So they are doing what nations used to do in the good old days. They are inflating their money supply like there is no tomorrow.

China's money supply increased has averaged 20% for each of the past four years. More out-of-control borrowing. China's bubble economy will crash in inflation.

China is monetizing debt like there is no tomorrow. Printing money at rates never before seen. Racking up international debt at levels never conceived of. Even though it has already proven it will renege on loans it does not wish to repay.
And China is supposed to be the conservative, no-debt, huge-foreign-reserve, export powerhouse! The U.S. is urged to model itself after her! In-fucking-credible.

The world has bought into the Chinese miracle myth, with eyes wide closed. China really is just a slave labor colony. It is printing money and racking up debt at break-neck speeds. Reminiscent of Brazil in the 1980s.

**Derivatives that paid for China's vast waste: about to blow up**

China's workers make sustenance wages. Nothing more. But the Chinese "miracle" requires the lowest labor costs in the world. Dirt-cheap slave labor is its only advantage. Here is the crisis.

Chinese inflation is running 12% a year. (The official rate, of course, is much less. More b.s. from the Chinese Communist government, that Wall Street is only too happy to lap up.)

Workers are stretched to the max. That is why the apartments they build are empty. The people can't afford them.

And this is why China so desperately needs to keep its currency cheap. Say the Chinese yuan rises, as it should. Then the prices of Chinese exports rise too.

Chinese factories could not compete. The whole Chinese house of cards would come tumbling down. These are the dire straits they are
The Chinese masses have no money. No credit. If they got credit, they couldn't pay it back. Just like the rest of the country. The idea that they will become great consumers, who lead the world economy forward, is the most absurd proposition in the world.

The Chinese miracle is really the Chinese nightmare. Their factories are marginally competitive. Half of them are shut down. The others are on Chinese government life support. Deeply in debt. They have a labor crisis, like the world has never seen before.

In the not-so-distant future, they will NOT be the world's factory. They will be unable to supply their domestic needs. Only the Chinese secret police (working with the Red Army)...the world's most notorious prison system...and the threat of starvation keep its factories manned.

Chinese workers riot. Strikes are illegal in China. Yet demonstrations and strikes are common

The Chinese Olympics was supposed to be the coming out party for China. Its Sweet 16 party. They staged everything. Similar to what the USSR used to do for its foreign visitors, in the 1920s and 1930s.

No one was allowed near China's vast slums. Chinese citizens who could reveal the truth were jailed. China put on its fairy tale illusion of great prosperity and growth.

Once the party ended, the great venues were left empty. Crumbling apart. The apartment buildings and grand hotels are closed. No one can afford to rent or buy these vast buildings. All constructed on fast easy credit. Think of the USSR and North Korea, but on a much bigger scale.
So you see truth here is the exact opposite of Wall Street's spin. Truth is the pending blowup of the Chinese economy. Which means the derivatives that financed it all are about to blow up as well.

The Chinese bubble economic blowup and sovereign debt wipeout could easily throw the world into the next phase of this Great Depression.

**Why China must keep buying U.S. debt**

China buys $300-to-$400 billion a year in U.S. securities. They can't stop. For two reasons.

First, by buying U.S. debt, they keep their own currency weak. They keep the dollar strong. As I've already shown you, without that, they can't survive. Because the nation is imploding as a manufacturing powerhouse.

Second, the Chinese government has learned an unpleasant reality. Any money it parks in Chinese banks, promptly gets stolen or squandered. Corruption and communism's infamous inefficiencies are the reasons.

The exact opposite is true when they buy U.S. government debt. They support their currency. They support their banks.

What's more, every dime of debt the U.S. government has issued, for over 200 years, has been paid back. In full, on time, with interest.

In other words, U.S. government securities are safe for China. They guarantee their money will stay secure and whole.

**You don't need low wages to dominate world trade**

Cheap wages don't necessarily give you an export edge. Take the world's greatest manufacturing powerhouse. It also is the nation with the highest labor costs in the world: Germany.

German companies control many of their export markets to retail. They cut out the middlemen. Their factories are extremely efficient.

Their supply chain is not the cheapest. But it is a modern miracle of efficiency. And their workers are among the best in the world.

Bottom line, the Germans do not produce shit goods. They leave that to the Chinese.

There is no central planning. Little debt. As much as I hate

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**Empty nest: Beijing's olympic stadium a vacant 'museum piece'**

During the 2008 Olympics, Beijing's National Stadium was China's pride, the 90,000-seat physical embodiment of the country's economic ascendance. But time has not been so kind.

These days, the Birds Nest is a mostly empty "museum piece," as one interviewee puts it: the stadium has no regular tenant. The nearby Olympic aquatics center has only been slightly more fortunate: it's been turned into a water park.
to admit it, the Germans (more machines than people) really know how
to make quality things. They know how to capture markets. Think
Mercedes and BMW.

Want a piece of shit that breaks after a month? Buy China. It
won't cost much -- at first. But you'll have to buy it over and over
and over again.

Want quality that lasts a lifetime? Buy German. In the long-
run, you end up paying less. And you get a much better product to
boot. One that won't leach out toxic residues that are killing you.

Wealth is created on the farms and factory floors. Wealth is
destroyed by the banks and on the trading floors of the world
derivatives exchanges.

**The dark, deadly punch line about China's female crisis**

Earlier in this report, I told you how China has a female
crisis, unlike any seen. Men greatly outnumber women. All through
history, in most cultures the opposite held true.

Men went to war and died. When invading armies raped, pillaged
and plundered, they slaughtered the male losers. They didn't want
their enemies coming back to take revenge.

Females of child-bearing age were highly prized, as sex slaves
to the victors. So women out-numbered men. To this day if you look
at male to female population ratios, countries ravaged by war have
the most women to men.

I bring this up because to know what is coming, you must
understand the dark side of human nature. Men by nature risk more
than women. In societies with more men than women, there are more
risk takers. This helps you understand the phenomenon of the Chinese
gambler. Also the incredible penchant the Chinese have to build
bubbles, both in stocks and real estate.

Another side to this is far more dangerous. Societies with more
men, who don't have families, tend to be more aggressive societies.
This imbalance brings invading armies.

One example is the Japanese history of attacking Korea. Japan
historically has produced fewer women than men. So for thousands of
years of Japanese/Korean history, every century or so, Japan would
invade Korea. They would take back home females. This is well
documented in WWII.

Kamikaze pilots universally were unmarried males. We see the
same thing among suicide bombers.

In Arab cultures, the birth rate runs around 51 to 50, girls to
boys. About the world average. But harems are still widespread
there. One man can have ten wives. Wealthy men can have 40. So a
large number of Arab males never marry. There is just not enough
women to go around.
That is why suicide bombers and Jihad members are almost all unattached poor young males. Often virgins. They are part of the social underclass. They have no chance to marry. You see why the promise of 40 virgins appeals to them.

What does this have to do with this report? I'm glad you asked!

Everything you see out of China is about world domination. Remember, they are communists. And communists believe Karl Marx' deadly nonsense: that it is scientifically, historically inevitable that they will take over the world. Their female-starved, male population gives new meaning to "male chauvinist pig."

Not one female is a senior member of the controlling Chinese communist party. There is a handful of Chinese female millionaires. But they are anomalies. Mostly widows of men who were rich.

You've been fed full of shit about the alleged booming Chinese economy. All a lie. But one area of China IS growing at double-digit figures, year over year. Close to 300% in the last decade. The Chinese military.

China's military used to be a joke compared to the U.S. and Russia. No more. And compared to Japan, Korea, Singapore and the other wealthy Asian states, it is a dragon.

Other than N. Korea, China is the only Asian nation that has nuclear weapons. China is the only country on earth that can shoot down satellites. Yes, my friend, space is the new frontier. It will be a very important part of the next war. (Surely you don't think the age of war is over.)

China has the world's largest standing army. Nearly 20 million men. U.S. has 3 million. One sixth as much. According to a U.S. Army report in 1998, China can quickly mobilize 200 million soldiers. Every day China makes its army more modern, with better equipment.

The Chinese navy is the fastest growing in the world. In fact, China is growing two navies. The Blue Navy sails the oceans blue. They have one or two aircraft carrier fleets (carriers travel with a fleet of other ships, including submarines, destroyers, rocket launchers: some 30 other vehicles in all). Nothing compared to America's fleet.

The Green Navy is another matter. It patrols inland waterways and coastal areas. China is building up her Green Navy in a huge way. All these boats are equipped with modern missile systems. Including very sophisticated sea-to-land and sea-to-air missiles.

This is why Taiwan is shitting all over itself. China could invade Taiwan, take down the government, and install new leaders before Obama got back from the golf course.

Old, tired world empires, like the U.S., inherit military traditions from their past wars. e.g. the U.S. has never had to fight a great land war on its own soil. But we have fought many
times across oceans. So our military is heavily invested in ships and the air force.

China is more experienced in guerrilla wars. Vietnam. SE Asia. They are at home in the war in Afghanistan: they secretly fund the Taliban.

Remember, the poppy trade (opium and heroin) was established by the English. They wanted to trade narcotics for tea. Now that opium-growing region of the world no longer supplies heroin to China. It supplies drugs on the city streets of Europe and America. Another part of the covert warfare launched by China to bring us down.

China's army has the most advanced cyber-warfare division in the world. Over one million scientists and software engineers work full time in this area. They are preparing for cyber-war. Against Europe...and especially against the U.S.

By comparison, the U.S. barely funds any kind of cyber-warfare defense. Less than a thousand engineers work in the field. The EU doesn't have a cyber-warfare defense unit of any kind. They are still trying to figure out how to get the SIM chip in their cell phones to record phone numbers.

China knows its economy is precarious. Like I said earlier, it's not about profits for them. It is about jobs. But not the kind of jobs you might think. For here's the real punch line.

China is about employment. About jobs for 500 million men who will never have a wife. They will be employed. By the Chinese red army. Their job will be warrior. Raping, pillaging and plundering will be thrown in for good measure.

The greatest threat from China is not economic. The great China threat is military. We are clueless about that, as we go to Walmart and pick up "bargain" priced Chinese toasters. We are buying our own doom.

Now you should be having your zen moment of elucidation. The reason China is stockpiling commodities, building empty cities, putting on increased manufacturing capacity is not to produce consumer goods. It is part of their preparation for war. War on many fronts.

Here is something for you to think about, next time the network news tries to brainwash you. The bullets US soldiers fire from their guns do not come form US factories. They are made in China.

China's is preparing for financial war. So they finance U.S. government debt. They are preparing for economic war. Satellite war. Cyber-war, on our computers and the Internet. Finally, a war will be waged, after they cripple us, and attack with their dream of a 500 million man army.

Faster than you can say "Mao Tse Tung," all of China's excess factory capacity can produce military technologies and war materials.
All those joint ventures China is doing with America's biggest and best? For one reason. To acquire technology.

The Google fight was really about technological warfare. This time, our side did not cave in. Don't be fooled, my friend. They have us by the balls.

Within five years, China will be at war with us. It will be covert at first. They will collapse our electrical grid. Our water systems. Our Internet and communications systems. Meaning our entire infrastructure crashes. Because it is all based on computers and communications.

The critical stage of the next war will be the modern day blitzkrieg. Cyber-war. We don't understand cyber-war. We don't even realize we are in one. We didn't understand the blitzkrieg either, or the V2 rockets, until Europe fell to Hitler.

The cyber-war will be far more deadly. Because our entire nation now runs on computers. With the push of a button a cyber-attack could be launched that would send America back to the 1890's before the days of electricity, cars, phones, plumbed water, radio tv.

At the flick of a switch, China can turn off your TV. Shut down our Internet. Kill all phone communications, including cell phones. Blind every weather and communications satellites. Put our nuclear reactors into meltdown.

China can close off every airport and ground every flight...turn off the lights in every major city...close every port and highway.

They can shut down 911 services. So the police can't come. Firemen can't come. Ambulances can't come. Close down every hospital. In short, they can bring your life to a screeching halt.

They can do all this without firing a shot. Without anyone knowing what really happened. And before we could react.

With all transportation and communications down, they could launch a full scale nuclear attack. It would blindside us. Without command and control our missiles would be destroyed in their silos. Our fighter planes would go down in their hangers...our ships destroyed at dock.

It happened before, just not to this scale. It is called Pearl Harbor.

Think I'm exaggerating? China already has done test runs of many of these cyber-attack systems. They succeeded with flying colors.

Remember when the ATM machines stopped working, due to “glitches?” (HSBC, among others, has had this problem.) When the air traffic control system grounded flights in the east coast of the U.S., because their computers went down? This took place twice in one week.
Remember when electrical grids have fallen, in surprise blackouts? When the Internet got disrupted four times in one week in early 2008, because the underwater Mideast cables inexplicably were cut?

These events have been systematic tests of the various components of China's cyber-warfare system.

They were quickly corrected. Supposedly. The truth is once the Chinese knew their tests worked, they called off the attacks.

But imagine if they happened all at once. Suppose this time they were not stopped. There would be no way to mobilize the people to fix the problems.

I've watched them for years, as they probe and test our systems. It disgusts me that the authorities are quick to blame it all on computer “glitches.” Experts I've talked to, who won't speak on the record, all tell the same story. “We don't know what happened. Out of the clear blue sky, our systems crashed. Just as fast, they came back online. We don't know what happened. But for sure the problem came from the outside.”

China's leaders now know their attacks work. They are getting ready for the day the war starts. Then they bring down all these systems at once. In the confusion, in the chaos -- in the lack of communications and ability to respond -- their far inferior armies are no longer inferior.

They enter countries unopposed. Just like Germany walked around the French Maginot line. The French military stood hundreds of miles to the south, doing nothing. They had no enemy to engage. Paris fell in hours. The entire nation surrendered.

Not only is China in a strategic alliance with Russia. The Chinese support our enemies in the Middle East. They support our enemies in Latin America. Venezuela. The Colombian/Mexican drug cartels. Every time we buy more of their low-priced junk, we strengthen their armies.

Meanwhile, happy shopping at Walmart.

Some examples of Chinese cyber-attacks on America and other nations

The threat of Chinese cyber-attacks is not just theoretical. They have already successfully carried out hundreds of these attacks. They have proven, over and over, they have the ability to wage cyber-war against a sleeping America.

Here are a few examples, of attacks that compromise U.S. interests. Including military command and control...banking...trading... cash registers...power grids & water systems...transportation (railroads, aircraft, trucking, shipping)...and communications, including telephone TV, the Internet
and everything connected to it...

* China’s cyber army preparing to march on America, says Pentagon

Chinese military hackers have prepared a detailed plan to disable America’s aircraft battle carrier fleet with a devastating cyber attack, according to a Pentagon report obtained by The Times.

The blueprint for such an assault, drawn up by two hackers working for the People’s Liberation Army (PLA), is part of an aggressive push by Beijing to achieve “electronic dominance” over each of its global rivals.

China’s ambitions extend to crippling an enemy’s financial, military and communications capabilities early in a conflict, according to military documents and generals’ speeches that are being analysed by US intelligence officials. Describing what is in effect a new arms race, a Pentagon assessment states that China’s military regards offensive computer operations as “critical to seize the initiative” in the first stage of a war.

* Chinese & Russian Spies 'infiltrate US power grid'

BBC News, Silicon Valley

US government admits the nation's power grid is vulnerable to cyber attack, following reports it has been infiltrated by foreign spies.

The Wall Street Journal (WSJ) reported that Chinese and Russian spies were behind this "pervasive" breach.

It said software had been left behind that could shut down the electric grid.

"The vulnerability is something [we] have known about for years," said US Homeland Security Secretary Janet Napolitano.

"We acknowledge that... in this world, in an increasingly cyber world, these are increasing risks," Ms Napolitano added.

She refused to comment on the WSJ story that an intrusion had taken place, but security experts said they were not surprised by the claims.

"From a geo-political standpoint, this has created an opening for skilled 'hostiles' to obtain a presence in places we would rather they didn't have one."

'Strategic thinking'

The motives behind these potential attacks are undoubtedly military or political in nature, said Tim Mather, chief security strategist for the RSA Conference, the world's biggest security
event.

He told the BBC: "These countries are not doing this willy-nilly. There is a tactical reason for all of this and no doubt tied to a longer term strategic plan which is gosh if they need to jerk the chain of the US, then this is the way to do it."

* China attacked Google: Google is releasing information about a "highly sophisticated and targeted attack" on their corporate infrastructure that occurred this year. The attack originated in China and resulted in the "theft of intellectual property from Google."

Google found that these attacks were not just going after Google’s data, but were also targeting at least twenty other major companies spanning sectors including Internet, finance, chemicals, and more.

* China shot down satellite: The Chinese military used a ground-based missile to hit and destroy one of its aging satellites orbiting more than 500 miles in space -- a high-stakes test demonstrating China's ability to target regions of space that are home to US spy satellites and space-based missile defense systems.

The test of anti-satellite technology is believed to be the first of its kind in two decades by any nation. It raised concerns about the vulnerability of US satellites and a possible arms race in space.

"The US believes China's development and testing of such weapons is inconsistent with the spirit of cooperation that both countries aspire to in the civil space area," National Security Council spokesman Gordon Johndroe said yesterday.

* China blamed for two major U.S. power outages: Chinese hackers have been blamed for two sets of cyber attacks that left US homes without electricity in recent years.

Two blackouts, in Florida and the Northeast, were at least partially caused by Chinese crackers, computer security experts told the National Journal Magazine. The blackout that affected New York, Michigan, Ohio and parts of Canada - hit 50 million homes. The blackout in south Florida that left three million homes without electricity was down to a Chinese PLA hacker.

* Widespread Chinese Internet abuses: WASHINGTON, March 24 (Reuters) - Internet domain company GoDaddy.com said it planned to stop registering domain names in China, joining Google Inc in protesting cyber attacks and censorship in that country.

"We believe that many of the current abuses of the Internet originating in China are due to a lack of enforcement against criminal activities by the Chinese government," Christine Jones, Go Daddy Group Inc general counsel, told a congressional commission hearing on Wednesday.
She said GoDaddy had repelled dozens of extremely serious attacks that appear to have originated in China.

* Congress says China ramping up U.S. cyber-attacks: A Congressional Panel of six Democrats and six Republicans concluded that China has developed a highly sophisticated cyberwarfare program and is ramping up its capacity to penetrate US computer networks.

The Panel's conclusions, issued late last week, were swiftly rejected by the Chinese government. However the US-China Economic and Security Review Commission has stood by its conclusions.

The Commission claims that China's current cyberattack systems are sufficiently advanced that the US may be unable to counteract - or even detect - the efforts.

The Commission also claims that China may be actively supporting more than 250 hacker groups who are aiming their unwanted attentions at public and private sector computer servers across the US.

The 393-page report criticized Beijing's "heavy-handed government control" over its economy and its "continuing arms sales and military support to rogue regimes" such as Sudan, Myanmar (Burma) and Iran.

The cyberwarfare problems seem to stem from the allegation that several of China's space programs have potential military uses.

* China attacking U.S. government computers: James Mulvenon, a Washington-based specialist on the Chinese military, says China employs a constantly shifting mix of official and civilian or semi-civilian groups (such as so-called patriotic hacker associations) as the foot soldiers — the "proxies" — in its cyberwar armies.

China has long regarded cyberwarfare as a critical component of asymmetrical warfare in any future conflict with the U.S. From China's perspective, it makes sense to use any means possible to counter America's huge technological advantage. A current wave of hacking attacks seems to be aimed mainly at collecting information and probing defenses. But in a real cyberwar, a successful attack would target computer-dependent infrastructure, such as banking and power generation.

"Can one nation deliver a crippling blow to another through cyberspace?" asks American Sami Saydjari, head of the private computer-security group Cyber Defense Agency and former president of Professionals for Cyber Defense. "The answer is a definite yes. The Chinese know we are much more dependent on technology, and the more you depend on it, the more vulnerable you are."

* Hackers (believed Chinese) took control of FAA (U.S. airline) servers: In February 2009, hackers took control of the FAA critical network services. At that time, the FAA domain computer controller for the western region was cracked. More than 40,000 FAA user IDs and passwords were stolen. Though not proved, China is believed to
behind the attacks.

FAA officials said “in our opinion, unless effective action is taken quickly, it is likely to be a matter of when, not if ATC systems encounter attacks that do serious harm to ATC operations.”

* Researchers Trace Theft of Key Indian Defense Data to China, NY Times reports:  Canadian and United States computer security researchers have monitored a spying operation for the past eight months, observing while the intruders pilfered classified and restricted documents from the highest levels of the Indian Defense Ministry.

The intruders breached the systems of independent analysts, taking reports on several Indian missile systems.

The intruders even stole documents related to the travel of NATO forces in Afghanistan. Illustrating that even though the Indian government was the primary target of the attacks, one chink in computer security can leave many nations exposed.

It’s not only that you’re only secure as the weakest link in your network,” said Rafal Rohozinski, a member of the Toronto team. “But in an interconnected world, you’re only as secure as the weakest link in the global chain of information.”

iven the sophistication of the intruders and the targets of the operation, the researchers said, it is believed that the Chinese government approved of the spying.

* CIA: cyber-attacks on utilities:  The CIA said, "We have information, from multiple regions outside the United States, of cyber intrusions into utilities, followed by extortion demands. In at least one case, the disruption caused a power outage affecting multiple cities. We do not know who executed these attacks or why, but all involved intrusions through the Internet."

* Huge increase in cyber-attacks on national infrastructure:  Over the past year to 18 months, there has been "a huge increase in focused attacks on our national infrastructure networks, . . . and they have been coming from outside the United States," said Ralph Logan, principal of the Logan Group, a cybersecurity firm.

It is difficult to track the sources of such attacks, because they are usually made by people who have disguised themselves by worming into three or four other computer networks, Logan said. He said he thinks the attacks were launched from computers belonging to foreign governments or militaries, not terrorist groups.

Over the past 10 years, electric utilities, pipelines, railroads and oil companies have used remotely controlled and monitored valves, switches and other mechanisms. This has resulted in substantial savings in man power and other costs.

But to do that, the companies have installed wireless Internet connections to link the devices to central offices. Leaving them
open to cyber attack.

* **100's of successful attacks on Defense Dept Networks**: The Defense Department admits to hundreds of successful attacks on its networks in recent years. Brian Murphy, who left the Defense Department's network security unit last year to work for the security firm Riptech, said "our nation's critical infrastructure is connected to public networks and vulnerable. It's open to terrorists, operating from anywhere in the world, with the motivation and skills to wreck havoc."

* **1000's of files stolen (apparently by China) on America's most advanced fighter planes**: Thousands of confidential files on the U.S. military's most technologically advanced fighter aircraft have been compromised by unknown computer hackers over the past two years, according to senior defense officials. The F-35 Joint Strike Fighter's self-diagnostic system was compromised by hackers, officials say.

The Internet intruders were able to gain access to data related to the design and electronics systems of the Joint Strike Fighter through computers of Pentagon contractors in charge of designing and building the aircraft, according to the officials.

Hackers also gained entry into the Air Force's air traffic control systems, according to the officials. Once they got in, the Internet hackers were able to see such information as the locations of U.S. military aircraft in flight.

The Joint Striker Fighter plane is the military's new F-35 Lightning II. It designed to become the aircraft used by all of the branches of service.

Most of the files broken into focused on the design and performance statistics of the fighter, as well as its electronic systems. The information could be used to make the plane easier to fight or defend against.

Former US officials said the attacks appear to have originated in China, but there is scant concrete evidence because it is easy to mask identities online.

Attacks on the Pentagon are common, but are said to have escalated dramatically in the past six months, and coincide with growing speculation about China's role in cyber espionage.

* **Cyber-warfare attacks soaring on U.S. military infrastructure, government and communications systems**: Cyber-warfare attacks on military infrastructure, government and communications systems and financial markets pose a rapidly growing but little understood threat to international security. They could become a decisive weapon of choice in future conflicts between states, the London-based International Institute for Strategic Studies warned yesterday.
IISS director-general John Chipman said: "Despite evidence of cyber attacks in recent political conflicts, there is little appreciation internationally of how to assess cyber-conflict. We are now, in relation to the problem of cyber-warfare, at the same stage of intellectual development as we were in the 1950s in relation to possible nuclear war."

The study highlighted a series of other security threats, including the war in Afghanistan, China's military diversification, the progress of Iran's suspect nuclear program, and the impact of terrorist groups in Iraq and elsewhere.

"Cyber-warfare [may be used] to disable a country's infrastructure, meddle with the integrity of another country's internal military data, try to confuse its financial transactions or to accomplish any number of other possibly crippling aims," he said. Yet governments and national defence establishments at present have only limited ability to tell when they were under attack, by whom, and how they might respond.

* U.S. Unprepared for Cyber-Warfare: A simulated cyber attack has shown once again that the US is unprepared for cyberwarfare, a year after the federal government conducted an extensive review of its cyber security stance.

The Bipartisan Policy Center hosted Cyber ShockWave, a simulation designed to mimic a wide scale cyber attack on the US. The wargame, which included a mock White House emergency room, revealed some crucial gaps in US preparedness, according to the BPC.

The scenario, which was unknown to the participants before the event, involved a hypothetical attack on 20 million mobile phones. In the wargame, the phones had been infected months earlier using a widely distributed consumer-focused sports application that contained a trojan.

"When the Cabinet convenes to face this crisis, 20 million of the nation's smart phones have already stopped working," the BPC said. "The attack escalates, shutting down an electronic energy trading platform and crippling the power grid on the Eastern seaboard."

Reports suggest that the source of the attack was difficult to pinpoint during the event. John Negroponte, director of national intelligence, who was masquerading as Secretary of State during the event, is quoted as saying that "attribution was one of the hottest issues to deal with".

* Increasing Chinese cyber-attacks on U.S.: Dennis Blair, director of national intelligence, testified before the House Intelligence Committee, which was conducting its annual threat assessment hearing.

Blair argued that the US was unprepared to defend itself against the rising threat of cyberattacks. In particular, increasing imports
of foreign hardware and software for use in US networks is leaving the country open to potential attacks.

The technological balance favors attackers, rather than those wanting to defend their internet presence, Blair said, adding that the internet had also created a breeding ground for local radicalization.

"The United States continues to be the victim of a disturbing increase in the scope, virulence, and potency of cyber attacks."

The testimony came just days after security services company Mandiant published a report on advanced persistent threats. "We’ve been able to correlate almost every APT intrusion we’ve investigated to current events within China," Mandiant said in the document.

* China attacks Internet Explorer: Further evidence has emerged suggesting that the Operation Aurora attack exploiting a zero-day flaw in Internet Explorer came from within the People's Republic of China.

China has also staged attacks on Firefox, prompting the U.S. military to ban its use until the weakness was patched. In all, China is suspected of conducting dozens of successful attacks on Explorer and Firefox, that have required constant emergency repairs from Microsoft and Mozilla.

Tainted Chinese Imports Common In Four Months, FDA Refused 298 Shipments

Washington Post

Dried apples preserved with a cancer-causing chemical.
Frozen catfish laden with banned antibiotics.
Scallops and sardines coated with putrefying bacteria.
Mushrooms laced with illegal pesticides.

These were among the 107 food imports from China that the Food and Drug Administration detained at U.S. ports just last month, agency documents reveal, along with more than 1,000 shipments of tainted Chinese dietary supplements, toxic Chinese cosmetics and counterfeit Chinese medicines.

For years, U.S. inspection records show, China has flooded the United States with foods unfit for human consumption. And for years, FDA inspectors have simply returned to Chinese importers the small portion of those products they caught -- many of which turned up at U.S. borders again, making a second or third attempt at entry.

Throw away Chinese toothpaste, FDA warns

Products may contain poisonous chemical used in antifreeze
WASHINGTON - The government warned consumers to avoid using toothpaste made in China because it may contain a poisonous chemical used in antifreeze.

The ingredient in question, called DEG, is used as a lower-cost sweetener and thickening agent. The highest concentration of the chemical found in toothpaste so far was between 3 percent and 4 percent of the product’s overall weight.

“It does not belong in toothpaste even in small concentrations,” said the FDA’s Deborah M. Autor.

Chinese-made clothes 'toxic'

Wellington, New Zealand - New Zealand launched an investigation into Chinese garment imports after children's clothes from China were found to contain dangerous levels of formaldehyde, officials said.

The government ordered the probe after scientists testing clothes for TV3’s Target consumer watchdog program discovered formaldehyde concentrations up to 900 times above the safe level in woolen and cotton clothes from China.

China replaces toxic lead in kids' toys -- with even more toxic cadmium

There's more trouble in toyland.

Now that lead has been banned from children’s products, some Chinese manufacturers have been substituting the even more dangerous heavy metal cadmium, especially in costume jewelry, an Associated Press investigation reveals.

Cadmium is a known carcinogen that, like lead, can delay brain development in young children, leading to learning disabilities. Research also shows that long-term exposure can cause cancer and kidney problems.

The AP purchased 103 pieces at national and regional store chains in New York, Ohio, Texas and California. A lab analysis revealed that the most contaminated trinket contained 91 percent cadmium by weight, while other objects tested at dangerous levels including 89 percent, 86 percent and 84 percent by weight. Twelve percent of the pieces contained at least 10 percent cadmium.

Even more worrisome, some of the items easily shed their metal, raising additional concerns about children’s exposure to toxins.

Kids don’t have to swallow cadmium to be exposed – simply sucking on or biting costume jewelry with high levels of cadmium can hit them with regular doses of the metal.

"There's nothing positive that you can say about this metal. It's a poison," warns Bruce A. Fowler, a toxicologist and cadmium specialist at the U.S. Centers for Disease Control and Prevention.

Chinese Pet Food Poison May Have Been Intentional

FDA Investigators Say Chinese Companies May Have Added Melamine to Appear to Boost Protein Content
Investigators say the chemical that has sickened and killed pets in the United States may have been intentionally added to pet food ingredients by Chinese producers. 

**Food and Drug Administration** investigators say the Chinese companies may have spiked products with the chemical **melamine** so that they would appear, in tests, to have more value as protein products.

Officials now suspect this possibility because a second ingredient from **China**, rice protein concentrate, has tested positive for melamine. So has corn gluten shipped to South Africa. That means there is a possibility for another round of recalls.

The FDA's top veterinarian, Stephen Sundlof, says finding melamine in so many products "would certainly lend credibility to the theory that it was maybe intentional."

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**U.S. Feds: Homes with Chinese drywall must be gutted**

(AP) - Thousands of U.S. homes tainted by Chinese drywall should be completely gutted, according to new guidelines released by the **Consumer Product Safety Commission**.

The guidelines say electrical wiring, outlets, circuit breakers, fire alarm systems, carbon monoxide alarms, fire sprinklers, gas pipes and drywall need to be removed.

"We want families to tear it all out and rebuild the interior of their homes, and they need to start this to get their lives started all over again," said **Inez Tenenbaum**, chairwoman of the commission, the federal agency charged with making sure **consumer products** are safe.

The drywall has been linked to corrosion of wiring, air conditioning units, computers, doorknobs and jewelry, along with possible health effects. Tenenbaum said some samples of the Chinese-made product emit 100 times as much hydrogen sulfide as drywall made elsewhere.

The agency continues to investigate possible health effects. But preliminary studies have found a possible link between throat, nose and lung irritation and high levels of hydrogen sulfide gas emitted from the wallboard, coupled with formaldehyde, which is commonly found in new houses.

Southern members of **Congress** say the U.S. needs to pressure the Chinese government, which allegedly ran some of the companies that made defective drywall.

**In Cape Coral, Fla., Joyce Dowdy**, 71, and her husband Sonny, 63, plan to move out of their $150,000, 1,600-square-foot home while it is gutted to get rid of tainted Chinese drywall.

**Joyce Dowdy** said she suffers from nose bleeds and her husband has a persistent cough. They blame the drywall.

"We can't live like this anymore," **Joyce Dowdy**.

They're borrowing money to do the gutting, which means that instead of a mortgage-free retirement they will be paying monthly bills cover the costs of repair.

"It's costing us as much as we paid for the house," **Joyce Dowdy** said. "But we can't just walk away ... Our house is worth nothing at the moment."
Seafood imports from China raised in untreated sewage

Fish products eaten by Americans treated with dangerous drugs, chemicals

WASHINGTON – China, the leading exporter of seafood to the U.S., is raising most of its fish products in water contaminated with raw sewage. It is compensating by using dangerous drugs and chemicals, many of which are banned by the Food and Drug Administration.

FDA inspectors report tainted food imports from China are being rejected with increasing frequency. They are found filthy, contaminated with pesticides and tainted with carcinogens, bacteria and banned drugs.

In China, 3.7 billion tons of sewage is discharged into rivers, lakes and coastal water – some of which are used by the industry. Only 45 percent of China has any sewage-treatment facilities, putting the country behind the rest of Asia.

According to a new report by Food & Water Watch, China crams fish and shellfish into facilities to maximize production. This generates large amounts of waste, contaminates water and spreads disease if left untreated. The industry tries to control the spread of bacterial infections, disease and parasites by pumping the food supplies with antibiotics and the waters with fungicides and pesticides.

Many of the products used are banned in the U.S. Traces of these drugs have been showing up increasingly in imports from China.

"In addition to potentially making people sick, overuse of such drugs is contributing to antibiotic resistance," says Food & Water Watch.

Chinese food companies also are masters at getting around U.S. safety controls. For example, China built its shrimp farms on old cotton fields. Those fields are filled with insecticides, left over from the cotton days. These insecticides contaminate the water the shrimp live in. The fish and shrimp are loaded with chemicals, far above FDA limits. It is one of the great food scandals of our time.

China became the leading exporter of seafood to the U.S. in 2004. Amounts are rising fast. “China's imports of aquaculture products are increasing despite the country's history of violations for veterinary drug residues," says Food & Water Watch.

Every year, one in four Americans is afflicted with a food-borne illness. Seafood is responsible for about 20 percent of those cases – or 15.2 million.

China products choke, burn, drown, trap Americans

U.S. consumer safety recalls overwhelmingly hit imports from China

WASHINGTON – It's not just Chinese food and drug imports that can
kill you.

Many of those bargain-priced products you pick up at Wal-Mart, Target or Sam's Club could do you in, too.

Imports from China were recalled by the U.S. Consumer Product Safety Commission twice as often as products made everywhere else in the world, including the U.S. A few of these include:

- Portable baby swings that entrap youngsters, resulting in cuts, bruises and abrasions;
- Swimming pool ladders that break, resulting in leg lacerations requiring up to 21 stitches, bone fractures, back injuries, torn ligaments and sprained ankles;
- Faulty baby carriers that result in babies falling out and getting bruised, cracked skulls and hospitalizations;
- Easy-Bake Ovens that trap children's fingers in openings, resulting in burns;
- Oscillating tower fans whose faulty wiring results in fires, burns and smoke inhalation injuries;
- Exploding air pumps that have resulted in lacerations, including facial and eye injuries;
- Bargain-priced oil-filled electric heaters, selling for less than $50, that burn down homes;
- Notebook computer batteries that burn up computers, cause other property damage and burn users;
- Circular saws with faulty blade guards that result in cutting people, not wood.

Electrical products made in China represent a significant percentage of the recalls. The CPSC noted the market is saturated with Chinese counterfeit circuit breaker, power strips, extension cords, batteries and holiday lights that cause fires, explosions, shocks and electrocutions.

"Many counterfeit products are made in China and CPSC is actively working with the Chinese government to reduce the number of unsafe products that are exported to the United States," said the alert.

Americans see a cheap electrical power strip with a circuit breaker and assume it does what it is supposed to do. That is not the case with many Chinese counterfeits. They are not only counterfeits in the sense of improperly using brand names. They are actually counterfeits in the sense of pretending to do something they were never intended to do.

Big problems occur when an over-taxed power strip doesn't trip a circuit. Fires can occur. Property can be damaged. People can be killed.

How could one go wrong purchasing an attractive kitchen stool engraved with a rooster on the seat? After all, it was only $30. Well, people found out the stools collapsed, even under the weight of small children.

For years, American crib manufacturers scrupulously lived up to the exacting safety standards imposed by agencies like the CPSC. Not so with Chinese manufacturers.

Some 40,000 cribs had to be recalled when it was discovered directions instruction consumers to assemble them in ways that would result in the baby falling out and becoming entrapped. Additionally, locking pins on the side of the crib could pop off and cause a choking hazard.

About 450,000 infant car seat carriers manufactured in China had to be recalled. It was determined infants were falling out because of a faulty design. The Evenflo Co., which imported the carriers from China, received 679 reports of the handle on the car seat releasing for no reason, resulting in 160
injuries to children, including a skull fracture, two concussions and cuts and bruises.

Even books for young children have been found to contain plastic squeaker toys that have become lodged in babies' throats and metal clips that break off, potentially injuring kids.

Graco received 137 reports of infants mouthing, chewing and sometimes choking on tiny pieces of its soft blocks tower toys imported from China. At least 32 infants were found gagging on the pieces and 49 choked on the plastic covering. In all, 40,000 had to be recalled.

Chinese ginger latest food scare

In yet another food scare consumers have been warned about ginger imported from China which contains a toxic chemical.

The California Department of Public Health (CDPH) says the toxic chemical called aldicarb sulfoxide was found in fresh ginger from China. Aldicarb sulfoxide is a pesticide that is not approved for use on ginger.

The product is known to have been distributed to Albertson's stores and Save Mart stores in northern California by the Christopher Ranch Food Company of Gilroy, California. It was shipped to Washington, Oregon, California, Michigan, and Louisiana.

Aldicarb sulfoxide is a potent neurotoxin. Symptoms of aldicarb poisoning usually occur within the first hour following exposure and can include nausea, headache, and blurred vision, which usually disappear within 5 or 6 hours.

Higher levels of ingestion can cause dizziness, salivation, excessive sweating, vomiting, diarrhea, muscle stiffness and twitching, and difficulty in breathing.

China formula scare spreads to ice-cream, yoghurt

20% of Chinese dairy products found contaminated

BEIJING, (Reuters) - Hong Kong has ordered the recall of a Chinese company's products after milk, ice cream and yoghurt were found to be contaminated with melamine, the compound responsible for killing four children in a China health scandal.

Tainted milk powder produced in China has made thousands ill, and triggered sackings and detentions and rocked public trust already battered by a litany of food safety scares involving tainted eggs, pork and seafood in recent years.

Now the scandal has spread to milk, ice-cream and yoghurt ice-bars. Hong Kong ordered the recall of a Chinese company's products on Thursday after tests found that eight of 30 of its products, including milk drinks, were tainted with melamine.

The company, Inner Mongolia Yili Industrial Group Co Ltd was a Beijing Olympic Games sponsor and is one of 22 Chinese firms implicated in the scandal.

A regional Chinese health authority said on Thursday a fourth child had died at a hospital in remote northwestern Xinjiang.

Milk tainted with melamine, a compound banned in food, has killed three other babies, two in China's northwestern Gansu province and one in eastern Zhejiang.

The health scare erupted after Sanlu Group last week revealed it had produced and sold melamine-laced milk, and a subsequent probe found a fifth of 109 Chinese dairy producers were selling products adulterated with the substance.

At the latest count, 6,244 children have become ill with kidney stones after drinking powdered milk laced with melamine, with three deaths and 158 suffering "acute kidney failure".

"It's just a terrible situation, it's really scary," said a 34-year-old father surnamed Zhou, cradling one of his eight-month twins outside a Beijing children's hospital.
China Attacks US Satellites With Lasers

China has fired high-power lasers at U.S. spy satellites flying over its territory in what experts see as a test of Chinese ability to blind the spacecraft, according to sources. It remains unclear how many times the ground-based laser was tested against U.S. spacecraft or whether it was successful.

According to top officials, however, China not only has the capability, but has exercised it. It is not clear when China first used lasers to attack American satellites. Sources would only say that there have been several tests over the past several years.

U.S. Army report: China could quickly mobilize 200 million soldiers

(And that was 16 years ago. Since then they have spent at least 300% MORE on their military.)

Colonel Larry M. Wortzel, then Director of the Strategic Studies Institute at the U.S. Army War College, reported in a 1998 study that China has the biggest military force in the world, by far...

“China's standing armed force of some 2.8 million active soldiers in uniform is the largest military force in the world. Approximately 1 million reservists and some 15 million militia back them up. With a population of over 1.2 billion people, China also has a potential manpower base of another 200 million males fit for military service available at any time. In addition to this wealth of manpower, China is a nuclear power. It has enough megatonnage, missiles, and bombers to hit the United States, Europe, its Asian neighbors, and Russia.”

Chinese government-approved book: China must “sprint” to become world's most powerful state – “to dominate the world”

A government-approved book by Senior Col. Liu Mingfu urges China to "sprint" toward becoming the world's most powerful state. Liu (i.e. the Chinese government) says China and the United States are in "competition to be the leading country, a conflict over who rises and falls to dominate the world."

China to Build 32 More Nuclear Power Reactors by 2020

From Bloomberg

China approved the construction of 32 more nuclear power reactors by 2020. That is on top of the 17 nuclear reactors they already have.

Nick note: One characteristic of China's nuclear reactors, the Chinese Central committee forgets to mention. Each one is a "breeder reactor." That means they don't just produce power for energy. They also produce enriched uranium and plutonium. These are the key ingredients used in nuclear weapons. So the reactors are adding more nukes to the Red Army's growing stockpile of nuclear arms.

Over the past 20 years, Russia and the U.S. have reduced their nuclear arsenals. Not the Chinese. They have the fastest-growing arsenal of nukes in the world. They have nuclear attack capacity to
annihilate every city on the planet.

The world is raising hell about the Iranian nuclear threat. Rightly so. But they turn a blind eye to the greatest proliferator of nukes in the world. China. Maybe Iran should follow China's strategy. i.e. stock Walmart stores in America with cheap consumer goods. Then maybe we would let them have nukes too.

Remember, the Red Army's stated goal is to bring down America. Its generals have repeatedly threatened nuclear attacks on the U.S. For example, Maj. Gen. Zhu Chenghu, at an official briefing, said China should use nuclear weapons against the United States if the American military intervenes in any conflict over Taiwan.

And Xiong Guangkai, now the deputy chief of the general staff of the People's Liberation Army, said that China would consider using nuclear weapons in a Taiwan conflict. The U.S. Army quoted Xiong as saying that Americans should worry more about Los Angeles than Taipei.

And what is Obama doing, in the face of the biggest nuclear weapons buildup the world has ever seen? He is gutting our nuclear arsenal! He recently announced the United States will not strike back with nuclear weapons, even in defense, if we are attacked with biological, chemical or cyber-warfare weapons by “non-nuclear” nations.

The last time the world made a mistake like this was the 1930s, when it ignored Hitler's military buildup leading to WWII.

The Times of London:

**Death row organ donor scandal exposed in China**

Executed prisoners in China are being stripped of their kidneys, livers and hearts in a practice so widespread that two out of three transplant operations rely on organs removed from condemned criminals.

The *China Daily* newspaper said that 65 per cent of donations came from death row.

Despite a 2007 regulation barring trading in human tissue, demand for new organs far exceeds legitimate supply.

Only about 130 people have signed up to donate organs since 2003, according to research by Professor Chen Zhonghua at the Institute of Organ Transplantation, Tongji Hospital.

About one million Chinese need organ transplants each year but only 1 per cent receive one.

To meet demand an illegal trade in organs has boomed in a country that puts to death more convicted criminals than the rest of the world combined.

There has also been a surge in living donors. About 40 per cent of transplants are carried out with organs from living donors, up from 15 per cent in 2006, according to Professor Chen.

Qian Jianmin, chief transplant surgeon with the Shanghai Huashan Hospital, confirmed that patients were treated with organs from executed prisoners, and acknowledged that the system, which involves multiple government departments, was open to abuse.

Officially, death row prisoners are required to give their written consent for their organs to be removed after death. “Corruption can arise during the process," Mr Qian told the paper.
Illegal transplants from living donors, and tales of foreigners traveling to China for transplants, are frequently reported by media and the Ministry of Health.

Death row prisoners in China are usually executed by a bullet to the back of the head and ambulances wait at execution grounds for doctors to pronounce a prisoner dead. In some cases it is thought body parts are removed in these vehicles.

**Worse than death row organ donors: *live organ donors (from Chinese prisoners)*

If you think the Soviet Gulag was bad, wait till you hear about the Chinese prison system. In the USSR, prisoners were sent to work the mines of Siberia. But no one has a developed a “pay as you go” prison system like the Chinese.

People who speak out against the growing Chinese threat don't just work as slave laborers. Many find themselves participants in the world's most comprehensive organ donor program.

The world's largest supplier of donated organs is the Chinese prison system. You might say, what a nice thing. Prisoners who have died donate the organs. They make up for their great sins.

But like most things in China, it's not voluntary. And China ensures the highest quality of donated organs of any system in the world. Because there is one critical difference.

In America and the civilized world, organs are harvested from dead people. Mostly traffic accidents. The organs must be kept alive. Quality is not the highest.

China offers the freshest organs. Because they have developed the living organ donor system. Recipients don't have to wait for a traffic accident. Their organ donor is alive. He is taken to the operating room. His kidneys or livers (or other organs) are removed. The customer gets a live transplant. The prisoner wakes up in a tub of ice, back in his cell. Waiting for a painful, horrible death, usually just days away.

Notice how no one complains about this system. As long as China provides cheap LED TVs, no one cares.

One eyewitness to this worked in a Chinese hospital. She was aware of prisoners being kept alive in the basement, "After their organs were cut out, some of these people were thrown directly into the crematorium to be burnt," she said.

An individual veteran military doctor in Shenyang confirmed the claims. He said Sujiatun was just one of up to 36 such sites across China between which practitioners were rapidly transferred by closed freight train on special routes, "handcuffed like rotisserie chickens."

French TV presenters Michel Cymes and Marina Carre d’Encausse reported the issue in their “Health Magazine” program on the popular TV5 station. The following is a transcript of the report:
Program presenter Marina Carrre d’Encausse asks reporter Claire Feinstein: You research Overseas health care for us and have encountered shocking news on the Chinese Communist regime’s organ trade?

Feinstein: Yes. Usually our understanding about the organ trade is like this: some people are very poor. Because of poverty, they have to sell their own organs, such as corneas and kidneys, to get a little income. This is what we call “organ transplant tourism”. These organs are bought at high prices by these rich people who are waiting for organ transplants. This organ transplant tourism is well developed in India, Philippines and Egypt. According to statistics, there were in fact 6,800 cases of kidney transplants last year, about 10% of the total amount of organ transplant tourism.

Programme presenter Michel Cymes: With regards to China, the boundary of terror is pushed much further?

Feinstein: Yes, much much further. A few years ago, the Chinese Communist regime confessed under international pressure that the main source of their organs is death row prisoners. This behaviour doesn’t conform to moral standards. But now they have gone much further.

At the request by the non-government organisation CIPFG, two outstanding Canadian lawyers, David Matas and former Canadian Secretary of State for the Asia-Pacific region David Kilgour, carried out an independent investigation. Surprisingly they saw that the number of organs traded in China currently far exceeds the number of executed prisoners. In fact, a bit of research touched on an absolutely alarming and outrageous public health scandal. The victims are Falun Gong practitioners. Falun Gong is a cultivation method in the Buddha school. Therefore they are all peaceful people. There are many Falun Gong practitioners in China. Since 1999, the Chinese Communist regime started its brutal persecution campaign against Falun Gong. The regime illegally imprisoned them in labour camps.

Marina Carrre d’Encausse: Do we have evidence to prove that this is fact?

Feinstein: Yes. The evidence collected by the two lawyers is really terrifying, especially from these doctors and military doctors who regretted their actions. They were sent to various concentration camps to carry out this gloomy duty. Often without anaesthetic, they took the corneas, the lungs, the kidneys and the heart from these detained people.

Marina Carrre d’Encausse: After the corpses were cremated, all evidence disappeared?

Feinstein: Yes. The bodies were burnt to cover up all traces. Their families never heard any news about them. Many of them even didn’t go through the judicial procedure. They just disappeared.

Marina Carrre d’Encausse: It is shocking that these concentration camps also detain other people, but only Falun Gong practitioners are subjected to blood tests.

Feinstein: The non-governmental organisation first sent out the warning that China has over three hundred of these kinds of concentration camps. 300,000 people are detained there, among them 150,000 are Falun Gong practitioners. Only Falun Gong practitioners are subjected to comprehensive blood tests. This action is actually to find matching organs among the detainees for the potential organ customers.

Michel Cymes: The two lawyers you mentioned, they found the evidence?

Feinstein: They actually published their investigation Bloody Harvest. They collected fifty-two pieces of evidence and testimonies. Among them are doctors and victims who miraculously escaped from the concentration camps. They also have investigative telephone records with doctors in the private and public hospitals in China. Doctors explained directly: When they need organs, they can conveniently get the organs. In fact Falun Gong practitioners have become an organ bank.
Michel Cymes: In fact the Chinese Communist regime made a mistake. They invited the renowned surgeon Francis Navarro to demonstrate organ transplants. Francis Navarro is the chief surgeon at the Liver and Digesting system transplant department in the medical centre of Montpelier University.

Feinstein: He was actually invited to train surgeons in China to do organ transplants because the French are very skilled in organ transplant. Then he was very surprised because the Chinese authorities gave him the exact date for organ transplant. This obviously means that the organ donor is live. Thus he thought the donor may be the recipient’s father, mother or sibling. So he demanded to see the donor, the organ recipient’s medical records and the detailed arrangement. But at this time his opposite party replied: “We don’t have any document because we don’t know who the donor is. You will have it the day you come.” He was very surprised. He learned with a bit of investigation that for this operation, in fact someone would be executed.

Marina Carrre d’Encausse: Before discussing the international response to this, it is necessary to mention that Professor Francis Navarro and a reporter wrote a book – he indeed carried out a wide and thorough investigation. This book will come out in several weeks. The response from the international community?

Feinstein: The first investigative report by the two Canadian lawyers came out just before the Beijing Olympics in 2006 and 2007. There are not many real responses from the international community. There are some complaints, but only that.

China executions shrouded in secrecy

BBC News, Beijing

Opponents of the death penalty condemn China's record on a number of fronts.
Firstly, there is the secrecy surrounding the judicial process that makes it impossible to find out whether the accused has had a fair trial or not.
That means of course that it is uncertain how many criminals are executed here.
Human rights groups based abroad estimate that China executes more people each year than the rest of the world put together - although there is quite a disparity between their figures.
Amnesty International, for example, says China executes thousands of people every year.
Reports in the Chinese media suggest about one in 10 executions is for non-violent, economic crimes.
The US government, in its most recent annual report on human rights in China, said there were at least 68 capital offences in China's criminal code.
Then there are objections to the way the sentence is carried out. In much of China, prisoners are killed with a gunshot to the head.
Gradually, more and more provinces and municipalities are replacing this method with lethal injection, but the facilities to offer this alternative are not available everywhere yet.
The courts here describe themselves as independent, but the reality is the Communist Party controls them.

China's Three Gorges Dam: An Environmental Catastrophe
Even the Chinese government suspects the massive dam may cause significant environmental damage

SHANGHAI—For over three decades the Chinese government dismissed warnings from scientists and environmentalists that its **Three Gorges Dam**—the world's largest—had the potential of becoming one of China's biggest environmental nightmares.

But last fall, denial suddenly gave way to reluctant acceptance that the naysayers were right. Chinese officials staged a sudden about-face, acknowledging for the first time that the massive hydroelectric dam, sandwiched between breathtaking cliffs on the Yangtze River in central China, may be triggering landslides, altering entire ecosystems and causing other serious environmental problems—and, by extension, endangering the millions who live in its shadow.

In September, the government official in charge of the project admitted that Three Gorges held "hidden dangers" that could breed disaster. "We can't lower our guard," Wang Xiaofeng, who oversees the project for China's State Council, said during a meeting of Chinese scientists and government reps in Chongqing, an independent municipality of around 31 million abutting the dam. "We simply cannot sacrifice the environment in exchange for temporary economic gain."

Among the damage wrought: "There's been a lot less rain, a lot more drought, and the potential for increased disease," says George Davis, a tropical medicine specialist at The George Washington University (G.W.) Medical Center in Washington, D.C., who has worked in the Yangtze River Basin and neighboring provinces for 24 years. "When it comes to environmental change, the implementation of the Three Gorges dam and reservoir is the great granddaddy of all changes."

Environmentalists Insist Chinese Dams Cause Mekong Drought

Environmentalists and Thai authorities say the record low level of the Mekong River is directly linked to the dams that China has built along the river. Chinese officials have rejected the allegation and refuse to discuss the issue with riparian countries in the Mekong basin.

High ranking officials of Thailand's Water Resources Department insist that data collected over the past five years show the major cause of the severe drought in the Mekong River is the construction of huge dams along the river in China's Yunnan province. China has a total of 8 dam projects planned on the Mekong. With four of those projects completed, China has to withhold water from the river to generate power from those dams.

China considers the segment of the Mekong that runs through its country its own. Therefore, its sees no need to hold multilateral talks on this issue, but says it is prepared to discuss the matter bilaterally.

The Chinese embassy in Bangkok issued a statement denying Chinese dams had anything to do with the record low level of the Mekong, saying the drought in the Mekong basin area is caused by last year's unusually low rainfalls.

Environmentalists, however, say the drought in the Mekong basin is definitely linked to Chinese dams because, they say, most of the water feeding the Mekong River come from the snow melt-down in the Tibetan region of China. With massive dams blocking the river, that water cannot flow down to the
lower Mekong region.

The record low level of the Mekong has greatly impacted Laos. Its capital city of Vientiane currently faces severe water shortage because of its inability to pump up enough water for treatment to supply the city.

**HALF of Chinese steel fails quality tests —**

**but U.S. keeps importing more!**

Inferior steel imports from China that fall apart easily are making U.S. manufacturers and constructions firms more than a little nervous. Reports of failures during initial fabrication and questions about certification documents are becoming widespread.

The biggest concern is hollow structural sections widely used in construction of skyscrapers, bridges, pipelines, office, commercial and school buildings. This high-strength steel is also commonly used in power lifts, cranes, farm equipment, furniture and car trailer hitches.

Failures of this “tube steel” have already happened in several California schools. Chinese high-strength steel tubes and pipes are also a potential problem. They’re used extensively in power plants and in large industrial boilers. They must withstand enormous pressures and hellish heat around the clock for weeks or months on end. This steel also is used extensively in scaffolding that’s erected on building exteriors during construction or renovation, as well as for interior work.

China is already seeing problems. A Chinese power plant exploded recently when high-strength steel tubing blew out.

The following is from the Shanghai Daily:

HALF the steel material sold at wholesale markets and now being used in construction has failed quality tests. The Shanghai Industrial and Commercial Administrative Bureau inspected 52 batches of steel material at three markets and 15 construction sites in seven districts, including Xuhui, Zhabei and Baoshan, and officials said 27 batches had quality problems. The tested materials were too light to reach the country’s standard – some of the products were five times lighter than the required weight.

About 22 percent of the tested products failed tension tests. Buildings with such steel would not be able to withstand major earthquakes, the bureau said. Forty-eight percent of the tested material had inadequate amounts of carbon. Shortage of carbon can cause steel to break easily, officials explained.

Bear in mind this point: the US is importing a lot of cheap inferior Chinese steel, up from almost nothing a couple of years ago. The importers include the US government!

**First it was food, then toys, then medicine, now steel.** Greed has taken over, throwing reason and common sense out the window.

**New York Times says much pollution over Los Angeles comes from China**

Environmental degradation in China is now so severe, with such stark domestic and international
repercussions, that pollution poses not only a major long-term burden on the Chinese public. It is polluting other parts of the world. Including the U.S.

Public health is reeling. Pollution has made cancer China’s leading cause of death, the Ministry of Health says. Ambient air pollution alone is blamed for hundreds of thousands of deaths each year. Nearly 500 million people lack access to safe drinking water.

Chinese cities often seem wrapped in a toxic gray shroud. Only 1 percent of the country’s 560 million city dwellers breathe air considered safe by the European Union.

Environmental woes that might be considered catastrophic in some countries can seem commonplace in China: industrial cities where people rarely see the sun; children killed or sickened by lead poisoning or other types of local pollution; a coastline so swamped by algal red tides that large sections of the ocean no longer sustain marine life.

China’s problem has become the world’s problem. Sulfur dioxide and nitrogen oxides spewed by China’s coal-fired power plants fall as acid rain on Seoul, South Korea, and Tokyo. Much of the particulate pollution over Los Angeles originates in China, according to the Journal of Geophysical Research.

A World Bank study done with SEPA, the national environmental agency, concluded that outdoor air pollution was already causing 350,000 to 400,000 premature deaths a year in China. Indoor pollution contributed to the deaths of an additional 300,000 people, while 60,000 died from diarrhea, bladder and stomach cancer and other diseases that can be caused by water-borne pollution.

These are only estimates. The real numbers are likely far worse. Studies of Chinese environmental health mostly use statistical models developed in the United States and Europe and apply them to China, which has done little long-term research on the matter domestically. The results are more like plausible suppositions than conclusive findings.

And Chinese experts say that, if anything, the Western models probably understate the problems.

“China’s pollution is worse, the density of its population is greater and people do not protect themselves as well,” said Jin Yinlong, the director general of the Institute for Environmental Health and Related Product Safety in Beijing. “So the studies are not definitive. My assumption is that they will turn out to be conservative.”

China arming terrorists, Iran, and the Taliban
Inside the Ring
By Bill Gertz

New intelligence reveals China is covertly supplying large quantities of small arms and weapons to insurgents in Iraq and the Taliban militia in Afghanistan, through Iran.

U.S. government appeals to China to check some of the arms shipments in advance were met with stonewalling by Beijing, which insisted it knew nothing about the shipments and asked for additional intelligence on the transfers. The ploy has been used in the past by China to hide its arms-proliferation activities from the United States, according to U.S. officials with access to the intelligence reports.

Some arms were sent by aircraft directly from Chinese factories to Afghanistan and included large-caliber sniper rifles, millions of rounds of ammunition, rocket-propelled grenades and components for roadside bombs, as well as other small arms.
The Washington Times reported that Chinese-made HN-5 anti-aircraft missiles were being used by the Taliban.

According to the officials, the Iranians, in buying the arms, asked Chinese state-run suppliers to expedite the transfers and to remove serial numbers to prevent tracing their origin. China, for its part, offered to transport the weapons in order to prevent the weapons from being interdicted. The weapons were described as “late-model” arms that have not been seen in the field before and were not left over from Saddam Hussein’s rule in Iraq.

U.S. Army specialists suspect the weapons were transferred within the past three months.

John Tkacik, a former State Department official now with the Heritage Foundation, said the Chinese arms influx “continues 10 years of willful blindness in both Republican and Democrat administrations to China’s contribution to severe instability in the Middle East and South Asia.”

Mr. Tkacik said the administration should be candid with the American people about China’s arms shipments, including Beijing’s provision of man-portable air-defense missiles through Iran and Syria to warring factions in Lebanon and Gaza.

**China controls world supply of the 15 key rare metals essential for U.S. defense. Already cutting supplies to us**

While a loss of U.S. domestic ability to manufacture lead azide, butanetriol and others might lead to a future dependence on China, rare-earth elements (REE) are an even more serious threat.

The Chinese have worked for a decade to dominate the world market for REE, which include 15 metals known more technically as lanthanides. They have diverse and exceptional nuclear, metallurgical, chemical, catalytic, electrical, optical and magnetic properties that have led to an ever-increasing variety of applications, both commercial and military.

Worldwide, the industries reliant on REEs, which produce anything from fibre-optic cables to computer chips to missile guidance systems, are estimated to be worth £3 trillion, or 5 per cent of global GDP. Besides the military applications, REEs are required in flat-screen LED TVs, high-tech lights, high-speed transistors, rectifiers, batteries, electric motors, solar cells, satellites, lasers. All the wonderful technologies we surround ourselves with.

![The Rare Earths And Some Of Their End Uses.](image)

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>Some End Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cerium</td>
<td>Ce</td>
<td>Catalysts, Ceramics, Glasses, Misch Metal*, Phosphors and Polishing Powders</td>
</tr>
<tr>
<td>Dysprosium</td>
<td>Dy</td>
<td>Ceramics, Phosphors and Nuclear Applications</td>
</tr>
<tr>
<td>Erbium</td>
<td>Er</td>
<td>Ceramics, Glass Dyes, Optical Fibers, Lasers and Nuclear</td>
</tr>
<tr>
<td>Element</td>
<td>Symbol</td>
<td>Applications</td>
</tr>
<tr>
<td>---------</td>
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<tr>
<td>Europium†</td>
<td>Eu</td>
<td>Phosphors</td>
</tr>
<tr>
<td>Gadolinium‡</td>
<td>Gd</td>
<td>Ceramics, Glasses, Optical and Magnetic Detection and Medical Image Visualization</td>
</tr>
<tr>
<td>Holmium‡</td>
<td>Ho</td>
<td>Ceramics, Lasers and Nuclear Applications</td>
</tr>
<tr>
<td>Lanthanum</td>
<td>La</td>
<td>Automotive Catalysts, Ceramics, Glasses, Phosphors and Pigments</td>
</tr>
<tr>
<td>Lutetium‡</td>
<td>Lu</td>
<td>Single Crystal Scintillators</td>
</tr>
<tr>
<td>Neodymium</td>
<td>Nd</td>
<td>Catalysts, IR Filters, Lasers, Permanent Magnets and Pigments</td>
</tr>
<tr>
<td>Praseodymium</td>
<td>Pr</td>
<td>Ceramics, Glasses and Pigments</td>
</tr>
<tr>
<td>Promethium</td>
<td>Pm</td>
<td>Phosphors and Miniature Nuclear Batteries and Measuring Devices</td>
</tr>
<tr>
<td>Samarium</td>
<td>Sm</td>
<td>Microwave Filters, Nuclear Applications and Permanent Magnets</td>
</tr>
<tr>
<td>Scandium</td>
<td>Sc</td>
<td>Aerospace, Baseball Bats, Nuclear Applications, Lighting and Semiconductors</td>
</tr>
<tr>
<td>Terbium‡</td>
<td>Tb</td>
<td>Phosphors</td>
</tr>
<tr>
<td>Thulium‡</td>
<td>Tm</td>
<td>Electron Beam Tubes and Medical Image Visualization</td>
</tr>
<tr>
<td>Ytterbium‡</td>
<td>Yb</td>
<td>Chemical Industry and Metallurgy</td>
</tr>
<tr>
<td>Yttrium‡</td>
<td>Y</td>
<td>Capacitors, Phosphors (CRT and Lamp), Radars and Superconductors</td>
</tr>
</tbody>
</table>

America used to produce most of the world's rare earth metals. But now we produce zero. China produces 97% of the world total. It has cornered world production.

And for the last four years, China has cut back its REE exports, by nearly 35%. An internal report by China’s Ministry of Industry and Information Technology says the Communist country intends to ban outright the export of five rare earths and greatly restrict supplies of the remaining metals.

China controls 97% of all rare earths
It gets worse. The only equipment to process the rare earths is in China. So we couldn't process them, even if we could mine them. A separation plant takes 8 years to build. Costs $1 billion.

And now China is forcing American companies that use rare earths to move their manufacturing facilities to China. But companies are terrified to move there. They know China will steal their technology and then throw them out.

“China will merge and reorganize companies, strengthen and enlarge its rare earth industry, establish a China Rare Earth OPEC, and "form companies with absolute dominating power in the market so that China can be the leader in controlling the international market place," Terence Stewart told U.S. Congress.

These rare earths are essential to U.S. defense systems. Our smart bombs depend on them. So do our cruise missiles and nuclear submarines. They play essential roles in our nuclear missile launches, and also the computers that run our entire defense system. Thanks to China, we may soon have no more REEs of any kind.

Peter Leitner, who left the Pentagon after 21 years as a senior strategic trade advisor and is now president of the Higgins Counterterrorism Research Center in Arlington, Virginia, says an understanding and acknowledgement of the REE situation is essential to U.S. defense strategy.

“It’s a form of economic warfare, and no one is really paying a whole lot of attention to what the Chinese are doing,” he says. “Rare-earths, in general, represent the technologies of tomorrow in terms of metallurgy. They are strategic and critical. The future development of advanced alloys, matrixes and compounds incorporating their unique properties will form many of the breakthrough advances in 21st century military technology.”

Chinese military: space weapons built in secret...used for "shock and awe" attacks against U.S. satellites

Two orbiting U.S. spacecraft were forced to change course to avoid being damaged by the thousands of pieces of space debris produced after China carried out an anti-satellite weapon test.

The maneuvering, ordered by ground controllers and conducted several months after the test, is an example of lingering problems caused by China’s Jan. 11, 2007, missile firing in a bold demonstration of space weaponry against a weather satellite, said Air Force Brig. Gen. Ted Kresge, director of air, space and information operations at the Air Force Space Command in Colorado.

Military officials, including Gen. Kresge and Marine Corps Gen. James E. Cartwright, see Chinese anti-satellite weapons as new threats that could cripple the U.S. militarily and economically in a future conflict.

Chinese military writings have revealed that space weapons should be built in secret and used for "shock and awe" attacks against U.S. satellites, said defense analyst Michael Pillsbury who revealed the plans in a report to a congressional commission.

By some estimates, China could produce enough space weapons to knock out all low-Earth orbit U.S. satellites by the end of this year, 2010.

China buys key U.S. defense contractor...moves ALL
operations from U.S.....to China

A little-known Midwest company manufactured high-performance magnets for critical defense applications in America’s most advanced weapons systems—before it shuttered its domestic operations and moved to China in 2004. This provides an instructive study of the head-on collision between Chinese and U.S. national security interests.

Magnequench Corp was launched as a subsidiary of General Motors in the 1980s. It sold neodymium iron boron (Nd-Fe-B), or rare earth, magnets to Department of Defense subcontractors that made components for Joint Direct Attack Munition (JDAM) smart bombs, cruise missiles and submarines.

Today, however, there are no longer any U.S. manufacturers of Nd-Fe-B magnets. Magnequench, was acquired in 1995 by a consortium that included two government-affiliated Chinese companies. It left the United States in 2004. China now controls that technology, thanks in large part to a 10-year quest to dominate the rare-earth marketplace.

“Magnequench is just one example of how critical elements of our industrial base—both the jobs and the products—have been transferred overseas,” says U.S. Sen. Evan Bayh (D-Indiana), who tried and failed to block the Magnequench move to China in 2004.

Magnequench’s winding road to China began in the 1980s, when the company discovered a new alloy—Nd-Fe-B—and developed a process to make powders and magnets from it. Magnequench purchased raw materials from both Mountain Pass, the now-closed U.S. rare-earth mine, and China.

By 1995, the company had become the world’s leading supplier of Nd-Fe-B powders, used to create high-performance magnets. That year, a consortium that included two Chinese companies—Onfem Holdings Ltd., a publicly listed Hong Kong company controlled by China’s State Nonferrous Metals Industry Administration, and San Huan New Materials and Hi-Tech Company, owned by the Chinese Academy of Sciences—bought the company from General Motors. Archibald Cox, Jr., the son of the late Watergate prosecutor, served as the public face of the deal and ran MagnequenchResearch Center in Arlington, Virginia.

In 2003, facing mounting losses from its magnet business, which had become a supplier to Pentagon subcontractors far down the supply chain and out of sight, Magnequench announced it would close its U.S. operations in Indiana and move to China.

Bayh appealed to both the White House and U.S. Treasury Department to block the move on national security grounds. To no avail.

Today, the Magnequench facility in China is the world’s largest producer of rare-earth powders. The company operates a smaller plant in Thailand that produces powders for Japanese hard-drive disk manufacturers. San Huan Hi-Tech, which no longer holds any interest in Magnequench, is now a supplier of Nd-Fe-B magnet technology.

“The situation raises serious concerns,” Bayh says. “At some point in the future, China may decide to halt or disrupt sales of these magnets to the United States, and production of the JDAM could be disrupted. Magnequench’s sale raises critical questions related to our national security and the consequences of leaving our nation dependent on foreign sources, namely China, for the very things we need to protect our citizens and defend our country.”

(Note: China has already drastically cut back sales of these magnets to the U.S.)

Iran's link to China includes nukes, missiles
WASHINGTON TIMES

KIEV | China is providing Tehran with critical defense technologies and weapons systems, including some that violate stated Chinese policies aimed at preventing nuclear proliferation.

One of the more recent issues is the expected delivery to Iran of state-of-the-art Almaz-Antei S-300 air-defense missiles systems.

A CIA report to Congress made public in 2009 states that assistance from Chinese and Russian entities "has helped Iran move toward self-sufficiency in the production of ballistic missiles."

**China arming Venezuela with attack jets**

In March 2010, Venezuela received and tested its first shipment of six Chinese **K-8 light attack** jets. President Hugo Chavez announced the purchase last year, and has said that his government plans to purchase up to forty of the K-8s.

**Child Slave Labor in China: “widespread”**

Child slave labor is widespread in China. Some of these children work in sweatshops. Sweatshop workers are paid less than their daily expenses, and face dangerous working conditions.

The exact number of child labors working in China is still unknown. China's repressive political system does not allow this information acquired directly from China, there are no Chinese non-governmental organizations (NGOs) active in this area, and foreign NGOs do not have access.

But experts conclude that child labor is increasing, particularly in areas around Hong Kong. This deduction is based on a high dropout rate from school and the hasty expansion of foreign investment in export-oriented enterprises. Also, an official from the Chinese Ministry of Labor confessed that the employment of children was extremely serious in China. He stated that exploiting child laborers has become a common occurrence. In some coastal areas and particular economic zones, such as Fujian and Guangdong, as well as Zhejiang, Sichuan, and Hubei, there are reported to be approximately four to five million-child laborers under the age of 16. Child laborers under 12 years of age are also found in Whenzhou and in some areas of Guangdong and Hainan. The children usually work 10 to 14 hours a day with half the wages of an adult.

Much of the proof that child labor exists in China is taken from data from the large economic zone of Shenzhen. Children between the ages of 10 to 16 are working up to 14 hours a day in factories in Shenzhen. It was also recorded that girls work in awful conditions for 13 to 14 hours a day from 7 a.m.-10 p.m. with two one-hour breaks. The China Youth News said that 44 of the 206 foreign-owned companies or joint ventures in Shenzhen employ children less than 16 years of age.

The United States imports of pyrotechnics and explosives from China is approaching $1 billion. Children are working in the fireworks industry. A recent report described an explosion at a fireworks factory in Hebei that killed one child and injured 34 schoolgirls ranging from 11 to 13 years of age.

Investigators found that the school children had been forced by their teachers to work for slave wages making firecrackers. The children were promised 20 fen, 2 cents, for making one long braid of firecrackers, but in reality were paid three fen, 0.3 cents.
In March 2001, 42 people, most of them third and fourth-graders, were killed in an explosion at a school. The school blew up because the Chinese use young students to make fireworks in order to keep the price lower than their competitors. The younger students are required to assemble at least 1,000 fireworks a day while the older children, fifth-graders, are required to make ten times that many (Farah).

Newspaper and journal reports indicate that children are also working in the garment and textile industries of China. Imports of apparel and textiles from China to the U.S. market exceed $30 billion each year. It was reported that China's number one textile firm at Qingpu employs children aged 12 to 15 years old that were recruited from the neighboring province of Anhui. In Chungsan City, a foreign textile enterprise employed about 160 child laborers and a 14 year old was killed after her hair became tangled in her machine. Journalists also found 12 year-old children sleeping two to three in a bed in dorms and working 15 hours a day for $10 per month (Lindsay).

The International Child Labor Study staff also received numerous claims of the use of child labor in toy, sporting equipment, and game factories. The United States imports approximately $4 billion worth of toys, games, and sporting goods from China every year. A Business Week article reported that, in order to meet the holiday demand for toys, girls at a plant were ordered to work one or two 24-hour shifts each month. The average North American toy maker earns $11 an hour. In China, toy workers earn an average of 30 cents an hour.

The enforcement of child labor laws is sometimes made difficult by counterfeit identification cards. Southeastern China workers reported the use of counterfeit IDs is fairly common. Some workers admitted that they were three or four years younger than the 16 years certified on their ID cards.

The International Labor Organization reports that compulsory education in China is required up to age 16, yet children are reported to be dropping out of school at increasing rates. According to the U.S. State Department, Chinese press reports indicate that dropout rates for lower secondary schools (ages 12 to 15) exceed nine percent in several southern provinces, whereas the national average is 2.2 percent. An increasing group of children leaving school below the legal work age suggests the possibility of a growing child labor problem

**Chinese vaccines killing children**

Four years ago, Qiang Qiang was a healthy boy. Now, he is epileptic and has trouble keeping up at school -- problems that emerged after a vaccination against Japanese encephalitis.

The seven-year-old is one of dozens of youngsters in the northern Chinese province of Shanxi whose parents believe their children may have suffered serious side effects from vaccines in the country's latest public health scare.

"His teacher at school tells us he is dumb, that he has short memory and cannot follow classes," his father Gao Changhong told AFP. "We have spent nearly 60,000 yuan ($8,800) to try to cure him, and we really hope the government will take this situation seriously."

A Chinese state media report last month said four children had died and more than 70 others in Shanxi fell ill after they received shots against illnesses such as hepatitis B and rabies between 2006 and 2008. The China Economic Times report blamed vaccines that had been exposed to excessive heat and should have been destroyed.

According to the World Health Organisation, vaccines that are exposed to high temperatures can lose their effectiveness and trigger reactions.
The allegations have triggered yet another health scare in a nation regularly plagued by food and medicine-related product safety concerns.

In the past few weeks alone, authorities have ordered inspections of cooking oil nationwide after reports said up to one-tenth of China's supplies contained cancer-causing agents.

Peddlers in the central province of Hunan have also reportedly been found soaking dry soybeans in green dye and selling them as fresh green beans.

And according to state media, a drug firm in the eastern province of Jiangsu has been accused of using an additive in a rabies vaccine that allowed it to meet inspection standards at a lower cost but compromised its potency.

The State Food and Drug Administration has admitted that "inferior materials" were used in producing the rabies vaccines. It said the firm had been ordered to halt production and some employees were suspected of criminal activity.

The parents of the children in the Shanxi case are convinced their children were harmed by faulty shots. Wang Mingliang lost his baby son after he received a vaccine against hepatitis B. Xiao'er soon began suffering from spasms and breathing difficulties -- he died months later.

"We spent more than seven months trying to get him well, from Western medicine to traditional Chinese medicine, and none of it worked," he told AFP. "None of the hospitals we went to managed to find a cause for his illness, and that's when we started suspecting the vaccine."

China has launched a high-profile product-safety blitz in recent years after a string of scares. But scandals have continued, including revelations that the industrial chemical melamine was added to milk supplies in 2008. At least six babies died and 300,000 were sickened as a result, according to the government.