



Research Report

SPF China Observer

China Observer Project Web Collection

(March to August 2018)

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About this Publication

There have been visible signs of improvements in Japan-China relations since the second half of 2017. Looking at the press coverage of the visit to China of Mr. Toshihiro Nikai of the Liberal Democratic Party in December 2017, it could be seen that China was seeking to improve relations with Japan. Since the start of 2018, this movement to improve Japan-China relations has become even more substantial. That same year, a Japan, China and Korea Summit was held in Tokyo on May 9, for the first time in two and a half years, and Prime Minister Abe signaled his intention to have a summit meeting with President Xi Jinping on the occasion of the “Eastern Economic Forum” held in Vladivostok, Russia in September. He further noted that he was planning a visit in October.

There is no question about the momentum towards the improvement of relations between Japan and China as we marked the 40th anniversary of the Treaty of Peace and Friendship between Japan and China in 2018. Probably behind this move to seek improved relations with Japan is China’s desire to balance strong pressure from the United States over the trade imbalance and other economic issues.

Furthermore, the concentration of power within China to President Xi Jinping and the increased caution surrounding this has impacted its policy towards the United States and has also influenced the effectiveness of the pressure that is being applied by the United States. Chinese domestic politics is mutually influenced by both its foreign policy and economic circumstances. It is also difficult to predict how instability in domestic Chinese politics will impact dissatisfaction within the People’s Liberation Army which is the target of President Xi Jinping’s “anti-corruption” efforts.

China is attempting to design its own international rules, in an effort to avoid pressure from the US and to continue its economic development and increase its international influence. As part of this effort, China mobilizes support from emerging and developing countries through economic activities including aid and investment. Meanwhile, some advanced industrial countries such as Japan, the US and Europe have become concerned that their economic interests might be undermined by China.

The situation in China warrants close observation. When considering how Japan is developing its relationship with China, it is necessary to understand the behavior and intentions of China in the international community and in the region. For this reason, it is important to observe China broadly and in detail.

In order to respond to the seemingly inconsistent need to cover these “broad” and “detailed” perspectives at the same time, *SPF China Observer* provides a fixed-point observation of certain events in China by experts in each field. Each expert deeply analyzes events in their area of expertise and looking at each of these seemingly isolated issues together will inform us of a deeper understanding of China today. We hope you will enjoy their insights.

August 2018

Akio Takahara

Professor at the University of Tokyo, *SPF China Observer* Project Leader

Foreword

The so-called “rise of China” and the pressure of the United States in response to this sense of crisis are becoming major factors affecting international conditions. President Trump is seeking to reduce resource inputs into other international events which have no direct threats against the security and economic interests of the United States. And China has been recognized as the greatest threat to the security and economic interests of the United States.

Within the “National Security Strategy (NSS)” published by the United States in December 2017, appealed the necessity for converting its security policy and reinforce its armaments based on a worldview of “a revival of a battle between great powers”. This battle between great powers refers to the battle between the United States and China. On August 16, 2018, the US Department of Defense issued the “Annual Report on Military and Security Developments Involving the People's Republic of China” to Congress, exposing a sense of crisis in saying that “China is extending the range within which it can interdict foreign forces operating through much of the Western Pacific through the development of long-range land attack cruise missiles capable of striking Guam from PLA Air Force H-6K bombers.”

On the economic front, President Xi Jinping’s “Made in China 2025” has rubbed the U.S. businesses the wrong way. The 10 priority fields such as “next generation information technology” in “Made in China 2025” are the same fields of business on which are focused by companies of the U.S. The U.S. also claims that China has stolen the technical information of the U.S. companies through cyber-attacks, which it may use for their own businesses.

On the other hand, in China, if economic developments were to stall, the Communist Party would lose its authority and even the legitimacy of the one-party rule may also be lost. Once the “moderately prosperous society” envisioned by Deng Xiao Ping is realized in 2020, China will need a new goal

to solve “contradiction”. President Xi Jinping may attempt to transform not just industrial products, but also include the lives of his citizens from quantity to quality. This also directs structural economic reforms, with a recognition of the need to not fall into the traps of other middle-income countries. However, some pain is inevitable with reforms, and men of power with vested interests will need to be suppressed.

Meanwhile, China's expression that “the international society is full of inequality and inequity”, indicates its intention to change the rules of international economics which are disadvantageous to China, at least partially, while desiring to change the rules of Western countries that use human rights issues as pretense for exercising their military strength.

China's economic problems underly its foreign policy, and in particular with regard to its policy against the U.S., are deeply related with China's domestic politics. There is a domestic power struggle going on as China seeks to strengthen its control over freedom of speech, and the balance of domestic authority also affects foreign policy. In order to understand these China's policies and acts, it is necessary to have a comprehensive understanding of the circumstances surrounding its domestic politics, economics, society, diplomacy and security etc.

SPF China Observer attempts to provide a comprehensive understanding of China, to the degree possible, with a fixed-point observation of various fields by experts. It is our hope that this will deepen the reader's understanding on China.

Bonji Ohara

Senior Research Fellow, The Sasakawa Peace Foundation,
Supervisor of *SPF China Observer* (Editor)

Authors

Akio Takahara

Dean of Graduate School of Public Policy, The University of Tokyo, and professor of law and politics

Asei Ito

Associate Professor, Institute of Social Science, The University of Tokyo

Bonji Ohara

Senior Fellow, The Sasakawa Peace Foundation

Ichiro Inoue

Professor, Graduate School of Policy Studies, Kwansei Gakuin University

Jun Konno

Associate Professor, Gakushuin Women's College

Kazuyuki Suwa

Professor, School of International Relations, University of Shizuoka

Naoko Eto

Research Fellow, The Institute of Developing Economies, JETRO

Osamu Tanaka

Project Professor, Nara Prefectural University

Tomoko Ako

Associate Professor, Graduate School of Arts and Sciences, The University of Tokyo

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Xi Jinping Economic Thought and Economic Policy in 2018

Osamu Tanaka

Introduction

China announced its major economic indicators of 2017 on January 18. The Central Committee and State Council also jointly convened the Central Economic Work Conference (“Conference”) from December 18-20, 2017 to determine economic policy for 2018. This paper summarizes economic trends in 2017 and uses the Conference and the December 21, 2017 People’s Daily editorial (the “Editorial”) as a basis to explain the characteristics of “Xi Jinping Thought on Socialist Economy with Chinese Characteristics for a New Era” (“Xi Jinping economic thought”) and the key points of economic policy for 2018.

1. China’s economy in 2017

The real GDP economic growth rate was 6.9%. By quarter, the GDP grew 6.9% from January-March, 6.9% from April-June, 6.8% from July-September, and 6.8% from October-December, with growth in the second half of the year slowing marginally. Looking at the contribution ratio of the growth rate, final consumption accounted for 58.8% of growth, followed by capital formation (investment) at 32.1%, and external demand at 9.1%. The key items are as follows.

(1) Prices

Consumer prices rose 1.6% from the previous year, clearing the inflation target of 3% or less.

(2) Consumption

Total retail sales of consumer goods maintained a virtually identical level of growth, increasing 10.2% over the previous year (10.4% increase in 2016). This was supported by nationwide Internet retail sales (e-commerce) that saw year-on-year growth of 32.2% and have continued their high growth, driven by the

expansion of consumption.

(3) Investment

Growth in investment in noncurrent assets in urban areas was somewhat slow, increasing 7.2% over the previous year (8.1% in 2016). This is because infrastructure investment increased 19.0% and supported investment, and investment in real estate development also maintained constant growth, rising 7.0% due to high housing prices. Private investment was somewhat weak, increasing 6.0%.

(4) Imports and exports

Exports increased 7.9% from the previous year (-7.7% in 2016), while imports increased 15.9% (-5.5% in 2016), reflecting the shift from negative to positive territory as the world economy recovers. The contribution to the growth of external demand has turned from negative to positive because of this.

(5) Employment

In 2017, 13 million newly-employed people were added to the workforce, exceeding the annual target of more than 11 million. Employment continues to be strong.

2. Key points of Xi Jinping economic thought

Taking the Conference and Editorial together, the main content of Xi Jinping economic thought can be presented as follows.

(1) Recognition of an era

First, the use of “China’s economy has been transitioning from a phase of rapid growth to a stage of high-quality development” shows a recognition of an era.

The “new normal” used so far had pointed to recognizing “China’s economy has been transitioning from a phase of rapid growth to a stage of medium-high growth.” By replacing “medium-high growth” with “high-quality development,” the “new normal” gave way to the “new era.”

(2) The content of Xi Jinping economic thought

The main content of the Conference was the new development philosophy presented by General Secretary Xi Jinping in 2015 (innovative, coordinated, green, open and sharing development ideas), which is embodied by “high-quality development.” The Editorial summarizes this as “high-quality development is development that fully satisfies the growing demand by the people for a wonderful life and development which embodies the new development philosophy.”

Apart from the new development philosophy, the Editorial lists the following items as important details.

- (1) Strengthen the concentrated and unified leadership of the Central Committee for economic policy.
- (2) Adhere to a people-centric development philosophy, plan and promote a uniform “five in one” (economic construction, political construction, cultural construction, social construction, ecological civilization construction), and coordinate and promote the “four comprehensives” (to promote the comprehensive completion of a moderately prosperous society, comprehensively deepen reform, comprehensively promote the rule of law, and comprehensively and strictly manage the Party).
- (3) Allow the market to exercise a decisive role in allocating resources, and further demonstrate the role of government.
- (4) Adapt to changes in the major contradictions of Chinese economic development, develop macro controls, and make promoting supply-side structural reforms a principal pillar of economic policy.
- (5) Arrange a new economic development strategy by being problem-oriented.
- (6) Adhere to formulating accurate policy and methods, seek progress in stability, maintain the underlying strength of the strategy, and protect the bottom line.
- (7) Adapt to the new normal of economic development, understand it, and adhere to take the lead.

In other words, Xi Jinping economic thought is premised on recognizing that China is in a new era of economic development that transitioned from rapid growth to high-quality development, in which innovative, coordinated, green, open, and sharing development ideas are the foundation of development, while advancing economic system reforms and economic structural adjustments under the concentrated and unified leadership of the Central Committee.

3. The three tough battles strategy to promote the comprehensive completion of a moderately prosperous society

Three priority policies to be implemented until 2020 were revealed at the Conference.

- (1) Preventing and defusing major risks

The macro debt ratio must be effectively controlled along with effectively preventing and controlling systemic financial risks.

(2) Targeted alleviation of poverty

Aim to provide targeted poverty support to specific poor groups, concentrate efforts on areas where there is serious poverty, and enhance the quality of escaping poverty.

(3) Tackling pollution

Win the Blue Sky Defence War, significantly reduce the total amount of major pollutant emissions, and improve the quality of the ecological environment as a whole.

Due to the call for high-quality development of the economy, the priority targets to be implemented until 2020 are not goals that emphasize quantity, such as doubling conventional GDP, but rather an improvement of the quality of the economy with an emphasis on eliminating financial risk, correcting economic disparities, and improving the environment.

4. Basic macro policies

The Conference first declared the overall tone of policy as seeking progress while maintaining stability, an underlying principle of the administration that must be adhered to over the long term. It was also declared that “stability” and “progress” are dialectically unified and should be understood as one. While “stability” was emphasized before the 19th National Congress in 2017, 2018 marked the 40th anniversary of reforms and opening up, so a certain amount of progress was deemed to be necessary for economic structural adjustments and economic system reforms.

The following principles are offered as an overview of macro policy.

- (1) Keep the direction of aggressive fiscal policy unchanged and strengthen the debt management of local governments.
- (2) Maintain a moderate monetary policy that is neutral and avoid systemic financial risks.
- (3) Promote the reasonable growth of private investment in structural policies.
- (4) Strengthen basic public services and resolve social inconsistencies without delay in issues of public welfare.
- (5) Accelerate economic system reforms and make breakthroughs in fundamental and key fields.

From the viewpoint of defusing financial risks, this shows a policy to accelerate economic system reforms while avoiding monetary easing for the time being and supporting the economy with fiscal policy and private investment.

5. Key policies for 2018

The Conference put forth the following eight priority policies.

(1) Deepen supply side structural reforms.

The policy proposes three transitions that China must make: the transition from “made by China” to “created by China,” the transition from rapid (growth) in China to quality (development) in China, and the transition from a major manufacturer to a powerful manufacturing country. The supply-side structural reforms are broader than the traditional five major duties (reduce excess production capacity, reduce housing inventory, de-leveraging, reduce business costs, and reinforce vulnerable areas).

(2) Stimulate the vitality of various market actors

The policy seeks to prepare a plan for the reform of state-owned enterprises and state-owned capital, and reform the authorized management system of state-owned capital with capital management as a main axis.

It announces support for the development of private enterprises, saying it will “implement policies to protect property rights and identify and rectify cases of property rights disputes under the law where societal discontent is intense,” indicating that it will continue to strengthen the protection of private property rights. This is also a means to securing the reasonable growth of private investment.

(3) Implement a rural development strategy

In agriculture, it intends to “promote supply-side structural reforms, and adhere to promoting agriculture in terms of quality and green agriculture, and also shift agricultural policy from increasing production to improving quality.”

(4) Implement a regional cooperative development strategy

The policy notes that it “must realize that basic public services are equalized, the extent of the spread of infrastructure is relatively balanced, and the standard of living of the people is roughly appropriate,” and also incorporates reducing regional disparities in infrastructure.

On the construction in the One Belt One Road Initiative (the Silk Road Economic Belt and 21st-century Maritime Silk Road), the policy notes “the method of foreign investment needs to be updated and investment must lead the development of trade and industry.” It is noteworthy that the One Belt One Road

Initiative is referred to as a “regional development strategy” for foreign investment, and that it needs to be “updated.”

The policy also states that it will accelerate reform of the family register system.

(5) Promote the formation of a new framework of full openness

Given the 40th anniversary of reforms and opening up, the policy affirms that “the scope and level of openness must be further advanced,” and cites things such as the drafting of legislation concerning foreign capital and strengthening the protection of intellectual property rights. In terms of constructing a strong exporting country, it states it “will place more emphasis on improving the quality of exports and added value and will greatly develop trade in services.”

(6) Increase the people’s well-being and level of improvement

On employment, the policy states it will “focus on resolving contradictions in structural employment and firmly resolve issues of discrimination on gender and identity.”

On social insurance, it will “reform the basic pension system and realize a nationally unified pension system as soon as possible.” The national unification of pensions has become a huge financial problem in recent years.

Also, with the spread of online finance, it added the statement “focus on solving outstanding problems, such as false information on the Internet, fraud, and the trading of personal information.”

(7) Quickly establish a housing system for both renting and purchasing that is supplied from many entities and guaranteed by many routes.

The policy seeks to develop a rental housing market and support the development of specialized rental housing businesses. Because the conditions of the real estate market differ from tier 1 cities to tier 4 cities and it is necessary to avoid a sharp drop in real estate prices due to excessive tightening, it uses the cautious phrase “maintain the continuity and stability of the real estate market control policy and carry out differentiated control.”

(8) Accelerate the promotion of ecological civilization construction

The policy puts forth several initiatives, such as measures to fight air pollution, the start of a national, large-scale land greening campaign, developing expert corporations specializing in ecological protection and restoration, and implementing water pollution and soil contamination prevention action plans.

Although these eight items are thought to be the pillars for the arguments behind the economic policies of the *Government Work Report* released in March, structural reforms and the reform of state-owned enterprises have been prioritized in their ranking, implying a stance that puts structural adjustments and

structural reforms at the forefront based on the above-mentioned basic macro policies.

Conclusion

This Central Economic Work Conference placed emphasis on clarifying the content of Xi Jinping economic thought, but at its core is the transition to “high-quality development” of the Chinese economy in the “new era” it has entered, confirming that the new development philosophy is the main content.

In addition, it also revealed the three tough battles strategy of eliminating financial risk, reducing poverty, and combating pollution by 2020, with the key policies of the second Xi Jinping administration slowly but surely becoming clear.

Speaking of 2018, the Conference touted the acceleration of economic system reforms it is promoting while conscious of the 40th anniversary of reforms and opening up. Whether progress is made in the long-criticized stalled reform of state-owned enterprises will become a barometer of the administration. Key economic Cabinet members are also expected to be replaced in March, so attention should be paid to the content of the *Government Work Report* and the amendment of the constitution.

The Myitsone “Dam” Today

– China’s peripheral diplomacy as seen from China-Myanmar relations –

Kazuyuki Suwa

Following the first-ever Peripheral Diplomacy Work Conference held in October 2013, the Xi Jinping administration has repeated its intention to strengthen relations with neighboring countries.¹ A recent example is the report given at the 19th National Congress of the Communist Party of China in October 2017 in which the secretary-general laid out his foreign diplomacy policy for neighboring countries stating, “China will deepen relations with its neighbors in accordance with the principle of amity, sincerity, mutual benefit, and inclusiveness and the policy of forging friendship and partnership with its neighbors” under the grand design of “following a path of peaceful development and working to build a community with a shared future for mankind.” However, its “implementation,” which the administration sees as the “only standard for determining the truth,” has yet to prove the administration’s philosophy to be true.² This has been the case of China’s relationship with Myanmar for the past several years.

Myanmar, under military rule, began construction of the Myitsone Dam in an impoverished village in the northern state of Kachin with the assistance of China. While it was initially heralded as a massive project demonstrating the close ties between China and Myanmar, more than six years have passed since construction was suspended following Myanmar’s transition to civilian rule. I traveled to the dam site on December 17, 2017 to confirm the state of construction. I also visited the area to be flooded and interviewed the people living in the villages where they were relocated.

This paper looks at China’s diplomacy with its neighbors by examining recent

¹ In China, the expression “periphery” or “peripheral country” can be used in the sense that Xi has the authority in relations between states and that it revolves around himself.

² Kazuyuki Suwa, “Xi Jinping chouki seiken no shidou” (The Start of the Long Xi Jinping Administration), Intelligence Report, Policy Research Institute, Ministry of Finance, No. 1 (2018), p. 4-17.

China-Myanmar relations with an emphasis on the construction of the Myitsone Dam.

The history of China-Myanmar relations

China-Myanmar relations have gone through a series of twists and turns to date.

China and Myanmar established diplomatic relations on June 8, 1950 and concluded a border treaty on October 1, 1960 that went into effect on January 4, 1961. The signing of the treaty has been widely publicized in China as an example of defining borders through amicable negotiations that the country can take pride in. In the mid-1960s, the leaders of both countries frequently visited each other, but the relationship worsened during the Cultural Revolution. Relations started to gradually improve in the 1970s, but 1988 proved to be a major turning point. With a military government coming to power in Myanmar in September and Western countries imposing economic sanctions, China took advantage of the opportunity and moved to strengthen its relationship with Myanmar. As a result, China became Myanmar's largest donor nation, but relations began to sour on 2011 when Myanmar transitioned to a civilian government.³ The impalpable symbol of this relationship is the construction of the Myitsone Dam which will be discussed in this paper.

There is no doubt the effect of suspending the massive dam construction project on the relationship between the two countries is not negligible. However, China's involvement in Myanmar is by no means simple as the country is geopolitically critical for China's energy security. Along with the Myitsone Dam, the construction of oil and natural gas pipelines is considered a pillar of China's economic cooperation with Myanmar and has proceeded smoothly without being affected by the suspension of construction of the dam, with the first crude oil flowing through the pipeline to China starting on May 19, 2017.⁴ The natural gas pipeline was completed in 2013.⁵ In December 2013, I confirmed several oil storage tanks on Made Island in the waters of Kyaukpyu, the western origin of the oil pipeline (Photo 1). Also, in December 2014, I confirmed the presence of oil and natural gas pipelines extending north near Lashio (Picture 2).

³ Tetsuya Kasei et al., “列国志 緬甸,” Social Sciences Academic Press (China), 2009, p.410-422.

⁴ “中緬原油管道原油进入中国”, People's Daily (May 20, 2017). The pipeline terminal is in Anning, Yunnan province (Yunnan Petrochemical Company, a subsidiary of China National Petroleum Corporation).

⁵ “Chuugoku sekiyu yunyuu ruoto tayouka” (China Diversifies its Oil Import Routes), Asahi Shimbun (January 30, 2015). The terminal of this route is Guigang, Guangxi Zhuang Autonomous Region.

It is impossible to discuss the entire China-Myanmar relationship through the suspension of the construction of the Myitsone Dam alone.



2. The Myitsone Dam

Many dams are being built in Myanmar to supply water for agriculture, a major industry, and to improve the poor supply of electricity in urban areas. According to materials from the Myanmar government, more than 200 confirmed dam construction projects have been started over the roughly 20 years since the military government began in 1988.⁶

China's full cooperation is indispensable to Myanmar in building these dams as it lacks technical skills and financial capabilities, but the reason why Myanmar relies on China is not just because China is a neighboring major power. As mentioned above, of all the reactions from major nations in response to the military regime born in 1988 from suppressing pro-democracy demonstrations, only China maintained a nonintervention stance on domestic matters and strengthened relations. Since Myanmar's resource export diplomacy matched China's resource procurement diplomacy, the two countries have managed to build a good relationship.

With serious power shortages in Yunnan province bordering Myanmar, the Myitsone Dam began as a joint China-Myanmar project based on a memorandum of agreement between the governments of China and Myanmar for the joint development of hydroelectric power in March 2009.⁷ If the project was completed as planned in 2017, it would have been the largest power plant in Myanmar at a total cost of \$3.6 billion dollars and capable of generating 6,000 megawatts of electricity.⁸

However, there were many incidental problems that needed to be solved in building the dam, one of them being the issue of relocating villagers. Completion of the Myitsone Dam would mean flooding 390 square kilometers of land and relocating about 10,000 people in 47 villages. Hence, state-owned China Power Investment Corporation, the Chinese project owner, decided to provide daily necessities, such as two-story houses, living expenses, color TVs, rice, and other necessities to the first 410 households to be resettled.⁹ Other reporting has said

⁶ Katsumi Tamura and Masahiko Matsuda, eds., *Myanmar wo shiru tame no 60 sho* (Know Myanmar in 60 Chapters), Akashi Shoten (2013), p. 110.

⁷ “李长春与缅甸平和与发展委员会第一秘书长会谈”

[http://www.gov.cn/jrdhd/2009-03/27/content_1269950.htm] (Accessed January 4, 2018).

The memorandum of agreement between the governments of China and Myanmar for the joint development of oil and gas pipelines had also been signed at the time of this meeting.

⁸ Chen Junfeng, “Misson damu no kensetsu touketsu ni miru chuumen kankei no henka mekanizumu” (Change Mechanism of China-Myanmar Relations Viewed from the Suspension of Construction of the Myitsone Dam), *Journal of Global Studies*, Vol. 4, p. 128.

⁹ “中电投集团：密松电站项目有利于中缅互利共赢”

[http://www.gov.cn/jrzq/2011-10/04/content_1962510.htm] (Accessed December 27, 2017)

that assistance such as the construction of cement roads, running water, and free power 24 hours a day was offered.¹⁰

However, as soon as the project began at the end of September 2011, then-President Thein Sein issued a presidential order suspending construction during his term of office (until March 30, 2016). While there was some regret from within China noting that some Chinese companies have a tendency to cling to large-scale projects and that they did not communicate well with local governments,¹¹ much criticism was leveled at Myanmar. The decision to halt the project lay in issues such as the public's strong fear of environmental destruction, their distrust and dissatisfaction with the distribution of the benefits of the project with China (90% of the electricity generated would be for China), and opposition from armed ethnic minorities (the Kachin Independence Army controlled nearly half of the land to be flooded). In addition, the opposition of Aung San Suu Kyi, who had the overwhelming support of the people, also had a major impact.¹²

Naturally, since the end of Thein Sein's regime in April 2016, China has been calling for Myanmar to resume construction of the dam.¹³ In turn, Suu Kyi visited China later that year in August and reserved her decision to resume construction pending a report from the investigation committee,¹⁴ but the interim report issued in November postponed the decision.¹⁵

Has construction really stopped? Did it start up after pressure from China? What kind of lives are the people who have been relocated living and how do they feel? With these questions in mind, I went to see the construction site for myself.

¹⁰ “密松水电站项目的中国留守者”

[http://www.spic.com.cn/mtbd/201607/t20160725_265660.htm] (Accessed January 8, 2018)

¹¹ “习近平李克强先后发话 密松水电站要重启了？”

[<http://news.bjx.com.cn/html/20160822/764693.shtml>] (Accessed December 29, 2017)

¹² “Two Rivers: The Chance to Export Power Divides Southeast Asia”

[<http://natgeo.nikkeibp.co.jp/nng/article/news/14/5098/>] (Accessed December 28, 2017)

¹³ “2017年11月8日外交部发言人华春莹主持例行记者会”

[http://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/t1508649.shtml] (Accessed January 16, 2018)

¹⁴ “Chuugoku ga damu kensetsu saikai he atsuryoku kukyoku ni tatsu myanmaa no suu chii-shi” (Aung San Suu Kyi Struggles with Pressure from China to Resume Dam Construction).

[<http://www.sankei.com/world/news/161229/wor1612290035-n2.html>] (Accessed March 5, 2017)

¹⁵ “Hydropower review taskforce stalls, waiting for instructions”

[<https://www.mmtimes.com/national-news/23824-hydropower-review-taskforce-stalls-waiting-for-instructions.html>] (Accessed January 17, 2018)

3. What I saw at the Myitsone Dam (December 17, 2017)



(1) The sightseeing area of Myitsone

Myitsone is a small sightseeing area where you can rent a boat for fun (Photo 3).

I chartered a boat at the source of the great Irrawaddy River (the confluence of the Mayhka and Malikha rivers) and traveled for just under an hour. Through a

cheerful Myanmar female interpreter, I asked the captain of the boat if he would take us to the construction site of the dam, but he replied that he would make a U-turn at the site and go back as the authorities seemed to have issued a notice, and that he could not even stop the boat.

Our cruise through a mundane forest landscape on both sides of the shore revealed nothing connected to the construction of the dam save for a single dump truck at work as we neared the U-turn point. Just then, several bridge piers appeared from the water (Photo 4), and we made a U-turn after passing under them. Although I saw a low-rise building on the riverbank at the U-turn point (Photo 5), I was unable to determine if it was related to the construction of the dam.







After getting off the boat, I passed through the entrance to the dam construction site. The “entrance” was to a place that was off limits. I was not allowed to take photographs. In the photo taken using a camera with a telephoto lens, the gate had “Dam Power Station Project” written on it in Burmese (Photo 6). According to the young Myanmarese guard, he said that there were only two Chinese currently in the office on the premises. Their boss was in Myitkyina (the state capital of Kachin, several tens of kilometers from Myitsone).

This is how I was able to confirm that construction of the dam had completely stopped. But rather than saying it had stopped, it would be more accurate to say that it had never started in the first place.

(2) The girl who decided to remain at the relocation site (interview 1)



Aung Myin Tha is the name of a relocation site about 30 minutes by car from Myitsone. At Aung Myin Tha, I spoke with a 17-year-old girl working at a small Kachin style restaurant. “I am from Tan Hpre, which was to be flooded in 2013. I work with my mother and my cousin who is one year younger than me in the restaurant. This is my first time to meet someone from Japan. I have met

Chinese¹⁶ several times, including those who can speak Burmese. Everyone living around the restaurant is a relative of mine. This area is very rocky and not very good for agriculture or gathering firewood. When I first moved, business was good, but as competition grew more intense as the number of shops increased, life has not been that easy. However, I do not want to return to Tan Hpre. Unlike Tan Hpre, this place has electricity that I can use throughout the day. Water costs 500 kyat per day (over 40 yen), and all families receive a supply of rice every three days. There is a hospital here and a high school, so households with eligible children have chosen to live here. Me? I failed [school], so I dropped out. On the other hand, those who have work in Tan Hpre go there during the day. (Should the dam be built?) I don't think the dam is a good idea. That's because if there is a heavy rain, there is the danger of flooding downstream."

After the interview, I walked through Aung Myin Tha (Photo 7) and did not find anything resembling a shop, but there were two-story houses (houses with raised floors), a hospital (photo 8), a school, and a church.

(3) The farmer who returned home after being relocated (interview 2)

I traveled to Tan Hpre near Myitsone where the village would have been flooded if the dam were built, and interviewed a farmer. Byung Chu (50 years old) welcomed me and spoke politely. "A total of around 380 households (of which, about 200 were from Tan Hpre) were relocated from the three villages of Tan Hpre, Myitsone, and Hapa to Aung Myin Tha. I lived in Aung Myin Tha from 2010 to 2017, but eventually I came back here. In Tan Hpre alone, I think that 50-60 households have come back. The civil servants live over there. But while they live over there, some farm here during the day. They have electricity and water where they relocated, plus a hospital (but you have to go to Myitkyina for emergencies and surgery), and an elementary and high school. They also received farmland and a house. However, the houses were cheaply built and leak in the rain, and there are mountains over there where the land is rocky and not good for farming. Also, while I was given 10 acres of land here, they only gave me two acres over there. Farming is the only thing I know, so I came back here. Even though I came back, I have water but no electricity, so I depend on the small solar panel I bought. (What do you think are the good things and bad things about China?) Myitsone is an important place for the country, but I don't

¹⁶ When I spoke to an employee at the Dehong Dai commerce office (Dehong Dai and Jingpo Autonomous Prefecture in Yunnan Province), I was told that there were at most 100 Chinese staying long-term in the area. Thus, "Chinese" in this text seems to refer to Chinese who have Myanmar nationality. According to one of the leaders of a Chinese community from Yunnan that lives in Myitkyina, I was told there were more than 10,000 Chinese from Yunnan living in the area.

think that building a dam here is good. They built a hospital and schools, but it's not good to force people to relocate.”¹⁷

4. Evaluation and prospects: The formidability of Chinese diplomacy

(1) Evaluation

To end the 70-year civil war between the military and ethnic minority insurgent groups, the Suu Kyi administration held the 21st Century Panglong Conference twice by the end of 2017.¹⁸ Settling ethnic minority issues is a pressing issue to achieve domestic stability in Myanmar, but in thinking about relations between China and Myanmar, of the approximately 20 armed ethnic minority groups that are said to be in Myanmar, we should recognize that the armed groups in the border region between China and Myanmar were born under the strong influence of the Chinese Communist Party.

Since the rapid deterioration of relations in 1967 between the two countries during the reactionary diplomacy of the Cultural Revolution, the Communist Party of China adopted a policy of intervention to put pressure on the Ne Win administration at the time by supporting the Communist Party of Burma with weapons and logistics. Although that support continued until the 1980s, China halted support as its own reform and opening up policy took place. As a result of this, a mutiny within the Communist Party of Burma in April 1989 caused it to split into four armed ethnic minority groups, and China's contact with these groups continued at a working level.¹⁹ This is probably the kind of foundation that existed. State Counsellor Aung San Suu Kyi, who visited China prior to the Second Panglong Conference in May 2017, called for President Xi Jinping's cooperation for peace and stability in the border region.²⁰ Ultimately, seven ethnic minority armed groups that did not sign the ceasefire agreement participated as observers at the Conference, which was thought to be due to the efforts of China.²¹ In other words, China is trying to take the lead in relations

¹⁷ See the website for photos of Myitsone taken by the author. [<http://ir.u-shizuoka-ken.ac.jp/ksuwa/>]

¹⁸ The Japanese government (Special Envoy of the Government of Japan for National Reconciliation in Myanmar, Yohei Sasakawa) is actively cooperating to help realize a ceasefire agreement between the Myanmar government and ethnic minority armed groups.

“Ceasefire Agreement Signed with Ethnic Armed Groups in Myanmar”

[http://www.mofa.go.jp/mofaj/press/danwa/page4_003753.html] (Accessed February 19, 2018)

¹⁹ Bi Shihong, “Kokkyochitai no minzoku seiryoku o meguru Chuugoku myanma kankei” (China-Myanmar Relations with Ethnic Groups in the Border Region), Toshihiro Kudo ed., *Myanmaa seiji no jitsuzou* (The Reality of Politics in Myanmar), Institute of Developing Economies, Japan External Trade Organization (2012), p.180.

²⁰ “习近平会见缅甸国务资政昂山素季,” *People's Daily*, May 17, 2017.

²¹ “Myanmaa wahei kaigi eikyoryoku o masu Chuugoku” (China's Increasing Influence at the Myanmar Peace Conference), *Sankei Shimbun* (May 25, 2017).

with Myanmar by taking Myanmar's negative legacy brought about by China interfering in Myanmar's domestic affairs (meddling with internal affairs by providing arms to anti-government armed minority groups) and changing it into a positive influence on the country (by urging armed ethnic minority groups to cooperate with the Myanmar government). It can be said that China's response to Myanmar's armed ethnic minority group problem is a typical example that illustrates the formidability and cunning of China's realist approach to diplomacy.

The large-scale project in the Myitsone area that is believed to be under the strong influence of armed ethnic minority groups is a serious matter that should be deliberately and carefully advanced by China as it continues to try and maintain the initiative in diplomacy with Myanmar. The fact that I was able to observe the construction site and conduct interviews indicates that China is not using brute force to push forward its established policy. China may also wish to avoid criticisms of "neo-colonialism" within Myanmar and abroad. As my interviews show, although there is discontent among the people in areas targeted for relocation, such discontent may be limited due to the constant care from China. However, prior to visiting Myitsone, the response I received from the Chinese embassy staff in Yangon where I visited to obtain some information, was, as usual, impersonal and rude.

(2) Prospects

The following may be a useful reference in thinking about the fate of the construction of the Myitsone Dam.

As of 2013, there are more than 35 power station construction projects in Myanmar in which Chinese enterprises are the lead company, so the suspension of the Myitsone Dam project can be seen as having a limited impact on China's presence.²² Moreover, although the purpose of building the dam was to meet Yunnan province's need for electricity as previously noted, Yunnan province has experienced an electricity surplus in recent years and it appears that interest in resuming construction of the dam by China is waning.²³

If this is the case, it will have to consider scrapping the project.

According to a spokesperson for State Counsellor Aung San Suu Kyi, she is trying to propose to China the construction of multiple small hydroelectric power stations that pose less risk of environmental destruction as an alternative to building the Myitsone Dam.²⁴ According to Chinese Myanmar researchers, the

²² Toshihiro Kudo and Mariko Watanabe, "Myanmaa no shigen gaikou to chuugoku" (Myanmar's Resource Diplomacy and China), *Ajiken World Trend*, No. 211 (April 2013), p.10.

²³ "China may scrap divisive dam in Myanmar to advance other interests"

[<https://www.reuters.com/article/us-china-silkroad-myanmar-dam/china-may-scrap-divisive-dam-in-myanmar-to-advance-other-interests-sources-idUSKBN1771VI>] (Accessed January 12, 2018)

²⁴ "A Chinese-Backed Dam Project Leaves Myanmar in a Bind"

Chinese ambassador to Myanmar officially stated that if construction of the dam was completely canceled, investors in China would consider requesting preferential treatment in other projects in place of full compensation (\$800 million).²⁵ Negotiations over a final decision will likely continue for the time being.

According to professor Bi Shihong of Yunnan University, who is a personal friend, he asserted that judging by the series of measures taken by Myanmar (for example, the visit to China by the president's envoy) after construction was suspended, the Myitsone Dam issue has not exacerbated the relationship between China and Myanmar as of 2014.²⁶ Based on the above analysis and news coverage, and from what I gained during my visit to Myitsone, I think that this assertion is sufficiently persuasive. Regardless of how the construction of the Myitsone Dam develops, it seems that China is taking the initiative, so that "amicable" China-Myanmar relations will continue for the time being.

Since the "nationalization" of the Senkaku Islands in 2012, China has "downgraded" Japan, so to speak, from a great power to a neighboring country in terms of China's foreign policy. Since June 2017 when Prime Minister Shinzo Abe showed a cooperative stance toward the One Belt One Road Initiative, China has started to repair relations with Japan.²⁷ However, at the beginning of this year, a Chinese nuclear attack submarine passed submerged through Japan's contiguous zone surrounding the Senkaku Islands. It is an incomprehensible act that is worthy of protest.

However, from the Chinese perspective, such criticism seems to be unfounded. This is because, as mentioned at the beginning of this paper, while declaring a path for peaceful development and a community with a shared future for mankind at the National Congress, Xi Jinping warned that China would never give up its legitimate rights and interests, and that "no one should expect us [China] to swallow anything that undermines our interests." The Communist Party of China maintains that it has "wonderfully realized" the system integration of socialism with a market economy, a concept widely regarded as being

[<https://www.nytimes.com/2017/03/31/world/asia/myanmar-china-myitsone-dam-project.html>](Accessed: January 9, 2018)

²⁵ "Damned be Myanmar's Myitsone dam?"

[<http://www.eastasiaforum.org/2017/07/16/damned-be-myanmars-myitsone-dam/>] (Accessed January 12, 2018)

²⁶ Bi Shihong, "Aratana chuu men kankei" (A New China-Myanmar Relationship), *Ajiken World Trend*, No. 220 (February 2014), p. 30-33.

²⁷ The day after Abe's remarks (June 6), during a regular press conference, China's foreign ministry spokesperson commented that "we have noted the statement by Prime Minister Abe."

[http://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/t1468189.shtml] (Accessed January 24, 2018)

incompatible, but China seems to believe that it is possible to realize the simultaneous parallel advancement and realization of the soft aspect of peaceful development and the hard aspect of maintaining sovereignty. If I can borrow a 2017 Japanese buzzword, it is trying to herald the arrival of a new paradigm by *aufheben* (sublimation).

If Xi Jinping seeks to be a leader along the lines of Mao Zedong, then this inconsistent thinking may be understandable.

The Meaning of Xi Jinping's "New Era" from the Standpoint of Security

Bonji Ohara

Introduction

China held its National People's Congress (NPC) from March 5-20, 2018. According to the budget report announced in conjunction with the opening of the NPC on March 5th, defense expenditures for 2018 were 1.11 trillion yuan (about \$175 billion US), an 8.1% increase from the previous year.¹ There is some debate over whether this number is high or low.

Since Premier Li Keqiang set the target GDP growth rate for 2018 at around 6.5%, the same as last year, as published in the Government Work Report, defense spending is expected to put pressure on the economy because its growth rate is higher than that of the economy. However, growth in defense spending will fall short of more than 10 percent growth, which the People's Liberation Army (PLA) claims it needs to attain military power on par with the United States by 2050.

The current state of China's military buildup and the background behind it cannot be understood by simply looking at the published increases in China's defense budget, which is said not to include all budget items. The announced increase at the NPC was likely to simply send a political message that the Chinese government and the Communist Party controlling the government are striking the proper balance between economic growth and the military buildup.

There is no doubt that China is trying to modernize the PLA and strengthen its military power. As to the questions of why China requires such military might in the "new era" and the meaning of the "new era" heralded by the Xi Jinping administration, the data released by China does not provide a complete answer.

¹"China to Raise Defense Spending by 8.1% in 2018 in National People's Congress Report," *Reuters*. [<https://jp.reuters.com/article/china-parliament-defence-idJPKBN1GH022>] (Accessed March 4, 2018)

In order to understand these issues, it is necessary to analyze not only the published data but also what happens in reality. This report aims to understand the “new era” heralded by the Xi Jinping administration through examining the content of the security-related policies determined by the state and the Communist Party and how those decisions affect the procurement of weapons and equipment and the missions of military units.

1 . The National People’s Congress

The 2018 NPC was remarkable for Premier Li Keqiang and the leaders of state organs and cabinet ministers to proclaim the “Xi Jinping ‘new era.’” In his closing ceremony speech, (Party General Secretary) President Xi Jinping stated, “Chinese socialism has entered a new era,” and reaffirmed the goal of building a “great modern socialist country” that can be comparable to the United States by the middle of the century.²

It was clear to everyone that Xi Jinping had managed to further consolidate power. During the NPC, the Constitution was amended to abolish the fixed-term system of two terms and 10 years along with the unprecedented appointment of Xi Jinping as president, the reappointment of Li Keqiang as premier, and the appointment of Wang Qishan as Vice President of the People’s Republic of China.

In addition, the NPC passed laws, such as the Supervision Law, that provide the legal basis for the National Supervisory Commission, a new agency to enforce President Xi Jinping’s anti-corruption efforts. While the NPC, derided as “the rubber stamp of the Party,” increased its function as a legislative body, it created a state system that concentrated power with Xi Jinping by enacting the new laws.

For General Secretary Xi Jinping, to lead China’s new era, it was necessary to institutionalize his personal authority. At the same time, however, he showed that he is not equal to Deng Xiaoping, who was neither Party general secretary nor president, but recognized by all as a leader.

Moreover, the institutionalization advanced by Deng Xiaoping was the exact opposite of consolidating the power of an individual and was geared toward building a bottom-up policy-making process for the long-term stable governance of the Communist Party no matter who becomes the leader. To understand Xi Jinping’s intent to consolidate power, it is necessary to study it in retrospect.

²“Shuu-shi “minzoku fukkou chikadzuku” zenjindai heimaku 2-ki-me honkaku shidou,” (Xi Insists “Great Revival of the Chinese Nation” as NPC Closes and Second Term Begins), Yomiuri Shimbun, March 21, 2018

2. The 19th National Congress of the Communist Party of China (19th Congress)

Although the NPC has increased its function as a legislative body, it is still a forum for converting party lines into policy measures. The matters decided at the 2018 NPC were based on the Party and state organ reform policies deliberated and decided at the 19th Congress and the first, the second, and the third plenary session of the 19th National Congress of the Communist Party of China.³

General Secretary Xi Jinping's opening report at the 19th Congress on October 18, 2017 was reflected in the concerns and intentions of the current Central Committee. The report was titled "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era" and consists of the following 13 topics.⁴

- 1.The past five years: Our work and historic change
- 2.The new era: The historic mission of the Communist Party of China
- 3.The thought on socialism with Chinese characteristics for a new era and the basic policy
- 4.Securing a decisive victory in building a moderately prosperous society in all respects and embarking on a journey to fully build a modern socialist China
- 5.Applying a new vision of development and developing a modernized economy
- 6.Improving the system of institutions through which the people run the country and developing socialist democracy
- 7.Building stronger cultural confidence and helping socialist culture to flourish
- 8.Growing better at ensuring and improving people's wellbeing and strengthening and developing new approaches to social governance
- 9.Speeding up reform of the system for developing an ecological civilization, and building a beautiful China
- 10.Staying committed to the Chinese path of building strong armed forces and fully advancing the modernization of national defense and the military
- 11.Upholding "one country, two systems" and moving toward national reunification
- 12.Following a path of peaceful development and working to build a community

³"Dai 19-ki san-chuu zenkai kaidoku: Kaikaku o yaritogeru" (Deciphering the Third Plenary Session of the 19th Congress: Following through with Reforms), People's Daily Online.

[<http://j.people.com.cn/n3/2018/0302/c94474-9431799.html>] (Accessed March 2, 2018)

⁴"决胜全面建成小康社会 夺取新时代中国特色社会主义伟大胜利 一在中国共产党第十九次全国代表大会上的报告" Government of the People's Republic of China.

[http://www.gov.cn/zhuanti/2017-10/27/content_5234876.htm] (Accessed October 18, 2017)

with a shared future for mankind

13. Exercising strict governance over the Party and improving the Party's ability to govern and lead

Through the Chinese media, the Communist Party of China propagated that the keyword of the 19th Congress was “new era.”⁵ Over the course of the roughly three and a half hour speech, “new era” was uttered 36 times.⁶

Xi Jinping started his report by recognizing that China has entered a new era by explaining, “The 19th National Congress of the Communist Party of China is a meeting of great importance taking place during the decisive stage in building a moderately prosperous society in all respects and at a critical moment as socialism with Chinese characteristics has entered a new era.”

This “new era” is related to China's Two Centenaries. The Two Centenaries are the 100th anniversary of the founding the Communist Party of China in 1921 and the 100th anniversary of the founding of the People's Republic of China in 2049. Thus, China will mark the first centenary by the time of the 20th Congress.

Deng Xiaoping called for the “completion of a moderately prosperous society,” but the current Communist Party of China is calling for the “completion of a ‘moderately prosperous society in all respects’ by 2020.” Instructions from the Great Leader Deng Xiaoping were absolute, so surely a “moderately prosperous society in all respects” would have been achieved. After achieving Deng Xiaoping's instructions in 2020, a new authoritative goal will be needed.

And in order to set a goal for the “new era,” authority in line with Deng Xiaoping's is necessary in the current Central Committee because economic development will not continue unless there are painful reforms, such as reform of the economic structure. Thus, it will be necessary to raise the authority of the Central Committee by centralizing the power of Xi Jinping.

To concentrate the power of Xi Jinping, it is believed that a certain consensus exists in the Central Committee. This is because there are shared concerns over the decline of the authority of the Central Committee. The market economy introduced by Deng Xiaoping was not compatible with the planned economy of the Communist Party, which inevitably resulted in a decline in the authority of the Communist Party. The Communist Party of China has justified its existence through economic development. However, the decline of the Communist Party's authority, whose *raison d'être* is to plan and manage, was inevitable.

⁵“进入新时代！习近平十九大报告全文” *Ifeng.com*.

[http://news.ifeng.com/a/20171018/52686134_0.shtml] (Accessed October 18, 2017)

⁶“[Chuugokukuyousantou taikai] 3-ki-me niramī ‘Shin jidai sengen’ shuukinpei-shi, jiga jisan ‘souzou-tekina seika’” ([National Congress of the Chinese Communist Party] (Third Term Take: Declaration of a New Era, Xi Jinping Praises Himself for ‘Creative Achievements,’) *Sankei Shimbun*.

[<http://www.sankei.com/world/news/171018/wor1710180045-n1.html>] (Accessed October 18, 2017)

The Central Committee of the Communist Party of China believes that it is necessary to centralize the power of Xi Jinping in order to enhance the authority of the Communist Party. However, even if the direction is the same, there are also differences in thinking as to the extent to which power should be centralized. The difference in this thinking emerges from time to time in the staffing of the Politburo Standing Committee and the Central Military Commission, which is said to indicate a power struggle.

Incorporating “Xi Jinping thought” into the Party conventions is intended to show that he has authority on par with that of Mao Zedong and Deng Xiaoping by specifying core principles that bear the name of the leader himself. Restoring the authority of the Party by improving the Party’s execution capabilities and leadership will regain the public’s trust, and it will then be possible to lead China to a new goal.

3. The purpose of raising the Party’s authority as seen in the Central Military Commission staff

In spite of this, there are signs that Xi Jinping’s grasp for power is not complete. While trying to accentuate the power of General Secretary Xi Jinping, there are examples illustrating that strong-arm personnel shuffles were carried out to consolidate his power.

A typical example is the major reshuffle and restructuring of the Central Military Commission. Considering this, along with the military review held on July 30, 2017 at the Inner Mongolia training base to celebrate Army Day (in commemoration of the founding of the PLA), it can be understood that Xi Jinping’s power grab was incomplete even in the second half of 2017.

Personnel shuffles in the Central Military Commission have a direct impact on the control of the PLA. Although the Central Military Commission personnel shuffle in October 2017 has been considered to have been used to consolidate the power of Xi Jinping by the heavy use of Fujian and other factions, it had a larger structural purpose.

Before the 19th Congress, it was reported that former Commander of the PLA Navy, Admiral Wu Shengli (72); former Chief of the General Staff Department, General Fang Fenghui (66); and Director of the Political Work Department, General Zhang Yang (66) were detained, while Air Force General Ma Xiaotian (68) was replaced.⁷ The detention and replacement of the Central Military

⁷“Chuugoku-gun chuusuu no 4-nin kousoku koutetsu shuukinpei-shi, gounin’na kenryoku shouaku tounai tousou gekika de ijou jitai” (Four General Staff Detained and Replaced in China in Abnormal State of Affairs as Xi

Commission staff just before the National Congress was extraordinary. While it was not clear that General Wu Shengli had been detained since he appeared in the media and attended the 19th Congress, former Chief of the General Staff Department General, Fang Fenghui and Director of the Political Work Department, General Zhang Yang, were virtually taken into custody after given notice of *Shuanggui*.

The three detained and replaced generals were quickly removed from the Commission, leaving (former Air Force General) Xu Qiliang, the current vice chairman of the Central Military Commission; (former head of the Equipment Development Department) Zhang Youxia, and (former Commander of the Rocket Force) Wei Fenghe in place, while (Commander of the PLA Ground Force) General Han Weiguo, (Director of the Political Work Department) General Miao Hua, (Director of the Logistic Support Department) General Song Puxuan, (Commander of the PLA Air Force) Lieutenant General Ding Laihang, and (Commander of the PLA Navy) Vice Admiral Shen Jinlong are thought to have been added. In reality, however, the Army, Navy, and Air Force commanders did not join the Central Military Commission.

The Central Military Commission consists of President Xi Jinping, (Vice Chairman of the Central Military Commission) Xu Qiliang, (former head of the Equipment Development Department) Zhang Youxia, (former commander of the Rocket Force) Wei Fenghe, (chief of the Joint Staff Department of the Central Military Commission) Li Zuo Cheng, (Director of the Political Work Department) Miao Hua, and (Deputy Secretary of the Central Commission for Discipline Inspection and Secretary of the CMC Commission for Discipline Inspection) Zhang Shengmin. The number of members in the Commission shrank from 11 to seven.⁸ It is believed that removing the Army, Navy, and Air Force commanders from the Central Military Commission also relatively lowered the authority of the PLA and increased the authority of the Central Committee.

Suppressing the authority of the military and relatively raising that of the Party is not only because it fears the Army's opposition to command by the Central Committee, but because there are concerns that the military cannot protect the foreign economic activities supporting China's development by military power unless it obeys the Party's orders.

Jinping Takes Control and Party Struggle Intensifies), *Sankei Shimbun*.

[<http://www.sankei.com/world/news/170901/wor1709010036-n1.html>] (Accessed September 1, 2017)

⁸“Chuugokukuyousantou dai 19-ki chuuo iinkai dai 1-kai zentai kaigi komyunike” (Communique of the First Plenary Session of the 19th National Congress of the Communist Party of China), *People's Daily Online*. [<http://j.people.com.cn/n3/2017/1025/c94474-9284725.html>] (Accessed October 25, 2017)

4. The People's Liberation Army seen in General Secretary Xi Jinping's report

What the Central Committee demands of the military can be seen in General Secretary Xi Jinping's report at the 19th Congress. The military is mentioned 10th among 13 topics and accounts for only 3% of the text in the report. The PLA can be used as a tool in a power struggle but the priority of the military in Party politics is never high. However, it is possible to extract the focal point of the Party and military operations around General Secretary Xi Jinping.

Although there is barely any mention of military operations, the report includes the direction of the military modernization. Phrases such as “application of artificial intelligence for military affairs ” and “combat capabilities for joint operations based on the network information system (conscious of US military's network-centric operations)” are abstract and lack concreteness, but are reflected in the armaments and strategy of the PLA.

Also, General Secretary Xi Jinping lists as areas of concern “management and protection of veterans,” “protecting the legitimate rights and interests of military personnel and their families,” “military service as an occupation that enjoys public respect,” and “reforms to build a modernized armed police force,” which suggest an awareness of the risk of discontent stemming from veterans frequently protesting their poor treatment (the future for active serviceman) and the loss of income by active servicemen due to “anti-corruption” efforts. On the contrary, recognizing that the PLA is losing the trust of the people and thereby ordering improvements indicates the severity of the decay in the PLA.

In addition, it also suggests that General Secretary Xi Jinping is aware that there is a problem with the People's Armed Police at this time. Although the People's Armed Police was under the command of the Ministry of Public Security organizationally, it was directly commanded by the Central Military Commission. Its importance was recognized following the Tiananmen Square protests on June 4, 1989, and the organization of the People's Armed Police was expanded.

As the People's Armed Police is organizationally part of the Ministry of Public Security, the Central Political and Legal Affairs Commission holds powerful sway over it, even within the Communist Party, meaning that it is ruled and dominated by Zhou Yongkang, who is a disciple of Jiang Zemin. The reform of the People's Armed Police began with a restructuring of the organization. From January 1, 2018, it was decided that the People's Armed Police would come under the command of the Central Military Commission, and with the removal of the Central Political and Legal Affairs Commission, the chain of

command became a single line from the Central Committee to the People's Armed Police via the Central Military Commission.

5. Declaration of a “strong maritime country”

For a China that is increasingly wary of American interference as it pursues its economic development, becoming a “strong maritime country” is a necessary condition for its economic development to continue in the future. China needs to protect its maritime transportation routes, which are the “one road” of the One Belt One Road Initiative. Furthermore, it must also show a military presence in areas such as the Middle East.

However, Xi Jinping only used “strong maritime country” once in his report. It appears in the fifth of the 13 topics, “Applying a new vision of development and developing a modernized economy.” The South China Sea, often discussed by Japan and the United States as one of China's initiatives to become a strong maritime country, was only touched upon in the speech's first topic, “The past five years: Our work and historic change.”

China sees the ocean as a “road” that transports resources, goods, and military power to support the development of China. The ocean is important as a place to acquire resources and is recognized as a frontier similar to the interior of China. In this regard, controlling the frontier includes securing the safety of activities, including traffic, and preventing independence.

But Xi Jinping's report does not name the Navy as having the leading role in constructing a “strong maritime country.” On the contrary, the Navy was referred to only once in the “report” where it was used in the tenth topic of “Staying committed to the Chinese path of building strong armed forces and fully advancing the modernization of national defense and the military.”

Nevertheless, the main actor protecting China's external economic activities is the Navy. From 1983, Liu Huaqing, who was appointed Commander of the PLA Navy by Deng Xiaoping, ordered a three-phase development of the Navy.

In the first phase to be achieved by 2000, he instructed that “for the critical 15-year period from now (the mid-1980s) until 2000, the PLA Navy must be able to exert control over the maritime territory within and beyond the First Island Chain.” The target of this first phase has been achieved almost 10 years behind schedule, as seen from the fact that the Chinese Navy has been promoting the “normalization of expeditionary ocean navigation training” since around 2009.

By the mid-1980s, there were no specific targets for the second and third phases, but if one looks at things such as the state of armaments on the PLA Navy's ships, the aim in the second stage by 2020 is believed to be the dispatch

of an aircraft carrier strike group to regions around the world to demonstrate a military presence. In the third phase by 2050, the aim is to become a Navy that surpasses the US Navy as shown in the “report” at the 19th Congress and elsewhere.

It is said that the naval development strategy is linked to the timing of the “Two Centenaries” and is tied to the “century of humiliation” and the “great revival of the Chinese nation.” It is about matching the speed of modernizing the Navy to political goals.◦

6. The significance of building aircraft carriers

For China, the modernization of the Navy is crucial for it to be a “strong maritime power.” One of the symbolic pieces of the Chinese Navy’s equipment is the aircraft carrier. Although China has the Liaoning training aircraft carrier, it was rebuilt without design drawings and cannot be used for actual combat. The Liaoning has poor operational availability due to problems with its propulsion system, which deprived Chinese Navy from obtaining sufficient know-how on operating an aircraft carrier. It is thought that training a naval aviation force remains a challenge.

Despite the lack of know-how regarding the operational deployment of aircraft carriers and carrier-based fighters, the purpose of China designing and building aircraft carriers is not to fight the US Navy, but to signal a Chinese military presence around the world. By signaling a military presence, it is thought that China can finally have regional influence.

An aircraft carrier is a prime example of a power projection capability that China thinks it lacks. It is a vehicle that deploys China’s air strike capabilities around the world. For China, an aircraft carrier strike group is considered to be crucial for the country’s economic development.

However, China’s shipbuilding technology does not seem to have the capability to construct a satisfactory aircraft carrier yet. The Chinese Ministry of National Defense explained in a press conference that its “first domestic aircraft carrier would be an improvement of the Liaoning to some extent.” Furthermore, the first domestic aircraft carrier built by Dalian Shipbuilding and that being built by Jiangnan Shipyard of Shanghai appear to be different types.

Dalian Shipbuilding has relied on technology from the Soviet Union while Jiangnan Shipyard had tended to use more Western technology. In fact, the Chinese Navy built different destroyers at Dalian Shipbuilding and Jiangnan Shipyard in the early 2000s. Those ships are the Type 051C Luzhou-class

destroyer and the Type 052C Lanzhou-class destroyer. After building these two types of destroyers, China did not build another destroyer for eight years.

China has been comparing the performance of the destroyers while operating them, and finally settled on the Type 052C Lanzhou-class. It then developed the Type 052D Luyang II class, which is now in full scale production. It is possible that this type of development may show up in the construction of its aircraft carriers. In other words, this means that China's aircraft carrier class has still not been determined.

China is building large destroyers that form part of an aircraft carrier strike group to protect an aircraft carrier. In December 2014, China began building the Type 055 destroyer. The Type 055 destroyer was launched at the Jiangnan Shipyard on June 28, 2017.⁹

It has an overall length of 180 meters, a displacement of over 12,000 tons, and is equipped with a 130 mm main gun and a multi-purpose vertical launch system, but it does not appear to have made any dramatic technological advances. It pursued an integrated power control similar to that of the US Navy's USS Zumwalt (DDG-1000), but while the mounting of a rail gun and laser was considered, it is likely that it was not. However, the Type 055 destroyer is significant not only for the technology it uses but also for its mission. At the beginning of its construction in 2014, the Chinese Navy claimed that, "the Type 055 destroyer is different from ships for homeland defense in that it is a destroyer that carries out its strategic mission globally." This means that it is a warship to be deployed around the world with an aircraft carrier strike group.

In March 2018, it was confirmed that a Type 055 destroyer was built at Dalian Shipbuilding. In light of the pace of construction, China seems intent on deploying an aircraft carrier strike group operating from the Indian Ocean to the Mediterranean Sea by 2020.

Conclusion

Since Xi Jinping assumed the position of Party General Secretary, China has grounded its foreign diplomacy in "major power diplomacy." Even in 2018, the most important issue in Chinese diplomacy is to avoid an armed conflict with the United States. Since the birth of the Trump administration, the issue of North Korea's nuclear weapons development program has been taking on aspects of a game between the two major powers of the United States and China.

Even though China acted as the standard bearer of free trade at the May 2017

⁹"China's newest destroyer seen as challenge to Asia rivals" CNN, [\[https://edition.cnn.com/2017/06/28/asia/china-navy-new-destroyer/index.html\]](https://edition.cnn.com/2017/06/28/asia/china-navy-new-destroyer/index.html) (Accessed June 28, 2017)

Belt and Road Summit and began to engage in international rules as an economically powerful actor, its military might is still far from being equivalent with the United States. China is seeking to change the international order from a position of military weakness and will continue to build its military power while avoiding conflict with the United States.

Strengthening the Foreign Policy

-Making System in the Second Term of the Xi Jinping Administration

Ichiro Inoue

Introduction

The efforts to strengthen China's foreign policy-making system in Xi Jinping's second term attracted attention at the National People's Congress (NPC) held in March 2018. A glimpse of those efforts was seen immediately after the end of the NPC during Kim Jong-un's visit to China, on March 25–28. During Kim's stay in Beijing, President Xi Jinping, Premier Li Keqiang, Politburo Standing Committee member Wang Huning, newly appointed Vice President of the People's Republic of China Wang Qishan, Politburo member Yang Jiechi, and newly appointed State Councilor and Minister of Foreign Affairs Wang Yi, all took part in events related to the visit.³⁷

The features of China's stronger foreign policy-making system as a result of the 19th National Congress of the Communist Party of China held last October and the NPC following the Party Congress were visible. First, Wang Huning was promoted to the Politburo Standing Committee in the National Congress, putting him in the top leadership. Wang was a researcher of international politics and served as the "brain" of the Party, having acted as a foreign policy advisor to Jiang Zemin and Hu Jintao and having written important guiding theory for the Communist Party. On the State side, the former Minister of Foreign Affairs and State Councilor at the time, Yang Jiechi, was promoted to the Politburo on the Party side. Following that, Wang Qishan was appointed Vice President of the People's Republic of China at the recent NPC, and his responsibilities also include foreign relations. Wang Qishan's retirement from the Politburo Standing Committee at the previous National Congress drew attention, but it accorded with existing practices. Also, on a practical level, Minister of Foreign Affairs

³⁷ “习近平同金正恩举行会谈” Ministry of Foreign Affairs, the People's Republic of China, March 28, 2018 [<http://www.fmprc.gov.cn/web/zyxw/t1546010.shtml>](Accessed April 17, 2018)

Wang Yi was promoted to State Councilor as the successor to Yang Jiechi, while keeping his former status as the foreign minister.

1. Development of a high-level foreign policy-making system

Wang Huning, who worked his way into the Politburo Standing Committee, frequently accompanied Hu Jintao on overseas trips as the long-serving head of the Central Policy Research Office, together with Ling Jihua, chief of the General Office.³⁸ Individually, Wang Huning has had little contact with foreigners on his own, and it is therefore difficult to understand him from the outside. He is thought to be a close advisor to the supreme leader, and has served as a foreign policy advisor but was later promoted to the Politburo Standing Committee after serving in the Politburo. From the perspective of the traditional division of roles among Politburo Standing Committee members, there are two people who are in directly in charge of foreign affairs: President Xi Jinping and Premier Li Keqiang. It was originally thought that Wang Huning, upon his promotion to the Politburo during the first Xi Jinping administration, would focus more on big-picture matters, such as the guiding theory for the Communist Party, than on specific foreign affairs. In addition, since he was promoted to the Politburo Standing Committee and was seemingly in charge of communist ideology, it was thought that he would no longer be directly involved in foreign affairs. However, during Kim's visit to China, he was the only Politburo Standing Committee member other than Xi Jinping and Li Keqiang who was officially reported to have been involved in activities during Kim's visit,³⁹ so it remains to be seen as to what extent his duties will involve foreign relations.

The post of Vice President of the People's Republic of China, which Wang Qishan assumed, had been mostly a symbolic one with no major responsibilities associated with it. However, he had a career as a financial expert, and cultivated personal connections during negotiations with the United States when he was Vice Premier; above all, he has the full trust of Xi Jinping with his appointment as Vice President, so Wang Qishan is expected to play an important role in high-level foreign relations, especially in US relations. Indeed, immediately upon assuming his post, he took part in a meeting with the Philippine Foreign Minister on March 23,⁴⁰ and participated in events during Kim Jong-un's visit, which

³⁸ Linda Jakobson and Dean Knox (2011), *New Foreign Policy Actors in China*, Tatsumi Okabe (Ed.), Kougo Tsuji (Trans.), Iwanami Shoten, 2011, pp. 14–15.

³⁹ “习近平同金正恩举行会谈” Ministry of Foreign Affairs, the People's Republic of China.

⁴⁰ “Ō kizan-shi, gaikou debyuu, Chuugoku fuku shuseki” (Wang Qishan Makes Diplomatic Debut as Chinese Vice President), Nikkei Online, March 24, 2018.

[<https://www.nikkei.com/article/DGKKZO28503520T20C18A3FF8000/>](Accessed April 17, 2018)

suggests that he is involved not only in economic relations with the United States but also in diplomatic activities in general.

2. Policies emphasizing foreign relations and policies focusing on Party organizations

If Wang Qishan is involved in China's foreign policy at a high level, he will be supported on a working level by Yang Jiechi and Wang Yi from the Ministry of Foreign Affairs. It is noteworthy that over the course of last year's National Congress and the recent NPC, these officials from the Ministry of Foreign Affairs have been promoted within the Party and their State institution, respectively. It is the first time that Ministry of Foreign Affairs officials have served in the Politburo since Qian Qichen from 1992 to 2002. In the Party, Qian Qichen was the Deputy Director of the Foreign Affairs Leading Small Group (headed by Jiang Zemin), and on the State side he was also the Vice Premier in charge of foreign affairs. Then, from his successor, Tang Jiaxuan, to Dai Bingguo, and until Yang Jiechi (in the first term of Xi Jinping), the highest-ranking person from the Ministry of Foreign Affairs was only a member of the Central Committee on the Party side and a State Councilor, one rank below Vice Premier, on the State side. Restoring the Politburo and Vice Premier posts from the Qian Qichen era has been a long-cherished dream of officials in the Ministry of Foreign Affairs.

In this century, China has become a global power after becoming a member of the WTO, and it has often been pointed out that the status of its diplomats has waned despite it becoming a major influence in other countries.⁴¹ As globalization progressed, various ministries and local governments other than the Ministry of Foreign Affairs became widely involved in international affairs, effectively lessening the role of the Ministry of Foreign Affairs itself. However, this is a common phenomenon in other countries as well. Compared to the foreign ministries of other countries, however, because it never had control over traditional external economic and security affairs and has only a narrow jurisdiction, the Chinese Ministry of Foreign Affairs' duties have been limited to carrying out foreign policies or acting as the government's foreign relations office. Globalization progressed in the era from Jiang Zemin to Hu Jintao, and the Ministry of Foreign Affairs' control over increasingly expanding and complicated foreign-related matters has weakened. On the other hand, the leadership is far more interested in domestic issues than in foreign relations, and

⁴¹ Linda Jakobson et al., *op. cit.*, pp. 17–18.

both the Party and the State are more interested in public security or party propaganda agencies—which has always been said to exceed their interest in the Ministry of Foreign Affairs.⁴²

The Ministry of Foreign Trade and Economic Co-operation (now the Ministry of Commerce), which once oversaw external economics, played an important role in charge of trade policy and external loans, and since the 1990s it has produced members of the Politburo Standing Committee and the Politburo on the Party side, and vice premiers on the State side, including Li Lanqing and Wu Yi. Meanwhile, in contrast with the rising status of the Ministry of Foreign Trade and Economic Co-operation, the status of the Ministry of Foreign Affairs has declined.⁴³ The background to the superior status of the Ministry of Foreign Trade and Economic Co-operation is that, since the policy of reform and opening-up, there were the Chinese Communist Party (CCP)'s basic policies, which focused on economic development.

Also, it is interesting to compare it with the military's responsibility for security. In recent years, in the Politburo, the military has received two posts from members of the Central Military Commission; in addition, the third highest-ranking military officer served as a State Councilor and the Minister of National Defense on the State side. On the other hand, Ministry of Foreign Affairs officials, as mentioned earlier, have not been posted to the Politburo since the retirement of Qian Qichen, and the highest-ranking person in the State has served as a State Councilor. The promotion of a series of Ministry of Foreign Affairs officials implies that the diplomatic executives in the Party and in the State, who have had a relatively lower status than the military and external economic divisions, have finally seen their status raised to a certain extent.

The background to these developments appears to be a policy that emphasizes foreign relations, which was seen in Xi Jinping's first term, along with a policy that places Party over State. Last year, with Yang Jiechi promoted to the Politburo, there was the presumption that, just as with Qian Qichen in the past, Yang would be promoted from State Councilor to Vice Premier at the NPC in March, while at the same time, Foreign Minister Wang Yi would be promoted to State Councilor. However, although there is a difference in rank between the Vice Premier and the State Councilor, there is no hierarchical relationship in the scope of duties,⁴⁴ and no need in the State Council to have two persons in charge of foreign affairs. While Yang Jiechi, the highest-ranking Politburo member

⁴² David M. Lampton, *Following the Leader: Ruling China, from Deng Xiaoping to Xi Jinping*, California: University of California Press, 2014, p. 164.

⁴³ Lu, Ning, *The Dynamics of Foreign-Policy Decision Making in China*, Second Edition, Colorado: Westview Press, 1997, pp. 164–165.

⁴⁴ A standing Vice Premier overseeing affairs is an exception.

from the Ministry of Foreign Affairs, has moved from State Councilor to a post outside the State institution, Wang Yi, as the next-ranked Foreign Minister, served as a member of the State Councilor. As a result, there is a structure similar to the Party-dominated one in that the two top-ranked military members up to now have been members of the Politburo without posts in the State Council, but the third-highest ranking member of the military serves as a State Councilor and Minister of National Defense.

3. The role of the upgraded diplomatic officials

So, what is the role of Politburo member Yang Jiechi, who has only a post in the Communist Party? In Xi Jinping's first term, Yang Jiechi had already taken over from his predecessor, Dai Bingguo, and had been a member of the Central Foreign Affairs Leading Small Group and the head of the Foreign Affairs Leading Small Group Office, which provides administrative support to the Leading Small Group. With the Central Foreign Affairs Commission newly established,⁴⁵ Yang Jiechi was appointed Director of the Office of the Central Foreign Affairs Commission. Often in China, even if a new institution is established in a top-down manner, the related laws, staffing, budgets, and the like are not prepared in coordination with one another, or even at the same time, and while in many cases the institution may not function smoothly at first, its role will gradually be determined as work progresses. In that sense, although the actual state of this new institution is currently thought to be nothing more than simply changing the name of the existing Foreign Affairs Leading Small Group and its affairs office, it is necessary to pay attention to how it will be strengthened in the future.

Furthermore, it is expected that Yang Jiechi will have the important responsibility of foreign negotiations as a high-level diplomat. For Yang Jiechi, an expert on the United States who has strong ties to the Bush family and others through his long-serving diplomatic experience with US affairs, including as ambassador to the US, and Wang Yi, who started as an expert on Japan and served as ambassador to Japan, the two appear to have divided their roles, with the former focusing on US relations and the latter focusing on Asian affairs. In the future, however, Yang Jiechi is one more powerful piece to develop Chinese diplomacy, with him acting as a diplomatic player at a higher level than in his previous post as State Councilor. In response to Kim Jong-un's visit to China,

⁴⁵ “中共中央印发《深化党和国家机构改革方案》,” Xinhuanet, March 21, 2018.
[http://www.xinhuanet.com/2018-03/21/c_1122570517.htm] (Accessed April 17, 2018)

Yang Jiechi was given the title “Special Representative of President Xi Jinping” for his visit to South Korea, and he is already being sent abroad as a special envoy for specific important issues. It is likely that his role as a negotiator will only increase.⁴⁶ In addition, in the high-level Japan–China economic dialogue held in April, Wang Yi, who was given the new title of State Councilor, acted as the leader of the Chinese negotiating team. Xi Jinping, who long-served in the countryside without a solid base in the central government, has solidified his power base by appointing many of his personal connections from Zhejiang or Fujian Provinces. However, in the diplomatic sector there are limits to regional staff, and Xi Jinping will, at least for the time being, be reliant on the Ministry of Foreign Affairs staff, including Yang Jiechi, who is said to have been the subject of strong influence from the Shanghai clique of the traditional Jiang Zemin faction.

Xi Jinping, compared with his predecessors, has been showing greater interest in foreign relations and not hesitated to express his desire for a stronger China. In placing Wang Qishan at the high level of Vice President and lifting the status of the Ministry of Foreign Affairs to an even higher level, to some extent, Xi Jinping strengthened the foreign policy-making system as a whole. There have been many criticisms that China’s behavior was becoming assertive in recent years,⁴⁷ but since the pronouncement of the judgment by the Permanent Court of Arbitration on the South China Sea issue two years ago, China has, if anything, made tactical policy adjustments and kept a relatively moderate posture. At the same time, China has been avoiding direct confrontation with the United States, while promoting the One Belt One Road Initiative to try to expand its area of influence, at least west of China. With today’s world becoming more chaotic and the liberal order in retreat, China, which has improved the basic physical strength of its diplomacy by enhancing its national strength, continues to develop a system to deploy more skillful diplomatic tactics on a variety of fronts instead of simply taking the usual assertive posture.

Conclusion

The Central National Security Commission was established in Xi Jinping’s first term, and the foreign policy-making system was strengthened with the

⁴⁶ “习近平主席特别代表杨洁篪将访问韩国” People’s Daily Online, March 29, 2018 [<http://world.people.com.cn/n1/2018/0329/c1002-29895047.html>](Accessed April 17, 2018)

⁴⁷ In relation to this, there is a view that, particularly with the series of tensions with neighboring countries that increased in 2010, since these events were caused by individual factors, it is impossible to say that they made China switch to a hardline in its foreign policy in recent years.

establishment of the Central Foreign Affairs Commission in his second term. Many of these strengthening measures are aimed at streamlining the policy-making process and coordination at high levels in the CCP. However, the Central Committee could only handle important diplomatic or strategic problems. As in the case of the leading small groups related to foreign and security affairs, they are held on an ad hoc basis when a problem occurs, and often deal with problems reactively.⁴⁸ As a result, they tend to be slow to respond to sudden events such as a crisis.⁴⁹ However, even though there are problems with policy-making and coordination at such a high level, what has become a problem so far in the practice of China's foreign policy is the deviation between the intentions of the high-level leadership and the actions in the field at the policy implementation level; an inflexible response in the field to decisions from the top; a climate of patronizing overreaction; and the avoidance of accepting responsibility in a crisis. These stem from the fundamental structures of Chinese politics with the Central Committee at the center, deciding major policies, while the execution of those policies lies with the Ministry of Foreign Affairs and other implementing agencies—and comes through the institutional culture that is deeply rooted in each Party and State structure. While China's diplomatic system has now been strengthened, it should also be noted that it will not lead to the improvement of structural problems of the sort that seem to be revealed each time foreign relations become strained.

⁴⁸ Yun Sun, "Chinese National Security Decision-Making: Progress and Challenges," The Brookings Institutions, 2013, p.10.

⁴⁹ Michael D. Swaine, "The PLA Role in China's Foreign Policy and Crisis Behavior," in Phillip C. Saundeers and Andrew Scobell eds., *PLA Influence on China's National Security Policy Making*, California: Stanford University Press, 2015, pp. 150–151.

The Centralization of Power and the Rule of Law in “New Era” China

Jun Konno

The first National People’s Congress of Xi Jinping’s second term was held in 2018. The constitutional amendment abolishing term limits for presidents at this National People’s Congress made it a hot topic in the media around the world.

Looking back, there is a sense that most of the media focused on the new members of the Politburo Standing Committee at the 19th National Congress of the Communist Party of China (19th Congress) last year in an attempt to gauge the extent of Xi Jinping’s power grab based on who was shuffled.

In addition to there not being a clear successor to Xi Jinping in the Standing Committee, what stood out was the criticism of the centralization of power with Xi Jinping and the dictatorship being created from “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” being enshrined in the CPC Constitution as its core principle, but there appeared to be little analysis on the future China is striving for and the orientation of its politics as a whole under the Communist government.

However, because the amendment to the Constitution was widely reported, it appears that there is greater interest in not only the power struggle within the leadership but also in Chinese politics as a whole. Here, I will attempt to decipher the current ongoing changes in Chinese politics from the perspective of the centralization of power and the rule of law.

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Xi Jinping’s style of politics is often described as “convention-breaking.” However, contrary to the image of a brazen power struggle being propagated in the media, Xi paints a vision of the future that is an extension of the past, characterized by strong political dependence rather than innovation. The concept

of “socialism with Chinese characteristics” itself is hardly original as Deng Xiaoping starting to use it around 1984. Moreover, the “five in one” (economic, political, cultural, social, and ecological civilization construction), referred to as the overall layout of socialist construction under the Xi administration, is a framework that inherits the ideas of the Hu Jintao administration in the same way, and Xi’s “four comprehensives” (the comprehensive completion of a moderately prosperous society, comprehensively deepen reform, comprehensively promote the rule of law, and comprehensively and strictly manage the Party) are actually a collection of the past policies advocated by Deng Xiaoping, Jiang Zemin, and Hu Jintao. Furthermore, we can find elements reminiscent of the Mao Zedong era, such as strengthening the authority of individual leaders and concentrating loyalty accompanying it, and a significant expansion of Party power.

The rapid centralization of power

What are the characteristics of policies in the “new era?” What should be noted in recent years is the trend toward the centralization of power in which discipline and law are leveraged to strengthen control of the central government. With respect to discipline, the memory of major politicians, such as Zhou Yongkang and Ling Jihua, who were detained and expelled by the Central Commission for Discipline Inspection under the Xi administration is still fresh. In reality, in addition to their removal, many executives and Party members in a wide range of institutions that include public security, public prosecutors, courts, and the military have been subject to investigations and punished for breaking with discipline. According to Wang Qishan’s report, more than 330,000 people received Party discipline or administrative action in 2015.¹ As for the law, a series of laws that touted the authority of the rule of law were quickly enacted to use the law to strengthen governance, such as the Counter-espionage Law, National Security Law, Anti-terrorism Law, Foreign NGO Management Law, and Cyber Security Law.

There appear to be many articles in the media trying to explain these recent developments in China from the dictatorial personality of Xi Jinping. However, what is more important than the personality of leaders is the development of the centralization of power in China’s politics. Macro control by the central government is being strengthened under the Xi Jinping administration which regards the imbalance in socio-economic development as a problem. For

¹ Wang Qishan “全面从严治党 把纪律挺在前面 忠诚履行党章赋予的神圣职责,” January 12, 2016. “党的一八大以来 中央纪委历次全会工作报告汇编,” Beijing, Law Press, 2016, p. 135.

example, Xi Jinping headed the Central Leading Group for Comprehensively Deepening Reforms created in December 2013 to deepen involvement in a wide range of fields that include not only the political economy and justice, but also science and technology, environmental issues, and the promotion of sports. More than 30 meetings were convened by the middle of 2017, and the group adopted over 350 of only the largest reform proposals. The central government has also strengthened official discipline in rural areas, and the Group for Inspection Work patrol system, which patrols districts to investigate disciplinary violations, has been greatly strengthened under the Xi Jinping administration. More than 60 percent of the leads in inspections by the Central Commission for Discipline Inspection after the 18th National Congress (November 2012) have come from patrols.²

The discipline inspections by the central government and the enforcement of various laws and regulations related to the strengthening of social controls are an important means to prevent the formation of regional “independent kingdoms” and the spread of corruption due to decentralization that has been progressing since the reforms and opening up. By specifying the National Supervisory Commission in the recent constitutional amendment, the trend of strengthening control by the Central Committee is no longer temporary under the Xi Jinping administration. To trivialize the current fight against corruption under the Xi Jinping administration as a temporary power struggle poses the risk of misunderstanding trends in Chinese politics in the future.

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Historically, China’s politics under the Communist Party rule have followed a cyclical path that transitions between the centralization of power (“collection”) and decentralization of power (“release”). The Mao Zedong era is well-known for its political instability, with repeated policy changes from the First Five-Year Plan (centralization of power) to the Great Leap Forward (decentralization of power) to the readjustment period (centralization of power) and the Cultural Revolution (decentralization of power).

Despite the need to centralize power to thoroughly implement the central government’s policies throughout the country, as the centralization of power increases, the government loses organizational flexibility and creativity, and has the harmful effect of creating an entrenched bureaucracy that only carries out

² “党的一九大报告学习辅导百问,” Beijing, Gakushu Publishing House, Party Building Books Publishing House, 2017, p. 6.

orders. Although the decentralization of power is necessary to counter this, doing so loosens the central government's control. China is a vast territory, and the relationship between the central government and local governments entails a more subtle balance than Japanese imagine.

Since the Deng Xiaoping era, China was forced to respond flexibly to a new market economy, so there were waves of centralizing and decentralizing power, but it has overall basically followed a process of decentralizing power to increase regional independence.

Having now achieved a certain level of economic development, China faces the side effects of economic development like corruption and income inequality. Given this state of affairs, the Xi Jinping administration regards the prevalent corruption in rural Party organizations and regional protectionism as having the negative effect of weakening central control on the political economy and recognizes the need for stronger political tightening than in the Jiang Zemin and Hu Jintao administrations.³ As such, the Central Committee is significantly strengthening the central patrol system in provinces, autonomous regions, and municipalities as seen in the “Regulations on the CPC’s Inspection Work” (2015)⁴, and is leveraging it by cracking down on violations of the law and discipline. This leveraging of law and discipline to centralize power is one of the political features of the “new era.”

Centralization of power and the “rule of law”

The use of laws and regulations is characteristic of how the Xi Jinping administration is centralizing power. Administrations preceding Xi Jinping have, of course, frequently stressed the necessity of the rule of law in the past. However, for the first time in the history of the Central Committee, the theme of the Fourth Plenary Session of the 18th Central Committee of the Communist Party of China in 2014 was “comprehensively deepening reform and advancing the law-based governance of China,” leaving no doubt, even with the history of the Communist Party, that Xi is a leader who strongly favors the rule of law.

So, what is the rule of law that Xi has in mind? Is there a contradiction between his rule of law and one-party dictatorship? At the Central Political and

³ Xi Jinping, “‘中共中央關於全面推進依法治國若干重大問題的決定’的說明,” (October 20, 2014), 十八大以來重要文獻選編, Beijing, Central Party Literature Press, 2016, p.140-154.

⁴ Central Committee of the Communist Party of China, 中國共產黨巡視工作條例 (August 13, 2018), Central Commission for Discipline Inspection, Ministry of Supervision of the People’s Republic of China website [href=“http://www.ccdi.gov.cn/special/xstl/yw_xstl/201508/t20150814_60554.html”] (Accessed June 3, 2018)

Legal Work Conference in January 2014, Xi made the following comment on the relationship between the Party's policies and the laws of the State:

"It is necessary to correctly handle the relationship between the party's policies and national laws. Our party's policies and national laws are reflections of the people's fundamental will and are essentially the same. The party not only leads the people in the formulation of the constitutional laws, but also leads the people in the implementation of the constitutional laws and regulations...and law ensures the Party's policies are implemented, ensures that the Party is in overall control, and coordinates core roles in all aspects of leadership."⁵

For Xi, who believes the "Party leads the law" and "laws ensure the implementation of Party policies," the rule of law is an effective means to strengthen the dictatorship and control of the Communist Party, and means "rule by law (by the Party)" instead of the "rule of law."

Looking at the content of Xi Jinping's report at the 19th Congress, it is certain that he will roll out the rule of law with "Chinese characteristics" while intertwining it with the centralization of power. Xi, who sought to consolidate the process of the construction of the rule of law led by the Party, spoke about establishing the Central Leading Small Group for Comprehensively Ruling the Country by Law in October 2017 at the 19th National Congress of the CPC to strengthen the leadership of the Communist Party in constructing the rule of law. This was conceived in a 2018 reform plan that upgraded to the status of the Central Committee for Comprehensive Law-Based Governance.⁶ The rule of law by the Central Committee will continue to be strengthened and likely accelerate the push to regulate society through those laws.

In terms of Xi Jinping stressing the strengthening of the implementation of the Constitution, it is important to note that this is not talking about the protection of the rights of citizens under the Constitution that Japanese would typically think of, but rather about the Communist Party strengthening its authority. Xi is trying to strengthen the legitimacy of the Communist Party of China based on the Constitution explaining, "The Constitution of our country is a fundamental law that reflects the result that the Party led the people in revolution, in construction, and in reform, and establishes the leadership of the Communist Party of China formed in history and the will of the people."⁷ In addition, Xi, Liu Yunshan,

⁵ Tong Lihua, "十八大以来的法治变革," Beijing, People's Publishing House, 2015, p. 23

⁶ "Central Committee of the Communist Party of China '深化党和国家机构改革法案'" (March 21, 2018), [http://www.xinhuanet.com/2018-03/21/c_1122570517.htm](Accessed May 19, 2018)

⁷ Ibid.

Wang Qishan, and Zhang Gaoli also edited a section of the handbook to the 19th Congress titled “Why Must Comprehensive Law-Based Governance be Upheld?” with the following additional commentary that should be noted.

“In recent years, enemy forces in the West and those in society with ulterior motives, self-indulgently throw about Western legal principles and legal models calling the rule of law a “weapon” or a “moral obligation.” Their purpose is to open the way from rule of law issues and deny the leadership of the Chinese Communist Party and the socialist system of our country.”⁸

Given this explanation, the Central Committee-led construction of the rule of law also has an aspect of an effort in response to new citizen’s movements (social movements that do not deny the rule of the Communist Party but are instead based on the provisions of “fundamental rights and obligations of citizens” in the current Constitution) that temporarily rose up in China.

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Another important development is the establishment of the National Supervisory Commission. While the focus of attention was on the amendment to the Constitution abolishing the term limit of the president, the reality is that most of the amendment was about positioning the National Supervisory Commission in the Constitution.

This organization seeks to unify leadership by cracking down on corruption and is characterized as targeting all government employees in addition to the Communist Party (expressed as “the organic unification of Party supervision and State supervision”). It is a pyramid-shaped organization with the Central Committee at the top, and comprised of inspection committees at the state, provincial, city, and county levels. It is also a “joint government agency” (collaborating on policy issues with multiple organizations) having the same rank as the Central Commission for Discipline Inspection.⁹

In addition, in March 2018, the National People’s Congress passed the National Supervision Law expanding the scope of the crackdown on corruption from Communist Party organizations to state-owned enterprises, as well as to all public officials, including educational institutions.¹⁰ This is not simply about

⁸ 前掲 “党的一九大报告学习辅导百问,” p.47-48.

⁹ Editors, “十九大报告 关键词,” Beijing, Party Building Books Publishing House, 2017, p. 170-171.

¹⁰ “National Supervision Law of the People’s Republic of China,” (adopted at the 13th National People’s Congress of the People’s Republic of China, March 20, 2018), People’s Daily Online

expanding the sphere of Party control. This monitoring system is tied to the central patrol system strengthened under the Xi Jinping administration, and central control through discipline and the law will likely be further strengthened in the future.¹¹

A new experiment of a Chinese-style “fusion of dictatorship and law”

Since the Deng Xiaoping era, the Communist Party of China has taken on the challenge of the grand experiment of a one-party dictatorship fusing socialism with a market economy. There are many who take a negative view of this experiment, and although there was a time when some quarters spread the theory that China would collapse, the results have proven that the dictatorship of the Communist Party has persisted and that the economy has developed significantly.

And now that it has attained significant development, a new experiment in China called the “fusion of dictatorship and law” is underway in the Xi Jinping administration. The recent constitutional amendment has shown us that there have been various developments.

In the past, Deng Xiaoping’s political reforms focused on separating Party functions and organizations from State functions. Stating that “when you open the windows you have to expect some flies to come in,” he promoted decentralization and reforms and opening up once a certain degree of corruption was evident. In contrast to such efforts of the Deng Xiaoping era, the current administration is trying to strengthen the control of the Central Committee by leveraging law and discipline while prohibiting corruption. As a result, the possibility of democratic political reforms has significantly diminished.

Deng Xiaoping also experienced a harsh power struggle that led to the deaths of Liu Shaoqi and Lin Biao, and he was keenly aware of the difficulty of passing on power under the one-party dictatorship regime, so he built a generational transition mechanism that limited the terms of presidents. However, as the presidential term limit has now been abolished, the political system under President Xi Jinping is at a major turning point. In that sense, “socialism with Chinese characteristics” has entered the “new era.” As can be seen from the amendment of the Constitution, the centralization of power is being pushed forward by laws and discipline, and the strengthening of the Communist Party’s dictatorship system will likely continue for the foreseeable future.

[http://www.npc.gov.cn/npc/xinwen/2018-03/21/content_2052362.htm](Accessed May 19, 2018)

¹¹ Content on patrols from the Central Commission for Discipline Inspection and National Supervisory Commission websites.

[<http://www.ccdi.gov.cn>]

However, it is highly likely that this will create a bureaucratic tendency to ceremoniously carry out only official orders from above under the fear of a crackdown as the Party and State are bound by the law and discipline. As a result, it means that political flexibility and the capacity to make policy corrections, which are important sources of the Communist Party's vitality, will be lost.

Looking back on the past, the success of reforms and opening up in China was not achieved by the strength of Deng Xiaoping alone. The China of that time had unique leaders, such as the reformer Hu Yaobang and the deliberate and conservative Chen Yun, and the Communist Party found a somewhat balanced policy common ground among differing opinions.

Deng Xiaoping maintained power amid conflicting personalities within the leadership and had the prestige and sense of balance to push forward the reform and opening up policy, but at present, it appears there is no room for conflicting policy opinions within the Xi Jinping administration. In other words, the strength of Xi Jinping that everyone witnessed after the 19th Congress is also the weakness of the current administration.

The centralization of power will certainly accelerate decision-making, and even if there are problems with policies decided by the Central Committee, there will be little opposition. However, under such circumstances, it may be difficult to find a balance in policies. The weakening of the collective leadership system might give Xi Jinping discretion over policies, but when this fails, the criticism of the leaders will be more intense. The legal institutionalization of the crackdown on corruption may reduce corruption, but on the other hand, there is no denying the possibility of a political struggle using discipline inspections that throws the Party organization into chaos. (The Communist Party has already experienced such organizational turmoil in its base during its revolutionary period). How will political flexibility be maintained and central control strengthened while skillfully avoiding these problems? Going forward, it demands that the Xi Jinping administration carefully navigate the waters.

Will the Xi Jinping Administration's Uncompromising Urban Redevelopment Project Succeed?

“Urban villages” (villages in the city) = The fate of lawless zones absent of “citizens”

Tomoko Ako

The people of Anjialou who lived on a mountain of garbage

“They seem to also be targeting Anjialou for an inspection and redevelopment.”

Anjialou, in the Jiangtai area of the Chaoyang District of Beijing, is where migrant workers reside and make a living by collecting waste and other refuse. I travel here from time to time, but according to a friend in Beijing, mass inspections were carried out in areas where migrant workers and other laborers reside following a large fire in Xihongmen Town, an area in Daxing in the south of Beijing, on November 19, 2017, and Anjialou was one of those areas targeted.

The increasing number of illegally-renovated buildings in Xihongmen and its narrow roads due to the renovations prevented fire engines from quickly approaching the source of the fire, resulting in a catastrophe in which 19 people died. Following the fire, forced evictions were carried out over a broad area that included the Haidian District, Chaoyang District, Tongzhou District, Changping District, Shunyi District, Fengtai District, and Daxing District. In some areas, people dressed in black entered buildings without permission, indiscriminately broke windows and furniture, and shut off the water, electricity, gas, and heating of shops and homes, forcing those who lived and worked there into the cold streets with only the clothes on their backs.¹ Information about the violence in Anjialou has not been made public. That said, Anjialou is in the middle of a big city, about one kilometer east from the Yansha Youyi Shopping City and the Kempinski Hotel (right next to the Liangmaqiao subway station), and about 15 minutes on foot from the Japanese Embassy. It is expected to be redeveloped sooner or later.

¹ “‘Beijing “Eviction’’: 11 张图帶你看懂‘低端人口’清退行動,” Initium Media, December 1, 2017. [<https://theinitium.com/article/20171201-mainland-Beijing-uprooted/>] ((Accessed June 3, 2018))

I last visited Anjialou in 2016, but during the visit, I saw mountains of waste in various places and people separating it into metal, plastic, paper, glass, scrap iron, and other categories. In China, recycling is not widely done by the government as it is in Japan. However, there are people everywhere who pick up the waste themselves, separate it, and then sell it to make a living. According to the Hong Kong Internet media company Initium, Beijing has over 10 large-scale waste disposal sites, but there are few places where one can apply to get a business license, so the separation of garbage is being done in harsh conditions.² There are more than one hundred thousand people involved in waste collection in these places, and it has been calculated that these people save the government several hundred million yuan per year in garbage disposal costs.³ However, because the waste contains toxic substances, there are concerns about the health effects on the people separating the garbage. Also, is it really necessary to secure a garbage separation site in Anjialou, a prominent Beijing area with high real estate prices? Redevelopment is no easy task given the high price of land. It is believed that the reason why people continue to collect waste in Anjialou is due to the frequent opposition by local residents who want garbage collection facilities built elsewhere and the government, which has been unable to smoothly develop its garbage disposal operations.

The space of urban villages

Districts like Anjialou in Beijing that have been targeted for redevelopment are called “*chéngzhōngcūn*” in China. The characters that make up the word can be literally translated as “village in a city,” a phrase full of contradictions. As a result of rapid urbanization leading to the full or partial expropriation of arable land, there are densely-populated, formerly rural districts surrounded by urban development and inhabited by non-citizens (non-resident population who do not have a family register for the area) cut off by redevelopment projects, and these districts have squalid environments that can be called slums.

The distinction between “citizen” and “non-citizen” is made based on the family register system unique to China. The family register system was introduced in 1958, but at that time, the Chinese government thought that it was necessary to suppress agricultural prices and favor the welfare of urban residents

² Zhao Han, “20 Years of Scavenging in Beijing: Your Capital, My Waste Capital,” Initium, September 14, 2016 [https://theinitium.com/article/20160914-mainland-scanvengers/?utm_content=buffer9a397&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer] (Accessed: June 3, 2018)

³ Ibid.

in order to accelerate the accumulation of capital in the heavy industry sector. The family register system severely restricted migration from rural areas to cities by separating people into farmers and urban residents. However, the people's communes were disbanded in China in the 1980s, which subsequently increased the demand for labor in urban areas and effectively ended restrictions on movement. However, the framework of the urban family register (non-agricultural family register) and rural family register (agricultural family register) still remained, and people who held a rural family register and worked in urban areas came to be called "mingong," or migrant workers. Mingong are not "citizens" in cities and cannot receive many of the social services enjoyed by "citizens."

The reason why the Chinese government cannot completely abolish the family register system is primarily due to the large regional disparities in social security and the different forms of land ownership and registration methods in urban and rural areas. Although China maintains the official socialist precept of public ownership of the land, while the state owns the land in urban areas according to the Land Administration Law (established in 1986), usage rights circulate in the market, so landowners can buy and sell them freely. These usage rights are similar to the fixed-term land leasehold in Japan that is contracted for a fixed term (for example, 70 years for residential land), and can be extended by renewing the contract or by reselling it. In other words, land in urban areas is practically privatized in the sense that usage rights can be freely traded. On the other hand, the use of land in rural areas is strictly controlled by the collective of a village, called "jiti" in Chinese, which owns the land, and although farmers have land management rights they cannot sell or mortgage them. However, if there is a "public purpose," the government can expropriate the land and develop it as non-agricultural land after conducting the necessary procedures to transfer ownership from the collective to the government, but since the definition of "public purpose" is ambiguous, development has been haphazard in many areas.⁴

Family registers are also connected to social security. They are passed on from parents to their children. The kind of social security a citizen receives and in what region is determined when they are born. The regional disparities in social security are staggering. For example, in Shanghai, as of 2017, if the assets (cash and deposits) of a family of three is 30,000 yuan or less per person, or 33,000 yuan or less per person in a family of two or fewer members, they own no real

⁴ When companies and individuals acquire the rights to expropriated land, they pay transfer taxes and various other taxes to local governments. According to the enforcement of the "tax sharing system" (1994) clarifying the allocation of central and regional tax revenue sources, when most of these were incorporated into local finances, the local government diverted a large amount of agricultural land to non-agricultural land.

estate other than their home or do not own a car,⁵ and if the monthly family income per person is lower than the minimum standard of living during the same period in the same city, a person can receive the same 970 yuan in social insurance. On the other hand, when I visited a rural village in Hunan Province in 2016, former coal miners suffering from black lung disease told me they were only paid a solatium of several thousand yuan from the company operating the coal mine, while the government paid public assistance worth a mere 90 yuan per month.

The procedure to transfer a family register can be done through the company a person is employed by, but many cities have adopted point systems based on factors such as academic background, subscription to social insurance, social contributions, home ownership, investments, and tax payments that suppress the increase of the population holding urban family registers. Currently, it is difficult to transfer to overcrowded cities even if one has a white-collar education.

When I visited the urban village of Anjialou left behind in the middle of a big city, there were simple houses like barracks and rows of houses that looked like they were about to collapse, and surveillance cameras were installed on many of the aging condominiums and apartments. I wondered if some people made a living from street stalls? There were a lot of motorcycles and trailers on which a stall could be hitched. There were public toilets located here and there, which meant that many homes did not have toilets. A foul smell emanated from the garbage storage beside the public toilets. Public services such as garbage disposal and wastewater treatment are lacking in the urban village because the people who live here do not have a Beijing family register.

There were many cars parked in the vacant lots of Anjialou. Wondering who owned them, I noticed a sign that says, “Park here for 10 yuan per day.” Beyond Anjialou are rows of skyscrapers made up of offices, luxury apartments, and luxury hotels. It probably costs many more times to park there than it does here. It is sights such as this that spread across this urban village where the rich and the poor join hands in a curious way.

Anjialou is located right next to the Japanese Embassy, but none of embassy staff acquainted with the author knew of the place. In order to get to Anjialou from the embassy, you have to enter a narrow street from the main road, but it is still so close that you think you would notice it as you walk by it when you leave the office for lunch. What I did not notice was that Anjialou is surrounded by a high wall and is not visible from the outside. There are iron gates at several of

⁵ For houses, one or two can be owned if the total area is less than the average living space of residents of the same city. Refer to “2017 上海低保每月多少钱” Cngold.com (Accessed December 2, 2017).

the entrances to the village and they are mostly left open, but unless you have something specific to do there, you would not think to enter. Besides, who would imagine that a landscape of mountains of garbage lay beyond the high fence?

Prices in Anjialou are very cheap, and the chicken and vegetable hotpot set I ordered at a small cafeteria was 48 yuan. In comparison, the coffee I ordered at a coffee shop about 10 minutes on foot from Anjialou was 45 yuan, more expensive than in Japan. On the streets of Anjialou, there are posters saying, “We pay top prices for long hair.” I frequently saw such posters during my surveys in rural areas, but this was the first time to see one in Beijing. People in urban areas do not grow their hair and sell it for extra money. The poster tells you that low-income people live here.

The relocation and adjustment of “non-essential functions of the capital”

Beijing’s drastic measures in November seem to have suddenly come about because of the large fire but are actually an extension of a series of policies to strengthen the “essential functions of the capital.” When President Xi Jinping inspected Beijing in 2014, he directed that politics, culture, international exchange, science and technology, and innovation be strengthened as essential functions of the capital, and that the other functions be relocated. The Beijing-Tianjin-Hebei Integration Plan was also discussed at the ninth meeting of the Central Leading Small Group for Financial and Economic Affairs held by President Xi Jinping on February 10, 2015. The plan is to coordinate and adjust the industries, economies, and urbanization in three regions, as well as to solve regional disparities and environmental problems. But an urgent matter is the “relocation of all non-essential functions of the capital,” which will help relieve problems such as excessive population concentration, deteriorating safety, and accumulation of low-profit industries.⁶

In 2017, Beijing started to take forceful measures to relocate and adjust “non-essential functions of the capital.” Because the goals of the plan cannot be achieved if done slowly, it was decided that illegal buildings and other structures were to be forcibly torn down and the people living there evicted under the slogan “Zhěngzhì kāi qiáng dǎ dòng”, or “tearing down walls and digging holes.” According to the June 9, 2017 People’s Daily, Beijing carried out its “tearing down walls and digging holes” at 12,255 locations (16.409 million square meters

⁶ In 2015, Beijing announced plans to limit the population of the city to 23 million by 2020, and in 2017 presented its strict control over the scale of the city in the “Beijing Urban Master Plan (2016-2035).” The population of Beijing in 2017 was 21.7 million (a 0.1% decrease compared to the previous year), falling for the first time in 20 years (refer to the Beijing Municipal Bureau of Statistics for statistical data on Beijing).

or 3.8 times that done during the same period in 2016) by the end of April that year, and it is said that 76.1% of the plan has been completed for this fiscal year.⁷

The “shantytown renovation” (redevelopment of the squatter districts) is in full swing. The same People’s Daily article reported that by March 8, 2017 adjustments resulted in a total of 9,960 people who had legal consultations, and that 439 cases were resolved.⁸ According to the Qianlong news network which reports information on Beijing, Wangtan (approximately 46 hectares just outside the South 2nd Ring Road) in the Dongcheng District was designated as a redevelopment area in 1992, but because of its relation as a protected traditional area and problems with procuring funds, the redevelopment did not go ahead. In the meantime, the number of unregistered houses and illegal alterations increased, the roads became narrower, and it became an area home to families with disabilities (1,259 homes, 22.6%), families with sick people (769 homes, 13.81%), and low-income families (237 homes, 4.25%). The living conditions are poor, with 4,922 unregistered homes (86%), a floorspace per home of 22.19 square meters, an average of 3.61 occupants, and a space of six square meters per person. Initially, it appeared that the goal of “100 days or less” was set in anticipation of the time to negotiate evictions and relocations by the time work started, but according to an article in the People’s Daily, this area had 6,413 households (a family registry population of over 20,000 people) with a Beijing family registry and 5,700 households who live through rental and other agreements. The redevelopment resulted in 5,693 households moving and was completed in just eight days, with over 75% of residents signing contracts.⁹

As mentioned above, government media reported that in a short period of time, the tearing down of buildings and the resettlement of residents, which had been pending issues for several years, was complete. However, given that information is strictly controlled, it is dangerous to accept these forward-looking reports at face value. In fact, the evictions and relocations after the major fire constitute serious human rights violations, and also violate the provisions of the “Administrative Mandatory Law” that the Chinese government enacted in 2012. Article 5 of the law states that “If administrative management aims can be achieved by non-compulsive means, compulsive means must not be adopted.” Furthermore, Article 43 stipulates that “Administrative organs must not force residents to abide by relevant administrative decisions by stopping the supply of

⁷ 贺勇, “北京动员社会参与“疏解整治促提昇”专项行动整治开墙打洞 拆除违法建筑,” People’s Daily, June 9, 2017.

⁸ Ibid.

⁹ [人勤春来早”系列报道] 两万余望坛居民下月可签约选房,” Qianlong.com, February 22, 2017 [<http://interview.qianlong.com/2017/0222/1425407.shtml>]

water, electricity, heat, fuel, and other utilities that are necessary for their lives.” Generally, the decision to secure a place of relocation and pay compensation to evicted persons is supposed to happen after going through a series of processes, such as verification by experts, multi-aspect risk assessments, confirmation of legal aspects, and holding of public hearings, but it is highly likely that policies that strengthen the relocation of non-essential capital functions sped up various tasks to eliminate these procedures and to achieve the goals. Also, support for the majority of compensation for evictions and relocation is for people with urban family registers who have land and real estate rights and does not include most of the non-resident population living in the urban village who have signed rental agreements with a landlord.

Conclusion

In Anjialou, I saw the strange “cooperation” between the rich and the poor, but the reality is that the people of Beijing live with the help of migrant workers. Who will take care of the elderly in urban areas where the population is graying? Who will send children to school pick them up and prepare their meals on behalf of working parents? It is the migrant worker who also massages tired bodies. They are the ones who prepare breakfast for the public from their stalls and from whom people buy their fruits and sweets. Construction sites and factories would not be able to survive without migrant workers. However, the government of Beijing will not actively provide public housing and schools for migrant workers.

The family register is handed down from parents, and the lives of those who have a family register with good conditions and those with a family register in a bad area are vastly different. Regional economic disparities continue to grow, with no prospects for solving inequality. In fact, more public aid can be given to migrant workers. However, they are conveniently used as a cheap labor force, and are forcibly evicted when it is necessary to control population growth and improve the scenery and sanitary conditions. In this way, the structure of exploiting them has become entrenched.

Why has a blind eye been turned to the development of urban villages? It is because of the reality that the inequality between those with vested interests and others cannot easily be solved, and that there is no end to people who want to get rich even if it means breaking the law. As long as the inequality in Chinese society does not shrink to a large extent, it seems that even if forcibly evicted, the lawless zones of urban villages absent of “citizens” will spring up like mushrooms.

The Convening of the Central Diplomatic Affairs Commission and the Practice of Xi Jinping Thought on Diplomacy

Kazuyuki Suwa

Introduction

In the international political and economic arena, all eyes have been focused on the North Korea-United States summit and trade war between the United States and China since March of this year. Needless to say, the common actor in these two major events is the United States. Meanwhile, China, which focuses most of its energy on diplomacy with the United States, was a secondary player in the North Korea-United States summit but continued to boost its standing as the main player in the China-North Korea summit meetings. And in the trade war with the US, it is itself a player. Given this, China convened the Central Diplomatic Affairs Commission immediately following the North Korea-United States summit, which will likely determine the direction of its foreign affairs policy in the medium to long term. The Commission was held just before the US-China trade war started, meaning that it convened before the US's additional tariffs on China and before China implemented retaliatory measures. This paper attempts to clarify the current state of Xi Jinping's diplomacy focusing on relations with the United States by examining the Central Diplomatic Affairs Commission, the China-North Korea summit meetings, and the US-China trade war.

The Central Diplomatic Affairs Commission

The Central Diplomatic Affairs Commission was held over two days from June 22-23.¹ There is a reason for drawing attention to the Commission. That is

¹“坚持以新时代中国特色社会主义外交思想为指导 努力开创中国特色大国外交新局面,” People's Daily,

because at the Commission held in August 2006, (then) General Secretary Hu Jintao stressed “maintaining and defending the advantages brought about by national sovereignty, security, and development,” which began a hard line and set a precedent in Chinese foreign affairs policy that broke from the “keep a low profile” stance in the Deng Xiaoping era.

At the recent meeting of the Commission, the second since November 2014 for the current administration, as in the previous meeting, General Secretary Xi Jinping gave one of his “important addresses.” This was presided over by Premier Li Keqiang and was attended by the remaining five standing members of the Politburo. However, while his previous address was sweeping and lacking in specifics, it can be understood from his recent speech that Xi Jinping has become stronger diplomatically over the past three and half years, which certainly makes his address “important.”

Xi Jinping first took note of the current state of affairs commenting, “We are in a time of the most wonderful development in modern China, and a time in which the world has seen unprecedented dramatic changes over the past 100 years.” Since China is in “a time of the most wonderful development,” and the world is experiencing “unprecedented dramatic change,” this understanding of the current state of affairs logically leads to “going global.”

Xi Jinping also applauded himself stating, “Since the 18th CPC National Congress, we have created a socialist diplomacy concept with Chinese characteristics in our “new era,” in which the achievements are summarized as “10 adherences” below (underlining by the author).

1. Adhere to “uphold the authority of the CPC Central Committee as the overarching principle and strengthen the centralized, unified leadership of the Party (direction and control) on external work;”
2. Adhere to “advance major country diplomacy with Chinese characteristics to fulfill the mission of realizing national rejuvenation;”
3. Adhere to “take preserving world peace and pursuing common development as the purpose to promote the building of a community with a shared future for humanity;”
4. Adhere to “enhance strategic confidence with the socialism with Chinese characteristics as the support;”
5. Adhere to “forge ahead the Belt and Road construction in the principle of achieving shared growth through discussion and collaboration;”
6. Adhere to “follow the path of peaceful development on the basis of mutual respect and win-win cooperation;”

7. Adhere to “develop global partnerships while advancing diplomatic agenda;”
8. Adhere to “lead the reform of the global governance system with the concept of fairness and justice;”
9. Adhere to “take national core interests as the bottom line to safeguard China’s sovereignty, security and development interests;”
10. Adhere to “nurture a distinctive style of Chinese diplomacy by combining the fine tradition of external work and the characteristics of times.”

These “10 adherences” have two characteristics. The first is the coexistence of different vectors such as the strong nationalistic “adherence” (centralized, unified leadership of the Party, major country diplomacy with Chinese characteristics, strategic confidence, sovereignty, security and development interests) and “adherence” to reform from a global perspective (a community with a shared future for humanity, path of peaceful development). How to reconcile these poses an ongoing challenge. The second is that they lack specificity in terms of policy. Even with Xi Jinping taking the lead in promoting the Belt and Road Initiative, while it is a provocative and strategic concept, it is still only at the proposed cooperative framework stage for a single region. Careful attention should be paid to how concrete policies and measures that go beyond abstract concepts will be launched in Chinese diplomacy.

There is also one more focus of attention at this meeting. That is Yang Jiechi’s address. Yang also gave a general address at the previous meeting, but he was then a high-ranking state councilor. But on the occasion of this most recent meeting, he attended as the Director of the Office of the Foreign Affairs Commission of the CPC Central Committee. It shows an attitude that the Party is firmly driving foreign diplomatic policy. Also, it is important that Yang used the expression “Xi Jinping thought on diplomacy” (to establish a leadership position). Although the phrase “Xi Jinping thought” is currently being used as a matter of convenience, and is more formally described as “socialist ideology with Chinese characteristics in the new era of Xi Jinping,” which is a verbose expression. To make “Xi Jinping thought” part of the next National Congress, the expression “Xi Jinping thought on ●●” will probably be used in various fields² in an effort to connect it to establishing the sum of “Xi Jinping thought.”

² Such developments are already happening. “习近平新闻思想理论研讨会发言摘编,” People’s Daily, June 15, 2018. “Shuu shisou” taikeika susumu” (The Systemization of Xi Jinping Thought Continues), Yomiuri Shimbun, July 15, 2018.

The great powers relationship between China and the United States (three China-North Korea summits and the trade war with the US)

What triggered the paradigm shift of hosting the US-North Korea summit was the election of South Korean President Moon Jae-in on May 10, 2017, who favors reconciliation with North Korea. On March 8 of this year, after the high-level talks between North and South Korea in January and the Pyeong Chang Winter Olympics in February, President Trump expressed his willingness for a US-North Korea summit with Chairman of the Workers' Party of Korea Kim Jong-un immediately after Chung Eui-yong, Director of the National Security Office of South Korea, traveled to the United States after visiting North Korea as a special envoy. Since then, the international community has been obsessed with the possibility of the first-ever North Korea-US summit.

North Korea's stability is a matter of life and death for China. That is reason enough for China to tackle the North Korean issue. However, China has also had to "sell" Trump's trade war in the first half of this year. Since then, China has developed diplomacy with the United States while linking the US-North Korean summit with the US-China trade war.³

Round 1

On March 22, Trump signed an executive order that imposed sanctions on the infringement of intellectual property by China. This amounted to a 25% tariff on about 1,300 items imported from China equivalent to \$50-\$60 billion (about ¥5.2-¥6.3 trillion), to which China immediately announced it would take retaliatory measures.⁴

Immediately thereafter (March 25-28), Kim Jong-un made his first-ever visit to China at the invitation of Xi Jinping.⁵ Although China regarded this as an informal visit, but for North Korea, it was the first time in about seven years for a Supreme Leader to visit Beijing since General Secretary Kim Jong-il did so in May 2011, and members of the leadership that included Li Keqiang, Wang Huning (Politburo Standing Committee member), and Wang Qishan (Vice President of the People's Republic of China) rolled out the red carpet. However,

³ See Rumi Aoyama, "Chuu-chou no 'dentouteki yuukou' wa fukkatsu suru ka," (Will the 'Traditional Friendship' between China and North Korea be Revived?), *Gaikou*, Vol. 49, p. 50-55, for China's diplomacy toward North Korea from last year to the start of this year.

⁴ "Amerika, taichuu seisai 5-6 chou-en" (US Slaps China with 5-6 Trillion Yen in Sanctions), *Nihon Keizai Shimbun*, March 23, 2018 evening edition. "习近平新闻思想理论研讨会发言摘编, *People's Daily*, March 24, 2018.

⁵ "习近平同金正恩举行会谈," *People's Daily*, March 29, 2018.

as Kim Jong-un admitted, while North Korea called it a “surprise visit,” they too regarded it as “informal,” which indicates that the decision visit to China was rushed.

Relations between China and North Korea were exacerbated by North Korea’s nuclear and missile development and by Xi Jinping’s visit to South Korea in July 2014 ahead of North Korea. The sour mood hung over the two countries’ relationship, particularly in 2017, due to repeated criticisms between the two as reported by the media in both countries.⁶

Thus, the two paramount leaders did their best to put aside their differences during the talks. Xi Jinping first expressed his gratitude to Kim Jong-un for his telegram congratulating Xi on being re-elected to his posts of Party general secretary and president (the former in November last year with the latter in March this year). In response, Kim Jong-un replied, “I have learned from the traditions of the friendship between North Korea and China, so it is natural that I visit China and celebrate in person. Also, the situation on the Korean Peninsula is rapidly moving forward, and there have been many important changes. Out of custom and manners, it is only natural that I quickly notify Xi Jinping as a fellow General Secretary in these current circumstances.” During his dinner address on the 26th, Xi Jinping used the phrase “amity connected by blood,” not often heard in recent years, to express the importance of the China-North Korea relationship as being “unique in the world.”⁷

The meeting continued with the next point of focus being the situation on the Korean Peninsula, in which Xi Jinping clarified the traditional pro-North Korea stance, different from the pressure-oriented US administration, by stating, “At the beginning of this year, we have been able to see positive change in the situation on the Korean Peninsula,” and “With the issue on the Korean Peninsula, we adhere to achieving the goal of denuclearization of the peninsula, maintaining the peaceful stability of the peninsula, and resolving problems through dialogue and consultation.” Kim Jong-un replied, “We hope to have a dialogue with the US and hold a summit meeting. Denuclearization of the peninsula can be solved if South Korea and the United States respond to our efforts in good faith, create a peaceful and stable atmosphere, and take a step-by-step approach and parallel measures to realize peace.” This was likely a pre-emptive jab in anticipation of the US-North Korea talks. By portraying relations as improving in the initial phase of preparations for the US-North Korea summit meeting, China took the initiative in the process of stabilizing the situation on the Korean Peninsula and

⁶ FFFor example, “朝鮮半島需要責任行動,” People’s Daily, April 30, 2017, and “Kitachousen Chuugoku wo chokusetsu hihan” (North Korea Directly Criticizes China), Asahi Shimbun, May 4, 2017.

⁷ “Shuushi “chi de musubareta shinzen” (Xi: “Amity Connected by Blood”), Yomiuri Shimbun, March 29, 2018.

began exerting pressure on the United States to stave off a trade war. At the same time, with China covering its back, North Korea developed the pending summit with the US and negotiations with South Korea to its advantage, and worked to secure a position, assuming a breakdown in the US-North Korea summit meeting in the worst case. About one month later, on April 27, Moon Jae-in and Kim Jong-un met for the inter-Korean Summit and signed the Panmunjom Declaration, which contained statements such as, “South and North Korea confirmed the common goal of realizing, through complete denuclearization, a nuclear-free Korean Peninsula.” The declaration contained no concrete path or method to denuclearization, but even if this was temporary, it was significant in easing tensions on the Korean Peninsula. However, the declaration stated, “During this year that marks the 65th anniversary of the Korean Armistice Agreement, South and North Korea agreed to actively pursue trilateral meetings involving the two Koreas and the United States, or quadrilateral meetings involving the two Koreas, the United States and China with a view to declaring an end to the Korean War, turning the Korean Armistice Agreement into a peace treaty, and establishing a permanent and solid peace regime.”⁸ China may have developed a sense of crisis about “China passing” in reaction to this passage.

Round 2

The first US-China talks aimed at avoiding a trade war took place on May 3-4 between the delegations of the two countries, headed by Secretary of the Treasury Steven Mnuchin and Vice Premier Liu He.⁹ On one hand, China gave high marks for the talks saying, “the discussions were frank, highly efficient, and constructive” and that “there was full exchange of opinions on issues such as mutual service trade, mutual investment, protection of intellectual property, and tariff and non-tariff measures, and a certain consensus was reached in some areas.” But on the other hand, China admitted that there were outstanding issues in that “both sides recognize that there are still relatively large differences in views on some issues, and we recognize that we must continue to accelerate work and that further progress needs to be made.” As China has not yet reached an expected agreement, there remains a need to continue to pressure the United States.

⁸“Hanmonten sengen no zenbun” (Full Text of the Panmunjom Declaration), Nihon Keizai Shimbun, April 28, 2018.

⁹“中美经贸磋商就部分问题达成共识,” People’s Daily, May 5, 2018.

In these circumstances, between May 7-8, Xi Jinping met with Kim Jong-un, who visited China again just over a month after his previous visit, and gave a press conference in the major northeastern city of Dalian.¹⁰ At this meeting, Xi Jinping reiterated China's position from the past stating, "China supports North Korea's adherence to the denuclearization of the peninsula and supports dialogue with the US to resolve the Korean Peninsula issue." In response, Kim Jong-un said, "It has been the DPRK's consistent and clear stance to achieve denuclearization of the Korean Peninsula. As long as relevant parties abolish their hostile policies and remove security threats against the DPRK, there is no need for the DPRK to be a nuclear state and denuclearization can be realized. I hope that the mutual trust forged through dialogue between North Korea and the US will lead related countries to take gradual and simultaneous steps in a responsible manner through the full pursuit of a process for a political solution to issues on the Korean Peninsula and ultimately that the denuclearization of the Korean Peninsula and lasting peace will be achieved." Official Chinese media typically tends to handle the content of whomever Xi Jinping speaks with indifferently and concisely, but this time, they reported Kim's comments in great detail. Perhaps they were trying to further emphasize their support for North Korea by playing up North Korea's "gradual and simultaneous" stance on the denuclearization of the Korean Peninsula issue as the host country. In addition, Xi Jinping stated his support for North Korea making economic construction a strategic focus and also showed support for North Korean domestic issues such as economic reform.

The day that Kim Jong-un left for home, Xi Jinping held a telephone conference with President Trump at the request of the Americans.¹¹ During the call, Xi Jinping made clear China's support for the "step-by-step measures" demanded by North Korea, and asked Trump to take into account "North Korea's sensible security requirements."

Following the phone call, although the US-North Korea summit meeting was thrown into doubt due to comments from a high-ranking official in the North Korean Foreign Ministry, the summit was eventually held as scheduled on June 12. While there did not appear to be any high-ranking Chinese officials in the host country of Singapore, China offered a jumbo jet from its flagship carrier Air China as a special aircraft for Kim Jong-un, and made sure to show that China had good relations with North Korea right up until the very end of the summit meeting.

At the US-North Korea summit meeting that was the focus of attention, the

¹⁰“习近平同朝鲜劳动党委员长金正恩在大连举行会晤,” People's Daily, May 9, 2018.

¹¹“习近平应约同美国总统特朗普通电话,” People's Daily, May 9, 2018.

two leaders signed a joint statement consisting of “four agreements.” The document stated:

1. The United States and the DPRK commit to establish new US-DPRK relations in accordance with the desire of the peoples of the two countries for peace and prosperity.
2. The United States and the DPRK will join their efforts to build a lasting and stable peace regime on the Korean Peninsula.
3. Reaffirming the April 27, 2018 Panmunjom Declaration, the DPRK commits to work toward complete denuclearization of the Korean Peninsula.
4. The United States and the DPRK commit to recovering POW/MIA remains, including the immediate repatriation of those already identified.¹²

As the meeting was characterized by the absence of any reference to “complete, verifiable, and irreversible denuclearization” (CVID), North Korea was declared the winner of the summit. China immediately released a statement from the Ministry of Foreign Affairs that “welcomed and supported” the “positive results” at the talks.¹³ It appears that this summit was sufficient for China to ingratiate itself with North Korea.

Round 3

With the “successful conclusion” of the US-North Korea summit meeting, was it no longer necessary to borrow the power of China or worry about its influence? Moreover, could it be said that Trump’s “strength” of unpredictability was fully on display? Just three days after the end of the US-North Korea summit meeting on June 15, the Trump administration announced that it would impose additional tariffs on China for “infringement of intellectual property rights.” The administration announced a 25% tariff on 1,102 import items as announced in March, totaling about \$50 billion (about ¥5.5 trillion). Of that, tariffs on about 818 items amounting to \$34 billion were to be phased in from July 6.¹⁴ Meanwhile, a Chinese Foreign Ministry spokesperson immediately released a statement announcing retaliatory measures against the US that would be of “equivalent scale and strength.” The statement contained wording such as, “This move not only hurts bilateral interests, but also undermines the world trade order. The Chinese side firmly opposes that.” and “We call on all countries to take

¹² Bei chou kyoudou seimei zenbun” (Full Text of the Joint Statement between the United States and North Korea), Mainichi Shimbun, June 13, 2018.

¹³ “Statement of the Ministry of Foreign Affairs,” <http://www.fmprc.gov.cn/web/zyxw/t1568110.shtml>, Accessed July 10, 2018.

¹⁴ “Bei, taichuu seisai kanzei hatsudou he” (US to Impose Tariffs on China), Nihon Keizai Shimbun, June 16, 2018.

collective action to firmly curb such outdated and regressive moves and steadfastly safeguard the common interests of the mankind,”¹⁵ which embodied the “10 adherences” that would soon be announced at the Central Diplomatic Affairs Commission.

Kim Jong-un then visited China for the third time in three months from June 19-20, his first visit after the North Korea-United States summit. During this visit, state-owned Xinhua News Agency broke with custom and announced that Kim Jong-un was visiting China during his stay, instead of waiting for him to return to North Korea.¹⁶ Reporting Kim’s visit while he was in China was thought to be an elaborate appeal to the international community that there were no security concerns in both countries and that North Korea was structurally stable, and intended to make a show through the media around the world that China and North Korea enjoyed friendly relations. During the talks, Xi Jinping said of the US-North Korea summit meeting, “China speaks highly of the summit and is pleased to see it achieve principled consensus and positive results in realizing the denuclearization of the Korean Peninsula and establishing a lasting peace mechanism on the Peninsula.” Xi also used the distinct expressions “China’s support for the socialist DPRK remains unchanged” and “socialist DPRK” to clearly signal that China was defending the North Korean regime. In turn, Kim Jong-un expressed his gratitude for Xi Jinping and China’s support, and once again made clear that the denuclearization of the Korean Peninsula would be done in phases by stating, “If the two sides can implement the consensus of the summit step by step solidly, the denuclearization of the Korean Peninsula will open up a new and important prospect.” As an aside, during his stay in Beijing, Kim Jong-un inspected the National Agricultural Science and Technology Demonstration Park of the Chinese Academy of Sciences and the Beijing Traffic Control Center. During the talks with North Korea, Xi Jinping said, “We are happy to see that the DPRK made a major decision to shift the focus to economic construction.” China determined that the economic stability of North Korea would lead to its own political and economic security and likely staged this stance of publicizing Kim’s willingness for economic reform and China’s support policy for the world. China is trying to improve the international climate for easing sanctions against North Korea through efforts such as distributing draft statements on easing North Korean sanctions to the permanent members of

¹⁵“外交部发言人、商务部新闻发言人分别就美方公布对华贸易措施答记者问和发表谈话,” *People’s Daily*, June 16, 2018.

¹⁶“习近平同朝鲜劳动党委员长金正恩举行会谈,” *People’s Daily*, June 20, 2018. “习近平会见朝鲜劳动党委员长金正恩,” *People’s Daily*, June 21, 2018.

the UN Security Council in collaboration with Russia,¹⁷ which is considered to be an extension of this context.

In subsequent developments, as is well known, President Trump's additional tariffs on Chinese products took effect on July 6 as promised. This is to say that "the measures are extremely unusual...as they effectively target the nation rather than specific sectors."¹⁸ It may be a sign of dissatisfaction with China's support of North Korea as the US has been unable to see any movement in advancing denuclearization that it had hoped for despite the "agreement" at the summit.¹⁹ Not surprisingly, China immediately implemented retaliatory measures,²⁰ but the current state of mind of the entire Chinese leadership, including Xi Jinping, toward US-China relations is first anger, followed by helplessness and futility. Policy-wise, it seems that the adjustments in foreign policy toward the United States have emerged to be a larger-than-expected challenge. This is because the Communist Party of China gives the maximum justification for governance to the sustainable development of the economy. For Xi Jinping, his foremost concern is to prevent a situation in which the people are anxious about the future of the economy due to the effects of the trade war with the US.²¹

In order to develop advantageous diplomacy with the foremost great power of the United States, China continues to control the important piece it has in its relationship with North Korea and will push forward with promoting "China's major country diplomacy with Chinese characteristics to fulfill the mission of realizing national rejuvenation."

Conclusion

The Chinese diplomatic scene over the last two to three years has been developing primarily around the Belt and Road Initiative, which is the only concrete item in the "10 adherences." However, just because it is the pet policy of Xi Jinping diplomacy does not mean that everything has been smooth sailing. For example, the Shanghai Cooperation Organization Summit was held in

¹⁷ "Kitachousen seisai kanwa he chuugoku ga houdou seimei-an (China Releases Draft Press Statements to Mitigate North Korean Sanctions), Asahi Shimbun, June 30, 2018.

¹⁸ "Beichuu, boueki sensou ni" (US and China on the Brink of Trade War), Nihon Keizai Shimbun, July 7, 2018.

¹⁹ "Ponpeo-shi 'juuyou bun'ya de shinten' kitachousen gaimushou bei no taido, ikan" (Pompeo Sees 'Progress in Critical Areas' while North Korean Foreign Ministry Expresses Dissatisfaction with US Behavior), Asahi Shimbun, July 8, 2018.

²⁰ "中国对美关税反制措施正式实施," People's Daily, July 7, 2018.

²¹ In that sense, much attention needs to be paid to the "criticism of Xi Jinping (or Xi Jinping worship)" movement reported after July, how authorities respond to it, and what kind of influence it has on Chinese politics in the future. For example, "Shuu-shi suuhai hihan ga funshutsu" (Criticism of Xi Worship Erupts), Asahi Shimbun, August 5, 2018.

Qingdao from June 9-10, but as the G7 summit meeting was being held at the same time and the US-North Korea summit meeting was looming, China wanted to put pressure on the Trump administration by showing solidarity with neighboring countries. However, of the signatory countries to a press communique in support of the Belt and Road Initiative released on the final day of the summit, China's vain effort to get India to sign was a huge failure.²² In addition, the Malaysian government, in which Mahathir was making a comeback as prime minister, announced on July 5 that it would suspend construction of the Chinese-led high-speed rail project connecting Malaysia and Singapore.²³ Some experts point out the low demand for land transportation from the viewpoint of economic rationale.²⁴

However, China's bullish attitude toward the Belt and Road Initiative is not going to change. A joint statement on the Belt and Road Initiative was released at the Second Ministerial Meeting of the China-CELAC Forum held on January 21-22 of this year in Santiago, Chile. According to the statement, China asked Latin American and Caribbean countries to decide for themselves if they wanted to participate in the Belt and Road Initiative, and the countries welcomed it, expressing their support.²⁵ In addition, the Forum on China-Africa Cooperation will be held in September in Beijing. As "building a Belt and Road and African community bound together by a common destiny" will likely be a major theme, China will also launch a cooperative blitz. In addition, with Trump repeating his "America First" stance and unpredictable remarks and policies, some sort of expectation of Xi Jinping and China is spreading in the international community, which has undeniably given confidence to China.

The "10 adherences" policy, which Xi Jinping touted as achievements at the Central Diplomatic Affairs Commission, will make up the core of the "Xi Jinping thought on diplomacy" in the future. Of course, we should judge for ourselves whether these achievements have been fruitful and adhered to. And if China seriously intends to realize all 10 achievements and develop them consistently, it must inculcate the elements of "tolerance and sincerity" into the

²² "Press communique of the Meeting of the Council of Heads of Member States of the Shanghai Cooperation Organization," People's Daily, June 11, 2018.

²³ "Chuugoku shudou no tetsudou chuushi" (Chinese-led Rail Project Suspended), Nihon Keizai Shimbun, July 6, 2018. It seems that there is a trend of shrinking development projects led by China also in Myanmar. "Ittai ichiro" ni mebuku kenen" (Concerns Arise of One Belt One Road), Nihon Keizai Shimbun, July 5, 2018.

²⁴ Yoko Hirose, (2018) Roshia to chuugoku hanbei no senryaku (Russia and China's Anti-American Strategy), Chikuma Shinsho, p. 84 and p. 100.

²⁵ "中国-拉共体论坛第二届部长级会议圣地亚哥宣言"

[<http://www.chinacelacforum.org/chn/zyxw/t1531606.htm>] (Accessed July 1, 2018).

"中国-拉共体论坛第二届部长级会议关于“一带一路”倡议的特别声明"

[<http://www.chinacelacforum.org/chn/zyxw/t1531607.htm>](Accessed June 28, 2018).

“10 adherences” policy and dilute its nationalistic tinge.

The denuclearization of the Korean Peninsula and the end of the US-China trade war will likely take some time to realize. These trends will definitely have a large impact on the prosperity and stability of the world for better or for worse. In that sense, China’s North Korea diplomacy and diplomacy toward the US are styled to be case studies to evaluate Xi Jinping diplomacy or Xi Jinping thought on diplomacy, and it will be necessary to keep an eye on developments going forward.

Why Does the Xi Jinping Administration Advocate the “Sinicization” of Religion?

Naoko Eto

Introduction

Chinese society has undergone dramatic changes in the five years since Xi Jinping became secretary general of the Communist Party of China in the fall of 2012. The mechanism for the control of free speech based on laws and institutions has mushroomed. The Xi Jinping administration has enacted various forms of legislation while touting the “rule of law,” including the Counter-espionage Law (2014), the State Security Law (2015), the Anti-terrorism Act (2016), the Foreign NGO Management Law (2017), and the Cyber Security Law (2017). This statutory system is aimed at complementing the dictatorship of the Communist Party with a focus on systematically managing various actors, though the Communist Party remains the final arbiter. In other words, they are the rules to preserve the stability of society and, at the same time, strengthen and institutionalize social control by the state.

This trend in social control has also been directed at religious groups. In addition to the Central Committee holding the National Conference on Religious Work for the first time in 15 years in April 2016, the revised “Regulations on Religious Affairs” (enacted on August 26, 2017) were promulgated on February 1, 2018, further institutionalizing the management of religious activities.¹ The series of measures by the Xi Jinping administration does not merely strengthen repression, in my opinion, but uniquely “Sinicizes” religious activities. In addition, institutional design has been carried out that is consistent with the Communist Party’s united front work policy, and it is also clear that the policy leverages the

¹ “The Regulations on Religious Affairs” provides the basis for China’s religious management system. It was enacted in 2004 and promulgated in 2005.

influence of religious groups on ordinary citizens.² This paper examines the characteristics and limitations of China's religious policies, which have started to face complications.

What does the “Sinicization of religion” hope to achieve?

A key phrase in the religious policy of the Xi Jinping administration is the “Sinicization of religion.” This phrase was first used by Xi Jinping at the Central United Front Work Conference in May 2015. The conference was held by the Communist Party's United Front Work Department (UFDW) at a national level for the first time in about nine years. Because of the sense of crisis concerning changes in the domestic and international climate, the conference decided to strengthen its control to make socially influential groups and individuals conform to the policies of the Communist Party.³ Here Xi Jinping announced, as a means to govern the people, that the Communist Party could give active guidance to religions so that they could adapt themselves to socialist society, adhere to the direction of Sinicized religion, and increase the standard of the regulations controlling religion.⁴

At the April 2016 National Conference on Religious Work, Xi presented the policies that would involve the Party and the state in religious activities. Here Xi Jinping proposed that “religious affairs carry special importance in the work of the CPC and the central government” and that the “relationship of national security and the unification of the motherland” has a place within “socialist religious theory with Chinese characteristics.” This can be interpreted as an instruction to incorporate religion itself into the Party's theory and interpret it.⁵

² Religion was originally emphasized as the third of the “five great relationships” of the United Front work. The “five great relationships” are 1) the relations between political parties (between the Communist Party and the other suffrage parties), 2) ethnic relations (between ethnic groups, especially between the Han and ethnic minorities), 3) religious relations (between the general public believing in different religions), 4) hierarchical relations (between social classes), and 5) relations with fellow compatriots both in China and abroad (with compatriots in mainland China, in Hong Kong, in Macau, in Taiwan, and with Chinese living abroad).

³ For further information on the Central United Front Work Conference, see Naoko Eto's Views on China article, “Chuugokukuyousantou no kyuushinryoku—Atarashii toutsu sensen no mezasu mono” (The Centripetal Force of the Chinese Communist Party: The Goals of the New Unified Front), July 7, 2015

[<https://www.tkfd.or.jp/research/china/a00511>]. Moreover, the fact that the Leading Small Group on United Front Work was established at the end of July that same year suggests that it was around this time that the Xi Jinping administration began to strengthen control over public opinion through the United Front work.

⁴ “Xi Jinping: 巩固发展最广泛的爱国统一战线,” Xinhuanet, May 20, 2015, [http://news.xinhuanet.com/politics/2015-05/20/c_1115351358.htm]

⁵ On this point, Qiushi, the journal of the Communist Party of China, praised it, saying it had a “revolutionary meaning” and that it was “the latest achievement in Marxist religious views in modern China, and the volume on religion in the theory of socialism with Chinese characteristics” (“中共国家宗教事务局党组理论学习中心

Furthermore, in his speech, Xi Jinping boldly put forth a posture to “lead” religion,⁶ emphasizing that the leadership would come from the Communist Party. Similarly, in a symposium on “adhering to the direction of Sinicization of religion in China” held by the State Administration for Religious Affairs in September of the same year, director Wang Zuoan made it clear that religious groups should follow the guidance of the administration, stating, “Religion must be conscious of identity in politics, conscious of cultural integration, and conscious of adaptation in society”.⁷

Subsequently, the revised Regulations on Religious Affairs were enacted and promulgated. While the Regulations on Religious Affairs guarantee the “freedom of religious belief” (Article 2) under the constitution, Article 3 takes a domineering position, stating, “Religious affairs shall be administered under the principles of protecting legitimacy, stopping illegitimacy, containing the extreme, resisting penetration, and cracking down on criminals.” In addition, Article 4 states the obligations of religious groups, religious institutions, premises for religious activities, and religious citizens thus: “(They) shall comply with the Constitution, laws, regulations and rules, practice the core socialist values, and maintain national integrity, ethnic solidarity, religious harmony, and social stability,” prohibiting any interference in national security, the social order, or state education system. While the 2005 revision consisted of seven chapters and 48 articles, this latest revision increased the regulations to nine chapters and 77 articles. These new regulations served to prohibit the construction of large statues other than those at temples, Taoist temples, and churches,⁸ prohibit religious activities in educational institutions outside of religious institutions,⁹ and prohibit unauthorized participation in overseas training and conferences and so on.¹⁰ From the new provisions that granted things such as the status of a legal

组, ‘党的十八大以来宗教工作理论和实践创新,’ People’s Daily Online, September 18, 2017, [http://theory.people.com.cn/n1/2017/0918/c40531-29542397.html]

⁶ “Xi Jinping: 全面提高新形势下宗教工作水平,” Xinhuanet, April 23, 2016, [http://www.xinhuanet.com/politics/2016-04/23/c_1118716540.htm]

⁷ State Administration for Religious Affairs Research Center, “我局召开 ‘坚持我国宗教中国化方向’ 讨论会,” State Administration for Religious Affairs website, September 26, 2016, [http://www.sara.gov.cn/old/xwzx/xwj/378170.htm]

⁸ In the past, building outside of premises was also permitted as long as approval was obtained in advance. As the regulations use “Qīngzhēnsī” (清真寺), the word for mosque, the implication is that this includes mosques.

⁹ Educational activities by religious groups are diversifying. See Reuters, “Chuugoku seifu wa ‘kirisutokyou dan’atsu’ o kyouka shite iru — yaku 6000 man-nin ni kyuuuzou shita kirisutokyouto no zento” (Chinese Government Steps up “Christian Repression”: The Prospects for 60 Million Rapidly Increasing Christians), Tokyo Keizai Online, January 3, 2018.

¹⁰ Unauthorized overseas training, conferences, and pilgrimages are prohibited. Overseas pilgrimages were forbidden before the revision as well.

person to premises for religious activities,¹¹ namely, recognizing the corporate status of an incorporated foundation as in Japan, we can speculate that the administration supports “legitimated” religious activities.¹² Overall, however, the revision constituted a strengthening of the regulations.¹³ The “Sinicization of religion” is being laid out in parallel with such developments. Even at the 19th National Congress in October 2017, Xi Jinping stated the policy of “Sinicization of religion” and “providing active guidance to religions so that they can adapt themselves to socialist society.” The chairman of the Chinese People’s Political Consultative Conference (CPPCC), Yu Zhengsheng,¹⁴ repeated the same wording at the first session of the 13th National CPPCC, held in March 2018.

What does the “Sinicization of religion” mean? As a matter of fact, the term “Sinicization” has been used since the 1930s in the context of United Front work as the “Sinicization of Marxism.” Mao Zedong gave an address at the sixth plenary session of the sixth Central Committee of the Communist Party of China in October 1938 entitled “The New Stage of Development of the Anti-Japanese War of Resistance and the Anti-Japanese national United Front” that is known for advocating the “Sinicization of Marxism,” combining Marxism with the practice of the Chinese Revolution.¹⁵ In recent years, Xi Jinping has promoted the policy of the “Sinicization, modernization, and popularization of Marxism”¹⁶ and has accepted interpretations of Marxist principles according to the circumstances of China. Expanding the interpretation of Marxism in this way can be considered the Communist Party’s attempt to find consistency with the challenges China faces due to massive changes and socialist ideology.

¹¹ Article 23 stipulates that temples, Taoist temples, or churches can directly be registered as a “premise for religious activities.” In the past, it was necessary before registration to incorporate the religious group that owned the premise. Furthermore, Article 14 permits the acquisition of status as a legal person for religious educational institutions. In addition, religious groups themselves can obtain legal person status as social organizations in accordance with the Regulation on Registration and Administration of Social Organizations.

¹² Furthermore, on June 1, 2018, the State Administration for Religious Affairs enacted the “Measures for the Administration of the Approval for Temporary Places for Religious Activities” (“宗教临时活动地点审批管理办法”) (promulgated on February 22) in which applications could be made for premises required for continued religious activities, even if temporary.

¹³ It was reported in May 2018 that authorities detained 21 Japanese Christians belonging to a religious group. They were detained for missionary activities (Asahi Shimbun, May 25, 2018) [<https://www.asahi.com/articles/ASL5T35S9L5TUHB100R.html>]

¹⁴ The CPPCC is regarded as the most wide-ranging and representative organization of United Front work.

¹⁵ It was first outlined by then Party General Secretary Zhang Wentian at the October 1937 expansion meeting of Politburo Standing Committee members (Huang Shaoqun, “谁最早提出‘马克思主义中国化’科学命题的,” People’s Daily Newspaper. [<http://cpc.people.com.cn/GB/85037/8270513.html>]

¹⁶ “Xi Jinping: 继续推进马克思主义中国化时代化大众化,” Xinhuanet, September 29, 2017, [http://www.xinhuanet.com/politics/2017-09/29/c_1121747887.htm]

Based on this understanding, what can occur in the name of “Sinicization of religion” is important. First, it is approved to reinterpret religious activities and their philosophies in accordance with China’s practical problems. Religious activities are also required to improve those problems of Chinese society. In fact, the idea to let religion produce a “positive effect” on society has been expressed since the 17th National Congress in 2007.¹⁷ For example, Wang Zuoan, director of the State Administration for Religious Affairs, made the following comments at the aforementioned symposium. He asked religion to adapt to Chinese society and serve as an important social foundation: “Adhering to the direction of Sinicization of our religion... is an important mission that proactively guides religion to adapt to socialist society, and is a strategic measure to solve prominent problems in our religious sphere, and is an inevitable requirement for our religion to demonstrate a positive effect in the progress of the development of society.”

What is interesting is that the “Sinicization of religion” has a role in solving the “prominent problems” of contemporary religion. Xi Jinping identified these “problems” at the 19th National Congress as “infiltration, subversion, and sabotage, as well as violent and terrorist activities, ethnic separatist activities, and religious extremist activities,” which are, in fact, an extremely diverse set of problems. From here, I will examine the issue of “Sinicization” by considering religious problems in the real world.

The politics of religious problems in China

Religions in China are steadily expanding. According to the white paper on “China’s Policies and Practices on Protecting Freedom of Religious Belief” (White Paper on Religion) released by the State Council Information Office on April 3, 2018,¹⁸ there are nearly 200 million followers of religion. Assuming that the data is correct, this means that one in six or seven citizens believes in some kind of religion. Officially, China recognizes the “five great religions” of Buddhism, Taoism, Islam, Catholicism, and Protestantism, and their followers are permitted to engage in activities under their respective state-endorsed “patriotic religious associations.” However, the reality is that there are numerous religious groups that are active but not officially approved. This might be the

¹⁷ 李健李彪, “发挥宗教界人士和信教群众积极作用思考,” “Zhongguo Minzu Bao” (People’s Daily Newspaper Network, September 15, 2009), [<http://cpc.people.com.cn/GB/165240/166717/10058431.html>]

¹⁸ The White Paper on Religion was the first to be published since 1997. It emphasized “freedom of religious belief” in China, and while it stressed legality and legitimacy, it also mentioned the “Sinicization of religion.”

result of various ideas flowing into Chinese society through the Internet and other places where ideological vacuums have occurred in society due to the regression of socialist ideology, in addition to the increasing numbers of poor and socially isolated people in Chinese society.¹⁹ In other words, religion in China has been closely linked to social problems.

Because religious activities in society are expanding and diversifying, the so-called “religious problems” are also multifarious. The major issues alone are broad and diverse, such as the problem of the “commercialization” of Buddhism and Taoism (religious activities carried out to make a profit), emerging religions in rural areas and among the poor, the independence and human rights issues of Tibetans (involving conflict with the Central Tibetan Administration, the Tibetan government-in-exile), deterring Muslim extremists and terrorism, the issue of Uyghur independence, issues surrounding Catholic religious leaders (such as confrontation with the Vatican over the right to appoint bishops), and the issue of managing underground churches.

Furthermore, the response by the administration (political pressure) also varies depending on the target. According to Freedom House, between November 2012 and November 2016, religious persecution of Christians, including Protestants (excluding Catholics) and Uyghur Muslims, was high, while that of Hui Muslims and Tibetan Buddhists was moderately high.²⁰ On the other hand, members of the Communist Party are banned from religious activities, as the party is supposed to be based on Marxist atheism. Even at the National Conference on Religious Work, while Xi Jinping stressed that “one can never seek their own values and beliefs in religion,” the reality is that some Party members are devoutly religious, and how to crack down on them is also a problem.

Although it also coincides with the above group of problems, religious issues are deeply connected with the problems of domestic governance. At the top of the list is the problem with the Tibetan and Uyghur ethnic minorities, which the Xi Jinping administration has been fixated on since its inauguration.²¹ In January

¹⁹ Authorities also focused on the Internet as providing a new platform for religion and are concerned that it is a field where ideology can infiltrate from overseas. Some researchers call the thriving “Internet religions” the “Religion 2.0 era” (Chen Mingming and Xiao Cunliang, eds. [2017] 统一战线理论与实线前沿,” Fudan University Press, 2017, pp. 243–253).

²⁰ Freedom House, *The Battle for China’s Spirit: Religious Revival, Repression, and Resistance under Xi Jinping*.

²¹ The white paper on “The State of Freedom of Religion in Xinjiang,” published by the State Council Information Office on June 2, 2016, states that the “normal religious needs of religious followers are effectively satisfied” in the Xinjiang Uyghur Autonomous Region, while also stating, “The Chinese government unwaveringly opposes the politicization of religious affairs and opposes interfering with the domestic politics of other countries on the pretext of religious affairs” (“State Council Information Office Releases ‘The State of Freedom of Religion in Xinjiang’ White Paper,” Xinhuanet, June 2, 2016, [http://jp.xinhuanet.com/2016-06/02/c_135407059.htm])

2013, shortly after becoming the top leader, Xi Jinping held the “Buddhist View of Life Study Group” hosted by the Buddhist Association of China in Chengdu, Sichuan Province. This was triggered by the frequent self-immolation suicides by Tibetan Buddhist monks protesting against the government since the 2008 Tibetan unrest. Moreover, in Urumqi, Xinjiang Uighur Autonomous Region, in June 2014, the authorities warned of the potential for terrorist violence during a conference on adhering to moderate forms of Islam and abandoning extremism. These cases are part of the political problems that began with social discontent and differences in political thought that surfaced with “religion” as a catalyst. As they demonstrate, religious problems in China overlap with politically sensitive issues. History contains several examples in which religious groups revolted and threatened the government of the time, such as the White Lotus Rebellion (1796–1805), the Taiping Rebellion (1851–1864), and the Falun Gong followers in April 1999 surrounding the Zhongnanhai (the central headquarters for the Communist Party of China and the State Council and residence of dignitaries). This is why the Communist government is keenly cognizant of and fearful of religion. In the reform of Party and state organizations announced in March 2018, the main department in charge of religious policy was transferred from the State Administration for Religious Affairs of the State Council to the CPC Central United Front Work Department. This had the purpose of strengthening the Party’s initiative once again, and thus the regulations on religious activities are expected to be implemented even more strictly. And the strengthening of control can be said to coincide with the rising consciousness of the sense of crisis in the Communist Party.

Looking at the series of measures from this point of view, two characteristics stand out. The first is that an even clearer approach has been taken to eliminate foreign influences as far as is possible.²² This is also a consistent policy of the Communist Party administration, fearing a reoccurrence of the Tiananmen Square protests, which were said to have been a “conspiracy of domestic anti-government movements and international hostile forces.” The Regulations on Religious Affairs has traditionally stated, “All religions shall adhere to the principles of maintaining their independence, relying on themselves, and holding their respective religions on their own. No religious group, religious institution, premise for religious activities or religious affairs shall be dominated by foreign

²² From this policy, the feud with the Vatican, the headquarters of the Catholic Church, continues. In recent years, there have been reports of approaches to the Vatican, but they were said to have ended in an impasse in March 2018. (Ruriko Hatano, “Bachikan to chuugoku—kankei kaizen no ‘doushouimu’” [The Vatican and China: The Improvement in Relations That is Living in Different Worlds], *Gaikou*, vol. 49, pp. 96–101). The sale of Bibles on the Internet was reportedly forbidden starting at the end of March 2018.

force.”²³ Xi Jinping himself has also repeatedly expressed the “principle of independence and self-sufficiency” in religion, and has often warned of “infiltration activities” using religion from overseas. However, as the White Paper on Religion advocates religious international exchanges in referring to the Belt and Road Initiative, there is also the expectation for encouraging the “Zouquchu” (going abroad) of religion²⁴ and improving the perception of China in the international community. The second is that while legally stipulating suppression and banning activities for organizations that do not comply with Party policies, the administration is trying to support religious activities that are consistent with policy and actively use them for social management. Indeed, various religious organizations carry out philanthropic activities and have played a role in helping to aid vulnerable people in society.²⁵ If the aim is to solve social contradictions, the effect of granting corporate status to premises for religious activities with approximately 140,000 registrations in 2017 and approving their activities will not be insignificant.

Conclusion

While the Communist government silences religion in political affairs, it proactively uses religion in social problems. The government also commonly employs these policies in response to foreign NGOs and prominent bloggers. What is distinctive in all cases is the selective use of the carrot (support for activities) and/or the stick (crackdowns) based on whether each actor follows the policy of the Communist government, and the urging of each actor to voluntarily comply with regulations. Promotion of such “self-regulation” is an extension of the management policy that the Communist Party adopted in the past while suppressing mass discontent. At the Central United Front Work Conference in 2015, Xi Jinping declared, “The essence of managing religious activities is public work.” This statement can be taken to mean that he was applying the techniques of traditional public control to religion. However, even if the various social management measures taken to date were effective, there is room for doubt as to whether these methods are having their intended effect in religious

²³ As stated in Article 4 before being revised and in Article 5 after being revised.

²⁴ Li Yufeng and Shi Jiangling, “中国宗教如何‘走出去,’ *Zhongguo Minzu Bao*” (posted on the United Front Work Department website on October 12, 2017), [<http://www.zyztb.gov.cn/tzb2010/wdzj/201710/badbbf28e2b14c3188dfbc5166bb5472.shtml>]

²⁵ The Amity Foundation has expanded to 31 provinces nationwide and donated more than one billion yuan in activities during the “religious philanthropic week” for the past five years as of 2017 (“十八大以来宗教工作的新发展,” September 14, 2017).

affairs. Faith often demonstrates a very strong resistance to political pressure. There is no denying the possibility that a punishment-based policy drives the unauthorized activities of religious groups further underground and helps radicalize them. Furthermore, if certain religious activities are severely restricted, the international community, not to mention domestic and international religious circles, could condemn this as infringing on the freedom of religion.

How should the expanding and diversifying religious activities be controlled in the system of governance dependent on the Communist party dictatorship? The answer for the Xi Jinping regime—regardless of what kind of resistance was expected—was for the Communist Party to incorporate religion ²⁶into the Chinese system to “lead all”, ²⁷namely the “Sinicization of religion.” However, it is unlikely that the coerced “Sinicization” through authority will be a panacea for religious problems. Will religious policy join a number of other case examples showing the “resilience of an authoritarian regime” in China where the one-party dictatorship by the Communist Party continues, or will it trigger something new? Its success or failure depends on how the “Sinicization of religion” manifests itself.

²⁶ At the 19th National Congress, Xi Jinping declared, “Party and government, military, civilian and learning—east, west, south, north, and center—the party is leader of all,” indicating a policy to extensively strengthen guidance by the Communist Party.

²⁷ The word “lǐngdǎo” (领导) in Chinese means “to lead” or “to command,” in the sense of “to order” rather than to “instruct.”

The Current State of the Chinese Economy

Osamu Tanaka

Introduction

Uncertainty in the economy is growing in China due to intensifying US and Chinese trade tensions externally, and deteriorating indicators domestically. This paper examines the current state of the Chinese economy based on indicators up to June that include the GDP growth rate for April-June.

1. GDP

The real GDP for the January-June period grew 6.8%. By quarter, growth in 2017 was 6.9% for January-March, 6.9% for April-June, 6.8% for July-September, and 6.8% for October-December. In 2018, the growth rate went from being flat to slowing down with 6.8% growth for January-March and 6.7% growth for April-June.

Looking at the contribution ratio to the growth rate by demand category, final consumption accounted for 78.5%, capital formation was 31.4%, and net exports were -9.9%. Looking at the contribution ratio to the 2017 growth rate, final consumption accounted for 58.8%, capital formation was 32.1%, and net exports were 9.1%, so it may seem strange that net exports changed from positive to a significant negative. However, it is natural that foreign demand will contribute negatively to the growth rate since import growth is far greater than exports now and economic growth is determined by the growth of net exports (exports minus

imports). However, the 9.1% in 2017 might be a mistake made by the National Bureau of Statistics.

2. The change in indicators

Let’s take a look at the change in the main economic indicators.

Change in main economic indicators				
	2017	January-February	January-March	January-June
Urban fixed asset investment	7.2	7.9	7.5	6.0
Infrastructure	19.0	16.1	13.0	7.3
Real estate development	7.0	9.9	10.4	9.7
Privatet	6.0	8.1	8.9	8.4
	2017	January	March	June
Total retail sales of consumer goods	10.2	9.7	10.1	9.0
Exports	7.9	10.8 (23.9)	3.0	11.3
Imports	15.9	37.4 (22.0)	14.5	14.1
Surveyed unemployment ratet				
All cities		5.0	5.1	4.8
31 major cities		4.9	4.9	4.7
M2	8.1	8.6	8.2	8.0
Outstanding total social financing	12	11.3	10.5	12.7

Note: Figures for total retail sales of consumer goods in January are cumulative from January to February. Additionally, January exports and imports () are cumulative from January to February.

(1) Infrastructure investment

Growth in urban fixed asset investment has slowed, as growth in infrastructure investment that has supported investment so far has also slowed. Currently, China is trying to win the three tough battles strategy of 1) preventing and defusing major risks, 2) elimination of rural poverty, and 3) environmental

measures as its key policies leading up to 2020. There is particular emphasis on the prevention and defusing of major risks, which focuses primarily on financial risk.

The financial risk is that the debt ratio of the government sector (in particular, local governments) and the corporate sector (especially state-owned enterprises) is high, and its reduction (deleveraging) is a big problem. Therefore, in order to prevent a further increase in the debt ratio of the government, the Ministry of Finance decided to keep the fiscal deficit at the same level as the previous fiscal year, thereby lowering the fiscal deficit to GDP ratio in fiscal 2018 from 3% to 2.6%. This had the effect of acting as a brake on infrastructure investment as the government had to control the amount of central government construction bonds and local government municipal bonds it issued.

(2) Real estate development investment

Real estate investment continues to maintain its high growth, as there are no signs the overheating housing market will cool off. The People's Bank of China implemented monetary easing in the first half of 2016 to prevent a downturn in the economy and to stabilize the stock market. These surplus funds flowed into the housing market where housing prices soared in tier 1 cities and some tier 2 cities. Strict policies to limit housing purchases were implemented from the latter half of 2016 to 2017 in these cities, but prices are still currently high. However, the rise in housing prices has expanded nationwide as investment shunned the regulations and flowed into the remaining tier 2 and tier 3 cities.

In June, compared to the previous month, the price of newly-built condominiums in 70 large and mid-sized cities rose in 63 cities, was flat in three cities, and fell in only four cities. Even in terms of city size, housing prices at all levels are showing an upward trend, with tier 1 cities up by 0.6%, tier 2 cities by 1.2%, and tier 3 cities by 0.7%. This rise in housing prices is buttressing real estate development investment.

In addition, the boom in the real estate market has increased revenue from the transfer of state ownership rights, which is an important source of funds for local governments, increasing 43% year-on-year in the January-June period. This also contributes to reducing the debt ratio of local governments and is why local governments do not put much effort into controlling housing prices.

As the rise in housing prices expanded beyond urban centers, the burden of housing loans has become heavier, which has led to an increase in the debt ratio in the household sector. According to the People's Bank of China, the ratio of outstanding debt to GDP at the end of 2017 was 250.3%, up 2.7 points from the

end of the previous year. However, the debt ratio in the household sector is 55.1%, which is four points higher than at the end of the previous year.

(3) Private investment

Private investment at one point slowed to the 2% level in 2016, but Premier Li Keqiang introduced measures that included relaxing the entry restrictions of private enterprises, which caused the subsequent growth rate to pick up significantly. However, growth has once again slowed recently.

This is because the People's Bank of China has operated under a tight monetary policy and severely restrained the expansion of shadow banking in order to prevent financial risks and lower the debt ratio of the corporate sector. For this reason, M2 and outstanding total social financing were kept low, and the weight of funding procurement through bank routes in the January-June period was 96.3% on a flow basis, 22.5 points higher than the same period last year.

However, shadow banking also includes nonbanking, which is a source of funding for private companies and small and medium enterprises. The shrinking of shadow banking has led to difficulties in obtaining financing and higher financing costs for small and medium enterprises, specifically small and micro enterprises, which is increasing the defaults on bonds issued by these companies. There have been 30 bond defaults this year from January to June 24 involving 19 companies, which may be inhibiting the growth of private investment.

(4) Total retail sales of consumer goods

Signs of a slowdown in consumption already appeared last December. The double-digit growth in retail sales of consumer goods fell into the single-digit territory of 9.4% in December. At the time, there was debate as to whether this was temporary or a trend, but looking back over time, growth in consumption clearly shows a slowdown trend.

One of the causes may be the increase in the aforementioned debt ratio in the household sector. When the debt burden increases, there is less money to spend on consumption.

The sluggishness in income growth in urban areas may also be affecting consumption. The national disposable income per capita from January to June increased by 6.6% compared with the same period last year. However, if this is divided into urban and rural areas, the average disposable income per urban resident increased 5.8% and the disposable income per farmer increased 6.8%, so the growth rate of urban income is significantly lower than the overall growth rate. This also affected consumer spending, with real consumer spending per urban resident increasing 4.7% and increasing 10.1% per farmer in the January-

June period. It is believed that the low growth in consumer spending in these cities is reflected in the sluggish growth in total retail sales.

(5) Foreign demand (net exports)

The growth of imports continues to far exceed the growth of exports, and unless this trend improves, foreign demand should basically have a negative impact on the growth rate. In addition, if trade tensions between the United States and China intensify, the negative effect of foreign demand may further expand.

(6) Employment

Both the nationwide city survey of unemployment rates and the survey of unemployment rates in the 31 largest cities, which were officially adopted as unemployment statistics from this year, show improvement trends.

The increase in newly-employed people in the January-June period was 7.52 million, and it has momentum to achieve the annual target of “over 11 million” ahead of schedule. The effective job offer ratio in the April-June quarter was 1.23, an increase of 0.12 points from the same period last year.

Employment indicators are still favorable in 2018 as they were in 2017, but there is the possibility that this trend may change depending on how US-China trade tensions develop and progress in weeding out “zombie enterprises.”

3. Macroeconomic measures in the second half of the year (net exports)

The following three meetings are notable.

(1) State Council Standing Committee meeting (June 20)

The Committee advocated strengthening loans to small and micro enterprises, reducing the deposit reserve ratio for that purpose, and promoting the “conversion of debts into stocks.” In response to this, the People’s Bank of China decided to reduce the deposit reserve ratio from July 5, release about 700 billion yuan in funds, and support policies for the “conversion of debts into stocks” with small and micro enterprises. This is a “fine-tuning” of monetary policy from somewhat tight management to a more relaxed stance. The reason for narrowing down the target is that simple monetary easing may further overheat the housing market and hamper structural reforms such as the weeding out of “zombie enterprises.”

(2) State Council Standing Committee meeting (July 23)

The Committee noted that “aggressive fiscal policy should be more aggressive,” with a focus on tax cuts and cost reductions. It deleted the traditional “business-neutral” expression from its statement while keeping monetary policy “moderate.”

Moreover, the Committee decided to resolutely liquidate “zombie enterprises,” revitalize private investment, and promote the stable growth of effective investment.

(3) CPC Politburo meeting (July 31)

As for the pressing concerns of managing the economy, the meeting noted that there was a “change in stability, new problems and new challenges to be addressed, and a noticeable change in the external environment.”

Regarding macroeconomic policy, the Politburo emphasized stabilizing employment, finance, foreign trade, foreign capital, investment, and forecasts, and would prioritize reinforcing vulnerable areas in the infrastructure field with respect to supply-side structural reform. The Politburo would also better link the prevention and defusing of financial risks, and the strengthening of financial services to the real economy.

Regarding reforms and opening up, it would promote significant reform measures with clear effects and implement major measures to significantly relax entry into the market. In addition to giving prominence to employment stability, it would decisively stop the rise in the housing market with respect to the real estate market, which shows no signs of cooling off.

Conclusion

Currently, China is advancing “structural deleveraging” to reduce its debt ratio while promoting structural reform. However, in the process of doing so, there are concerns about matters such as the cooling off of investment and consumption, difficulties in financing and high funding procurement costs for small and micro enterprises, and defaults on bonds issued by these companies. In addition, the heightened trade tensions between the United States and China is casting a dark shadow over the direction of the economy.

The Chinese economy finds itself in a difficult dilemma. Pressure on fiscal and monetary policy seems to be intensifying as the GDP growth rate in the April-June quarter slowed from the January-March quarter. However, if the budget deficit is simply expanded to invigorate the economy, the debt ratio of the government sector will further expand. Also, monetary easing risks further

overheating the housing market and increasing the housing loan debts of the household sector.

One distinct feature of economic policy in the second half of the year is that the role of the State Council Standing Committee has come to the forefront. In centralizing power with General Secretary Xi Jinping, none of the considerations of the State Council Standing Committee have been published regarding policy for the second half of the year, and only the summaries of the CPC Politburo meeting and roundtable meeting of non-party members before it have been published at the end of July. However, the release of summaries of the meeting on June 20 along with the meeting on July 23 indicates the possibility that the role of the State Council or of Premier Li Keqiang with respect to macroeconomic policy has been reviewed again given various internal and external circumstances.

Amid the US-China trade tensions that are turning into an impasse, the Xi Jinping leadership has laid out the direction in which to further promote reforms and opening up. In order to alleviate the distrust of China, which is deeply spreading among intellectuals in the United States, it is necessary to thoroughly deregulate private enterprises and foreign capital entering the market, strengthen the protection of private property rights and intellectual property rights, and boldly push forward with reforming state-owned enterprises. Among these, it is interesting that Vice Premier Liu He, in charge of negotiations with the US, was made the head of the State Council Leading Small Group for State-owned Enterprises Reform in July. Ahead of the 40th anniversary of the reforms and opening up, it remains to be seen what kind of significant measures the Xi Jinping leadership will be able to devise.

China's preparation for conflict with the US

Ichiro Inoue

Introduction

International situations surrounding China have been changing at a rapid rate lately. As soon as President Trump of the US decided to meet the North Korean leader, China and North Korea suddenly initiated friendly relations, although the relationship between them had been deteriorating. On the other hand, the Trump administration has become even more hawkish toward the trade issue with China, and the tension is escalating. Because of the Trump administration's unpredictable behavior, Chinese diplomacy has been forced to become reactive. The current article examines these recent changes in the international environment surrounding China from the perspective of Chinese policy makers: How do they view these issues and what responses are they planning?

1. 1. The US-North Korea Summit and China

Since the announcement of the US-North Korea Summit, the China-North Korea relationship, which had been deteriorating, has seen remarkable improvement. Kim Jong-un visited China in March and May and also in June right after the US-North Korea Summit; three summits within such a short period of time is unusually frequent. In addition, China has shown a kind of consideration that cannot be expected in a normal inter-state relationship, such as offering a chartered plane for Kim Jong-un, who was travelling to the meeting in Singapore. At the conclusion of the Summit, though "complete, verifiable, and

irreversible denuclearization (CVID)” was not clearly stated in reference to North Korea’s nuclear program, after the Summit, President Trump announced that the US-South Korea joint military drills would be suspended. Following the Summit, the Chinese State Councilor and Foreign Minister, Wang Yi, evaluated it as being “congruent with the goals China has been expecting and making efforts to achieve, and China naturally welcomes and supports the outcomes.”¹ In addition, a Foreign Ministry spokesperson was self-congratulatory; since China had been arguing for the suspension of both nuclear development by North Korea and the US-South Korea military exercise, this proved that the Chinese argument was rational and feasible.² Therefore, as far as the outcome of the Summit is concerned, China can be expected to welcome it, but we cannot be optimistic about the future course of the US-North Korea relationship when we take into consideration the history up to this point.

In the first place, since the start of the Kim Jong-un era, the leaders of China and North Korea had not met even once, and the traditional friendly relationship between the two had already become something like a huge burden to China.³ Not only because of the escalation in nuclear and missile experiments but also because of the execution of Jang Song-thaek—North Korea’s go-between with China—and the poisoning of Kim Jong-nam, whom China had helped to protect in the past, it is assumed that Xi Jinping had very little trust in Kim Jong-un. Against this backdrop, the recent rapid rapprochement between the two should not be seen as a revival of traditional friendly relations but as being derived from an instrumental and practical intent based on the national interest of each country. By building a relationship with the US through direct negotiation, North Korea can relatively reduce its reliance on China. At the same time, by improving its relationship with China, it can also increase its bargaining power vis-à-vis the US, compared to which North Korea is overwhelmingly inferior. On the other hand, China cannot accept the emergence of a new order in the Korean Peninsula without its involvement. In particular, the Chinese had deep anxiety about Kim Jong-un, whom they had not trusted at all, embarking on solo negotiations with the US because this could lead to an important agreement. From the Chinese

¹ 「王毅：希望朝美领导人会晤实现半岛无核化、建立半岛和平机制迈出实质性步伐, the Foreign Ministry of the People’s Republic of China web site, (http://www.fmprc.gov.cn/web/wjzb_673089/zyhd_673091/t1567989.shtml, last accessed on August 5, 2018).

² 「2018年6月13日外交部发言人耿爽主持例行记者会, the Foreign Ministry of the People’s Republic of China web site, (http://www.fmprc.gov.cn/web/wjdt_674879/fyrbt_674889/t1568499.shtml, last accessed on August 5, 2018).

³ Shen Zhihua, the leading authority on the China-North Korea relationship, argues that even during the period of Mao Zedong and Kim Il-sung, it was a grand fiction that it was mythologized as “the alliance signed in blood.” *The Last “Celestial Empire”: China and North Korea during the times of Mao Zedong and Kim Il-sung (I and II)*, Iwanami Shoten, 2016.

point of view, as long as it is committed to denuclearization, the best-case scenario for North Korea is to continue surviving within the Chinese sphere of influence,⁴ and there is thus no need to urgently insist on CVID.

When taking into consideration China's anxiety and frustration about the US-North Korea Summit and based on the Summit's outcome, we cannot come to the simple conclusion that China is the winner as the third party in the quarrel between the two nations. In fact, the way the US-North Korea Summit was reported in its immediate aftermath in Chinese official media was very restrained—in stark contrast to the enthusiastic manner of reporting in other countries. Here, we can see through the Chinese authorities' deep interest (and anxiety) regarding future developments.

On the other hand, from a long-term point of view, the direct contact between the US and North Korea has started in earnest with the Summit as the catalyst, and it has major significance for the US-China relationship. Conventionally, for the US-China relationship, the Taiwan problem has been the most contentious issue in East Asia; in contrast, the North Korea problem has acted like a magnet to bring the US and China together. In other words, as the problem of North Korea's nuclear development has worsened, the US and China have kept in touch with each other, confirming that they are moving in the same direction and—in a sense—that the US expects China to play a certain role. However, since the second China-North Korea Summit in Dalian, from the US point of view, this composition has changed; now, China, staying behind North Korea, intervenes with the negotiations between the US and North Korea. In other words, the positioning has changed to one where the US opposes China, and North Korea stands in the middle. Therefore, with regard to the North Korean problem, the US can no longer rely on China as much as it used to do.

2. The hardening of the US attitude toward China

In this regard, it is interesting to note that the US attitude toward China hardened further after the US-North Korea Summit in June. Needless to say, President Trump's fixation with the trade deficit with China had been known since his presidential campaign. However, at that time, China had assumed that, in contrast to former Secretary of State Clinton, whose unfavorable view of China had been well known, President Trump would be easier to deal with because, as a businessman, he was only interested in trade issues. It appears that China had an optimistic view that he would be within the scope that it could deal

⁴ Tadashi Kimiya "From the South-North Summit to the US-North Korea Summit: Structural change in East Asia and possibilities for Japanese diplomacy," *Toa*, No.613, p. 25.

with; while President Trump prided himself on his deal-making skills, China had many bargaining chips. To start with, conflict in the field of low politics, such as trade, is not a zero-sum game, as seen in the field of security; because both are mutually dependent, ultimately, both stand to lose in a conflict involving trade. In this regard, until about May this year, in the negotiations, the Chinese side was represented by Vice Premier Liu He, who is trusted by Xi Jinping, and the US side was represented by Treasury Secretary Mnuchin. Secretary Mnuchin is a former investment banker, who worked for Goldman Sachs, an investment bank. Because his background was in finance, a field that China has a stake in, it was assumed that, just like Treasury Secretary Paulson of the Bush administration, he would adopt a friendly attitude toward China.

However, the Trump administration's attitude toward China suddenly hardened in June. While China is trying to resist this with a retaliatory tariff, it is not easy to deal with this. Domestically, the Chinese government cannot afford to be seen as weak against the US. On the other hand, while the US economy is doing reasonably well at the moment, the Chinese economy with its structural fragility is most likely to suffer huge losses if the US-China conflict escalates further. There is a view that the Trump administration's hardline attitude with regard to trade is for the domestic audience, in view of the mid-term elections this fall. Further, Trump often adopts the negotiation tactic of deliberately showing a hardline attitude to make the subsequent negotiations easier for himself, as seen in his dealing with North Korea. Still, from the Chinese point of view, there are aspects that China would rather ignore: the US's heightened sense of alarm over the rise of China and the struggle for hegemony in the form of trade friction.

In the National Defense Strategy Report published in January 2018, the US had already issued a strong warning that it could no longer tolerate China's unfair economic practices.⁵ Recently, from the end of July to August, the US government decided to invest 113 million dollars in order to support infrastructure in the Indian Pacific Area and then offered 300 million dollars for security co-operation with ASEAN.⁶ These policies are clearly part of the US response to China. In particular, the sense of alarm over China's rapid catching-up in the field of industrial technology, such as AI, which is directly linked to

⁵ "Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge," Office of the Secretary of Defense, 2018, (<https://www.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>, /accessed on August 8, 2018)

⁶ "Press Availability at the 51st ASEAN Foreign Minister's Meetings and Related Meetings," U.S. Department of State, Remarks by Secretary of State: August 2018, (<https://www.state.gov/secretary/remarks/2018/08/284924.htm/> accessed on August 5, 2018)

national security, is rising, and Kissinger, who knows China well, has also commented on the possibility that a dramatic development in AI could exert a destructive influence on international relations. Using the example of the once prosperous Inca Empire, which went extinct in an instant because of its encounter with a completely different enemy—the Spaniards—and small pox, he has pointed out that the developments in AI, which has nothing to do with norms related to humanity, could become a major challenge for liberal western civilization. While not naming China, he has sounded a warning that, since there are states that fully support the development of AI, the US should take some measures so that it will not lag behind.⁷

So far, the US has adopted a policy of involvement on the basis that a prosperous and stable China is conducive to US national interests. Consequently, as western countries, including the US, have intended, China has established itself as an important player in international society and has come to exert a large amount of influence across the world. Ironically, however, the US today has begun to think that a powerful China could be a strategic threat.⁸ From the Chinese point of view, it appears that western countries, led by the US, have ceased to welcome development in China because of their own agendas and have started to shift their policies; naturally, it cannot accept the US attitude, which appears to be aimed at containing China.

For the time being, China wants to resist the US by focusing on the Trump administration's protectionism, while exploring international collaboration; on the other hand, the more free trade is emphasized, the more light will be shed on its own unfair economic practices. The fact remains that, while China has been benefiting from the free trade system, it has preserved unfair economic practices, including forced technology transfer when a foreign company enters the Chinese market, regulations on investment ratios by the sector, restrictions on foreign companies' entry into the Chinese market, violation of intellectual property rights, and the granting of subsidies, all of which distort the free market.

In response to the US's hawkish attitude, which appears to be never-ending, the Chinese government seems to be attempting to respond in a restrained manner for the time being. However, in China, relatively free and active discussions are already taking place among researchers, and we can have a glimpse of a number of viewpoints. For instance, there is a view that points out that the sense of alarm against China has been heightened not only in the Trump

⁷ Henry A Kissinger, "How the Enlightenment Ends," *The Atlantic*, June 2018 Issue, (<https://www.theatlantic.com/magazine/archive/2018/06/henry-kissinger-ai-could-mean-the-end-of-human-history/559124/> accessed on August 1, 2018)

⁸ Andrew J Nathan and Andrew Scobell, *The History of Chinese Security: The Great Wall of China and Unmanned Fortress*, (trans. Junji Kono), Misuzu-shobo, 2016, Introduction, p. xiv

administration but also in the Congress, media, and think-tanks in the US and that, in addition to the US, the attitudes of Australia and Germany, with whom China used to maintain a relatively good relationship, have also hardened recently; this then sounds an alarm regarding the changing attitudes of all the western countries.⁹ The Renmin University of China's Shi Yinong, an international relations scholar, points out that what is problematic now is that, while serious contradictions between China and other parts of the world (including the US) with regard to the distribution of wealth have emerged because only China has been enjoying huge profits in the international economic and trade order, China has not been aware of it. From this perspective, he argues that China needs to make a degree of concession in the trade friction with the US.¹⁰

3. The strategic adjustment of Chinese diplomacy

Under these circumstances, the Central Foreign Affairs Commission met on June 22-23 in Beijing, where Xi Jinping delivered an important speech. Xi told the meeting that “we need to plan great power relationships carefully and promote the construction of a framework of great power relationships that is generally stable and develops in a balanced manner” and that “we need to engage with neighborhood diplomacy seriously in order to make our neighboring environment more friendly and more advantageous.”¹¹ It is not easy to interpret what he really meant from the document published at the meeting; nonetheless, this appears to reflect the Chinese understanding regarding the situation in an international environment where the Trump administration's China policies are oscillating wildly, and their future has become unpredictable. At the same time, given the state of their relationship with the US, we can see their intention to stabilize their relationships with neighboring countries even further.

As for the relationship between China and ASEAN with regard to recent South China Sea issues, as China has agreed to conclude the legally binding “Code of Conduct (COC)” as soon as possible, a step that it had long been reluctant to take,

⁹ ZhaoMinghao 「从新冷战论看中美关系面临的主要挑战『现代国际关系』 June 2018, the China Institutes of Contemporary International Relations, p. 19.

¹⁰ Shi Yinong 「中国的周边战略与对美关系」系 *ibid.* pp 4-5.

¹¹ 「习近平在中央外事工作会议上强调坚持以新时代中国特色社会主义外交思想为指导努力开创中国特色大国外交新局面」 *People's Daily*, June 24, 2018, page 1.

a framework draft was written up in May last year by the countries involved, and the negotiation on the wording started in March this year. This means that there has been a limited degree of progress in this regard.¹² On June 25-27, the fifteenth high level meeting of China and ASEAN member states regarding the implementation of the “Declaration on the Conduct (DOC)” was held in Changsha, Hunan Province. On the following day, June 28, the Chinese Foreign Ministry stated at the press conference that “the meeting had positive outcomes” and emphasized the co-operative approach toward other countries.¹³ In addition, during the talk with US Defense Secretary Mattis, who visited China on June 27 (during the same period), Xi Jinping stated “the Pacific Ocean can accommodate the US, China, and other countries,” while maintaining the conventional stance on territorial disputes. In this statement, “other countries” was newly added to the conventional view of dividing the Pacific Ocean between the US and China; this appears to show some consideration toward the countries involved.¹⁴

In this context, China can maintain an attitude of developing a positive relationship with Japan. Since Premier Li Keqiang’s visit to Japan in May, exchanges between China and Japan in the form of working-level consultations between the two governments, visits to China by Japanese Members of the Diet and opposition parties, and visits to Japan by Chinese ministerial class officials have been taking place frequently. As for a future roadmap, it is envisaged that having facilitated Prime Minister Abe’s visit to China, Xi Jinping’s attendance at the Osaka G20 meeting at the end of June in 2019 will be used to facilitate his state visit to Japan. We need to note that China’s Japan policies had started to improve before the Trump administration started to harden its policies toward China. Stabilizing relations with Japan, which had deteriorated badly, is one of the most important diplomatic priorities for China and, ever since the Japanese government declared their support for China’s “One Belt One Road” initiative in June 2017, it became easier for China to make progress in its relationship with Japan. Moreover, before that, the 2016 ruling by the Permanent Court of Arbitration on territorial claims in the South China Sea—in which the Court almost completely denied the validity of the Chinese claim—served as a catalyst for it to review the hardline foreign policies it had been formulating; thus, strategic adjustments for a generally more moderate diplomacy had begun.

On the other hand, Chinese diplomacy had not been merely passive; China

¹² Yasushi Fukuda “Reasons for the ASEN-China ‘honeymoon,’” *Diplomacy*, Vol. 50, pp. 95-96.

¹³ 2018年6月28日外交部发言人陆慷主持例行记者会 The Ministry of Foreign Affairs of the People’s Republic of China web site, (http://www.fmprc.gov.cn/web/wjdt_674879/fyrbt_674889/t1572535.shtml, last accessed on August 5, 2018).

¹⁴ 「习近平会见美国国防部长马蒂斯（新华社6月27日电）」 *People’s Daily*, June 28, 2018, page 1.

held the Shanghai Cooperation Organization Summit on June 9-10 in Tsingtao and on July 27, and Xi Jinping participated in the BRICS Summit held in Johannesburg. Furthermore, in September, the seventh ministerial meeting of the Forum on China-Africa Cooperation will be held in Beijing. We should note that, while its relationship with the US is facing difficulties, from a global point of view, China has acquired considerable abilities to conduct active diplomacy.

Conclusion

Successive US presidents have repeated a pattern; while assuming a tough stance toward China during the election campaign, one or two years after inauguration, they revert to realistic China policies. Although the US and China are potential rivals, they are also highly mutually dependent with regard to economics, and now, we have witnessed China proposing a high value purchase of US goods at the summit in order to maintain the relationship. A similar approach was tried during Trump's visit to China on November 1 last year. However, China has started to sense the possibility that the structure that had thus far supported the US-China relationship has begun to change under the Trump administration. What the Chinese are most troubled about is whether the current hardline China policies are due solely to the Trump administration or whether they signal a fundamental change in the US's attitude toward China, which could continue after the Trump administration. In opposition to the Trump administration's protectionism, the Chinese government is attempting to forge alliances with other countries by adhering to free trade, but as mentioned earlier, other western countries have recently begun to feel a growing sense of alarm with regard to China because it has unilaterally benefitted from the open international system while utilizing an authoritarian regime. Under these circumstances, while preparing for further confrontation with the US, China is trying to strengthen its relationships with neighboring countries and other developing countries by continuing to use economic power as a leverage and conducting cautious diplomacy. It is assumed that, in order to make the international environment surrounding itself beneficial in any manner possible, China will continue to adopt a strategically moderate attitude for the time being.

Biography

Akio Takahara

Akio Takahara is the dean of Graduate School of Public Policy, The University of Tokyo, and professor of law and politics. Graduated from the Faculty of Law, University of Tokyo, and received his doctorate from the University of Sussex. He came to his current position after working as a professor at Rikkyo University. His career includes working as a researcher at the Embassy of Japan in China, visiting professor at Harvard University, president of Japan Association for Asian Studies, member of the New Japan-China Friendship Committee for the 21st Century, visiting professor at Peking University, and visiting academic fellow at Mercator Institute for China Studies. He is senior fellow at The Tokyo Foundation for Policy Research, senior adjunct fellow at Japan Institute of International Affairs, and distinguished research fellow at The Japan Forum on International Relations. He has recently co-authored *To the Era of Developmentalism, 1972-2014, Series on China's Modern History, Volume 5* (Iwanami Shoten, 2014) and co-edited *Todai Juku Contemporary Chinese Lecture for Adults*, (The University of Tokyo Press)

Asei Ito

Asei Ito is associate professor at the Institute of Social Science, University of Tokyo. He graduated from Graduate school of Economics, University of Keio, Japan and also studied at the People's University of China, Beijing as well as Sun Yat-Sen University, Guangzhou during his graduate course. His research covers the Chinese industrial development and related China's outward FDI activities in Asia. He is the author of *Industrial Clusters in Contemporary China: "The Workshop of the World"* and *A Bottom-up Economic Development* (the University of Nagoya Press, 2015, in Japanese) and *China Unmanned Aerial System Industry Report 2017: An emerging industry from an emerging economy* (the Institute of Social Science, University of Tokyo, in Japanese), and one of co-editors of *China's Outward Foreign Direct Investment Data* (University of Tokyo, 2014, in English) and *Understanding Contemporary China: Lecture Series at the University of Tokyo* (University of Tokyo Press, 2014, in Japanese). <https://aseiito.net>

Bonji Ohara

Bonji Ohara is Senior Fellow, The Sasakawa Peace Foundation. Graduated from the National Defense Academy of Japan in 1985 and completed his Master's program (area studies) at the University of Tsukuba in 1998. Joined the Maritime Self-Defense Forces in 1985 and became a helicopter

pilot. Stationed in China between 2003 and 2006 as a naval attaché. Became chief of the intelligence section, MSDF Maritime Staff Office, Ministry of Defense, in 2006 and commanding officer of the 21st Flight Squadron, MSDF, in 2009. Worked at IHS Jane's from 2011 as an analyst and business development manager and joined The Tokyo Foundation for Policy Research in 2013, and became the Director of Policy Research in 2016 before assuming his present position in June 2017. His works include *Chugoku no gunji senryaku* (China's Military Strategy), Toyo Keizai Inc., *Gunji taikoku: Chugoku no shotai* (Military Power and the Truth about China), Tokuma Shoten, *Nani ga senso wo tomeru no ka* (What Stops War?), Discover 21, Inc., and co-author of *Magari kado ni tatsu chugoku* (China at a Turning Point), NTT Publishing.

Ichiro Inoue

Ichiro Inoue is professor, Graduate School of Policy Studies, Kwansei Gakuin University. After joining the Ministry of Foreign Affairs, his work revolved around Chinese relations in the China and Mongolia Division, Asian and Oceanian Affairs Bureau and the Embassy of Japan in China. He was an associate professor at the Graduate School of Policy Studies, Kwansei Gakuin University in 2011, and then became a professor in 2016. After graduating from the Faculty of Law at Kwansei Gakuin University, studied at Fudan University, and later received his Masters' degree from the Fletcher School of Law and Diplomacy, Tufts University (international relations). His works include *Change and Continuity in Chinese Foreign Policy through Leadership Transition From Jiang Zemin to Hu Jintao: China's Policy toward Japan*, International Relations No. 177 (Japan Association of International Relations, October 2014) and *Crisis and China's Foreign Policy Making: Perception and Structural Factors behind Escalation*, Strategic Studies No. 16 (The Japan Society of Strategic Studies, April 2015).

Jun Konno

Jun Konno is associate professor, Gakushuin Women's College. He completed his doctorate course at the Graduate School of Social Sciences, Hitotsubashi University, receiving a Doctor of Sociology. He specializes in Chinese social governance and the justice system. He is the author of *Mass mobilization in Chinese society: Political power and the people in Mao's China*.

Kazuyuki Suwa

Kazuyuki Suwa is professor, School of International Relations, University of

Shizuoka. Graduated from the Faculty of Foreign Languages, Tokyo University of Foreign Studies, in 1986. Joined the Ministry of Foreign Affairs in 1986. From 1989-1993 and 2000-2004, he worked at the Embassy of Japan in China, and the Japan-Taiwan Exchange Association from 1996-1998. Completed his Master's program at the Graduate School of Social and Cultural Studies, Nihon University in 2004. He was an assistant professor, School of Language and Culture, Hokkaido University, in 2004, and then associate professor, International Media and Communication Studies, Hokkaido University, in 2007. He has been in his present position since 2008. His works include *The Cadre Policy of the Chinese Communist Party-Party and Government Cadres and Nonparty Organizations* (Japan Association for Asian Studies, 2004), *Chugoku kyosanto kenryoku no kongen* (The Roots of Chinese Communist Power), Sanwa Shoseki, 2012, and *Standing committee of the National People's Congress and survival of the Communist Party of China*, Institute of Developing Economies, Japan External Trade Organization, 2015.

Naoko Eto

Naoko Eto is a research fellow at the Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO). Her main research interests include contemporary Chinese politics, Japan-China relations and international relations in East Asia. Dr. Eto received her PhD in political science from Keio University and her MA in international policy studies from Stanford University. Before taking up her current position, she was a research fellow at the Center for Area Studies, National Institutes for the Humanities (NIHU) and an overseas researcher at the School of International Studies, Peking University (2004-2005).

Her recent publications include *Japan in the Context of Chinese Nationalism: The Transformation of "Patriotism" and the Issue of Differing Historical Perspectives* (in Japanese, Keiso Shobo, 2014); "Chinese Nationalism from the Angle of Japan-China Relations" (*Nations and Nationalism*, Vol22, No.3, July 2016); "An Emerging Structure of Japan-China Relations: Constant Maritime Tension and Mutual Cooperation" (in *Proc. Japanese Views on China and Taiwan: Implications for the U.S.-Japan Alliance*, Center for Strategic and International Studies, March 1, 2018); "Anti-Western Sentiment in Chinese Politics: Why China Rejects Universal Values" (*Contemporary Japan and East Asian Studies*, Vol. 2 No.3, March 2018).

Osamu Tanaka

Osamu Tanaka is project professor, Nara Prefectural University. He holds a

Doctor of Philosophy, The University of Tokyo. He specializes in the modern Chinese economy and macroeconomic policy of China. Born in Tokyo, 1958. Graduated from the Faculty of Law, The University of Tokyo, in 1982 and joined the Ministry of Finance. He was first secretary and councilor in the Office of Economics at the Japanese embassy in Beijing from 1996 to 2000. After returning to Japan, became a budget examiner in the Budget Bureau, Ministry of Finance; professor in the Department of Economics of Shinshu University; counselor in the Cabinet Office; and visiting professor at the University of Tokyo. He was the vice President at the Policy Research Institute, Ministry of Finance from 2010, and then president of the National Tax College from June 2016. Retired in October 2017. That same month, he became a Senior Research Fellow at the Policy Research Institute, Ministry of Finance (Special Advisor for China Research). Has currently served in his present position since April 2018

Tomoko Ako

Tomoko Ako is associate professor, Graduate School of Arts and Sciences, The University of Tokyo. She received her Ph.D. in educational sociology from The University of Hong Kong after studying at Osaka University of Foreign Studies and Nagoya University Graduate School. After serving as a researcher at the Embassy of Japan in China and as an associate professor in the School of International Liberal Studies, Waseda University, she assumed her present position in 2013. Her research interests include political and social change in modern China, social capital in rural areas, worker migration from rural areas to cities, land and family register system, and trends in intellectuals and civil society. Her works include *The Country that Devours its Poor: A Warning from China's Divided Society* (Shincho Sensho, 2014) and *Empowered Citizens on the Rise: Where is China Going? The Future of a Superpower 5* (University of Tokyo Press, 2016).

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Sasakawa Peace Foundation Bldg., 1-15-16 Toranomon, Minato-ku, Tokyo, 105-8524

TEL: +81-3-5157-5430 | URL: <https://www.spf.org/spf-china-observer/en/>

