

WORLD NEWS

Israel launches Gaza offensive

Hamas military leader killed

Warning issued of protracted conflict

By Tobias Buck in Jerusalem

Israel launched a military offensive against Hamas in the Gaza Strip yesterday, killing Ahmed Jabari, the leader of the Islamist group's military wing, in the first wave of attacks. Jabari is the most senior member of the Palestinian Islamist movement to be killed by Israel since the end of the Gaza war almost

four years ago. He led the al-Qassam Brigades, the Hamas military wing, and was also widely seen as one of the most influential voices in the movement's political branch.

Israel said the initial strike was the start of a "widespread campaign" against militant targets in the strip. The government ordered the closure of schools in the Gaza vicinity, and told all Israeli residents living near the coastal territory to stay in their bomb shelters until further notice. The army told Israeli television that the population should prepare for "protracted" conflict.

Hamas promised a tough response, with the al-Qassam Brigades warning Israel that it had "opened the gates of hell".

Gaza residents described panic, as thousands rushed to their homes and shop owners closed businesses in anticipation of a prolonged bombardment. Medical officials in Gaza said the Israeli strikes killed at least six Palestinians, including Jabari and his bodyguard. Another 10 Palestinians were injured in the attacks, some critically.

It was not immediately clear how many air strikes Israel carried out, with most estimates putting the

number of explosions at 10-20 in a few hours. Residents reported several large blasts, confirming Israeli army claims that it was taking aim at weapons arsenals and sites used to store rockets and missiles.

The army issued a statement saying it had targeted Hamas sites containing

'Purpose of operation was to impair command and control chain of Hamas'

rockets with a range of more than 40km, and dealt a "significant blow" to the group's capabilities.

The killing of Jabari followed a surge in cross-border violence between Israel and Gaza-based militant groups that started on Saturday. The latest outbreak of hostilities prompted harsh warnings from senior Israeli leaders, as well as speculation that Israel could step up its campaign of "targeted assassinations" against senior Hamas leaders.

The Israeli military described Jabari - who has been widely linked with the 2007 abduction of an Israeli

soldier named Gilad Shalit - as "directly responsible for executing terror attacks against the state of Israel". It added that the "purpose of this operation was to severely impair the command and control chain of the Hamas leadership, as well as its terrorist infrastructure".

Jabari survived an Israeli assassination attempt against him in 2004 that killed his oldest son, his brother and several other relatives. The Israeli army also targeted him during the 2009 Gaza war.

Reports and analysis, www.ft.com/arabisrael

Corrupt party displays classic signs of dynasty in slow decline

GLOBAL INSIGHT



Jamil Anderlini in Beijing

In a tranquil lake in the centre of Beijing's ancient Summer Palace floats a pleasure boat made entirely of marble that remains the most potent symbol of corruption and decay in the last imperial Chinese dynasty.

The Qing empire was overthrown after 267 years in power by a republican revolution in 1911, three years after the death of Cixi, the empress dowager who diverted money earmarked for the navy to pay for her marble boat.

The Communist Party of China will unveil its latest crop of leaders today to reign for the next decade under a structure that remains similar to the Leninist model imported from the Soviet Union more than 60 years ago.

At this time of transition, many in China are inevitably searching for - and finding signs of - dynastic decay. The modern equivalent of the marble boat can be seen in the walled communities of opulent villas on Beijing's outskirts where the extraordinarily wealthy generals of the People's Liberation Army and their families park their Bentleys and count their fortunes. Some western diplomats estimate that as much as 40 per cent of China's military budget is siphoned off through corruption.

As a phalanx of senior PLA officers ascended the steps of the Great Hall of the People in Tiananmen Square this week, many of them sported generous pot bellies, leading one party member to comment wryly to the Financial Times that nothing displays structural weakness like overweight generals.

David Shambaugh is an expert on China's political system at George Washington University and has written extensively about the Communist party's uncanny ability to adapt to meet the needs of its citizens. But he now argues that the party has begun to ossify and is starting to show classic signs of dynastic decline.

These signs include a hollow state ideology in which nobody believes, cronyism, public apathy towards politics, an assertive military not fully under the control of civilian leaders, rampant

corruption, capital flight, a rise in social vice and factionalism at the top of the system.

"The concubines in the inner court always fight each other more when the emperor can't assert his authority," he says, in a reference to the relative weakness of modern presidents compared with the power that was concentrated in the hands of past leaders such as Mao Zedong and Deng Xiaoping.

Anyone listening to this week's speeches on "socialism with Chinese characteristics" at the party congress would have to agree that the party's ideology has devolved into contortions of logic that mean nothing to most of the Chinese people.

Revelations of the enormous wealth of some party leaders in western media this year provide a glimpse of how deeply corrupt the party has become.

Perhaps the most

Western diplomats estimate as much as 40 per cent of the military budget is siphoned off

telling fact is the enthusiasm among upper-class Chinese for procuring foreign passports, property and bank accounts and how willing they seem to be to get out of a system that has benefited them so well. The fact that incoming president Xi Jinping, like many of his contemporaries, has sent his daughter to the US (to Harvard) to study is a symbol of elite uncertainty and mistrust of the system.

Andrew Nathan, an expert in Chinese politics at Columbia University and co-author of *China's New Rules*, points out that the party itself seems to find the political system indefensible.

He says that instead of acknowledging the top-down authoritarian reality, the party pretends it is democratic, calling itself a "socialist democracy", "people's democracy" or "democracy with Chinese characteristics".

The other tactic is to admit that the system needs changing but insist that the party is improving it through a slow process to avoid chaos.

Often, the party makes these two arguments in the same breath, insisting that the system is already the best possible one for China but that the party will make it even "more perfect".



All smiles: hostesses at the party congress in Beijing enjoy a moment of fun as the event draws to a close yesterday

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China's central bank governor set to step down

By Simon Rabinovitch in Beijing

The Chinese Communist party pulled the curtain down on its 18th Congress yesterday with the election of a new Central Committee, setting the stage for the long-awaited unveiling of its new leaders today.

State media said the 10 leading candidates for the Politburo Standing Committee, the small group at the pinnacle of political power in China, had been elected to the 205-member Central Committee.

Xi Jinping, who is expected to succeed Hu Jin-

tao as party general secretary today and as president in March, led the list of Central Committee members, which included Li Keqiang, the man seen as successor to Wen Jiabao, premier.

The Central Committee today will pick a 25-member politburo, which in turn will select the standing committee.

One key name left off yesterday's list of Central Committee members was Zhou Xiaochuan, China's central bank governor, signalling that he will probably retire in the coming months as the job must go to a mem-

ber of the Central Committee.

Mr Zhou's retirement, after a decade of nudging China's financial system along a path of market reforms, will have little immediate impact on Chinese monetary policy. Unlike its counterparts in more developed economies, the People's Bank of China lacks independence. The State Council, or cabinet, makes all key decisions such as whether to adjust interest rates, relegating the central bank to a more advisory role.

But Mr Zhou's departure will still leave a big hole in

Beijing where he is seen as having played a crucial role in orchestrating a series of reforms during his term, which began in 2002.

After the decision was taken in 2005 to unpeg

CHINA IN TRANSITION

As China unveils its new leaders today, go to FT.com for breaking news, analysis, video and blog commentary, plus explanation on the structure of the Communist party www.ft.com/chinaleadership

China's currency, the renminbi, from the dollar, Mr Zhou presided over the development of a floating exchange rate mechanism. Although foreign critics continue to accuse China of keeping its currency undervalued, the renminbi has risen more than 30 per cent against the dollar since then.

In the list of "top 10 politicians" elected to the Central Committee Xinhua, the state news agency, named Wang Qishan, a veteran vice-premier in charge of the economy, and Liu Yunshan, the current head of the propaganda department.

The list also included Liu Yandong, the party's most senior female politician, and Li Yuanchao, the head of the party department that deals with personnel issues.

The congress also amended the party's constitution to enshrine the importance of "ecological progress", acknowledging the heavy toll environmental degradation has taken on during China's decades of rapid growth.

At this year's congress pollution has been a higher priority than ever before.

David Pilling, Page 9

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China faces big problem with bribery

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face of the public debate of systemic corruption. Earlier this year, Bloomberg reported family members of Xi Jinping, the incoming president, also amassed large wealth. Underscoring the lengths the party will go to hide any suggestion of corruption by senior officials, the New York Times and Bloomberg websites have been inaccessible in China since the stories were published.

"I think the leaders in Beijing are very aware that in the age of the internet and rapid flow of information, they need to think again how to fight corruption," says Liu Xiaobo, a political-science professor at Columbia University. "The revelation of all sorts of cases through social

media creates growing doubt in the Communist party regime's legitimacy."

Senior officials are aware of the pressure. Yu Zhengsheng, the party secretary of Shanghai who is expected to be promoted to the Politburo Standing Committee, said that if the party centre agreed, he was willing to declare his assets publicly.

Transparency advocates have also clamoured that the party must act now to tackle graft. Wang Yukai, a professor at the Chinese Academy of Governance, a government institution for training officials, says the leadership should require senior officials to publicly declare their assets.

The problem is that all of this has been said before. When Hu Jintao last week warned that the party and even the nation could per-

ish because of corruption, he was using language similar to that of Jiang Zemin, his predecessor, more than 10 years ago.

China has laws and party-internal regulations dealing with corruption and has refined its criminal code to target all aspects of it. Yet, the number of reported corruption cases, the amounts of money and the ranks of the officials involved still climbs, according to Lin Zhe, a professor at the Central Party School.

"How do you explain that [Bo] violated party discipline and the law and got away with it?"

Since 2009, cities, towns and districts started pilot projects for local officials to declare their assets or income, but most were stopped.

Chinese officials must report their assets regularly. But, the documents are filed only internally. Corruption experts who are advising the party say the reports are in most cases not even audited properly.

Analysts conclude that it may just be too much to expect for a one-party regime without independent checks to supervise itself.

"The key point is that regulations are laid down by officials," says Zhang Qingsong, a partner at a Shanghai law firm. "Thus it is not realistic that they would set out regulations that would harm themselves." Additional reporting by Zhao Tianqi

Noda calls December election in Japan

By Mure Dickie in Tokyo

Japan will hold a general election next month that is widely expected to oust the ruling Democratic party after a tumultuous three years in power.

In an offer made yesterday during a debate in the Diet, Japan's parliament, Yoshihiko Noda, the prime minister, said he would dissolve parliament tomorrow if the opposition Liberal Democratic party agreed to action on electoral reform.

Mr Noda and his ruling Democratic Party of Japan have been under heavy pressure from the LDP to

call an election widely expected to spell the end of his government. After the debate, Shinzo Abe, the LDP's leader, said the party would "fully co-operate" on changing the voting system.

The election is likely to have far-reaching implications for Japanese politics, signalling a shift to the right for the world's third-largest economy and could even destroy the DPJ as a centre-left alternative to the LDP, which has dominated politics for decades.

In office, the DPJ has struggled to cope with challenges including the huge tsunami that hit northeast

Japan in 2011 and the resulting nuclear crisis, disputes with China and other neighbours, and continuing economic woes.

The election could mark economic and diplomatic policy shifts, since Mr Abe is one of Japan's most high-profile nationalist politicians and, recently, a vocal advocate of more assertive action by the Bank of Japan to combat chronic deflation.

Supporters hope that stronger action by the BoJ will weaken the yen and help to boost the economy, although sceptics say it could undermine confidence in long-term fiscal and

monetary responsibility. By mid-evening in Tokyo the yen had fallen nearly 1 per cent against the dollar from morning levels, with most of the decline coming after Mr Noda's dissolution offer.

Mr Noda has steadfastly refused to name a specific election date, with many in the DPJ fearing that its sliding popularity means it is at risk of a routing at the polls.

Takao Toshihiko, the editor of political newsletter *Insideline*, said the DPJ might lose so badly that the party would collapse.

Additional reporting by Jonathan Soble in Tokyo

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