

Contemporary Chinese Political Economy and Strategic Relations: An International Journal

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Rebecca E. Karl

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*In fond memory of Arif Dirlik
(1940 – 2017), our dear friend,
colleague, contributor and advisory
board member*

Contemporary Chinese Political Economy and Strategic Relations: An International Journal (CCPS)

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The Editor, *Contemporary Chinese Political Economy and Strategic Relations:
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Contributors

Yusuf Hammed **Agboola** is an Assistant Lecturer in the Department of Economics, University of Ilorin, Nigeria. <Email: agboolayusuf2007@gmail.com>

Adrian Chi-yeung **Chiu** (趙致洋) is currently the Assistant Editor at the *Hong Kong Journal of Social Sciences*, Education University of Hong Kong. He was a Master graduate of Politics of China from the School of Oriental and African Studies, the University of London. His research interests includes Taiwan politics, cross-Strait relations, Hong Kong-Taiwan relations and China's international relations with Southeast Asia. <Email: cychiu@eduhk.hk>

Tina S. **Clemente**, Ph.D., is an Associate Professor at the Asian Center, University of the Philippines Diliman. She specializes in China studies and Philippine development studies. Her research interests include various aspects of China's economic development, the intellectual history of China Studies in the Philippines, economics-security nexus in Philippines-China relations, the Chinese in the Philippines, and Philippine development. Dr Clemente has held associate, senior and issue editorships in international journals. She is the current president of the Philippine Association for Chinese Studies (PACS) and continues to be a subject matter expert serving Philippine and international publics. A list of her selected publications can be found on her faculty webpage: <<http://ac.upd.edu.ph/index.php/tina-s-clemente-ph-d-menu>>

<Email: tscllemente@up.edu.ph>

Solomon I. **Cohen**, Ph.D., is Emeritus Professor at the Erasmus School of Economics, Erasmus University Rotterdam, Netherlands; and is currently visiting professor at Financial University Moscow, Surinam University Paramaribo, and University of Dubai. His B.Sc. is from University of Khartoum, and M.S. and Ph.D. from the Netherlands School of Economics, Rotterdam. He founded and directed the Foundation for Economic Research at Rotterdam, and held advisor positions at the United Nations, European Union, World Bank and at various governmental and international organizations. Next to refereed articles in international journals, Professor Cohen published some 14 books, including among others *The modeling of socio-economic processes*, Gower, 1984; *Microeconomic policy*, Routledge, 2001; *Social accounting and economic modeling for developing countries*, Ashgate, 2002; *Social accounting for industrial and transition economies*, Ashgate, 2002; *Economic system analysis and policies*, Palgrave Macmillan, 2009; *Economic models for policy making*, Routledge, 2013; *World development and economic systems: Theory and applications*, World Scientific Publishers, 2015. Several of these books were translated into Russian, Chinese and Japanese. <Email: cohen@ese.eur.nl>

Melodina S. **Cruz** (陳愉寧) is a graduate student of Asian Studies majoring in China Studies at the University of the Philippines Diliman. She obtained her Bachelor of Arts in European Languages (Spanish-French) and Diploma in Archaeology from the same university. She has taught Spanish language before working for a multinational company as digital librarian and data analyst. She also does translation work involving English, Spanish, and Chinese. She was a volunteer at the

Wikimedia Philippines Built Heritage Mapping Project and occasionally joins heritage mapping projects in coordination with local governments. Her research interests include peripheral communities, minority groups, comparative linguistics, comparative religion, built heritage, and Philippine colonial history. <Email: melodina.cruz@upd.edu.ph, melo dinacruz@gmail.com>

Reymund B. **Flores** is a Doctor of Public Administration candidate in the National College of Public Administration and Governance, University of the Philippines Diliman. He is presently working on his doctoral dissertation on collaborative governance and cross-sector collaboration with a scholarship grant from the Philippine Commission on Higher Education. Also, he is a junior faculty member of the Social Science Department, West Visayas State University in Iloilo City, Philippines. His teaching responsibilities include Fundamentals of Political Science, Government and Politics of Southeast Asia, and Civil Society and Social Movements in the Philippines; and his research interests and publications involve East and Southeast Asian studies and political development, collaborative governance and state-civil society engagements. <Email: greatmund@gmail.com>

Gold Kafilah Lola is a Ph.D. candidate at the Faculty of Economics and Administration, University of Malaya, Malaysia, and a Senior Lecturer in the Economics Department, Kwara State College of Education, Ilorin, Nigeria. <Email: kafilola@siswa.um.edu.my>

Sebastian **Hambach** is currently pursuing his Ph.D. studies at the Department of History, National Taiwan University (國立臺灣大學). He holds an M.A. in Asia-Pacific studies from the National Chengchi University (國立政治大學), Taiwan. <Email: d01123008@ntu.edu.tw,>

sebastian.hambach@gmail.com>

Hara Fujio (原不二夫), Ph.D., is a retired historian (Tokorozawa-shi / 所沢市, Saitama-ken / 埼玉県), and was Professor at the Department of Asian Studies, Faculty of Foreign Studies, Nanzan University (*Nanzan Daigaku* / 南山大学), Nagoya (名古屋), Japan, from 1999 until 2012. Prior to that, He worked at the Institute of Developing Economies, Japan, for 31 years from 1967. He had been affiliated with the School of Social Sciences of the Universiti Sains Malaysia, Department of History as well as Faculty of Economics and Administration of the University of Malaya, Xiamen University in China, and the Institute of Southeast Asian Studies in Singapore. His research interests include modern historical relations between Malaya (Malaysia) and Japan, modern historical relations between Malayan (Malaysian) Chinese and China, and the history of the Malayan Communist Party. He is presently Research Fellow Emeritus at the Institute of Developing Economies, Japan. <Email: *yuanbu9er@yahoo.co.jp*>

Rebecca E. **Karl** (Ph.D., Duke University, 1995) is Professor of History at New York University where she teaches on modern China, gender, and social theory in the History Department. <Email: *rebecca.karl@nyu.edu*>

Kwek Kian Teng, Ph.D., is an Associate Professor of Economics at the University of Malaya. She is the Deputy Director of the Global Planning & Strategy Centre at the Chancellery of University of Malaya since October 2016. She was the deputy dean for research and development at the Faculty of Economics and Administration, University of Malaya, from July 2013 to July 2016. She obtained her B.Ec. and M.Ec. from the

University of Malaya. In 1999, she received her Ph.D. from the Department of Econometrics and Business Statistics, Monash University, Clayton Campus, Australia. She was the honorary secretary of the Malaysian Economic Association (MEA) (2002-2008), and the assistant managing editor of the *Malaysian Journal of Economic Studies* (2000-2008). <Email: ktkwek@um.edu.my>

Kam-yee **Law** (羅金義), Ph.D., is an Associate Professor in the Department of Social Sciences and Co-Director of the Centre for Greater China Studies at the Education University of Hong Kong. <Email: kam yee@eduhk.hk>

Murtala **Muhammad** is an editor of *Techno Science Africana Journal*, editor-in-chief of Kano University of Science and Technology (KUST) Wudil Book Series and managing editor of KUST News Flash. He is presently a researcher at the University of Malaya. <Email: murtala@sis wa.um.edu.my>

Nur Rafeeda Daut, Ph.D., is an Assistant Professor at the Faculty of Foreign Languages and the Asian Studies Programme, Kansai Gaidai University (関西外国語大学 / 関西外大), Osaka (大阪), Japan. Dr Nur Rafeeda has spent many years teaching international politics in Malaysia, Turkey and Japan. She holds a B.A. in international relations from Syracuse University, New York, and Master's degree in political science from Leiden University, Netherlands. She has also taught at the Malaysian Armed Forces Staff College (MAFSC) in Malaysia. In 2014, she obtained her Ph.D. from University of Kent's The Brussels School of International Studies (Brussels, Belgium). Her research areas include social movements in Europe and Southeast Asia and governance and politics in the European Union. Her areas of specialization include Asian

and European regionalism, nationalism in Europe and Southeast Asia and European history and politics. <Email: nurdaut@kansaigaidai.ac.jp, nurrafeeda@gmail.com>

Rajah **Rasiah**, Ph.D., works as a Professor of Technology and Innovation Policy at the University of Malaya. He also serves as professorial fellow at UNU-MERIT, adjunct professor at the University of South Australia and senior research associate at Oxford University. Among the awards he has won include the Standard Chartered Award in 1989, the *Cambridge Journal of Economics* Award in 1991, the Robert McNamara Award in 1993, the Senior Friedrich Ebert Stiftung Award in 1996, and the Malaysian Government's Brain Gain Award in 2004. He specialises on FDI, learning and innovation, and competitiveness with fieldwork experience in 30 countries, and has served as a consultant, among others, to the World Bank and United Nations. His latest book is *The new political economy of Southeast Asia* (2010, Cheltenham: Edward Elgar) (edited with Johannes Dragbaek Schmidt). <Email: rajah@um.edu.my>

Roy Anthony **Rogers**, Ph.D., is a Senior Lecturer and head of the Department of Strategic and International Studies, University of Malaya, Malaysia. He has a B.A. (Hons) in international studies and a Master in Strategic and Defence Studies (M.SDS) both from the University of Malaya. He joined the Department of Strategic and International Studies, University of Malaya, in 2001, and has also taught at the Malaysian Armed Forces Staff College (MAFSC). In 2012 he obtained Ph.D. from the International Islamic University Malaysia (IIUM) and his areas of research include government and politics of the Central Asian republics and human rights conditions in Xinjiang, China. He received the Taiwan Fellowship sponsored by the Ministry of Foreign Affairs (MOFA) of the

Republic of China to conduct research on the human rights conditions in Xinjiang. During the research period he was attached to the Institute of International Relations (IIR), National Chengchi University (NCCU), Taiwan, as a visiting scholar. In 2006 he was awarded the International Visitor (I.V.) Program Grant (US Foreign Policy and Counterterrorism) by the US State Department. Besides that in 2008 he was awarded the Excellent Service Award by the University of Malaya. His areas of specialization include political science, international relations (theories of international relations) and history (China and Central Asia). <Email: rarogers@um.edu.my>

Su-mei **Sung** (宋素梅) is Member of EMPA Program at the Department of Public Administration and Policy, National Taipei University (國立臺北大學), Taiwan (ROC). She has served as Senior Executive Officer at the Control Yuan (監察院) of the Republic of China. Sung completed her undergraduate degree at the Department of Law, Soochow University (東吳大學), Taipei, Taiwan, and continued her M.A. programme at the University of Birmingham, United Kingdom. Sung's main research interests are public policy and institutional reforms. <Email: b0935576610@gmail.com>

S.Y. **Surendra Kumar**, Ph.D., is an Assistant Professor at the Department of Political Science, Bangalore University, Bangalore, India. He holds M.Phil. and Ph.D. degrees in South Asian studies from the School of International Studies, Jawaharlal Nehru University (JNU), New Delhi. He is a recipient of Mahbubul-Haq Research Award (2008) and Short Duration Fellowship (2010). He has co-edited and co-authored books. He has contributed more than 15 chapters in various edited books and published more than 25 research articles in leading national and international journals. His main research interests are South Asian

security and Indian foreign policy with reference to US and China.
<Email: surendrajnu@gmail.com>

Fu-Lai Tony **Yu** (余赴禮), Ph.D., is currently Professor of Economics at the Department of Economics and Finance, Hong Kong Shue Yan University (香港樹仁大學), North Point, Hong Kong. Professor Yu obtained his Ph.D. from the University of New South Wales. He previously taught at Hong Kong Baptist University, Hong Kong Polytechnic University, Monash University in Australia, and Feng Chia University (逢甲大學) in Taiwan. His research interests include entrepreneurship, small and medium enterprises, governmental economics, Austrian economics and Asian business systems. Yu's latest books are *Chinese entrepreneurship: An Austrian economics perspective*, London: Routledge, 2016 (with Diana S. Kwan); *Handbook on East Asian entrepreneurship*, London: Routledge (co-edited with H.D. Yan), 2015; *International economic development: Leading issues and challenges*, London: Routledge (coedited with W.K. Yuen and Diana S. Kwan), 2014; and *Entrepreneurship and Taiwan's economic dynamics*, Heidelberg: Springer, 2012. <Email: flyu@hksyu.edu>

Jinghao **Zhou** (周景顥), Ph.D., is Associate Professor of Asian Studies at Hobart and William Smith Colleges in Geneva, New York. Zhou is the author of four books: *Chinese vs. Western perspectives: Understanding contemporary China* (2014/2016), *China's peaceful rise in a global context: A domestic aspect of China's road map to democratization* (2010/2012), *Remaking China's public philosophy and Chinese women's liberation: The volatile mixing of Confucianism, Marxism, and feminism* (2006), *Remaking China's public philosophy for the Twenty-first Century* (2003). His thirty-plus articles in English appear in various journals and newspapers, such as *The Journal of Comparative Asian Development*,

American Journal of Chinese Studies, China: An International Journal, American Review of China Studies, Journal of Asian Mission, Asian Perspective, Journal of International Women's Studies, Journal of Religion & Society, The National Interest, Journal of Church and State, International Journal of China Studies, China Review International, Asia Times, Global Times, Chinese Social Sciences Today and *ASIANetwork Exchange: A Journal for Asian Studies in the Liberal Arts*. He has also published more than forty articles in Chinese journals and newspapers. <Email: zhou@hws.edu>

Book Review Contributor

Zhang Yemo (張夜墨) is on the staff of the Equitable Society Research Cluster UMRG Programme on public administration and governance (2016-2018), Malaysian Ministry of Higher Education / University of Malaya High-Impact Research (HIR) grant project “The China Model: Implications of the Contemporary Rise of China” (2013-2016) at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, and a Ph.D. candidate at the Institute of Biological Sciences, Faculty of Science, University of Malaya, Kuala Lumpur, Malaysia. <Email: zhangyemo@siswa.um.edu.my>

Editor

Emile Kok-Kheng **Yeoh** (楊國慶), with a Ph.D. on ethnopolitics in socioeconomic development from the University of Bradford, West Yorkshire, England (1998), is the department head and an Associate Professor of the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, Kuala Lumpur, Malaysia. He is the founding editor of the triannual academic

journal *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* (CCPS) jointly published by the Institute of China and Asia-Pacific Studies of Taiwan's National Sun Yat-sen University and the University of Malaya's Department of Administrative Studies and Politics, was the director of the Institute of China Studies (ICS), University of Malaya, from 13th March 2008 to 1st January 2014, the founder and editor of the institute's then SJR top-tier Scopus-indexed triannual academic journal, *International Journal of China Studies* (IJCS, Vol. 1, 2010 – Vol. 5, 2014), and is currently also a member of the international editorial committee of several journals in Asia and Latin America. Among his publications in recent years are “マレーシア——親中心理を支える構造” [Malaysia: The fundamental structure of pro-China sentiment] (book chapter, University of Tokyo Press, forthcoming, February 2018), *Hong Kong twenty years after the Handover: Quo vadis?* (edited focus issue, CCPS, 2017, 477 pp. + xv), *Norms and institutions in the shaping of identity and governance: Mainland China and Taiwan in the regional environment* (edited special issue, CCPS, 2017, 521 pp. + xviii), *From Handover to Occupy Campaign: Democracy, identity and the Umbrella Movement of Hong Kong* (edited focus issue, CCPS, 2016, 350 pp. + xviii), *China amidst competing dynamics in the Asia-Pacific: National identity, economic integration and political governance* (edited special issue, CCPS, 2016, 633 pp. + xv), *Crossing the Chinese frontier: Nation, community, identity and mobility* (edited special issue, CCPS, 2015, 410 pp. + xv), “Rising China as a regional power and its new assertiveness in the South China Sea” (book chapter, Palgrave Macmillan, 2014), *China – State, public policy and society* (guest edited special issue, *The Copenhagen Journal of Asian Studies*, 2014, 140 pp.), *June Fourth at 25: The quarter-century legacy of Tiananmen* (edited special issue, IJCS, 2014, 367 pp. + xv), “Poverty reduction, welfare provision and social security

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<Website: <http://emileyeo5.wix.com/emileyeoh>>

<Email: yeohkk@um.edu.my, emileyeo@gmail.com>

In Memoriam: Arif Dirlik (1940-2017)

I met Arif Dirlik in 1989, the Fall of 1989 to be exact, at a dinner banquet organized in his honor by the History Department at Nanjing University. I had been brought there by a friend, who thought I would enjoy meeting this Professor from Duke University. I had laryngitis and could barely croak. Somehow, Arif and I managed to have a deep conversation that evening, between my hoarseness and the continual demands to down more shots of *baijiu*. I have been involved in a conversation with Arif ever since.

Arif was my PhD advisor at Duke University. He was a marvelous advisor. He taught me many things. Most important, I think, is that he taught me how to be fearlessly radical and radically fearless in my intellectual work, my personal life, and my institutional practice. As many of us know, Arif was not an easy person to get along with sometimes, and he sure did know how to insult folks and hold grudges. But he was a serious thinker and a serious scholar and deeply committed to the radical proposition of possibility. One could forgive him much because of that.

Arif came to the US on a Fulbright from Turkey, to study science at the University of Rochester. He got seduced by revolution, the ongoing Chinese revolution of the 1960s. Not romantically, but as a form of the radicalism of possibility. He moved to the History Department and created his new course of study – still funded by Fulbright! – with the

help of Harry Harootunian and others, whose own modest class backgrounds lent their mentoring a radical openness to unconventionality. I've always enjoyed the conjured image of the Armenian and the Turk drinking some unspeakable spirits in upstate New York, engaging their intellects and actualizing a friendship that could bridge one of the most murderous and still largely disavowed divides in world history. A friendship and intellectual comradeship that endured decades: Arif and Harry, Harry and Arif. And so many other enduring encounters that their created space enabled for the rest of us.

Revolution and History, Arif's first book, seriously challenged the historiography of Chinese history in the United States. It took seriously the Marxist historiographical debates of the 1930s, and it took seriously the attempts of Chinese Marxists of that time to think Chinese history through the Marxist analytic. Because Arif took Marxism seriously in a time when Maoism was beginning its full-scale retreat; because Arif refused to repudiate his radicalism, even when so many China scholars were disavowing their previous full-throated commitments to the Chinese revolution; because Arif had a politics and not merely a position ... Arif was not well-received in the inner sanctums of the China Studies field as it was then being reconfigured around the imperatives of anti-radicalism and the desire for the evacuation of politics from scholarship.

Arif's subsequent several books – *The Origins of Chinese Communism* and *Anarchism in the Chinese Revolution* as well as the anthology *Marxism and the Chinese Revolutionary Experience* co-edited with his long-time friend and ally, Maurice Meisner – can be seen as an extended working out of the logic of the first book: what did radicalism and Marxism have to say to Chinese, and what did Chinese have to say to Marxism and radicalism? Arif's engagements with these fundamental historical questions possess an intensity and depth that few scholars can claim or realize.

When I met Arif in 1989, he had just published *Origins*, while *Anarchism* was in draft manuscript form. He handed me the book and the manuscript at a subsequent meeting after that first hoarse croaky dinner, and he asked me to comment on them when we next got together. I was terrified by the task, and mystified by his lack of hierarchy. I honestly have no idea what I said to him about any of it when I saw him next, but I do know I spent hours reading both books and deciding that I wanted to study with him.

Arif's subsequent publications were legion. Who can forget his intervention into the early-1990s debates on post-colonialism? Or those on post-modernism? Or third worldism? Or ... So many of Arif's interventions were hugely consequential in the field of intellectual and political work globally, and many were widely read in translations. I will not say that Arif's works were influential, as I know that he hated the idea of "influence". As he never ceased to remind us, "influence" is an astrological concept, not an historical one.

Arif's productivity was scary; his capacity for work was extraordinary. He read voraciously and across many worlds of inquiry; he wrote quickly and surely, with nary a wasted word or a wasted thought; he published constantly in big and small venues, and once the internet became ubiquitous, he published online as well. And yet he always had time to comment thoroughly on other people's work; to participate in students' training; to read people's drafts and theses; to travel to conferences and to teaching stints abroad; to drink and smoke and eat and cook and entertain as if he had nothing better to do than sit around and shoot the breeze. And to be a partner to Roxann Prazniak and a father to his kids and her son.

I will leave it to others to write a proper assessment of his work; I can only manage this brief personal testimony at the moment. I will miss knowing that Arif inhabits this world with his rare political staunchness,

his honesty, and his intellectual force. He never got the recognition in the field he ought to have had, but he was recognized across fields that he ultimately cared about more. He was always an anomaly. That is how it should be.

Rebecca E. Karl
History, NYU

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We are grateful to Rebecca E. Karl and *H-PRC* Network for allowing us to reproduce this article here.

Dr Rebecca E. Karl (PhD, Duke University, 1995) is Professor of History at New York University where she teaches on modern China, gender, and social theory in the History Department. <Email: rebecca.karl@nyu.edu>

***Global Dominance and
World Power Rivalry***

The New Normal in Russia and China: Between Past Embedded Structures and Future Global Dominance⁺

Solomon I. **Cohen***

Erasmus School of Economics, Erasmus University Rotterdam

Abstract

The new normal is a conceptual situation where economic and political agents are economically convinced and politically motivated to adapt to temporary austerity in economic growth and political participation. The concept entails a remarkable and rare mix of economics and politics. The alternative is to actively plan towards changing the underlying benchmark. Focusing on Russia and China, the paper draws on results from two studies that reflect on underlying weak and strong links in the two benchmark economies. One study examines the tendency and causes for slow growth and sticky distribution in Russia, when compared to China, making use of social accounting matrix multipliers. The Russian weak tendencies are partly due to structural imbalances inherited from the past economy with its state-led and parallel shadow counterparts. The other study looks forward into the future and examines Russian and Chinese prospects for leading roles and their relative influence potential in the global economy. The study makes use of a dominance index

composed of the relative sizes of transforming agents (i.e. population) and transformed value (i.e. GDP). Results for Russia suggest that in a few decades global marginalization is imminent, unless agents and production change course and actively link and substantially integrate with other world blocs.

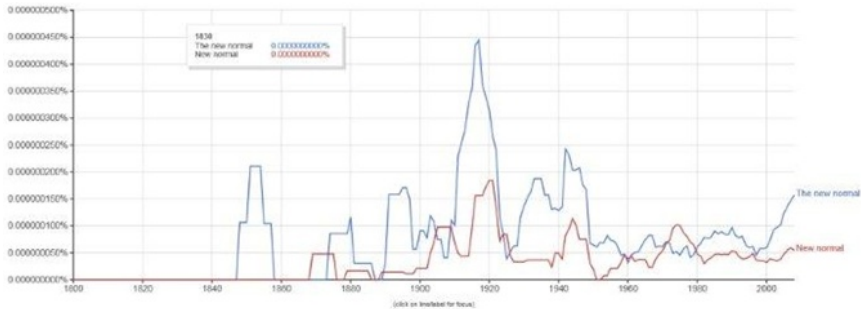
Keywords: *new normal, global dominance, social accounting, growth and inequality, comparative performance*

1. Introduction

Use of the term “new normal” dates back to hundreds of years ago. A Google search in Figure 1 shows peaks in its use in the 1920s and 1940s, and a rising use since 2000. The term comes forth in many disciplines and contexts.

The recent use of the term in economics is due to M.E. El-Erian (2010) in the context of cautioning advanced countries that the financial crisis of 2007-2008 was a breaking point, that they should get accustomed to lower rates of economic growth in spite of significant doses of monetary stimulus. In general terms, the term denotes austerity and/or lowered economic growth expectations in the medium run. When applied to express moderated expectations in specific countries, specific matter, and outlooks differ. For example, the new normal most quoted growth rate for the United States economy is 2 to 3 per cent per annum (pcpa), depending on growth in other major economies, especially China and the European Union. In Russia, the new normal is influenced by the dip in world oil prices, and to a much lesser extent by trade and investment boycotts by the Western alliance. Most outlooks quote growth rates between 1 and 2 pcpa. The new normal for China is between 6 and 7 pcpa.¹

Figure 1 Documented Use of the Term “New Normal” from Google Search



In several circles of social science the new normal is seen as a conceptual situation where economic agents (consumers and producers) and political agents (the voting population at large and their representatives) are economically convinced and politically motivated to adapt to temporary austerity and to moderate levels of economic growth and political participation. The concept entails a remarkable and rare mix of economics and politics. Mention can be made of examples of this mix with relevance for this paper. For instance, the new normal, as officially declared in Korber FIA (2016), states that although the EU remains a preferential partner for Russia, it is no longer considered as the main partner. The lack of trust and understanding between Russia and the North Atlantic Treaty Organization (NATO) holds the potential for escalation, and Russia is inclined to increasingly define its role within the international system through autonomy and separation. Dejevsky (2016) states that the official Russian viewpoint of the new normal is the accommodation to and activation of a Eurasian economic and political power bloc, in which Russia plays a central role.

Whatever scenario is assigned to a new normal, acceptance of or confrontation with the new normal has significant consequences for the economy and polity. Acceptance of new normal justifies adaptations and lowered future expectations that fit with the current state of affairs and performances. Confrontation with the new normal calls for outlining what the past-based and the future-projected problems are, and coming up with solutions. The paper discusses several problems along the confrontation lines, based on results from studies conducted at the national and international fronts. Focusing on Russia, as compared to China, the paper draws on results from two studies that reflect on underlying weak links in the benchmark economy. One study examines the tendency and causes for slow growth and sticky distribution in Russia (when compared to China and other leading countries). This is done via the use of comparative social accounting matrices and multipliers. The tendencies are partly, or mostly, due to several structural imbalances inherited from the past state-led economy and its parallel shadow economy. The other study looks forward into the future and examines Russian prospects for a leading role and influence potential in the global economy, when compared with China and other leading countries. The study makes use of a dominance index composed of the relative sizes of transforming agents (i.e. population) and transformed value (i.e. gross domestic product). Results for Russia suggest that in a few decades global marginalization is imminent, unless agents and production change course and actively link and substantively integrate with other world blocs.

The two studies focus on opposite ends. The first study relates to crucial features of the national economy that are inherited from the past state-controlled regime and the past parallel shadow economy which oiled the regime. The second issue of global influence relates to the international economy in the long run. Both issues compliment each

other. The paper contains two sections highlighting the findings of the two studies and a section with concluding remarks.

2. Echos from the Past: Underperformance Partly due to Inherited Imbalances from Communist Regime

Compared to other countries undergoing the transition from the communist system to a more transparent market economy, Russia is known to have been performing below the average. Russia's GDP, measured in constant prices of 2000 in USD, grew between 1979 and 1989 by 43 pc, decreased between 1989 and 1997 during the transition by 46pc, then gradually recovered to reach a level in 2006 that is roughly twice the level of 1979 (Cohen, 2015). The growth was interrupted by the global recession in 2008-9 when GDP fell by -6.5 pcpa, recovered in 2010-11 with GDP growing by 4.4 pcpa, continued the trend for a couple of years but gradually lost steam and with falling oil revenues in 2015, growth was 0.5 pcpa, with a forecast for 2016 of -0.5 pcpa. In practically all these ups and downs, most of the other countries in transition performed better. The contrast in performance is most striking between Russia and China, as the latter did not go through neither a transitional recession nor a financial recession, and has scored highest rates of economic growth in the world. How much of the typical Russian sub-performance summarized above can be described as chronically Russian, and can be traced back to the inherited communist regime in Russia? What are the remnant structures that are still surviving and are influencing the sub-performance? Answers to these questions would require implementing a vast research program. A simpler but nonetheless meaningful approach is to apply standardized assessments of the economic performances of Russia, as compared to China, towards the end of the communist era, and underline the differences which

presumably did not fade away but were inherited and are still active in the contemporary performances. This paper will report on such a shortcut that applies a multiplier analysis of comparable Social Accounting Matrices (SAM) for Russia and China. The benchmark is around 1990, which constitutes a crucial year in the transition of the two countries to mixed market-state economies. Even though the analysis is static, based on the SAM benchmark for 1989-90, the obtained results show consistency and durability that are supported by contrasting trends in the two countries over some earlier decades and during transition and after. The contrast in the economic performance between the two major countries has been persistent for a long time and shows constancy even in the periods of reform suggesting that the differences in the structures and mechanisms behind these trends are enduring.

To start with we give a brief note on the SAM. National accounts supplemented by industry, household and government statistics can be conveniently integrated in the form of a social accounting matrix. The aggregate SAM for Russia is constructed from the national accounts for 1990. These accounts are disaggregated into 5 production factors, 5 household groups classified by income ranges, firms, government, aggregate capital account, 4 commodities, 3 production activities and rest of world, together resulting in a SAM of 21 rows by 21 columns, see Cohen (2013). Furthermore, the SAM makes use of the household budget survey which provided distributional structures of receipts and expenditures by household groups, the input-output table and a converter table for transforming products into sectors. The whole is subjected to several adjustments to assure consistency between the grand totals of the rows and columns by applying the RAS method. As for China, we have constructed a comparable SAM for 1989 containing 19 rows x 19 columns.

Because the form of the SAM is that of a general economy-wide system, it is therefore very well suited to generate growth and distribution multipliers. This can be demonstrated from a very simple example. Take the simplest Keynesian model, which contains an equation relating consumption to income via a propensity to consume, and an equation defining income as consumption plus an exogenous investment. This is thus a model of two equations in two endogenous variables of consumption and income. The model can be written as a square matrix that is then inverted to give a Keynesian multiplier showing the impact of a change in investment on income. Similarly, in an input-output analysis, an endogenous vector of economic activities, v , can be predicted from a Leontief matrix of input-output coefficients, A_L , and a vector of exogenous final demand, e . That is, $v = A_L v + e = (I - A_L) v = M_L e$, where M_L is the Leontief multiplier matrix. The SAM is also a square matrix but it is larger in content as it covers the whole circular flow economy-wide. Being a square matrix, the SAM can be operated as a model of the economy. By appropriate manipulations of this square matrix, it is possible to derive SAM-multipliers that are more comprehensive than those of Keynes and Leontief together. To transform the social accounting matrix into an economy-wide model requires performing several steps. Assuming proportional relationships for the cells in terms of their column totals, a SAM coefficient matrix is obtained that relates variables to each other, call it A_S . This compares with A_L but is more comprehensive in coverage. By separating the variables in the SAM into an endogenous vector v and an exogenous vector e the SAM model can be written as $v = A_S v + e$. We follow here an established convention for basically centrally planned economic systems that assumes the expenditure accounts of capital, government and rest of world as exogenous. Finally, inversion of the SAM

coefficient matrix would give eq. 1, where M_S is the SAM multiplier matrix. The SAM multipliers M_S show how the 18 endogenous variables will respond to a unit change in the exogenous variables.

$$v = (I - A_S)^{-1} e = M_S e \quad (1)$$

Given the size of the SAMs the size of the multiplier matrices are pretty large and for analytical purposes a selection of multipliers is necessary. We comment here on the aggregate multiplier effects of exogenous spending injections in sector activity j on the output of sector activity j and on the income of household group h , giving thus two multipliers: an output multiplier and an income multiplier. Table 1 shows these multipliers. The results show for Russia that a spending injection in the sectors, on average, of say one billion roubles (br) has an output multiplier effect of 2.81 br, and an income multiplier effect of 0.62 br. The corresponding results for China show spending injections leading to output and income multipliers of 3.26 and 1.20. Not shown in the table is another couple of multiplier effects resulting from an exogenous transfer to household groups. In Russia, an income transfer to household groups of 1.0 leads to a combination of an output multiplier of 2.09 with an income multiplier of 1.40. In China, income transfers lead to output and income multipliers of 2.84 and 1.66. Russia's multiplier performance is thus lower than China's with respect to all the four multipliers

Analysis of the performance gap draws attention to some four special features of the Russian and China economy as they used to be: features that are likely to have prolonged up to the present and continue to be relevant in explaining the enduring performance gap.

First, in general, the size of the multipliers of an inverted matrix is relatively larger if the inverted SAM coefficient matrix is also

proportionately larger, i.e. this is the endogenous part that represents the circular flow of the economy. Correspondingly, the exogenous part will be proportionately smaller. Multipliers are relatively low if the endogenous share is small and the exogenous share is large, as this exogenous share is not ploughed back in the economy. The exogenous share in the SAM, consisting of investment, government and rest of the world, will generally depend on the economic system, the development level and the size of the country. The share of investment and government is expected to be greater in planning-oriented economies, especially among those with a larger defence budget. Knowing the above, it is not surprising that the exogenous share as defined here is higher in Russia than in China. This is also apparent in the two SAMs, showing a higher exogenous share in Russia than in China, respectively 19.6 and 14.7 per cent. The endogenous shares are 80.4 and 85.3 per cent in Russia and China, implying a lesser circular flow in Russia than in China. As a result, the SAM multiplier should be expected to be lower in Russia than in China, as shown in Table 1. Since the extent of the circular flow is almost identical with the extent of the transparent market economy and the quantity of voluntary exchange transactions and since this market (exchange) feature was marginalized in the past communist Russia, the low performance of the SAM multipliers is attributable to the past communist Russia. The size of an exchange economy is limited when resource allocation is determined by *ad hoc* pull and push actions by state agents in the *Gosplan* economy and monopolistic practices by hidden agents in the shadow economy, which are part and parcel of a *Gosplan* economy. Absent and limited markets form a first problematic feature of the past communist Russia that has long-run consequences for the prospective restructuring of the circular flow. Formulating and implementing policies to resolve this problematic feature is a book by itself.

Second, there is the issue of effectiveness of the circular flow. How do countries perform with respect to generating more output, and more income, per one percentage point of the endogenous share? It can be calculated, on average, that in the case of Russia a spending injection gives an output multiplier of 2.81 for an endogenous share of 80.4 per cent, implying an effectiveness ratio of 0.035 (output multiplier units per one endogenous percentage point). China's performance is higher in this respect, i.e. $3.26/85.3 = 0.038$. The difference amounts to a positive edge of about 10 per cent, (i.e. $0.038 / 0.035$). This edge can be interpreted as a more effective use of the circular flow of the economy. Why was Russia unable to generate greater returns from one unit of the circular flow? A more dynamic economy manifests a large variety of industrial production functions, new technologies, dedicated managers, outward openness, and higher factor productivity. Past Russian governance was inclined to opt for the opposite, and tended to emphasize autonomy, minimize linkages, limit variety, promote protection, and avoid competition, etc. Focusing on the SAM, the more that the SAM cells are filled with significant numbers, the greater is the range of extensive and intensive linkages, and the greater is the multiplier effect per endogenous point. The extreme situation of an autonomous sector that produces and supplies exclusively for its own employed labour households, and who buy exclusively from this sector, will show very low multipliers per endogenous point. Although the industrial, technological and trade structure of the Russian economy today is remarkably different from what it was in 1990, scattered sectoral and regional pockets with archaic structures are survivals from the past. These surviving pockets form another problematic feature that calls for surgical elevations of weak spots to higher levels of effective operation.

Table 1 SAM Multipliers of a Demand Injection in Sectors, Average of All Sectors: Russia, China

	Russia	China
Output multiplier (OM)	2.81	3.26
Income multiplier (IM)	0.62	1.20
Endogenous share in SAM in %	80.4%	85.3%
OM per 1% endogenous share	0.035	0.038
IM per 1% endogenous share	0.0077	0.0141
OM/IM	0.22	0.37
IM sector spread: highest/lowest	1.46	1.87

Third, there is the issue of efficiency of transformation. The income multiplier is a more relevant concept than the output multiplier as the earned income represents value added, while output represents gross production. Besides, earned income by household groups is a better indicator of economic welfare than gross production. SAM results show that the average income multiplier of a spending injection in Russia is 0.62, which is achieved at an endogenous share of 80.4 percent, implying an income multiplier effectiveness of 0.0077 for each endogenous percentage point. Applying this Russian norm to China should result in normalised income multiplier of 0.66, though the SAM of China shows an income multiplier of 1.20, which is almost twice as much. A similar calculation for Russia based on the China norm would give a normalised income multiplier for Russia of 1.3 as compared to the SAM income multiplier of only 0.62. The conclusion is that both the output and income multiplier effects are less effective in Russia than in China. Furthermore, and this the third point, the ratio of income to output multipliers in Russia is 0.22, which is substantially lower than

that of China at 0.37. This demonstrates the fact that there are greater leakages of value added and/or a lower efficiency in factor use in Russia as compared to China. Substandard low efficiency in factor use is thus another problematic feature from the past that is still active in contemporary Russia, which needs to be confronted.

Fourth, the study of the dispersion of the multiplier effects on the respective sectors and households and specification of the underlying structural bias would indicate gainers and losers among receiving sectors and household groups, and highlight problematic features relating to distributional bias. To do this we have developed the gainer and loser index, *GLI*. There are four gainer and loser indices, corresponding with the four multiplier effects. The dispersion impact of a spending injection in sector j' on the output of each activity sector j is denoted by $GLI_{jj'}$, and that on the income of each household group h is denoted by $GLI_{hj'}$. In correspondence with these, there are two types of *GLI* following an income transfer to household group h' . These are gainer and loser indices among impacted activity sectors, $GLI_{jh'}$, and gainers and losers among impacted household groups $GLI_{hh'}$. The formulas divide the multiplier of the affected entity by the actual share of the affected entity in the related grand total as observed in the SAM. Values of 1 are neutral, in the sense that the multiplier effect reproduces the same share of the impacted entity in the base year. Values above 1 identify gainers, and below 1 identify losers. The four indices are briefly displayed in the box below in eqs. 2 to 5.

Gainer and loser Index, *GLI*.

$$GLI_{jj'} = [(M_{s,jj'} - \delta_{jj'}) / (\sum_j M_{s,jj'} - 1)] / [Output_{j,o} / \sum_j Output_{j,o}] \quad (2)$$

$$GLI_{hj'} = [(M_{s,hj'}) / (\sum_h M_{s,hj'})] / [Income_{h,o} / \sum_h Income_{h,o}] \quad (3)$$

$$GLI_{jh'} = [(M_{s,jh'} - \delta_{jh'}) / (\sum_h M_{s,jh'} - 1)] / [Income_{h,o} / \sum_h Income_{h,o}] \quad (4)$$

$$GLI_{hh'} = [(M_{s,jh'}) / (\sum_j M_{s,jh'})] / [Output_{j,o} / \sum_j Output_{j,o}] \quad (5)$$

Table 2 shows for Russia that the exogenous spending in sectors rewards the agricultural sector more positively, the value of *GLI* being at 1.42, than industry with *GLI* at 1.09. In China, spending injections favour industry more than agriculture, with *GLI* at 1.2 and 1.06 respectively. Both countries show a negative growth bias for the services sectors, *GLI* at 0.72 and 0.71.

Considering the effects of the same exogenous spending in sectors on income distribution among receiving household groups, the results show injections in the various sectors to have regressive effects on income distribution. The poorest household group comes badly off with *GLI* around 0.78. Most benefits go to the richest groups, which are calculated to score *GLI* of 1.05. In China spending injections favour rural households, *GLI* = 1.1, and disfavour urban households, *GLI* = 0.98, and to the extent that the poorest population lives in rural areas the multiplier effects can be interpreted to promote more income equality.

Next we may consider the gainer and loser index of exogenous income transfers to household groups, which is not shown in the table. The pattern is the same as found for spending injections. In Russia, the transfers will make agriculture better off than industry, and make services worse off. Among the household groups the poorest are disfavoured, *GLI* = 0.7, while the richest are favoured with *GLI* = 1.05. That, nevertheless, the actual income distribution in Russia shows more equality than what the SAM multipliers demonstrate, is due to the positive effect of annually repeated initial injections to the poorest household groups. In China, transfers favour industry more than agriculture, and disfavour services. In China transfers result in poorer households retaining greater shares of the transfers than richer households, resulting in a more a progressive income distribution.

Table 2 Gainers and Losers Following a Demand Injection in Sectors, Average of All Sectors: Russia, China. *Gainers (>1.0) and losers (<1.0)*

Gainers and losers	Russia	Gainers and losers	China
Recipients by sectors		Recipients by sectors	
Agriculture	1.42	Agriculture	1.06
Industry	1.09	Industry	1.12
Services	0.72	Services	0.71
Recipients by household groups		Recipients by household groups	
<250 roubles per month	0.78	Rural farm	1.01
250-300 rpm	0.92	Rural non-farm	1.01
300-350 rpm	0.99	Urban employees	0.98
350-400 rpm	1.01	Urban self-employed	
> 400 rpm	1.05	and employers	1.00

Rounding up the results on gainers and losers, the past Russia contained structural patterns and exchange mechanisms that favoured the primary over the secondary sector, whilst in China a more normal pattern can be depicted that favoured industry over agriculture. This means that the drivers for industrial growth were less present in Russia than in China during the communist era; and this appears to be continuing for years later in the form of lower industrial growth and industrial trade in Russia compared to China. The same structural and

exchange mechanisms redistribute income towards the richer groups in Russia as opposed to a redistribution towards poorer groups in China. It is interesting to note that what the SAM multiplier analysis shows as contra- and pro-redistribution biases characterizing Russia and China respectively during the communist era shows continuation in the post-communist period. A comparison of Gini ratios for Russia and China between 1996 and 2014 would show that the relative increase in income concentration is higher for Russia than for China in spite of a higher economic growth in China than in Russia. The continuation of the structural bias in income distribution that characterized past Communist Russia is another example of stretched imbalances from the past to the present. Confrontation of the problematic feature of built-in regressive distribution structures and mechanisms is an alternative path to going along with the new normal.

3. Dwindling Global Influence in the Future

The other issue raised in this paper is on the country's future perspective regarding global influence. Greater influence at the global level allows state, business and citizens to negotiate better deals and trade, get better access to markets and technology, and escape from the new normal to challenging horizons and higher satisfaction. As global dominance in terms of political, military and technological levels tend to associate with economic power as well, there is a tendency for the most dominant economy to become the core of the global system, giving its national representatives more leverage in the determination of world governance and the management of world affairs. Dominating countries drive, carry, transport, and transplant their own economic system baggage to other countries elsewhere. Besides, knowledge of the potential global influence of a country is also basic for posturing realistic positions

Table 3 GDP Rank of the Top Ten Leading Countries. GDP measured at PPP USD of 2014 (billion)

Rank	2014		2030		2050	
	Country	GDP	Country	GDP	Country	GDP
1	China	17632	China	36112	China	61079
2	US	17416	US	25451	India	42205
3	India	7277	India	17138	US	41384
4	Japan	4788	Japan	6006	Indonesia	12210
5	FRG	3621	Indonesia	5486	Brazil	9164
6	Russia	3559	Brazil	4996	Mexico	8014
7	Brazil	3073	Russia	4854	Japan	7914
8	France	2587	FRG	4590	Russia	7575
9	Indonesia	2554	Mexico	3985	Nigeria	7345
10	UK	2435	UK	3586	FRG	6338
11	Mexico	2143	France	3418	UK	5744
12	Italy	2066	S Arabia	3212	S Arabia	5488
13	S Korea	1790	S Korea	2818	France	5207
14	S Arabia	1652	Turkey	2714	Turkey	5102
15	Canada	1579	Italy	2591	Pakistan	4253
16	Spain	1534	Nigeria	2566	Egypt	4239
17	Turkey	1512	Canada	2219	S Korea	4142
18	Iran	1284	Spain	2175	Italy	3617
19	Australia	1100	Iran	1914	Canada	3583
20	Nigeria	1058	Egypt	1854	Philippines	3518

Table 3 (Continued)

Source: PwC (2013). The country models used by PwC, which correspond closely with the BRICS approach in Wilson and Purushothaman (2003), consist of five equations each. The first equation is a Cobb-Douglas production function $Y = AK^{\alpha}L^{1-\alpha}$, where Y is GDP, K is capital stock, L is working age labour and A is technical progress. The second, third and fourth equations lay out projections of L , K , and A . L is exogenously taken over. K grows on the basis of assumed depreciation and investment rates. A is positively related to the catch-up achieved in GDP per capita, reflecting benefits of the developing country from positive externalities. The fifth equation converts the obtained results that are in market exchange rates (MER) into purchasing power parity rates (PPP). The assumption is that MER is determined by the differential in labour productivity with US, thus, $\Delta \ln(E) = \Delta \ln(Y/L) - (\text{growth of } Y/L \text{ in US})$. Currencies tend to approach their PPR as higher productivities are achieved.

of that country in the coordination of world affairs, and thus avoiding errors of underrating or overrating. Hence, it is relevant to explore and forecast the global influence of leading countries, and in particular the Russian Federation, for the few coming decades.

Studies, discussions and political actions relating to global influence rank countries according to their size of the GDP and see a ranking equation as the measure of the phenomenon. Starting a new series of equations specific for the current section 3 of the paper, the ranking equation can be formally written for country i as in eq. (1):

$$\text{GDP Rank } i = 1, 2, 3 \dots \text{ etc.} \quad (1)$$

with countries ranked in terms of the GDP as first highest, second highest, third highest, ... etc. We have reservations towards this GDP-country approach that we shall address, replace by better alternatives, apply and analyze. Before doing that we review some latest results of the GDP approach in Table 3, as found in PwC (2013).

Two main results from Table 3 are of particular interest for this paper:

- (a) The falling ranks of contemporary world leading countries such as US, Japan, and EU. Also in this category, Russia finds itself slipping from the 6th to the 7th and to the 8th rank in the years 2014, 2030 and 2050 respectively.
- (b) In contrast, the rising ranks of China, India, Indonesia, and Brazil are noted; but also of many newcomers such as Mexico, Nigeria, Saudi Arabia, Turkey, Pakistan, Egypt and others. The picture of the newly emerging leaders that has been painted by BRICS a decade ago is completely out of date, with Brazil overpowered by Indonesia, Russia falling in rank, and South Africa written off the list of top twenty.

The way global influence is measured, broadcasted and acted upon worldwide has significant consequences for international platforms, membership therein, reached decisions and coordinated actions. Equalizing global influence with a country's GDP, as in Table 3, suffers from two biases. First, the obsession with the size of the GDP as the measure of economic and political influence potential gives no attention to the population factor that is very relevant in understanding global influence and the management of world governance. Two: there is the obsession of focusing on individual countries as the unit of analysis in global issues, whereas world regions are more relevant for a better understanding of the extent of global influence and policy making. The world cannot be seen as a loose collection of individual countries. Any individual country is allied to other countries in a regional formation, and is as such a member of a regional interest group that has common interests.

The remedy to both forms of bias is to develop a more theoretically founded measure of global influence. Social system theory emphasizes the pivotal roles that interacting agents (the population at large in the

workplace and outside the workplace) and their transformed products play in the circular flow and in acquiring and exercising global influence over the whole system. The proxies for agents and their value-added transformations are the population at large and the GDP, respectively. While macroeconomics is more concerned with the size of the transformed value added, i.e. the GDP, than the numbers and types of agents who are engaged in the value added transformation, microeconomics focuses on the agents (that is the population at large) who activate the value added transformations, consumption, investment and interactions that eventually result in outcomes and influential patterns. In representing global dominance, population matters at least as much as the GDP. The spectacular rise in the GDP of China and India, which has prepared them to become leading countries, is due for the largest part to the magnitude and growth of labour inputs, cf. Cohen (2015). Each of the two countries has populations of around one billion or more. In a globalizing world with an increasingly free movement of people and communication, population numbers carry influential power and are contributing to global dominance. The influence potential of a unit in the whole is a complex matter and cannot be fruitfully assessed without a systematization of concepts of influence potential. In the study of economic systems, in Cohen (2015), a distinction is made between two types of influence potential: interactive influence, and regulative influence. The focus in this paper is on interactive influence.²

Interactive influence emerges from interacting agents and the transactions they generate. We formulate an index of interactive influence, call it dominance index DI that expresses the interactive influence potential of an entity y among all the entities of the same kind y' . The dominance index is denoted by $DI(y/y')$. An entity can be a firm, town, a country, or a world region. In this paper we apply the index to the contexts of countries and regions. The index has two arguments as

shown in eq. 2: the relative share of agents, A , in y among all y' , that is (Ay / Ay') ; and the relative share of value added transformations, V , in y among all y' , that is Vy / Vy' . In this equation, π_1 and π_2 are equal weighting rates applying to these two shares, whereby $\pi_1 + \pi_2 = 1$, and $\pi_1 = \pi_2$. Other weighting rates can be used.

$$DI(y/y') = \pi_1 (Ay / Ay') + \pi_2 (Vy / Vy') \quad (2)$$

The value of DI for an entity y is a proportion, whereby $DI(y/y') = I$. An entity that scores a very high value of the index tends to dominate the other entities of the same kind. Once the index for an entity reaches a critical mass the influence potential of that entity can be expected to benefit from network externalities and to become practically the dominant player among all member entities of the same set. There are different views on the height of the critical mass for becoming the sole dominant player. A value of 3/4th is among the most quoted in the literature on a critical mass, cf. Simon (1993).

To compute the dominance index of a country c in all countries, that is, the world total, denoted by w , eq. 2 is rephrased to give eq. 3. Entity y is re-specified as country c in eq. 3, and the sum of all entities y' is re-specified as the world, w . Eq. 3 combines two share parameters to give the influence potential of a particular country in an interactive world of all countries. One parameter is the share of the population in a country A_c with respect to all populations in all countries in the world, A_w . The other parameter is the share of commodities transformed in a country V_c with respect to all transformed commodities in all countries in the world, that is V_w or the world GDP. While the dominance index of a country in the world context cannot pretend to cover all types of influences in the economic domain, not to mention influences in the non-economic domains that have bearings on the economic sphere, it gives a

meaningful representation of the generally valid and widely recognized facts that the larger the number of agents and the larger the size of the economic transformation in one subsystem the greater the influence will be of that subsystem in its interactions with other subsystems.

$$DI(c/w) = \pi_1 (A_c / A_w) + \pi_2 (V_c / V_w) \quad (3)$$

Applying equal weights to population and GDP is disputable. It is true that the interactive influence of populations depend not only on their numbers but also on their literacy levels, communication networks, human mobility and active participation. These features are currently more present in advanced than in developing countries. As a result, it can be argued that the equal weights to population and GDP tend to under/over-estimate the global influence of advanced/developing countries, respectively. The argument can be correct in the short run, but loses ground when one considers the formidable increases that were realised over the last decade in terms of globalization, communication and mobility across all countries. A similar objection can be raised on GDP transformations: the global influence of transformed products is not uniform over all products. Some weigh more than others. These complications are avoided by keeping to equal weights for A and V , and that shows up in neutral indications of global influence.

We want to correct for the second bias in the GDP-country approach. The world cannot be viewed as a loose collection of individual countries. Any individual country is allied to other countries in a regional formation, and is as such a member of a regional interest group that has common interests. For instance, the US conducts its world affairs, and is viewed by others, as part of the Western advanced economies. The option is to study global dominance in an analytical framework that gives attention to interregional and intraregional next to

country dominance. It is both logical and realistic that in comprehending global influence the starting point should be the influence potential at the world regions and not individual countries. Once that starting point is assessed, the next step is to descend from the regional level to the constituent countries. There is thus global influence at the interregional level and at the intraregional level, and both need to be specified.

Adapting *DI* to show interregional dominance gives eq. 4 where entity *y* is specified as region *r* and all entities *y*' as all regions, that is the world *w*.

$$DI(r/w) = \pi_1(A_r/A_w) + \pi_2(V_r/V_w) \quad (4)$$

Similarly, adapting *DI* to show intraregional dominance gives eq. 5 where entity *y* is specified as country *c* and all entities *y*' are specified as all relating countries in the same region, region *r*.

$$DI(c/r) = \pi_1(A_c/A_r) + \pi_2(V_c/V_r) \quad (5)$$

While *DI(c/w)* measures country dominance, *DI(r/w)* can be described to represent interregional dominance, and *DI(c/r)* represents intraregional dominance. How do the three dominance indexes relate to each other? How do equations 3, 4 and 5 combine? The dominance index of a country in the world, *DI(c/w)*, is decomposable into two parts: the *DI* of leading regions *r* at the world level *w*, or *DI(r/w)*; and the *DI* for leading countries, *c*, at the regional level, *r*, or *DI(c/r)*. Decomposition is laid down in eq. 6.

$$DI(c/w) = DI(r/w) \cdot DI(c/r) \quad (6)$$

It follows also that *DI* of a particular region in the world is the sum of *DI* of constituent countries in that region, thus $DI(r/w) = \sum_{c,r} DI(c/w)$.

Application of eqs. 3 to 6 would require a relevant and meaningful division of the world, w , into regions r and the classification of countries c in these regions. In Cohen (2015) the world economy is divided into eight regional groups based on their shared type of economic system, common features and regional vicinity. Some regional classification, see annex, should form the basis for composing a constitutionally acceptable platform of a representative world government. The annex distinguishes between two developed regions (the Western group consisting of firm-centred Western economies and the Russian group consisting of state-centred economies such as Russia and some former ex-Soviet Union countries) and six developing regions specified as East Asia and Pacific (EAP), South Asia (SA), Central Asia and Caspian (CAC), Middle East and North Africa (MENA), Sub-Saharan Africa (SSA), and Latin America and Caribbean (LAC). The classification corresponds closely with those operational at the World Bank and United Nations. Comparative indicators on economic structures, conduct and performances of the eight regions and their constituent countries are reported in Cohen (2015). The indicators relate to attitudes towards business and the state, liberalized and discretionary conduct, inward and outward orientations, growth and distribution patterns. These indicators support the proposed classification as they display large differentiations at the interregional level and low differentiations at the intraregional levels. Furthermore, in each of the eight regions there is evidence over the last two decades of a convergence in indicator values among member countries of a region towards the average values that hold for their specific region.

In what follows we apply eqs. 3 to 6 to give the three types of DI for c/w , r/w and c/r . This is done for the observed year 2014 and the projected years of 2030 and 2050, see Table 4. Data on population shares

by country A_c and by region A_r are from United Nations Demographic Division, while data on GDP shares by country, V_c , are at PPP (2014 US\$), and the source is PwC (2013), see Table 3. Aggregation of Y_c to give V_r , that is GDP regional shares, makes use of an additional assumption.³

The following results are worth emphasizing. The leadership replacement of the most advanced region, the Western group, by developing regions occurs at a more accelerated rate when global influence is measured in terms of relative shares of population and GDP, as in DI , than in ranking procedure based solely on GDP. $DI(r/w)$ for the Western group ranks first in 2014, second in 2030 and third in 2050, being overtaken by China and India respectively. The acceleration is due to the greater concentration of population in the developing regions and their higher demographic growth over the coming decades. Of the eight regional groups, the Russian group ranks as the 8th, and has the smallest DI in 2014 at 3.3%, with diminishing values in 2030 at 2.7 %, and 2.1% in 2050. The forecasted tendencies are depicted graphically in Figure 2, which indicates that the future outlook for the global influence of the Russian group is highly precarious.

More significant than the regional rank is the size of the regional fall in DI between 2014 and 2050. This is shown in columns 10 and 11. DI of the Western group falls by -8.7 percentage points (pp), which is equivalent to a depreciation of -30%. The fall in the DI of the Russian group amounts to -1.3 pp and the downfall is relatively greater at -38%. The combined reduction in the DI of the Western and Russian groups is balanced by increases in the DI of the developing regions, with the highest increases going to South Asia and Sub-Sahara Africa.

Descending from the regional/world level to global influence at the country/world level, $DI(c/w)$ results show the highest scores going to China, India and US in that order. The projections show that these are followed in mid-century by Indonesia, Brazil, Nigeria, Pakistan, Japan, Mexico, and Russia as the tenth country. The projections are radically different than those inherent in the BRICS hypothesis.

Here too, it is more meaningful to look into the relative changes in the dominance index than changes in country rank. The following four countries are projected to lose most with an average reduction of -40%: Japan, Germany, Italy and Russia. It is noted that the US is projected to be able to constrain the reduction to only half as much at -20%, and shows thus the lowest loss in global influence among the advanced countries. It is interesting to note also that the projections show China to consolidate the highest DI at a stable level between 17% and 18%, with very little variation between the three periods. The main gainers are India with a rise in DI of +20%, Pakistan +37%, and Nigeria +48%.

The dominance index is also computable for individual countries within each region, giving $DI(c/r)$. The results are shown in the last column of Table 4. The higher the index of a leading country the greater is its influence in passing its behavioural features and regulatory influence to other countries in the same region. Avoiding unnecessary detail we limited the presentation to the two most leading countries in each region, with the exception of the Western region which shows the DI of the leading five countries that account together for 70% of the whole region; and the Russian group which suffices with showing the DI of Russia only that accounts for 81% of the whole. We discuss below the significance of intraregional dominance.

In the EAP region, China commands 69% of the global influence of the EAP region. In the SA region, India's dominance is at 75%. As was

just stated, in the Russian region, Russia's dominance is at 81%. The three countries appear to be the uncontested dominant players in their respective regions which gives each of the three countries, being the prominent leader of the regional group, an additional flare of global influence. This stands in contrast with the US within the Western group where the US commands no more than 36% dominance in the whole Western group. Other examples: Brazil commands only 34% dominance in the LAC region, Turkey is at 37% dominance within the CAC region. Country dominance in the MENA and SSA regions is very weak with the largest leading countries scoring a $DI(c/r)$ between 16% and 22%

As China, India and Russia have special positions in their regional groups as the over-majority dominant leading countries, this intraregional dominance may give the three countries additional representative regional power, and thus may furthermore increase their global influence, *or it may not*. The cases of the EAP and SA regions are different from the case of the Russian region. The forecasts for 2050 place the EAP region as the most global influential number one, and this bestows mutual additional global influence to the member countries of the region as well as to its dominant leader China. Strategic considerations would tend to solidify the EAP region and increase the global influence of its member countries and its dominant leader China. This applies also generally to the SA region and India, which are positioned as number two, but likely to a lesser extent due to political enmity within the region. The case of the Russian group is very different. Placed as the weakest region in global influence, member countries of the region get little benefit from membership, may like to shift alignment to neighbouring regional groups, resulting in the further weakening of Russia as an intraregional leader, of the already least globally influential bloc.

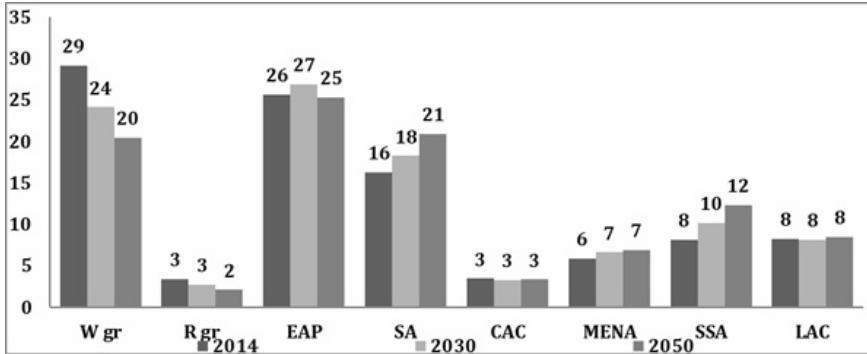
Table 4 Population Shares, GDP Shares and Dominance Index of World Regions and Leading Countries: 2014, 2030, 2050 (%)

Region	2014			2030	2050
Country	Population/ World	GDP/ World	$DI(r/w)$ $DI(c/w)$	$DI(r/w)$ $DI(c/w)$	$DI(r/w)$ $DI(c/w)$
<i>Western group</i>	15.4	43.0	29.2	24.1	20.5
US	4.5	16.6	10.5	9.1	8.4
Japan	1.8	4.5	3.1	2.4	1.8
Germany	1.1	3.4	2.3	1.7	1.3
France	0.9	2.4	1.7	1.3	1.1
UK	0.9	2.3	1.6	1.4	1.2
Italy	0.9	1.9	1.4	1.1	0.8
<i>Russian group</i>	2.9	3.8	3.3	2.7	2.1
Russia	2.0	3.3	2.7	2.2	1.7
<i>EAP</i>	28.5	22.7	25.6	26.9	25.3
China	19.1	16.4	17.7	18.3	16.9
Indonesia	3.6	2.4	3.0	3.2	3.5
<i>SA</i>	23.6	8.9	16.2	18.2	20.9
India	17.4	6.8	12.1	13.5	14.7
Pakistan	2.8	0.8	1.8	1.9	2.5
<i>CAC</i>	3.3	3.5	3.4	3.3	3.3
Turkey	1.1	1.4	1.3	1.2	1.4
Iran	1.1	1.2	1.2	1.1	1.0
<i>MENA</i>	4.5	7.2	5.9	6.6	6.9
S Arabia	0.4	1.6	1.0	1.1	1.1
Egypt	1.2	0.9	1.0	1.2	1.2
<i>SSA</i>	13.1	3.1	8.1	10.1	12.3
Nigeria	2.5	1.0	1.7	2.2	2.6
S Africa	0.7	0.6	0.7	0.7	0.7
<i>LAC</i>	8.6	7.8	8.2	8.1	8.4
Brazil	2.8	2.9	2.8	2.7	2.7
Mexico	1.7	2.0	1.9	1.9	2.0

Table 4 (Continued)

Region	2014	2030	2050	Change 2014-2050		Intraregional DI in 2014
Country	DI Rank	DI Rank	DI Rank	DI points	DI %	DI(c/r) %
<i>Western group</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>-8.7</i>	<i>-30%</i>	<i>100.0</i>
US	3	3	3	-2.1	-20%	36.1
Japan	4	6	9	-1.4	-44%	10.8
Germany	8	11	12	-0.9	-40%	7.7
France	11	13	15	-0.5	-33%	5.7
UK	13	12	14	-0.4	-28%	5.5
Italy	14	17	18	-0.6	-41%	4.9
<i>Russian group</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>-1.3</i>	<i>-38%</i>	<i>100.0</i>
Russia	7	8	10	-1.0	-37%	80.9
<i>EAP</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>-0.3</i>	<i>-1%</i>	<i>100.0</i>
China	1	1	1	-0.8	-5%	69.3
Indonesia	5	4	4	0.5	15%	11.7
<i>SA</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>4.7</i>	<i>29%</i>	<i>100.0</i>
India	2	2	2	2.6	21%	74.8
Pakistan	10	9	7	0.7	37%	11.2
<i>CAC</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>-0.1</i>	<i>-3%</i>	<i>100.0</i>
Turkey	15	14	11	0.1	12%	37.1
Iran	16	18	17	-0.1	-11%	33.9
<i>MENA</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>1.0</i>	<i>17%</i>	<i>100.0</i>
S Arabia	18	16	16	0.1	14%	16.5
Egypt	17	15	13	0.2	18%	17.7
<i>SSA</i>	<i>5</i>	<i>4</i>	<i>4</i>	<i>4.2</i>	<i>52%</i>	<i>100.0</i>
Nigeria	12	7	6	0.8	48%	21.6
S Africa	19	19	19	0.0	4%	8.3
<i>LAC</i>	<i>4</i>	<i>5</i>	<i>5</i>	<i>0.2</i>	<i>3%</i>	<i>100.0</i>
Brazil	6	5	5	-0.1	-5%	34.7
Mexico	9	10	8	0.1	7%	22.6

Figure 2 Projected Distribution of the Dominance Index in Percentages by World Region: 2014, 2030 and 2050



For Russia, the future prospects of global influence, defined in terms of demographic and economic interactions, are dire. This is directly evident from Table 4 and Figure 2, and from the above discussion on the relativity of intraregional dominance. Of course, what would happen three or four decades from today no one knows. There are also what can be called *Russian paradoxes* that add to the complexity of the future outlook. These paradoxes can be only vaguely stated. One paradox relates to the fact that currently the military and political interactive global influence is much more superior than the demographic and economic interactive global influence. How to assess this incoherence and its survival prospects? Another paradox, even more intriguing, is the fact that while Russia is the richest country in the world in terms of any natural resource per inhabitant, it controls only 3% of the world GDP (or only 2% of the extended world Dominance Index). The lacuna puts the country at risks of predation from unsolicited competing regional groups and their dominant leading countries.

The low and dwindling global influence are the dire prospects of the future. Uncertainties and risks are doubled when what we call Russian

paradoxes are brought into the picture. Obviously, accommodating for these future global prospects, risks and uncertainties is more challenging than coping with the new normal or correcting for the past abnormal. Options for avoiding eminent marginalisation at the global level are not many. For instance, it is numerically and realistically impossible to double *DI* from 2% to 4%, and that will anyhow mean little since 4% is still at the end of the tail. The popularly pronounced option of a Eurasian bloc centred around Russia can be replicated by summing the $DI(r/w)$ of the Russian group and the CAC region which consists among others of republics of the ex-Soviet Union. The result is a combined *DI* of only 5.4%, from Table 4, column 7, which is again the combination with the lowest *DI*. If the objective is to secure a significant and meaningful global influence, the *DI* calculations show that the Eurasian idea does not work. Besides, the bleak prospects may discourage neighbouring countries to join.

The alternative to continuation as an autonomous region is to close ranks and ally with one of the top regional groups. It seems that the choice between going west or east, which some see as a pending and recurring issue in past history, cannot be postponed anymore without incurring a high probability of being globally marginalised. The calculus of *DI* would show that incorporation of Russia into either the EAP, SA or Western group would indirectly enhance the global influence of Russia, if it becomes part of regional groups numbers one, two, or three. Furthermore, because of the low intraregional dominance of US, Japan and EU in the Western group, Russia joining the Western group would bring about four leaders in the Western group with degrees of intraregional dominance, $DI(c/r)$, which are close to each other. This can be readily calculated from data in Table 4. In contrast, Russia integrating with EAP or SA gives Russia a minority share in intraregional dominance.

Of course, the discussion on which course to choose is essentially a question of foundational choice. This is a question that transcends and supersedes economic analyses.

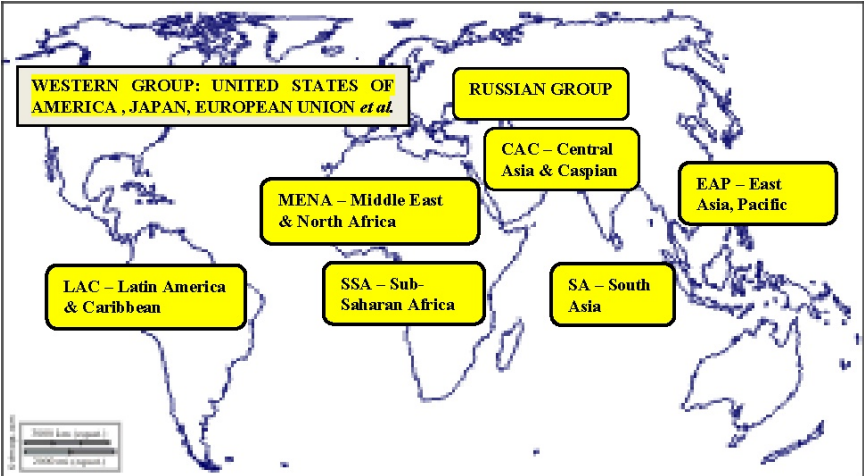
4. Concluding Remarks

Shleifer and Treisman (2005) formulated and answered the following question: “Is Russia a normal country?” They cross-compared Russia with many developing countries on several indicators and concluded that Russia is a normal country and it is not different from other countries at the same level of economic development. Their conclusion is not shared in this paper. The Russian economy and its development is a very special case. The past communist regime has left economic structures and behavioural mechanisms with negative effects that are still echoing. The future outlook at the global level points to eminent marginalization of an otherwise the most endowed country in natural resources. There are also the two paradoxes mentioned earlier that are loaded with uncertainties and risk. Many of these elements are unique and are not encountered in other countries. Studying the Russian economy in cross-country comparisons as one in so many developing or emerging countries is an underestimation that figuratively falls in the same basket as perceiving the challenges of the past and future as nothing more than the present new normal.

We touched in this paper on a few aspects of the highly complex economy and polity of the Russian Federation. The inherited imbalances from the past point to four problematic features and policy areas: (a) absent, limited and non-transparent markets, (b) low effectiveness of the circular flow, (c) low efficiencies in some neglected sectoral and regional pockets, and (d) regressive distribution. While these four problem areas seem to be embedded in the Russian economy and polity,

they are nevertheless comprehensible problems and are solvable by appropriate structural reforms; but the future challenge of a forecasted marginalization of Russia at the global level is fundamental, appears to be unescapable, and carries high risks of conflicts and confrontations. Tackling the challenge involves foundational choices for Russia. This is not the case with China, which is in much more comfortable internal and external positions.

Appendix: The World Regions



Distinguished regions/countries	Specification of countries included	Modifications to WB databank
<i>Western group</i>		
America	USA, Canada. Total 2 countries.	None
Europe	EU plus other related European countries, Total 44 countries and/territories.	Extended
Asia, Oceania, and Pacific	Japan, Korea, Singapore, Brunei Darussalam Australia, New Zealand, French Polynesia, New Caledonia, and Singapore. Total 8 countries.	None

Appendix (Continued)

Distinguished regions/countries	Specification of countries included	Modifications to WB databank
<i>Russian group</i>	Russia, Armenia, Belarus, Georgia, Moldova, Ukraine. Total 6 countries.	Newly defined
<i>East Asia & Pacific (EAP)</i>	All income levels excluding EAP-high income: China, Indonesia, etc. Total 26 countries.	None
<i>South Asia (SA)</i>	All income levels: India, Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka. Total 8 countries.	None
<i>Central Asia & Caspian (CAC)</i>	Turkey, Iran, Azerbaijan, Kazakhstan, Kyrgyz R, Tajikistan, Turkmenistan, Uzbekistan. Total 8 countries.	Newly introduced region
<i>Middle East & North Africa (MENA)</i>	All income levels: Egypt, Algeria, Bahrain, Djibouti, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, UA Emirates, Yemen. Total 19 countries.	Malta and Iran deleted, and assigned to EU and CAC, respectively
<i>Sub-Saharan Africa (SSA)</i>	All income levels in Africa except Algeria, Egypt, Libya, Morocco and Tunisia, which are included in MENA. Total 48 countries.	None
<i>Latin America & Caribbean (LAC)</i>	All income levels in Latin American and the Caribbean: Brazil, Mexico, etc. Total 41 countries.	None

Source: Cohen (2015).

Notes

- ⁺ This article is a revised version of an earlier paper presented at the Third International Forum of the Financial University, Moscow, 22-24 November 2016.

* Dr Solomon I. Cohen is Emeritus Professor at the Erasmus School of Economics, Erasmus University Rotterdam, Netherlands; and is currently visiting professor at Financial University Moscow, Surinam University Paramaribo, and University of Dubai. His BSc is from University of Khartoum, and MS and PhD from the Netherlands School of Economics, Rotterdam. He founded and directed the Foundation for Economic Research at Rotterdam, and held advisor positions at the United Nations, European Union, World Bank and at various governmental and international organizations. Next to refereed articles in international journals, Professor Cohen published some 14 books, including among others *The modeling of socio-economic processes*, Gower, 1984; *Microeconomic policy*, Routledge, 2001; *Social accounting and economic modeling for developing countries*, Ashgate, 2002; *Social accounting for industrial and transition economies*, Ashgate, 2002; *Economic system analysis and policies*, Palgrave Macmillan, 2009; *Economic models for policy making*, Routledge, 2013; *World development and economic systems: Theory and applications*, World Scientific Publishers, 2015. Several of these books were translated into Russian, Chinese and Japanese. <Email: cohen@ese.eur.nl>

1. See Nie (2016).
2. Regulative influence refers to a situation in which an entity y , happens to stand hierarchy-wise higher in relation to other y' ; allowing y to set behavioural rules typical of y that other y' would abide with. In this way, the behavioural type of y overrides y' , allowing the further spread of behavioural norms of y at the cost of those of y' . It is not feasible to quantify measures of regulative influence along the lines of interactive influence due to mounting difficulties in standardizing diversified measures of regulation. It is likely that there is a positive association between the two notions of influence potential, in the sense that a country powerful in interactive influence would in the long run become generally

powerful in regulative influence. This will add to the importance of the dominance index.

3. GDP forecasts of PwC (2013) are limited to the top 32 countries. Together they formed 85% of the world GDP in 2014, in MER terms.

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Neo-Mercantilist Policy and China's Rise as a Global Power

Fu-Lai Tony Yu*

Hong Kong Shue Yan University

Abstract

This paper argues that China is adopting Neo-mercantilist policies in its national development and global expansion. China's Neo-mercantilist strategies include promoting nationalism and patriotism, stockpiling gold and foreign reserves, striving for favorable balance of payment via exchange rate manipulation, tariff, export subsidies and other trade protections. The Chinese government also controls population growth for national development and social control, initiates "Belt and Road" project and the Asian Infrastructure Investment Bank to counter American and Western influences, and deploys strategic expansion in Africa, South Asia and Latin American countries. China's economic success through Neo-mercantilist strategies may provide an incentive for other Asian developing nations such as the Philippines to follow.

Keywords: *Mercantilism, Neo-mercantilist policy, China's economic development, international political economy*

1. Introduction

China pursuing Neo-mercantilist policy in global expansion is generally known (Beeson, 2009; Ayittey, 2010; Atkinson, 2011; Zhang, 2016). In particular, Hawkin (2005) argues that China's economic development strategy is a new version of Mercantilism. Likewise, Beeson (2009) observes that "China is actively embracing elements of Neo-mercantilism and state interventionism" in international economic affairs. Verma (2016: 5) comments that "China is the modern world's most successful Mercantilist state". Ayittey (2010) even regards China's involvement in Africa as "Chopsticks Mercantilism". Though there are numerous commentaries on Chinese Mercantilism, an in-depth study on China's Neo-mercantilist policy in its national development and global expansion is lacking. This study fills this gap. This paper starts with an introduction of the doctrine of Mercantilism, and is followed by a comprehensive account of China's Neo-mercantilist policies in its national development. The last section will summarize the arguments.

2. The Doctrine of Mercantilism

The term "Mercantilism" was coined by Victor de Riqueti, marquis de Mirabeau in 1763, and was popularized by Adam Smith in 1776 (Verma, 2016). Mercantilism is an economic and political doctrine developed in Western European countries between 1500 and 1800 in which statesmen, policymakers and merchants seek to increase wealth through state action. According to *Encyclopedia Britannica*, Mercantilism is described as "economic theory and practice common in Europe from the 16th to 18th century that promoted governmental regulation of a nation's economy for the purpose of augmenting state power at the expense of rival national powers". Similarly, McCusker (year unknown) defines

“Mercantilism as a set of policies, regulations and laws, developed over the sixteenth through the eighteen centuries, to support the rising nation states of Atlantic Europe by subordinating private economic behavior to national purposes”. It can be said that Mercantilism is a national policy of building up a wealthy country via strong state and armed forces. In a seminal work entitled *Mercantilism*, Heckscher (1935) reports in detail how Western European nations (especially France, England, the Netherlands and Spain) pursued Mercantilist policies during the 16th to 18th centuries.

2.1. Nationalism

Mercantilism is often viewed as economic nationalism for the purpose of building a wealthy and powerful state (LaHaye, 2008). In Rees' view (1929: 561), “Mercantilism was the economic expression of the militant nationalism which sprang out of the social and political changes of the sixteenth century”. Mercantilists believe that without a strong central government, the society would revert to the dark age of feudal period. It follows that “the balance in society must be tipped in favor of the central government in order to avoid such a sorry fate. The interests of business and workers were secondary; everything had to be channeled to the interests of the nation. In pursuit of the common good, the nation must come first.” (McCusker: year unknown) For example, in 1549, England imposed “Political Lent” in order to preserve cattle for supporting team of seafaring men. During the Lent period, people were forbidden by law to eat meat to ensure sufficient supply of meat for sailors and armed forces.

For Mercantilists, wealth and prosperity were a zero-sum game in global competition (McCusker, 1996: 339). One country can increase its wealth only at the expense of another and “no profit whatever can possibly be made at the expense of another” (Montaigne, 1580).

Mercantilist policies “sought to strengthen one state economically and politically to the disadvantage of others” (Magnusson, 1994: 4).

2.2. Bullionism

Mercantilist thinkers believe that a strong and healthy nation is measured by the amount of precious metal (gold and silver) which it possesses. Philipp von Hörnigk (1684), a German civil servant and one of the founders of Cameralism, sets out his Mercantilist view on precious metals in 1684 as below:

Gold and silver once in the country, whether from its own mines or obtained by industry from foreign countries, are under no circumstances to be taken out for any purpose.

With a large volume of gold and silver reserves, the country would be able to acquire goods and services that might be needed to win in the international conflicts which are inevitable in international conflicts (Ebeling, 2016).

2.3. Favorable Balance of Trade

Mercantilists believe that a favorable balance of trade is needed to obtain precious metals. To obtain a favorable balance of trade, a nation must achieve economic self-sufficiency. Those who founded new industries should be rewarded by the state. Agriculture should be carefully encouraged. Farming does not only prevent imports of food and raw materials, but also provides a base for taxation. Most importantly, commerce should be regulated to produce a favorable balance of trade. Mercantilists argue that the nation can be benefited from trade if the value of goods imported from other countries is minimized and the value of goods exported to other countries is maximized. Hence, Mercantilists

argue for the government to control and ensure a “positive” balance of trade. Tariffs should be high on imported manufactured goods and low on imported raw materials. Monopoly grants can be adopted to restrict competition. Import of luxury goods are to be avoided because such consumptions take money (gold and silver) out of the economy.

2.4. On Population

For Mercantilists, population is an important asset. As Eli Heckscher (1935, volume 2: 158) observes, countries in the Mercantilist period possess “an almost frantic desire to increase population”. A large population size is considered to be an essential in building up economic and political power of a country. Population should be increased by methods such “as (a) placing various disabilities on celibates; (b) encouraging marriages directly; (c) encouraging fertility; (d) making punishment for illegitimate births less severe or abolishing such punishment entirely; and (e) encouraging immigration and preventing emigration” (Strangeland, 1901: 123-137). Furthermore, population must be a pool of hardworking labor. In England, the Act for the Relief of the Poor (1597) punishes all lazy people. “Poor Laws” was passed in 1601 to move paupers towards “correction”. The Act provides poorhouses for the disabled poor, House of Industry for the abled poor, apprenticeship for pauper children, and correction or prison for the idle poor and vagrants.

2.5. On Colonization

Mercantilists calls for the “mother country” to possess colonies around the world. The sovereign state can have full control of useful resources and raw materials in its colonies that are essential for the sovereign state to boost economic growth and wage war with other nations.

Furthermore, colonial territories must be made subservient to the “mother country”. For instance, the British government attempted to make her colonies to depend on the “mother country” for manufactured finished goods in exchange for colonial raw materials. It also assured that the “mother country” could make a net gain from the colonies (Ebeling, 2016). Between 1651 and 1673, the English Parliament passed four Navigation Acts to ensure the proper trade balance. The acts declared the following:

- Only English or English colonial ships carried cargo between imperial ports.
- Certain goods including tobacco, rice, and furs, were prohibited from shipment to foreign nations except through England or Scotland.
- The English Parliament would pay “bounties” to Americans who produced certain raw goods, while raising protectionist tariffs on the same goods produced in other nations.
- Americans could not compete with English manufacturers in large-scale manufacturing.

To sum up, Mercantilist thought arises between the 16th and 18th centuries when each nation attempts to build a wealthy and powerful state. The pragmatic principles of Mercantilism fit into the needs of the kings, government officials and merchants at that time. Mercantilism has been modified and adapted through the passing of time. In history, Asian nations which successfully adopted Neo-mercantilism are Meiji Japan during 1868-1912¹, the three Asian Newly Industrialized Economies (South Korea, Taiwan and Singapore) during the 1960s, and contemporary China in the era of globalization.

3. Neo-mercantilist Policy of China in the Era of Globalization

China has been regarded as a nation which pursues Neo-mercantilism (Verma, 2016). Comparing the degree of Mercantilism around the world, Wein *et al.* (2014) ranked China (scoring 35.5) on the top of all 55 nations in the Global Mercantilist Index.

China's Neo-mercantilist strategies include promoting nationalism, patriotism and technologicalism, stockpiling gold and foreign reserves, striving for a favorable balance of payment via exchange rate manipulation, tariff, export subsidies and other trade protections. The Chinese government also controls population growth for national development and social control, initiates "Belt and Road" project and the Asian Infrastructure Investment Bank to counter American and Western influences, and deploys strategic expansion in Africa, South Asia and Latin American countries.

3.1. Promoting Nationalism and Patriotism

Nationalism and patriotism have their roots in China's imperial history. In the late Ch'ing dynasty, Empress Dowager Cixi used nationalism and patriotism to divert people's attention away from the corrupted leadership. Chairman Mao exploited nationalism and patriotism to the extreme during the Cultural Revolution. Since Deng Xiaoping embarked on the "Open Door Policy" in 1979, Chinese people have had the chance to experience Western culture and democracy. Deng's economic reform brought along a lot of domestic problems, including corruption, poor quality of life and income inequality between rural and urban areas. The Beijing government utilizes national sentiment as an instrument that shifts public attention away from domestic problems by reinforcing the Party's role as the guardian of China's national sovereignty and honor.

The Chinese government attempts to re-position itself as the supreme agent responsible for rebuilding a strong and prosperous nation. The Chinese leaders question the Western modes of democratization and theories of development. They argue that the Western value is the cause of China's national and cultural identity crisis. Hence, China's modernization should be different from the West and the future development of China should rely on "Chinesenization" (Jiang, 2012: 52).

The exploitation of nationalism and patriotism is fabricated into the great "Chinese Dream". Early in November 2012, Chinese leader Xi Jinping articulated a vision for the nation's future that he called "the Chinese Dream". The "Chinese Dream" integrates national and personal aspirations, with the goals of reclaiming national pride and achieving national well-being. Xi's task is to lead "the Party and people to fulfill the great dream of revitalizing the Chinese nation". The "Chinese Dream" emphasizes on economic prosperity, national pride and being free from foreign domination. Media and schools in China stress patriotism, with "love of the Communist Party" as "love of the nation". Foreign ideas such as democracy and human rights are modified with the "Chinese characteristics" to fit into Chinese values. For the Chinese leaders, "the Chinese model of economic development" can offer other developing countries an example of an authoritarian route to economic progress. China's nationalism has been observed in the Taiwan Strait relationship, disputes in South China Sea, the Japanese history textbook controversies, as well as controversy on Prime Minister of Japan Junichiro Koizumi's visits to the Yasukuni Shrine, to cite a few.

3.2. Bullionism and Hard Currencies Accumulation

For the old Mercantilist thinkers, gold and silver are regarded as wealth and power of a nation. Today, gold is still important to the Chinese

government but used as national strategy to encounter American domination in world affairs. China is a member of BRICS². Since 2009, China officially reports that her gold holdings have jumped by 60 percent (Gleason, 2016 September 1). World Gold Council's data indicates that China's official gold holdings are 1,843 tons at the end of 2016, with the value of gold accounting for 2.2 percent of China's foreign reserves. China is the sixth biggest gold reserve country in the world (*South China Morning Post*, 2017 February 5).

The huge gold stockpiles held by the People's Bank of China helped China win ascension into the IMF's elite SDR currency basket in 2016. When the Chinese Renminbi is an SDR currency, the world witnesses a new multi-polar currency regime with the Greenback declining in stature (Gleason, 2016 September 1). Moreover, China and Russia have mutual global strategic interests in fostering de-dollarization. Toward that end, the two great powers are engaging in bilateral trade deals that bypass the US dollar (*ibid.*).

Gleason (2016 September 1) comments that the world monetary order is changing. Global trade and currency markets become less dollar-centered. Renminbi now becomes a competitor to U.S. dollar dominance.

Foreign exchange reserves: Apart from stocking up gold, China has accumulated foreign exchange reserves at an unprecedented rate over the last two decades, and is now the world's largest holder of international reserves. It is reported that China accumulated US\$3.12 trillion of foreign reserves in 2016 (*The Wall Street Journal*, 2016 February 7). Atkinson (2012) argues that the purpose of accumulating huge foreign reserves stems mainly from the fact that China has practiced economic Mercantilism on an unprecedented scale in recent decades.

3.3. Maintaining a Favorable Balance of Trade

China engages in a series of Mercantilist policies to boost its trade surplus, enabling it to accumulate huge foreign reserves. According to Atkinson (2012: 28), Chinese Mercantilist policies in trade work in two ways: the first type is through policies designed to spur exports and reduce imports. They include currency manipulation, high tariffs and tax incentives for exports. However, such policies benefit both Chinese firms and foreign firms in China. The second type is through policies designed to help Chinese firms while discriminating against foreign companies in China. These policies include land grants and rent subsidies to Chinese-owned firms; preferential loans from state banks; tax incentives for Chinese-owned firms; benefits to state-owned enterprises and generous export financing. To help Chinese firms catch up with foreign technology, the Chinese government controls foreign purchases and joint-venture requirements to force foreign firms to transfer technology to China (Atkinson, 2012: 7). With a weak and discriminatory patent system in China, industrial espionage allows many Chinese firms to grow quickly. In this paper, our discussion focuses on exchange rate manipulation, tariffs and export subsidies.

(i) Exchange rate manipulation: Rodrik (2013) points out that Mercantilism remains largely in place in China. In particular, the Chinese government manages the exchange rate to maintain Chinese manufacturers' profitability, resulting in an impressive trade surplus. China systematically devaluates its currency. Given huge trade surpluses prior to devaluation, Bhalla (1998: 14-15) contends that China adopts a Mercantilist trade policy. In particular, Dooley *et al.* (2004, 2005) argues that China, on the one hand, attempts to absorb unskilled surplus labor in the manufacturing sector, and on the other hand, builds up domestic

capital stock. To achieve those goals, China deliberately undervalues its real exchange rates to support export-led growth. Likewise, Robert Cassidy, the U.S. Trade Representative for Asia and China, argues in 2008 that “China has adopted an export-led development strategy, the centerpiece of which is a currency that is undervalued by 20 percent to 80 percent, with the consensus leaning toward 40 percent. Thus, China’s wages in U.S. dollar terms are 40 percent cheaper than they would be if the currency were allowed to freely float. Similarly, foreign investors receive a 40 percent subsidy to develop operations in China.” (Atkinson, 2012: 29) As Krugman (2010) observes, “the more depreciated China’s exchange rate – the higher the price of the dollar in yuan – the more dollars China earns from exports, and the fewer dollars it spends on imports”. He concludes that “Mercantilism works: countries that subsidize exports and restrict imports actually do gain at their trading partners’ expense”.

(ii) Tariff: China uses tariff, the most important Mercantilist weapon, to achieve favorable trade balance. Despite being a WTO member, China places tariffs on a wider range of products at a higher rate. Specifically, in 2009, China’s tariff application on imports was 9.6 percent on average. In contrast, the U.S. rate was just 3.5 percent. In 2009, there were 46 percent of foreign goods entering China with duty free, compared to 76.3 percent of foreign goods entering the USA (Atkinson, 2012: 29-30). Regarding IT products, China places 30 percent tariffs on magnetic-tape-type video recording or reproducing apparatus, 24.5 percent on computer monitors, 20 percent on printers, copying machines, facsimile machines, and video recording and reproducing apparatus. Furthermore, China restricts imports through non-transparent trade barriers on customs regulations, heavy documentation requirements and randomly applied product certification requirements (*ibid.*).

(iii) Export subsidies: Even though export subsidies are illegal under the WTO, China uses them to support Chinese firms. In 2005, more than \$2.4 billion of export subsidies by the Chinese government was reported (Atkinson, 2012). In 2007, China devoted more than \$15 billion on export-enhancing subsidies to its steel industry (Atkinson, 2012: 29-30). The United States took legal action at the WTO against China's support of its steel industry, alleging that China unfairly offers cash grants, rebates and preferential loans to its steel exporters. However, Chinese subsidies go far beyond steel. The Chinese government also subsidizes the country's clean energy industries, particularly solar and wind power industries. As Ben Santarris, a German solar panel manufacturer, complains, "pervasive and all-encompassing Chinese subsidies are decimating our industry" (*ibid.*).

In short, the Chinese government successfully adopts Mercantilist weapons including exchange rate manipulation, tariff and export subsidies to boost its industries and export and restricts foreign competition.

3.4. Technologicalism

The Chinese leaders believe that a strong and powerful nation can be enhanced through science and technology. China's Fifteenth National Congress set the goals and tasks of invigorating China through science and education. Action Scheme is formulated to push forward educational reform so as to enhance China's innovative capacity (Ministry of Education, P.R. China, 1998 December 24). Nationalism in China's technological development picked up the pace after the government introduced two key policies: the medium- and long-term program for science and technology development in 2006, and the "strategic

emerging industries” initiative in 2010 (Hansen, 2014 October 14). Former Chinese president, Hu Jintao was the architect of China’s technology development. His “scientific development concept” paves the way for modern technology development in China. China focuses on “pragmatic techno-nationalism”, with technology policies designed to favour domestic firms while keeping close collaboration with international partners (*ibid.*). In 2015, national expenditures on scientific research and experiments totaled 1.42 trillion yuan (US\$213.4 billion). They accounted for the world’s second largest number of published international science and technology papers and national comprehensive innovation capabilities ranked 18th in the world (State Council, P.R. China, 2016 August 8).

In 2016, China’s State Council issued a national scientific and technological innovation plan to steer China into an innovative country and a scientific and technological power. The plan is a blueprint designed for technological innovation development for the 13th Five-Year Plan (2016-2020). The plan aims to enhance the country’s innovation capabilities into the world’s top 15. It calls for accelerating major national scientific and technological projects (State Council P.R. China, 2016 August 8). Over the decades, China has witnessed technological advances in areas such as manned space flights and lunar probes, manned deep-sea submersible, deep earth exploration, super computers and quantum communication.

As a result of the government’s effort in promoting technology and industries, China is able to export its goods and services consisting of a wide range of technological skills. For example, in export of high-tech knowhows, China sells high-speed-rail to Indonesia and nuclear electricity plant to the United Kingdom; in mid-tech products, it sells mobile phones to India and African nations and household electrical appliances to the United States and Western European nations. In low-

tech products, markets and stores in the Central and Southeast Asian countries are flooded with simple household goods such as clothing and plastic toys and footwears made in China. Such a huge export success allows China to gain impressive foreign reserves, international status and global influences.

3.5. Strategic Global Expansion

China pursues a government-led globalisation strategy to accumulate capital and wealth for the nation (Zhang, 2016). Specifically, China initiates two grand projects, namely “One Belt One Road” and the Asian Infrastructure Investment Bank in 2013 for strategic global expansion.

(i) “One Belt One Road Initiative” for trade and global expansion:

In 2013, Chinese President Xi Jinping proposed a development strategy that focused on connectivity and cooperation between China and Eurasian countries. The strategy underlines China to take a larger role in global affairs and coordinate manufacturing and development capacities with other countries in areas such as steel, oil, coal, transport and communication, etc. Referring the Initiative, Li and Yuan (2016) claims that China is assuming a new role in the world economic order. It moves from “the workshop of the world” to “the architect of the world”. The project will provide China and its strategic partners with plenty opportunities for the development along the new “Silk Road”. However, Zhang (2016) argues that the Belt and Road Initiative is a product of Chinese Neo-mercantilist thinking. Wong (2017 July 20) even refers the project as “global financial Leninism”. The Belt and Road Initiative serves as a vehicle for creating a new global economic and political order (Zhang 2016). Zhang (2016) concludes that the project marks the beginning of a new economic diplomacy of China that moves towards being an active leader of the global economy.

(ii) The Asian Infrastructure Investment Bank (AIIB): In October 2013, Chinese President Xi Jinping announced the establishment of a new China-led multilateral development bank, the Asian Infrastructure Investment Bank (AIIB) to “promote interconnectivity and economic integration in the region”. The aim of the Bank is to provide financing for infrastructure needs throughout Central and South Asia, the Middle East and Europe (the Silk Road Economic Belt) and, along a maritime route, from Southeast Asia to the Middle East, Africa and Europe (Weiss, 2017). The AIIB was formally established on December 25, 2015. The Bank has 57 founding members, including four G-7 economies (France, Germany, Italy and the United Kingdom) and began operations in mid-2016. The creation of the AIIB is said to be “part of a broader reorientation of Chinese foreign and international economic policy that has taken place since Xi Jinping became Chinese Communist Party General Secretary in 2012 and president in 2013” (Weiss, 2017: 2). In contrast to his predecessor Hu Jintao, Xi pursues “an ambitious foreign policy agenda to deepen economic, security, and political ties with neighboring countries” (*ibid.*). The Chinese government wants greater influence in global affairs. So far, international establishments such as the International Monetary Fund, World Bank and Asian Development Bank are dominated by American, European and Japanese interests. To counter this situation, China initiates the AIIB which allows China to have a greater voice in global finance. As the *Financial Times* (2014 June 25) reported in June 2014, “China feels it can’t get anything done in the World Bank or the International Monetary Fund so it wants to set up its own World Bank that it can control itself”. In short, the Belt and Road Initiative, facilitated by the AIIB, allows China to extend its ambitious mercantile trade, and political and economic influences around the globe.

(iii) Strategic expansion in the Third World countries: China increases its influence in the developing regions including Africa, Latin America, Middle East and South Asia via trade, infrastructure investments, technology export and foreign aids, etc.

Expansion in Africa: Holslag (2006) observes that China pursues a pragmatic Mercantilist policy in Africa that combines a wide array of diplomatic and economic devices. China is Africa's second-largest trading partner after the United States, importing a third of its crude oil from Africa. It spends billions of dollars securing drilling rights in Angola, Nigeria, Sudan and Angola. It has exploration deals with Chad, Gabon, Mauritania, Kenya, the Democratic Republic of Congo, Equatorial Guinea and Ethiopia. China invests in the copper extraction in Zambia and Congo as well as buying timber in Gabon, Cameroon, Mozambique, Equatorial Guinea and Liberia. Chinese companies win contracts in Africa to pave highways, build hydroelectric dams, upgrade ports, lay railway tracks and build pipelines. China supplies jet fighters, military vehicles and guns to Zimbabwe, Sudan, Ethiopia and other African governments (Ayittey, 2010 February 15). However, Chinese economic involvement in Africa is regarded as predatory and brutish (*ibid.*). The former president of South Africa, Thabo Mbeki claims that China's interest in Africa is a "new form of neo-colonialist adventure" with African raw materials exchanged for inferior manufactured imports and pays little care to the poor Africa. China is criticized as performing "chopsticks Mercantilism" (*ibid.*).

Expansion in Latin America: Latin America is another example of "how Chinese Neo-mercantilism is assuming a neo-colonial pattern in which the dominant country secures markets for its manufactured goods in exchange for raw materials from its partners in Latin America"

(Hawkins, 2005 February 3). In November 2004, China re-enforced the “strategic partnership” with Brazil. China offered between \$5 billion and \$7 billion worth of investments to improve roads, railways and ports in Brazil. Brazil also ordered at least ten Embraer aircrafts. In this deal, China keeps the advanced industrial project in their own hands, relegating its partners to a subordinate supplier status (*ibid.*).

China builds another “strategic partnership” with Argentina. She promised to invest US\$20 billion in Argentina over the next decade, mainly on the development of telecommunications, railways and hydrocarbon fuels. Hawkins (2005 February 3) claims that Argentina is being turned in a “neo-colonial direction” by China. China’s imports primary goods from Argentina whereas China exports manufactured goods to Argentina.

In Chile, China invests heavily in the island’s nickel mines. It is predicted that Cuban exports of nickel would double from expanded shipments to China (*ibid.*). In Venezuela, Chinese firms are allowed to operate 15 mature oil fields in the east of Venezuela, which can produce more than one billion barrels. Chinese firms are invited to bid for natural gas exploration contracts in the western Gulf of Venezuela. Other agreements cover agriculture, railways, mining and telecommunications (*ibid.*).

From Middle East to South China Sea: In national defense, China adopts a series of strategies to seize naval bases and ports from the Middle East to the South China Sea. These bases include a new dock under construction at the Pakistani port of Gwadar, where China already has an electronic spying device to monitor the Persian Gulf. Other “docks” include a container port at Chittagong, Bangladesh; a naval base under construction in Burma; and intelligence gathering facilities in the Bay of Bengal and near the Strait of Malacca. China helps Cambodia

construct a railway line from southern China to the sea. China also discusses with Thailand to build a canal or railroad across the Kra Isthmus, which allows shipments to bypass the narrow Strait of Malacca (*ibid.*). Hence, China's global strategic expansion through the Belt and Road Initiative and the AIIB can be facilitated by these strategic ports and naval bases.

3.6. Population Policy for a Strong Nation

During the 15th to 16th centuries, most European nations were hunger for a pool of working population. Hence, it is not surprised that old Mercantilism calls for a large population. For Mercantilists, growing population can provide abundant supply of labor for production, lower wages and human resource for navy. More importantly, a large population supports the state with stronger stakes to engage in direct confrontations with countries where there are disputes. Nowadays, China is overpopulated. Instead, Neo-mercantilist China adopts a population strategy for the sake of building up a strong national state. Specifically, one-child and naturalization policies are solely for national development.

(i) One-child policy: China's rapid increase in population from 1949 to 1979 was largely the result of Maoist pro-natal policies (Howden and Zhou, 2015: 228). Mao believed that population growth empowered the country and he launched a campaign to encourage families to have more children, leading to a birthrate of over 4 children per family. When Mao died in September 1976, the population of China was already 930 million, which means that population had doubled in China during 1949-1976, despite acute food shortage due to the Great Leap Forward and drought. By 1980, a new band of Chinese leaders believed that forcibly restricting population growth would lead to greater economic prosperity. As a result, one-child policy was introduced in 1979. In 2007, 36 percent

of China's population was subject to strict one-child restriction, with an additional 53 percent being allowed to have a second child if the first child was a girl. After adopting coercive birth control, China exhibits a drastic change in demography. The 2010 census reveals an alarming total fertility rate of 1.18 percent, falling into the extremely-low-fertility bracket. Gender imbalance due to couples preferring male children also falls for the sixth year in a row, down to 115.88 males for every 100 females in 2014 (Xinhua / *China Daily*, 2015 July 10). The fall in the birthrate has pushed up the average age of the population. The Chinese government foresees an ageing population crisis because the policy reduces the young labor pool that is needed to support a strong and prosperous nation. It hence announced on October 29, 2015 that the country would allow all families to have two children, abolishing an unpopular policy that limited many urban couples to only one child for more than three decades (*CBC News*, 2015 October 29). It can be concluded that, unlike old Mercantilism which called for a larger population, Neo-mercantilist China controls the population growth for its national development.

(ii) Stringent naturalization policy for the sake of Chinese nationalism and social control: China's economic nationalism is also reflected in its stringent naturalization policy. The nation wants a population of pure Chinese blood so that the government can convey Chinese nationalism to people effectively. First of all, China denies dual nationality for any Chinese national. It is also generally known that Chinese citizenship is the most difficult to acquire in the world. Naturalizing as a Chinese national is rare. During the Fifth National Population Census of the People's Republic of China (2000), only 941 naturalized citizens not belonging to any of China's recognized 56 indigenous ethnic groups were recorded in China.

According to the 2010 Chinese Census, China had only 1,448 naturalized Citizens (*The Economist*, 2016 November 19). It is hard to get naturalized in China without being Chinese in the first place. If a foreigner is not born to be Chinese, he or she can never gain a full Chinese citizenship and only permanent residency is granted. Even marrying a Chinese does not grant citizenship. The Chinese government may give a married spouse a permit to stay and work only. Furthermore, national certificates are granted in limited amount every year. In other words, even if a person is qualified for Chinese citizenship, he or she could most probably be denied a certificate if the quota is full. Unlike the United States which welcomes people from all over the world and cultivates a melting pot, the Chinese government wants a pool of population with pure Chineseness in its territory for the sake of easier social control and governance.

4. Conclusion

This paper has explained and illustrated how China utilizes Neo-mercantilist policies to boost its national development and global expansion. Mercantilism in Chinese style starts from nationalism and patriotism which fit into Chinese minds embedded with the old imperial glory. With nationalism, the Chinese leaders believe in a strong and authoritative state to manage and coordinate domestic and foreign affairs. In domestic economy, the Chinese government finetunes its population policy with the aim for national development and social control. It also boosts its production and technology via government tax, subsidies and other industrial policies. Together with the manipulation of exchange rate, China is able to export its goods and services with different levels of technology in an unprecedented scale. In global finance, China attempts to enhance its Renminbi to an international

monetary status to counter the influence of American dollar. China also helps developing nations build infrastructure in order to extend China's influences in these regions. China's domestic and foreign economic policies reinforce each other. Internally, the Chinese government enhances its production and technological capabilities to boost export. Successful export boosts foreign exchange earnings as well as international status. Consequently, China's rise as a global power gives pride to Chinese people. Hence, the Chinese government gains its legitimate ruling and popularity which justify a stronger and authoritative state, and in turn pursues Neo-mercantilist policy further.

China promotes nationalism and patriotism and uses these sentiments as an instrument to divert the public attention away from domestic problems by reinforcing the Party's role as the guardian of China's national sovereignty and honor. The Western value is considered to be the cause of China's national and cultural identity crisis. For the Chinese leaders, China's modernization should rely on "Chinesenization". The "Chinese Dream" initiated by the party leaders integrates national and personal aspirations, with the goals of reclaiming national pride and achieving national well-being.

Like old Mercantilism, China is stocking up gold and becomes the world's sixth biggest gold reserve country in the world. Unlike old Mercantilism, China increases gold reserve to counter the American influence in global finance. With huge gold stockpiles by the People's Bank of China, Renminbi became an SDR currency in 2016. Thus, the world witnesses a new multi-polar currency regime with the U.S. dollar declining in stature. Global trade and currency markets become less dollar-centered while Renminbi becomes a keen competitor to U.S. dollar dominance.

To gain gold and hard currencies, China has maintained a favorable balance of trade. China's Mercantilist policies in trade include exchange rate manipulation, high tariffs and export subsidies. Other policies enhancing Chinese firms' competitiveness in export include land grants and rent subsidies to Chinese-owned firms; preferential loans from state banks; tax incentives for Chinese-owned firms; benefits to state-owned enterprises and generous export financing, controls on foreign purchases and joint-venture requirements to force foreign firms to transfer technology to China. Thus, China is able to accumulate US\$3.12 trillion worth of foreign exchange reserves in 2016 and enjoys the world's largest current account surplus.

In order to boost its national development, China focuses on "pragmatic techno-nationalism", with technology policies designed to favour domestic firms while keeping close collaboration with international partners. National expenditures on scientific research and experiments account for the world's second largest number of published international science and technology papers and its national innovation capabilities ranked 18th in the world.

Unlike old Mercantilism which calls for large population growth, Neo-mercantilist China adopts a population strategy for the sake of building up a strong national state. Its control on fertility rate and naturalization policy are solely for national development and social control.

China's Neo-mercantilism is also seen in global expansion. In 2013, the Chinese government initiates the "One Belt One Road" project and the Asian Infrastructure Investment Bank for strategic global expansion. The two projects serve as a vehicle for creating a new global economic and political order. Attempting to increase its influence in Africa, Latin America, Middle East and South Asia, China pursues a pragmatic Mercantilist policy that combines a wide array of diplomatic and

economic devices. China is so ambitious in exploiting the Third World nations' resources that it has been regarded as pursuing "chopsticks Mercantilism".

In explaining China's rapid economic growth after the "Open Door Policy" announced by Deng Xiaoping in 1979, most scholars in development economics employ Neoclassical growth model via total factor productivity analysis (e.g. Li *et al.*, 1998; Aziz, 2006; Ito and Krueger, 2007). Gumede (2010: 4) points out that Neoclassical economists explain that "the success of the East Asian economies, with its focus on minimal state prudent and conservative macroeconomic policies, was debunked as being too simplistic". Instead, East Asian economies have developed "through the active involvement of the state in determining strategic national agendas". Rejecting the analyses from Neoclassical economic paradigm, scholars from political economy adopts the concept of "developmental state" (Johnston, 1995) to explain China's recent growth (e.g. Knight, 2012; Mabasa and Mqolomba, 2016). Our Neo-mercantilist explanation on China's growth has in many ways share with the notion of developmental state. However, we have argued and illustrated that China's rise as a global power is more adequately explained by Neo-mercantilism, a set of modified economic and political doctrines that led to the rise of Western European nations including England, France, Spain and the Netherland in 18th Century. As shown in this paper, China's recent economic policies on national development and international relations are strikingly similar to Mercantilism and is in line with Frederick List's notion of "Economic Nationalism" (List, 1928)³.

Regarding whether the "Chinese model" can be transferable to other economies, Dellios (2005) concludes that China's rise as a global power provides an alternative to the US development model by incorporating capitalism into a socialist polity. China's economic success through Neo-

mercantilist strategies may become an incentive for other Asian developing nations such as the Philippines⁴ or the African nations (Gumede, 2010) to follow.

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Notes

- * Dr Fu-Lai Tony Yu (余赴禮) is currently Professor of Economics at the Department of Economics and Finance, Hong Kong Shue Yan University (香港樹仁大學), North Point, Hong Kong. Professor Yu obtained his Ph.D. from the University of New South Wales. He previously taught at Hong Kong Baptist University, Hong Kong Polytechnic University, Monash University in Australia, and Feng Chia University (逢甲大學) in Taiwan. His research interests include entrepreneurship, small and medium enterprises, governmental economics, Austrian economics and Asian business systems. Yu's latest books are *Chinese entrepreneurship: An Austrian economics perspective*, London: Routledge, 2016 (with Diana S. Kwan); *Handbook on East Asian entrepreneurship*, London: Routledge (co-edited with H.D. Yan), 2015; *International economic development: Leading issues and challenges*, London: Routledge (coedited with W.K. Yuen and Diana S. Kwan), 2014; and *Entrepreneurship and Taiwan's economic dynamics*, Heidelberg: Springer, 2012. <Email: flyu@hksyu.edu>
- 1. It has been argued that the international economic policy of Meiji Japan was “a combination of Hideyoshi's Mercantilism and Friedrich List's Nationale System der politischen Ökonomie” (Linebarger, Chu and Burks, 1954: 326).

2. BRICS countries (Brazil, Russia, India, China and South Africa) are countries with large reserves of gold and an impressive volume of production and consumption of gold.
3. For a discussion of Frederick List's notion of "economic nationalism", see Shin (2015).
4. Alejandro Lichauco, a Filipino political economist, recommends the Philippines to pursue nationalist economics to invigorate his country. See Lichauco (1988).

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Are the Conflicts between the U.S. and China Manageable?

Jinghao Zhou*

Hobart and William Smith Colleges, USA

Abstract

Although President Donald Trump has built personal relationship with President Xi Jinping since the Mar-a-Lago summit in April 2017, the conflicts between the two countries remain. The U.S. is worried about if it is able to continue maintaining its status of the global power and the dominant power in Asia while China is dramatically expanding its global influence. A new U.S. National Security Strategy labels China as a “competitor” challenging American interests. There is speculation that a war between the U.S. and China is inevitable. Will both the U.S. and China be able to maintain a healthy competition to avoid a war? How will the U.S. manage the new type of relations with a rising China? This paper will address these questions and argue that although the stakes are as high as ever for the United States and China to manage their relations, the conflicts between the two countries are manageable (Bates, 2005). Both the U.S. and China do not have any choice, but to understand each other and learn how to deal with their competitors. China-U.S. relations will be gradually getting better after the Trump administration works more with China.

Keywords: *China-U.S. relations, international relations, Chinese politics, American politics, war*

1. Introduction

Forty years ago, China normalized its relations with the United States. Forty years later, the growth of China's global influence is much faster than that the U.S. expected. China's challenges to the U.S. are obvious, and the conflicts between the two countries are increasingly growing. The U.S. is concerned about if it is able to continue maintaining its status of the global power and the dominant power in Asia while China is expanding its global influence. The world now is full of conflicts. In addition to terrorist threat, the standoff between North Atlantic Treaty Organization (NATO) and Russia is flaring dangerously, the possibility of a war in the Middle East remains, the preparation of military confrontation in the Korean peninsula is escalating, and the territory disputes over the South China Sea is still intensifying. China-U.S. relations are worse than they have been since the normalization of relations.¹ Will both the U.S. and China be able to maintain the healthy competition to avoid a war by managing the conflicts? How will the U.S. manage the new type of relations with a rising China? Why does the U.S. foreign strategy toward China need to change in order to live with China? There are speculations that a war between the U.S. and China is inevitable. This paper will attempt to challenge the view point through addressing the six questions in six sections: Why does the U.S. overreact to China's rise? Will President Trump take more confrontational approach toward China? Does Xi Jinping intend to beat the U.S.? Is China strong enough to go a war against the U.S.? Will the first shot be fired in the South China Sea? Will cyber-attacks trigger a war? This paper will conclude that although the stakes are as high as ever for the

United States and China to manage their relations, the conflicts between the two countries are manageable. Both the U.S. and China do not have any choice, but to understand each other and learn how to deal with their competitors. China-U.S. relations will be gradually getting better after the Trump administration works more with China.

2. Why Does the U.S. Overreact to China's Rise?

China threat theory is a byproduct of China's rise. As early as 1998, Richard Bernstein and Ross Munro in their book, *The coming conflict with China*, argue that war between China and the United States was a distinct possibility (Bernstein and Munro, 1998). In 2005, Robert D. Kaplan contended that whether or not there will be a Sino-American war is no longer a question. The only question is how the U.S. should fight China (Kaplan, 2005). John Mearsheimer warned that: "The United States and China are likely to engage in an intense security competition with considerable potential for war." (Ikenberry, 2007) According to Graham Allison, a war between China and the U.S. is unavoidable unless China is willing to give up its ambitions or the U.S. can accept becoming number two in the Pacific (Allison, 2017). All these predictions reflect the symptoms of U.S.'s anxiety and overwhelming concern about China in the new era.

The U.S. used to be the uncontested global superpower and by large the dominant power in Asia, leading in almost every aspect – security, trade, and regional participation. After the September 11 terrorist attacks, the landscape of global power began to change, and the region witnessed the rise of China, India, and others. The U.S. has dominated in Asia over sixty years, and now the overall American influence is in decline (Cheng, 2013). Although the U.S. dominates in security, it is only a major actor of the region in trading, economy, and regional diplomacy.

The world power structure has begun to move from unipolarity to multipolarity (Ian, 2011: 13-28). Power transitions usually come with international conflicts. The rising power wants to gain more authority in the global system and the declining power is afraid of loss of its dominant position. The rise of a new power inevitably challenges the power balance of the international system. Fareed Zakaria believes that “when a new power rises, it inevitably disturbs the balance of power.” (Zakaria, 2007) In this sense, China’s rise has an immediate impact on every aspect of the U.S.

The “China threat” theory has spread throughout the West. Some believes China is a threat to the existing balance-of-power (Callahan, 2005: 701-714). In the world history, declining power has made three different choices in response to a rising power. First, declining power simply ignores a rising power. China ignored the European powers and Japan when they were emerging, leading to their defeat in the Opium Wars by Britain and the Sino-Japanese wars by Japan. Second, declining power contains a rising power. Spain and France tried to contain England in the eighteenth century, leading to a long series of bloodied wars. Third, declining power accepts a rising power. Britain was able to accept the United States’ growing global leadership role in the nineteenth century, which allowed Britain to maintain its legacy and prosperity (Foot, 2006: 77-94). Denny Roy suggests that qualitative changes in Chinese foreign policy should be expected if China grows from a medium-size power to a superpower (Roy, 1996: 758-771). While China is on the rise, what is the best choice for the U.S. to deal with China? Obviously, it is blind to ignore China’s rise. The containment policy is extremely expensive and dangerous for the U.S. (Etzioni, 2013). However, a growing number of U.S. policymakers and scholars believe that the U.S. engagement policy has failed to prevent China from threatening other countries and call for the U.S. to “actively shape

China's strategic choices by enhancing U.S. military capabilities and strengthening alliances to counterbalance against its growing strength." (Eisenman, 2016)

In the first decade of this century, the central goal of the U.S. foreign policy was to closely work with the international community to win the war on terrorism. Since U.S. troops withdrew from Iraq, the emphasis of the U.S. foreign policy has been shifted to Asia – the so-called "pivot to Asia"/Asian rebalance strategy. According to former Secretary of State Hillary Clinton, to implement the policy, the U.S. should take six key lines of action: strengthening bilateral security alliances, deepening working relationships with emerging powers, including with China, engaging with regional multilateral institutions, expanding trade and investment, forging a broad-based military presence, and advancing democracy and human rights.

In 2014, the United States implemented the "pivot to Asia" of a new level. There are five basic evidences indicating that the U.S. foreign policy has focused on the region. First, United States Defense Reports highlight U.S. Asia-Pacific strategy. Second, the U.S. has deployed the most advanced weapon systems to enhance the U.S. military power in the frontier military bases and planned to deploy about 60% naval and air force in the Asia-Pacific by 2020. U.S. Army continues to strengthen its military presence in the Asia-Pacific region and increase military troops from 60,000 to 100,000 people. Third, the U.S. tries to scatter military forces in the region to avoid concentrating in the frontier military base, preventing the concentration of forces from suffering a heavy blow. Fourth, the U.S. helps its allies to enhance military effectiveness by establishing multilateral defense relations and military networks of collaboration. Fifth, the U.S. frequently organizes joint military exercises with its allies and partners in the region to maintain the U.S. interests in the Asia-Pacific region. Many American scholars

believe that the policy is a detailed military plan against China (Billington, 2013). James Holmes says that: “Yes, it is about China. It has to be.” (Holmes, 2012) If the U.S. continues to develop this policy, it would not help but to damage China-U.S. relations. But U.S. policymakers have not had clear idea how to understand and deal with China (Callahan, 2005: 701-714).

By contrast, China’s rise is guided by the slogan of “China Dream”. The conception of China dream is vague because it can be read from two opposite perspectives. Some see “China dream” as aiming to develop a harmonious world by adopting a strategy of less confrontation with the current world order, while the others view it as seeking more international power by re-writing the rules of the global community. The two perspectives are contradictory. The former is based on the accurate assessment of China’s domestic situation in a global context; and the latter is highly driven by Chinese nationalism mixed with victim mentality, which derives from the theory of China having suffered a century of humiliation. However, the Chinese official media interprets the China Dream in five aspects: developing win-win strategy, updating new framework of ASEAN Free Trade Area, maintaining non-interference policy, protecting the core national interests, and establishing a new model of great power relations with the U.S. It is worth noting that the principle of non-interference does not fit in the category of a world superpower, showing that China is lack of interest in seeking the status of world superpower. The five principles only reflect a hybrid of realism – protecting China’s core interest, including national integrity, territorial sovereignty, and the sole leadership of the Communist Party of China (CPC). The Chinese government has made it clear that the sole leadership of the CPC is the key to China’s core interest. This means that although Xi’s China Dream conflicts with Trump’s goal of “making America great again”, the top priority of

China's foreign policy is to serve its domestic politics instead of challenging the United States. Xi Jinping recently points out that there are thousand reasons for improving China-U.S. relations but there is not a single reason for ruining China-U.S. relations.

3. Will Donald Trump Take More Confrontational Approach toward China?

U.S. foreign policy is significantly influenced by American domestic politics, so U.S. foreign policy toward China has changed from time to time. In the past three decades, the trajectory of U.S. foreign policy toward China can be characterized as “cyclical ups and downs”. U.S. presidential candidates have always started to run presidential campaign centered on repudiating the previous regime's China policy. New administration usually tries to implement their new foreign policy strategy by essentially changing the course of his predecessor's policy. As a result, the new administration “creates new uncertainties for the U.S.-China relationship, damaging the U.S. interests, the new administration, after a period of dancing around always ends up making policy adjustments” (Zhao, 2012: 369-389).

George H.W. Bush had a good relationship with Beijing. Even after the Tiananmen Square Incident of 1989, Bush wrote a letter to Deng Xiaoping assuring him that ties between China and the United States would not be harmed by “differences between friends”. (Osius, 2011: 125-135) During Bill Clinton's presidential campaign, Clinton criticized the Bush administration's deferential reaction to China's human rights violation. After becoming president, Clinton remained true to his words and took “tough on China” strategy that vastly differed from the Bush regime. Clinton aggressively repudiated his predecessor's stance on China, pushing his foreign policy to the opposite spectrum. During his

first year, the Clinton administration pressed down hard on China by issuing an executive order that revoked China's "most favoured nation" (MFN) status until certain human rights improvements were met. In reality, the Clinton administration was unable to make any progress with China's human rights stance. Instead, Clinton's hard policy on China proved to have a more detrimental effect on the U.S. than China because the U.S. missed out on billions of dollars in business contracts in China's emerging markets. Consequently, Clinton softened his voice and began to adopt a more moderate stance toward China by signing a joint statement with China to build a strategic partnership toward the twenty-first century. Practically, he divorced human rights issue from doing business with China.

When the George W. Bush Administration came into power in 2001, he intended to establish the United States as the more dominant power over China, suggesting that the Clinton administration made too many concessions to China. Adhering to a more hard-line approach, Bush outlined in an election campaign speech that "China should be seen as a competitor, not a partner and treated without ill will but without illusions." (Yu, 2009: 81-97) Bush's rhetoric helped him get elected. Subsequently, tensions rose to a boiling level between the two countries on April 1 in 2001 when a mid-air collision occurred between a Chinese jetfighter and a U.S. intelligence aircraft over the South China Sea. The September 11 terrorist attacks shifted U.S. interests from fighting communism to fighting terrorism. George W. Bush's foreign policy was much more emphasized on U.S. security. In response to the September 11 attack, the Bush administration created the Office of Homeland Security to ensure that the U.S. was protected from terrorist threats. Accordingly, a huge portion of the U.S. government budget went towards homeland security. The Bush Administration retreated from the strong rhetoric used in pre-election campaigns stating that China was

neither partner nor enemy because “U.S.-China relations are too complicated and too comprehensive to simply summarize in one word.” (Yu, 2009: 81-97) Then, he moved to a political stance to further engage with China while hedging against the possible threat of China’s rise. Bush was the first post-Cold War president to employ the hedging strategy, meaning that he was cooperative with China on a wide range of global challenges while criticizing China’s involvement with troublesome states. Within the framework of counter-terrorism, China and the U.S. were able to reach a wide consensus which laid down a solid foundation for the two countries to work together on many issues.

The Obama Administration countered Bush’s policy on China with a slogan of “positive, cooperative, and comprehensive”, signaling that they are reluctant to challenge China on issues of fundamental disagreement. Barack Obama established the line “more cooperation on more issues more often” which resonated with his campaign based on “change”. (Zhao, 2012: 369-389) However, like Bush, American domestic issues forced the Obama Administration to change its course. Many perceive Obama’s leniency as a sign of weakness (Ross, 2012). In addition, due to the fact that China is the largest foreign holder of U.S. debt, China expected the U.S. to make more concessions to their needs. Having found itself facing mismatched interests with China, the Obama Administration adjusted its policy. Instead of focusing on being “not Bush”, Obama has shifted its focus to re-energizing its relationship with its Asian allies – “pivot to Asia.”

During the president campaign in 2016, Donald Trump pointed out that Obama’s foreign policy toward China was too weak and soft. He publicly accused China of being America’s biggest abuser and stealing U.S. intellectual property and vowed that he will label China as currency manipulator and impose a 45% tariff on imports from China. After he was elected, he even made telephone conversation with Taiwan president

Tsai Ing-wen, shocking the Chinese people and the government. It seemed that Trump would put the entire basis of the China-U.S. relations in play and completely reverse Obama's foreign policy toward China. However, in 100 days after Trump sworn into the White House, he has backed away from the campaign promise saying that his administration will not label China a currency manipulator. During the Mar-a-Lago summit, Trump said he will have great relationship with Xi and believed that lots of very potentially bad problems will be going away. Obviously, the Trump administration's foreign policy toward China is returning to conventional pattern faster than previous administrations because Trump does not have any better choice, but to work with China to accomplish his work agenda, such as North Korea nuclear issue and economic development.

Clearly, the post-Cold War policy concerning China-U.S. relations has swung from one extreme to another. The history of the five U.S. administrations shows that the relationship between China and the U.S. is stable in the long term although each new president brings into office trumped-up rhetoric that lies at the completely opposite spectrum of the previous regime. The opposite rhetoric may have worked in getting the candidates elected into office, but it is too radically different to be accepted as policy. It is important to note that a reversion to a central approach is beneficial to all the five regimes. Both Bush and Obama have successfully utilized a hedge approach which helps the U.S. demonstrate the ability to defend its interests and work with its allies in the region without attempting to escalate the conflicts between the two countries. There is no doubt that the Trump administration is following the same pattern of U.S. foreign policy development no matter what he said during his election campaign. China-U.S. relations will be gradually getting better as time goes by.

4. Does Xi Jinping Intend To Beat the U.S.?

Xi Jinping has demonstrated himself as a foreign policy maker through giving speeches on China's foreign policy, traveling extensively in Asia, Europe, Africa and the U.S., hosting various international forums in Beijing, and attending Davos World Economic Forum in 2017. Many believe that Xi's foreign policy has shown greater proactivity and confidence since he became president in 2012. To understand the direction of China's foreign policy, two questions cannot be avoided: what is Xi's vision of the future of China-U.S. relations? Does his vision lead to a war against the U.S.?

First, Xi has tried to develop a new model of great power relations with the U.S. After China became the second largest world economy in 2010, it began to develop big power diplomacy. When Xi was a vice-president, he visited the U.S. in February 2012 and proposed the need to establish a new type of great power relations. In May 2012 President Hu Jintao officially proposed the new type of great power relations in the fourth U.S.-China Strategic and Economic Dialogue. Hu pointed out that "cooperation between China and the United States will bring enormous opportunities to the two countries and the whole world. China and the United States should be firmly committed to advancing the cooperative partnership and build a new type of relationship that is reassuring to both our peoples and people across the world." (Hu, 2012) In November 2012, in the Eighteenth National Congress of the Communist Party of China, the new type of relations was adopted in the political report resolution.

Under Xi's administration, China has accelerated the expansion of international power by economic aid, military expansion, and exporting Chinese culture to fulfill the "China Dream". According to Xi, China must establish "big country diplomacy with Chinese characteristics".² In the meantime, China must be nice to its neighbors in Asia, but it should

adopt an active foreign policy to promote China's rejuvenation onto the global stage.³ In June 2013, during the Obama-Xi meeting at Sunnylands, Xi proposed the new concept directly to Obama and discussed the peaceful development promises. Xi's initiative has three action codes: China and the United States should strive for no confrontation, mutual respect for core interests, and win-win cooperation (Lai, 2015). Two months after Trump became president, Xi made a special trip to the U.S., showing that he was sincere and anxious in maintaining the stable relations with the U.S.

The U.S. officials have displayed diplomatic courtesy for Chinese interest in cooperating with the United States. In March 2017, the Secretary of State Rex Tillerson told Xi Jinping in Beijing that "the U.S. side is ready to develop relations with China based on the principle of no conflict, no confrontation, mutual respect, and win-win cooperation" (Beech, 2017). U.S. scholars and politicians criticized him for repeating Chinese government platitudes and propaganda. Even Chinese foreign policy experts were surprised by his comments. Practically, the U.S. is not interested in the new type of great-power relations because the U.S. is more concerned about concrete issues of the relations instead of abstract principle. Although the meaning of this new concept remains unclear, Xi's proposal attempts to defuse tense relations, decrease strategic distrust between the two major powers, express the need for each country to respect the other's political and social systems, and at least bring short-term relief to the tense relationship. Bergsten states that: "At a minimum, creating a G-2 would limit the risk of bilateral disputes escalating and disrupting the U.S.-Chinese relationship and the broader global economy." (Bergsten, 2008: 57-69) The U.S. recognizes that the two countries have "reached broad agreement on China-U.S. relations, major international, and regional issues of shared interest, as well as on global issues."⁴ Both countries have also reached reciprocal

agreement to issue 10-year, multiple-entry visas for respective business travelers and tourists, and 5-year multiple-entry visas for students.

Second, Xi does not have a specific plan of how to fight the U.S. Workable foreign policy must be guided by diplomacy of ideas. Under the Mao Zedong regime, the Chinese government implemented the Five Principles of Peaceful Coexistence based on the reality that China was isolated by Western societies. In the post-Mao era, Deng Xiaoping incorporated the two basic principles into China's foreign policy: "*tao guang yang hui, you suo zuo wei*" (韜光養晦，有所作為) – keep a low profile and bide its time while getting something accomplished. Deng's diplomacy worked because the top priority of the CPC was to improve the living standard of the Chinese people. Hu Jintao introduced the concept of "harmonious world" as the principle of foreign policy to pursue better relations with neighboring countries, the so-called "Good Neighbor Policy", in Chinese "*mulin youhao zhengce*" (睦鄰友好政策). This idea helped Hu maintain peaceful relations with its neighbors and the U.S.

China remains an "autistic" nation and has always been bad at diplomatic strategy (Monk, 2012). China's foreign strategy for decades was minimal and practiced international nonintervention, lacking interest in world affairs, because the Chinese government was more concerned with domestic affairs, such as increasing its economy and quality of life for its people. In recent years, Chinese leaders have realized that China requires a more activist global strategy to fulfill its domestic needs (Economy, 2010: 145-152). Therefore, Beijing has launched the "go-out" strategy to fit the global norms. Xi has sought to elevate China by expanding trade and investment, creating new international institutions, and strengthening the military. The "One Belt One Road" is China's ambitious project, attempting to transform its development model, develop multiple trade relations, establish a new international trade

framework, and enhance its diplomatic power in the international community.

However, China has received strong setbacks while exercising its international ambitions. China failed to respond effectively to the crises in Libya and Syria (Economy, 2014), and experienced strong oppositions to its military expansion in the South China Sea. China lost its dominant position in pursuing a non-nuclear North Korea instead of being passively agreed to sign the sanctions resolution on North Korea proposed by the U.S. This is one of reasons for South Korea and the U.S. to reach an agreement in July 2016 that the U.S. will deploy an advanced missile defense system (THAAD) with the U.S. military stationed in South Korea to counter North Korea's missile threat, despite strong protests from China.⁵ The implementation of the agreement could harm China's national security from China's perspective. China is also having troubles with the "One Belt One Road" initiative and has a hard time to convince its counterparts to accept the "win-win strategy". The recent China and India military stand-off in Doklam in Sikkim is partially triggered by the "One Belt One Road". Apparently, neither "money diplomacy" nor "military diplomacy" works very well.

In democratic societies, independent think tanks and public opinions play important roles in decision-making process of foreign policy. In China, public opinion has little impact on foreign policy. There are about 500 think tanks in China, just next the U.S. in terms of the number. In a very real sense, due to the highly centralized political system, all China's think tanks are not independent, but affiliated with the government/Party or part of government/Party organs. According Chinese official report, 90% of research projects in social sciences and humanities funded by the government last year were about annotation of Xi's ideas. Because China does not have clear ideas of diplomacy, the Chinese saying of "crossing the river by feeling the stones" (*mozhe*

shitou guohe / 摸著石頭過河) can be used to describe the characteristics of China's current foreign policy implementation. China's next diplomatic move towards the U.S. and its neighbors will be largely affected by China's domestic politics and the attitudes of the international community towards China.

5. Is China Strong Enough To Go to a War against the U.S?

While China is on the rise, China's development has created serious domestic problems which prevent China from going to a war with the U.S. First of all, China's economic growth began to decelerate in 2011 and continued to fall in the subsequent years. China's growth rate was 6.8% in 2015 and 6.7% in 2016 based on official statistics, but the actual growth rate was about two percentage points lower than the official number (Gan, 2015). The growth rates of the Chinese economy is on the slowest in 25 years; China aims to lay off about six million workers from zombie enterprises over the next two to three years as part of efforts to curb industrial overcapacity; stock market is still in serious troubles after it crashed last year; and the bubble of housing market is ticking especially in big cities. In the post-Mar era, the legitimacy of the CPC has largely relied on its economic performance, and Deng, Jiang Zemin, and Hu Jintao administrations significantly benefited from the steadily economic growth, but Xi's administration has done a poor job on economy, so fueled the dissatisfactions of the Chinese people and intensified social conflicts. Under this circumstance, the CPC is required to focus on domestic issues and put less effort into international issues.

Second, China's total military expenditure is six times less than that of the U.S. but the size of the Chinese People's Liberation Army (PLA) is five times as that of the U.S. troops. The PLA has made great progress in modernizing its weapons. At the parade of the 90th anniversary of the

People's Liberation Army, China has displayed the country's latest military devices including its J-20 stealth fighter jet and DF-31AG advanced long-range missiles.⁶ Obviously Chinese military weapons still lag behind the U.S. The quality of military personnel plays critical roles in modern war. China has not been involved in military war since the war with Vietnam in the 1970s. Chinese military troops not only lack the experience of modern wars and also lack integrated military exercises. In addition, war-weariness is pervasive among Chinese military due to the consequences of the One-Child Policy. The psychological quality of the Chinese military does not favor a war with the U.S.

China's corruption in the armed forces is so pervasive that it has been shrinking China's influence in the global community. By 2015, sixteen senior military officers were under investigation for accusations of corruption. These officers are at the corps level or above. Two of them are former vice-chairman of the Central Military Commission, Xu Caihou and Guo Boxiong. Military corruption deadly threatens China's security and degrades China's military capability in protecting its nation and contributes to the faith crisis of military troops. The government also fears Western societies releasing top secret information of Chinese leaders' scandals which could damage the CPC's legitimacy, e.g., Chinese corrupt officials' bank information is held in Western societies, so the CPC always tries to manage Chinese nationalism at home and military standoff abroad.

Third, the CPC is in a crisis of legitimacy. Xi's anticorruption campaign, on the one hand, helps him centralize power; on the other hand, it hurts a lot of people including officials, businessmen, and technocrats. He has realized his opposition is surrounding him and needs more power to fulfill his goals of governance. Ostensibly, Xi occupies more than ten top posts in the country's most powerful leadership bodies and it seems he has more power than Deng Xiaoping. Chinese media has

already called him “core” leader and the highest commander of the PLA. Actually, he does not have real power other than bearing more responsibilities. Although personality cult is growing around him, Xi’s policy and governance style are actually promoting opposition forces to be united together against him. When Xi is devoted to battle factions within the CPC, he might feel helpless in dealing with international issues by intensifying the confrontation with other countries.

In addition, Xi’s military reform is still in the implementation phase; it takes time to practice for a real war. Xi’s left-wing political ideology is also worsening his reputation and restricting his capability in handling foreign affairs. He is not a liberalist but a typical leftist. Ample evidences suggest that Xi is a 21st-century Mao (Bandow, 2015). He attacks liberal voices, censors the Internet, prohibits common citizens and party members from commenting on the central party, rejects the notion of constitutionalism, denounces universal value system, justifies his governance by using Mao’s slogans, and continues to reject reforming the Chinese political system. The consequences of all these actions have greatly decreased his capability in handling international issues. If China went to a war against the United States, it could cause great internal turmoil and even risk its regime collapse. In this sense, Susan Shirk calls China “fragile superpower” (Shirk, 2006), and David Shambaugh defines China as a “partial power” (Shambaugh, 2013).

6. Will the First Shot Be Fired in the South China Sea?

According to Pew poll, large majorities of citizens in nations throughout Asia believe China’s territorial disputes with its neighbors will lead to war (Allison, 2014). Is this a real alarm? The South China Sea is the maritime heart of Southeast Asia making up two thirds the size of the combined land territory of all the Association of Southeast Asian Nations

(ASEAN) states. It is home to key channels of global commerce, which has led China and the United States to a standoff in the South China Sea. While the U.S. believes that the issues of the South China Sea are an important part of the “pivot to Asia”, China asserts that it has the sovereign right to protect Chinese territory and claims the largest portion of territory defined by the “nine-dash line”. The Republic of China (ROC) created the line which first appeared officially on the ROC map in 1947. The ROC stated that the line was created to portray China’s historic water limit that was under the jurisdiction of the ROC. The nine-dash line stretches hundreds of miles south and east from China’s most southerly province of Hainan, taking up approximately eighty percent of the South China Sea.

China has long felt vulnerable from the sea since the First Opium War (1839-1842), so the post-Mao China seeks to reduce that vulnerability by extending a ring of maritime control around China’s periphery and exploring natural resources in order to solidify its leadership in the region (Dutton, 2014: 7-18). Almost the entire energy-rich South China Sea China has claimed and it “has been transforming reefs into artificial islands in the Spratly archipelago and building airfields and other facilities on some of them.”⁷ Xi Administration has accelerated building military facilities on its artificial islands in the South China Sea. Some believe China’s action of placing missile launchers and landing of a military jet on a man-made island in the disputed waters of the South China Sea have escalated the conflicts in the region.⁸

However, the South China Sea is a vital interest to the United States, and it symbolizes the United States’ commitment to its Asia-Pacific alliance partners (McDevitt, 2013: 175-187). The U.S. is “worried that China may be gearing up to launch dredging operations around Scarborough Shoal just 125 miles off the Philippine coast, a highly

provocative move that could send tensions soaring between Beijing and America's allies in Manila. Also, there are signs that Chinese vessels may be surveying the area for another land reclamation project.” (McLeary, Rawnsley, and Luce, 2016) There are two main reasons for the United States' interest in the region. The U.S. believes every country has private waters right extending 12 nautical miles of the coast, but all countries have the right to enjoy freedom of navigation in international water (Fravel, 2012: 2). The U.S. is also interested in the region economically because of a great amount of trade that passes through the waters each year. According to Fravel: “More than 5 trillion dollars worth of trade passes through these waters each year, including more than 1 trillion with the United States.” (*ibid.*) In order to maintain maritime power, the U.S. “must have ready access to bases and the resources necessary for sustainment.” (Dutton, 2014: 7-18)

The U.S. has made it very clear that “no state may arbitrarily seek to lay claim to swathes of the ocean – and reefs do not exert any justification for territorial claims, even if one builds an artificial island atop of it.” (Cheng, 2015) At the East Asia Summit, President Obama reaffirmed the U.S. national interest in the freedom of navigation, unimpeded lawful commerce, peace and stability, and respect for international law in the South China Sea.⁹ In November 21, 2015, Obama announced that the United States would continue to assert its freedom of navigation rights in the sea. The U.S. did this by sending navy and B-52 bombers near some of the islands. Although China warns that a minor incident could spark war in the South China Sea if the United States did not stop its provocative act in the disputed waterway,¹⁰ the U.S. asserts that: “We do operations like that all the time around the world. That will continue for us.”¹¹

Will the tension between the U.S. and China over the South China Sea be escalated to higher level? John McCain criticizes Obama's policy

toward the South China Sea as too “risk averse”, and suggests that “America needs more than symbolic gestures in the South China Sea” (McCain, 2016). In April 2016, Adm. Harry Harris, the U.S. military’s top commander in the Pacific suggested a more confrontational approach to counter and reverse China’s strategy in the South China Sea, and proposed a muscular U.S. response to China’s island-building that may include launching aircraft and conducting military operations within 12 miles of these man-made islands, as part of an effort to stop what he has called the “Great Wall of Sand”. Rex Tillerson warns that China must stop the island-building and should not be allowed access to islands it has built in the contested South China Sea. The Trump administration has resumed the freedom of navigation operation by sending destroyer to the South China Sea. This indicates that Washington challenges Beijing’s ambitions in the South China Sea and will not remain passive while Beijing is expanding its maritime reach (Valencia, 2017).

The conflicts between the U.S. and China over the South China Sea are still manageable. First, the South China Sea is not a flashpoint. According to Brendan Taylor, a flashpoint is a geographic area that has the ongoing potential to erupt into a sudden and violent conflict. A flashpoint consists of three elements: exhibiting a political dimension, its proximity in relation to other countries, and if they threaten to involve more powerful forces in the international community. The South China Sea does not entirely fulfill all these elements because its strategic geographic location works against it. The South China Sea is less proximate, and it does not engage the vital interest of Asia’s great powers. The South China Sea dispute concentrates greatly only on the ASEAN states involved and the conflict prioritizes the relationship between the United States and China along with Brunei, Malaysia, Philippines, Vietnam, and Taiwan (Taylor, 2014: 99-111). U.S. Ambassador to ASEAN Nina Hachigian has urged all parties to exercise

self-restraint on activities that could complicate or escalate the disputes.¹² Although the U.N. Permanent Court of Arbitration's verdict is in favor of the Philippines, China and Philippine has reached an agreement that they will not make provocative statements. This agreement could potentially deescalate the tension between China and the other claimants of South China Sea and reduce the possibility of escalating the tension between the U.S. and China as well. After the ruling by the international tribunal U.S. National Security Adviser Susan Rice's trip to China clearly indicates that the mutual interests between China and the U.S. are more important than the conflicts between the two nations.

Second, the core of U.S. policy over the South China Sea is not to create conflicts but to maintain stability in the region. The original policies of the U.S. for the South China Sea were made in the 1990s and have been modified recently. The U.S. policy persistently opposes the use of force to resolve competing claims; insists on maintaining peace and stability in the South China Sea to avoid destabilizing action, maintaining freedom of navigation to promote prosperity of the entire Asia-Pacific region, respect of international laws and principles; and takes no position on the legal merits of the competing claims to sovereignty over the South China Sea.¹³ According to international laws, the United States just cannot throw up a blockade of U.S. navy to stop China. If the United States was to take this measure, it could be looked upon as a bully.

Third, the Trump administration will unlikely continue to play the escalation "playbook" even under domestic political pressure. The recent U.S. freedom of navigation challenged not only China, but also 12 others on navigation rights, including India, Indonesia, Iran, Libya, Malaysia, the Maldives, Oman, the Philippines, and Vietnam (Alexander, 2016).¹⁴ The urgent task of U.S. foreign policy is not about South China Sea, but

about North Korea's nuclear threat. The U.S. needs China's help to solve the rising nuclear tension with North Korea. Moreover, the U.S. and China have a lot of common issues to work together. The conflict between the U.S. and China will continue but in a greater extent it will be verbal rather than practical. The U.S. would prefer not to rock the South China Sea boat (Larter, 2016).

7. Will Cyber-Attacks Trigger a War?

In the information age, on a larger scale, countries are able to remotely hurt each other by hacking into it and securing valuable information including military documents. Cyber-attacks from foreign countries are able to inflict computer virus that can disrupt and freeze networks from traffic, electricity, financial information, and mass media (Chansoria, 2012: 105-127). Cyber-attackers can launch coordinated offensive against their enemies and pose serious threats to national security. Adam Segal points out that "cyber-attacks would be used in a military conflict. Theoretically, it would allow them to concentrate resources in one place and create specialized forces, and might make it easier to plan joint operations." (Hayward, 2015) In this sense, cyber-attacks will become a key component of military action, and possibly play a large part in the next major conflict between China and the United States.

Some believe that the Chinese government is highly engaged in cyber-activity – "asymmetric warfare". Allegedly, in order to win wars in the future, China places an emphasis on strengthening and utilizing information-warfare as a means to fight enemies (Chansoria, 2012: 105-127). China's cyber-attacks attempt to obtain valuable government files on the U.S. current military strategies and future plans. The U.S. has suffered from thousands of accounts of cyber-warfare from China and the issue has been growing steadily (Segal, 2013: 38-45). Cyber-attacks

may heighten tensions between China and the United States, but they are unlikely to trigger a war between China and the U.S. First of all, it is important to understand that there is no legal definition as to when a cyber-attack warrants the right to declare a war. Since the legal definitions of cyber-attacks and how a country should defend itself are not clearly laid out, it is hard to determine what a country should do to protect itself. The U.S. legally cannot declare war on a country that is stealing solely information.

Secondly, it is difficult to identify where a cyber-attack comes from. White House Officials have acknowledged that the government is unable to accurately identify who an attacker is in cyberspace. If enough forensic resources are used for a specific incident, it can be possible to identify where the attack was originated (Taylor, 2014: 99-111). The U.S. is able to locate a certain region where the attacks come from, but the U.S. cannot declare war against China based on the fact that the U.S. are receiving cyber-attacks from a certain province or city within China (Segal, 2013: 38-45). This means that the U.S. is unable to directly prove that the Chinese government supports these attacks against the U.S. because the attacks could be conspired by the government or they could be from third parties. Due to the fact that the Chinese government repeatedly states that cyber-warfare is illegal in China and that they do not condone cyber-attacks against the United States, it is hard to blame the Chinese government for the attacks and initiate a war on China.

Third, the CPC is mainly interested in using cyber-technology to consolidate its control over the Chinese cyberspace and eliminate its opposition. Ethan Gutmann observes that: “According to Google, the Gmail break-ins were not aimed at individuals with military or business connections, but at Chinese journalists and Western human rights activists.” (Gutmann, 2010: 70-79) This suggests that China largely exercises its cyber-muscles to consolidate its control over online

activities in its own territory and silence opposition that challenges its authority instead of using cyber-strength to launch large-scale cyber-attacks against the U.S.

Fourth, small-scale cyber-attacks happen for years, but no major conflicts between China and the U.S. have arisen. John Hayward believes that “Cyber Pearl Harbor has already happened, and all that remains is to conduct a damage assessment.” (Hayward, 2015) In 2014, after the U.S. charged five Chinese army officers with hacking into private-sector American companies, China still denied the charges and warned that the case would harm U.S.-China relations. The U.S. would most likely put sanctions on China as a punishment for stealing intellectual property through cyber-attacks, if confrontation was needed due to cyber-attacks. However, it is going to be difficult to find meaningful sanctions to impose.¹⁵ American experts would worry that sanctions imposed on China would further intensify the strain on the two countries’ relations. Practically, the U.S. should invest more in and increase cyber-security in order to allow itself to be protected.

8. Conclusions: The U.S. and China Do Not Have Any Choice, but To Work Together

The above analysis shows that conflicts between China and the United States are real, but is not imminent. Without a doubt, a lot of destabilizing factors lie between the two countries. According to Yan Xuetong, “there are more mutually unfavorable interests than mutually favorable ones between China and the United States.” (Yan, 2010: 263-292) However, it is a misconception that the importance of China-U.S. relations is based on the two nations’ common interests. In fact, mutual unfavorable interests make contribution to stable relationship. Yan argues that “instability is an important characteristic of the China-US

relationship and embodies that superficial nature of the friendship between China and the United States.” (*ibid.*)

When the countries get closer to an armed confrontation, one of the most important questions that cannot be avoided is: who most likely strikes first during the military confrontation between the two countries (Friedberg, 2014). It seems that both China and the U.S. have numerous reasons to strike first which obviously is attributable to a security dilemma and intensified military competition between the two countries. Although this military competition could grow significantly in the near future, there are a number of available measures that could help to manage some of its worst aspects (Liff and Ikenberry, 2014: 52-91). One of the most important measures is to adopt a less confrontational approach and “turn their conceptualized model of a zero-sum game into a win-win strategy in order to enhance bilateral interactions” (Zhang and Zheng, 2012: 623-636). Bruce Jones believes that: “If the United States would cooperate with China, they would reciprocate.” (Jones, 2014: 156)

There are three conditions that can lead to win-win cooperation between the two countries. First, the United States needs to realize that China will surpass the U.S. sooner or later in order to develop a better model of great power relations. Lee Kuan Yew believed that “Americans have to eventually share their preeminent position with China. The U.S. cannot stop China’s rise. It just has to live with a bigger China.” (Allison, Blackwill and Wyne , 2012) Yet, the U.S. still treats China as inferior, which has created the dilemma the U.S. is facing today. Second, a healthy competition would be the most important for sustaining a stable relationship. Henry Kissinger wrote, “The inevitable tendency to impinge on each other should not be equated with a conscious drive to contain or dominate, so long as both can maintain the distinction and calibrate their actions accordingly.” (Kissinger, 2012) Third, both

countries should engage one another properly rather than isolate each other. At present, both countries are just playing each other like a game of chess and creating levels of mistrust (Sutter, 2009: 189-216). Strategic trust must be based on mutual respect. Only a deep understanding of differences and early action to bring great powers together will likely enable the United States and China to avoid a war (Rosecrance and Miller, 2014). It is not necessary for the U.S. to agree with every aspect of China, but the U.S. should learn to listen to and how to live with China. Meanwhile, the Chinese government must “improve the transparency of its military affairs, so as to reduce uncertainty and lessen the potential for misunderstanding and miscalculation.” (Kissinger, 2012)

The cooperation includes various aspects but military and economic cooperation are essential. In November of 2014 Xi Jinping proposed again “a new type of military relations” when he met then U.S. President Barack Obama.¹⁶ China hoped to open high-level talks between the two countries to avoid any conflict between the two.¹⁷ Defense departments of the two countries have signed Memorandum of Understanding (MOU) on establishing a mutual reporting mechanism on major military operations and a code of safe conduct on naval and air military encounter between the two sides. The MOU will help the two countries smoothly communicate, deepen exchanges, mutual trust and cooperation, and conduct more joint trainings and drills. The current military cooperation is still not enough to stop incidents over China’s nearshore waters. Recently, a Chinese fighter jet intercepted a U.S. Navy Poseidon sub-hunter over the South China Sea. This was not the first incident involving U.S. and Chinese military aircraft and vessels nor is it likely to be the last.

Northeast Asia is home to three of the world’s 11 largest economies. The U.S. influence in Northeast Asia has decreased while China is

sharing this economic power with the U.S (Christensen, 2006: 81-126) Economy might be the daily currency of power. This means that China has leverage over the U.S. which can be applied to other issues. Some scholars have conceptualized a “bipolar” structure in Asia: in economy, regional countries increasingly depend on China or at least seek cooperation with China; in security, many still rely upon the U.S. to provide protections. China is playing a leadership role already in the region. China is the new indispensable nation. More robust economic integration between the two countries will serve U.S. geopolitical interests and minimize the possibility of conflicts between the two countries (Tellis, 2013: 109-124).

Finally, the U.S. should promote China’s democratization while deepening military and economic cooperation. It is wise to induce China to become more democratic and respect the human rights, encourage China to become a responsible country, and promote China’s democratization. There are some cases of democracies using armed conflicts to settle territorial disputes. Pakistan-India, Ecuador-Peru, Thailand-Cambodia are examples. Some argue that new democracies are even more prone to war as their leaders may appeal to nationalism to win elections. However, the empirical evidence is in favor of the proposition that democratic states have not initiated and are not likely to initiate interstate wars against each other, are about 99% less likely to become involved in wars than autocratic states and are 100% less likely to become involved in wars with each other. History concludes that “no wars have been fought between independent nations with elective governments between 1789 and 1941.” (Ray, 1998: 27-46)

Notes

* Dr Jinghao Zhou (周景顥) is Associate Professor of Asian Studies at Hobart and William Smith Colleges in Geneva, New York. Zhou is the author of four books: *Chinese vs. Western perspectives: Understanding contemporary China* (2014/2016), *China's peaceful rise in a global context: A domestic aspect of China's road map to democratization* (2010/2012), *Remaking China's public philosophy and Chinese women's liberation: The volatile mixing of Confucianism, Marxism, and feminism* (2006), *Remaking China's public philosophy for the Twenty-first Century* (2003). His thirty-plus articles in English appear in various journals and newspapers, such as *The Journal of Comparative Asian Development*, *American Journal of Chinese Studies*, *China: An International Journal*, *American Review of China Studies*, *Journal of Asian Mission*, *Asian Perspective*, *Journal of International Women's Studies*, *Journal of Religion & Society*, *The National Interest*, *Journal of Church and State*, *International Journal of China Studies*, *China Review International*, *Asia Times*, *Global Times*, *Chinese Social Sciences Today* and *ASIANetwork Exchange: A Journal for Asian Studies in the Liberal Arts*. He has also published more than forty articles in Chinese journals and newspapers. <Email: zhou@hws.edu>

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China's Strategic Engagement with Sri Lanka: Implications for India

S. Y. Surendra Kumar*
Bangalore University, India

Abstract

The way the foreign policy of China has evolved in recent decades to consolidate its interests could be an object lesson to other countries. Initially, China's Asia policy focused on Northeast and Southeast Asia. But in recent times, South Asia has gained tremendous importance in China's foreign policy, which currently aims to maintain and promote regional peace and stability and, in consequence, sustain China's own peaceful rise. As a result, South Asia constitutes an important region for China's strategic ambit, and Sri Lanka is no different. In this context, this paper attempts to examine the growing China-Sri Lanka strategic engagement in general and particularly under President Rajapakse regime, which actually transformed the bilateral ties. India's response to deepening ties between China and Sri Lanka and President Sirisena's balancing approach towards India and China is analysed.

Keywords: *China, Sri Lanka, India, Rajapakse, Indian Ocean*

1. Introduction

The international security environment is witnessing a power shift from the West to Asia, led by the rapid rise of China and India. It is the rise of China more than that of India that has become a major concern for major powers like the United States, European Union (EU) and Japan. Economically, China has witnessed an annual growth rate of more than 10 per cent in the last two decades (presently declining). China today is the third-largest economy in the world and has also emerged as the largest trading partner of the US, EU, India and Japan. It is estimated that China's economic size will match America's by 2035 and double it by the mid-century (Xie and Page, 2010 and Keidel, 2008). China's economic growth has also enhanced its military capacity for further modernisation. Coincidentally, China's military capacity has also grown, which has helped the Chinese military to transform itself from a mass army designed for a protracted conflict on its territory to one capable of fighting and winning short-duration low- or high-intensity conflicts beyond its territory. However, since 1979, the Chinese military has not fought a protract war, thus its capabilities will be tested only during a conflict.

China has also broadened its diplomatic activities, playing a key role in international institutions, and wielding greater geopolitical influence in Asia and around the world. In the process, it has become the second most influential country in the world after the US. For instance, its role in stimulating the world economy and even resolving nuclear issues in the Korean Peninsula (North Korea) and the Persian Gulf (Iran) has been crucial (Mahapatra, 2010: 520 and Patten, 2010: 54-57). In this new order, China is becoming a more responsible player on the global stage and addressing transnational issues such as terrorism (minus its role in South Asia), environmental degradation and global warming,

energy security, international crime, international peacekeeping and nation building, public health, the stability of the global financial system, and so on (Shambaugh, 2005: 7). Thus, China to sustain its peaceful rise, is increasing its influence around the world and South Asia is no different.

2. China's Strategic Interest in Sri Lanka

Initially, China's Asia policy focused more on Northeast and Southeast Asian region. However, in recent times South Asia has also gained importance in China's foreign policy (Wheeler, 2012: 3). Moreover, as India began to look eastward, China began to look southward, to counter India's rise. In this context, Sri Lanka becomes important for China's strategic interest. Five factors are notable in having shaped China's policy towards Sri Lanka, as follows:

- (a) Sri Lanka is strategically well located, midway between the oil-rich Middle East and South East Asia. This gives China an alternative option of opening direct access to the international sea lanes of the Indian Ocean, which would enhance safe trade.
- (b) Sri Lanka is rich in natural resources like coal, iron ore, hydrocarbons, natural gas and oil, some of them are yet to be fully exploited. The region's growing economies and millions of population provide enormous potential for trade and a huge market for Chinese goods.
- (c) The Indian Ocean region provides lot of opportunity for China and also poses serious security threats like piracy, terrorism, drug, arms and material trafficking, weapons of mass destruction and so on. In this regard, Sri Lanka can act as a buffer against these threats.
- (d) Furthermore, Sri Lanka will play a very important role in China's Maritime Silk Road (MSR) initiative (it was the first country to

support the proposal). Under the ambitious plan, China plans to build a maze of Silk Roads, which includes the revival of the ancient Silk Road connecting China, Central Asia and Europe with the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. Subsequently, the MSR aims to connect various ports in the region to increase trade. Thus, these initiatives will be beneficial not just for China and Sri Lanka, but also for the South Asian region.

- (e) Above all, China's policy towards South Asia has become mainly India-centric. Over the years India has emerged as an economic power and a regional military power with nuclear weapon and missile capability, which challenges China's rise and interests in the region and beyond. At the same time, India's growing strategic partnership with the US and Japan continues to be among China's main security concerns. Thus, as the Chinese saying goes, "one mountain cannot accommodate two tigers", China is determined to prevent the rise of India, which is emerging as a competitor in Asia and beyond. To counter the rise of India, China had always supported anti-India political movements and insurgencies in India and its neighbours, even supplying them arms to dilute India's growth and influence in the region. In this regard, China has been successful to certain extent in increasing its influence in Sri Lanka, causing concerns for India.

In sum, Beijing's policy towards Colombo is aimed at increasing its own influence in the region, addressing the transnational issues, lessening India's influence and also to curb the ability of potentially hostile powers like the US and Japan to harm China's interests in the region.

3. China-Sri Lanka Deepening Relationship

The China-Sri Lanka diplomatic relationship began in the 1950s. But the relationship between the two countries dates back to AD 401, when Chinese Buddhist monks arrived in Sri Lanka (Wheeler, 2012: 9). As a result, initially, the Buddhism factor guided China-Sri Lanka relations. However, with Sri Lanka gaining independence in 1948, it began to lay the foundation for formal relationship with China, and Sri Lanka was one of the first countries to recognise the People's Republic of China (PRC) in 1950 and continued to support its accession to the United Nations (UN). To take the relations forward, in 1952, the two countries signed the General Agreement on Trade and Payment to barter rubber from Sri Lanka for rice from China. This led the US to revoke all aid to Sri Lanka, as a punitive measure for hobnobbing with a communist country. This agreement was hailed by Jiang Qinzhen, China's Ambassador to Sri Lanka, as "deeply cherished chapters in the annals of bilateral relations" (Singh, 2003: 234). The full diplomatic relations between the two countries was established in February 1957, paving the way for strong political relations. Moreover, when Prime Minister Sirimavo Bandaranaike initiated the policy of nationalising foreign businesses, which resulted in the US and UK suspending aid, Sri Lanka had no option but to look to China and Russia for aid and trade, in a way boosting the economic ties. At the same time, Sri Lanka and China signed a commercial maritime agreement to boost bilateral trade, which also led to naval expansion by China.

The developments in the 1970s further strengthened bilateral ties. In 1971 Sri Lanka co-sponsored the draft resolution that led to the PRC gaining a permanent seat in the UN Security Council. From 1972, several agreements related to aid, trade and arms were signed between the two countries, such that by 1975 China became the largest export destination for Sri Lanka. In 1982 and 1984, the two countries signed

trade agreements with a view to setting up a joint trade committee and on economic and trade cooperation. When in the late 1970s there was a rise of Tamil nationalism and the growth of the Liberation Tigers of Tamil Eelam (LTTE), China in private urged the Sri Lankan government to find a political solution to the ethnic conflict (Wheeler, 2012: 9). However, when India intervened in the ethnic conflict in 1987, which affected Sri Lanka's image and economy, China was the only country to question India's act, and continued to export arms to Sri Lanka. Thus, Buddhism, trade, aid, maritime and global issues have shaped the China-Sri Lanka relationship. Interestingly, this relationship has been deepened substantially politically, economically and militarily during the Mahinda Rajapakse regime (2005-2014).

4. China-Sri Lanka Ties under President Rajapakse

The advent of the Rajapakse regime was a turning point in the history of Sri Lanka. Under his leadership the decades of ethnic conflict came to an end, with the military defeat of the LTTE in May 2009. At the same time, the Rajapakse regime strengthened Sri Lanka's relationship with many countries, however the relations with China is noteworthy.

4.1. Frequent High-Level Visit

Under the Rajapakse regime, the political ties with China is significant, as from 2005 to 2009, there were 18 high-level meetings between China and Sri Lanka (Samaranayake, 2011:124). The year 2007 was celebrated as the China-Sri Lanka Friendship Year, to mark the fiftieth anniversary of establishing full diplomatic ties between the two countries, which boosted the ties holistically. In May 2013, when President Rajapakse visited Beijing, the two countries decided to upgrade their relation to strategic cooperation partnership, maintain high-level exchanges, expand

the scale of bilateral trade and investment, consolidate cooperation in the field of law enforcement, security and defence, expand people-to-people contact, and strengthen exchanges and coordination in international and regional affairs.¹ Overall, during his tenure, President Rajapakse visited China seven times. As a result of President Rajapakse's efforts, in September 2014 Xi Jinping became the first Chinese President to visit Sri Lanka. In the process, the Beijing Foreign Studies University signed MoUs with the Colombo University to establish a China-Sri Lanka Study Centre as well as a Confucius Institute, with plans also for a joint degree programme and scholarships. China has also offered to help train Sri Lankan public administration officials in China and so on (Jacob, 2015: 2). Thus, President Rajapakse played a vital role in strengthening the bilateral ties.

4.2. Trade, Investment and Aid

Two-way trade between China and Sri Lanka has grown rapidly, from US\$125.6 million in 1990 to US\$2256 million in 2000 (Wheeler, 2012: 12). In 2012, Sri Lanka's exports to China was worth US\$108.12 million, accounted for 1.18 per cent of Sri Lanka's exports; and its imports from China, worth US\$2568.01 million, accounted for 14.36 per cent of its imports (Kelegama, 2014). The growing trade will be further strengthened when the two countries sign an FTA, which they have agreed to do.

More than the bilateral trade, it is the growing Chinese investment in infrastructure that has enhanced China's influence in Sri Lanka. Among Chinese investments in Sri Lanka are: construction of Puttalam Coal Power Plant; Hambantota Port; National Performing Arts Theatre;² Bandaranaike Memorial International Conference Hall; Supreme Court complex; Lotus Tower; Central Mina Telecommunication Exchange; Gingang Flood Protection Scheme; redevelopment of Lady Ridgeway

Children's Hospital; and Colombo–Katunayake Airport Expressway. In 2013, China agreed to cooperate on the Colombo Port City project, a US\$1.4 billion plan to build an artificial island off Colombo, designed with malls, hotels and marinas, a project that seeks to rival Singapore and Dubai. Apparently, China was the largest financier in Sri Lankan projects in 2011, committing US\$760 million in loan, ahead of Japan (US\$413 million) and World Bank (US\$105 million) (Wheeler, 2012: 12). According to the Sri Lankan Ministry of Finance and Planning, External Resources Department, China's total investment in Sri Lanka during 1971-2012 was US\$5.05 billion, of which US\$4.76 billion, representing around 94 per cent, was invested during 2005-2012 (Kelegama, 2015).

The two vital reasons for increasing China's investment are as follows. First, China provides interest-free loans and preferential loans at subsidised rates to Sri Lanka for development of infrastructure. For instance, during 2009-2013, Sri Lanka borrowed US\$2.6 billion from China's state-owned Exim Bank for various development projects on the island like Hambantota Port, Katunayake Expressway, Norochcholai coal power plant, railway projects, northern province electricity and road development, southern expressway, electricity projects in Uva and eastern province.³ The loans are repayable over 14 to 20 years. Second, to facilitate Chinese investment, the Sri Lankan Board of Investment (BoI) has taken various steps like demarcating a separate zone for Chinese investors at Mirigama (China is the first country to have an Exclusive Economic Zone – EEZ – in Sri Lanka), establishing an investment promotion office in Shanghai, and earmarking a special five-year visa for investors (Chhibber, 2009). The BoI has also allocated an exploration block in Mannar Basin to China. In 2010, Sri Lanka agreed to buy plant and equipment from China for road construction at a cost of US\$115.8 million.⁴ As a result of Sri Lanka's pro-investor policy, the

China Merchants Group announced in August 2011 that it would invest US\$500 million in the island nation, which was the company's largest investment outside of China (Wheeler, 2012: 13).

Some argue, however, that the Chinese interest rates, ranging from 1.53 to 6.5 per cent, is much higher than what the World Bank and Asian Development Bank (ADB) charge (Wheeler, 2012: 12). Also, it is officially estimated that the current 42 infrastructure projects employ more than 1,700 Chinese workers; but according to conservative estimates, they number around 25,000, denying job opportunities to Sri Lankans and there is also the fear that many Chinese labourers might stay on in the country. Nevertheless, China's emerging as a key investor and aid provider for Sri Lanka strengthen its ties.

Furthermore, over the years, China has also emerged as the leading aid donor to Sri Lanka. China's aid to Sri Lanka was just a few million dollars in 2005, but now it is more than US\$1 billion. In 2009, China was Sri Lanka's biggest aid donor, with an aid figure of US\$1.2 billion (India, with US\$700 million in aid, came second) out of the total foreign aid received of US\$ 2.2 billion, even surpassing Britain, which provided only £1.25 million in humanitarian aid in 2008 (Fernando, 2010: 289). China's humanitarian aid is also significant, as during the Tsunami, 2001, it provided US\$1.5 million humanitarian aid, along with medical teams (Wheeler, 2012: 12). In January 2011, when Sri Lanka was affected by floods, China again gave US\$1.5 million. Overall, since 2009, Sri Lanka has received a total of US\$4 billion from China in the form of aid, soft loans and grants. Nearly 70 per cent of infrastructure projects in the country have come to be funded by Chinese banks and institutions and are being built by Chinese companies (Godbole, 2015). Thus, China has successfully boosted the bilateral ties with much needed trade, aid and investment.

4.3. *Military Ties*

In terms of military cooperation, China has been the largest supplier of conventional arms to Sri Lanka since the 1950s, supplying small arms, ammunition, landmines, naval vessels and aircraft. However, Beijing's arms sales to Sri Lanka intensified significantly during Eelam War IV, which began in July 2006. In this context, Sri Lanka signed an arms deal worth US\$37.6 million with the Beijing-based Poly Technologies for Jian-7 fighters, JY 11-3D air surveillance radars, armoured personnel carriers, T-56 assault rifles, machine guns, anti-aircraft guns, rocket-propelled grenade launchers and missiles (Hariharan, 2013: 1). It is also alleged that Beijing provided six F-7 fighter aircraft to Sri Lanka free of cost (Raman, 2008). According to Stockholm International Peace Research Institute (SIPRI), during the years 2005 to 2010, Sri Lanka was China's eighth-largest arms market. As a result, Sri Lanka still continues to repay the debts of Chinese arms companies (Wheeler, 2012: 11). At the same time, it is alleged that the LTTE also acquired China-made weapons from its sources, such as rifles, howitzers and surface-to-air missiles. This was evident from government report (2011) released by the Sri Lankan Ministry for Defence on the conflict, which contained a detailed list of weapons recovered from the LTTE, including nearly 13,000 Chinese-model rifles worth over US\$ one million (Ministry of Defense, Sri Lanka, 2009: 12).

The high-level visits by military officials have also taken forward the military ties to new level, like the Chinese Defence Minister Liang Guanglie visited Sri Lanka in August 2012. During his visit, a grant of US\$100 million was given for construction of army camps in Sri Lanka's northern and eastern provinces. In May 2014, the Vice-Chairman of China's Central Military Commission, Air Chief Marshal Xu Qiliang, visited Colombo with a large military delegation. From time to time, China has also provided military training to Sri Lankan officers,

and many officers have been placed in the National Defence University, Beijing (Wheeler, 2012: 10-11). After the Eelam War IV, China offered assistance in demining in northern and eastern provinces and provided necessary equipment and training to the Sri Lankan Air Force. Moreover, several Chinese defence companies like Poly Technologies and China Electrical and Technologies Corporation have sponsored seminars and conferences on defeating terrorism in the background of the Sri Lankan experience (Radhakrishnan, 2011:12).

Furthermore, the Chinese naval ships visited three ports in Sri Lanka in 1985, on the Chinese Navy's first visit to foreign countries. In March 2007, Chinese naval ships again visited Colombo on the way to China's first ever multilateral naval exercise with Pakistan. Chinese naval ships again visited Colombo in 2009 and 2010 on way to join anti-piracy operations in the Gulf of Aden. Thus, both the countries have successfully developed the military ties with the army, navy and air force.

4.4. Cooperation at the Global Level

Decades of close relationship has also laid the foundation for cooperation at the global level, for instance: Sri Lanka co-supported China's candidature for a seat at the United Nations Security Council in 1971; welcomed the transfer of sovereignty of Hong Kong to China and sent an official representation at the handover ceremony in July 1997; backed China's entry into the World Trade Organisation (WTO) in 2000; persuaded India in 2005 to grant China observer status in the South Asian Association for Regional Cooperation (SAARC), if it had agree to Afghanistan's entry (which India was advocating); and supported China's opposition to the 2010 Nobel Peace Prize given to Liu Xiaobo.

In response to overwhelming Sri Lankan support, China's support to Sri Lanka in global forums included – blocking a discussion in the UN

in March 2009 on Sri Lanka's last stage of Eelam War IV; rejecting, in May 2009, along with Russia and Vietnam, the strong language initially drafted by the United Kingdom, France and Australia (Wheeler, 2012: 22); voicing its concern in June 2010 over the UN Secretary General's appointment of an expert panel to investigate possible war crimes in Sri Lanka; expressing its view in April 2011 that any further international action would complicate matters and that instead Sri Lanka should be helped to stabilise its own internal and economic situation (Wheeler, 2012: 22); opposing, at the 17th UN Human Rights Council (UNHRC) session in May 2011, any international intervention in Sri Lanka and any attempt to reopen the debate on Sri Lanka's conduct at the end of the war;⁵ subsequently opposing, in March 2012, a similar resolution initiated by the US for the protection of human rights in Sri Lanka. Furthermore, China played a critical role in ensuring that Sri Lanka became a dialogue partner in the Shanghai Cooperation Organisation (SCO) and both the countries have held common position on transnational issues at the global level. Thus, the growing cooperation and reciprocity at the global level has added a new dimension in bilateral ties.

5. Why This Is Happening?

Although India had strong historical, cultural, political and socio-economic relations, several factors may be cited for the congruity of worldviews between the People's Republic of China and Sri Lanka, as follows:

- (i) China follows a policy of non-interference in the internal affairs of states, in contrast to Indian diplomacy, which is dubbed as arrogant and meddlesome. Although India is the largest investor in countries like Nepal, Bangladesh and Sri Lanka, its neighbourhood policies

are seen with scepticism and China's increased assistance is seen as a positive balancer against India. As the Indian academic-analyst Kanti Bajpai points out, "China has managed to project itself as a disinterested neighbour and a remarkably attractive alternative to big brother India" (Kumar, 2011: 83). A former Foreign Minister of Sri Lanka has pointed out that "China has never tried to dominate, undermine or destabilise Sri Lanka" ... "and has come to rescue with timely assistance on several occasions when Sri Lanka's security and territorial integrity was threatened" (Wheeler, 2012: 22). Unlike the rest of the international community, China never pressurised Sri Lanka to halt its military campaign against the LTTE or to find a political solution to the ethnic problem. Even when the former Army General Sanath Fonseka was arrested in 2010, an event which the international community condemned, China's position was that it "was an internal affair, and China has never interfered with other countries' internal affairs" (*ibid.*). Thus, China's non-interference in the internal affairs of Sri Lanka has enhanced China's growing influence in the island.

- (ii) Reciprocating China's policy of non-interference, Sri Lanka also follows a one-China policy on Taiwan and Tibet issues. Despite being a Buddhist state, Sri Lanka has denied visa to the Dalai Lama, the Tibetan spiritual leader, to visit the country ((Wheeler, 2012: 15). Sri Lanka along with Bangladesh, Pakistan and Nepal continues to give China staunch support on Taiwan- and Tibet-related matters. President Rajapakse during his visit to China in May 2014 stated with regard to one-China policy and the South China Sea dispute, "I assure you that our policies towards China have never changed and won't change."⁶ Hence, Sri Lanka has always demonstrated its sensitivity to Chinese concerns on critical issues.

- (iii) The dominant discourse on India among its neighbours in South Asia is that it behaves as a hegemonic power, a Big Brother. Events like India sending its Peacekeeping Force (IPKF) to Sri Lanka under the India-Lanka Accord of 1987 and India insisting on a political solution to the Tamil ethnic problem in post-war Sri Lanka have reinforced this perception. India's growing strategic partnership with the US is also perceived by its neighbours as a move calculated by India to continue its dominance in the region. The key to China's success in South Asia is the suspicion of India's neighbours over India's hegemonic intentions. As a result, many infrastructure projects which are in the interest of India and its neighbours are awarded to China, like the development of ports. Thus, India's efforts to have a normal relation with its neighbours continuous to be a major challenge.
- (iv) To a certain extent, India itself has given space to China by not meeting the requirements of its neighbours at critical junctures, like, for example, not selling weapons to Sri Lanka during Eelam War IV, due to political reasons; China readily filled this gap. Initially, Sri Lanka offered the development of Hambantota Port to India, but India's response was lukewarm; in consequence, the offer went to China. In recent times, India is very much obsessed with strengthening its strategic partnership with the US, Russia, EU, Japan, Australia, Israel and so on to sustain its rise, meet its energy requirements and increase its global presence. As a result, South Asia is not a top priority for Indian policymakers, which has allowed China to fill that space.
- (v) Domestic compulsions have also been a hurdle to India in terms of following a more pro-active policy towards its South Asian neighbours. Vis-à-vis Sri Lanka, for example, there is always the factor of Tamil Nadu politics to consider. In November 2013, for

example, because of the Tamil Nadu factor, the Indian government decided to send Salman Khurshid, its Foreign Minister, to represent India at the Commonwealth Heads of Government Meeting (CHOGM), instead of the Prime Minister. The Tamil Nadu government and political parties have also been pressurising successive central governments to take measures against the Sri Lanka Navy, which has been attacking Indian fishermen in the Palk Strait, and to prevent violation of the human rights of Sri Lankan Tamils. An indication of the cold relations between India and Sri Lanka is that during his entire tenure as Prime Minister over ten years, Prime Minister Manmohan Singh did not pay a significant bilateral visit to Sri Lanka, on account of pressure from the Tamil political parties. The present Prime Minister Narendra Modi also, despite the early glimmerings shown by his government of a focused South Asia policy, visited Colombo only in March 2015.

- (vi) As regards investments, India makes these conditional on policy reforms, competitive bidding, transparency attached to loans, structural adjustments, or even human rights. On the contrary China does not. Chinese companies bidding abroad are mostly state-owned and are supported by state financial institutions like the China Development Bank Corporation, Industrial and Commercial Bank of China (ICBC), China International Trade and Investment Corporation (CITIC), China Export and Credit Insurance Corporation (CECIC), and China Export-Import Bank (Manohran, 2013: 3). Their priority is strategic advantages, diplomatic mileage and goodwill gained through projects; profit is the least among their concerns.
- (vii) Furthermore, unlike India, China does not have any serious bilateral contentious issues with Sri Lanka. Subsequently, the political, economic and social problems within and between South Asian

nations and India's limitation in interfering in the affairs have offered a fertile ground for increasing China's influence through political, military and economic means. Overall, due to these limitations the Indian government lost its strategic space in Sri Lanka to China, which has compelled India to rethink its strategy in Sri Lanka and the region itself.

6. India's Response

6.1. Two-pronged Strategy

Generally, the shared history, common heritage, linguistic and cultural ties including music, art and literature and ethnic linkages have shaped India's policy towards its South Asian neighbours. India's geographic proximity, huge population, and economic and military potential wield on them a strong holistic influence not matched by any other country in the region. India's neighbourhood policy for many years has focused on pluralistic society, democratic culture, political stability, and stable economy, which are often sullied by terrorism and violence. However, in recent times, India has been concerned about the influence and presence of extra-regional powers in the region, including China (Pattanaik, 2011: 72). Many strategic analysts and policymakers in India perceive the Chinese presence in South Asian countries as a design to circumvent what was once considered as India's sphere of influence. To counter this growing Chinese assertiveness and influence in South Asia, India has to respond with a combination of rhetorical, diplomatic, infrastructural and defence-led initiatives with its South Asian neighbours without affecting its bilateral ties with China.

Where Sri Lanka is concerned, as there was little scope for India to reduce the Chinese influence due to President Rajapakse's pro-China policy which was well reciprocated by the Chinese government in terms

of trade, investment and aid. Nevertheless, the Indian government adopted a two-pronged strategy – expressed serious concerns over Sri Lanka's pro-China policy and worked towards strengthening its bilateral ties.

6.2. Expressed Its Concerns

From time to time, the Indian government has expressed serious concern about any Chinese presence or policy actions in Sri Lanka that affect its interest. The Hambantota Port project is an example. The first phase of the port has been completed by the contractor, the China Harbour Engineering Company, at a cost of US\$360 million. The project includes a high-quality passenger terminal, cargo handling, warehousing, bunkering, provision maintenance and repair, medical supplies and customs clearing facilities ((Manohran, 2013: 2). Sri Lanka has maintained that it is a project of purely commercial interest; but India is concerned that the project would enable the Chinese to have dominance over the Indian Ocean region, with a possibility of close monitoring of ships, both military and non-military, that transit between the east and west coasts of India encircling Sri Lanka. Similarly, India is particularly concerned about the telecommunication project between China's ZTE Corporation and Mobitel of Sri Lanka, worth US\$50 million, to establish 700 LTE base stations and transmission equipment and seven mobile network expansion projects. Sri Lanka has also signed a project worth US\$320 million to launch its first communication satellite with China's Great Wall Industry Corporation (Hariharan, 2013). Thus, India has expressed serious reservation over the growing China-Sri Lanka cooperation in the telecommunication and satellite areas as threatening India's security.

In response to India concern over growing Sri Lanka-China military ties, when India's then National Security Adviser, M.K. Narayanan,

pointed out that the Chinese-built radar systems that Sri Lanka was purchasing would overreach into Indian airspace,⁷ Sri Lanka pointed out that India was not in a position to sell offensive weapons or even equipment like radars and basic communication equipment and China was ready to supply them at a price lower than that of Russia (Manohran, 2013:4). Similarly, in July 2014, Sushma Swaraj, India's Foreign Minister, raised with her Sri Lankan counterpart G.L. Peiris the issue of Sri Lanka permitting the China National Aero-Technology Import-Export Corporation to establish a US\$40.3 million Aircraft Base Maintenance Centre at Trincomalee Port, that it contravened the India-Lanka Accord of 1987 that prohibited providing facilities in and around the natural deepwater harbour at Trincomalee to the detriment of Indian interests. As a result of India's concerns, the Rajapakse regime then changed the location of the Chinese facility to another area (Rupasinghe, 2014).

In October 2014, the docking of two nuclear-powered Chinese submarines at Colombo harbour triggered notifications by India to the Sri Lankan government over its security concerns. The Chinese submarine Changzheng-2 and the warship Chang Xing Dao arrived at Colombo on a five-day visit from 31 October. A Chinese submarine of a similar type had visited Sri Lanka in mid-September. This issue was raised by the National Security Adviser Ajit Doval and Defence Minister Arun Jaitley during the Sri Lankan Defence Secretary Gotabhaya Rajapaksa's visit to New Delhi. However, the Sri Lankan government dismissed India's concerns, declaring that these visits were "usual practice". The Sri Lankan Navy spokesman Kosala Warnakulasuriya told the media: "Since 2010, 230 warships have called at Colombo Port from various countries on goodwill visits and for refuelling and crew refreshment" (Rupasinghe, 2014). Overall, Sri Lankan government responded half-heartedly to India's security concerns.

6.3. Strengthening of Bilateral Ties

Over the years, India has been strengthening its relations with Sri Lanka, through frequent contacts between their Foreign Ministers and meetings between different sectors like defence, science and technology, commerce, education and so on. On the economic front, India is the largest trading partner of Sri Lanka and the trade has increased to US\$5 billion in 2015 (Dharmawardhane, 2016: 10). Subsequently, the number of tourists from India to Sri Lanka has drastically increased by 30% in 2015 and at the same time, India continues to be an important destination for tourists from Sri Lanka. India is also the fourth-largest investor in Sri Lanka and in 2010, India was the top investor in Sri Lanka, constituting more than 20 per cent of the foreign investment in Sri Lanka (Ministry of External Affairs, India, 2012).

To boost investment in infrastructure and bring about development in Sri Lanka, the Indian government extended a line of credit to Sri Lanka for a range of projects, including road and railway infrastructure, supply of locomotives, power, and village development. For instance, in June 2010, the Prime Minister of India announced a development package for Sri Lanka. This included construction of 50,000 housing units, rehabilitation of the Northern Railway lines, wreckage removal and rehabilitation of the KKS Harbour, establishment of vocational training centres, construction of a Cultural Centre at Jaffna, setting up a 500 MW coal power plant at Sampur, restoration of Thiruketheeswaram Temple, establishing an Agricultural Research Institute in the Northern Province, expanding the scholarship programme for Sri Lankan students to pursue their higher studies in India, setting up Centres for English Language Training, and providing technical assistance for the National Action Plan for a Trilingual Sri Lanka. The Medawachchiya-Madhu segment of the railway line was inaugurated on 14 May 2013;

the Omanthai-Kilinochchi segment on 14 September 2013; and the Kilinochchi-Pallai segment on 4 March 2014 (Ministry of External Affairs, India, 2012: 8). Overall, India focused more on economic and development aid in Sri Lanka, i.e., from 2005 to 2015, India committed itself to provide Rs 2000 crore (28 per cent) in grants and Rs 7000 crore in lines of credit (72 per cent). As a result, India's assistance to Sri Lanka grew from SLR 507.1 million in 2005 to SLR 5672 million in 2013 (Ministry of External Affairs, India, 2012: 11). India's growing bilateral ties with Sri Lanka have to a certain extent neutralised China's assertiveness in the region. Thus, through these development initiatives the Indian government attempted to sustain its strategic space in the island.

Apart from trade, investment and aid, Indian armed forces and intelligence wings have also played a leading role in helping Sri Lankan armed forces to defeat LTTE, by providing the valuable intelligence and limited military equipments during the Eelam War IV. In addition, parliamentary cooperation, institutional mechanisms related to trade, security, water transit and technical cooperation, cultural exchanges and so on have strengthened India's cooperation with Sri Lanka.

7. Change of Regime: *Concern for China?*

With the change of regime in India in May 2014 and in Sri Lanka in January 2015, there have been initial indications by both countries on strengthening their bilateral relations.

Initially, the Narendra Modi-led government in India made the following gestures towards bringing about better rapport with India's South Asian neighbours.

- (i) The new Prime Minister invited all the heads of the South Asian Association for Regional Cooperation (SAARC) states and

governments for his swearing-in ceremony on 26 May 2014, a gesture which was well reciprocated. The programme was also followed by short bilateral meetings between the leaders, including with President Rajapakse.

- (ii) Prime Minister Modi undertook his first foreign visit to Bhutan, Nepal and Sri Lanka, clearly indicating the importance of South Asia in India's foreign policy and strategic thinking.
- (iii) The new Prime Minister has made several statements on SAARC, such as that the grouping can be used to "improve regional cooperation and connectivity"; the need of SAARC for "fruitful regional cooperation for peace and development"; developing a SAARC satellite culture; that each country in South Asia has its own specific strength and opportunities and they should also learn from each other's best practices.⁸ The new government has also sent party leaders like Subramanyan Swami and others to meet the Sri Lankan President Rajapakse to convey India's interest in boosting bilateral ties with Sri Lanka. When a Sri Lankan court awarded the death penalty to five Indian fishermen on the charges of drug trafficking, President Rajapakse graciously commuted the sentence. Prime Minister Modi and President Rajapakse also met on the sidelines of the SAARC Summit in Kathmandu in November 2014.

Thus, the Modi government laid the foundation for a new chapter vis-à-vis Sri Lanka, which was well reciprocated by the Rajapakse regime.

In the case of Sri Lanka, the electoral victory of former Health Minister Maithripala Sirisena, leading the New Democratic Front (NDF), in the Presidential elections held in January 2015, seemingly presents a totally new complexion on India-Sri Lanka bilateral relations. Siresena during his election campaign said that he would review the

construction of the Chinese-backed port project close to Colombo, citing issues over transparency in the contract and environmental reasons.⁹ Even the NDF manifesto stated that if the party's candidate was elected, it would work to strengthen cordial relations with India, China, Pakistan and Japan, and would have with India closer relations with an attitude that would be neither anti-Indian nor dependent (Jacob, 2015: 4).

After coming to power President Sirisena took various steps which indicated halting pro-China policies such as:

- (a) The government declared that the US\$1.5 billion Hambantota Port deal would be reviewed over concerns that the Chinese contracting company was getting freehold land in a high-security zone.¹⁰ The flights to Hambantota International Airport by Sri Lanka's flagship carrier were cancelled.
- (b) President Sirisena also appointed Ranil Wickremasinge, who is known for his liberal ideology and pro-India stand, as the Prime Minister. In the run-up to the elections, Wickremasinge pledged to scrap the ambitious US\$1.4 billion Colombo Port City project, funded, built and to be operated eventually by a Chinese-lead consortium (Godbole, 2015:24). Although the project is not scrapped, the government in March 2015 ordered the review of the project.
- (c) The new Sri Lankan Foreign Minister, Samaraweera, made his first foreign visit to India. This was followed by President Sirisena making a five-day visit to India (February 2015), which was his first overseas visit. During his visit several key agreements were signed, significant being the civil nuclear cooperation agreement – but also other agreements including cultural cooperation, cooperation in agricultural sector, and facilitating Sri Lankan participating in Nalanda University Project, apart from deciding to expand New

Delhi-Colombo defence and security ties. Thus, President Sirisena's pro-India policy was well reciprocated by the visit of Prime Minister Narendra Modi in March 2015, and can be regarded as a new beginning in the bilateral ties after the defeat of President Rajapakse.

During the historic Narendra Modi visit to the Island in March 2015, both countries signed MoUs related to youth exchanges and education; construction of a university auditorium; e-visa and also visa exemptions for official passport holders and customs cooperation. Moreover, Modi announced and promised funds for building infrastructure like US\$318 million Line of Credit for upgrading the Sri Lankan railways; Trincomalee as a petroleum hub and complete 500 MW Sampur power project (Samatha, 2015: 2). At Jaffna, Modi handed around 27,000 new houses to homeless Tamils and inaugurated a train service in the northwestern town of Talaimannar. In continuation of growing ties, in March 2016 Prime Minister Ranil Wickremesinghe visited India, followed by President Sirisena's second visit to India in May 2016. Thus, the regular visits by top leaders of the two countries have strengthened the ties, which are mutually beneficial.

The deepening India-Sri Lanka relations in the recent times should be a cause of concern for China. However, China has not so far expressed its concerns in public or panic over these developments; instead it has been reacting positively. For instance, in response to Mr. Sirisena's pro-India speech during the election and upon electoral victory, China's Foreign Ministry spokesperson Hong Lei said, "Our friendship runs deep, and successive governments of Sri Lanka have had a friendship policy towards China".¹¹ On President Sirisena's visit to India, the Ministry said, "We are happy to see close and friendly development of India-Sri Lanka relations".¹² Chinese Foreign Ministry went one step forward and even proposed a triangular partnership

involving sound relations among China, India and Sri Lanka, and emphasised that it was conducive to the well-being of the three countries and to the whole region (*ibid.*).

At the same time, President Sirisena has also made conscious effort to balance its relations with China, like in February 2015, the Foreign Minister paid a two-day visit to China, followed by President Sirisena visiting China in 26 March 2015, coinciding with his participation in the Boao Economic Forum. This visit was significant, as the Sirisena government was able to clarify its foreign policy decisions vis-à-vis China and way to further strengthened bilateral ties. In April 2016, Prime Minister Ranil Wickremesinghe made his first visit to China, which not only enhanced the bilateral ties, but PM Ranil also agreed to allow China to resume the stalled infrastructure projects and went on to state that “the Port City will become a special financial and business district of Sri Lanka which will have its own laws and there will be a separate financial and legal system operating in the Port City where people can come and transact business internationally” (Samatha, 2016: 1). Several key agreements were also signed such as MOU between Chinese development bank and Central Bank of Sri Lanka; MOU for the completion of the second phase of southern highway; extradition treaty and technical cooperation agreement; MOU between National Science foundation of both the countries; kidney mobile screening project and so on (Dharmawardhane, 2016: 7). In a significant move, the Sri Lankan government in order to create more jobs, has agreed to give 15,000 acres of land to China in Hambantota, in which the China Merchants Port Holdings Company will get 80 percent stake in a US\$1.5 billion port on a 99-year lease.¹³

The compelling reasons for the Sri Lankan government to resume Chinese-funded projects in the island was to ensure that more cooperation with China would give its economy a much-needed boost.

Moreover, Sri Lanka in order to avoid major debt trap due to foreign loans, high fiscal deficit and limited foreign currency reserves is compelled to look towards China, as neither the US nor India can finance infrastructure projects as China does (Asian Development Bank, 2016). Similarly, China also realises that Sri Lanka is vital for its strategic security layout in the Indian Ocean region, more than Pakistan. In this regard, during the 2nd China-Sri Lanka Defence Cooperation Dialogue in October 2016, China gave US\$17.8 million as military assistance to Sri Lanka (Dharmawardhane, 2016: 9). Interestingly, in a significant way, China is engaging not just with the Sri Lankan government, but also with the opposition parties. For instance, China had extended an official invitation to Mahinda Rajapakse to visit the country in November 2016. The Chinese foreign Ministry defended this decision and stated that Mr. Rajapaksa was on a private goodwill visit on the invitation of the Chinese People's Institute of Foreign Affairs, a state-backed think-tank. President Rajapaksa made positive contributions to the development of China-Sri Lanka relations during his term of office (Srinivasan, 2016). Thus, the relations between the two countries are expanding on the basis of mutual interest.

In a nutshell, the Rajapakse regime had given wider strategic space to China, whereas the Sirisena regime is set to have a balanced approach between India and China. India on its part has to work towards reclaiming its strategic space that it has lost by default to China. At the same time, India needs to continue to insist that the Sri Lankan government addresses the genuine grievances of Sri Lankan Tamils and also remains sensitive to India's economic and security interests in the island. China on its part is demonstrating diplomatic savvy in taking the new developments in Sri Lanka in its stride. Thus, Sri Lanka has emerged an ideal situation for both India and China to work towards a win-win situation, rather than a zero-sum game in Sri Lanka, and also to

transform the idea of India-Sri Lanka-China trilateral cooperation into reality for the benefit of all the three countries and the South Asian region.

Notes

- * Dr S.Y. Surendra Kumar is an Assistant Professor at the Department of Political Science, Bangalore University, Bangalore, India. He holds M.Phil. and Ph.D. degrees in South Asian studies from the School of International Studies, Jawaharlal Nehru University (JNU), New Delhi. He is a recipient of Mahbubul-Haq Research Award (2008) and Short Duration Fellowship (2010). He has co-edited and co-authored books. He has contributed more than 15 chapters in various edited books and published more than 25 research articles in leading national and international journals. His main research interests are South Asian security and Indian foreign policy with reference to US and China. <Email: surendrajnu@gmail.com>
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The Tale of the Dragon and the Elephant: A Review on the Implications of Sino-Indian Border Disputes to Political Order in Asia

Reymund B. Flores*

West Visayas State University / University of the Philippines Diliman

Abstract

Asia is sitting on a tinderbox. Tensions such as involving China already grabbed enough headlines. One of which is the border dispute between this Asian Dragon with India. The formation of strong alliances and conflict escalation is very real. Rising aspirations and growing hunger for resources in a depleted continent that has been inhabited for millennia are leading to tension and instability. International system is maintained with its balanced structure, which is based on power. From the beginning of the colonial period to the height of western imperialism, and throughout the course of former colonies' national independence, territorial disputes have been a root cause of war and conflict between states. As China shares a border with more countries than any other state, it exists within an extremely complicated geopolitical environment. The continuing border dispute between China and India, for instance, is a puzzle for many. Despite six decades of attempts at resolution, the dispute persists in the face of official bonhomie and booming trade

relations between the two rising giants. This paper presents the discourses on Asia's geopolitics, particularly the Sino-Indian border dispute and multilateral politics in acquiring assorted global resources, forming regional and global identity, and political order and security issues. India and China are playing an increasingly important role in the world economy. A better relationship would boost trade ties, investments and employment in the two countries, and even augment global growth.

Keywords: *geopolitics, multilateral politics, Indo-China relations*

1. Introduction

Both China and India are great ancient countries and civilizations with a long history. They are more than just nation-states; they are large ancient civilizations that together comprise nearly two fifths of humanity. Though they represent markedly dissimilar cultures and competing models of development, they also followed similar historical trajectories in modern times, freeing themselves from colonial powers and emerging as independent nations around the same time. These two Asian giants had a centuries-old traditional friendship. However, due to numerous historical, political and economic reasons, relations between China and India were basically left at a standstill in the past few decades.

Regional economic integration is undergoing an unprecedented boom. Although Asia is a latecomer in regional economic integration, since the late 1990s its integration has been accelerating at multiple levels, with the Association of Southeast Asian Nations (ASEAN) being the hub, and ASEAN+1 and ASEAN+3 being two main pillars. During this process, the economic relationship between China and India – two countries that have experienced similar aftereffects of colonialism in their history, which are opening up their economies through similar

reforms at present, and that share long geographical borders – is attracting greater attention around the world. This process will not only affect the two countries themselves but will have a great impact on the Asian integration in connecting East Asia and South Asia and, to a greater or lesser extent, on the emerging shape of the world.

Today, both seek to play a global role by reclaiming the power they enjoyed for many centuries before they went into decline after the advent of the industrial revolution; however, both apparently views the other as a geopolitical rival. In 1820, China and India alone made up nearly half of the world income, while Asia collectively accounted for 60 percent of the global GDP. Enlightened self-interest dictates that China and India should improve their relationship. This would give them greater clout in international institutions and in negotiations with the established powers such as the US and the EU, as both two countries are complimentary powers.

2. The Genesis of 1962: Nehru’s “Forward Policy” versus Chinese Belligerency

As the two most populous nations and Asia’s two largest and most dynamic societies, China and India have become the world’s most important economies and their participation and influence in regional and world affairs has increased over time. However, the relationship between the two Asian giants has not been an easy one. The border dispute, a colonial legacy, has existed since the very beginning of the relationship between the two new nation-states, established at the end of the 1940s. The border issue is one of the most protracted and complicated problems between the two countries. It is like a mirror, reflecting the ebbs and flows of the relationship between India and China. It does not stand alone but is related to many other bilateral and international issues.

Each time other events block the relationship, the border negotiations are also prevented from making any progress (Yang, 2007).

The borders between the Indian subcontinent and China have been peaceful for thousands of years and India was among the first nations to grant diplomatic recognition to the People's Republic of China (PRC) in 1950. In 1957, China completed building a road in Aksai Chin without the knowledge of the Indians until a Chinese map was published in 1958 (Shen, 2012).

The genesis of the 1962 war can be traced to the British India's frontier legacy and developments in Tibet. The borders between India and Tibet were largely undefined and not demarcated. China's forcible occupation of Tibet in 1950–51 exacerbated regional tensions and deprived India of a buffer. Although India accepted this new reality, reflected in the signing of the 1954 Panchsheel Agreement for peaceful coexistence, the Lhasa rebellion and flight of the Dalai Lama to India in 1959 were the proverbial tipping point, leading to the souring of relations and beginning of border tensions (McMillen, 2012).

The 1914 Simla Convention between Britain and Tibet established the McMahon Line as the official border between British India and China, denying the right of Chinese suzerainty over Tibet. However, the line's namesake Henry McMahon was ordered back to London in disgrace over the "chicanery" he exercised in border negotiations in which he presented a different map to the Chinese envoy, thus distancing Britain from the legitimacy of the negotiated border. Thirty years later British cartographers began drawing the McMahon Line as the border between British India and China that revived the line's legal legitimacy (Abitbol, 2009).

Indian Prime Minister Jawaharlal Nehru launched his ill-fated "forward policy" to secure India's borders with China. Indian intelligence believed that China could not sustain a major drive across

the “great Himalayan land barrier”, reducing the incentive for India to make any territorial concessions.

Nehru believed that the Forward Policy would not lead to war; that it could only spark off sporadic border clashes (Yang, 2007). It is regretful that Mao Zedong’s strategy was not as transparent as it should have been under the Chinese ideological propaganda and their Marxist-Leninist mode of analysis (Bhattacharjea, 2001).

China began its hostile military maneuvers along India’s border. It built massive strategic infrastructure along the India-Tibet border. It sought to destabilize India’s northern frontiers to undermine its potential to assist the Tibetan nationalists in the event of a likely uprising in Tibet (Ravi, 2014). When India raised the issue of land grab, China responded by saying that the border was “not defined”. India produced ample evidence to convince China that the border was traditionally well-settled. However, China ignored all the historical evidence.

Calvin (1984) and Tharoor (2012) recounted what happened on 20 October 1962. Both of them described how Indians were overpowered by Chinese because of ill-equipped defenses. It took less than six weeks of bloody fighting for Chinese to completely drive unprepared Indian forces back behind Chinese claim lines. The Chinese had wrested control of Kashmir’s Aksai Chin plateau in the west and, in the east, near India’s vital tea-growing heartlands in Assam. On November 21, Beijing called a unilateral ceasefire and withdrew from India’s northeast, while keeping hold of barren Aksai Chin.

3. Disputing over a Complex Border

The India-China border is disputed in many unique ways. For one, Delhi and Beijing do not even agree on the length of their contested border. Delhi says the border is about 4060 km long; China claims it is only

2000 km. India contends that China is in occupation of 38,000 sq km of territory in the Ladakh region of Jammu and Kashmir; Beijing claims 90,000 sq km of territory in the eastern Himalayas that is constituted as the state of Arunachal Pradesh in the Indian Union. Beyond the large claims on territory in each other's control, there is no delineated line of actual control in most parts of the contested border. In some places the gap between competing versions of the Line of Actual Control is pretty wide, as in parts of the Ladakh region (Mohan, 2013).

A note was appended to the Simla accord that contained a map showing a part of Tibetan (Chinese) territory as Indian, based on a thick red line known as the McMahon line. Furthermore, China was barred from any rights and privileges of the Accord with respect to Tibet.

While some of the writers say that Sino-Indian border is generally divided into the eastern, middle and western sectors, the conflict is mainly over two sectors. A few small chunks of territory are largely irrelevant when compared to these two major distinct territories.

The major territories disputed between these two countries can be divided into two distinct parts:

- (1) The **Western Sector** – Aksai Chin, which lies to the east of the Kashmir valley, covering an area of about 37,250 sq.km (14,380 sq.mi) – currently occupied by China.
- (2) The **Eastern Sector** – Most of the Indian state of Arunachal Pradesh, that China calls South Tibet, covering an area of 83,743 sq.km (32,333 sq.mi) – currently occupied by India.

There are broader factors at play in the Sino-Indian relationship which foster distrust between the two, making it difficult for them to cooperate on political and security matters, in spite of their growing trade and economic interdependence (Das, 2014).

4. Negotiations and Dialogues: Approaches beyond the Borders

“To be frank, the Chinese are not an emotional people, so to some extent relations depend on the world situation. My own way of looking at this problem is that no position is static. No two countries could have been more hostile than America and China, yet they are willing to have a dialogue and even conservative Americans think that a dialogue is necessary.”

– Indian Prime Minister Indira Gandhi

“India is a great country. The Indian people are a great people. Chinese and Indian people ought to live as friends, they cannot always quarrel.”

– Chairman Mao Zedong

At the end of the 1960s and the beginning of the 1970s some significant moves had taken place to reverse the worsening relations. The top leaders of India and China had expressed their will to resume bilateral relations. On 1 January 1969, Indian Prime Minister Indira Gandhi stated in a press conference that the Indian Government would be prepared to try to find a way of solving the dispute with China through talks without any pre-conditions (Yang, 2007). However, some of the subsequent events interrupted this process. India moved closer to the Soviet Union as Mrs. Gandhi saw the threat of the emerging China-Pakistan-US triangle. India signed the Indo-Soviet Treaty and dismembered Pakistan in the third Indo-Pakistan War in 1971, thereby establishing its status as a regional power in South Asia. China regarded the Indo-Soviet Treaty as being directed against itself and Pakistan. Also in the same year, India enhanced its administrative control in the Northeast, declaring the North-East Frontier Agency (NEFA) as a centrally administered area named Arunachal Pradesh. Moreover, Sikkim was made a state of India in 1974

through a constitutional amendment. China strongly protested against India's actions in the NEFA and Sikkim. Thus, during 1971-75, the cold relations between India and China remained, but the desire for a better bilateral relationship continued. In 1976, both sides finally, as noted by Lu (2007), reached a consensus to restore ambassadorial-level relations. The exchange of ambassadors suggested that relations had emerged out of the deep freeze and entered a period of *détente*.

Since the reestablishment of their diplomatic ties in 1976, after a post-war pause, they and their relationship have in many ways had been transformed. A war in 1962 was an act of Chinese aggression most obviously springing from China's desire for a lofty plain that lies between Jammu & Kashmir and north-western Tibet.

The two countries are in many ways rivals and their relationship is by any standard vexed as recent quarrelling has made abundantly plain. One obvious bone of contention is the 4,000km border that runs between the two countries. Nearly half a century after China's invasion, it remains largely undefined and bitterly contested.

Despite several threatened dust-ups including one in 1986 that saw 200,000 Indian troops rushed to northern Tawang district there has been no confirmed exchange of fire between Indian and Chinese troops since 1967. In 2003, a coalition government led by the Hindu-nationalist Bharatiya Janata Party launched an impressive bid for peace. For the first time India declared itself ready to compromise on territory, and China appeared ready to meet it halfway. Both countries appointed special envoys, who have since met 13 times, to lead the negotiations that followed. This led to an outline deal in 2005, containing the "guiding principles and political parameters" for a final settlement. Those included an agreement that it would involve no exchange of "settled populations" which implied that China had dropped its historical demand for Tawang (*The Economist*, 2010).

Yet the hopes this inspired have faded. In ad hoc comments from Chinese diplomats and through its state-controlled media China appears to have reasserted its demand for most of India's far north-eastern state. Annoying the Indians further, it started issuing special visas to Indians from Arunachal and Kashmir. The relationship has generally soured. Having belatedly woken up to the huge improvements China has made in its border infrastructure, enabling a far swifter mobilisation of Chinese troops there, India announced to deploy another 60,000 troops to Arunachal. It also began upgrading its airfields in Assam and deploying the Sukhois to them.

Sino-Indian relations are likely to go nowhere unless the two countries are able to resolve their border issue. Having fought a war in 1962, and come close to another in 1987, they have managed to maintain peace and tranquillity there for the past 25 years and forged closer economic and political ties. But the Depsang Plains incident of April-May 2013 is a warning that a disputed border can never be a peaceful border, and it remains the principal obstacle to normal ties between these two rising Asian giants.

The deep mistrust between the two nations, caused by the 1962 conflict, was the largest hurdle to developing their relations. Hence, as the leaders on both sides decided to improve Sino-Indian relations, the opening of border negotiations was soon put on the agenda by the two governments. Lu (2007) cited three institutions had been established to negotiate the border by now.

The first institution for Indo-China border negotiations was the eight rounds of border talks at the vice-ministerial level, held annually in Beijing and New Delhi alternately from 1981 to 1987. The eight rounds of official-level talks failed to achieve any breakthrough on the border issue, but left the following significant contributions to Sino-Indian relations. First, after a prolonged interruption in India-China relations,

these talks allowed a friendly and candid exchange of views and enhanced mutual understanding between the two governments. Second, the dialogue itself eased tensions and helped to shape a negotiated solution acceptable to both sides. In addition, through official channels, the talks facilitated both sides to explore areas of exchange and cooperation in economy, trade, culture, science and technology, and the possibility of a corresponding mechanism.

The joint working group (JWG) on the border was another institution of Indo-China border negotiation. Its establishment was fostered by the Indian Prime Minister Rajiv Gandhi's visit to China in 1988, from 19 to 23 December. The JWG replaced the border talks at the vice-ministerial level to continue negotiation on the border question between Indian and China. The most significant progress made in this period are two agreements. One was the *Agreement on Maintenance of Peace and Tranquillity along the Line of Actual Control* (LAC), signed in September 1993. This agreement emphasizes that boundaries question should be resolved through consultation and collective efforts. Two, neither side would use force or threaten to use force against the other, nor undertake specified levels of military exercises in mutually identified zones. The Agreement envisaged the working out of effective confidence-building measures in the area along the LAC.

The other key agreement was the *Agreement on Confidence-Building Measures in the Military field along the Line of Actual Control*, signed in December 1996. This agreement has emphasized the reduction of military forces, limiting of tension and dangerous military activities, and also discussed about strengthening of exchanges and cooperation between their military personnel in various ways, such as establishing scheduled and flag meetings.

The Agreement also discussed the clarification of the LAC with the two sides acknowledging the need to arrive at a common understanding

of the alignment of the LAC, and to speed up the process of clarification and confirmation of the line. The segments in which both sides had different perceptions needed first to be clarified. Both sides agreed to exchange maps indicating their respective perceptions of the alignment of LAC as soon as possible.

The third institution has taken the form of the Special Representatives' Meeting. It was established in June 2003. This move opened a new phase in Sino-Indian relations. Suryanarayana (2004) explained that the Special Representatives-level talks and the JWG's work do not preclude each other. The JWG deals with the technical aspects of the border question such as the clarification of the LAC and the implementation of CBMs, as stated in the *Declaration on Principles for Relations and Comprehensive Cooperation between the Republic of India and the People's Republic of China*, while the Special Representatives' Meeting discusses the question at a political level. The major achievement of the Meetings is the *Agreement on Political Parameters and Guiding Principles for the Settlement of the Border Question* which was signed during Chinese Prime Minister Wen Jiabao's visit to India in April 2005. At present, the objective of the Special Representatives' Meeting is to work out an agreed framework for the resolution of the boundary based on the agreed political parameters and guiding principles. This framework will provide the basis for the delineation and demarcation of the India-China boundary (Yang, 2007).

Pacifism has become the most significant factor in defining the bilateral relations where both India and China have succeeded in maintaining the territorial status-quo amidst the futile acts of episodic incursions and intrusions. This feature can be seen in their convergence of interests to settle the boundary issue with rationality. Mutual intention to maintain peace and tranquillity along the disputed border exists as it serves as the cornerstone of their expanding bilateral relationship. And in

this regard the border negotiation process has provided the two countries with the platform to carry forward the peace process that needs to be mutually accommodative and beneficial, making it a win-win situation rather than a zero-sum game of relative gains. *Apart from the territorial border issue, the Special Representatives of India and China also laid emphasis on issues of mutual concern such as counter-terrorism, disarmament and maritime affairs, trade, finance and climate change, as well as regional and international issues like cooperation in the East Asia Summit, and Afghanistan.* In this way, the border talks have expanded in their vision and approach. In assessing the implications of the border talks, it can be said that though the border talks since 2003 have not led to any remarkable outcomes, yet it has succeeded in making some progress in the boundary settlement process albeit at a very slow pace. India and China have crossed the first stage where both have reached the agreement to settle the boundary question. The second stage, which has been on building the “framework for resolution of the boundary question”, has been evolving for the past eight years. Only after drawing the “framework” will the two sides be able to proceed to the third stage of the talks that entails “demarcation on maps of any framework agreement and a delineation on the ground” (Jash, 2014).

5. On Building and Rebuilding Alliances in Asia and the West

The realist paradigm of Sino-Indian relations would posit that if these two countries continue to grow in their current power trajectory, a power rivalry between them will be inevitable, given that both stand a sound chance of becoming superpowers in times to come. In contrast, the liberalist notion posits that the strategic rivalry is muted, with multilateral engagement and economic interdependence. In the interest of setting a “non-Western” vis-à-vis “multipolar world order” – as the

liberalist world foresees, China and India would think alike in a diverse multilateral context, which in due course would enhance their bilateral relations as “Asian powers” (Panda, 2013).

Champion realist theorists Hans Morgenthau and Kenneth Thompson stated long ago:

The aspirations for power of the individual nations can come into conflict with each other – and some, if not most of them, do at any particular moment in history – in two different ways ... the pattern of direct opposition and the pattern of competition.

(Morgenthau and Thompson, 1985: 192)

China and India are two countries that had been in the positions of ally and rival in modern history. Being one of the important neighboring countries of China, India’s diplomatic and military strategy holds the key to China’s security in its western border and has great impact on China’s foreign policy. China was more amenable and sensitive to India’s interests because of India’s growing relationship with the United States (US), Japan and the countries of Southeast Asia. Alternatively, one should also watch carefully the changing dynamics among major powers as a result of the Ukraine crisis and the worsening relations between Russia and the West. On balance, China appears to be a net gainer with both Russia and the West seeking its neutrality, if not support. For India, the choices are more difficult.

India has watched China’s phenomenal growth in economic and military spheres with both envy and alarm. If there is one single lesson that New Delhi’s security analysts have drawn from the 1962 war, it would be this: power and strength are the only ticket to the club of great powers. For many of them, the very fact that China continues to lead India on many indicators of power poses a greater threat than its military

defeat more than forty years ago (Yuan, 2005). On its side, China is paying close attention to India's growing military power and its nuclear and missile developments. Beijing is wary of New Delhi's eastward strategy of developing greater economic and military ties with Japan and the ASEAN countries.

India's consistent official policy has been to disallow anti-Chinese activities by Tibetan refugees on Indian soil. In practice, India has allowed the Tibetans to run a government-in-exile, the Central Tibetan Administration. Indians have their reciprocal fears arising from Chinese military presence on the Tibetan plateau, history and future uncertainties. The true extent of China's military presence in Tibet cannot be gauged, given the extreme secrecy surrounding information about the People's Liberation Army (PLA), but rough yet differing estimates are available (Margolis, 2002, and Norbu, 2001).

Historically speaking, there have been difficulties for both China and India to handle each other's sensitivities. There is a geopolitical element in the perception making, because the two Asian powers are neighbors. When they were weak, the problem was already there. Now they are getting more powerful, the problem will still be there.

With the passage of time, the traditional warfare and conventional weapons have given way for nuclear warhead to become a deterrent weapon in the global world. While the military power was associated with the nuclear weapons, this technology proliferated beyond the "nuclear-weapon states". Nuclear tests were conducted by India, Pakistan, and North Korea. Muhammad and Muhammad, in their "Review of Indian nuclear program" (2012) in relation to regional hegemonic aspirations of India, believe that this is a matter of great concern as the growing nuclear club has certain implications for several regions in the contemporary world. The South Asia has very strategic location and its strategic worth has been further materialized by the

acquisition of nuclear technology by India and Pakistan. Even though it has been declared by both states that the weapons meant for deterrence not for use, this assertion does not undermine the severity of the case. The long history of mutual hostility and distrust has not only fuelled the arm race between the rivals but also has earned the alliances from the nuclear club. The triangular strategic milieu between India, Pakistan and China along with the strategic location of the region has become imperative in the new world order.

India and China, both heirs to ancient civilizations, have emerged today as the two most powerful and influential Asian nations in terms of their economic capabilities and geopolitical standing. The two erstwhile adversaries have recognized the need for casting off the baggage of history and residual mistrust and have embarked on the path of forging a new pragmatic partnership. There are two mutually reinforcing components to this new partnership. One, both continues to have a vested interest in a peaceful neighborhood to focus on an uninterrupted process of economic and technological progress and to sustain their steady rise as important centers of power. Two, there is a greater understanding on the part of both China and India that cooperation could work to their mutual advantage and benefit. Any conflict between the two would not only jeopardize their national security, but would also have serious implications for their regional and global security perspectives. It would also go a long way in positioning Asia as the fulcrum of the future world order, a prospect which would only be in their long-term economic and strategic interest (Jetly, 2010).

The potential for China-India rivalry in Asia is writ large on three specifics: *resources*, *identity*, and *power politics*. Apart from their territorial integrity, the quest for strategic resources and forming their respective regional and global identity as future powers have received the highest priority in their domestic as well as foreign policy

stratagems. Exploiting energy resources around the region has become the topic of their multilateral substance. Partaking with various regional bodies has become another crux of their foreign policy index. Though there have been constant interactions between them in the regional multilateral settings, hedging each other in multilateral power politics still remains the most vital determinant of their relations. It needs to be noted in this context that geopolitics of the current century is more than a zero-sum game. Power rivalry and competing cooperation are two facets of bilateral relations, and that is clearly noticed in China-India politics at the Asian level. Both Asian countries are aiming for “*pan-Asian leadership*” at the regional level (Niazi, 2006); hence, relying on *multilateral settings and sub-regional power alliances remain the two most effective and attractive medium in their regional strategic context.*

6. The Rise of China to World Power

The rise of China will undoubtedly be one of the great dramas of the twenty-first century. China’s extraordinary economic growth and active diplomacy are already transforming East Asia, and future decades will see even greater increases in Chinese power and influence.

Sujit Dutta, in his paper *China’s emerging power and military role* (1998), explained that the growth in China’s overall national power, including its military capabilities, and how China’s leaders will employ this power will have far-reaching implications for Asia and the world. China is not only the largest state in the world in terms of population but is many times larger than all other states, except India. Rapid and sustained industrialization and modernization over the next two to three decades is likely to transform this largely agrarian state into a powerful entity, given sheer demographic realities. Power in the Chinese case has a strong military component, since modernization of the armed forces

and the military-industrial complex is an important goal for China. The Chinese leadership's commitment to build comprehensive national power (CNP) is a major factor shaping the stability and security of Asia. In addition, China's nuclear weapon capability, its permanent status in the United Nations Security Council (UNSC), the large size of its armed forces and the crucial role the People's Liberation Army in its neo-authoritarian political system and national security policy-making give it a special place in the Asian security and strategic order.

Some observers believe that the American era is coming to an end, as the Western-oriented world order is replaced by one increasingly dominated by the East. The historian Niall Ferguson, as cited by Doninowska (2014), has written that the bloody twentieth century witnessed "the descent of the West" and "a reorientation of the world" toward the East. Realists go on to note that as China gets more powerful and the United States' position erodes, two things are likely to happen: China will try to use its growing influence to reshape the rules and institutions of the international system to better serve its interests, and other states in the system – especially the declining hegemon – will start to see China as a growing security threat. The result of these developments, they predict, will be tension, distrust, and conflict, the typical features of a power transition. In this view, the drama of China's rise will feature an increasingly powerful China and a declining United States locked in an epic battle over the rules and leadership of the international system. And as the world's largest country emerges not from within but outside the established post-World War II international order, it is a drama that will end with the grand ascendance of China and the onset of an Asian-centered world order.

The United States' "unipolar moment" will inevitably end. If the defining struggle of the twenty-first century is between China and the United States, China will have the advantage. If the defining struggle is

between China and a revived Western system, the West will triumph (Ikenberry, 2008). In recent years, Chinese development is regarded as a challenge to American system. Ikenberry (2008) believed that the West would try every way to induce China to accept rather than forcing it to challenge the Western order. Here, Western order may be thought as the international game rules stipulated and directed under the Western Values. China may eventually replace the United States and emerged as a new superpower. The West may see no problem with China emerging as new superpower under the Western order, but it would be quite serious if China wants to be a leader in values and turn the Western order down. However, Western value and system is hard to be moved and most Chinese people do not have allergic defiant thought in their conscientiousness. Influential Chinese thoughts such as Confucianism, Taoism, and Buddhism do not teach excessive sense as nervous confrontation since there is no such confronting construction as that between good and evil, believer and pagan. Thus, final decisive battle, generally, is more likely a Western thought (Wan, 2011).

As it faces an ascendant China, the United States should remember that its leadership of the Western order allows it to shape the environment in which China will make critical strategic choices. If it wants to preserve this leadership, Washington must work to strengthen the rules and institutions that underpin that order -- making it even easier to join and harder to overturn. U.S. grand strategy should be built around the motto "The road to the East runs through the West". It must sink the roots of this order as deeply as possible, giving China greater incentives for integration than for opposition and increasing the chances that the system will survive even after U.S. relative power has declined.

China is expected to become increasingly active and assertive in South, Central, and West Asia, and in the Indian Ocean regions – areas that are less important to its preoccupations today (Dutta, 1998). India

needs to take necessary steps now to match China in techno-economic terms, so as to thwart any negative fall-out to its security and well-being. Close defense ties with the Western powers, Russia, and extensive political, economic and selective defense ties with the Gulf States and Central Asia, ASEAN (including Myanmar and Indochina), Japan, and Korea, will become important in creating a positive external security environment. Joint military exercises, co-production and collaboration defense R&D with the advanced industrial world, and selective arms exports will also be major components of such a strategy. Concerted and coordinated efforts will also be needed to rapidly enhance the country's overall power and diplomatic role so as to face challenges posed by the major and even some minor powers.

7. The Role of India

For Grant (2008), tensions between Delhi and Beijing are unlikely to lessen, unless they can somehow find an accommodation on their border disputes. India is likely to maintain friendly relations with Washington, and that will continue to cause concern in Beijing. However, if China took a more positive attitude to reform the United Nations Security Council, so that Japan and India could become permanent members, it would help to create a positive climate in India-China relations.

India's relationship with Russia is much less important than it was during the Cold War. There is very little non-military trade between the two. India continues to buy Russian armaments, but the military ties seem to be declining in importance. India sometimes wants US weapons in preference to those offered by Russia, which does not go down well in Moscow, and the two sides have been sparring over the price of an aircraft carrier that Russia is due to sell to India. One problem for the economic relationship is the lack of an overland route for trade between

them (Pakistan does not allow transit).

Politically, relations between India and Russia remain quite good. Some Indian strategic thinkers see Russia as a potential element in their strategy for preventing Chinese dominance of Asia. Sino-Russian/Soviet relations are characterized by ups and downs. In 1950 they signed the Treaty of Friendship and had a honeymoon period for a decade. However, by the late 1950s, the differences in national interests and ideologies emerged, leading to serious disputes in the early 1960s, which developed into acute conflicts and border clashes in 1969 (Chandra, 2010). Chinese nuclear bases were threatened, and China was forced to improve its military strength. This, later, created face-to-face military tensions and threats between the two countries.

Indo-Russian front is moving satisfactorily and is well-tested. However, in recent years, after the improvement in Indo-US relationship and India's bid to diversify its defense acquisition process, there was palpable strain in India-Russian relationship. While Sino-Russian front is manageable, the history of vicissitudes in their relationship due to border disputes, ideological clash, and fight for dominance had remain to be a challenge. Yet, the biggest challenge is within the mistrust prevailing at the Sino-Indian front. On a positive note, efforts are on from the both sides to shed the previous differences and move forward to start a fresh beginning. India's relations with the European Union (EU) have been mainly focused on the burgeoning trade and investment relationship. But not many Indians see the EU as a strategic partner, largely because of its inability to reach a united position on the issues that matter to India, such as reform of the UN Security Council and the India-US nuclear deal, Grant (2008) further explained.

India sees itself as a stabilizing force in Asia and it is the central power that binds South Asia as a strategic and geographic unit. Its success as a modern, powerful, secular and democratic state would

strongly constrain the growth of fundamentalism, militarism, and hegemonism, and promote the formation of a cooperative, peaceful and law-governed order in the region. India has vital political, economic, and security interests in the region spanning the Gulf, lower Central Asia, the Indian Ocean, China, and Southeast Asia. India's large size; its democratic, secular, and federal polity; its growing need for oil, technology, markets, and capital; its vast market and economic potential; and its technical and military power make it important for the well-being of the rest of Asia. A powerful and prosperous India will also serve as the engine of change for the largest population concentration in the world – in South Asia (Dutta, 1998).

8. The Rise and Maturity of the Asian Giants: “*The Dawn of Asian-Pacific Century*”

“People should ask what India and China can learn from each other, but not who can get ahead of the other.”

– Indian Economist and Nobel Prize winner Amartya Sen

Asia faces many serious obstacles to a continued rise. It must cope with entrenched territorial and maritime disputes; harmful historical legacies that weigh down its most important interstate relationships; increasingly fervent nationalism; growing religious extremism; and sharpening competition over water, energy, and other resources. Moreover, political integration in the Asia-Pacific lags behind economic integration, and, to compound matters, it lacks an adequate regional security framework.

The geopolitical determinist would argue that the stage for the 1962 border dispute was set from the start; because the northeast and northwest extremities of India's Himalayan border with China lacked buffer states, and the two would eventually come into conflict. However,

this oversimplifies the events that led to war. Domestic politics and national pride played a key role in China's decision to go to war in 1962.

The writer of *The Great Game: Imperial origins of the 1962 Sino-Indian War* argued that as both China and India become increasingly powerful players in world politics, the border issue is increasingly important. Though Aksai Chin and Arunachal Pradesh remain disputed territories today, continuing talks and confidence-building measures working toward reducing tensions have taken root. China and India continue their security and foreign policy dialogue started in 2005 related to the dispute over most of their rugged, militarized boundary, regional nuclear proliferation, and other matters.

Experts point out on how the Asian power politics is currently under a “profound change”, and the “rise of China is the principal cause” along with other factors like the rise of regional multilateral institutions (Shambaugh, 2005). In a way, the prime geostrategic regions in Asia are becoming interwoven in a network of power politics, where China and India are the principal actors. Three major sub-regions may be taken as examples in this context: *Southeast Asia*, *Central Asia* and *South Asia*. Corresponding to them are three principal sub-regional or multilateral settings: ASEAN, Shanghai Cooperation Organisation (SCO) and South Asian Association for Regional Cooperation (SAARC), where both China and India are involved with each other in a spectrum of power politics. A case-by-case analysis will expound this thesis, though it suggests that China has emerged as the predominant power with evocative security interests with these regions and their corresponding multilateral bodies.

Southeast Asia, with its economic and resource strength, is a vital strategic region for both local and great actors' power projection. It has been argued that “position between two of the regional economic, political and military powerhouses – India and China – has made the

relatively affluent region even more crucial in geopolitical terms” (Swanstrom, 2008). Southeast Asia is also known for the economic weight of the ASEAN.

Egberink and van der Putten (2010) said that compared with other multilateral bodies, the role and influence of ASEAN is limited geographically, and particularly over various security issues. Both China and India are influential powers in ASEAN-led Southeast Asian politics. Three specific issues attract China and India to the Southeast Asian region: (a) pushing the regional situation to sway trade and economy in their own favor; (b) the South China Sea dispute; and (c) exploiting the resources in Myanmar (Burma).

Clubbing together with ASEAN has been a principal policy priority for both China and India. At present, while China is clubbed with it under ASEAN+1, ASEAN+3 and ASEAN+6 frameworks, India is clubbed only under the ASEAN+6 framework. Compared with India, the Chinese have always enjoyed closer contact with the ASEAN through a versatile policy strategy in the Southeast Asian region that includes a variety of economic, political and cultural linkages. Officially, China wants to promote and has asked for “ASEAN’s leading role in regional cooperation” in East Asia under ASEAN+1 or ASEAN+3 frameworks. Beijing has developed and pushed for a range of “practical cooperation” in the field of infrastructure, connectivity, trade and economy, capital and information, transport and people-to-people exchanges.

India’s engagement with ASEAN and with the region goes back to 1991, when it introduced the “Look East” policy, but this relationship was limited to trade and economy, ignoring the security aspect. India too has signed a Free Trade Agreement (FTA) with ASEAN recently. India is also a dialogue partner of ASEAN and a member of the ASEAN Regional Forum (ARF).

For both China and India, the primary contention in their engagement with ASEAN is: *who will have an edge in ASEAN-led regional politics?* Both are concerned about the geographic scope of the Asian community building. Chinese commentators are worried about India's recent revitalized approach towards ASEAN and Southeast Asia. India's concern lies in the fact that Southeast Asia is the gateway for Chinese shipping to Indian Ocean Region (IOR). Given the rising maritime drive between China and India, Southeast Asia is one region where both want to consolidate their position, perhaps through security multilateralism.

It seems that, *as both nations mature, they are much more capable in their diplomatic dealings with one other.* It is, however, crucial that policymakers consider issues of territory from the perspective of their counterparts and take into account the constraints of national pride on domestic politics.

As is known to all, before the 18th century China and India were the first of the world in development of both cultural and material civilizations. Only after being invaded by imperialist and colonialist powers did they decline. Now, Asian countries including China and India have realized that they should not only politically safeguard national sovereignty and independence, but also economically get rid of poverty and keep pace with developed countries. Wang (2011) in the analysis of the economic prediction reports for China and India said that whether it is China or India will be the biggest economic body is not important. What is important is both China and India will achieve great development.

In talking about the future of Sino-Indian relations, Western scholars always take much delight in foretelling the competition and confrontation between the two countries. They think that China and India cannot escape the fate of contending with and opposing to each

other, because they think that China and India, as countries, each with a large population and vast territory would be naturally proud of their brilliant history and each would try to be the leader of the third world. If there is any competition between the two countries, Wang (2011) added, it should be the competition each country has to face in the market economy of the world. However, the competition is not the mainstream of the two countries. The competition in business is positive for it will improve the quality of goods and the level of business management.

At present, China and India are facing the challenge of how to bring their big population and wide territory into full play in the world.

Now, China and India are practicing a foreign policy of independence. They not only do not allow any country to interfere in their domestic affairs, but also strive to play a leading role in solving the important problems such as human rights, environmental protection, talks between South and North, and maintenance of regional and world peace and security through their close cooperation.

Though they are still emerging powers, the future will belong to them (Wang, 2011). The so-called “Asia-Pacific Century” or “Asian Century” should be the century in which China and India will enjoy common prosperity. The rise and cooperation of the Chinese and Indian peoples of more than two billion is the true guarantee for the coming of the “Asia-Pacific Century”.

Note

- * Reymund B. Flores is a Doctor of Public Administration candidate in the National College of Public Administration and Governance, University of the Philippines Diliman. He is presently working on his doctoral dissertation on collaborative governance and cross-sector collaboration with a scholarship grant from the Philippine Commission on Higher

Education. Also, he is a junior faculty member of the Social Science Department, West Visayas State University in Iloilo City, Philippines. His teaching responsibilities include Fundamentals of Political Science, Government and Politics of Southeast Asia, and Civil Society and Social Movements in the Philippines; and his research interests and publications involve East and Southeast Asian studies and political development, collaborative governance and state-civil society engagements. <Email: greatmund@gmail.com>

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***Global Footprint and
International Recognition***

The Economic Dimension in China's Foreign Relations: Reflections for China Studies in the Philippines⁺

Tina S. Clemente*

University of the Philippines Diliman

Abstract

This essay elucidates the economic dimension of China's foreign relations in aid of gleaning critical reflections on how China Studies in the Philippines can better consider China's development experience and the Philippines' economic engagement with China. Whether Philippines-China relations are tense or warm, the discourse on bilateral ties is dominated by interrogations from the vantage points of international relations, diplomacy, politics, and security analysis, which feature peripheral content on economic analysis even when improving economic linkages is invoked as a focal point of relations. Meanwhile, existing economic studies that touch on the bilateral relations do not have the interdisciplinary or area studies approach that must underpin the analysis. Employing a qualitative research design that involves content analysis, key informant interviews, and comparative reflection, the essay begins with an overview of how China's development strategy has shaped its foreign relations. The essay opens with a brief overview of

how China's development strategy evolved since 1978. The next section focuses on innovations in foreign relations and China's grand new initiatives. What follows is the section on China's need for further development, which consists of a discussion on inclusive development issues and resource demand. The fourth section underscores insights for China Studies in the Philippines. The essay ends with closing remarks.

Keywords: *Philippines-China, foreign economic relations, China Studies in the Philippines*

1. Introduction

Ever since the beginning of the reform period, China has applied strong collective leadership in coordinating among the economic reform strategy, the power dynamic of actors in the decision-making process, and foreign economic relations (Shin, 2012; Lai and Kang, 2012). China was single-mindedly resolved that economic development is not only important in alleviating living standards, but it is also integral to strategic power (Harris, 2014). In aid of policy survival over a long period, economic reforms had to be institutionalized (Heilmann, 2010) and foreign policy had to be complementary in striving for foreign relations that would be conducive for China's development objectives. As the reform era proceeded, China re-introduced itself to the international community and cultivated friendly relations with neighbors and international institutions for economic governance (Kreisberg, 1989). China emphasized the Five Principles of Co-Existence,¹ which communicated consistency in the mutually beneficial and non-threatening desire for peace, stability, multipolar global political landscape and global development (Wang H.-J., 2013; Lu, 1999; Zhu Z., 2013). From 1989-1997, while China constructed the so-called socialist

market system, challenges to the pragmatic outlook rose amid an increasing economic liberalism. Central planning faced the challenges of consolidating decision-making on foreign trade and managing protectionist domestic sentiment while reaping the benefits of globalization and ensuring greater autonomy among enterprises. A balancing act was needed in attracting foreign finance and maintaining internal stability through gradualism in sociopolitical reforms, which were heavily scrutinized.² After the 1997 Asian Financial Crisis, China sought sustainable and peaceful development while globalization and regional integration became stronger in the global economy. Worries and skepticism about China's growth sustainability intensified and demand for critical resources increased considerably (Lai and Kang, 2012). China pushed its diplomacy with Association of Southeast Asian Nations (ASEAN) as it recognized the need for cooperative frameworks for exports, critical supply chains, and foreign direct investment inflows, as well as support for the One China policy (Zha, 2015; Lu, 1999; Zhu Z. , 2013). China recognized that ASEAN was an immediate neighborhood in which economic entrenchment would yield fruitful economic and political benefits.

2. Innovations and New Initiatives in Foreign Relations

In terms of foreign policy decision-making, the party, the government, and the military remain to be the main players in China (Zhao, 2012). However the extent of flexibility is evident in instances of generational, institutional, and ideological innovations (Heilmann and Schmidt, 2014). For instance, China has pursued twinning arrangements between its cities and those of other nations in Southeast Asia. China's central government urges local units to pursue international economic exchanges (e.g. Guangdong with Southeast Asia; Fujian with Taiwan;

Yunnan with Myanmar and Laos; Guangxi with Vietnam). Local governments initiate foreign trade with cities, provinces, state-owned enterprises (SOEs), and transnational companies. Coastal governments are proactive in pushing their interests abroad. But when tensions over strategic issues boil over, foreign policy decision-making tends to be centralized and run by a few advisers. A considerable measure of secrecy still exists in foreign policy even among policy thinkers from academic circles (Lai, 2010). In critical industries with foreign policy implications such as energy, the restructuring of many SOEs, e.g. Chinese National Offshore Oil Corporation (CNOOC), has led to a large measure of autonomy, underscoring the notion of expanding plurality in decision-making processes (Jiang, 2010). The role of Chinese think tanks also deserves attention as a form of flexibility. These semi-academic organizations, that are largely attached to the government, have a larger space of participation in consultations, internal reports, and conferences (Zhao, 2012), despite doubts on the extent of their influence (Glaser, 2012). At any rate, Chinese think tanks function as public diplomacy conduits, engage in epistemic communities or aspire to be independent experts with the capacity to contribute to transforming foreign policy thinking (Rozman, 2012; Lanteigne, 2013). On top of these, it is noteworthy that the various institutes of think tanks help facilitate decentralized development across provinces while maintaining tight correspondence with the objectives of the Communist Party of China (CPC). Think tanks do not merely aggregate information for the central planner in Beijing. They are empowered enough in the provinces to even influence economic engagement with foreign nations (ZY, 2016).

Regarding China's new grand initiatives, the Chinese Dream is the newest incarnation and catchword for China's vision of its ascent. As a key informant posits, since it is no longer communist ideology that unites the party or ensures social cohesion, Xi Jinping needs to invoke

continuity from the sense of nationalism of Deng Xiaoping's leadership to the current effort of restoring China's greatness through the Chinese Dream. Part of the core interest of transforming China into a great power is the redemptive aspect of recovering territories that were lost when China was weak (CS, 2015). The Chinese Dream not only rises above the frenzy of reform slogans, but it embodies China's quest to produce a new era of economic superlatives.

While the Chinese Dream draws from preceding visions, it is distinct in its context, which is shaped by decades of remarkably high and sustained growth coupled with the present challenges of domestic development. China now sets its sights on The Four Comprehensives as the strategic blueprint for development intended to realize the Chinese Dream. The blueprint seeks to (1) build a moderately prosperous society, expressing continuity with Zhou Enlai's 1963 vision of the Four Modernizations (enacted by Deng Xiaoping in 1978); (2) deepen reforms, addressing the disparity between growth and social development outcomes; (3) implement the rule of law, addressing the inefficiencies of the public sector; and (4) strengthen party discipline and address the need to put a stop to corruption (Floracruz, 2015).

To operationalize these aspirations amid China's growth slowdown and strengthened attention on supply-side reforms, the One Belt One Road (OBOR) and the Asian Infrastructure Investment Bank (AIIB) have come into play as part of the most stupendous attempt to bring China's development and economic diplomacy onto a new plane. On one hand, these grand initiatives reinforce China's pronouncements on shared prosperity, regional stability, and a community of common destiny. On the other hand, China's increasing expression of its military and political muscle qualifies these aspirations. Key informants see that each province in China will maximize the Belt and Road, in aid of spurring new growth engines as well as addressing industrial

overcapacity. The investments are perceived to entail varying combinations of commercial and strategic objectives (CS, 2015; RL, 2015), the latter ranging from geopolitical harmony to technology transfer from foreign companies (Economy, 2010). The AIIB financially underpins the OBOR and takes advantage of the need for more infrastructure spending among developing economies. The Asian Development Bank, for instance, can only lend about 1.5% of USD 8 trillion for infrastructure needs of developing countries in 2010-2020. For its own utility, through the AIIB, China can improve its foreign exchange management leverage (Zha, 2015; JY, 2015), facilitate the internationalization of the renminbi, export Chinese labor in AIIB-funded contracts, and enforce discipline over China's own corporations operating abroad (Zha, 2015). As China goes towards more internationalization and global integration, it needs to be more transparent while still sensitive to the CPC and China's domestic publics (Godemont, 2012). In terms of international image building, the AIIB generates a positive reception among countries, contrasting with the flak from moves such as the large-scale land reclamation in the disputed maritime areas (Wan, 2016).

The OBOR tends to entrench China's geoeconomic leadership in the region, buying its military more time to increase capability (Miller, 2015). As economies partner with China in infrastructure deals that encourage trade, the likelihood of a more cooperative foreign policy increases, especially with states that China has tensions (Flores-Macías and Kreps, 2013). For some foreign relations experts, the initiative is a major iteration of China's use of economics in acquiring loyalties through a web of bilateral ties (CS, 2015). China's structural shift and increasing emphasis on non-trade aspects of international economic engagement affect the politics of multilateral trade agreements as well as bilateral infrastructure arrangements. Despite the rhetoric of how the

Trans-Pacific Partnership (TPP) was intended to contain China, the fact that there is much to learn from TPP as a so-called gold standard in Free Trade Agreements (FTAs), compared to the Regional Comprehensive Economic Partnership (RCEP), is not lost on China's thinkers despite the fact that TPP now is in shambles given the US withdrawal. Technically, China could have joined the TPP but the conditions for inclusion and invitation that other developing countries likewise face impede China's joining. China supports the RCEP but, as an expert informant posits, it also recognizes the lower relative gains from trade and other developing countries' difficulty in maximizing FTAs (HP, 2016). Before the decision by the Arbitral Tribunal that was constituted under Annex VII to the United Nations Convention on the Laws of the Sea,³ some foreign relations experts in the Philippines saw these grand initiatives as harmless, only needing clarification that such engagement will not interfere with the Philippines' defense of its maritime claims (RL, 2015; CP, 2015). The reality is, China will continue efforts to create an international environment that favors its development mode while deriving the political benefits. Gains of partner economies will ultimately depend on how they define and shape their participation in such an environment (Hung, 2015).

3. China's Need for More Development

Since 1978, the CPC has been negotiating political legitimacy by generating high economic growth and managing the rise of China's stature (Lai, 2010). China's unparalleled feat of high and sustained growth during the post-1978 reform era made it the country to watch for several decades (Zhu, 2012). Even with remarkable growth for more than three decades, making China the world's second largest economy, a continuing desire for high growth in the face of gaping development

needs raised the risk of overheating. Structural imbalances have challenged the optimism that buoyed the China model (Gilboy, 2011; Hou, 2014; Huang, 2011). Critics have repeatedly articulated the possibility of a hard crash landing but China has been deftly managing the slowdown, with public acceptance of slower growth as the New Normal – a natural progression rather than the picture of a declining economy. While there are notable reforms in research and development, innovation, and strategic industries, the matter of inclusive development remains to be a nagging question (Wang, 2014).

Within the second decade of China's reforms, the poor in the rural population was reduced from 600 million in 1995 to 80.5 million in 2007 while that of the urban population was reduced to 6.9 million. On the other hand, the middle class, comprising the lower, middle and upper-middle sub-categories in both rural and urban populations, ballooned. The result is a notable shift from a bottom-heavy income distribution, with the base being dominated by rural poverty, to an income distribution that has the middle-middle class posting the biggest increase in size among sub-categories (Asian Development Bank, 2010). Also, the purchasing power of the middle class was a boon to the world economy in the aftermath of the global financial crisis in 2008.

Spatial distribution of economic development within and across regions in China remains highly uneven. If social security transfers were taken into account, the urban-rural gap would have been wider (Li and Luo, 2010). Aggressive interventions are still needed in poorer regions involving instruments such as public services, fiscal transfers, taxation, and investment (Wei, 2014). Rebalancing should lead to an increase in household incomes as a share of GDP (Pettis, 2013), which would then support efforts to alleviate income disparities, especially between provinces in the interior and provinces in the coast that have relied on exports (Riskin, 2010). Poverty, measured by the proportion of the

population below USD 3.10 (PPP) a day, dropped from 67.2 per cent in 1999 to 11.1 per cent in 2013. However, the ratio between the highest 20 per cent and the lowest 20 per cent income groups is 10.1 while the Gini coefficient is 0.421, both based on 2010 figures (Asian Development Bank, 2016: 111-112). To make matters worse, alarming pollution levels exacerbate multi-dimensional poverty and inequality. Any advantage gained from competitiveness is posited to be entirely cancelled out by pollution-motivated social costs, such as health effects (Cáceres, 2014). It is noteworthy that aside from CO₂ emissions, which get reported the most, China has incomparable nitrous oxide emissions in the world. This dangerous greenhouse gas has an estimated 114-year atmospheric lifetime. Within a century, the emissions will have a per kilogram warming potential of 310 times that of carbon dioxide (Asian Development Bank, 2016). The implication of the state of environment on regime legitimacy is often overlooked while the deteriorating environmental picture challenges the government's ability to use deeper determinants in effecting development that is sustainable and inclusive.

Stellar growth on one hand and lagging social development on the other show that the quality of development poses several implications on China's foreign relations. First, even with an understanding of the New Normal and the need for structural reforms, China, as a high middle-income country, cannot stop growing as this is integral to poverty reduction and improving income redistribution. Second, more growth is also needed for further military strengthening and accumulation of strategic resources. These constitute old regime legitimacy issues. But new legitimacy issues have also come up. More growth satiates the new middle class – which is potentially destabilizing but is an undeniable driver for development – and provides a large leeway for economic inducements for neighbors. The need for growth in these contexts requires continued economic engagement with trade and investment

partners (e.g. United States, ASEAN) and new economic diplomacy initiatives such as the OBOR.

The drive for resources is another area where China's need for more development is felt. China's industrial growth has resulted in the drive for strategic resources, affecting foreign economies from which these are extracted (Economy and Levi, 2014). For China, it is costlier for legitimacy to alter the domestic economic mode by reducing demand for overseas strategic resources than to exercise grand initiatives in foreign relations to acquire these resources (Lai, 2010). The need for oil has led to China's pursuit of diversified supply markets, which has spawned alliance-building with oil-rich countries, and the strengthening of China's naval capabilities and presence in passageways and major sea-lanes (Cohen and Kirshner, 2012; Economy, 2010; Cáceres, 2014). Intense resource hunger is reflected in various efforts such as the use of Chinese aid and investment in exchange deals to ensure easy access to resources (RL, 2015) and to open a channel for absorbing China's excess labor supply.

China's outlook for energy use is not only concerned with exploiting and developing various energy resources (i.e. renewable, nuclear) to meet domestic demand but also addressing security concerns (Luo, 2014; Cáceres, 2014). China's energy use has been unprecedented and since the first few years of the 1990s, there was an observed improvement in energy policy creation and implementation in the oil sector as well as the management of national oil companies. China's mechanisms in managing energy resource exploitation have been considerably improving, evolving, and consolidating (Taylor, 2014; Feng, Hu, Hall and Wang, 2013). Indeed, innovation needs to play a greater role in cultivating the development of local technology. For instance, having the largest shale gas reserves can be revolutionary for China's energy security needs and can also help alleviate emissions

concerns. From the incipient stage of exploration where state-owned enterprises were testing the potential of exploitation (Yang and Cao, 2014), China has already become the third-largest producer of shale gas in 2017.

Critical resources also include marine resources, minerals, and industrial raw materials. The Chinese government is also pressured to not just extract and exploit but to also build sustainable industries. In the case of the marine industry, capitalizing on resources should lead to employment generation, which in turn is sought to increase domestic demand and ultimately contribute to social development. On this note, China crafted a long-term plan for marine science and technology development from 2010 to 2050 (Xiang, 2010). The strategic plan in itself is a staggering work that encourages a strong orientation towards the development of the maritime economy. Continued capacity building in scientific/technical expertise is necessary in advancing resource exploration and exploitation for commercial production. As a particular example, subset chemical oceanography, as an expertise, is important in analyzing the presence of chemicals in the water and how they relate to biological and ecological processes. This will then have an impact in upwelling and sardines production (GJ, 2015).

4. Insights for China Studies in the Philippines

This section applies the preceding analysis in aid of examining how the field of China Studies in the Philippines can be cultivated through further studies and research agenda.

4.1. The Meshing of Economic Strategy and Foreign Relations

Further studies can interrogate the current extent that the development program drives China's foreign relations given the evolving *innenpolitik*

while not discounting the importance of looking at how foreign policy has affected China's development and state power. This considers that China's regime legitimacy draws from a greater dynamic among political, security, and economic actors (e.g. private enterprises, SOEs) four decades since the onset of reforms (Lai, 2010; Lai and Kang, 2012; Heilmann and Schmidt, 2014; Lanteigne, 2013). The deeper appreciation of existing domestic sensitivities should inform the Philippines' multi-layer messaging, a misreading of which forgoes opportunities among progressives and emboldens the hardliners. In addition, understanding internal nuances provides a better consideration of China's geoeconomic propensities (Leonard and Franke, 2016; Yung and McNutty, 2016). An example of an area of inquiry that relates to such propensities is the leeway that China has in restricting its imports from the Philippines during tensions, given the existing bounds of international agreements on trade, sectoral interests in the economy, and the structure of domestic trade in China. Furthermore, to bring greater perspective in analyzing the salience of the Philippine economy to China, it is important to apply meticulous attention in understanding how the Philippines fits in the locus of China's economic engagement with the rest of the world, in terms of trade, investment, and aid. Often times, more Chinese imports and investments in the Philippines are reported without contextualizing the magnitude relative to China's economic relations with other countries and regions. In addition, having in-depth studies on the correspondence of critical economic sectors in China and the Philippines, in terms of firm-level and spatial analysis for instance, can help evaluate the importance of Philippine sectors despite what statistics show as the Philippines' miniscule share in China's foreign economic relations. The fixation on the economic asymmetry that favors China, coupled with the perception that the Philippines has lagged in maximizing economic cooperation, tends to diminish attention on

exploring how the Philippines should alleviate its vulnerabilities in the context of overall strategic development and geoeconomic relations with China and beyond.

Regarding China's grand initiatives, the exclusion of the Philippines from the Maritime Silk Road (MSR) in initial reports was much publicized. China Studies in the Philippines must be able to fully consider that while the MSR emphasizes infrastructure development, it entails strong trade implications and expands China-initiated cooperative mechanisms (Li, 2015). For some, the MSR's fundamental objective is to facilitate free trade by complementing other efforts such as reducing trade barriers, improving trade facilitation, and connectivity through transport infrastructure efficiency (Tan and Zhou, 2015). The MSR is an important research area but accessing information has been difficult. Usually, commentaries would point out the infrastructure development needs of the Philippines juxtaposed with the potential financing from China. However, since more specific information is not available, a thorough analysis on what the Philippines can gain from cooperation remains unexplored. One area of study that can be considered is the comparative port development across ASEAN countries and the role that China has played in it and how, moving forward, MSR can advance it. Such an inquiry brings to light the readiness quotient that is required to realize the potential for economic cooperation. In particular, it is important to understand what Philippine participation in the MSR would entail, in terms of domestic institutional reforms, to generate desired economic results for the Philippines. Such institutional issues constitute a perennial sticking point in constraining the ability of the Philippines to make use of the potential from economic cooperation. It must be noted that the Philippines, compared to its neighbors, has not been able to maximize its participation in the ASEAN Economic Community due to inadequate reforms on the home front.

4.2. China's Further Development and Resource Demand

Given inclusive development pressures, further studies can consider in-depth case investigations on the impact of trade and investment from the Philippines on certain provinces in China. Regarding resource hunger, it is also important to study the changing structure of China's demand for resources (e.g. minerals, marine resources, energy), considering China's economic restructuring. Before the rave over new energy resources, China's active efforts in forging strategic relations with different regions noticeably exhibited the burgeoning desire for energy security. Where petroleum is concerned, China continues to stockpile strategic petroleum reserves (SPR) and maintains major oil refineries as well as teapot refineries – smaller ones that are not regulated (NB, 2015). A question that often comes up is if China's assertiveness in the West Philippine Sea is due to energy resources. While certainty is elusive owing to the absence of scientific verification, there is certainly strong interest from the international community regarding estimates. Energy stakeholders are monitoring the movements in the area and the factors to consider in exploiting speculated resources in the West Philippine Sea will ultimately be contingent on cost-effectiveness considering the availability of and access to other energy resources, infrastructure, technological capability, geological concerns, and international politics. Depressed oil prices coupled with the challenges in energy resource exploitation in the disputed area has impeded development the past. In May 2017, it was reported that China made great progress in extracting methane hydrates (*BBC News*, 2017) in the West Philippine Sea. While commercial potential is not forthcoming in the immediate horizon, the potential is again projected to be substantial. With this context and the warming of Philippines-China ties, does the joint development plan of the disputed area now face better possibilities in proceeding?

4.3. Intellectual Championship

This essay utilizes the phrase “intellectual championship” to refer to the advocacy of perspectives or thinking. Part of the gradualism in managing reforms was the recognition that the implementation of policies needed to have coinciding changes in perspectives. Deng Xiaoping’s leadership had to nest the economic paradigm shift in the development narrative and communicate that pragmatism does not contradict Maoist ideals and any adopted Western know-how is only an instrument not a worldview. The instrumentality of education was also crucial. Economics courses provided intellectual accommodation of Deng’s reforms (Suharchuk, 1984). In these cases, practice and perspectives contributed to a broad buy-in from the public as well as the political elite. These notwithstanding, managing reforms in different sectors was challenging as they always involved political economy. For instance, efforts to improve the competitiveness of industries, such as those that were capital-intensive (Heilmann and Schmidt, 2014), were fraught with contentions. While this convergence between policy practice and perspectives is nearly a truism that need not be belabored, many developing countries, such as the Philippines, experience disconnects that result in strong critiques against the government’s adoption of policies without proper stakeholder consultation. Beyond public diplomacy in the domestic scene, China is an interesting study, regarding its use of intellectual championship or information operations (CP, 2015), aimed at shaping the narrative for key publics and influencers in prominent foreign policy institutes in the world as well as those in international governance institutions. Intellectual advocates come from government, think tanks, or academe.

Drawing from the previous insights, further studies can consider fundamental research on the impact of the China-related economic ideas

of Filipino public intellectuals according to the type of audience reached in the Philippines and abroad, and the nature of information dissemination across networks (e.g. local and international dialogues, institutes abroad, conferences). Previous work on a macro institutional mapping of China Studies in the Philippines has elucidated structural nuances of knowledge production while ongoing efforts to analyze the community of practice have brought to light the evolution of the knowledge of China watchers. These initiatives leave a large room for more work, particularly on investigating the discourse and intellectual history through published work. Certainly, such a study will contribute substantially to a critical survey of China Studies in the Philippines.

5. Closing Remarks

This essay interrogated the economic dimension of China's foreign relations to give greater insight into how China Studies in the Philippines can better reflect on China's development experience and the economic engagement between the Philippines and China. These interrogations are in aid of cultivating the field of China Studies in the Philippines, considering that the contribution of economics or development studies lags behind that of other fields. Disciplinary orientation has much to do with the lack of economic studies on China from an area studies or interdisciplinary approach. Hence, more deliberate initiatives are needed to alleviate this dearth in scholarly production. Such initiatives can consider the involvement of the business sector in providing financial support for knowledge producers (e.g. academic fellowships, program funding). Another initiative can be in the form of institutional cooperative arrangements between universities and education or research-oriented units of government. Finally, better data access arrangements should be forged with key government units that

have gathering and repository of particular data within their purview. While it is understandable that no government agency aggregates particular data on China as a standard procedure, access to researchers would be vital in providing better analysis on bilateral economic engagement in China especially in specific and critical sectors in the Philippines that China is interested in.

Notes

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- * Dr Tina S. Clemente is Associate Professor at the Asian Center, University of the Philippines Diliman. She specializes in China studies and Philippine development studies. Her research interests include various aspects of China's economic development, the intellectual history of China Studies in the Philippines, economics-security nexus in Philippines-China relations, the Chinese in the Philippines, and Philippine development. Dr Clemente has held associate, senior and issue editorships in international journals. She is the current president of the Philippine Association for Chinese Studies (PACS) and continues to be a subject matter expert serving Philippine and international publics. A list of her selected publications can be found on her faculty webpage: <<http://ac.upd.edu.ph/index.php/tina-s-clemente-ph-d-menu>>. <Email: tsclemente@up.edu.ph>
- 1. The Five Principles of Co-Existence have been China's foreign policy bedrock since they were first laid down by Zhou Enlai in relation to China's talks with India about Tibet. The agreement was signed in 1954. The Principles are (1) mutual respect for each other's territorial integrity and sovereignty; (2) mutual non-aggression; (3) mutual non-interference in

- each other's internal affairs; (4) equality and mutual benefit, and (5) peaceful co-existence (United Nations, 1958: 70).
2. For instance, the presence of foreign banks in China – including Japanese banks and the Asian Development Bank – gave access to much needed loans especially that the World Bank reacted to the Tiananmen incident in 1989. The opening of new banks encouraged other banks to open as well (Huan, 1992).
3. A copy of the decision can be found here: <<https://pca-cpa.org/wp-content/uploads/sites/175/2016/07/PH-CN-20160712-Award.pdf>>.

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China's Aid and Oil-for-Infrastructure in Nigeria: Resource-Driven or Development Motive?

Gold Kafilah Lola*

Faculty of Economics and Administration, University of Malaya

Rajah Rasiah**

Faculty of Economics and Administration, University of Malaya

Kwek Kian Teng***

Faculty of Economics and Administration, University of Malaya

Murtala Muhammad****

Faculty of Arts and Social Sciences, University of Malaya

Yusuf Hammed Agboola*****

Department of Economics, University of Ilorin, Nigeria

Abstract

China's ascent influences the Western aid dynamic significantly and changes the landscape in aid-donor and aid-recipient relationship for resource-endowed countries in Africa. Similarly, within China-Africa relations, Nigeria established diplomatic relations with China in 2006 for a concessional oil-for-infrastructure plan to fill the development aperture. However, Nigeria opted out as political uncertainty and elite interest in rent-seeking supersedes development and well-being motive. We conclude that two interrelated causal factors – accountability and transparency – overwhelmingly obstruct Nigeria from optimising China

interest in infrastructure development. The study recommends the review of National Planning Commission (NPC) 2007 ODA policy document on technical assistance, grants, and concessional loans to identify new problems and challenges associated with formulation and implementation of donor-assisted programmes.

Keywords: *foreign aid, oil-for-infrastructure, development motive, resource-driven*

1. Introduction

Official Development Assistance (ODA) is the transfer of finance and resources¹, which includes loans, grants, and technical assistance, at a concessional rate. Such donors, include the International Monetary Fund (IMF), the World Bank, the United Nations Development Cooperation Forum, Paris Club, the Commonwealth, the Group of 8 (G-8), the OECD, and the Organization of the Petroleum Exporting Countries (OPEC), whose objectives are to support economic development and improvements in welfare (Bräutigam, 2010; Younas, 2008). Also, the OECD's Development Assistance Committee's (DAC) members define "Other Official Flows" (OOF) as preferential export credits, that is, official government bilateral transactions of loans and grants of less than 25 percent that do not meet the ODA standards (Bräutigam, 2010). The need for development assistance arises due to recipients' countries' shortage of domestic resources to improve infrastructure and reduce the vulnerability to foreign exchange fluctuations owing to the balance of payment crunch (Younas, 2008).

However, despite its importance, the mainstream literature on aid effectiveness argues that economic, political and strategic interests of the donor supersede development and well-being motives. Others are

opinionated that colonial ties, United Nations (UN) vote to support recipient country institutions and donor exports as the determinants of aid flow (Alesina and Dollar, 2000; Neumayer, 2003). This argument brought to the fore “moral standard” issue about the economic and institutional conditions tied to aid by traditional donors, particularly in the 1980s and 1990s during the period of Structural Adjustment Programmes (SAPs) put in place by the World Bank due to the chronic debt crisis in Africa. Subsequently, by late 1990s, the world began to witness the emergence of Asian economies shaping the new global economic order and exerting huge influence through South-South development cooperation². Among the Asian economies, China’s economic interactions and influence are more pronounced in aid-giving, infrastructure (Bräutigam, 2009), exports of low-cost manufactured goods at the detriment of African countries’ industries (Lubieniecka, 2014; Muhammad, Mukhtar and Lola, 2017; Schott, 2008), while its quest for agricultural and natural resources are viewed to have caused commodity booms and economic growth as the resource-endowed countries become global investment targets³ (Kaplinsky, 2009). The above scenario about Chinese dealings in Africa is inconsonant with the economics of aid objective of securing trade benefits through goodwill.

Akin to its increased dominance in trade and Foreign Direct Investment (FDI), Chinese aid and other official economic assistance to Africa is rapidly overshadowing several traditional donors, due to its loan policy of no conditionality. The unconditionality policy to critics encourages debt defaults and hinders good governance and reforms (Alden, 2005; Broich and Szirmai, 2014; Kragelund, 2008; Tull, 2006; Zafar, 2007). Furthermore, Chinese assistance and other engagements with Africa is termed “ambiguous” (Hanusch, 2012; Kobayashi, 2013: 5; Mawdsley, 2008), because of its divergence from the traditional bilateral and multilateral agencies’ and donors’ standardised pattern, channels,

disbursement modalities, institutions, rules, and norms (Bräutigam, 2009, 2011). Thus, China's approach is classified as changing forever the landscape in aid-donor relationship involving resource-endowed and aid-recipient countries in Africa (Nissanke, 2013; Nissanke and Shimomura, 2013; Shimomura and Ohashi, 2013; Zafar, 2007).

However, speculations abound mostly from Western commentators who perceive China as a competitor in the acquisition of Africa's natural resources (Alden, 2005; Bing and Ceccoli, 2013; Hanson, 2008). The Chinese government has rebuked some of these contentions by pointing out that its development assistance is meant to improve the welfare of the poor, transfer technology, create employment, improve overall bilateral balance, and categorising its engagement with Africa as a win-win, mutual-benefit relationship. In sync with this view, African leaders welcome the upsurge in China's economic cooperation with traditional donors losing grips owing to not satisfactory arrangements. Also, China's assistance in Africa is conspicuous in infrastructure projects in exchange for natural resources as witnessed in Angola and Nigeria⁴ (Bing and Ceccoli, 2013). While the China-Angola relations (termed "Angolan mode"⁵) is successful, in the case of Nigeria, "oil for infrastructure concession" is unsuccessful.

Although Kobayashi (2013) and Renard (2011) argue that assessing China's economic impact on Africa is premature, our study differs because China's aid effectiveness is not only best evaluated with individual recipient countries, but also to be carried out against dealings with traditional donors. Against this backdrop, the paper explicitly analyses Chinese aid-funded infrastructure projects in Nigeria from the year 2001 to 2012. It is crucial because infrastructure deficiency is a significant development challenge in Nigeria (Alabi, Adetunji Babatunde and Olawale Ogunkola, 2011; *China Daily*, 2015; Egbula and Zheng, 2011). Complementarily, China has one of the world's largest and most

competitive construction industries, and at the same time enjoys the capacity to provide the required financial assistance (Ogunkola, Bankole and Adewuyi, 2008; Oyeranti, Babatunde, Ogunkola and Bankole, 2010). To explore this dimension, Section 2 details China's development assistance in Africa. Section 3 appraises China's economic cooperation manifestation in Africa, and Section 4 is on development cooperation experience between China and Nigeria. Section 5 discusses Sino-Nigeria aid, resources and infrastructure and Section 6 concludes.

2. China's Development Assistance in Africa

An "emerging donor", as the People's Republic of China (PRC) is called (Bräutigam, 2010: 3), began its international development assistance as early as 1949. The first phase began following the Bandung conference on April 18-24, 1955 (Ofodile, 2009) of Non-Aligned Nations, that is termed solidarity for the Third World, driven by China's ideological rivalry with the former Soviet Union (Kaplinsky and Morris, 2009). During this era, China borrowed and gave political, moral, limited military assistance and other forms of aid to decolonising Africa (*ibid.*). Its first development assistance programme in Africa was to Egypt in 1956, Guinea in 1960 and Socialist leaders in Ghana and Mali. The scope later extended to all African countries enjoying diplomatic relations with Beijing in lieu of Taipei (Republic of China on Taiwan).

Furthermore, China as a member of the United Nations Security Council (Yin and Vaschetto, 2011) became a valuable ally to Africa allowing many African countries to have a voice with which to make their concerns heard. By mid-1970, other major infrastructure projects include the Tanzania-Zambia Railway (TAZARA) funded using Chinese capital (Bräutigam, 2009; Strange *et al.*, 2013; Xinhua, 2011). China's aid to African continent dwindled in the 1970s and 1980s, following the

economic reforms that took place in 1978 (Bräutigam, 2010). Nonetheless, in December 1982, the Chinese Premier Zhao Ziyang supported the South-South cooperation and added diversity in form as a new principle of its foreign aid relations during his visit to Africa. This significant reform marked the switch of aid from one-way loans to cooperation targeted at benefiting both partners. In 1984, China's development assistance to Africa surpassed several OECD Development Assistance Committee (DAC) member countries such as Sweden, Japan, Norway, the United Kingdom and the United States of America (Bräutigam, 2010; Kobayashi, 2013).

Indeed, the Chinese foreign policy bedrock was formulated in the *eight principles of Economic Aid and Technical Assistance*, laid down in 1964 by Prime Minister Zhou Enlai, namely, (1) a relationship built on equity and mutual benefit; (2) reverence for sovereignty, territorial integrity, and non-interference in other countries' domestic affairs; (3) provision of interest-free loans or low-interest loan with flexible repayment; (4) increase in recipient's income and capital accumulation through completing projects with less investment and faster results; (5) economic development and self-reliance of recipient countries; (6) provision of guaranteed high-quality equipment and other affordable manufactured Chinese products to developing nations; (7) provision of technical assistance; (8) equal treatment for dispatched Chinese construction experts and the recipient's experts. More than 50 years later, the eight principles remain attributes of China's engagement with a view towards influencing the way Chinese officials position themselves vis-à-vis the West (Strange *et al.*, 2013).

The second phase was from the mid-1990s when African countries started witnessing Chinese presence in economic and political spheres in the continent (Carmody and Owusu, 2007; Ofodile, 2009), mainly through trade and investment carried out by Chinese State-Owned

Enterprises (SOEs) (Jauch, 2011). To ease its activities, Department of Foreign Aid of the Ministry of Commerce (MOFCOM) established the Export-Import (Exim) Bank in 1994 along with China Development Bank and China Agricultural Development Bank. The Exim bank is currently the world's third largest credit agency to provide concessional loans (fixed-rate, low-interest), semi-commercial grants, zero interest loans and finances to developing countries. Grants are not cash, but donations in kind intended for social developments (such as housing, hospitals and schools), technical assistance, training and disaster relief. Interest-free loans are given to construct infrastructure like dams, roads, electricity and rails. The concessional loans are provided for 20 years, complemented with semi-commercial operations through government subsidy and commercial operations, such as trade and FDI (Kobayashi, 2013). Thus, China's foreign aid revolves around grants, interest-free loans (from China's state finances), and concessional loans (from Exim-Bank) (Xinhua, 2011).

In the wake of the new millennium that coincided with China's emergence as an economic superpower, China under the leadership of Jiang Zemin introduced the *going out* policy in 1999. The plan is China's new economic development strategy with external assistance embedded as one of the instruments to achieve it. Consequently, China's strategic diplomatic cooperation with Africa was more intensified during this phase under the auspices of Forum on China-Africa Cooperation (FOCAC) that was inaugurated and held in Beijing in October 2000 (FOCAC, 2015). With about 80 Ministers from 44 African countries and other African representatives who have diplomatic relations with China and the Chinese Foreign Minister Tang Jiaxuan and Shi Guangsheng of the Ministry of Foreign Trade and Economic Cooperation in attendance (*China: Facts and Figures*, 2002), this Forum marked the official platform for China-Africa solidarity, economic and other cooperation,

with two core documents indicating the legal and policy framework of their dialogues. Ever since, FOCAC has been held consecutively every three years (ter Brugge, 2012) to establish a fair and just international political order in the 21st century, and through successive follow-up of Chinese leaders and ministers to Africa annually (Zafar, 2007), to showcase China as a political friend and an attractive economic partner (Jauch, 2011).

The Sino-Africa relations solidified further in the Beijing FOCAC summit of 2006 when China declared to be the “world biggest developing country” while Africa “encompasses the biggest numbers of developing countries” (Bing and Ceccoli, 2013: 120). Defining the extents of its ideologies in Africa with a policy statement “*China’s African Policy*” (Broich and Szirmai, 2014) and re-emphasising its adherence to the ideology of non-interference in political affairs, mutual benefit, and international development agenda for the African countries (Fijałkowski, 2011; Xinhua, 2014; Yin and Vaschetto, 2011) – these principles made some African leaders replace “Washington Consensus” with China’s “Beijing Consensus”⁶ (Jauch, 2011). For instance, the Sierra Leonean ambassador to Beijing, Sahr Johnny, in 2005 said:

“... We like China ..., we have one meeting, we discuss what they want to do, and they just do it ..., there is no benchmark or preconditions”.

(Zafar, 2007: 103)

This is unlike the traditional donor’s debt financing bundled with cohesive conditionality and strict financing methods (Mawdsley, 2008; Renard, 2011) which in reality produce less tangible results in development and welfare indicators. As well, performance-selectivity-based policy approach remains the cornerstone governing the Western

aid allocation to reforming recipient governments. They penalised especially low-income countries that are more exposed to exogenous shocks, climate and trade-related conditions rather than government performances (Dollar and Levin, 2004; Nissanke and Shimomura, 2013). However, China's political ideology of no interference with internal policies of African states as against the Western doctrine of hegemony has generated some concerns (Alden, 2005; Alden, 2012; Hilsum, 2008; Tull, 2006), amid claims that China has difficulty manoeuvring in countries more democratic than itself – thus, its engagement and supports to elite regimes and autocratic and venal African leaders posing a threat to quality governance, and other externalities in their funding to low-income African states who are either in debt or have poor institutions (Condon, 2012; Ofodile, 2009).

Nonetheless, the fast-growing economic cooperation between Africa and China has culminated in the proliferation of Chinese companies and multinational enclaves in the continent (Mohan, 2013). Importantly, China's Exim-Bank remained an essential vehicle for delivering FOCAC's pledges and coordinating the administration of foreign assistance (Ofodile, 2009). Moreover, since the inception of FOCAC, Africa remains the largest recipient of China's external aid (Kobayashi, 2013; ter Brugge, 2012). The financial resources to Africa increased from 45.7 percent in 2009 to 51.8 percent in 2010-2012 of the total overseas foreign aid of China (Figure 1).

3. China's Economic Cooperation Manifestation in Africa

Although Chinese development assistance and humanitarian assistance⁷ to Africa is relatively small (Alden, 2005), its development programs centred on large-scale construction, technical support and training (Bräutigam, 2011). Rather than the OECD-implemented programs and

Figure 1 (a) China’s Foreign Aid Distribution (2009)

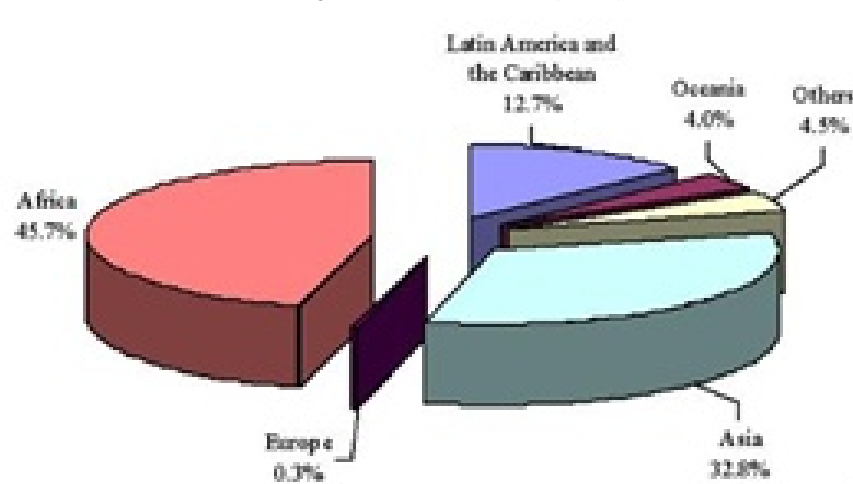
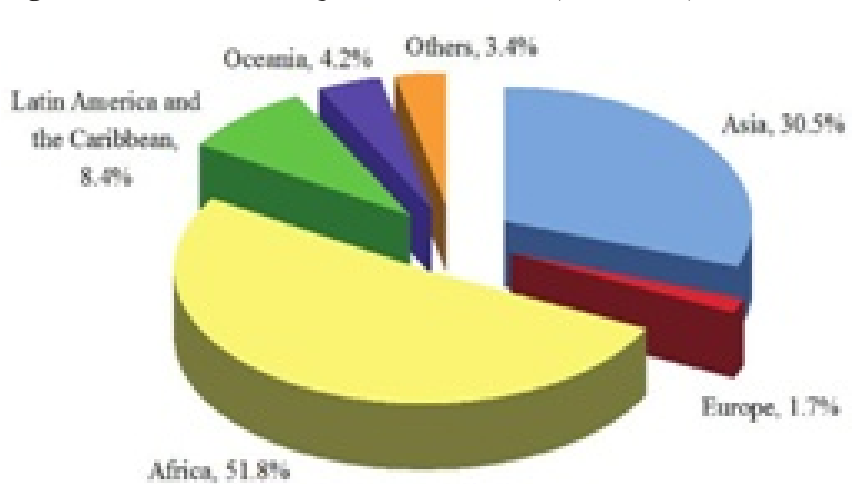


Figure 1 (b) China’s Foreign Aid Distribution (2010-2012)



Source: Xinhua (2011).

social projects aimed at promoting donors' objectives, China's aid has gone directly to develop infrastructure in Africa (Condon, 2012). Unlike the highly publicised Western aid, China's aid figures were kept as a state secret and not officially published until recently (Bräutigam, 2011; Strange *et al.*, 2013). The secrecy is majorly due to the possible criticism from "a substantial part of the Chinese population who might have strong objections to Beijing's decision to give aid to other developing nations" (Broich and Szirmai, 2014: 18), especially from the western and the mountainous parts of China where poverty and income inequality is still evident. Another reason is that China viewed its aid data publicity as 'improper or even immoral' (Bräutigam, 2009: 166) to take pride in delivering assistance to other countries.

However, China's not publicising its aid data changed with its *going out* policy and FOCAC. Consequently, China has been more open with aid data and in declaring its intended aid to Africa. For instance, China announced the cancellation of US\$1.27 billion debt, aid disbursement and military cooperation with 31 African countries during the second FOCAC held in Addis-Ababa in 2003 (Alden, 2005). At the 2006 FOCAC Beijing Summit, the eight-point plan pledge made for Africa were: (1) To double assistance provided to Africa by 2009; (2) To provide \$3 billion preferential loans and \$2 billion export buyer's credit by 2009; (3) To establish \$5 billion Sino-Africa development fund and assist Chinese investors in Africa; (4) To construct African Union Convention Centre; (5) To cancel all African Highly-Indebted Poor Countries (HIPC) and Least Developed Countries (LDCs) interest-free government loans that have failed repayment in due time; (6) Open Chinese market to African LDCs through granting more zero-tariff treatment to their commodities and increase the coverage from 190 to over 440 tariff lines; (7) To set up three to five overseas trade and economic cooperation zones (SEZs) (proposed to be established in

Zambia, Mauritius, Egypt, Nigeria and Tanzania); (8) Support more human resource development, education, social development, agriculture and medical care, through training of 15,000 professionals, 100 senior agro-technology experts and the dispatch of 300 youth volunteers to Africa. Additionally, China would set up ten extraordinary agro-technology demonstration centres, 100 rural schools and increase the current annual 2,000 African students' scholarship to 4,000, and to build, staff and equip 30 hospitals and 30 centres for malaria prevention and treatment, with over 30 million Chinese Yuan grant of anti-malaria drugs. Furthermore, at the 2008 UN High-Level Meeting on the Millennium Development Goals (MDGs), China pledged to train 1,500 African countries teachers and principals, as well as train 1,000 managers and doctors (Xinhua, 2011).

In 2009 fourth FOCAC ministerial conference held in Sharm El-Sheikh, new eight-point plan for Sino-Africa cooperation was: (1) To tackle climate change, urban environmental protection, development and use new energy, and prevent and control desertification issues through the provision of 100 solar energy, biogas, and small hydropower stations projects; (2) To inaugurate China-Africa partnership in science and technology with 100 joint research demonstration projects to be carried out by 100 post-doctoral students invited to China with the aim of giving them subsidy on their return to home countries; (3) To provide \$10 billion concessional loan, \$1 billion small and medium enterprises (SMEs) loan, and cancel 168 African countries debt of interest-free government loans matured in 2009 for HIPCs and LDCs; (4) To offer an initial 60 percent zero-tariff to exported commodities from LDCs in 2010, with a gradual increase to 95 percent to allies countries; (5) To add 10 to the existing ten agro-technology demonstration centres and deploy 50 teams to teach the 2,000 agro-technicians; (6) To deliver malaria-fighting materials, medical equipment worth 500 million Yuan and train

3,000 medical personnel; (7) To strengthen human development resources through building 50 schools, and increase African students' scholarship to 5,500 by 2012; (8) To enlarge Sino-Africa joint research and exchange plan for better policymaking. Interestingly, all the FOCAC pledges and promises were met even at the peak of global financial crises in 2008 (Renard, 2011; Xinhua, 2011).

At the end of 2010, China's Exim-Bank loaned Africa \$67.2 billion for development projects (Bing and Ceccoli, 2013). The scheme financed 325 infrastructural projects, of which 142 were completed (Kobayashi, 2013) in LDCs and other countries (see Figure 2). Similarly, the Department of Aid, China Ministry of Commerce, financed over 900 projects in Africa during this period (Bräutigam, 2010). The bulk of the projects sited in Angola, Democratic Republic of Congo (DRC), Nigeria and Sudan which are resource-endowed countries (Foster, 2009). In the Beijing 2012 FOCAC summit, Africa received \$20 billion loan, to give specific preference to agriculture, medical and infrastructure projects (Kobayashi, 2013). Within this period, over 86 infrastructural and economic projects were completed, including the landmark Tanzania-Zambia Railway (Xinhua, 2014). More importantly, at the 2012 FOCAC summit, Africa Union members were officially allowed to participate in the ministerial meeting to institutionalise and consolidate their relationship with China (Alden, 2012).

Explicitly, China's foreign assistance between 2010-2012 covered eight areas, which were: development of human resource and cooperation; technical cooperation; volunteer programmes in foreign countries; goods and materials; complete projects; emergency humanitarian aid; medical assistance; and debt relief of 1.42 billion Yuan to nine African HIPC and LDCs. The nine assisted countries are Benin, Cameroon, Côte d'Ivoire, Equatorial Guinea, Mali, Sudan, Tanzania, Togo, and Zambia (Xinhua, 2014). Also, humanitarian aid and

Figure 2 (a) China's Aid Classification (2009)

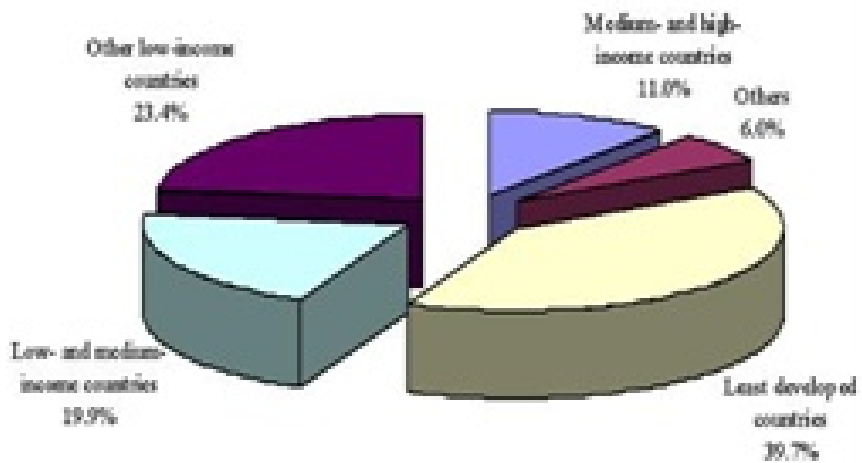
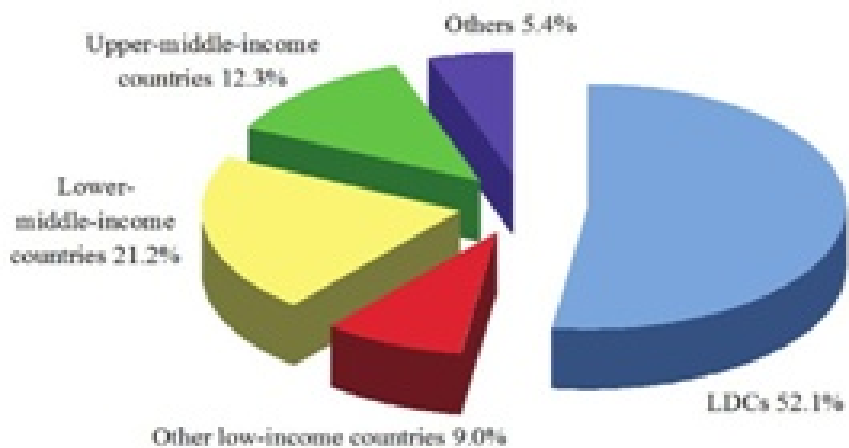


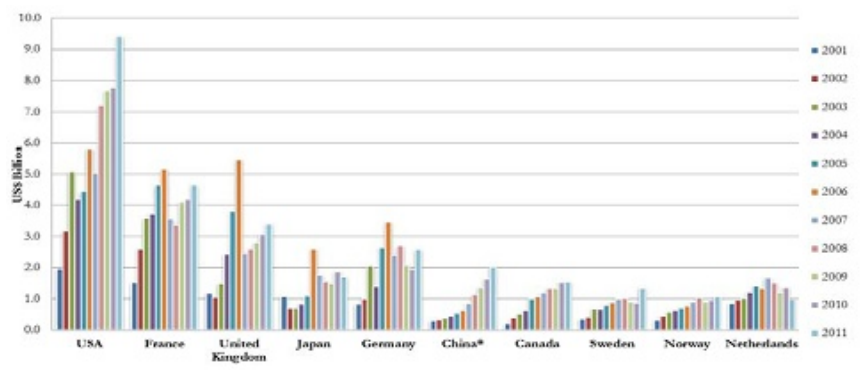
Figure 2 (b) China's Aid Classification (2010-2012)



Source: Xinhua (2014).

\$120 million were provided from April 2014 to February 2015 in the quest to combat the Ebola epidemic in some West African countries (*China Daily*, 2015).

Figure 3 Africans' Major Donor Bilateral ODA Disbursements (2001-2011)



Source: Broich and Szirmai (2014).

As shown in Figure 3, China's aid to Africa overshadows some of the traditional donors, although critics contest the aid volume and flow (Zafar, 2007). Besides, Chinese assistance to Africa estimated by some researchers is over-bloated (Bräutigam, 2010, 2011). For instance, in 2008 and 2009, China's ODA disbursement was \$1.2 billion and \$1.4 billion respectively, as against the USA's \$7.2 billion, World Bank's \$4.1 billion and France's \$3.2 billion of ODA to Africa. Likewise, illustrative case studies on Ghana's Bui Dam and DRC mining and reconstruction reveal that China's "concessional loan" and "tied aid" cannot be regarded as "development aid" (Bräutigam, 2011: 215). Firstly,

“concessional loan” on the two projects is almost at par with commercial lending rates. Secondly, its “tied aid” is “economic conditionality”, because Chinese construction and engineering firms executed 70 percent of the projects, while China procures 50 percent of the used materials and equipment from China. Thirdly, the majority of the workforce were imported from China and rarely was cash grants given out. These cast doubts on the actual benefits of the economic assistance to the common people in the recipients’ countries (Bing and Ceccoli, 2013). Typically, to protect China’s SOEs from financial risks, the bulk of the fund remains in China’s Exim-Bank from where it is transferred to SOEs to execute projects in the recipient country (Bräutigam, 2010; Kaplinsky and Morris, 2009; Nissanke, 2013). Correspondingly, Bräutigam (2010, 2011) points out that since China’s Exim-Bank has been able to loan-out to a traditional financial provider like the World Bank, with time, it will fall in-line with basic global lending standards. Conversely, Kragelund (2008), Fijałkowski (2011), Renard (2011), Condon (2012) and Kobayashi (2013) note that Chinese engagement with Africa has mixed consequences especially in the aggressive pursuit of its economic policies. Nonetheless, China is a game changer that provides Africa with a better opportunity in bargaining for aid from their traditional partners and serves as a new competitor for USA and EU in Africa.

4. Development Cooperation between China and Nigeria

At the bilateral level, China joined the leagues of individual country donors to Nigeria by establishing a formal economic and technical cooperation agreement as early as 1972. Apart from a few exchanges in a limited area, the diplomatic relations between China and Nigeria was low-keyed for about three decades. During this period, Nigeria, due to series of military regimes, witnessed unstable polity⁸, corruption,

embezzlement of oil wealth and conflict, with low infrastructural development (Egbula and Zheng, 2011; Idemudia, 2012). Available records indicate that the second agreement signed between China and Nigeria was on May 12, 1997, during the military regime of Sani Abacha. Although abolished, he succeeded in re-initiating contact with China to create Nigerian-Chinese Chamber of Commerce in 1994 (Ogunkola *et al.*, 2008). As against the concerns about China's exclusively pursuing its engagement in Pariah states (Pegg, 2012), the early 2000s was a watershed in China-Nigeria relations, owing to the return of democracy and stable polity in 1999 (Egbula and Zheng, 2011). By August 27, 2000, the civilian administration of Olusegun Obasanjo signed the third Sino-Nigeria Memorandum of Understanding (MOU) and other agreements to strengthen ties, with periodic political visits by leaders from both countries to cement the agreements (Alden and Davies, 2006; Egbula and Zheng, 2011).

In signifying the importance of Nigeria, the first official Chinese newspaper in West Africa issued in August 2005 was in Nigeria. In January 2006 China signed the first Strategic Partnership MOU in Africa with Nigeria for the formation of China Investment Development and Trade Promotion Centre in Nigeria and established a Nigeria Trade Office in China after the intergovernmental Nigeria-China Investment Forum. In December 2006, China's Southern Airlines Company (CSAC) scheduled its first Beijing-Lagos flight en route Dubai (Alabi *et al.*, 2011; Taylor, 2007, 2014). In the same year, Nigeria-China "oil-for-infrastructure" development plan blossomed, with oil blocks awarded to China in exchange for infrastructure that is grossly inadequate (Alabi *et al.*, 2011; Bing and Ceccoli, 2013; Taylor, 2006). However, President Umaru Yar'Adua (2007-2010) achieved little progress in Sino-Nigeria relations till his death in May 2010 (Egbula and Zheng, 2011). President Jonathan Goodluck rekindled China-Nigeria relations on his assumption

of office as president in 2010. The revived relationship prompted China at the tail end of 2010 to declare renewed strategic partnership on political, economic and social-cultural cooperation, which made China a close ally of Nigeria particularly in the pursuit of Nigeria's Vision 2020 (Egbula and Zheng, 2011; Ogunkola *et al.*, 2008; Oyeranti *et al.*, 2010). The Sino-Nigeria relationship developed to the extent that Beijing produced Nigeria's 2011 general election materials (Kafilah and Devadason, 2015). The detailed overview, description and conditions of the economic and social infrastructural projects supported by Chinese loans and grants including the preferential "oil-for-infrastructure" mode in Nigeria from 2001 to 2012 are shown in Table 1.

President Jonathan involved China in infrastructural improvements, industrialisation program implementation, and in all-around economic development till the end of his tenure on 29 May 2015. In consonance with the practice of paying a courtesy visit to a new leader, the Chinese ambassador, Gu Xiaojie visited the president-elect Muhammadu Buhari in Abuja. Likewise, Chinese Civil Engineering Construction Corporation (CCECC) presented a prototype of high-speed rail project intended for Nigeria during the visit (*The Nation*, 2015). In return, President Buhari paid a diplomatic visit to China in April 2016, to consolidate on Sino-Nigeria relations, with the readiness to uphold *One China Principle* of no any official dealing with Taiwan and identification of the intended projects as the two most important conditions (*The Nation*, 2016). During the visit, China granted Nigeria loans of \$6 billion for infrastructure development, \$2 billion for two cement plants in Beijing and a \$15 million agricultural assistance to establish 50 demonstration farms across Nigeria.

Table 1 China's Economic Assistance and other Official Finance to Nigeria

Year	Description	Condition
2001	The Chinese Ambassador Liang Yinzhong gifted computers, televisions, and malaria drugs to the Nigerian Ministry of Foreign Affairs in reciprocation of their assistance to the Chinese embassy.	Status: Completed Flow class: (OOF) In-kind Grant (Goods or Services) Intent: Representational
2002	The modernisation of "small-scale" farming through construction of 3,000 small dams, training of 500 agricultural experts and technicians, and 10,000 Nigerians on how to build and control small dams.	Status: Implementation Flow class: (ODA) Free-standing technical assistance Implementing Agency: United Nations Food and Agriculture Organization (FAO) Intent: Development
2003	Chinese Vice-Foreign Minister Qiao Zonghuai signed a N325 million Naira debt cancellation agreement from China to Nigeria.	Status: Pipeline Commitment Flow class: (ODA); Debt forgiveness Intent: Development
2004	Nigeria negotiated \$100 million loans from the Chinese government for the third phase of a National Rural Telephony project that covered over 150 local government areas.	Status: Implementation Flow class: Vague (OOF); Loan (excluding debt rescheduling) Funding agency: ZTE and Alcatel-Lucent Shanghai Bell Co., Huawei Technologies Co., Ltd. Intent: Development
2004	The Fujian Association for Promotion of Asia-Pacific Economic and Cultural Exchanges sponsored 13 Nigerian carpet professionals and government officials to a two-month study project at the	Status: Implementation Flow class: (ODA); Donor country scholarships/training

	International Training Program on Carpet Technology in Fuzhou, Fujian.	Funding agency: Ministry of Commerce; Fujian Association for Promotion of Asia-Pacific Economic and Cultural Exchanges Intent: Development
2006	Concessional agreement to exchange four oil drilling blocks licenses for a commitment of \$4.5 billion in “oil-for-infrastructure” plan under President Olusegun Obasanjo with China National Petroleum Corp. (CNPC). The three projects attached to this initial agreement are: Lagos-Kano railway (\$2.5 billion), Kaduna oil refinery rehabilitation (\$2 billion), and Mambilla power station. However, all the three projects were on hold due to change in government in 2007. After the unsuccessful concession in 2007, China bid for both controlling interest and to reconstruct the 110,000 barrel per day Kaduna oil refinery facilities but failed to win the auction (Bräutigam, 2010).	Status: Implementation Flow class: Vague-TBD Funding agency: Exim-bank Implementing agency: Chiyoda Corporation, China Civil Engineering Construction Corporation (CCECC) and China National Petroleum Corporation (CNPC) Intent: Mixed (Some Development)
2006	Guangdong Xinguang International and CCECC invest in light rail transit from Nnamdi Azikiwe International Airport to the Abuja city centre and Murtala Muhammed International Airport in Lagos. The Nigerian government made \$2 billion available to commence the projects. The Exim-Bank funded \$1 billion for this project and another rail project from Lagos to Kano. The project is 25% completed at the time of new term agreements in September 2012.	Status: Implementation Flow class: (ODA) Concessional Loan (excluding debt rescheduling) Funding agency: Exim- Bank Implementing agency: Guangdong Xinguang International Group and CCECC Intent: Commercial
2006	CCECC and Nigeria Transportation Ministry signed a contract worth \$8.3 billion (reduced to \$8 billion in 2009) for the implementation of the Lagos-Kano railway modernisation project connected with 2002 proposed “oil for infrastructure”. China’s Exim-Bank offers to finance the project with a \$2.5 billion loan,	Status: Implementation Flow class: Vague-Credit for Trade or investment Funding agency: Exim-Bank

	<p>and the project implementation was planned in phases to ease funding. The first is 186.5 km Abuja to Kaduna section of the 1,313-km railway from Lagos to Kano. The projected cost is \$849,750,903 and duration is over 36 months. The second is the Lagos-Ibadan double track of 156.8 km line railway sections, worth about \$1.487 billion with a construction period of 36 months. The Abuja-Kaduna line commenced operation in August 2016. However, Bräutigam (2010) states that China offered a line of credit for \$2 billion at a competitive commercial rate, as well as a preferential export credit of \$500 million, as against the proclaimed ODA offer by some commentators. While China renewed the \$500 million preferential-credit to resuscitate the Chinese construction company Lagos-Kano suspended railway infrastructure project.</p>	<p>Intent: Development</p>
2006	<p>To reciprocate Nigeria and China's formalisation of preferential access to oil blocs. Both countries signed an agreement for a CNY5 million grant for anti-malaria drugs, training on malaria, bird flu control, and co-operation in technology.</p>	<p>Status: Commitment Flow class: (ODA); Monetary Grant (excluding debt forgiveness) Intent: Development</p>
2007	<p>Hydroelectric project award of \$1.46 billion civil work and steel hydraulic structure for Mambilla dam in Taraba State for 60 months. The project is expected to add another 2,600 MW to the national grid. According to Feng Jun, the Vice-Director of the Beijing liaison office, the \$5 billion plant was majorly financed by the Nigerian government and accented by a \$300 million loan from the Exim-Bank. However, the project capacity increased to 3,050 MW and design completed in 2012 with 75% project cost Exim-Bank financed and counterpart funding of \$309 million from the Nigerian government.</p>	<p>Status: Implementation Flow class: Vague (OOF); Loan (excluding debt rescheduling) Funding agency: Exim- Bank Implementing agency: China Gezhouba Group Company Ltd. (CGGC); China Geo-Engineering Corporation (CGC); Overseas Construction Co., Ltd. (CGCOC); China National Electric Equipment Corporation (CNEEC); SinoHydro Intent: Development</p>

2007	China's Secretary of the Jiangsu Provincial Committee, Li Yuanchao and Bola Ahmed Tinubu, former governor of Lagos State, signed a \$50 million MOU on the development of Lekki Free Trade Zone. Initiated by Lagos State, Jiangsu Province, Nanjing Jiangning Development Zone, and China Railway Construction Corporation (Oyeranti et al., 2010) to encourage trade and cooperation in agriculture, industry, infrastructure, information technology, human resources and healthcare.	Status: Implementation Flow class: Vague (OOF); Free-standing technical assistance Funding agency: China-Africa Development Fund, Public-Private Partnership Implementing agency: China Railway Construction Corporation (CRCC) Intent: Mixed (Some Development)
2007	China donated equipment for controlling and fighting the avian flu to Nigeria's agriculture and water resource departments. It includes biological sitting cabinets, temperature freezers, an incinerator, disinfectant equipment and 529,000 doses of anti-malaria drugs worth N70 million.	Status: Completed Flow class: (ODA); In-kind Grant (Goods or Services) Intent: Development
2007	The Chinese Ambassador Xu Jianguo, donated N2.08m (\$1.6m) of equipment – multi-media projector, projector screen, portable camcorder, two tape recorders, magnetic board; a laptop, two tabletop computers, printer, V-sat and accessories to improve the teaching of Mandarin in Nnamdi Azikiwe University.	Status: Completed Flow class: (OOF); In-kind Grant (Goods or Services) Implementing agency: Nnamdi Azikiwe University Intent: Representational
2009	Both governments signed N107.4 million agreements to construct four rural primary schools in Katsina, Kaduna, Ogun, and Federal Capital Territory (FCT). As part of the FOCAC 2006 pledge to improve education and compliment government initiative to accomplish MDGs and education for all goals by 2015. The schools with a total capacity of 1,200 pupils cost N500 million and China spent N308 million.	Status: Completed Flow class: Vague (OOF); In-kind Grant (Goods or Services) Intent: Development

2009	The National Staff Hospital Abuja contract was signed in line with the FOCAC 2006 pledge. Nigerian government donated 4.85 hectares of land for the building and other required infrastructure. The construction commenced in 2010 and completed in 2012. China provided 150-bed facility worth N12.5 million.	Status: Completed Flow class: Vague (OOF); In-kind Grant (Goods or Services) Implementing agency: Nigerian Federal Staff Hospital Intent: Development
2009	China's CGC signed \$1 million MOU with Federal Capital Territory Administration (FCTA) for houses construction and water distribution in FCT, Abuja. The projects are to be financed through two \$500 million commercial loans obtained by CGC and backed by FCT land collateral. About 1,212 hectares of land near Gwarinpa Estate is provided for the mass housing, while the FCT water project will cover Lugbe and Kuje regions. Discussions between FCTA and CGC commenced in 2010 over the water supply project but were not yet concluded until 2012. In 2012, CGC offered to execute the project at the cost of \$575 million with Exim-Bank loan facility and counterpart funding from the Nigerian government. When completed, more than 60% of FCTA 8,000 square km will get potable water. Also, the FCTA announced that it would embark on the Greater Abuja Water Project through a Public-Private Partnership with a Chinese company and the World Bank.	Status: Pledge Flow class: Vague (OOF); Loan (excluding debt rescheduling) Funding agency: Exim-Bank Implementing agency: China Geo-Engineering Corporation (CGC) Intent: Development
2012	China is giving concessionary \$30.6 million loan with over eight years' repayment period beginning with two and a half years' period to Kaduna State for the digitisation of the State Media Corporation (KSMC). Also, to be constructed are two substations in Kafanchan and Zaria; three booster stations in Birnin-Gwari, Sanga, and Lere local government areas from the loan. The project's end goal is to strengthen the working capacity of the state television station and entirely shift from analog to digital broadcasting before June 2015.	Status: Commitment Flow Class: (OOF); Concessional Loan (excluding debt rescheduling) Funding agency: Exim- Bank Intent: Development

2012	Sinohydro and China National Electrical Equipment Corporation (CNEEC) invested \$927million in constructing a 700 MW hydropower station on the Northern Zungeru River. China provided 75% of the total fund and the Nigerian government bore 25% balance fund.	Status: Implementation Flow Class: Vague (OOF); Loan Funding agency: Exim- Bank Implementing agency: Sinohydro, CNEEC Intent: Development
2012	A \$100 million Exim-Bank loan was given at a concessional rate to develop a galaxy backbone ICT network to be completed by 2015. The ICT project goal is to improve government security efforts, connectivity, and providing resources to youths in rural areas.	Status: Implementation Flow Class: (ODA); Concessional Loan (excluding debt rescheduling) Funding agency: Exim-Bank Intent: Development
2012	A loan agreement of \$500 million being the total cost for airport terminal construction between China and Nigeria. The project consists of four new airport terminals in Abuja, Kano, Port Harcourt, and Enugu. The construction project had a projected completion date of 2015.	Status: Implementation Flow class: (ODA); Concessional Loan (excluding debt rescheduling) Funding agency: Exim-Bank Implementing agency: CCECC. Intent: Development

Source: Authors' compilation from AidData (2016); Hanson (2008); Taylor (2006); Taylor (2007); Bräutigam (2009); Kafilah and Devadason (2015).

5. China-Nigeria Aid: Resources and Infrastructure

In Nigeria, the oil sector represents the primary engine of all its economic activities (Frynas and Paulo, 2007). Hitherto, the Western MNCs from Europe and America are Nigeria's traditional partners in trade, investment and aid, until the emergence of China (Ogunkola *et al.*,

2008). However, just as the case of the China's engagement in Nigeria, the relationship between the West and Nigeria is also tagged as exploitative, based on the structure and patterns of trade and investment in natural resources (Alabi *et al.*, 2011).

More specifically, China came into the Nigeria oil sector through powerful diplomacy and deal of launching the Nigerian satellite in 2006 (Taylor, 2007, 2014). By bilateral relations, Nigeria granted three major China's SOEs oil fields permits. The first Chinese oil company to enter Nigeria was China Petroleum and Chemical Corporation (SINOPEC) in late 2004. China National Offshore Oil Corporation (CNOOC), and China National Petroleum Corporation (CNPC) arrived in 2006 (Pegg, 2012). The other Chinese SOEs seeks investment opportunities in construction and services. It is worth mentioning that although China's imports from Nigeria in this sector constitute only 2 percent of their total imports from Africa (Egbula and Zheng, 2011), they represent the primary determinant of FDI, aid, (Feng and Mu 2010) and nearly the total exports to China (Anyu and Ifedi, 2008; Taylor, 2014).

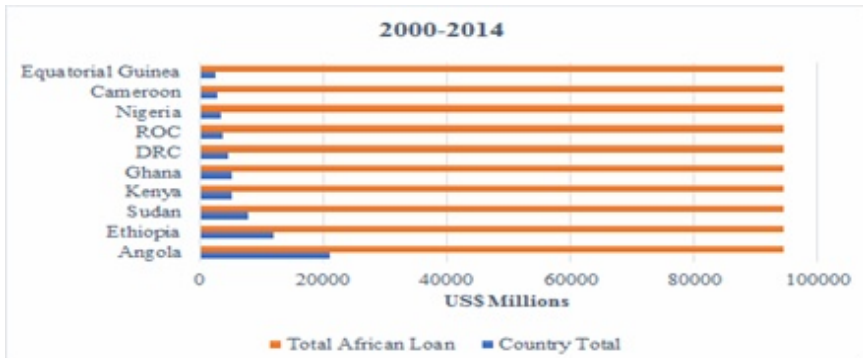
Subsequently, the concession on resources blossoms as Nigerian government allocates oil blocks to China in 2006. In exchange, China will assist to relieve infrastructure bottlenecks hindering development, forgive debts, and give loans and grants. This plan according to China will produce "win-win" result (Alabi *et al.*, 2011; Downs, 2007; Egbula and Zheng, 2011; Mthembu-Salter, 2009; Quigley, 2014). However, the plan was short-lived due to change of government in 2007 when late President Ya'radua revoked almost all the deals citing lack of transparency as the basis (Egbula and Zheng, 2011). The main reasons for the dissolution of the oil-for-infrastructure deal are that the rentier state (Nigeria) prefers cash for oil blocks, and the elites will delay development projects for their benefits (Mthembu-Salter, 2009). Downs (2007) cited an instance of jeopardised China's CNPC planned

investment in the Kaduna refinery when the Nigerian government traded 51 percent shares of Kaduna refinery to Bluestar Oil Company owned by former President Obasanjo ally against China's interest. To cover up the Nigerian government's cancellation decision, Irene Chigbue, Director-General of Nigeria Bureau of Public Enterprises, claimed that China was not meeting up to expectations and had run into hitches as CNOOC have not been forthcoming with the takeover plans of the Kaduna refinery. By and large, the Sino-Nigeria oil-for-infrastructure failed majorly because some political elite prefers cash benefit to the idea. Secondly, the non-transparency nature of the deal on Nigerian government's part, especially deliberate inflation of the expected project costs and that the implicit arrangement on the oil-for-infrastructure plan is unknown (Taylor, 2007, 2014). Thirdly, the gross inconsistency in Nigerian government policies, particularly as it relates to reviewing, renegotiating, reversing and nullifying an already signed contract agreement due to change in government. Indeed, this is disastrous as foreign investors lost confidence in the viability of investing in Nigeria seeing these signals and much more on the part of the Nigerian government.

Consequently, the oil-for-infrastructure agreements' suspension affected China's exposure to the Nigerian oil sector and signalled China to be wary of the "oil for concession" agreement for infrastructure development to gain access to Nigerian crude oil – instead, to purchase oil reserves, invest in buying equity shares in oil blocks, and rely on their major international oil companies (IOCs) partners to carry out production and relieve them from the technological demands that come with offshore drilling (Anyu and Ifedi, 2008; Mthembu-Salter, 2009; Quigley, 2014). Thus, to analyse the arguments developed on Chinese oil-for-infrastructure in Nigeria, such relevance would, however, be minimal. Similarly, the impact of China's aid to Nigeria is conflicting as

it is often re-negotiated without competitive bidding, coupled with not too transparent nature of China foreign aid dealings. Usually, China's ODA is vastly exaggerated particularly in the case of Nigeria where from 2000 to 2009 (Bräutigam, 2010), the total amount is \$589 million given in five separate loans, against \$5 billion total financial commitments as at 2008 (Ogunkola *et al.*, 2008). Nonetheless, we consider the fact that Nigeria a recipient of China's aid is aware of the flows and stocks of assistance received. Hence, foreign assistance is transparent to the individual recipient country. So, it is the responsibility of the government to be accountable and to provide information about the given economic cooperation from China to her citizens as this will help to evaluate the impacts.

Figure 4 China's Loan to Top Ten African Countries (2000-2014)



Source: Authors' compilation from Chinese loans to African Governments, version 1.2 October 2016 (Bräutigam and Hwang, 2016).

As shown in Figure 4, Nigeria is among the ten resource-rich countries that account for 70 percent of China infrastructure financing which indicates the importance of Nigeria's future to China (Nissanke,

2013). Although the amount over the years remained low when compared to the economic size, in this framework, we argue that the extent of the overall foreign aid is enveloped by budget constraints laid out annually by the Chinese government. With the required resources to provide infrastructure, technically, China's infrastructure contribution with the aperture to be filled will only be visible if the government offers counterpart funding on time. On the other hand, so long as economic development projects are private sector-financed due to the host country's liberalisation and privatisation policies, then the assertion of a public goods characteristic of infrastructure is eroded. Therefore, increasing aid through concessional loans rather than grants allows the augmentation of overall aid resources envelope that requires a lesser genuine cost for donors to manage their resources, alleviate constraints and critical development bottlenecks (Nissanke, 2013). The lessons are clear: there is the need for a careful study of the reforms and other measures that have supported the development of the modern-day China for it to serve as useful inputs into Nigeria's development process.

6. Concluding Remarks

Our study discovered that the number of infrastructure and other financial assistance put in place in the years under review indicates that China's non-conventional aid architecture has helped in promoting positive socio-economic development in Nigeria. Nigeria has failed severally to maximise the benefit from the development experiences of China, having opted out of the oil-for-infrastructure plan. This arrangement invariably would have eased Nigeria's infrastructure bottlenecks through its massive crude oil and minerals for exchange or as collateral in accessing preferential loans. China has shown the "complementarities" in China-Nigeria engagements (Alabi *et al.*, 2011;

China Daily, 2015): Nigeria needs capital to finance its development agenda, while China holds approximately \$3 trillion in foreign reserves (Renard, 2011). There is no doubt that China's policy plan for Nigeria is driven by domestic economic imperatives, to secure a stable supply of natural resources through long-term imports contracts and exports of its manufacture. Nigeria lacks cogent policy plan for China and fails to capitalise on their differences to benefit more infrastructures.

Therefore, China avails Nigeria the opportunities to copy from China's development strategy, for instance, China development is based on negotiation for appropriate configuration of aid for many economic infrastructures financed through long-term loans yielding growth dividends (Ogunkola *et al.*, 2008). Importantly, China's non-conditionality policy and less cumbersome financial assistance would have given Nigeria the opportunity and leverage to negotiate and explore new development agenda against the established relationship with the traditional donors. It could potentially assist economic development in sectors such as the manufacturing and agriculture in order to be able to move closer to the actualisation of the desired diversification of its oil-dependent economy and share in the benefits of economic liberalisation on a sustainable basis.

For this to become a reality, the Nigerian government should encourage competitive biddings in all dealings and allow market surveys to be carried out to determine the actual cost of projects and other procurements. Lastly, all relevant government agencies, civil societies and private sectors are to be involved in the implementation, monitoring and evaluation of cooperation agreements in their respective areas of strengths to ensure ownership and sustainability. The National Planning Commission (NPC) 2007 ODA policy document on technical assistance, grants, and concessional loans has identified new problems and challenges associated with formulation and implementation of donor-

assisted programmes. Importantly, if a modern Nigeria's ODA policy framework is drafted, followed and actualised to the latter, only then will Nigerians maximise the benefit of foreign aid. By and large, it is worth mentioning that globally no country achieves economic development through foreign aid. Instead, it is through emulating development experiences, mutual respect, trust, while keeping in mind individual historical and cultural backgrounds (Bräutigam, 2010; Nissanke, 2013).

Notes

* Gold Kafilah Lola (corresponding author) is a PhD candidate at the Faculty of Economics and Administration, University of Malaya, Malaysia, and a Senior Lecturer in the Economics Department, Kwara State College of Education, Ilorin, Nigeria. <Email: kafilola@siswa.um.edu.my>

** Dr Rajah Rasiah works as a Professor of Technology and Innovation Policy at the University of Malaya. He also serves as professorial fellow at UNU-MERIT, adjunct professor at the University of South Australia and senior research associate at Oxford University. Among the awards he has won include the Standard Chartered Award in 1989, the *Cambridge Journal of Economics* Award in 1991, the Robert McNamara Award in 1993, the Senior Friedrich Ebert Stiftung Award in 1996, and the Malaysian Government's Brain Gain Award in 2004. He specialises on FDI, learning and innovation, and competitiveness with fieldwork experience in 30 countries, and has served as a consultant, among others, to the World Bank and United Nations. His latest book is *The New Political Economy of Southeast Asia* (2010, Cheltenham: Edward Elgar) (edited with Johannes Dragbaek Schmidt). <Email: rajah@um.edu.my>

*** Dr Kwek Kian Teng is an Associate Professor of Economics at the University of Malaya. She is the Deputy Director of the Global Planning & Strategy Centre at the Chancellery of University of Malaya since October

2016. She was the deputy dean for research and development at the Faculty of Economics and Administration, University of Malaya, from July 2013 to July 2016. She obtained her BEc and MEc from the University of Malaya. In 1999, she received her PhD from the Department of Econometrics and Business Statistics, Monash University, Clayton Campus, Australia. She was the honorary secretary of the Malaysian Economic Association (MEA) (2002-2008), and the assistant managing editor of the *Malaysian Journal of Economic Studies* (2000-2008). <Email: ktkwek@um.edu.my>

**** Murtala Muhammad is an editor of *Techno Science Africana Journal*, editor-in-chief of Kano University of Science and Technology (KUST) Wudil Book Series and managing editor of KUST News Flash. He is presently a researcher at the University of Malaya. <Email: murtala@siswa.um.edu.my>

***** Yusuf Hammed Agboola is an Assistant Lecturer in the Department of Economics, University of Ilorin, Nigeria. <Email: agboolayusuf2007@gmail.com>

1. Military motives finances and assistance are excluded.
2. To promote South-South trade and collaboration within its agencies, the United Nations in 1978 established South-South cooperation, but its influence on development began in the late 1990s.
3. There is a consensus that natural resources, lucrative market, labour cost, fiscal and other non-tax incentives, exchange rate, interest rate and liberalization policies determines China's influx to Nigeria (Nissanke, 2013; Ofodile, 2009).
4. Nigeria has the 11th largest oil reserves globally and other minerals in exportable quantities (NIPC, 2015).
5. See for a review, Aguilar and Goldstein (2009), Bing and Ceccoli (2013) and Nissanke (2013).
6. "The Beijing Consensus" is China's economic development model for developing countries, coined by Ramo (2004), as alternative to the Western

pattern of economic cooperation known as “the Washington Consensus” (Lubieniecka, 2014; Turin, 2010).

7. “Humanitarian assistance” is another initiative implemented that falls outside PRC’s aid policy provision for Africa. It is an expedient measure given to prevent excessive suffering and disaster, and it is differently administered by the Ministry of Social Welfare and funded through its various Ministries (Alabi *et al.*, 2011).
8. See Agbiboa and Maiangwa (2012), Fagbadebo (2007) and Taylor (2014) for further elaboration on corruption and political instability in Nigeria and their effects on Chinese investment.

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China in the First World War: A Forgotten Army in Search of International Recognition

Roy Anthony **Rogers***

University of Malaya

Nur Rafeeda Daut**

Kansai Gaidai University

Abstract

The First World War (1914-1918) has been widely considered as a European conflict and a struggle for dominance among the European empires. However, it is important to note that non-European communities from various parts of the world such as the Chinese, Indians, Egyptians and Fijians also played significant roles in the war. This paper intends to provide an analysis of the involvement of China in the First World War. During the outbreak of the war in 1914, the newly established Republic of China (1912) encountered numerous problems and uncertainties. However, in 1917 the Republic of China entered the First World War, supporting the Allied Forces, with the aim of elevating its international position. This paper focuses on the treatment that China had received from the international community such as Britain, the United States, France and Japan after the war. Specifically, this paper

argues that the betrayal towards China by the Western powers during the Paris Peace Conference and the May Fourth Movement served as an intellectual turning point for China. It had triggered the radicalization of Chinese intellectual thoughts. In addition, China's socialization during the Paris Peace Conference had been crucial to the conception of the West's negative identity in the eyes of the Chinese that has remained in the minds of its future leaders. It has also reinforced China's uncompromising attitude over territorial disputes till today. This study also highlights the contribution made by the Chinese Labour Corps (CLC). As the involvement of CLC has hardly been recognized after the First World War, this work not only elaborates China's involvement in the war but equally important, it also focuses on the role of the CLC which has been long forgotten.

Keywords: *China, First World War, Paris Peace Conference, Chinese Labour Corps, identity*

1. Introduction

For centuries China had always considered itself to be the centre of civilizations and constructed an identity that was far superior to other countries. However, by the nineteenth century China experienced a decline in its power. The end of 19th century marked China signing unequal treaties due to pressure from European powers such as Britain, France, Russia and Germany. These European powers had established colonies all over China. After the Revolution of 1911, China restructured itself into a modern state and adopted a new identity based on Western liberal democratic ideas. The desire for a new national identity was driven by the motivation to strengthen and enable China to defend itself against external forces. During the outbreak of the First World War in

1914, China faced many external uncertainties. Despite all the problems in 1917, China issued a formal declaration of war against Germany and the Austro-Hungarian Empire.

This paper centres on the reasons behind China's entry into the First World War. This paper also seeks to analyse China's role and its achievements in the war. Apart from that, this paper is an attempt to provide answers as to how the Paris Peace Conference had influenced the conception of China's identity in world politics.

After the Introduction, the paper is divided into eight sections. Section 2 provides the background information on the history of China in the 19th century. Section 3 discusses China's efforts to construct a new identity in the early years of the Republic. Section 4 analyses China's entry into the First World War and Section 5 highlights the role of Chinese Labour Corps (CLC) and its contributions to the Allied Forces. Section 6 discusses the Paris Peace Conference and its impact on China and Section 7 demonstrates the reconstruction of China's identity after the First World War. The final sections, Sections 8 and 9, provide a summary of the major findings of this paper based on the earlier research questions.

2. Background: The Decline of Chinese Hegemony in the 19th Century

The discussion on China's entry into the First World War cannot be fully understood without prior analyses on the fall of Qing Dynasty (1644-1911) in the 19th century. Part of its decline could be attributed to the dynasty's refusal to reform itself to new ideas and technology. Other than that, the decadence and corruption within the Qing court, incapable and backward leaders, outdated military technology and administration, internal struggle among its officials and civil wars also played a part in

its weakening power (Kaufman, 2010: 1-33).

By the 19th century, the Chinese ancient customs and traditions such as the mandate of heaven, middle kingdom, sense of superiority over other races, the social hierarchy, were no more relevant in the modern age compared to the Western technology (Clubb, 1964: 11). It must be noted that Western technology and military power were also some of the major causes that contributed to China's weaknesses. In fact, the conservative Qing officials were persistent to retain its originality and their refusal to conduct any reforms had contributed to the restriction of China's growth. This factor also deterred the Chinese from acquiring Western technology and scientific knowledge.

Some progressive Chinese officials within the Qing court embarked on efforts to conduct reforms and change in accordance with time. It was initiated following various humiliating defeats at the hands of the European powers. The effort was known as the Self-Strengthening movement in China that occurred roughly during 1850-1890. The objective of the movement was to emulate Western science, technology and administration. Its ultimate aim was to transform China into a modern country equal with other European states.

However, this movement was unable to gain the support from the conservative high officials of the Qing Dynasty including the Empress Dowager Cixi (1836-1908). Emperor Guangxu (1871-1908) attempted another similar initiative of reformation and strengthening. Unfortunately the "reform" only lasted for hundred days. The movement was also known as the "Hundred Days of Reform" (*ibid.*). Similar to the Self-Strengthening movement, it failed to transform and modernise China.

In 1898, the Qing Dynasty signed the Sino-German Treaty that relinquished sovereign control of Kiachow Bay in China's Northern Shandong Province to the German Empire (Atwell, 1985: 4-6). One may

consider the event of losing Chinese territories to the European powers as the “scramble for China”. Even Japan, an Asian country, was able to force the Qing Dynasty to surrender Formosa (Taiwan) after defeating the Chinese during the Sino-Japanese War in 1894-1895 (Jansen, 2002: 335). These wars had massively weakened the Chinese government. By the end of the 19th century the European powers such as Britain, France, Russia and Germany had created colonies all over China.

Another major problem that weakened China was the constant internal rebellions. Prior to the 19th century, China was considered as a major power in Asia. In fact, the Chinese had a sense of superiority over other nations. However, following the defeat by the European powers, China was reduced to a semi-colonial country, “carved up like a melon” or “scrambled” by foreign powers. It is crucial to discuss China’s domestic political and international standing in the 19th century as the background in order to understand China’s actions in the early 20th century. China felt inferior and humiliated by the European powers. The negative experience led China to construct a new identity for itself.

3. Construction of a New Identity

In international relations, identity can be defined as a set of ideas and images about how a state should behave and guide its interaction with other states (Morris, 2012: 137). A state’s identity is influenced by social factors such as history, collective memory, religion, ethnicity, cultures and traditions. Morris argues that a state identity is a “set of broadly accepted representations of a country’s cultural and societal beliefs about its own orientation in the international political area, as manifested by the rhetoric of official policy academia and popular culture.” (*ibid.*) Hence, a state identity can be conceptualized as constructed boundaries of acceptable behaviour in international relations.

History plays a major role in the formation of a state's identity. History binds together the various societies within the state. However, the relations between past, present and identity are not predetermined but rely on the elites' interpretation of the past (Clubb, 1964: 47). Therefore, the past events are made relevant in the present through collective memory, viable representations of the past that occur on the collective level.

Following the Opium Wars and the failure of the Self-Strengthening movement, China faced an identity crisis. The country was desperate to reconstruct its identity. Dr Sun Yat-sen, the leader of the Kuomintang, led the Revolution of 1911 and overthrew the Qing Dynasty (1866-1925). The revolution brought an end to the monarchy system in China and the Republic of China was established in 1912 (*ibid.*: 67-73). However, China was not united and it was still divided among various warlords (Lary, 2007: 29-31). The leadership was passed over from Sun Yat-sen to Yuan Shikai, the former general in the Qing's army.

It is interesting to note that China was socializing itself into a modern state and the previously accepted social structure started to erode and was replaced by new ideas (Pye, 1985: 184). Furthermore, China's socialization with the European powers during the 19th century had forced the Chinese to accept Western concepts such as state, citizenship and nation. The desire for a new national identity was driven by the motivation to strengthen and enable China to defend itself against external forces.

The new identity that China had embarked on after the fall of the Qing Dynasty was based on three major pillars: Chinese nationalism, transformation of China into a modern and democratic republic, respect for international norms and equal treatment by others.

Chinese nationalism or *Zhōnghuá Mǐnzú* is defined as a united China irrespective of ethnic, cultural and religious differences (*ibid.*).

It is evident in the design of the flag of the Republic of China from 1912-1928, that displayed five stripes representing the “five great races” of China: red represented Han Chinese, yellow represented Manchus, blue represented Mongols, white collectively represented both Huis and Uyghurs, and black for Tibetans. The idea of Chinese nationalism was basically to develop a “national consciousness” so as to unite the people living in China in the face of foreign aggression (Sharman, 1968: 94).

The second pillar of the new identity created a modern and democratic republic for China. It was based on Sun Yat-sen’s Principle of *Mínquán* or democracy which emphasized the relevance of constitutional government and separation of powers (*ibid.*). It is interesting to note that while the Republic of China attempted to modernise the administrative system it also incorporated traditional Chinese administrative tradition to create a government of five branches (each of which was called a *yuàn*, literally “court”). The Legislative Yuan, the Executive Yuan and the Judicial Yuan came from the Western Montesquieuian thought; the Control Yuan and the Examination Yuan originated from Chinese tradition (Clubb, 1964: 73).

The third pillar was respect for international norms and equal treatment by others. China was still recovering from the internal political turmoil; therefore, it extremely required international support and protection against foreign aggression. As China was reforming its domestic politics based on Western democratic values, it also looked upon Western democratic countries as models. The Chinese leaders of that time were convinced that once they became “modern” and “westernized”, the international community would treat them equally and fairly.

Despite being weak, China would like to project itself as a modern state and enhance its international prestige. Hence, it was willing to participate in the First World War in 1917. China was convinced that by

contributing its labours, it would win a seat at the peace conference, and thus regain its former territories held by the foreigners (Lary, 2007: 53-54).

4. China and the First World War

The First World War started in Europe in August 1914. China entered the war three years later to support the Allied Forces. China had interest in the war in Europe especially on Germany's colony in Shandong with great trepidation (O'Neill, 1993: 276). In 1914, during the outbreak of the First World War, Japan took the opportunity to attack the German colony in Shandong. The Japanese troops invaded the province of Shandong and managed to expel the German forces. Finally, the Japanese army was able to take control of the Qingdao territory, Shandong. China was extremely concerned with the presence of Japanese troops in the province. However, it was too weak to send its own troops to counterbalance the presence of Japanese troops. China longed for the return of Shandong province upon the end of the war.

Hence, it requested the support of the United States of America (USA) for a more congenial approach and solution. Unfortunately, the USA was unable to provide the support expected by China (Spence, 1999: 282). In 1915, China negotiated with the Japanese government for the return of Qingdao, but sadly, the outcome of the negotiation was in favour of the Japanese whereby the former German rights in Shandong were to be transferred to Japan and it would continue to lease it from China (*ibid.*).

President Yuan Shikai of China was not capable of objecting to the Japanese army occupation in the province of Shandong. Moreover, he was indebted to the Japanese government for supporting his intentions in declaring himself the new emperor of China. Hence, President Yuan

consented to the Japanese demands to occupy Shandong and Manchuria. However, the Chinese legislature refused to accept the demands made by the Japanese government. The demands were eventually made known to the public and it triggered widespread anti-Japanese demonstrations and national boycott of Japanese goods. In addition, it had also contributed to the decline in the popularity of Yuan's government among its people (*ibid.*).

China remained neutral until 1917 but the action that triggered it to enter the war was due to the attack by German submarine on the French ship *Athos* which carried 900 Chinese nationals on board for France to work behind the war line. As early as 1916, prior to China's declaration of war against Germany and the Empire of Austria-Hungary, Chinese living in the British and French concessions were employed by their colonial masters to work in the warzones in Europe as "coolies" (Lary, 2007: 52-53). Their tasks were to work on front line duty by doing manual labour.

The attack happened on 24th February 1917 and resulted in the drowning of 543 Chinese nationals. The German government refused to issue any formal apology despite China's protest. Hence, in March 1917 China decided to break diplomatic relations with Germany (*ibid.*).

The main factor for China's decision to enter the First World War was rather diplomatic than to really participate in combat and defeat the Germans. As mentioned earlier, China intended to increase its prestige and respect from the European powers. At the time, China was convinced that the Allied Powers would be fair and just during the post-war conference to pressure Japan to return Qingdao, Shandong, if China were to provide assistance to defeat the German forces. The Chinese government wanted a gradual return of all its former territories such as Hong Kong and Shanghai but it was too weak to make any claims. Hence, it had to put on hold its plans except for making use of the

opportunity due to the outbreak of the First World War in reclaiming Shandong from the Germans and Japanese.

It is noteworthy to mention that there was an intense debate within China whether or not to participate in the war. Some members of the National Assembly such as Liang Qichao put forward pragmatic political arguments that the Allied powers would defeat the German and Austria-Hungary Alliance. Therefore, China should align itself with the French and British. Liang Qichao's arguments were in accordance with the stand of the Chinese Premier, Duan Qirui. However, Sun Yat-sen, Vice-President Feng Guozhang and President Li Yuanhong opposed to the idea of getting involved in the First World War (Mühlhahn, 2016). They were in favour of China's neutrality. Sun Yat-sen was convinced that Germany posed less threat to China compared to Britain and France. Historically, both Britain and France had done more damage to China such as the Second Opium War, also known as the Anglo-French Expedition to China (1856-1860). In fact, Sun considered Germany as a potential future ally for China to balance Japanese influence in the region. In addition, Sun also argued that it was morally unacceptable for China to participate in the war by siding with the imperialist powers that had bullied China in the past (*ibid.*).

Although the justification used by the Chinese government was to regain its lost territories but Sun disagreed as he was convinced that "material gains" could not compensate for the "spiritual loss" or else China would be no better than the other imperial powers. There was a split in the Chinese National Assembly between those in favour of the war led by Premier Duan Qirui and those who opposed led by President Li Yuanhong and members of the Kuomintang Party (KMT). Meanwhile, on 1st July 1917 the monarchist warlords led by General Zhang Xun captured Beijing and attempted to restore the Qing Dynasty. President Li Yuanhong was forced to resign but Duan Qirui was able to

restore his position as the Premier. In less than two weeks, the Republican army foiled the monarchist plans but they had caused political instability and uncertainty. With the departure of Li Yuanhong as the President of the republic, Duan Qirui was able to consolidate his position in the Northern government. Therefore, a month after the recapturing of Beijing, on 14th August 1917, China declared war against Germany without any opposition from Li Yuanhong (*ibid.*). Apart from domestic factors, the United States of America also had influenced China's decision to enter into war with Germany.

After China had issued a formal declaration of war against Germany, the Chinese government deported German and Austrian populations from China. In addition, China also seized the assets of several German companies operating in major Chinese cities such as Beijing, Tianjin, Guangdong and Shanghai, most notably the Deutsche Asiatische Bank in Shanghai. In 1918, the Chinese government also offered to send 40,000 soldiers to Europe to fight along with the Allied Forces. However, Britain and France rejected the offer (Ji, 2003: 52).

5. China's Sacrifice during the First World War: The Chinese Labour Corps (CLC)

The Chinese Labour Corps (CLC) was a group of workers from China who served with the Allied Forces during the First World War. As mentioned earlier, Chinese had been working in the battlefields prior to China's declaration of war against Germany. The idea of sending Chinese labourers to Europe during the First World War was actually originated by Liang Shiyi in June 1915. He was one of those in favour of China's participation in the First World War. In fact, he believed that China would benefit both politically and financially if it were to send labourers to Europe.¹ Furthermore, he also hoped to increase his own

popularity and interest by supporting the Allied Forces. It must be noted that Chinese labourers working abroad was not uncommon those days due to the fact that there were already Chinese working in gold mines as far as South Africa in the 19th century (Yap and Leong, 1996: 510).

Initially, Britain was not in favour of having the Chinese labourers but it had to change its policy when it encountered heavy losses during the Battle of Somme (1st July to 18th November 1916). The Allied Forces had faced shortage of manpower caused by the war casualties. It must be noted that the French had shown keen interest in recruiting Chinese to serve as non-military personnel. Negotiations between China and the Allied Forces were carried out in private to protect the Chinese government and its neutrality in 1915. Finally, on 14th May 1916, the Chinese government agreed to supply 50,000 labourers and the first group of Chinese labourers left Tianjin for Dagu and Marseilles in July 1916.² In fact, the Allied Forces also relied on the local indigenous people from their colonies such as India, Fiji, Malta, South Africa and Mauritius to work at the front lines (Fawcett, 2000: 33-111).

There were 140,000 men serving in the CLC for the French and British forces.³ The CLC did not participate in combat; their duties encompassed digging trenches, filling sandbags, repairing roads and railways, unloading goods from trains and warships, and building bunkers (Spence, 1999: 276). Most of them were recruited from Shandong province because they were considered physically strong and capable of working in harsh conditions. In addition, labourers also came from other parts of China such as Anhui, Hubei, Jiangsu, Jilin, Hunan, Liaoning and Gansu (Fawcett, 2000: 35). According to Daryl Klein who served as a Second Lieutenant in the CLC, the labourers were comprised of men from different backgrounds such as peasants, ex-soldiers, bakers, carpenters, former teachers, blacksmiths and stonemasons. For example, Sergeant Sen Shin-lin had served in a warlord's army and Sergeant Tang

Chi-chang had been a teacher in Nanjing before joining the CLC (*ibid.*: 36). They were promised to be paid and a percentage of each worker's wages would be sent back to his family in China.

The labourers were gathered at the Chinese port cities such as Hong Kong, Shanghai, Tianjin and Weihaiwei before they boarded ships to Europe. However not all were accepted as labourers because they were subjected to health inspections. Some labourers were rejected due to poor health conditions such as tuberculosis, venereal diseases, trachoma and bad teeth. Upon passing the health inspection, the labourers were given tags with serial numbers and their names both in Romanised and Chinese characters. The journey roughly took two months and the CLC were crammed at the bowels of their transport ships.⁴ The routes taken by the CLC to Europe were either eastward via the Panama Canal or sailing to Canada or westward via the Indian Ocean and the Suez Canal. These routes were selected to confuse the German navy and to prevent being spotted by the U-Boats (*ibid.*: 40). It is interesting to note that none of the ships were attacked by the German forces despite their presence in the northern waters of China.

Upon arriving in Europe, the CLC were sent to various camps such as Noyelles at Somme. Since they were not combatant soldiers, no army-type uniforms were provided; instead they were allowed to wear their own Chinese native clothing. However, the Allied Forces provided a cap badge with the initials of "C.L.C." that the Chinese labourers had to wear on their sleeves. The Allied Forces also awarded the labourers the motto *Labor Vincit Omnia* (LVO) [Labour Conquers All] (*ibid.*: 39).

The living conditions for the CLC were harsh but they had sufficient food. The CLC were placed in camps surrounded with barbed wires. It is interesting to note that the Chinese cooked their own food in the camp and they had two meals per day: the morning meal before work and dinner in the evening. They were provided with basic equipment such as

boots, two pairs of socks, enamelled mug, towel, soap, one blanket during summer and three in the winter. They were expected to work up to ten hours per day for seven days every week. They were allowed to correspond with their families in China with the conditions that the letters would be strictly vetted. For example, Zhong Yangchong and C.W. Sung, the members of CLC, wrote to their wives in China describing how they celebrated the Dragon Boat Festival and how they managed to impress the French military officers by performing Chinese traditional dance during the festival (*ibid.*: 54). While in Europe, the CLC had continued to practice Chinese customs and traditions such as the Lunar New Year, Dragon Boat Festival and the Mid-Autumn Feast.⁵ The CLC celebrated these feast days by staging operas, making paper lanterns and preparing special meals. In addition, the Young Men's Christian Association (YMCA) used to send men and women to organise recreation such as screening of silent movies and talks for the CLC (*ibid.*: 45-46). They also provided assistance to some illiterate CLC members to write letters to their family.

The CLC were also assured that they would not be exposed to dangers while working in Europe. However, it was far from the truth as many CLC were killed by German bombings while working in the frontlines. It was expected as they were given hazardous tasks such as carrying live ammunition and collecting unexploded bombs from the battlefields. Some of the CLC were trained by the Allied Forces and eventually became experts such as the Tank Corps depot at Auchy-les-Hesdin.⁶

It is noteworthy to mention that the Chinese community in general and particularly the CLC had tremendously contributed to the Allied Forces during the First World War. Some of the CLC were skilled enough to perform repairs of the female and male Mark V tanks. About 70 CLC managed the camouflage section that was responsible for

painting the Allied tanks (*ibid.*: 42-45). Besides, the CLC Chinese from other parts of the British colonies also had contributed in the war efforts against the Central Powers. For example, Eu Tong-sen, an Unofficial Member of the Federal Council of the Malay States, offered to finance building a Mark IV male tank worth 6,000 pounds (Sharp, 2009: 93; *The Singapore Free Press*, 26th June 1915). The tank was later painted with the design of two eyes similar to those on a sea-going Chinese junk and was named Fan-tan (*ibid.*).

In fact, after the Armistice, the situation had worsened as orders were given to the CLC to clear the battlefields of unburied corpses that died due to the outbreak of Spanish Flu. According to the British and French records, around 2,000 CLC died while performing their duties in Europe between 1918 to 1919. Some of them had contracted the Spanish Flu pandemic.⁷

It is estimated that 10,000 CLC died during the First World War but Chinese sources had argued that the number maybe almost double. It is interesting to note that the last survivor of the CLC was Zhu Guisheng who passed away on 5th March 2002 at the aged of 106 years old. He died in La Rochelle as he was one of the former CLC members who had remained in Europe after the war. In fact, he had also served with the French Army during the Second World War (1939-1945) (O'Neill, 2012: 120).

Most of the CLC who perished during the war were buried in France, Belgium and the United Kingdom. These burial areas were Abbeville Communal Cemetery Extension, Arques-la-Bataille British Cemetery, Beaulencourt British Cemetery, Caudry British Cemetery, Ebblinghem Military Cemetery in France, New Irish Farm Commonwealth War Graves Commission Cemetery near Ypres, Poperinge Lijssenthoek Military Cemetery, Reningelst Military Cemetery in Belgium, Efford Cemetery of Plymouth, Shorncliffe

Military Cemetery near Folkestone, and Anfield Cemetery of Liverpool, United Kingdom (Fawcett, 2000: 33-111). Members of the CLC were buried with the Commonwealth dead but separated from the European graves. Evidently, the Europeans' attitude at that time regarded themselves far superior to the Asians. Chinese must be buried in their own plots and not be close to the European areas. However, it is interesting to note that some Chinese cemeteries were selected based on its *fengshui* (Fawcett, 2015: 199). For example, the Chinese had chosen the cemetery at Noyelles-sur-Mer, France, due to its location on a slope facing a stream.

The Allied Forces decided that the CLC was not eligible for any military awards or medals as they were not directly involved in combat. Hence, the members of CLC were only eligible for Meritorious Service Medal (Holmes, 2011: 345). There were only five members of the CLC who had been awarded the Meritorious Service Medal such as Liu Dien Chen who had rallied his men under shellfire in March 1918 (*ibid.*). In addition, the British presented the British War Medals to all CLC members as recognition of their contribution to the war. However, no mention had been made for decades until military ceremonies at the Chinese cemetery in Noyelles-sur-Mer in 2002 (*ibid.*).

In November 1918, the first group of CLC left Europe to return to China. Only 3,000 to 5,000 members of the French-recruited CLC had stayed back in France.⁸ They were pioneers of the Chinese community in France. It is interesting to note that after the war, there were 1,850 qualified Chinese workers originally members of the CLC working at metallurgical industries in France. Most of them, eventually, married local French women and two of them had lived long enough to be awarded the French Legion of Honour in 1989.

The CLC members had encountered life experiences in Europe and been able to inform their fellow Chinese of their experience upon

returning home. The fact that the European powers especially Britain and France had to rely on them during the war had boost the morale of the Chinese. For example, Chen Duxiu, one of the Chinese intellectual elites of the New Culture Movement, had considered the contribution of CLC as national pride (Hayford, 1990: 22-27). According to Chen, “while the sun does not set on the British Empire, neither does it set on Chinese workers abroad.” (*ibid.*).

Furthermore, the CLC’s participation in the First World War had also helped to inspire future Chinese leaders such as Zhao Enlai and Deng Xiaoping to gain the confidence to travel to Europe (France) for their education in the 1920s. After the war, China was to discover the reality and true cost of its entry into the conflict.

6. The Paris Peace Conference and China

The First World War came to an end with the armistice signed between Germany and the Allied Forces on 11th November 1918. The commence of Paris Peace Conference on 18th January 1919 led China into euphoria thinking that it was time for China to make its claims and demands during the Conference for the return of Qingdao and Shandong province from the defeated Germany. Moreover, China also would like to end the Japanese occupation in Shandong and hoped that France, Britain and the United States would support its efforts.

Hence, the Chinese delegation led by its Foreign Minister, Lou Tseng-Tsiang left Beijing for Paris with full expectations. China intended to forward several demands during the Paris Peace Conference. China requested, first, for the abolition of extraterritoriality; second, Japan to return Qingdao and Shandong province; and third, to be given the rights to control and manage the railways of eastern China (Clubb, 1964, 83). In addition, China also aspired to restore the leased territory

of Kiaochow and cancellation of all German railway, mining, and other rights in Shandong and the annulment of extraterritorial rights hitherto enjoyed by the subjects of Germany and Austria-Hungary (*ibid.*).

China's representatives, Minister Lou Tseng-Tsiang and Wellington Khoo, had presented the country's demands (Lary, 2006: 54-55). According to Khoo, with China's declaration of war in 1917, it had abrogated of all treaties and agreements between the Republic of China and Germany and Austria-Hungary (Macmillan, 2002: 322-345). In addition, Khoo also appealed to the international community to respect China's sovereignty and territorial integrity. However, the Japanese representative to the Versailles Treaty, Baron Makino had refused to accept the Chinese argument (*ibid.*).

Most of the European powers were less interested in China's appeal. China only had the United States on its side. President Woodrow Wilson of the United States was assertive to present China's case during the Paris Peace Conference (Griswold, 1938: 239-268). China's representative was unable to be present throughout the conference sessions compared to the Japanese.⁹ Therefore, China had to rely on the representative from the United States to speak on its behalf. Instead of listening to China's appeal, the Paris Peace Conference chose to accept Baron Makino contention that Japan had the right to Shandong Province. On 28th June 1919, all parties involved in the First World War signed the Treaty of Versailles except for China as it decided to abstain from the final ceremony (Clubb, 1964: 86).

China's entry into the war was not due to the European powers, but rather because of Japan. China believed that participating in the war would balance the Japanese hegemony in East Asia. Moreover, China would like to regain its lost territory from the defeated Germany. However, China's hopes and dreams were destroyed when the Allied powers during the Conference decided to favour the Japanese rather than

the Chinese. Hence, China had failed in its attempt to negotiate for the return of Shandong and the Japanese continued to occupy the province.

Another disappointing moment for China during the Paris Peace Conference was the total denial of the contribution of CLC. Arthur Balfour, the British Foreign Secretary at that time, claimed that China's contribution during the war had involved neither "the expenditure of a single shilling nor the loss of a single life". In fact, the Allied Forces attempted to put the blame on the CLC for the outbreak of Spanish flu.

Neither the French nor the British were actually interested in upholding international justice. For the British their goal at Paris Peace Conference was to maintain their imperial power and not to achieve international justice. Similarly, the French at that time was not interested in championing the rights of weaker states or justice except to demand compensation and retribution for the losses during the First World War.

It is noteworthy to mention that the Chinese delegates adopted the Wilsonian ideas in order to gain again political and diplomatic support for their claims. Nevertheless, the Chinese delegates were disappointed with the outcome of the Peace Conference.

Nicholas Keegan who wrote about Minister Lou Tseng-Tsiang argues that "China in coming to the Peace Conference, has relied on the Fourteen Points set forth by President Wilson and formerly adopted by the Powers associated against Germany. She has relied on the spirit of honourable relationship between states which is to open a new era in the world and inaugurate the League of Nations. She has relied, above all, on justice and equity of her case. The result has been, to her, a grievous disappointment." (Keegan, 1999).

Similarly, it was reported in *The Washington Post* as early as 1919 itself: "Basing their attitude on the Wilsonian idea of the League of Nations, the Chinese delegates make no secret of their hope that out of the peace conference will come a new China, free of all alien

interference. Nor do they hesitate to affirm that unless the Far Eastern question is solved the hope of preventing and or minimizing the chances of future wars by the League of Nations is illusory.”¹⁰

7. Reconstruction of China’s Identity in the Post-First World War Era

After the First World War, the sense of betrayal and humiliation was very strong in China. In addition, at that time China also had to endure the feeling of inferiority compared to Japan especially after being defeated by the Japanese twice within a period of less than half a century. The first defeat was during the Sino-Japanese War in 1894-1895 when the Japanese imperial army vanquished the Chinese troops; the second defeat was at the Paris Peace Conference when the Chinese delegation was unsuccessful in making its claim over the province of Shandong compared to the Japanese delegation.

It was extremely difficult for China to come to terms with these two events. It was a hard psychological blow to China’s identity. Historically, China had always considered itself an advanced nation compared to Japan. China believed that Japan was culturally less superior because it was the Chinese who introduced the manuscripts and brought Buddhism to the Japanese. However, due to advancement in science and technology, the Japanese were able to overtake the Chinese both in military and economy in the 19th century.

The Sino-Japan War of 1894-1895 and the “21 Demands to China” in 1915 by the Japanese government had contributed to the anti-Japan feelings and upsurge of nationalism (Chow, 1967: 22-23). China’s failure to regain its Shandong territory during the Paris Peace Conference was no longer perceived as the defeat of the Republic of China but rather turned into a defeat of the Chinese people. All these events had led to the

eruption of the May Fourth Movement.

The May Fourth Movement was a political movement led by university students in Beijing to demonstrate their frustration especially anti-imperialist sentiments on 4th May 1919. The students protested against the Chinese government's failure during the Paris Peace Conference. These demonstrations in Beijing eventually led to protests in all major cities of China and inspired Chinese nationalism in the early 20th century.

The May Fourth Movement also contributed to the shifting of political mobilization from cultural and intellectual activities towards a populist base (Hao, 1997: 11-21). In addition, it had inspired many political and social activists who eventually became leaders such as Mao Zedong, Deng Zhongxia, He Shuheng (Clubb, 1964: 87). The May Fourth Movement was a watershed in China's history because it had inspired intellectuals to be more radical in their approach. Therefore, many of them started to mobilize peasants and workers into the Communist Party. It is crucial to note that it eventually managed to garner support from the masses and solidify the success of the Communist Revolution.

Furthermore, the May Fourth Movement also radicalized the Chinese intellectual thoughts prior to the Paris Peace Conference. Initially, the Western-style liberal democracy had a degree of attraction amongst the Chinese intellectuals but it gradually lost much of its appeal. The Chinese intellectuals were convinced that the European democratic states such as Britain and France did not practice democratic principles such as equality, morality and fairness when dealing with international affairs but rather their actions were based on national interests.

Moreover, the Chinese intellectuals at that time were also disappointed with the United States for not doing enough to convince its

fellow democratic powers such as France and Britain to adhere to the Chinese requests during the Paris Peace Conference. Instead, they adhered to the Japanese delegation based on their own national interests. From China's perspective, the betrayal by the Western democratic countries led to its shift from the Western liberal democratic model. According to China's envoy to the Paris Peace Conference, Liang Qichao, "in international relationship there is the principle of 'might is right'". Evidently, it was not only Germany who was dissatisfied with the outcome of the Paris Peace Conference, China too was very disillusioned and demoralised by the actions of the Western democratic countries during the conference. China considered the United States to be insincere because it eventually supported the decision made by other European powers namely Britain, France and Italy to reject China's claim over Shandong. Hence, China viewed Woodrow Wilson's Fourteen Points as Western-centric and hypocritical although they were based on liberal democratic principles (Schoppa, 2005: 177-179).

The betrayal of Western democratic powers towards China during the Paris Peace Conference and the May Fourth Movement had contributed to Marxism gaining more attention among the Chinese intellectuals such as Chen Duxiu and Li Dazhao. While China was going through political protest over the outcome of the Paris Peace Conference, in the aftermath of the Russian Revolution the Marxist-Leninist ideology was spreading all over the Eurasia region including into China. It is noteworthy to mention that Marxism began to take hold in Chinese intellectual thoughts, particularly among those already on the Left. It was during this period that communism was studied seriously by some Chinese intellectuals such as the leading founders of the 1921 Communist Party of China (CPC) namely Li Lisan, Qu Qiubai, He Shuheng and Chen Tanqiu (Schwartz, 1951: 32-35).

The Chinese intellectuals were beginning to compare the discredited Western European system, which had been viewed with increasing pessimism, with the Soviet Union as a model of dissident modernization. Professor Xu Guoqi from the University of Hong Kong argues that World War I was a crucial moment when China, with little military and diplomatic power, recognised it had to be an active participant in international affairs to shape an emerging world order.¹¹ It is important to note that China sought to be treated as an equal member in the international community. Xu added: “What China learned from the aftermath of the war was that the West was not always reliable and might be more powerful than right.”

The Paris Peace Conference and the May Fourth Movement had a decisive impact on the history of modern China and its identity. After the fall of Qing Dynasty in 1910s, prior to the Paris Peace Conference, most of the Chinese intellectuals were impressed by the Western democratic ideas such as separation of powers and elections. They were convinced to construct a new identity for China based on Western democratic principles. However, the results of the Paris Peace Conference made the Chinese intellectuals reconsider the Western democratic ideas and eventually led to the re-construction of another identity for China. Marxism became increasingly popular following the May Fourth Movement in the 1920s. Therefore, Marxism was eventually socialized into becoming China’s new identity.

8. Involvement in First World War and the Construction of China’s Contemporary Behaviour

It is noteworthy to mention that the experience China encountered during the First World War and May Fourth Movement had impacted on its subsequent behaviour. For example, protest in the aftermath of May

Fourth Movement bear relevance to contemporary China. In the area of territorial dispute such as the South China Sea or East China Sea involving China, Beijing is extremely cautious as it fears any action may provoke nationalist backlash, or worse, cause national embarrassment.

Therefore, for a better understanding on China's contemporary actions it is necessary to understand its past. From the Opium War, First World War to the Second World War, China was in the condition to recover from the aggression of external powers. China's bitter socialization is known as the "Century of Humiliation" (Kaufman, 2010: 1-33).

For example, the humiliation it encountered during the Paris Peace Conference had left a scar and contributed a proportioned impact on Chinese thinking and political landscape. It has shaped China's identity and affected its nationalism, foreign policy, and how it views the world. Chinese nationalism had focused on recovering from the Century of Humiliation by enhancing its territorial integrity through reclaiming its territories lost to the foreign aggression such as the islands in the East and South China Seas.

In addition, China was convinced that it should benefit from international respect and influence. The experience it encountered during the Paris Peace Conference had taught China a bitter lesson in dealing with other major powers. China felt that it was not treated on equal footing by the European powers. This had convinced China to be suspicious of multilateral engagements especially involving issues related to overlapping claims and boundary disputes. Its scepticism explains the reason why China has been so assertive to engage the Southeast Asian states on a bilateral manner rather than multilateral while managing the South China Sea disputes.

The Paris Peace Conference had socialised China to be sceptical and doubtful with multilateralism and placed less trust on the international

community to safeguard its borders and interest. The impact is still felt until this present time. For example, China has demonstrated the attitude of distrust in 2013 that it refused to participate in all the deliberations at the Permanent Court of Arbitration at The Hague over the South China Sea dispute when the Philippines presented its case. Subsequently, it rejected the decision made by the Permanent Court of Arbitration in 2016. The Chinese media Xinhua called the ruling by the Permanent Court of Arbitration as “ill-founded” and “naturally null and void”.¹² In addition, it also emphasized: “The Chinese government and the Chinese people firmly opposed the ruling and would neither acknowledge it nor accept it.” (*ibid.*)

It is undeniable that the Chinese attitude has changed and has been much more assertive in recent years but its leaders encounter the fear of “losing” a war should matter escalate in Asia. If such backlash were to occur, it would certainly tarnish the legitimacy and popularity of the Chinese Communist Party.

Another outcome from the Paris Peace Conference which impacted contemporary China is the increase in anti-Japanese sentiments. The anti-Japanese sentiment had continued to be strong in Chinese nationalist discourse especially during the aftermath of First World War. Worst of all China felt insulted by a fellow Asian country which had relied on China in the past. This sentiment continues to exist. According to Jiang Yang, “anti-Japanese nationalism is particularly effective in generating support for the government simply because resentment against Japan can be tapped so easily” (Yang, 2006: 86-105). The sentiment also has an impact on China’s attitude in dealing with the Senkaku/Diaoyu Islands dispute. China’s quest to regain control over the Senkaku/Diaoyu Islands is part of its efforts to achieve its regional revival.

9. Conclusion

China's entry into the First World War (1914-1917) can be considered as a tortuous route. In fact, it left an indelible mark on China's internal politics and its foreign relations. The First World War also pulled in 140,000 Chinese workers who served at the Western front. Unfortunately, little has been known about the 140,000 Chinese Labour Corps (CLC) who had participated in the Western front during the First World War.

This paper examines the impact of China's entry into the First World War. The Republic of China intended to construct a new identity based on Chinese nationalism and Western-style liberal democracy. It was convinced that it would gain international recognition by constructing a new identity for itself. In the 1910s, China was very eager to re-establish its prestige that was lost since Opium Wars in the 19th century. It must be noted that China's entry into the war was more important on the diplomatic front than on the actual combat itself. This paper, specifically, analyses pertinent issues related to the factors that have influenced China to participate in the First World War.

During the outbreak of First World War in 1914, the newly established Republic of China (1912) was only two years in existence. It had to encounter many internal problems and external uncertainties such as warlord problems and regaining lost Chinese territories such as the province of Shandong, Formosa (Taiwan) and Weihaiwei. However, despite all odds China entered the war in 1917 with the aim to elevate China's international position.

China's initial impression was that by joining the war it would gain international recognition and be treated equally at war councils and peace conference. In addition, it would have the opportunity to rid itself of the encumbrances of unequal treaties. Unlike previous studies on

China and the First World War, this paper focuses on factors that had contributed to the May Fourth Movement and civil unrest due to the annexation of Shandong province to the Japanese despite China's objections during the Versailles Treaty in 1919. More importantly, this paper also focuses on the treatment China received from the international community such as Britain, the United States, France and Japan.

This paper argues that the betrayal of Western powers towards China during the Paris Peace Conference and the May Fourth Movement served as an intellectual turning point in China as they had radicalized Chinese intellectual thoughts. Western-style liberal democracy had previously been popular amongst the Chinese intellectuals. However, it had lost its attractiveness after these events. Communism started to gain more attention from intellectuals who shifted to the Left and some were among the leading founders of the 1921 Communist Party of China (CPC). It had also intensified the distrust towards the West (deemed hypocritical) and Japan. China's socialization during the Paris Peace Conference had contributed to the conception of a negative identity of the West in the minds of Chinese leaders. In addition, it had also intensified China's uncompromising attitude over territorial disputes till this day.

This study has also highlighted the contribution made by the CLC. The involvement of the CLC was hardly recognized after the end of First World War. After the First World War, the CLC were asked to return to China immediately. Hence, there were no war memorials honoured by the Britain or the French. Besides, records of their services were destroyed during the Second World War.

In recent years, the international community started to give attention to the role of the CLC. There are not many works published regarding the CLC compared to the recognitions received by other non-Europeans

who participated in the war. A few scholars such as Xu Guoqi from Hong Kong University, Zhang Yan from Shandong and Dominiek Dendooven (a curator and researcher from the Flanders Fields Museum, Ypres, Belgium) had conducted research on the CLC.

This study is intended to serve as a basis for future research regarding the role of the CLC and their endurance during the First World War. The aim of this research is to inspire interest with the hope that further work can be conducted on the CLC and their contributions during the First World War.

Notes

- * Dr Roy Anthony Rogers is a Senior Lecturer and head of the Department of Strategic and International Studies, University of Malaya, Malaysia. He has a B.A. (Hons) in international studies and a Master in Strategic and Defence Studies (M.SDS) both from the University of Malaya. He joined the Department of Strategic and International Studies, University of Malaya, in 2001, and has also taught at the Malaysian Armed Forces Staff College (MAFSC). In 2012 he obtained Ph.D. from the International Islamic University Malaysia (IIUM) and his areas of research include government and politics of the Central Asian republics and human rights conditions in Xinjiang, China. He received the Taiwan Fellowship sponsored by the Ministry of Foreign Affairs (MOFA) of the Republic of China to conduct research on the human rights conditions in Xinjiang. During the research period he was attached to the Institute of International Relations (IIR), National Chengchi University (NCCU), Taiwan, as a visiting scholar. In 2006 he was awarded the International Visitor (I.V.) Program Grant (*US Foreign Policy and Counterterrorism*) by the US State Department. Besides that in 2008 he was awarded the Excellent Service Award by the University of Malaya. His areas of specialization include

political science, international relations (theories of international relations) and history (China and Central Asia). <Email: rarogers@um.edu.my>

** Dr Nur Rafeeda Daut is an Assistant Professor at the Faculty of Foreign Languages and the Asian Studies Programme, Kansai Gaidai University (関西外国語大学 / 関西外大), Osaka (大阪), Japan. Dr Nur Rafeeda has spent many years teaching international politics in Malaysia, Turkey and Japan. She holds a B.A. in international relations from Syracuse University, New York, and Master's degree in political science from Leiden University, Netherlands. She has also taught at the Malaysian Armed Forces Staff College (MAFSC) in Malaysia. In 2014, she obtained her Ph.D. from University of Kent's The Brussels School of International Studies (Brussels, Belgium). Her research areas include social movements in Europe and Southeast Asia and governance and politics in the European Union. Her areas of specialization include Asian and European regionalism, nationalism in Europe and Southeast Asia and European history and politics. <Email: nurdaut@kansai-gaidai.ac.jp, nurrafeeda@gmail.com>

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***Perspective on Taiwan and
Cross-Strait Relations***

Comparing the Cross-Strait Economic Policies of KMT and DPP, 2008-2016: Implications for the Future Politics of Taiwan

Adrian Chi-yeung **Chiu*** and Kam-yee **Law****
The Education University of Hong Kong

Abstract

This paper discusses and analyzes the cross-Strait economic policies of the KMT and the DPP in three presidential elections since 2008. The dilemma between the necessity of regional economic integration and the rise of the Taiwanese identity as a result of democratization has led to signs of convergence in terms of cross-Strait economic policies between the two parties in response to international economic environment despite their difference of emphasis and their priorities in facing the global economy. With reference to the implications for the future politics of Taiwan, this study suggested that the growing importance of economic agenda, which bridges the Blue-Green divide, is actually conducive to democratic consolidation in Taiwan. Democratic consolidation has simultaneously reinforced the concept of “stateness” in the development of the Taiwanese identity, which has, in return, challenged the spillover effect of cross-Strait economic relations.

Keywords: *cross-Strait relations, economic policy, electoral democracy, partisan politics, Taiwanese identity*

1. Introduction

In multiparty democracies, if the political systems are going to work, people assume that political parties have basically stable positions on policy and these positions diverge, and that voters make choices based on policy preference. However, not most of the research on party competition supports this assumption. Some research examines the policy strategies of vote-seeking parties during election, argues that the parties are motivated to pronounce policies that appeal to voters, whose bias toward the presented policies may be based in part on reasons that have nothing to do with policy (Adams, 2010). Going beyond Western democracies, the current study employs this reflective idea in reviewing a newly consolidating democracy in East Asia, i.e. Taiwan, challenging the conventional assumption of the Blue-Green divide in every aspect of the cross-Strait policy. This study aims to analyze the cross-Strait economic policies of the two major parties in Taiwan, namely, the Kuomintang (Nationalist Party, KMT) and the Democratic Progressive Party (DPP), in three presidential elections since 2008 and to suggest some implications for the future politics of Taiwan. The discussion mainly revolves around two questions: (1) How are these two major political parties in Taiwan similar or different in response to the ever-changing global economic environment? (2) What are the implications for the future politics of Taiwan? It argues that, in spite of their differences, cross-Strait economic liberalization and economic integration appear to be a converging point of the two parties.

The significance of this study is twofold. First, this study fills the gap of understanding the link of the economy and politics of Taiwan

since the KMT government took office in 2008. While economics and politics are closely related, not much has been discussed about the interaction between the international level and the domestic level (Putnam, 1988), such as the impacts of the cross-Strait economic policies on the domestic politics of Taiwan (Wu, 2005). This study attempts to elucidate the link between these two important domains in Taiwan studies. Second, after two decades of electoral democracy, this study assesses the democratic consolidation in Taiwan. Cross-Strait economic policies are an important cutting point (Sanborn, 2015). Empirically, a common concern that a close cross-Strait economic relation will soon be accompanied by political integration emerges. The Sunflower Movement is an evident example of this concern. Nevertheless, this study argues that the relationship between cross-Strait economic and political relations is not as straightforward as spillover effects would suggest and that a simple equation of economic and political integration may overlook the complexities of the interplay between cross-Strait relations and domestic politics.

2. Comparing the Cross-Strait Economic Policies of the KMT and the DPP

The analysis in this section is primarily based on the pronounced policies that the candidates attempted appealing to voters. Therefore, data were gathered concerning the presidential election platforms and election debates of both parties from 2008 to 2016, and is supplemented by media reports.

2.1. The 2008 Presidential Election

The 2008 presidential election was highlighted by the salient issue of political corruption of Chen Shui-bian since 2005 (Fell, 2012; 2014a).

This issue was used as a medium by the KMT to attack the DPP, which worked and resulted in a landslide victory for the former, gaining more than 58% of votes (Petrocik, 1996). Unlike in the previous elections, the cross-Straits economic policy gained considerable significance in the election platforms.

The resuscitated KMT, represented by Ma Ying-jeou (馬英九) in the 2008 presidential election, shifted its cross-Straits policies by showing goodwill to China through recognizing the “1992 Consensus” and the “One China” principle since the Taiwan Strait peace tour led by Lien Chan (連戰) in 2005. The KMT also agreed to reopen cross-Straits and KMT-Chinese Communist Party dialogues and encourage additional cross-Straits economic exchanges. Thereafter, liberalizing cross-Straits economic interactions became the major economic policy direction of the KMT in the run-up to the 2008 election. Ma believed that the cross-Straits economic integration alongside the improved cross-Straits relations would be the solution for the economy of Taiwan, and the DPP government was criticized to have squandered eight years of golden opportunities. Consequently, Ma pledged to begin cross-Straits negotiations on matters, such as direct flights, tourism, and liberalization of investments, once he was elected (*Apple Daily*, 2008). Generally, he upheld liberal economic beliefs and proposed to lift the control on cross-Straits trades and investments as much as possible to engage Taiwan in the global economic order. Domestically, Ma proposed the “12 Love Taiwan Constructions” that aimed to expand internal demands and to strengthen the infrastructure of Taiwan for economic development (National Development Council, 2009). Moreover, Ma pledged to achieve his “6-3-3 economic plan”, including achieving 6% of annual gross domestic product (GDP) growth, reducing the unemployment rate to 3%, and increasing the per capita GDP to US\$30,000 (*The China Post*, 2008). The KMT attempted to prevent Taiwan from being

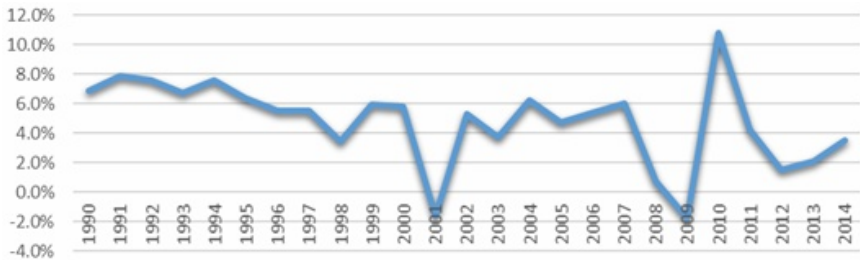
marginalized in regional and global economic competitions through these policies.

Although Chen had replaced the “No Haste, Be Patient” (戒急用忍) policy with the “Active Liberalization, Effective Management” (積極開放, 有效管理) policy and lifted the 50-million individual investment limit in China during the first term of his presidency (*Taipei Times*, 2001), he was much more restrictive in the remaining years of the DPP administration and eventually changed the policy to “Active Management, Effective Opening” (積極管理, 有效開放) to regulate cross-Strait economic interactions. However, in the wake of the economic dilemma in Taiwan, Frank Hsieh (謝長廷), the DPP candidate in the 2008 election, proposed an economic approach that was actually similar to that of Ma. The only difference between their approaches was on the pace and aspect of liberalization toward China, that is, the DPP was apparently more prudent and focused on defending the autonomy of Taiwan. For example, Hsieh supported the cross-Strait direct flight and tourism from China too, but proposed a conservative scale (*China Review*, 2007; *Epoch Times*, 2007). Hsieh also agreed to open up the investment market but proposed setting a limit on Chinese investors who invested in the property market of Taiwan. While Hsieh did stress on the redistribution of economic benefits and believe that the economic development should be aimed at bringing overall happiness to the Taiwanese people instead of benefiting businesses only, Ma also disagreed to open up the import of labor from mainland China and refused to liberalize the agricultural market for Chinese products to pacify the labor sector and to prevent industries from being “hollowed out”. In summary, despite the difference in some technical measures, the overall economic strategy of the two parties in terms of cross-Strait economic liberalization carried certain similarities.

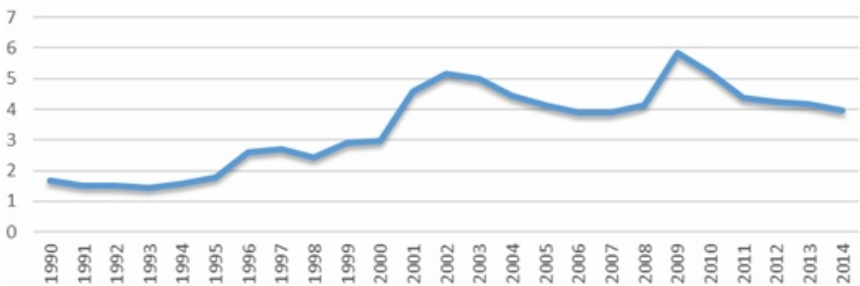
2.2. The 2012 Presidential Election

The economy remained to be one of the main highlights in the 2012 presidential election, which was held in the midst of the intensified cross-Straits economic integration as a result of the signing of the Economic Cooperation Framework Agreement (ECFA) in 2010 that affected the public. Although Taiwan had restored the economic growth after recording the negative growth in GDP in 2008 and 2009 (Figure 1), social inequality worsened due partly to the relocation of industries to China, and such economic liberalization only benefited a small number of investors (Chang, 2014). The unemployment rate rose to 6.13% in August 2009, and the gap between the rich and the poor widened (Figure 2). On the other hand, metropolitan areas, such as Taipei, usually benefited more from Chinese investments compared with the rural areas in central and southern Taiwan because of the structural variations in different regions of Taiwan. In other words, regional inequalities in Taiwan also intensified (*ibid.*). Theoretically, the rise of inequalities benefitted the DPP in terms of mobilizing popular support because of their longstanding image of being concerned about social equality. However, the incumbent KMT government was still given the mandate to continue the cross-Straits détente and further economic integration.

The KMT apparently believed that their cross-Straits economic policies and performance records in the economy of Taiwan had won them the election in 2008. Therefore, despite the economic recessions at the outset, the KMT still acclaimed their economic performance and used further cross-Straits economic liberalization as a major platform in the 2012 presidential election. Ma argued that the KMT put the economy of Taiwan back on the right track and built the foundation for the “Golden Decade” (黃金十年), which was the main slogan of the electoral policy platforms of the party. The “Golden Decade” demonstrated the vision of the KMT to revitalize the economy of Taiwan

Figure 1 Real GDP Growth Rate of Taiwan (%), 1990-2014

Source: International Monetary Fund.

Figure 2 Unemployment Rate in Taiwan (%), 1990-2014

Source: Directorial-General of Budget, Accounting, and Statistics.

and improve the living standard of the Taiwanese people. The state-building vision aimed to remind the voters about the achievements of the KMT in the past four years in building the infrastructure for the economic growth of Taiwan. In terms of cross-Strait economic relations, the KMT delivered their promise of cross-Strait détente and economic integration, including the cross-Strait direct flights, the Three Links, the liberalization of investments on both sides, and the 16 cross-Strait agreements, comprising the ECFA. Concerning the future, the KMT

proposed to institutionalize cross-Strait relations and to prudently consider signing peace agreement with China (*Sina News*, 2011). Ma also urged to accelerate the pace of liberalization of Taiwan for mainland investment through concluding follow-up agreements of the ECFA, including the service trade agreement, and to expand the quota for mainland tourists (National Policy Foundation, 2011). Briefly, cross-Strait economic integration continued to be the focus of the policies of the KMT, and the “Golden Decade” plans were construed as the future engine for the development of Taiwan.

On the contrary, the reality of intensified cross-Strait economic interactions promulgated by the KMT since 2008 inhibited the DPP from proposing an alternative policy stance because of the public support for the status quo (Schubert, 2012b). The possible strategic option of the DPP was limited, that is, proposing an ambiguous or contradictory cross-Strait economic policy. The persistent denial of the “1992 Consensus” of Tsai Ing-wen (蔡英文), the DPP candidate in the 2012 election, who proposed an alternative empty “Taiwan consensus”, and the eventual recognition of the ECFA were typical examples of this ambiguity or contradiction. Moreover, the promise to honor the cross-Strait agreements of the KMT and to continue the dialogues made the cross-Strait economic policy of Tsai similar to that of Ma (*Taipei Times*, 2011). However, while lacking uniqueness in cross-strait economic policies, the repeated emphasis of Tsai on “Taiwan value” differentiated herself from Ma. The proposal of “Taiwan consensus”, which encouraged the participation of all the Taiwanese people to form a consensus about the future resolution with China that is unaffected by regime change, was an example of “Taiwan value” (*Taipei Times*, 2011, 2012; *The China Post*, 2012). Nevertheless, the notion of “Taiwan consensus” deliberately remained to be vague and unsubstantial.

The most exhaustive pledge of the policy of Tsai in the 2012 election was the 10-year policy platforms (十年政綱) (*Liberty Times*, 2011). The two major focuses were facing the world and promoting social justice. The former was a strategy counteracting the cross-Strait economic dependency on China of the KMT. The DPP argued that Taiwan should open its economy to the entire world instead of relying on China. The latter was promoted as the most salient issue in the campaign of Tsai in 2012, which addressed social inequalities and the worsened livelihood of the Taiwanese people brought by the cross-Strait economic liberalization (Fuller, 2014; Schubert, 2012a, 2012b). She advocated social equality and justice through the redistribution of wealth and argued that the government has a responsibility to ensure that economic successes benefit not only businesses and investors. Therefore, the redistribution of social resources was the focus of the policy platforms of the DPP. The economic policy should be in agreement with the social policy (Chang, 2014). In summary, the 10-year policy platform advocated “to walk toward China through the international community” (從世界走向中國), which implied that Taiwan should rectify its over-dependency on China (DPP, 2011). The DPP avoided mentioning in their campaign that they accepted the status quo of the economy being opened toward China by the KMT.

2.3. The 2016 Presidential Election

The domestic political and economic backdrop of the 2016 presidential election shared similarities and differences compared with the one in 2012. Although President Ma pledged to create “Golden Decade” for Taiwan that would ensure economic prosperity and political stability, he failed to keep his promise when he took office in 2008. Although Taiwan enjoyed cross-Strait political stability after the turbulent eight years of the DPP administration and economic recovery after the financial crisis

in 2008, the level of economic boost promised from the ratification of the ECFA had not been delivered, and the social indicators did not improve much from the 2012 election. The economic benefits were not equally shared among the people, which was one of the main triggering factors for the Sunflower Movement in 2014 to occupy the Legislative Yuan for 23 days (Ho, 2015; Rowen, 2015). The movement could be considered a consequence of the extent of the cross-Strait economic integration promoted by the Ma administration. In the aftermath of the Sunflower Movement, the popularity of Ma dropped to rock-bottom and had not recovered much since then (*Liberty Times*, 2016; TVBS, 2016). Even until the end of his presidency, the approval only stood at 23% (TVBS, 2016). In the 2016 presidential election, cross-Strait relations and the economy were regarded as salient but independent issues. Both parties sought to avoid the sensitive issue of the cross-Strait economic integration. The election also seemed to move away from the negative campaign of political corruption.

The unpopularity of Ma clearly damaged the prospect of the KMT in this election by putting them in a dilemma. The dissipation of the promise of the “Golden Decade” inhibited Eric Chu (朱立倫), a KMT candidate, after replacing the equally unpopular Hung Hsiu-chu (洪秀柱), from defending the economic record although KMT was the incumbent government. Therefore, unlike in previous elections, despite being the concerns of the KMT, cross-Strait economic integration and liberalization recognized the need for redistributive measures to address the concerns of the Taiwanese voters, particularly young people. In practice, Chu attempted to distance himself from the government policies of Ma. Although he recognized that the development directions, which were cross-Strait economic integration and political reconciliation, of the Ma administration were correct, he also acknowledged the wrongdoings of the incumbent, including the failure

to redistribute wealth and reach the consensus within the society. He portrayed himself as the champion of the successes of the KMT government but eradicated the mistakes of the Ma administration (Chu, 2015). On the one hand, he acclaimed the political and economic progresses that were achieved within the eight years of cross-Strait détente. The KMT endorsed further cross-Strait economic integration and liberalization and deepening of the ties between the two sides on other issues, such as culture, education, and environment, based on the “1992 Consensus”. For example, the KMT continued to advocate the “Free Economic Pilot Zone” that promotes deregulation and free movement of goods, labor, and capital for primarily high value-added service industries (*Liberty Times*, 2015a). Chu believed that this path could improve the international space for Taiwan in signing regional trade agreements, such as Trans-Pacific Partnership and Regional Comprehensive Economic Partnership (Chu, 2015). On the other hand, the KMT deviated from their traditional ideology and attempted to steal the agenda of the DPP by proposing minimum wage and a progressive tax system to address the wealth disparity (*Initium Media*, 2015). This proposal marked a significant shift of the KMT to the “left” in terms of the socioeconomic spectrum, which also showed the significance of the agenda of social justice since the Sunflower Movement imposition that forced political parties to respond. By doing so, he hoped to gain from both sides of the dilemma.

The dilemma of the DPP in 2012 was alleviated by the increasing skepticism toward cross-Strait economic relations in the aftermath of the Sunflower Movement. In other words, the unpopularity of Ma and the KMT contributed to the final victory of the DPP. This victory allowed the DPP to criticize the KMT for the hollowing out of the economy and the lack of domestic demands and to propose substantial reforms to change the status quo (Tsai, 2015a). Instead of pledging to increase the

GDP growth rate similar to what Ma did eight years ago, the DPP advocated “innovation, employment, and distribution” to be the new economic development model for Taiwan to address the inequality caused by the cross-Straits economic integration. Therefore, although Tsai again did not oppose the economic liberalization, she focused on developing the domestic competitiveness and local investment of the economy. In particular, she proposed the “five innovation development plan” (五大創新研發計畫) to identify five industries for innovation, including intelligent machinery industry, defense industry, and biotech medicine industry. Furthermore, she prioritized three industries to be the “key industries” that the government would support, namely, “future industry”, “sustainable green industry”, and “lifestyle industry” (*ibid.*). The DPP did not avoid addressing cross-Straits economic relations this time. The same policy stance in 2012 was proposed but was supported with considerable substantial policy proposals. On the one hand, Tsai recognized and proposed to regulate cross-Straits agreements through the “Cross-Straits agreement supervision framework” (兩岸協議監督條例) (Tsai, 2015b). On the other hand, Tsai continued to argue against the dependence on the Chinese market. As the cost of labor began to rise in China since 2010, she proposed the “New Southbound Policy” (新南向政策) similar to the one in the 1990s that aims to diversify from the trade and investment reliance on China.

Compared with the vague “Taiwan consensus” proposal in the previous election, the DPP attempted to rebrand this proposal this time to avoid the fierce opposition from China. Tsai argued that the current “Taiwan consensus” was “maintaining the status quo”. In fact, as argued by Shaw (2017), although the position of the DPP that argued for “maintaining the cross-Straits status quo” seemed to be similar to the position of the KMT, the emphasis had been put on maintaining the status quo of the “Taiwan value”, such as transparency and democracy,

without recognizing the “1992 Consensus” (Tsai, 2015b). The future resolution remained to be vague and subject to domestic consensus.

3. Implications for the Future Politics of Taiwan

3.1. Beyond Blue and Green?

Therefore, although the DPP has been prudent in their rhetoric in managing cross-Strait economic integration, the KMT and the DPP seem to have converged in the aspect of cross-Strait economic interactions. Without neglecting the ideologies of the two parties and their differences in political position with respect to the ultimate cross-Strait resolution, the convergence in cross-Strait economic interactions has important implications for domestic party politics.

Party competition in Taiwan has long been defined by ideology toward the political resolution of cross-Strait relations (Hughes, 2011; Schubert, 2004). The distinction between the “pan-blue” that is pro-unification and the “pan-green” that supports Taiwan independence has been the most fundamental attribute to differentiate the political parties of Taiwan and has been the defining feature of party competition in the past two decades (Fell, 2012, 2014a). However, the convergence of the KMT and the DPP on cross-Strait economic policies could be a factor that bridges the Blue-Green divide. This convergence was demonstrated by the fact that both parties sought to avoid the issue of cross-Strait economic integration during the 2016 election in the aftermath of the Sunflower Movement. Although the two parties remain different in their ideologies in dealing with China (Fell, 2005), cross-Strait economic liberalization and interactions are inevitable. Therefore, their economic policies in the future should focus on how to manage cross-Strait economic liberalization and interactions and maximize the interests of Taiwan under the circumstances faced.

In fact, as argued by Huang and James (2014), the partisanship color of Taiwan is blending into “aquamarine” – a mix of blue and green. Given the military threat of China, both parties enjoy the status quo in the Taiwan Strait: peace, stability, and acceptance. Changing the staying power is costly (Samuelson and Zeckhauser, 1988), considering that the majority of the Taiwanese people seemingly prefer the status quo today and in the future (Figure 3), which expect changes “do not transform it into a qualitatively new state corresponding to either reunification or independence” (Huang and James, 2014: 677). Central to this issue is the vagueness of the “1992 Consensus” itself. Although not recognized by the DPP, this consensus has appeared to be increasingly moderate and pragmatic with China. Although one of the aims of the Sunflower Movement is to protest against the pace of cross-Straits economic integration, the positions of the DPP on cross-Straits economic policies are not likely to change drastically even with regard to the promotion of the “New Southbound Policy” because China remains the major trading partner of Taiwan amid the intention of the Tsai government to reduce economic reliance on China.

In addition, the Blue-Green divide in party competition has made *Tongdu* (統獨, i.e. unification vs. independence) and national identity issues, along with political corruption, the most consistently salient issues in more than two decades (Fell, 2005, 2011, 2014a; Hsieh and Niou, 1996). In previous elections, social welfare issues were the only area in Taiwan that followed the socioeconomic left-right distinction (Fell, 2005). The surge of economy-related issues in elections sparks discussion with reference to the left-right distinction. The 2014 local election reveals that Sean Lien (連勝文, Lien Sheng-wen) agreed to “rightist” ideologies by stressing on strengthening and developing the economy that could give hope to the future generations, whereas the

leftist Ko Wen-je (柯文哲) supported progressive values, such as narrowing the disparity of wealth and promoting a fair share of public resources (Taipei City Electoral Committee, 2014). This situation has expanded the electoral debates in Taiwan to resemble the conventional Western distinction of the left and the right.

The aforementioned implications on party and electoral politics create the political opportunity structure for the emergence of splinter and challenger parties to propose alternative approaches and new issues (Fell, 2014b, 2016; Lucardie, 2000). Duverger's (1959) theory predicts that the electoral system after 2008 is institutionally unfavorable to small parties because the majoritarian squeezes the leeway, and therefore makes it more difficult for them to win the seats. This theory partly explains the decline of small parties in the 2008 and 2010 elections and affirms a two-party system (Fell, 2014a, 2014c). However, the small parties have adapted to and overcome the structural constraints since 2012. In the 2014 local elections, "challenger" parties, such as Green Party Taiwan, and "splinter" parties, such as Taiwan Solidarity Union (TSU), ran a successful campaign to gain some seats. Social activists also launched the Social Democratic Party (SDP) to participate in the 2016 Legislative Yuan election by forming coalition with the Green Party (GP) (*Focus Taiwan*, 2015; *The Storm Media*, 2015a; *Taipei Times*, 2015). Moreover, the students who supported the Sunflower Movement formed the New Power Party (NPP), which represented the radical voices in terms of the *Tongdu* issues toward independence (*Liberty Times*, 2015b; *The Storm Media*, 2015c). They had even run a successful campaign to gain five seats in the Legislative Yuan (Fell, 2016), which was attributed to the collaboration with the DPP.

The two types of small parties have utilized two distinct aspects of the political opportunity structure (Lucardie, 2000). The splinter parties utilized the space resulted from the convergence of parties. For example,

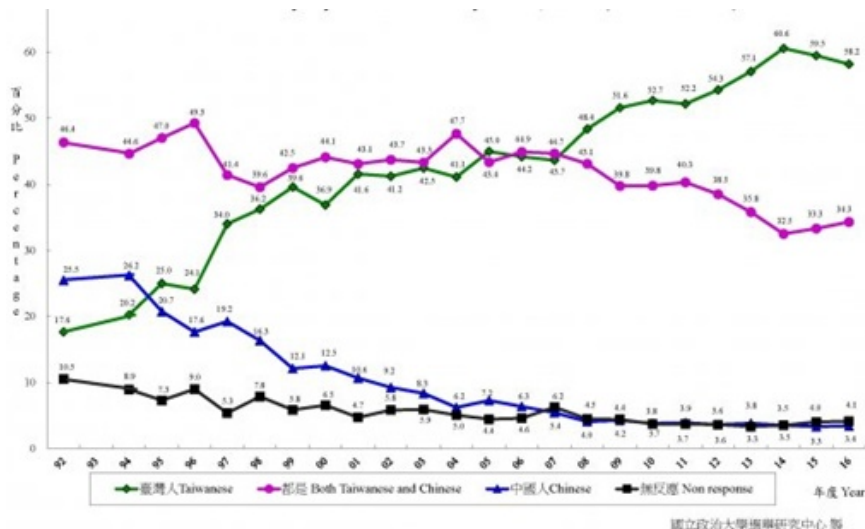
the DPP's reluctant acceptance of the ECFA gave a chance to the splinter party TSU to advocate terminating it altogether in the 2012 election (Fell, 2014b, 2014c; Meguid, 2008; *Taipei Times*, 2011). The NPP, although in some sense a mixed party, attempted to utilize the vagueness of the DPP in terms of the cross-Strait resolution to propose the "normalization of the statehood of Taiwan" in the 2016 election. Another type of small parties – challenger parties – attempted to appeal to voters on a completely different set of ideologies and issues (Lucardie, 2000). For example, the SDP-GP coalition successfully articulated the new cleavage in the emerging left-right divide in elections by advocating various post-materialistic appeals, such as land justice and environmentalism (Fell, 2014b). Although the DPP transformed their image from a "Taiwan Independence" party to a party advocating values, such as fairness and justice, in the 2012 and 2016 elections and attempted to reassociate with the civil society that is progressive in nature (Ho, 2014), their increasing compromise with large businesses and avoidance of an antibusiness image prevented them from a firm hold on the ownership of those appeals and gave opportunities for the challenger parties (Fell, 2014c; *The Storm Media*, 2015b). Therefore, although the two mainstream parties would still be dominant, the optimistic prospect for both types of small parties could lead the author to expect the next parliament to be diversified (Fell, 2016).

3.2. Spillover Effect?

One important concern regarding the cross-Strait economic policy is the spillover effect of cross-Strait economic relations, which predicts that economic integration would possibly cause political reconciliation and integration, such as in the case of the European Union (Hsu, 2010; Keng, 2011; Muiyad, 2012; Wu, 2010). Apparently, the underlying concern is that cross-Strait economic integration might become an economic

dependency structure that is manipulated by Beijing as a means of “United Front work” (統戰工作) (Wu, 2015) to control the domestic politics of Taiwan through “linkage community” (Wei, 1997), including *Taishang* (台商 , i.e. Taiwanese businessmen) (Keng and Schubert, 2010; Schubert *et al.*, 2015). The Taiwan “compatriots” are offered preferential treatment as tourists, students and investors, which attempts to bind Taiwan ever closer through trade and to encourage Taiwanese to see themselves as part of Greater China. However, the reality in domestic politics of Taiwan has put this conviction into question (Cole, 2017; Yu *et al.*, 2016). Despite the close economic integration between the two sides since 2008, the national identity of Taiwan has not moved closer toward the identity of being Chinese, and many people regard themselves as only Taiwanese. The survey conducted by the Election Study Center of the National Chengchi University (2016) (Figure 3) corroborated that people who consider themselves as Taiwanese have kept increasing in number, surpassed the group of dual identities, and become the majority since 2008. In 2016, almost 60% of the population stated that they were purely Taiwanese, whereas approximately 34% of the population considered that they were “both Taiwanese and Chinese”. Therefore, Taiwan has not moved toward political integration resulted from the economic integration as the DPP feared. The rising Taiwanese identity and public opinions have also constrained the KMT from proceeding any further with the justification of economic pragmatism in the 2016 election (Chu, 2011). In fact, the previous KMT administration had attempted to reverse the tide of increasing Taiwanese identification through de-Taiwanization and resinification measures (Corcuff, 2012). For example, Ma repeatedly described the people of both sides as *yanhuang zisun* (炎黃子孫 , i.e. descendants of Emperor Yan and Emperor Huang) and as parts of the same *zhonghua minzu* (中華民族 , i.e. Chinese nation) to signify the shared Chineseness

Figure 3 Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2016.12)⁺



Source: Election Study Center, National Chengchi University.

in Taiwan (Hughes, 2014). The curriculum controversy raised by the Ma administration also signified the intention of the KMT to reintroduce Chinese nationalism in education. Nonetheless, none of these moves seem to have successfully strengthened the Chinese identity as aspired.

Therefore, the spillover effect of economic integration has not yet successfully applied across the Taiwan Strait. Instead of following the assumption of the realists and liberalists who suggest that the spillover effect of economic integration will eventually lead to political integration (Wang *et al.*, 2012), the constructivist approach could be a useful alternative to understand cross-Strait relations (Li, 2014). National identities of people, such as people of Taiwan, are social

constructions based on norms, ideas, and common experiences. The perception of interests of people is also shaped by these aspects and is subject to change (Wendt, 1999; Jepperson *et al.*, 1996). For example, research has affirmed that people are likely to regard themselves as Taiwanese when China is perceived as a threat, but the Republic of China (ROC) identity increases when China is interpreted as an opportunity. This factor has been especially strong among young people in constructing their Taiwanese identity, who are likely to perceive China as a threat (Chang *et al.*, 2014). In any case, the democratization experience of the Taiwanese people has definitely formed a distinct identity that differentiates them from the Chinese people. This experience is always a significant factor that is inevitable in negotiating cross-Strait economic integration and the political future of Taiwan. The construction of national identity of Taiwanese explains the improbability of the spillover effect from economic integration to any political amalgamation as some would expect in the near future (Cole, 2017).

3.3. Democratic Consolidation?

Therefore, how do these implications help in understanding the democracy and future cross-Strait relations of Taiwan? First, the development of party and electoral politics has provided plausible optimism for democratic consolidation in Taiwan. Most scholars studying democratization would agree that a democratic regime is consolidated when all political actors within the political system recognize the same set of institutionally democratic settings and work within this system regardless of circumstances or simply when democracy is the “only game in town”. In other words, a high degree of institutional routinization exists (Diamond, 1994; Linz and Stepan, 1996; Schedler, 1998). In this light, the breakdown of the longstanding Blue-Green divide in economic policies does not lead to democratic

erosion. Rather, several political elites have utilized political opportunities and worked within the institutional framework by forming alternative parties and competing in elections under emerging socioeconomic cleavages in Taiwan. This circumstance has broadened electoral appeals, created crosscutting cleavages, and offered choices to voters in elections. Even after the large-scale Sunflower Movement, the majority of the public still expressed their opinions through the democratic institutions and procedures to punish political parties effectively in the 2014 and 2016 elections.

Second, consolidated democracy has also strengthened and reinforced the concept of “stateness” in the Taiwanese identity. This scenario has made the spillover effects of economic integration difficult in the future. Linz and Stepan (1996) stated that “without a state, no modern democracy is possible” (p. 17) because “without a state, there can be no citizenship; without citizenship, there can be no democracy” (p. 28), given that citizenship has defined the voting rights in elections. There is a common viewpoint that Taiwan enjoys *de facto* independence but is not *de jure* independent as a state, but its consolidated democracy has constructed its subjectivity – it has effectively denied the “ROC” to control over the entire China (including the mainland, as what KMT did before 1949), but Taiwan only, as the constitution stated. This “stateness” of Taiwan has been considerably embedded in the Taiwanese attitude toward cross-Strait economic ties since 2008. The new DPP administration is also governing based on this vision of “statehood”. This significant element embodied in the upsurge of Taiwan nationalism brought by democratic consolidation has effectively denied the integration paradigm proposed by China and could dominate the nature of future gaming between the two sides.

4. Conclusion

This paper discussed and analyzed the cross-Strait economic policies of the KMT and the DPP in three presidential elections since 2008. The dilemma between the necessity of regional economic integration and the rise of the Taiwanese identity as a result of democratization has led to signs of convergence in terms of cross-Strait economic policies between the two parties in response to international economic environment despite their difference of emphasis and their priorities in facing the global economy. With reference to the implications for the future politics of Taiwan, this study suggested that the growing importance of economic agenda, which bridges the Blue-Green divide, is actually conducive to democratic consolidation in Taiwan. Democratic consolidation has simultaneously reinforced the concept of “stateness” in the development of the Taiwanese identity, which has, in return, challenged the spillover effect of cross-Strait economic relations.

The breakthrough of the Blue-Green divide in cross-Strait economic policies does not signal democratic breakdown to Taiwan. Instead, new electoral agendas, such as social justice, may replace the significance of the *Tongdu* and national identity issues, and contribute to the healthy development of democracy in Taiwan (Fell, 2015). In terms of cross-Strait relations, the democratic consolidation in Taiwan has made peaceful political integration improbable because cross-Strait interactions that will be taken by the KMT and the DPP in the future have to address the rising sentiment of “stateness” within the Taiwanese identity.

Notes

- * Adrian Chi-yeung Chiu (趙致洋) is currently the Assistant Editor at the *Hong Kong Journal of Social Sciences*, the Education University of Hong Kong. He was a Master graduate of Politics of China from the School of Oriental and African Studies, the University of London. His research interests includes Taiwan politics, cross-Straits relations, Hong Kong-Taiwan relations and China's international relations with Southeast Asia. <Email: cychiu@eduhk.hk>
- ** Dr Kam-yee Law (羅金義) is an Associate Professor in the Department of Social Sciences and Co-Director of the Centre for Greater China Studies at the Education University of Hong Kong. <Email: kamyee@eduhk.hk>
- + 臺灣民眾臺灣人 / 中國人認同趨勢分佈 (1992~2016.12). See terms of use at <<http://esc.nccu.edu.tw/doc/termofuse.php>> and <<http://esc.nccu.edu.tw/course/news.php?Sn=166#>>.

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Making Cross-Strait Relations: A Constructivist View

Sebastian **Hambach***
National Taiwan University

Abstract

Following Nicholas Onuf's theory of rule-based constructivism, this paper argues that the Cross-Strait relationship between Taiwan and China after World War II can be analyzed as a social construct that has mainly been governed by the "one China" rule, which is designed and influenced by speech acts performed by relevant agents in Taiwan, China, and the United States. A summary of the historic developments of the Cross-Strait relationship (1949-2000), which highlights the circumstances of the creation of the "one China" rule as well as gradual challenges to it, is followed by a comparison of the approaches of different ruling parties in Taiwan to influence the definition of the Cross-Strait relationship between 2000-2008 (Democratic Progressive Party, DPP) and 2008-2016 (Kuomintang, KMT), respectively. Both parties used distinctly different speech acts to define Taiwan's relationship to China, which, together with related practices, aimed at either weakening (DPP) or strengthening (KMT) the "one China" rule as a cornerstone for the Cross-Strait relationship. The paper argues that, while the "one China" rule has traditionally been supported, to different degrees, by

agents in China, the US, and most of the former KMT governments, the gradual consolidation of Taiwan's democratic system and efforts by the KMT government under Lee Teng-hui as well as consecutive DPP governments, have led to the creation of a new "status quo" rule, which has steadily gained momentum.

Keywords: *constructivism, Cross-Strait relations, one China, speech acts, status quo*

1. Introduction

Over the past seven decades the nature of Cross-Strait relations between Taiwan and China¹ has been subject to a wide variety of differing and often contradicting interpretations by political leaders in Taipei, Beijing and Washington. Likewise, students of international relations (IR) have used many different theoretical frameworks in the past in order to analyze this relationship. One issue that has drawn a lot of attention is the question of identity, which has undergone significant changes over the course of time, especially within Taiwan. During the past two decades, the island state was governed by ruling parties with very distinct ideological preferences regarding Taiwan's relationship to China, which are often described as either "China-centric" or "Taiwan-centric", respectively. It is for this reason, that, when analyzing the contention over intersubjective meanings of "China", "Taiwan", as well as their relation to one another, a useful analytical approach seems to be a framework that does not limit its focus on structures or organizations alone, but one that instead puts emphasis on the people that are primarily responsible for conducting this relationship.

One of the basic concerns of rule-based constructivism is to analyze the way in which human beings, as social beings, interact with each

other and construct the world in which we live. By implication, relationships between states in the international arena can be analyzed as a system of social constructions and arrangements in which people's actions and words that shape these relationships become the focus of analysis.

The central premise of this paper is that the Cross-Strait relationship between Taiwan and China can be understood as a social construct, which is governed by rules. These rules are established and constantly affected by speech acts, which agents perform according to their respective purposes and goals, and which thereby shape the Cross-Strait relationship. Using my reading of Nicholas Onuf's rule-based constructivism,² this paper aims to analyze the prominent speech acts that have been used in past Cross-Strait exchanges as well as the rules that have resulted from them and that have governed Taiwan-China relations.

These changes have been more visible in Taiwan than in China due to the island state's development from an authoritarian to a democratic polity, which, starting from the late 1970s, gave the then-opposition and the people living in Taiwan a more prominent role in deciding the island's future as well as an opportunity to challenge existing orthodoxies that had characterized rule in Taiwan until then. The two subsequent power transitions that took place in 2000 and 2008 respectively have further emphasized the possibility of mutually incompatible interpretations of the Cross-Strait relationship because parties with different ideological backgrounds took over the responsibilities of governing Taiwan.

The paper shall address the following questions. Firstly, starting from the premise that Cross-Strait relations can be understood as a social construct, who are the major agents that are actively shaping this relationship and what are their respective interests? Secondly, what are

the prominent rules established by the agents' speech acts that have governed the relationship across the Taiwan Strait since 1949? Thirdly, how have the main rules been constructed, maintained and/or contested over time, especially around and after the first change of power in Taiwan in the year 2000? Fourthly, since rule-based constructivism does not exclude the influence of material resources or external circumstances from the analysis, what are some of these constraints in the case study of Cross-Strait relations and how do they influence agents in the process of construction? And finally, what are the general developments of Cross-Strait relations based on the findings, in particular with regard to the situation after the 2016 presidential elections in Taiwan and the US?

2. Ontology of Rule-based Constructivism

2.1. Institutions

Constructivism has, for some time now, been regarded as a third approach to the field of international relations (IR) and has as such sometimes been granted an equal standing next to realism and liberalism (Kubáľková, 2001: 4; Weber, 2010: 62). It has also been described as a "middle ground" between positivist and post-positivist epistemologies (Adler, 1997; Checkel, 1998: 327). However, a number of scholars have pointed out that the definition of constructivism has become blurred over time and that constructivist scholars tend to support different concepts of constructivism as a way of analyzing international relations (Klotz and Lynch, 2007: 4; Kubáľková, 2001; Mo, 2002; Zehfuss, 2002).

The writings of Alexander Wendt are usually regarded as representing the mainstream of constructivism in the field of IR.³ In his work, Wendt has questioned the prevalent realist concept of anarchy in the study of IR and advocated a new focus on state practices. However, Wendt, like his realist and liberal counterparts, held on to the idea of

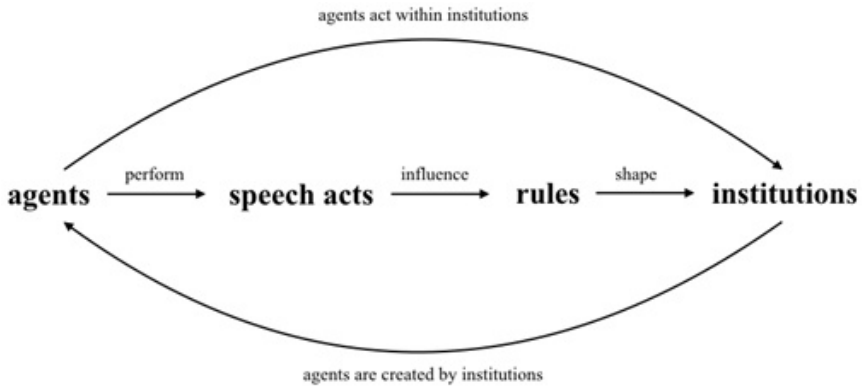
state-centrism, i.e., seeing states as the most important agents or decision-makers in international relations, thereby necessarily neglecting domestic influences on foreign policy behavior. In fact, for Wendt the role of domestic politics in shaping state identity is external or precedes a state's international interactions, which is the reason why he excludes them from his framework. For a case such as Taiwan, where the issue of identity politics on the domestic level directly relates to the problem of the state's standing in the international arena, in other words, a case in which the consistency of construction is often challenged domestically or essentially dependent on which party is in power, Wendt's constructivist framework seems unable to put into perspective a vital aspect that shapes Taiwan's interaction with other states, namely the relationship with its big neighbor, the People's Republic of China.

In contrast, Onuf's rule-based constructivism offers a different definition of constructivist ontology. Voicing his opposition to the prevalent notion that international relations are defined by an environment of anarchy, Onuf suggests to instead shift the focus onto two more general properties of political society: rules and rule. By guiding human conduct rules give social meaning to political society. Rule, on the other hand, results when these rules cause an unequal distribution of advantages. Both properties are linked to each other by agents' use of language or their performance of speech acts, which they use in order to achieve their respective goals. Based on Anthony Giddens' theory of structuration, this linkage reflects the constructivist premise that people and society construct each other through recurrent practices and that, therefore, neither of them has primacy over the other (Onuf, 1989: 21-22, 36-41, 58).

This rule-based constructivism, as initially conceptualized by Onuf and further developed by the Miami IR Group of scholars (cf. Kubálková *et al.*, 1998; Kubálková, 2001), puts aside the notion of state-

as-actor and instead emphasizes the social construction of relationships by agents via the use of speech acts.

Figure 1 Mutual Constitution of Agents and Institutions in a Rule-based Constructivist Framework



Source: Author.

Figure 1 shows that the mutual constitution of agents and structures (here replaced by the term “institutions”) is the main premise at the center of this rule-based constructivist framework. While institutions turn people into agents, the way in which agents act within these institutions has defining effects on the latter. The course of actions of agents can be derived from the goals that they have and which they will try to achieve rationally while they are limited by certain constraints such as the (non)availability of information and resources as well as by the actions of other agents who may pursue opposing goals.

Central to this variant of constructivism are rules, which govern the relationship between agents and institutions. These rules come into existence through the use of language, or more precisely, speech acts,

which are used by agents to affect existing rules or create new ones. The repetition of certain speech acts influences rules in the way that they either support or try to break them. At the same time, the effective influence on creating and breaking rules in turn reveals who the active participants in a society, i.e., who its agents are. The relationship between rules and agents is therefore also one of mutual constitution. Finally, the frequent interaction with rules by agents leads to practices that have intended as well as unintended consequences. Together they have an impact on the institutions that all agents act in, thus concluding the circle of mutual constitution.

2.2. Rules

Rules can be understood as a guide that tells people how to carry on with their affairs when facing certain circumstances. They present agents with certain choices and thereby affect their conduct (Kratochwil, 1989: 10; Onuf, 1989: 260). On the other hand, because both are mutually constitutive, the pattern of choices that agents make will affect rules in the long run. Onuf (1989: 120f.) identified three categories of rules, a prevalence of any of which causes a different condition of rule, although in most cases a mixture of different kinds of rules is more likely. These are instruction-rules, directive-rules, and commitment-rules, all of which depend on the speech acts that sustain them (see section 2.3).

In other words, rules are authored by human agents who use all available resources at their disposal in order to support these rules as long as they can gain advantages over other agents and as long as their doing so benefits their own goals. Naturally, disadvantaged agents will use all resources available to them in order to subvert existing rules and reverse their inherent asymmetries. The attempt to break a rule will result in both intended and unintended consequences. These range from denigration or mockery in the case of instruction-rules, over sanctions

when breaking a directive-rule, to retaliation or loss of credibility in cases of violated commitment-rules. The effect of rules depends on internalization by agents as well as on their external support through institutionalization such as a law-making body. Accordingly, the support for instruction-rules comes in the form of exhortations, that for directive-rules is based on threats. Commitment-rules will be supported by opinions and interpretations issued by impartial third parties (Onuf, *ibid.*; 135-139; cf. Kratochwil, 1989: 48). From a rule-based constructivist perspective, material components or resources are not excluded from the analysis, but instead are linked to rules in that “[r]esources are nothing until mobilized through rules, rules are nothing until matched to resources to effectuate rule” (Onuf, 1989: 64; cf. Onuf, 2002: 132-133).

The rule that is most in evidence in governing the Cross-Strait relationship since 1949 is one that can be called the “one China” rule. In his early application of the rule-based constructivist framework on Cross-Strait relations, Zheng (2001) identified “one China” as one of two rules that were maintained by agents and their speech acts over the time from 1949 until 1999.⁴ Zheng argued that the “one China” rule remained in place during all those decades, despite the fact that definition of what exactly “one China” represented (e.g., Republic of China or People’s Republic of China), and therefore also the territory it was supposed to encompass, have changed over time. Despite these challenges, which according to Zheng resulted from several “identity crises” on the part of Taipei’s central government, the “one China” rule ultimately remained unbroken. However, as will be argued below, as time went on and the rule increasingly benefited the People’s Republic of China, a new “status quo” rule began to appear as a challenger to the “one China” rule.

2.3. Speech Acts

Rules are sustained by speech acts. According to the theory of speech acts, which Onuf adapted from J.L. Austin and John Searle, utterances not only represent deeds but can also perform them. Under the premise that people use language in order to achieve certain goals, agents perform speech acts in order to get someone else to act in a certain way. Verbs like “claim”, “promise”, “warn” etc. are not only descriptions of actions as other verbs such as “sit”, “stand”, “walk” etc. are, but at the same time, they are also performances of these actions. However, clearly identifiable verbs are not a prerequisite for speech acts. Instead, speech acts may unfold their normative effect merely through the context in which they are uttered (Kratochwil, 1989: 29).

Onuf’s classification of speech acts corresponds to the three types of rules mentioned above: assertives, directives and commissives. All three types reflect the speaker’s intentions and they are often, but not necessarily, performed by using certain representative verbs. Firstly, assertive speech acts are statements about beliefs that express what, in the eyes of the agents, is a real fact or what they wish to portray as such. By giving this kind of information, assertive speech acts are connected to a speaker’s expectation that the hearer accepts this belief. Some of the typical verbs linked to assertives are “state”, “affirm”, “insist” etc. Assertive speech acts create instruction-rules or establish principles.

Secondly, directive speech acts tell the hearer what they should do and inform them about the consequences if they fail to act accordingly. Thereby, a speaker reveals his intentions by letting the hearer know what kind of act he would like to have performed. Typical representative verbs include “ask”, “demand”, “permit”, “caution” etc. The rules caused by directive speech acts are called directive-rules. Directives often warn of legal sanctions in case of non-compliance.

Lastly, commissive speech acts occur when agents make promises that hearers accept. “Pledge”, “promise”, “vow”, “intend” are some of the typical verbs associated with this type of speech act. Commitments which are accepted by others serve as rules (=commitment-rules) for those who are making such commitments. Therefore, the normativity of commitments increases significantly when the according statement is made publicly (Onuf, 1998: 89-90). Although every successful speech act possesses some degree of normativity, its repetition over time may furthermore increase this normativity and at the same time strengthen the respective rules that they help to sustain.

In order to reveal the important speech acts related to Cross-Strait relations, one can analyze a variety of sources that provide insight into how norms and rules influence behavior, such as written official documents (white papers, laws etc.), texts of speeches given on meaningful occasions by agents, documents by key individuals, press releases, interviews etc. Due to the large number of texts that could be included as examples for speech acts, the selection in this paper is, of course, not exhaustive. Instead the paper focuses on a few representative and often more formal speech acts for different eras in the Cross-Strait relationship for its discourse analytical approach.

2.4. Agents

Speech acts are used by agents in order to respond to rules and thereby influence the environment in which they act. By being able to affect rules, agents can be defined as the active or relevant participants in a society that act on behalf of a larger collective. Agency usually consists of statuses, offices, and roles which depend on the respective institutional context.

As mentioned above, the relationship between rules and agents is not one-sided, instead they are mutually constitutive and dependent on

one another: rules present agents with certain choices and prescribe what kind of goals are “appropriate” in a given context. However, the ability of agents to break rules shows that they “are not only programmed by rules and norms, but [that] they reproduce and change by their practice the normative structures by which they are able to act” (Kratochwil, 1989: 61). Therefore, on the one hand, rules (as well as their related practices) form a stable pattern that functions as an institutional context in which agents make choices. On the other hand, agents may also choose to circumvent or redefine already existing rules or try to create new ones altogether. In order to pursue their respective goals, agents may employ “skillful manipulation of symbols, control over material values, and use of violence” (Onuf, 1989: 228).

With regard to the Cross-Strait relationship relevant agents who use speech acts to deal with the predominant “one China” rule and construct an identity for Taiwan vis-à-vis China include high-ranking government officials on both sides of the Taiwan Strait such as presidents of the People’s Republic of China (PRC) and the Republic of China (ROC) as well as officials and other personnel who are responsible for conducting foreign policy in general and Cross-Strait relations in particular. On the Taiwanese side these include officials working for the Mainland Affairs Council (MAC) and the Straits Exchange Foundation (SEF). Their counterparts in China are China’s Taiwan Affairs Office of the State Council (TAO) and China’s Association for Relations Across the Taiwan Strait (ARATS).

For Taiwan in particular the analysis has to further include politicians of the opposition, who as agents with very different ideas as to the nature of Cross-Strait relations, have tried to influence and limit the decision-making process of the respective government officials, especially since the late 1980s. The interaction between agents in the ruling and opposition parties in Taiwan has necessarily led to

compromises, adjustments and concessions time and again and was one of the main factors that have prevented any side from only pursuing their own respective goals when in government. Having developed into a democratic society since the late 1980s, these interactions in Taiwan were furthermore grounded in the perception and the expectations of the general public regarding Cross-Strait relations. Although agents may act on behalf of a larger collective, due to the practices of a democratic society, they have to take the preferences of this collective into account when making their choices.

Furthermore, officials from the US government and foreign policy circles have also been responsible for shaping the Cross-Strait relationship. Due to the United States' close historical ties to Taiwan's government dating back to the early Cold War era, the US has always been an important participant in the institution of the Cross-Strait relationship and continues to be involved in Taiwan's international affairs. Any statement made and action taken by the US president or US foreign policy makers with regard to the Taiwan Strait are examined in great detail on both sides of the Taiwan Strait as possible changes in US policy are generally assumed to have severe repercussions for the Cross-Strait relationship. This is somewhat complicated by the fact that the United States have yet to publish a single authoritative document that characterizes their Taiwan policy, which is usually attributed to an approach of "strategic ambiguity" (Cheng, 2008; Hsu, 2010). Nevertheless, agents from the US have performed speech acts that have influenced and continue to actively shape the Cross-Strait relationship.

3. Constructing "one China"

The "one China" rule was formed at the beginning of the Cold War era and, by the 1970s, had been firmly established as a mechanism to govern

the institution of the Cross-Strait relationship. Despite the nominal existence of two Chinas after October 1949, i.e. the People's Republic of China (PRC) on the mainland and the Republic of China (ROC) on Taiwan, the governing parties on both sides claimed to represent the only legal government over all of China and denied each other's existence. Unification of "one China", which included both sides of the Taiwan Strait, became the common goal and, at the same time, the greatest source of conflict between agents in both Taipei and Beijing.

Speech acts performed by both sides that created and sustained the "one China" rule were expressed in slogans that reflected policies with the aim of unifying all of the territories that belonged to the imagined "Chinese nation". On the Chinese Nationalist side in Taiwan, speech acts that were mostly in evidence included the proclamation of commitments or, depending on perspective, threats, such as "recovering the mainland". In the eyes of the Nationalist government, Taiwan itself was not more than "a bastion of national recovery" or "a model province", where policies designed for the mainland were to be implemented first in order to prove the superiority of Kuomintang (KMT) over Chinese Communist Party (CCP) rule. The idea of long-term inseparability between Taiwan and China was expressed in assertive speech acts such as "[n]o one can deny or ignore the fact that the territory, sovereignty, and people of the mainland are Chinese and belong to the Republic of China" (GIO, 1965: 8). On the Communist side, speech acts that were performed repeatedly by relevant agents such as then-premier Zhou Enlai asserted Taiwan's inseparability from China by stating that Taiwan had been "a part of the sacred Chinese territory since ancient times" and therefore had to be "liberated" from KMT rule.⁵

Although these speech acts by KMT and CCP leaders all centered around the same goal of preserving "one China" by military means, both sides of the Taiwan Strait were restrained materially by the US, which

prevented a Communist “liberation” of Taiwan as well as a Nationalist “recovery” of the mainland, neither of which was in Washington’s interest. US commitments aimed at preventing Beijing’s and Taipei’s mutual construction of the Cross-Strait relationship as a domestic issue of China. These commitments to Taiwan’s defense, as formulated in the Mutual Defense Treaty and the “Formosa Resolution”, were accompanied by assertive speech acts that viewed the status of Taiwan as undetermined.⁶ In this way, the US internationalized the Cross-Strait issue, and reserved a way for itself to intervene in an otherwise “Chinese affair”. As a consequence, US speech acts not only questioned the “one China” rule but also threatened the legitimacy of KMT rule over Taiwan, forcing the Nationalist party to frequently repeat the claim that Taiwan and the Pescadores had been “restored” to the Republic of China from Japanese authority after World War II according to the declarations of Cairo and Potsdam.⁷ Speech acts during that time centered around utilizing the involved military power of all three sides which therefore functioned as an external constraint that further prevented a one-sided realization of the construction of the Cross-Strait relationship.

Due to the unrelenting insistence on “one China” by CCP and KMT alike, “two China” proposals were eventually dropped in US policy circles over the course of the 1970s, leaving the “one China” rule all the more uncontested. At the same time, more countries began to recognize the PRC over the ROC until China’s UN seat was finally handed over from the latter to the former.⁸ In signing the Shanghai Communiqué in 1972, the US Nixon administration finally stated it “acknowledges” and “does not challenge” the Chinese position that the PRC was the sole legitimate government of China which included Taiwan.⁹

At the beginning of Chiang Ching-kuo’s rule over Taiwan in the late 1970s, the KMT’s position in the Cross-Strait relationship had been significantly weakened. The party had neither been able to realize its

commitments to “recover the mainland” nor to convince even its most important military ally, the US, of its assertions of being the sole legitimate government of China. The “one China” rule was still intact, but it had started to heavily favor the PRC.

Despite Taiwan’s increasing diplomatic isolation, some internal political reform, and a new focus on economic policy, assertive speech acts with regard to the Cross-Strait relationship remained consistent under Chiang Ching-kuo. Even some years after the diplomatic “normalization” between Washington and Beijing, it was not uncommon for the ROC president to assert that:

the government of the Republic of China is the sole legal government representing the people of the whole nation. The mainland is the territory of the Republic of China, and the government of the Republic of China will never abandon its sovereignty there.

(GIO, 1984: 18)

During its 12th party congress the KMT did, however, abandon its previous commitments/threats to militarily “recover the mainland”, vowing instead to achieve unification by means of Sun Yat-sen’s “Three Principles of the People”. Similarly, the second generation leadership in the PRC gave up on unfulfilled commitments/threats of “liberating” Taiwan militarily and instead emphasized a “peaceful reunification”, which they described as a “sacred mission” for both sides.¹⁰ The PRC enjoyed increasing international support for its claim to represent “one China” and the diplomatic normalization with the United States in particular allowed Beijing during Deng Xiaoping’s rule to show more flexibility towards Taiwan in the form of the “one country, two systems” proposal. At the same time Beijing continued to emphasize its own assertions about Taiwan’s status, for example by including the territorial

claim over Taiwan into the preamble of its Constitution – a move of high normative force. The relevant passage states:

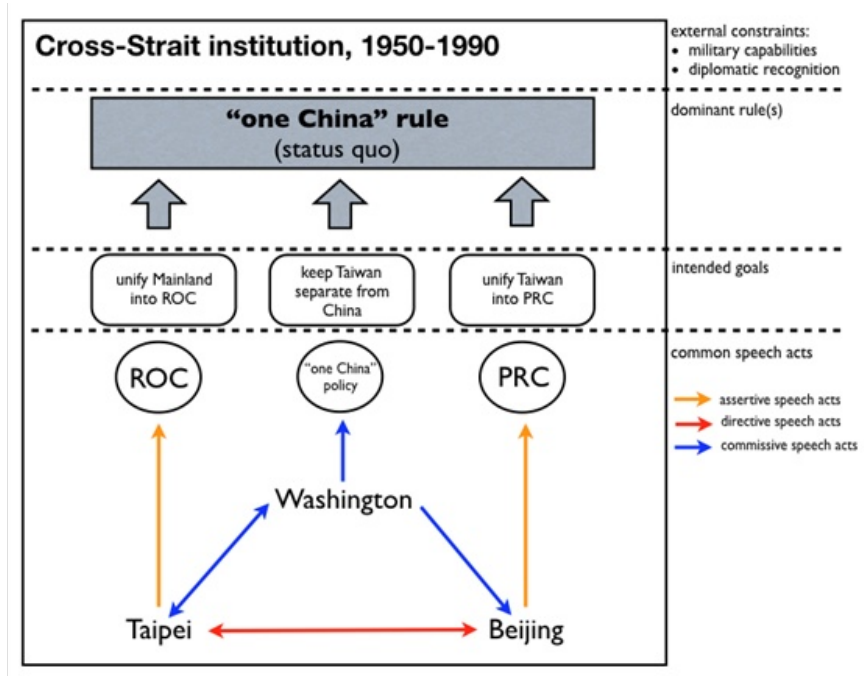
Taiwan is part of the sacred territory of the People's Republic of China. It is the lofty duty of the entire Chinese people, including our compatriots in Taiwan, to accomplish the great task of reunifying the motherland.

(Constitution of the PRC, 1982)

Driven by Cold War considerations the US role in the Cross-Strait relationship became increasingly complex and its speech acts became less formal and somewhat more contradictory. On the one hand, by signing the “Joint communiqué on the establishment of diplomatic relations” on 1st January 1979, the US recognized PRC assertions of being the “sole legal government of China”, even though Washington once more merely reaffirmed its “acknowledgment” of “the Chinese position that there is but one China and Taiwan is part of China” (Hsueh, 2007: 169-170). On the other hand, following a power struggle over US Taiwan policy between the executive and legislative branches in Washington, the Taiwan Relations Act (TRA) was passed and until today remains the most formal US commitment to assist Taiwan's defensive needs.

During the Reagan administration, the US created a set of very contradictory commitment rules for itself, seemingly in an attempt to please all sides of the Taiwan Strait and in order to uphold its own strategic ambiguity with regard to the Cross-Strait situation. On the one hand, Washington promised to gradually decrease weapons sales to Taiwan and reaffirmed previously made statements with regard to Beijing's definition of “one China” in its third and final communiqué with Beijing. On the other hand, President Reagan gave his

Figure 2 Constructing the Cross-Strait Relationship, 1950-1990



Source: Author.

“six assurances” to Taipei, which essentially emphasized US commitments to Taiwan and gave optimistic prospects on the future of arms sales by promising not to consult with Beijing on this issue. These contradictory speech acts necessarily led to insecurity on the parts of agents in both Taipei and Beijing as to the reliability and true value of US commitments. This added to an even more volatile situation in Taiwan whose gradual democratization gave its populace more and more say in deciding the future of the island. Nonetheless, for the most part of the Cold War era, the Cross-Strait relationship as a social institution remained to be governed by the “one China” rule which was the direct

result of assertions by Taipei and Beijing as well as Washington's commitments to its own ambivalent "one China" policy (Figure 2).

4. From "One China" to "Status Quo"

Changes in performances of speech acts during the administrations of Taiwan's first native-born KMT President Lee Teng-hui are particularly remarkable, especially with regard to the government's changing support for the "one China" rule.¹¹ At the beginning of his presidency, Lee repeated certain assertions of his predecessors and seemed to champion Taiwan's belonging to China as well as the unification of the country. For example, in his inaugural address as president, Lee stated that "Taiwan and the mainland are indivisible parts of China's territory, and all Chinese are compatriots of the same flesh and blood" (Lee, 1992: 7).

The clearest expression and formally most binding instance of this position was the establishment of the National Unification Council (NUC) on 7th October 1990, which later formulated the National Unification Guidelines (NUG). The NUG repeated previous assertions that "the mainland and Taiwan are both territories of China" and that "to bring about national unification should be the common responsibility of all Chinese people" (MAC, 1991). However, while the NUG presented a strong, formal commitment to unification and an apparent stabilization of the "one China" rule on the surface, it also set extremely demanding preconditions to unification talks, such as implementation of democracy and rule of law by Beijing. More tellingly, the NUG urged that unification should "respect the rights and interests of the people of the Taiwan area", a demand that became increasingly popular as Taiwan's democratic development moved forward.

This new focus on Taiwan instead of China was underlined by several constitutional amendments during the 1990s which did not

downgrade Taiwan to a “local government” of a bigger political entity, but quite the opposite, emphasized Taiwan’s current situation as a state in its own right. In 1992, the newly elected Legislative Yuan passed the Act Governing Relations between People of the Taiwan Area and the Mainland Area. The act promoted a new official definition of China as “one country, two areas” or “one country, two entities”, which was aimed at countering Beijing’s “two systems” formula. More significantly, through this step, Taipei virtually recognized Communist jurisdiction over mainland territory by claiming that China was divided between two political entities. Furthermore, in the early 1990s, with the establishment of Taiwan’s Straits Exchange Foundation (SEF) and China’s Association of Relations Across the Taiwan Straits (ARATS) both sides established semi-official organizations to negotiate with one another.

By that time, democratization in Taiwan had already led to the establishment of the island’s first indigenous opposition party which, as early as 1991, had included a referendum with the aim of founding an independent “Republic of Taiwan” into its party charter. President Lee of the KMT also gradually changed his tone towards a more Taiwan-centric position. When Lee and other agents in his administration in later years referred to their “nation”, they increasingly tended to use the term “Republic of China on Taiwan” instead of “Republic of China” or just “China”. Consequently, Lee began to assert that “[t]he ROC on Taiwan is a sovereign country” (GIO, 1994: 68).¹² This change was accompanied by frequently referring to Taiwan’s “21 million people” instead of the “1 billion Chinese compatriots”.¹³ Lee’s gradual turning away from the “one China” rule famously culminated in his description of Cross-Strait relations as a “special state-to-state relationship” in an interview with German broadcaster Deutsche Welle on 9th July 1999.

These significant changes during Lee Teng-hui's presidency were one of the main reasons that a new "status quo" rule began to take shape. Lee's new emphasis on Taiwan resulted in a split within the KMT in the mid-1990s that led to the formation of the New Party (NP), which became the new champion for a unification with China and other traditional KMT stances. Situated between a pro-unification NP and a pro-independence DPP, the KMT became the moderate pro-"status quo" party in the election of 1996.

In the 1990s Beijing tried to counter both Lee's perceived unwillingness to support "one China" as well as discourses of an independent Taiwan by repeating previous assertive speech acts on the one hand and gradually resorting back to directive speech acts in the form of threats on the other. In 1993, the TAO published its first white paper on the topic of "The Taiwan Question and Reunification of China", stating that:

There is only one China in the world, Taiwan is an inalienable part of China and the seat of China's central government is in Beijing. [...] The Chinese Government [...] opposes "two Chinas", "one China, one Taiwan", "one country, two governments" or any attempt or act that could lead to "independence of Taiwan." The Chinese people on both sides of the Straits all believe that there is only one China and espouse national reunification. [...] "Self-determination" for Taiwan is out of the question.

(TAO, 1993)

In his 1995 "eight points" proposal PRC President Jiang Zemin highlighted the issue of "peaceful reunification" but warned that his country did "not promise not to use force", despite his conviction that "Chinese should not fight Chinese" (Jiang, 1995). After all, he went on

to define the “21 million Taiwan people” as “Chinese and our own flesh and blood” (*ibid.*). This position against “two China” or “Taiwan independence” proposals, which were viewed as threats to the “one China” rule, was emphasized by Chinese “missile tests” in 1995 and 1996 off Taiwan’s shores.

After Lee’s public statement of his “state-to-state” formula, directive speech acts became even more common on the part of Beijing. In a 2000 white paper, the TAO bluntly warned Taipei that if it “denies the One-China Principle and tries to separate Taiwan from the territory of China, the premise and basis for peaceful reunification will cease to exist” (TAO, 2000). However, Beijing’s directive speech acts proved increasingly ineffective as they achieved the opposite of what agents there had intended, which was mostly due to the fact that a majority of Taiwan’s populace identified with the position of its own government (cf. MAC, 1999).

Washington’s speech acts after the mid-1980s revealed the contradiction in the US’ own “one China” policy: While Washington was committed to define Beijing as the sole legitimate government of China, it also performed directive speech acts that aimed at curbing Beijing’s overly aggressive posture towards Taiwan. For example, a U.S. Department of Defense Official stated in a news briefing that the US “would view with very grave concern any attempt on the part of the Chinese to settle the issue of one China with Taiwan by any other than peaceful means” (DoD, 1996). At the same time, US commitments to Taipei, in particular arms sales, guaranteed a separate existence of Taiwan alongside the mainland. However, Washington also warned officials in Taipei that it would or could not help, if the island ever was to formally declare independence. After the Chinese missile tests, then-US Secretary of State Warren Christopher said:

The United States has not and does not intend to change its longstanding one China policy. In this moment of difficulty, it's more important than ever for China, Taiwan and the United States to focus and reflect on the shared interest we have in maintaining the continuity of this policy.
(DoS, 1995)

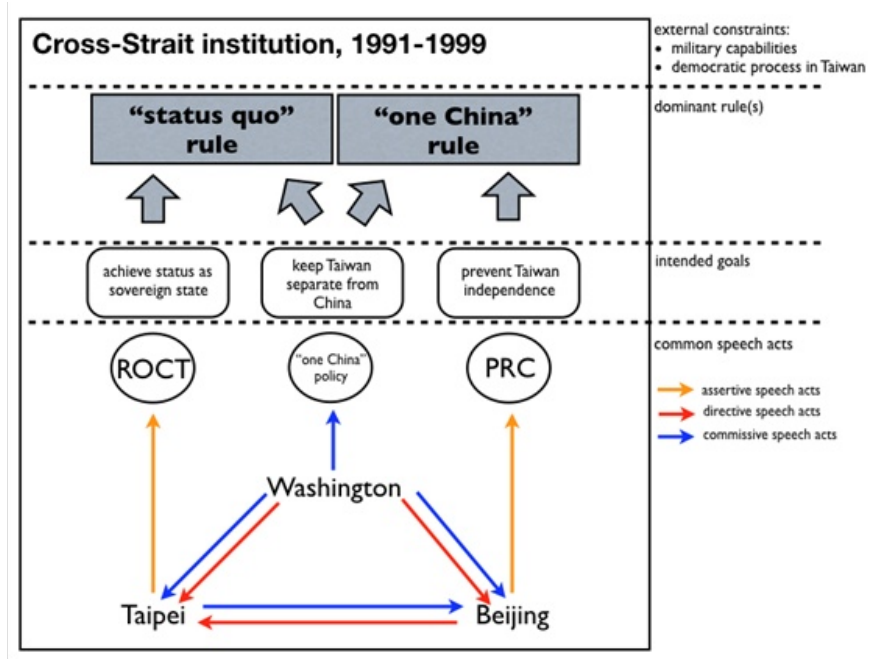
While this strategy might have been aimed at creating stability in the Taiwan Strait without resolving the “Taiwan issue” itself, developments in the Cross-Strait relationship such as Taipei’s new assertions with regard to Taiwan’s status or Beijing’s threats, the US took, for a while, a more passive role in shaping the Cross-Strait institution. Only after the 1996 election in Taiwan, agents in the US became more proactive again. After Washington momentarily seemed to have given up on its “strategic ambiguity” during the 1995-1996 missile crisis by sending US aircraft carrier groups into the waters near Taiwan, President Bill Clinton later publicly announced his so-called “Three No’s” during a visit in China, which sounded almost like an echo of the TAO statement a few years earlier. Clinton said that:

we don’t support independence for Taiwan, or two Chinas, or one Taiwan/one China. And we don’t believe that Taiwan should be a member in any organization for which statehood is a requirement.

(Clinton, 1998)

After Lee’s “state-to-state” comments, President Clinton and other agents in Washington addressed numerous warnings at Taipei not to change the “status quo” unilaterally. Therefore, Washington also helped create and strengthen the newly emerging “status quo” rule during this time, which was further underscored by US warnings and promises to hold up previous commitments to both Taiwan and China (Figure 3).

Figure 3 Constructing the Cross-Strait Relationship, 1991-1999



Source: Author.

While the government in Taipei focused on elevating the status of the “Republic of China on Taiwan”, this departure from the “one China” rule was answered by Beijing’s with military threats.

5. Challenging “one China” under Chen Shui-bian (2000-2008)

The trend in the pattern of speech acts, which were performed by Taipei over the course of the latter part of the 1990s, in many ways set the tone for the new DPP government after the year 2000. The DPP had proposed a “Draft for a Taiwanese Constitution” back in 1992 and demanded a

plebiscite in Taiwan before any change to the “status quo” could be enacted. Once in office, it was to be expected that the party was eager to utilize Taiwan’s democratic environment by means of speech acts in order to undermine the “one China” rule and further strengthen the “status quo” rule which had already begun to define Taiwan in its own right during the later Lee administration. At least in its initial stage, the “status quo” rule might best be described as an unintended consequence resulting from contradicting practices of the three major agents in the institution of the Cross-Strait relationship, i.e. their adherence to a “one China” rule without ever achieving a concrete political resolution such as unification of China or formal separation of Taiwan.

The DPP’s definition of the “status quo” in its 1999 “Resolution on Taiwan’s Future” stated that “Taiwan is a sovereign and independent country” and “not a part of the People’s Republic of China” (DPP, 1999). However, in a more pragmatic move, the DPP also accepted “Republic of China” as Taiwan’s name “under its current constitution” (*ibid.*). Many of these ideas were carried over into Chen Shui-bian’s presidency that began in 2000.

Like previous governments, the DPP’s ideals of constructing the Cross-Strait relationship on its own terms faced certain constraints: PRC military threats, US commitments to both sides of the Taiwan Strait, and a lack of domestic support, in particular a lack of a legislative majority which the KMT continued to enjoy while being in opposition. Chen’s initial set of commissive speech acts, i.e. his “five noes” pledge, reflected this situation in that it moderated the DPP’s pro-independence position. In his inaugural speech, Chen conceded that he “must abide by the Constitution” as well as “maintain the sovereignty, [and] dignity of our country” and promised that:

during my term in office, I will *not* declare independence, I will *not* change the national title, I will *not* push for the inclusion of the so-called “state-to-state” description in the Constitution, and I will *not* promote a referendum to change the status quo in regard to the question of independence or unification. Furthermore, there is *no* question of abolishing the Guidelines for National Unification and the National Unification Council.

(GIO, 2001: 16) (Emphasis added)

Beijing and Washington, as the other parties involved in constructing the institution of Cross-Strait relations, were antagonized when later assertions by DPP agents seemed to violate these commitments. This was especially true with regard to Chen’s “one country on each side (of the Taiwan Strait)” formula, which he made publicly via video message at the 29th Annual Meeting of the World Federation of Taiwanese Associations in Tokyo in August 2002. Chen said:

Taiwan is our country [...] Taiwan is not a part of another [country], it is not a local government or a province of another [country]. Taiwan cannot become a second Hong Kong or Macau, because Taiwan is a sovereign and independent country. Simply put, Taiwan and China are both countries on their respective side [of the Taiwan Strait] and have to be separated clearly.

(MAC, 2002) (Translation by author)

This position was often accompanied by speech acts that equated Taiwan with the Republic of China and “its 23 million inhabitants” who alone should have the right to “change Taiwan’s status quo” (*ibid.*).

In his second inaugural speech in May 2004, Chen, who had received more than 50 per cent of the vote this time and therefore enjoyed a stronger popular mandate than before, said it was “a fact” that

the Republic of China was “now exist[ing] in Taiwan, Penghu, Kinmen and Matsu” (MAC, 2005: 47). And in his National Day speech that year, he stated: “The sovereignty of the Republic of China is vested with the 23 million people of Taiwan. The Republic of China is Taiwan, and Taiwan is the Republic of China. This is an indisputable fact” (MAC, 2005: 18). He called Taiwan “a country of 36,000 square kilometers”, all the while stating that he “would like to reaffirm the promises and principles set forth in my inaugural speech, [commitments, which] will be honored during my presidency” (*ibid.*), despite the fact that his statement was not in line with the Act Governing Relations between People of the Taiwan Area and the Mainland Area in which the ROC’s territorial claims clearly extend over mainland territory.

Further attempts at formally “rectifying” Taiwan’s constitutional situation and thus further distancing himself from his earlier commitments took place when Chen announced in early 2006 that, as a reaction to Beijing’s Anti-Secession Law, the “NUC cease to function” and the “NUG cease to apply”, as well as when the DPP passed its “Normal Country Resolution” in 2007, in which the party criticized the ROC’s “inappropriate constitutional structure” (DPP, 2007).

The DPP also supported a referendum on Taiwan’s name when applying for membership in the United Nations and other international organizations. All these speech acts can be seen as an attempt to abolish the “one China” rule which had long ceased to benefit Taiwan’s participation in the international arena and which was opposed to the DPP’s preferences with regard to Taiwan’s status. The push for a referendum of some sort under Chen would have further replaced the “one China” rule with the “status quo” rule by utilizing Taiwan’s democracy as a way to restrict Beijing: If a majority of Taiwanese had voted in favor of such a proposal from which one would be able to imply a basis for a political separation of Taiwan from China by democratic

means, China would have had a much tougher case to justify the use of military force or blaming a minority of “separatist forces” in Taiwan.

Beijing’s TAO anticipated challenges to its “one China” rule and issued a mixture of assertions and threats at the beginning of Chen’s presidency:

There is only one China in the world and Taiwan is an inseparable part of Chinese territory. The election of the local leader in Taiwan and its result cannot change [this fact]. The “One China” principle is the prerequisite for peaceful reunification. “Taiwan Independence” of whatever form is absolutely impermissible.

(TAO, 2000)

This statement already revealed a shift of emphasis from previous assertions that “China” was equal to the PRC towards the notion that China consists of both the Mainland as well as Taiwan, and therefore approximating the definition of China as “one country, two areas” in Taiwan’s Act Governing Relations between the People of the Taiwan Area and the Mainland Area. This change in tone, which was subsequently repeated by other high-ranking PRC representatives such as then-vice-premier Qian Qichen or then-TAO head Chen Yunlin, reflected a new approach that emphasized preventing independence over achieving unification with Taiwan and therefore unintentionally contributed to the “status quo” rule.

Beijing’s adjusted position under President Hu Jintao was formalized in a TAO statement issued on 17th May 2004, in which it chastised Chen for not honoring his pledges he made in 2000. The paper also warned that “‘Taiwan Independence’ does not lead to peace” and that if the DPP continued on this path, they would only “meet their own destruction by playing with fire” (TAO, 2004).

In his “four points” statement on 4th March 2005, President Hu further stated that:

Although the mainland and Taiwan are not yet reunified, the fact that the two sides belong to one and the same China has remained unchanged since 1949. This is the status quo of cross-Straits relations. [...] China belongs to the 1.3 billion Chinese people including the 23 million Taiwan compatriots, so do the mainland and Taiwan Island. Any question involving China’s sovereignty and territorial integrity must be decided collectively by the entire 1.3 billion Chinese people.

(TAO, 2005)

A few days later Beijing passed the Anti-Secession Law (NPC, 2005) giving itself a legal foundation for “maintaining the status quo” as outlined above.¹⁴ In fact, the adoption of this law formalized previous speech acts by Beijing in an unprecedented way and gave them a particular normative force. This was not only true for the assertive statements such as the one that there “is only one China in the world” and that both “the mainland and Taiwan belong to one China” (*ibid.*, article 2), but also for commissive ones such as the commitment to “achieve peaceful unification” and the promise that after reunification “Taiwan may practice systems different from those on the mainland and enjoy a high degree of autonomy” (*ibid.*, article 5). Finally, directive speech acts of using “non-peaceful means”, should Taiwan declare formal independence, were also formalized (*ibid.*, article 8). Similar to Washington’s Taiwan Relations Act, Beijing’s Anti-Secession Law can be seen as one of the most formal normative speech acts in the Cross-Strait relationship institution.

Pressure on the DPP government in Taiwan was not only external but was also exercised by the domestic opposition. Then-KMT chairman

Lien Chan, on a historic visit to China in the spring of 2005, worked out a five-point agreement with Hu Jintao, in which the KMT and CCP reconciled and based future Cross-Strait talks on the so-called “1992 Consensus”.¹⁵ The KMT’s definition of the “Consensus” meant that both sides had “different interpretations” of “one China” – a concession that has never been publicly accepted (nor has it been publicly criticized) by high-ranking officials in Beijing.¹⁶ For Beijing, the “1992 Consensus” was useful as a commitment to its “one China” principle and therefore the rule of “one China”. As such, the “Consensus” was of course rejected by the DPP, who tried to disassociate Taiwan from being a part of “one China” altogether.

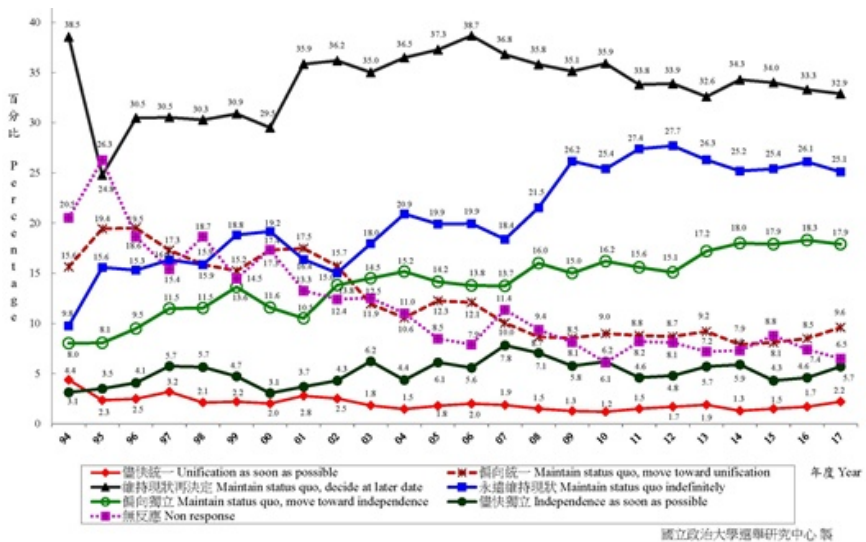
During Chen’s two terms as president, Washington tried to alternatively balance Taipei’s pro-independence assertions and Beijing’s “one China” threats with its own speech acts. With the famous exception of US President George W. Bush, who promised to do “whatever it takes” to help Taiwan defend itself, when announcing a new sale of weapons to Taiwan in April 2001,¹⁷ the US mainly repeated its old commitments of adhering to its “one China” policy.

When Chen was perceived to violate his inaugural speech commitments and thereby undermine the trust between both sides, Washington seemed to align itself more frequently with Beijing in opposing “Taiwan independence”. Then-US Secretary of State Colin Powell made this point very clear when he stated during a trip to China that “there is no support in the United States for an independence movement in Taiwan because that would be inconsistent with our obligations and our commitment to our One China policy” (U.S. Department of State Archive, 30th September 2004).

However, this divergence between all involved parties in the Cross-Strait relationship as to their views on and interpretation of the “status quo” with all the resulting unintended consequences was the reason for

the strengthening of the “status quo” rule after the year 2000 on the one hand, while it was also the source of constant challenges that arose with the struggle over the definition of the nature of the “status quo” on the other.

Figure 4 Changes in the Unification-Independence Stances of Taiwanese as Tracked in Surveys by Election Study Center, NCCU (1994~2017.06)¹⁸



Source: Core Political Attitudes Trend Chart, Election Study Center, National Chengchi University (ESC, 2017). (Used with permission.)

The fact that a majority of the Taiwanese public merely wanted to maintain an undefined “status quo” further facilitated this development. Figure 4 shows that since the early 2000s, two thirds or more of the Taiwanese public have tended to opt for an unspecified “status quo” when asked about Taiwan’s political future with regard to a formal

independence from or unification with China.¹⁹ The vast majority of respondents either wanted to decide this question “at a later date” or to maintain the status quo “indefinitely”. Notably, support for the latter rose sharply in the early years of the Ma Ying-jeou administration and has since remained more or less steady at over 25 per cent.

While there has never been a clear explanation of the meaning of the “status quo” in the above survey, Washington’s own definition became clear when it reacted to Chen’s referendum plans in 2007 stating:

[...] membership in the United Nations requires statehood. Taiwan, or the Republic of China, *is not at this point a state in the international community*. The position of the United States government is that the ROC [...] *is an issue undecided* and it has been left undecided [...] for many, many years.²⁰

The following month, Deputy Assistant Secretary of State, Thomas Christensen said:

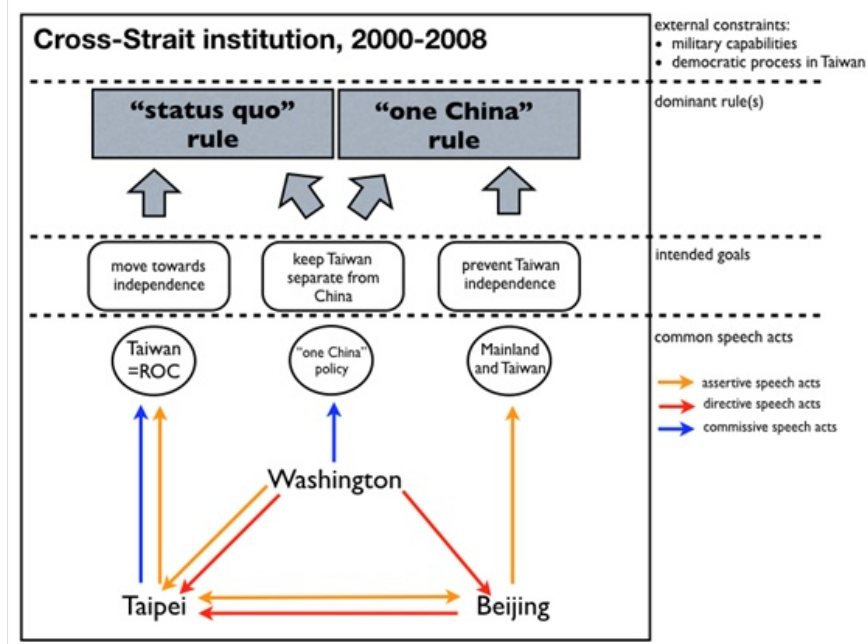
Some Taiwan leaders in recent years have asserted that Taiwan independence is the status quo that should be defended. On that point, let me be perfectly clear: while U.S. opposition to Chinese coercion of Taiwan is beyond question, *we do not recognize Taiwan as an independent state* [...] in fact, we rank such assertions along with the referendum on joining the UN under the name Taiwan as *needless provocations* that are patently not in the best interests of the Taiwan people or of the United States.

(Christensen, 2007) (Emphasis added.)

By the end of Chen’s second term the DPP increasingly saw itself on opposite ends with Washington, Beijing, and, domestically, the KMT,

severely limiting its options in shaping the institution of Cross-Strait relations. Furthermore, since none of the proposed referendums passed, the DPP failed to utilize the “resource” of Taiwan’s democracy in order to break the “one China” rule.

Figure 5 Constructing the Cross-Strait Relationship, 2000-2008



Source: Author.

In summary, support for the “status quo” rule during Chen Shui-bian’s terms in office was not only the result of Taipei’s attempts at breaking the “one China” rule, but also resulted from the unintended consequences of Beijing’s continued policy adjustments from a position that sought to impose a PRC-centered “one China”-framework on Taipei

towards the goal of “preventing (a formal realization of) Taiwan independence” (Figure 5).

6. Revitalizing “One China” under Ma Ying-jeou (2008-2016)

Similar to his predecessor, Ma Ying-jeou announced a set of commitments with regard to the general direction of Cross-Strait relations in his first inaugural address, which became known as his “three noes” pledge. His promises of “no independence, no unification, and no use of force” were commitments to the “status quo” rule. However, the prerogative to define what the “status quo” meant (at least within Taiwan) had now been passed on to the newly elected KMT government, which in many ways tried to reverse the course of its predecessor.

Speech acts by agents of the Ma administration were aimed at strengthening the normative authority of the Constitution of the Republic of China instead of questioning it. In his first inaugural address President Ma said:

As President of the ROC, my most solemn duty is to safeguard the Constitution. In a young democracy, respecting the Constitution is more important than amending it. My top priority is to affirm the authority of the Constitution and show the value of abiding by it. Serving by example, I will follow the letter and the spirit of the Constitution [...]

(GIO, 2010: 5)

Ma not only stated his intention of closely adhering to the Constitution but also recognized the territorial claims of the Act Governing Relations between People of the Taiwan Area and the Mainland Area. This became

clear in a variety of assertive speech acts, often made in international media outlets, that the Cross-Strait relationship was “not a state-to-state relationship” but one between the “Taiwan Area” and the “Mainland Area”, neither of which was a country in its own right.²¹ In another interview, President Ma said that according to the country’s Constitution, the Republic of China (and not “Taiwan”) was an “independent and sovereign state” and that “Mainland China is also part of the territory of the ROC”.²² In all of his important speeches as president²³, Ma resorted back to the state’s name “Republic of China” instead of “Republic of China on Taiwan” or simply “Taiwan” when referring to the state which he represented. Beijing’s Taiwan Affairs Office welcomed the new pattern of speech acts by the Ma administration and echoed them with its own position that “[b]efore the two sides are unified, the fact that the mainland and Taiwan are part of China remains unchanged”²⁴.

Beijing and Taipei shared even more common ground by their continuing emphasis on the “1992 Consensus”. On many occasions, Ma himself repeated the importance of the Consensus as a pillar for peaceful Cross-Strait relations, most notably shortly after his historic meeting with China’s President Xi Jinping in early November 2015. At the international press conference after his meeting with Xi President Ma said:

Our side’s interpretation [of the Consensus] does not involve two Chinas; one China, one Taiwan; or Taiwan independence, as the Republic of China Constitution does not allow it. [...] We will continue to consolidate the 1992 Consensus of “one China, respective interpretations” as the basis for relations, and maintain the status quo of peace and prosperity.

(Office of the President, 2015)

By sticking to its own definition of what “one China” meant, the KMT showed its willingness to not give up on the “one China” rule in general and continue to maintain it. The “Consensus”, therefore, functioned as an assurance to Beijing that the KMT would hold on to “one China”, while it allowed the party at the same time to argue domestically that “China” referred to the ROC.

Furthermore, agents in Taipei often coupled these assertions to warnings of an economic isolation of Taiwan. In view of increasingly complex economic relations between Taiwan and China, which had reached new heights in the early 2000s, the KMT argued that engaging China was the only viable course. This mixture of assertive and directive speech acts was especially common during Ma’s first term and eventually resulted in the signing of the Economic Cooperation Framework Agreement (ECFA). For example, in early 2010 then-Minister of the Mainland Affairs Council Lai Shin-yuan said: “If Taiwan does not sign the ECFA, the country risks being marginalized and losing competitiveness overseas” (“ECFA talk with MAC minister Lai Shin-yuan”, 2010).²⁵ President Ma and other agents in turn usually credited the “1992 Consensus” for being able to deepen Taiwan’s economic and functional relations with the Mainland during his terms and thereby utilized the fact that Taiwan’s economy had become increasingly dependent upon China, especially since President Chen’s time in office (Matsuda, 2015: 16-18).²⁶

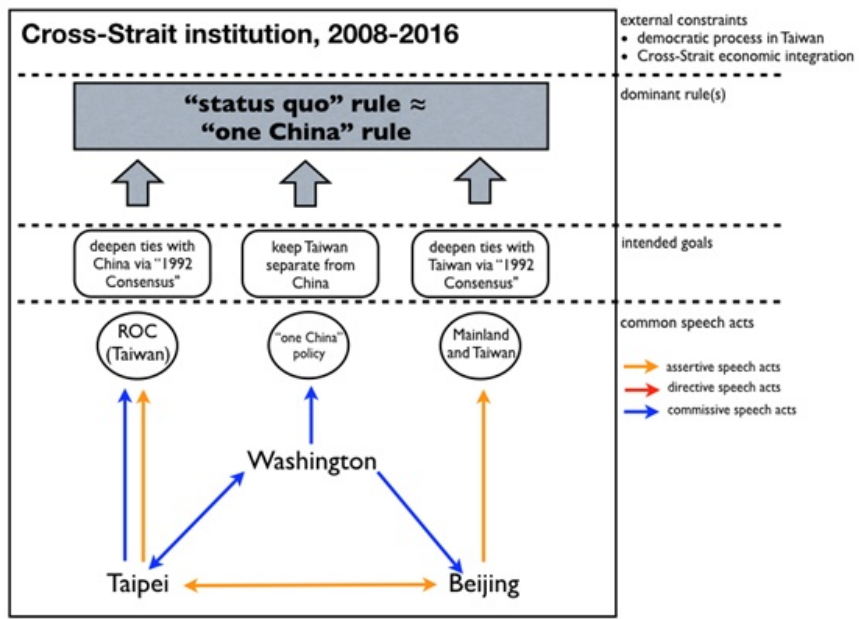
Nevertheless, as mentioned above, Beijing’s position regarding the “1992 Consensus” remains different from that of the KMT. On the one hand, Beijing’s leaders have often used the term publicly and described its existence as a “core” of Cross-Strait relations with President Xi Jinping even going so far as to warn Taiwan’s future president in 2015 that a non-adherence to the “1992 Consensus” as the basis for Cross-Strait relations would result in “the earth moving and mountains

shaking”²⁷. On the other hand, CCP leaders have never publicly approved of the idea that “each side has its own interpretation of ‘one China’” – a formula that was usually described as a “later addition by the Taiwan side” (ARATS, 2005). Instead, even Xi’s predecessor Hu Jintao, who, in his “six points” on 31st December 2008, called for “Taiwan’s ‘reasonable’ participation in global organizations”, the position of both sides “firmly abiding by the ‘one China’ principle” was seen as a precondition for Cross-Strait relations (Hu, 2008).

Despite the weak normative foundation of the “1992 Consensus”, the KMT government routinely emphasized it being the reason for the achievements with regard to Cross-Strait negotiations after 2008, and in the summer of 2015 the party included the “Consensus” into its party charter, and thereby making it an important component for the party’s future China policies²⁸. Despite the prevalent discourse in international media and academic circles alike, the “Consensus” has failed to entice a broad support among the Taiwanese public as an interpretation of Cross-Strait relations²⁹.

In continuity with previous US administrations of recent decades, the government in Washington under President Barack Obama mostly did not get too overly involved in defining Taiwan’s political status publicly. In late 2010, the chairman of the American Institute in Taiwan (AIT), Raymond Burghardt, reiterated that since 1979 the US “take[s] no position on the political status of Taiwan. That may sound like a dodge, but it’s a position”.³⁰ More recently, the AIT made a similar comment with regard to the “1992 Consensus”, stating that it takes “no stance” on the issue.³¹ The US seemed to have been pleased, however, by the “surprise-free” approach that was adopted by Taiwan’s KMT administration under Ma Ying-jeou as well as the peaceful dialogue that had taken place since 2008. This was reflected by remarks made by then-Secretary of State Hillary Clinton in 2011, who said that the

Figure 6 Constructing the Cross-Strait Relationship, 2008-2016



Source: Author.

“relationship between China and Taiwan, it appears, is on a much better basis”.³²

Despite persisting rumors in the media and discussions in academic circles that the US might consider stopping arms sales to Taiwan altogether during Ma’s first term, these concerns have not materialized. Towards the end of the previous US administration, different US agents have reiterated security commitments to Taiwan, with then-US President Barack Obama even affirming Washington’s adherence to the Taiwan Relations Act and its commitments to Taiwan during Xi Jinping’s state visit in September 2015.³³

In conclusion, the KMT government's interpretation of the "status quo" after 2008 was based on the often-repeated adherence to the ROC Constitution and the "1992 Consensus" which are in and of themselves commitments to "one China". In order to build domestic public support for this position, these assertions about Taiwan's status were flanked by threats regarding Taiwan's economic future if it failed to open itself up more to China. In this vein, instead of openly challenging the "status quo" rule, agents in Taipei tried to equate the "status quo" with its own "one China" position, which defines China as the ROC, thereby trying to revert some of the unintended consequences which had given rise to the "status quo" rule in the first place. In the way in which these speech acts supported the "one China" rule, they were in accordance with the position of PRC leaders (Figure 6).

7. Epilogue: After the 2016 elections in Taiwan and the US

The elections in 2016 in both the US and Taiwan led to some notable changes in the Cross-Strait relationship agency. In January 2016, Tsai Ing-wen of the DPP was voted into office with a comfortable majority over her KMT opponent. Even before the election, Tsai emphasized that her Cross-Strait policy was focused on "maintaining the status quo", which according to her definition also included Taiwan's democratic and constitutional structure.³⁴ Even though she was criticized by her political rivals in Taiwan as well as Chinese officials for not giving a clear definition of what her "status quo" meant exactly,³⁵ the electorate eventually chose her commitments over the promises of KMT candidate Eric Chu who vowed to uphold the "1992 Consensus", which arguably contributed to Tsai's success in the election.

In her inaugural address as president, Tsai expounded on her definition of the status quo in Cross-Strait relations by promising to build on four elements of “existing political foundations”:

The first element is the fact of the 1992 talks between the two institutions representing each side across the Strait (SEF & ARATS), when there was joint acknowledgement of setting aside differences to seek common ground. This is a historical fact. The second element is the existing Republic of China constitutional order. The third element pertains to the outcomes of over twenty years of negotiations and interactions across the Strait. And the fourth relates to the democratic principle and prevalent will of the people of Taiwan.

(Tsai, 2016)

Even though Tsai stopped short of recognizing the “1992 Consensus”, her promise “to safeguard the sovereignty and territory of the Republic of China” (*ibid.*) as well as the inclusion of Cross-Strait negotiations under the preceding KMT government linked her speech thematically more closely to Ma Ying-jeou’s stance than to the one expressed in Chen Shui-bian’s second inaugural speech in which Chen had mentioned the idea of “rebuilding the constitutional order” in a way that it could become more “suitable” for Taiwan (Office of the President, 2004). This example shows once again that just as there were different ideas of “one China” which supported the “one China” rule, different agents in Taipei have, over time, assigned different interpretations to the concept of the “status quo” each of which influenced the “status quo” rule.

Since Tsai assumed office, Beijing has exerted increasing pressure on Taiwan’s new administration by freezing the high-level government-to-government exchanges as well as by establishing official relations

with countries that previously recognized the Republic of China. Chinese officials have routinely blamed the Tsai administration's lack of endorsement of the "1992 Consensus" for these developments. For example, some weeks after Tsai's inaugural address, TAO spokesperson An Fengshan said:

Taiwan's current administration has not recognized the 1992 Consensus which endorses the one-China principle, shaking the political foundation for cross-Strait interaction.

(TAO, 29th June 2016)

These actions not only signaled an end to the so-called "diplomatic truce" between Taiwan and China during Ma's terms in office, but were most certainly also aimed at undermining Tsai's ability to uphold her "status quo" pledge.

Furthermore, the election of Donald J. Trump as US president in November 2016 has added another layer of uncertainty with regard to the status quo in the Taiwan Strait. Before assuming office, the then-president-elect of the United States made headlines by accepting a call by Taiwan's president and went on to publicly question the US' own "one China" policy in the aftermath.³⁶ Expectedly, China's foreign ministry not only urged the US to honor its decades old commitments to the "one China" policy, but also issued a statement in which it reverted to China's own assertions of the Cold War era, posing that:

[...] there is only one China and Taiwan is an inalienable part of China's territory, and the government of the People's Republic of China is the sole legitimate government that represents China.

(TAO, 3rd December 2016)

Even though Trump has backtracked somewhat from this confrontational course with China over Taiwan since then, there remains a possibility, albeit a remote one, that future challenges to the existing rule-framework of Cross-Strait relations may come from the current US administration. This is all the more surprising, considering the fact that the US have traditionally emphasized the importance of continuity and “peace and stability” in the Taiwan Strait and have seemed to favor any rule that was conducive to achieving this aim.

For these reasons, it is to be expected that maintaining the “status quo” rule will be increasingly difficult as long as a clear and agreed-upon definition of the nature of the “status quo” in the Cross-Strait relations framework remains elusive. While the ongoing consolidation of democracy in Taiwan continues to support a view of Cross-Strait relations that is governed by the “status quo” rule, other forces such as Taiwan’s ongoing economic dependency on China and China’s continuous military buildup are more favorable to creating an environment that asserts the “one China” rule.

8. Conclusion

This paper has utilized a rule-based constructivist framework to analyze the Cross-Strait relationship as a social institution. It demonstrated how relevant agents constructed and continue to construct this institution by creating and influencing rules through their speech acts. It argued that the Cross-Strait relationship after 1949 was governed by two rules: the “one China” rule, which was most in evidence between 1949 and the mid-1990s and the “status quo” rule which started to gradually co-exist with the former rule thereafter.

The “one China” rule of the Cold War years was mainly supported by assertive and directive speech acts performed by Beijing and Taipei.

The rule had hegemonic and hierarchic characteristics in that it defined the Cross-Strait relationship as one of a legitimate or central government versus an illegitimate local government. However, commitments by Washington and limitations set by the military power of all three sides have prevented a forceful settlement of the issue by either side and contributed to a perpetuation of the “one China” rule, especially after the establishment of US-PRC diplomatic ties in the late 1970s. By that time the “one China” rule had started to increasingly benefit the PRC at the expense of the ROC.

Partly spurred by these developments, Taiwan’s democratization since the 1980s and a new focus on its identity have become a new source of constraint that prevented agents in Beijing to exploit their superior position with regard to “one China”. By contesting “one China” and contributing to the creation of a new “status quo” rule during the latter part of the Lee Teng-hui era, Taipei first tried to utilize its domestic democracy as a means to constrain Beijing and regain some of its lost international standing after repeated diplomatic setbacks. This trend of focusing on Taiwan’s own political identity separate from China was further strengthened under the DPP government, which used the means at its disposal in order to further subvert the “one China” rule and formalize what they asserted was already a fact: Taiwan’s political separation from China. At the same time, Taiwan’s increasing economic dependency on China was used by the Ma Ying-jeou administration to refocus on supporting the “one China” rule via the proxy of the “1992 Consensus”.

In conclusion, it can be said that whereas the “one China” rule highlights disputes over territory and diplomatic recognition by asserting or even threatening to achieve some sort of future Cross-Strait status, the “status quo” rule relies on commitments aimed at preventing changes to the current situation. This is not to suggest that pro-independence forces

in Taiwan alone are the sole creators of the “status quo” rule. Instead all participating agents in the Cross-Strait relationship have, through their respective speech acts, contributed to creating this rule since the mid-1990s, sometimes unintentionally. Relevant commitments were made by the US, when they spoke out against “unilateral changes”, consisted of Taiwan’s initiatives such as Chen Shui-bian’s “three noes” or Ma Ying-jeou’s initial “five noes” pledges, and were even reflected in China’s Anti-Secession Law, which formalized certain previous commitments by Beijing such as an equal standing in negotiations between both sides and the goal of “preventing independence” during the latter part of the Chen Shui-bian administration. However, the history of broken commitments in the Cross-Strait relationship with all its intended and unintended consequences suggests that a rule, which is mostly based on this kind of speech act, is relatively unstable, at least in an environment in which the lack of trust between the participating agents remains a defining characteristic.

Finally, similar to other constraints in the construction of the Cross-Strait relationship such as Chinese and US military power or Taiwan’s economic dependency on China, Taiwan’s political system has not only posed restrictions to assertions of Taiwanese governments with regard to the question of independence vs. unification, but has also influenced Beijing and Washington’s speech acts over time. Beijing has learnt to appeal to Taiwan’s voters (albeit having done so rather unsuccessfully in the past) and Washington would be hard pressed to negate a democratic choice for unification by the Taiwanese public, although such a scenario currently seems to be a very remote possibility at best. Therefore, until a definitive solution to the Cross-Strait impasse has been found, the “status quo” will continue to represent a delicate balance in the struggle of different agents in the US-Taiwan-China triangle over their competing views on the nature of Cross-Strait relations.

Notes

- * Sebastian Hambach is currently pursuing his Ph.D. studies at the Department of History, National Taiwan University (國立臺灣大學). He holds an MA in Asia-Pacific studies from the National Chengchi University (國立政治大學), Taiwan. <Email: d01123008@ntu.edu.tw, sebastian.hambach@gmail.com>
1. For the sake of clarity and unless otherwise noted in-text, this paper uses “Taiwan” to refer to the “Republic of China (Taiwan)” or “Taiwan area”, whereas “China” is used to refer to the “People’s Republic of China” or “Mainland China/area”.
 2. The framework used in this paper is mainly based on Onuf (1989; 1998) and Kubáľková *et al.* (1998).
 3. In particular Wendt (1992) and Wendt (1999). See, e.g., the discussion in Pettman (2000).
 4. According to Zheng (2001: 221-222), the second rule is the rule of “no military threats”. However, this view seems at odds with the constant and open threats between Taiwan and China during most of the Cold War era. Therefore, this paper argues instead that military threats in the context of the Cross-Strait relationship were aimed at influencing the “one China” rule.
 5. For example, in July 1954 the *People’s Daily* wrote “一定要解放台湾” [Taiwan has to be liberated at all costs] (*People’s Daily*, 23rd July 1954, retrieved 1st October 2015 from <<http://www.people.com.cn>>). The issue of upholding “one China” was also an important topic under discussion between secret envoys of both sides during that time (cf. Huang and Li, 2010: 42-43).
 6. The relevant passage in Truman’s statement reads: “The determination of the future status of Formosa must await the restoration of security in the Pacific, a peace settlement with Japan, or consideration by the United Nations” (Truman, 1950).

7. However, in the San Francisco Peace Treaty which was eventually signed between Tokyo and the Allied forces (but without Chinese representatives) on 8th September 1951, Japan merely “renounced” its claims over Taiwan without specifying to whom it transferred these rights.
8. The turning point on the diplomatic front was reached in 1971 when, for the first time, more countries in the world recognized the PRC than the ROC. While 69 countries supported the PRC’s claim to represent the sole legitimate government of China, only 54 countries supported the ROC. The number of Taiwan’s diplomatic allies has since then mostly continued to decrease (cf. Kim, 1994: 151).
9. Bush (2004: 130-136) has pointed out the importance of differentiating between “acknowledging” and “recognizing”. Bush (*ibid.*) also notes that the US expression of having an “interest in a peaceful settlement” of the issue was aimed at a continuation of arms sales to Taiwan.
10. Some important documents that include similar language are the “Message to Compatriots in Taiwan” (1979) and “Ye Jianying on Taiwan’s Return” (1981). (See: “Message to Compatriots in Taiwan” (1st January 1979), retrieved 1st October 2015 from <<http://www.china.org.tw>>; “Ye Jianying on Taiwan’s Return to Motherland [sic] and Peaceful Reunification (30th September 1981), retrieved 1st October 2015 from <<http://www.china.org.cn>>.)
11. Changes in Lee’s public statements and his role in creating a Taiwanese nationalism have been analyzed in-depth by Jacobs and Liu (2007).
12. On the same occasion, Lee also responded to criticism of this phrase, an answer which itself further exemplifies the new emphasis on Taiwan: “Though some [...] are disenchanted with the term ‘the Republic of China on Taiwan,’ the fact is that Taiwan is the bedrock of the ROC’s existence” (GIO, 1994: 69).
13. For example, in Lee’s well-publicized speech on 7th June 1995 at his alma mater Cornell University in the United States.

14. Originally named “Law of Reunification of the Motherland” or “Anti-Taiwan Independence Law” in earlier drafts, the final name of the Anti-Secession Law is also a reflection of Beijing’s interpretation of the “status quo”, according to which Taiwan is already a part of China.
15. “Hu, Lien vow to work to end cross-strait hostilities”, *The China Post*, 30th April 2005, retrieved 1st October 2015 from <<http://www.chinapost.com.tw>>.
16. The “1992 Consensus”, as understood by the KMT, implies a degree of political tolerance and understanding that cannot be objectively observed. For instance, the public display of national symbols such as the ROC flag in an international setting frequently trigger stern reactions from PRC officials, whereas similar protests by Taiwan’s government against the PRC’s national symbols are close to non-existent. In other words, the KMT’s willingness to compromise, especially when compared to the Cold War era, is not reciprocated to the same degree by PRC officials.
17. “U.S. would defend Taiwan, Bush says”, (by David Sanger), *The New York Times*, 26th April 2001, retrieved 1st October 2015 from <<http://www.nytimes.com>>.
18. 臺灣民眾統獨立場趨勢分佈 (1994~2017.06). See terms of use at <<http://esc.nccu.edu.tw/doc/termofuse.php>> and <<http://esc.nccu.edu.tw/course/news.php?Sn=167>>.
19. I would like to express my thanks to the NCCU election study center for giving me permission to reprint the graph in this paper.
20. “ROC statehood undecided: US official” (by Charles Snyder), *Taipei Times*, 1st September 2007, retrieved 1st October 2015 from <<http://www.taipetimes.com>>. (Emphasis added.)
21. Cf. “Cross-strait ties not state to state: Ma” (by Adam Tyrsett Kuo), *The China Post*, 11th June 2013, retrieved 1st October 2015 from <<http://www.chinapost.com.tw>>.

22. “Ma refers to China as ROC territory in magazine interview” (by Ko Shu-ling), *Taipei Times*, 8th October 2008, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>; cf. “Ma repeats ‘region-to-region’ comment” (by Loa Iok-sin), *Taipei Times*, 22nd December 2008, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>.
23. Ma sometimes used the phrase “Republic of China on Taiwan” when running for office before 2008.
24. “Beijing praises Ma’s use of ‘Mainland’ designation” (by Ko Shu-ling), *Taipei Times*, 24th February 2011, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>; cf. “China praises Ma’s ‘one China’ remark” (by Jake Chung and Mo Yan-chih), *Taipei Times*, 26th July 2013, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>.
25. “ECFA talk with MAC minister Lai Shin-yuan”, *Taiwan Today*, 12th March 2010, retrieved 1st October 2015 from <<http://taiwantoday.tw>>.
26. Using a constructivist approach, Wei (2015) argues that the “1992 Consensus” itself can be seen as a sociolinguistic construct whose meaning has changed over time. According to Wei, agents in Taipei, China and the Taiwanese business community have contributed to transforming the meaning of the “Consensus” from a political term to one that carried an economic logic after 2008 (Wei, 2015: 80-83).
27. “‘1992 Consensus’ the core of cross-strait relations: Xi” (by Amy Chyan), *The China Post*, 5th March 2015, retrieved 15th July 2016 from <<http://www.chinapost.com.tw>>.
28. “‘1992 Consensus’ written into KMT’s new party platform”, *The China Post*, 20th July 2015. Retrieved 15th July 2016 from <<http://www.chinapost.com.tw>>.
29. According to the results of a public opinion survey by Taiwan Indicators Survey Research (TISR) published on 15th October 2015, only 24.7 per cent supported the phrase “1992 Consensus” to describe Taiwan’s relationship with China (TISR, 2015). In the same survey, which allowed

multiple answers, almost 70 per cent of respondents spoke out in favor of the “one country on each side”-formula.

30. “Taiwan position consistent: AIT head” (by Shih Hsiu-chuan), *Taipei Times*, 1st December 2010, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>.
31. “US takes no stance on ‘1992 Consensus’: AIT spokesman” (by Joseph Yeh), *The China Post*, 16th May 2015, retrieved 30th August 2016 from <<http://www.chinapost.com.tw>>.
32. “Clinton praises change in China, Taiwan relations” (by William Lowther), *Taipei Times*, 13th May 2011, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>.
33. “Taiwan Relations Act mentioned at Xi-Obama talks”, *The China Post*, 27th September 2015, retrieved 30th August 2016 from <<http://www.chinapost.com.tw>>.
34. Cf. “DPP candidate Tsai promises to maintain status quo if elected”, *The China Post*, 17th September 2015, retrieved 15th July 2016 from <<http://www.chinapost.com.tw>>. After the change in government in 2008, the DPP long struggled to find a new China policy and held symposiums in order to “better understand China”, especially amid the KMT’s increasingly high-profile meetings with the CCP during President Ma Ying-jeou’s second term. Tsai Ing-wen herself failed to earn the electorate’s support with her idea of a so-called “Taiwan Consensus” when she tried to unseat then-incumbent President Ma in the elections of 2012. The “Taiwan Consensus” was one of various, and often vague, concepts with which high-ranking DPP politicians, some of whom even went on to visit China, wanted to replace the KMT’s reliance on the “1992 Consensus” and other policies that sought closer relations with China. The party’s discussion about a new China policy even included proposals to “freeze” the party’s so-called “Taiwan independence clause” between mid-2013 and mid-2014 (cf., e.g., “DPP mulls independence clause” (by Chris Wang), *Taipei Times*, 17th

- July 2014, retrieved 1st October 2015 from <<http://www.taipeitimes.com>>), a move that was eventually dismissed. The DPP formally announced its “status quo” formula in spring 2015 (“DPP vows to keep ‘status quo’ going in cross-strait ties” (by Loa Lok-sin), *Taipei Times*, 10th April 2015, retrieved 30th August 2016 from <<http://www.taipeitimes.com>>).
35. Among Tsai’s critics was her predecessor Ma Ying-jeou of the KMT, who emphasized on many occasions that the “status quo” at the time had been a result of his own Cross-Strait policies of adhering to the ROC Constitution and the “1992 Consensus” (cf., e.g., “Ma snipes at DPP’s Tsai on ‘status quo’” (by Stacy Hsu), *Taipei Times*, 26th August 2015, retrieved 15th July 2016 from <<http://www.taipeitimes.com>>).
 36. “Trump suggests using bedrock China policy as bargaining chip” (by Mark Landler), *The New York Times*, 11th December 2016, retrieved 1st June 2017 from <<http://www.nytimes.com>>.

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**The Universities Become More while
Students Are Getting Less?
A System Analysis of the
Taiwanese Higher Education Crisis⁺**

Su-mei **Sung***

National Taipei University

Abstract

Under the trend of declining infant birth rate, higher education in Taiwan is now facing severe crises such as excessive number of universities, high level of unemployment, and the impact of colleges/universities' withdrawal from market, etc. This study analyzes threats and opportunities confronted by the Taiwanese government and university operators with the *Tragedy of the Commons*, *Limits to Growth* and *Fixes and Fail* models that are derived from the System Archetypes. First, this study discusses developments and management of higher education in Taiwan by literature analysis and interviews. Secondly, it reviews the plans and strategies of the Ministry of Education toward this crisis. Finally, this paper analyzes the implementation strategies of the Taiwanese government and universities which include moderate adjustment of scale, reasonable number of schools, colleges/universities' withdrawal mechanism, distinguishing feature enrollment, overseas

schooling program, and so on. The research expects to introduce a more systematic approach to examine Taiwan's current crisis in higher education and to seek survival strategy, then try to provide a feasible framework for coping with such crisis either in policy design or system practice level.

Keywords: *System Archetypes, declining birth rate, higher education crisis, university exit mechanism*

1. Introduction

Taiwan's higher education has been plunged into an unprecedented crisis due to the impact of declining birth rate. The former Republic of China President Ma Ying-jeou has even reaffirmed that low infant birth rate is the crisis of Taiwan's national security¹. The so-called "crisis", in the Greek word "crimein", means "decision". (Jan, 2004: 3) Simply to say, crisis is a matter of instability in the situation, facing the rapid deterioration or turning the key moment, the urgent need to decide or change the state immediately.

Affected by the above reason, the student population of higher education in Taiwan tends to decline after 2016, therefore university enrollment has been facing difficulty and more intense competition due to lower birth rate. Consequently, the education authorities have begun to start the exit mechanism and innovation transformation plan to respond to the university crisis. On December 4, 2015, Minister of Education Wu Si-hua gave his speech entitled "Review and Prospect of Higher Education Evaluation" at the International Symposium on Higher Education Evaluation. He elaborated that "the specific approach is divided into three categories: first, to share resources through the University alliance; secondly, to complete universities' merging through more government-led power; thirdly, to shift the focus of teaching from

young people to senior citizens.” In addition, he suggested to adjust the scope of enrollment from home territory abroad, and from the purely academic personnel training to become a business university that cooperate with industries.

Before this, the Ministry of Education had launched the “Transformation and Development Program of Private Fund Universities” in 2013. In November 2014, it announced the “Principles for the Merger of Colleges and Universities”. On January 20, 2015, the MOE issued the “Higher Education Innovation and Transformation Act”. It has always stated that Taiwan’s higher education is facing the challenges and difficulties due to rapid changes, especially the impact of less children, the need to actively face and seek to respond with countermeasures in the system, and it is necessary to plan the transformation of higher education with innovation. In general, the reform of the Higher Education Innovation and Transformation Ordinance is intended to be over a five-year period, and scheduled follow-up period: (1) January-February 2015: held a work circle, completed the draft; (2) March 2015: for the briefing and collecting of opinions and advices; (3) April 2015: submitted to the Regulations Board and the Council of MOE for review; (4) May 2015, the Executive Yuan transferred the Drafts to the Legislative Yuan for consideration and review.

On February 12 of 2016, the MOE issued the “Regulation for Set up the Higher Education Innovation and Transformation Office in the Ministry of Education”, and then established the “Higher Education Innovation Planning Office”. The main purpose of the Office is to adopt cross-sectoral structure to strengthen the policy coordination and communication for improving the efficiency of administrative coaching and the transformation of Higher Education in Public and Private Colleges. However, since the new Democratic Progressive Party (DPP)

government came to power in 2016, it announced that the above Regulation would be stopped active on September 29 of 2017. Soon after, the MOE has put forward a new “Private University/College Transition and Exit Regulations” draft in February of 2017.

Many programs and policies that were mentioned above let people wonder about the main theme of strategy of the Ministry of Education for countering the impact of lower birth rate upon higher education. Is there any continuity and consistency of such policies? Was the situation lost in the dilemma of *Fixes and Fail* that has led to negative sequelae in the long term as Peter Senge has argued? Therefore, this article firstly reviews the historical background of educational reforms – a story of the open green light to set up the university, now leading to the need to merge, exit, or transition. Secondly, the study tries to use documentary analysis and based on the “system model” to analyze the impact and problems of higher education in Taiwan systematically, and hopefully provide a holistic and dynamic view for answering questions the paper has raised.

2. Literature Review

This paper is using the System Archetypes model – that of the system thinking method developed by Peter Senge, and trying to clarify the structure of the case, and find the key element of the management problem.

The word “archetype” is originally from the Greek “*ἀρχέτυπον*”, meaning “the first among the same class” (Guo, 1995 (tr.): 199-200). The System Archetypes is defined as using of certain graphic symbols, simple and clear description of the relationship between the various factors that affect the problem. In the 1980s, Peter Senge and Michael Goodman began to organize ideas and concepts about system dynamics,

originally used in the field of “learning organization”, and have advocated five disciplines, including: personal mastery, improving mental models, building shared vision, team learning and systems thinking (Senge, 1990; Goodman and Kleiner, 1994; Senge *et al.*, 1994).

Before using the systematic thinking approach, we must first understand its language and basic components of the image, in order to facilitate the subsequent selection and establishment of the base model. Peter Senge has pointed out nine kinds of the System Archetypes model in his book *The Fifth Discipline* (Guo, 1995 (tr.): 161-184). Although only part of the system thinking approach, Senge thinks that can be enough to cover most of the dynamics of human complex problems. Senge’s nine kinds of the System Archetypes model are shown below:

- (1) *Balancing Loop with Time Delay*: it means to improve the action effect takes time.
- (2) *Limits to Growth*: while thing goes to the extreme, it will begin to suffer.
- (3) *Shifting the Burden*: people only pursue a temporary but not fundamental solution.
- (4) *Eroding Goals*: people is often reducing the standard to cope temporarily.
- (5) *Escalation*: it refers to coming into destructive competition or being over-competitive.
- (6) *Success to the Successful*: the stronger is overwhelming the weak, and the winner takes all.
- (7) *Tragedy of the Commons*: it refers to the resources being limited and growth becoming slow.
- (8) *Fixes and Fail*: short-term strategy may be effective, but will lead to negative sequelae in the long term.
- (9) *Growth and Underinvestment*: it refers to self-limiting growth inadvertently.

In summary, some of the system archetypes are very similar, but the focuses are different; some are more fundamental that will appear in other archetypes; some are a variety of archetypes' combinations. Some believe that many complex problems can be observed by several different archetypes, and they have argued that it may probably help to understand more root causes of problem (Guo, 1995 (tr.): 160; Tu and Chang, 2010).

In addition, the system of thinking simultaneously includes three basic elements of the language:

- (1) *Reinforcing feedback*: it is a positive feedback loop meaning the increase or decrease in the value of a factor that, after feedback, causes the value of its next cycle to be in the same direction. The so-called benign cycle and vicious circle are usually caused by positive feedback (Lei, 2005: 67).
- (2) *Balancing feedback*: it is a negative feedback loop meaning the increase or decrease in the value of a factor that, after feedback, causes the value of its next cycle to be in the reverse direction (Lei, 2005: 67).
- (3) *Time delay*: refers to the phenomenon of delay between action and the results, which will occur both in the enhanced loop or adjustment loop; it will interfere with the impact of the process, but if use properly, it may produce positive effect.

As Senge *et al.* (1994) have argued, each image of picture is telling story of certain system of thinking. Someone can go from any of the elements in a situation (or “variable”), and begin tracking that will affect other elements of arrows (“chain”). These mutual relationships will appeared repeatedly, that will let the situation turn good or bad in a cycle, but the ring chain never exists separately, always forming a causal ring. The feedback “loop”, in which each element is “cause” as well as

Table 1 Selected Archetypes and Their Contents

Archetypes	<i>Balancing Loop with Time Delay</i>	<i>Tragedy of the Commons</i>	<i>Fixes and Fail</i>
Contents			
Situation	Organizations constantly adjust actions to fit target, however, actions have exceeded goals.	Many individuals share the limited resources.	Countermeasures are short-term effective, but problems will worsen in the long term.
Crisis message	Thought it was in a balanced stage, but the action has exceeded the target.	Adequate in the past, but now becomes difficult.	It seems to be effective previously, why not now?
Management strategy	Be patient, adjust gradually, and try to find stability and balance point of the system.	Users understand the current use of resources and jointly manage common resources.	Focus on the long-term targets. Short-term measures are used in exchange for long-term solutions.
Causal loop diagram			

Source: Author.

“result”, by some elements of effect, will affect other elements, so each result will eventually return to its nest (Qi, 1995 (tr.): 188).

As an analytical tool for this study, Table 1 shows the general situation, crisis message and manage strategies of the *Balancing Loop with Time Delay*, *Tragedy of the Commons* and *Fixes and Fail* archetypes respectively.

The main hypothesis of this study would be: “expansion of higher education schools” meets the “declining birth rate”, having long adopted “error policies and non-systematic strategy, will eventually run into crisis and tragedy. In this study, three models of archetypes and the concept of “reinforcing feedback” have been used for exploring the crisis management in the higher educational system in Taiwan. Hopefully, it can find out the mechanism or strategy behind the crisis, further establish a management mechanism through system thinking to respond earlier and to act properly.

3. Review of the Expansion of Taiwan Higher Education Schools

In 1986, Taiwan began to implement the nine-year compulsory national education, and the schools in Taiwan faced many high malformations under the pressure of rising schooling competition. Therefore, the educational authorities began to plan the “12-Year National Education” program in 1989. In April of 1990, an extension of the National School of Education was promulgated – graduates of secondary schools who were eligible but volunteer to study in high schools – and implemented in the form of a post-experiment promotion.

In April of 1994, the “410 Educational Reform of the Whole People Union” assembled over 20,000 people to gather on the streets and made four demands: (1) implementation of small class teaching in school; (2) increase in setting up high school and university; (3) promoting

modernization of education; 4) developing the Basic Law on Education. On September 21, 1994, the Executive Yuan responded to the civil appeal and set up the “Education Reform Review Committee of the Executive Yuan”.

After two years of review and research, on December 2, 1996, the “General Counseling Report on Educational Reform” was published, putting forwards five major directions of educational reform: (1) education deregulation; (2) taking care of every student; (3) unblocking the channels to study; (4) enhance the quality of education; (5) establishing a lifelong learning society. Also, there have some suggestions for the relaxation of education, including: (1) higher education capacity should continue to increase; (2) the deregulation of private school – it is recommended that the government should provide freer environment and incentive policy to encourage private funding school (General Counseling Report on Education Reform, 7: 59).

On 26 February 1997, after the end of the reform committee, the Executive Yuan set up an “Educational Reform Promotion Group” to follow up on the relevant works. The National Educational Reform Review and Conference” was held on 17 May 1999, and then a “New Thinking, New Action, New Vision: Review and Improvement Conference on Educational Reform” was held on 15 December 2001.

From the opinion of the 401 Educational Reform Union, the report in the “General Educational Reform” in 1994, to the Ministry of Education’s “New Vision” in 2001, one of main theme is to “continue to promote and increase in the capacity of high schools and universities” (National Education Archives, 2002: 223); however, it is not necessarily to suggest increasing the number of university but measures to increase the capacity and program in existing universities.

Taiwan’s higher education school expansion can generally be divided into four stages:

(1) 1951 to 1962: the first wave of higher education expansion period

During the period, there were 27 additional universities, including 6 universities that were originally established in the mainland China and re-school in in Taiwan, 7 new universities and 14 three-year colleges (Chen, 2015: 14).

(2) 1963 to 1972: mainly to set up specialized colleges or schools

During this period, 52 five-year college schools have been set up. This wave of specialist schools has been expanding for 10 years. It can be said that the number of colleges in the history of higher education in Taiwan is the largest and fastest. (Chen, 2015: 15)

(3) 1985 to 1995: the government once again opened private school establishment

In 1985, the Executive Yuan re-opened the private school application, the main opening to the scope of the institute of technology, technical college, two professional business and nursing schools and 5 years of engineering-based college (Chen, 2015: 16).

In 1989, the Minister of Education Mao Gao-wen declared to improve the proportion of students in higher education accounted for 3% of population. Then, the Ministry of Education started to expand the scope of the application of private schools to the management, art, marine and three other types of college, during which a total of 25 colleges were added. (Chen, 2015: 16-17)

(4) 1996 to 2005: the second wave of colleges/institutions' growth and upgrade

During this period, there were 15 additional colleges and universities that were founded, including 2 national universities and 10 private

universities (Chen, 2015: 22). It is noteworthy that during this period the number of universities increased, a large part being restructuring or upgrading from the second stage (1963-1972) of the specialist and technical schools. By 1999, a total of 35 colleges were upgraded to technical colleges and technology universities (Chen, 2015: 22)

In addition to the increase in the number of schools, there were many important events, policies and reforms related to the development of higher education in Taiwan, as shown in Table 2.

Table 2 Reforms in Taiwanese Higher Education²

Time	Event/Policy	Note
1988.1.31	The first Civil Society Education Conference, held by the Humanistic Education Foundation, Homemakers United Foundation and 32 other groups.	
1994.4.10	The “410” Parade.	The establishment of the “410 Educational Reform Alliance”.
1994.6	The Ministry of Education held the 7th National Education Conference.	
1994.9.21	The Executive Yuan set up the “Education Reform Review Board”.	On December 2, 1966, it was dissolved after the “General Counsel Report” was proposed.
1995	Ministry of Education issued the “Education Report on the Republic of China”.	Encourage some schools of small scale, low efficiency, and less competitiveness to seek the feasibility of merging strategy with other schools.

Table 2 (Continued)

Time	Event/Policy	Note
1998.1	Set up the Educational Reform Promotion Task Force.	
1998.5.14	The Executive Yuan adopted the Education Reform Program of Action.	Integration of the “General Counsel Report” and the “Overall Outline of Educational Reform”.
1998.1	Announced the set-up standards of all levels of private schools.	
1999	Announced the “Private School Branches Set Up Standards, Procedures and Management”.	
1999	Adopted the “Incentives Program to Private Education Institutions”.	
1999	Held the National Educational Reform Conference.	
1999.6.23	President promulgated the ‘Education Basic Law’.	Encouraged for funding private school; the public school will be entrusted to private managing.
1999	Ministry of Education promoted the “Regional Characteristic National University/College Merge Pilot Program”.	National Chiayi Normal College and the National Chiayi Institute of Technology formally merged into the National Chiayi University on February 1 of 2000.

Table 2 (Continued)

Time	Event/Policy	Note
2001.8	Ministry of Education announced the “Development Plan for National Universities Regional Resources Integration”.	National universities began to merge.
2002	Announced the “Research-based University Integration Program”.	Led to the establishment of the Taiwan United University system.
2002.10.19	Established the “Education Reform Promotion Committee”.	
2003.8.8	Huang Kuang-guo and other professors published the “Declaration of Reconstruction Education” and the “Ten Thousand Words Proposal for Educational Reforms”.	Criticized 13 kinds of educational malpractices which included setting up high school and university.
2005	Proposed the “Development Program for Normal Colleges’ Positioning and Transformation” and established “The Preparatory Office of National Taipei Normal College and other six transformations to the University of Education”.	
2011.1.26	The amendment to the <i>University Act</i> was adopted, in which article 7 states authorizing the Ministry of Education to draw up university merger plan.	

Table 2 (Continued)

Time	Event/Policy	Note
2012.6.22	Formulated the “National University Merger Promotion Program”.	
2013.1.23	The MOE promoted merging where there were more than 2 national universities within a single county/city and less than 10,000 students.	Issued document to the 19 eligible national institutions.
2013.9	The MOE announced the principle of “Counseling Private Fund University/ Institutions to Improve Performance or Stop Implementation”.	Formally started the so-called “university exit mechanism”.
2015.2.2	Announcement of “Higher Education Innovation and Transformation Project”.	For promoting the transformation of higher education innovation, to minimize the impact of low birth rate.
2015.3.27	Release the “Higher Education Transformation Program”.	The program established the Office and set up three platforms for dealing with the relevant issues including the innovation and transformation, teaching quality maintenance and human resource promotion.

Table 2 (Continued)

Time	Event/Policy	Note
2015.7.3	Adopted the “Higher Education Innovation and Transformation Act”.	Including 4 strategies of the “High-Level Talent Promotion”, “Exit College Counseling”, “College Model Reconstructing” and “Cooperation and Merger among Universities”.
2016.9.29	Stopped adoption of the formula of the “Higher Education Innovation and Transformation Project” which was issued by the MOE.	
2017	Formulated plan for setting up fund to assist colleges’ transition and exit.	It is proposed to set up the rules for the custody and use of the Fund in accordance with the provisions of Article 4 and Article 21 of the <i>Budget Law</i> . (Subject to the approval of the Central Government Special Fund Management Guidelines).
2017.2	Proposed the “Private Fund College Transition and Exit Act”.	

Source: Author.

As noted in Table 2, the most important theme of the Taiwanese educational reforms since 1990s would be the university over-sum and subsequent merger problem, in addition to improving the quality and operating environment of schools. For instance, the Ministry of

Education issued the *Education Report on the Republic of China* in 1995 which encouraged some small-scale, low-efficiency, and less competitive schools to seek the feasibility of the strategy of merging with other schools. Ironically, the Taiwan government was still to set up the so-called public universities of local characteristics in the same period. Similar contradictory policies often appeared and the strategies were obviously inconsistent with the reality of the environment.

In the following section, the increasing flow of Taiwan's higher educational institutions over the years, the estimated number of new students, the number of public and private university enrollment ratio and some of the general situation of Taiwan's higher education are summarized. As shown in Table 3, from 1991 to 2009 was the largest period of university expansion, when 41 colleges or universities were established within those 20 years, with the total increasing to 164. Since the Ministry of Education initiated university exit plan in 2011, there were only 6 universities that have merged or exited in four years (2011-2016).

Table 3 Number of Public and Private Universities in Taiwan

Year	National University	City University	Private University	Total
1991	39	2	82	123
2009	52	2	110	164
2015	50	1	107	158

Source: Statistics Office, MOE (author's list).

Table 4 shows that college bachelor's degree and junior freshman students began to grow negative in 2015; up to 2023 (9 years later),

negative growth is estimated about 30%. In the 2016-2020 academic years, it is estimated that 20-30 colleges or universities will face the survival crisis!

Table 4 Estimates of the Number of First-year Students in University and Junior College (Unit: thousand persons)

	Year	No. of 1st-year college students	+/- over the previous year	No. of grand total changing since 2013
<i>Actual/ Estimated</i>	2013	271	--	--
	2014	276	4.7	4.7
	2015	272	-3.3	1.4
	2016	252	-20.5	-19.1
	2017	238	-14.0	-33.1
	2018	250	11.6	-21.4
	2019	241	-8.5	-30.0
	2020	213	-27.8	-57.8
	2021	202	-11.1	-68.8
	2022	189	-13.0	-81.9
	2023	185	-4.7	-86.6

Notes:

1. Students with the number of foreign students, including students for the four-year Bachelor classes, first-year students of two-year college and fourth grade students of five-year program college.
2. Estimated number of students in the first grade by the enrollment scores and registration rates of the schools.

Source: MOE, ROC (author's list).

Particularly, Table 5 indicates that the proportion of bachelor's enrollment in public universities is about 24% while the proportion in private universities is 76% in the academic year 2015. It is foreseeable that the impact of lower birth rate on private schools is very severe.

Table 5 Number and Proportion of Bachelor's Enrollment in Public and Private Universities in the Academic Year 2015

	Public universities		Private fund universities		Total	
	No.	%	No.	%	No.	%
<i>Under-graduate</i>	63,857	24%	203,807	76%	267,664	100%

Source: MOE, ROC (author's list).

4. The Predicament of Declining Birth Rate in Taiwan

As Table 6 and Figure 1 show, the number of births in Taiwan was about 326 thousand per year between 1987 and 1997; but the number of births in 1998 was only about 271 thousand, with a sudden drop by 55,000 people in one year (-20.3%). In 2010, the number of births was about 167 thousand, with the number of newborns decreasing by nearly half in 13 years (1997-2010). Although the number of births in 2015 was slightly increased to about 214,000, its impact on higher education is in fact already happening – college enrollment in 2016 began to grow negatively. In 2028, the number of college students is expected to decrease to almost only half of that in 1997. From the statistical point of view, many universities in Taiwan are facing the urgent transition and exit crisis.

Table 6 Number of Births and Crude Birth Rate in Taiwan³

Statistics by registr. date					Unit: persons; %	
Year		Number of births (persons)			Gender ratio at birth	Crude birth rate (%)
		Total	Male	Female		
民國80年	1991	321,932	168,865	153,067	110.32	15.70
民國81年	1992	321,632	168,488	153,144	110.02	15.53
民國86年	1997	326,002	170,047	155,955	109.04	15.07
民國87年	1998	271,430	141,462	129,968	108.83	12.43
民國88年	1999	283,661	148,042	135,619	109.16	12.89
民國89年	2000	305,312	159,726	145,586	109.71	13.78
民國90年	2001	260,334	135,596	124,738	108.69	11.85
民國91年	2002	247,530	129,537	117,993	109.78	11.02
民國92年	2003	227,070	118,984	108,086	110.08	10.08
民國93年	2004	216,419	113,639	102,780	110.57	9.58
民國94年	2005	205,834	107,378	98,456	109.04	9.08
民國95年	2006	204,439	106,936	97,503	109.65	8.98
民國96年	2007	204,414	106,898	97,516	109.62	8.92
民國97年	2008	198,733	103,937	94,796	109.64	8.84
民國98年	2009	191,310	99,492	91,818	108.36	8.29
民國99年	2010	166,886	87,213	79,673	109.46	7.21
民國100年	2011	196,627	101,943	94,684	107.67	8.48
民國101年	2012	229,481	118,848	110,633	107.43	9.88
民國102年	2013	199,113	103,120	95,993	107.42	8.53
民國103年	2014	210,383	108,817	101,566	107.14	8.99
民國104年	2015	213,598	111,041	102,557	108.27	9.10

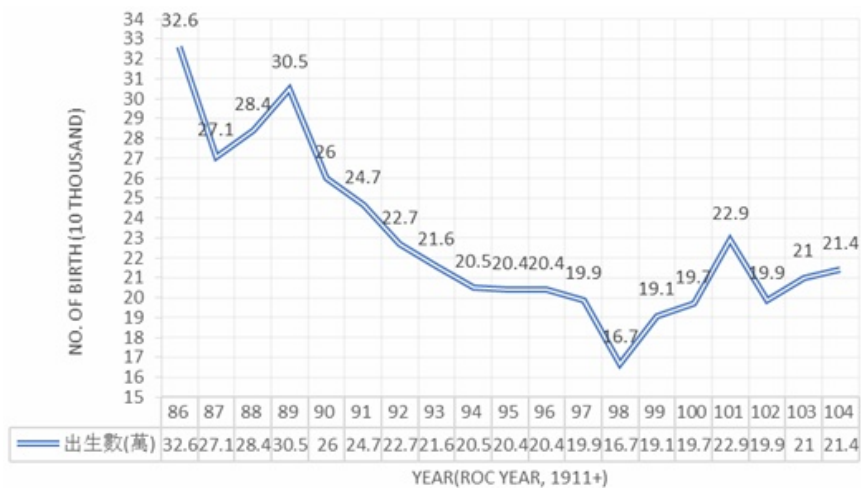
說明：出生嬰兒性別比例：每百名出生女嬰兒人數所當出生男嬰兒人數。

內政部戶政司編製

Source: Home Affairs Department of the Ministry of the Interior, ROC; the Ministry of the Interior; Statistics Department.

5. The Current Developing and Implementing Strategies

On December 4, 2015, the Minister of Education Wu Si-hua pointed out that Taiwan's higher education is facing three major challenges, i.e. low birth rate, internationalization, and digitalization. The first challenge is coming from 2016, with fewer children leading to university admissions facing greater competition that will inevitably lead to some school enrollment difficulties. As a result, the Ministry of Education has encouraged universities to consider school transition,

Figure 1 Number of Newborns in Taiwan, 1997-2015 (ROC Year 86-104)

Source: Author.

moderate consolidation, or merging. Some specific strategies include: (1) establishment of the university union for resource sharing; (2) university merging; (3) university transformation and innovation, for example, shifting teaching focus from young people to elderly people, from purely academic personnel training to cooperation with the industry university, and overseas enrollment.⁴ In general, strategies of the Ministry of Education responding to the university crisis in recent years can be summarized as follows: (1) public and private college adjustment in moderate scale; (2) reasonable amount of adjustment of colleges; (3) establishment of university exit mechanism; (4) independent features of enrollment; (5) overseas school or programs; (6) university transformation and management innovation.

However, many commentators believe that the university's management and its exit should be determined by the market mechanism, especially in private universities.⁵ But the problems that may be more complicated for universities and the Taiwanese government include: the right to work of the university faculty and staff while facing transition or exit, the school ownership and asset problem after the dissolution of the school, the education rights of the student, and so on. Thus, in February 2017, the Ministry of Education launched a new version of the "Regulations on the Transformation and Withdrawal of Private Colleges". Yet, the four most important points to question in this document are: first, it lacks accountability mechanism for the exit schools; second, it fails to protect the rights and interests of teachers and students; third, the liquidation of the settlement after the attribution is not stipulated; and the most controversial point is, fourth, the legitimacy of listing 5 billion NT. Dollars of transition fund in 4 years to provide financing interest subsidies in order to accelerate the university transition or exit.

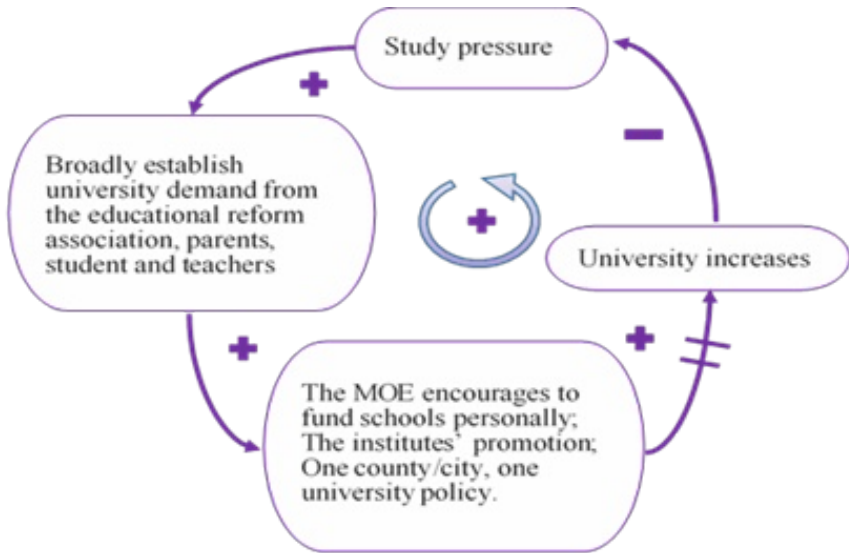
6. Analysis and Discussions

As noted, this paper tries to use Peter Senge's three kinds of system – *Tragedy of the Commons*, *Limits to Growth* and *Fixes and Fail* models derived from the System Archetypes, and based on the *positive feedback loop* diagram, to analyze the impact of the decreasing birth rate upon university education and their management.

6.1. System Archetype of Balancing Loop with Time Delay

A) Situation description:

It overviews the history of expansion of Taiwanese higher education school, being derived from the pressure of schooling. As shown

Figure 2 System Archetype of *Balancing Loop with Time Delay*

Source: Author.

in Figure 2, students, parents and educational reform organizations assembled on the streets and put forward the desire to open the education since the 1980s, and this has caused the government to face great pressure, thus then began to open the pipeline of enrollment, enlarge university capacity, and encourage setting up of private school or college upgrading and restructuring. After a while, the number of schools, colleges and universities increased, and the pressure on the students and parents has gradually reduced. In time delay in the regulation of the loop, the direction of the setting up of colleges and universities was keeping forward. It looked forward to a positive and virtuous circle existing from the beginning, but later, it would find that action has exceeded the target, resulting in a college surplus situation.

B) Early warning signals:

It was in a stage of balance from original thought, but later it was found that action has exceeded the target.

C) Management policy:

In a need for a long time to continue the action to improve the system, too aggressive and eager action will result in a too much or too little situation. If some enhanced loop in this stage is encountered, such as: many schools to upgrade to colleges, the situation will become more unbalanced, leading to the occurrence of college surplus, finally triggering a crisis of college exit.

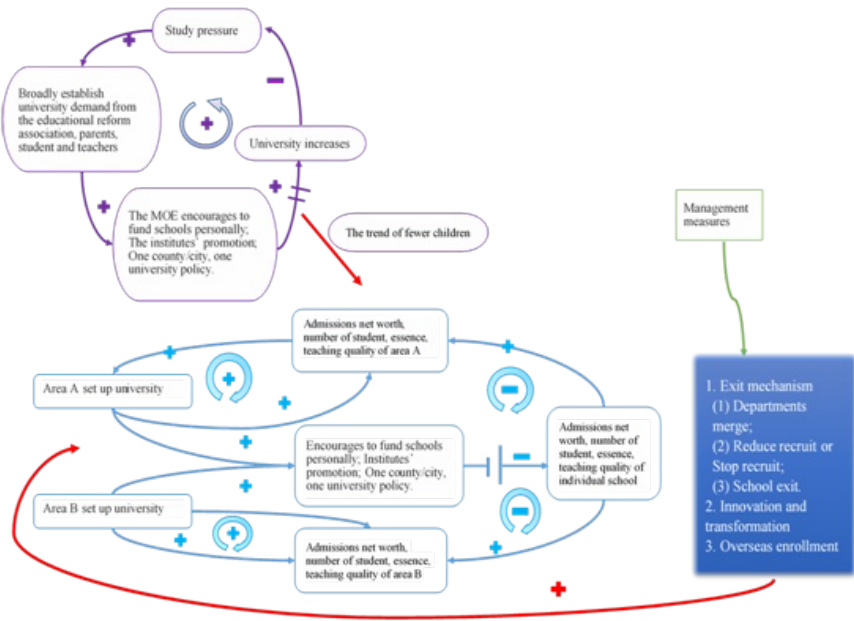
Faced with this situation, in the short term, it is necessary to take an incremental and gradual adjustment to find a stable point, but not overkill and lead to the whole system coming into great instability.

6.2. System Archetype of Tragedy of the Commons Model

A) Situation description:

The government began to open school establishment and enrollment pipeline because the quantity of students was adequate. So, the schools at the higher education level gradually expanded, and generate positive feedback loop for higher education system to grow faster and faster. However, the policies of encouraging the setting up of private schools and “one County, one University”, coupled with the fewer children problems – number of births of some 326,000 per year (1987 to 1997) having dropped to only 271,000 in 1998, i.e. plunging by 55,000 in a year, and continually decreasing to about 167,000 in 2010. This is nearly half compared to the number of births 13 years ago! Though slightly rising after that, the number of births totaled only about 214,000 in 2015.

Figure 3 System Archetype of *Tragedy of the Commons*



Source: Author.

Figure 3 shows that source of college students' scarcity has led to universities falling into survival crisis.

B) Early warning signals:

There were abundant and enough resources in the past, but then the situation turned difficult, and it became necessary to work harder to get benefits.

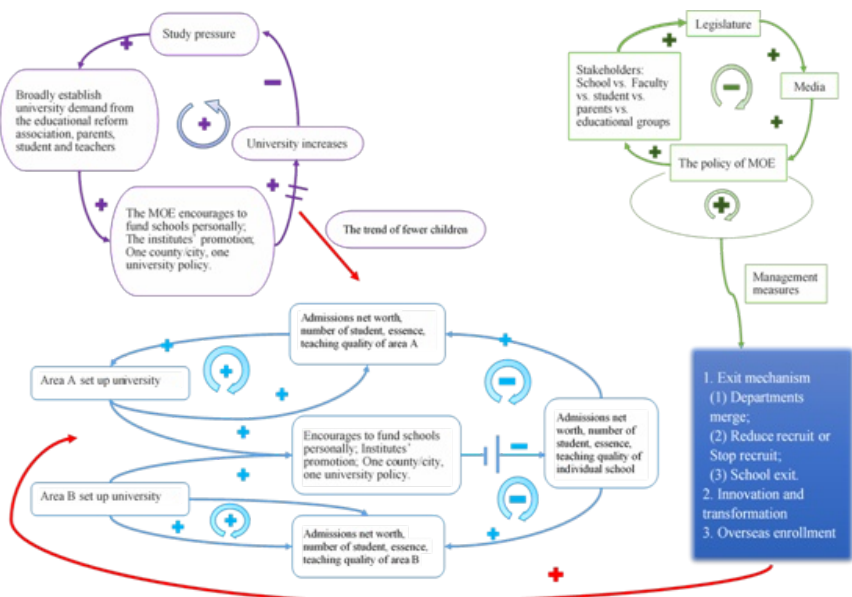
C) *Management policy:*

There is a need to design a formal regulatory mechanism for the management of common resources through all stakeholders and relevant

interest groups working together. Under the condition of reducing number of students, the education authorities should put forward strategies such as: merging of schools, reduction in the number of or integration of departments/institutes, decreasing or stopping recruitment, and university exit mechanism. From the positive aspects of consideration, the government should encourage universities to seek innovation and transformation, or help universities to advance offshore enrolment and provide overseas programs, and so on. If these strategies could succeed, it may create a positive cycle of system.

6.3. System Archetype of Fixes and Fail model

Figure 4 System Archetype of *Fixes and Fail*



Source: Author.

A) Situation description:

Each decision has its long-term and short-term effects. Decision makers normally should take a quick response to situations even though they know that it may lead to adverse sequelae. Because if there is no immediate action, some negative effects may be encountered immediately. However, this may only be a temporary relief, the problem will continue to appear, and if the wrong decision is repeated, the situation will be more complex, and more difficult to solve.

Once the Ministry of Education to face the pressure from all parties, then if there is only the first solution to reach short-term remedy (as shown by the blue part in Figure 4) and without clear strategic blueprint, it will probably make the outbreak point delayed, but the situation will be very difficult to deal with once the outbreak point has arrived.

B) Early warning signals:

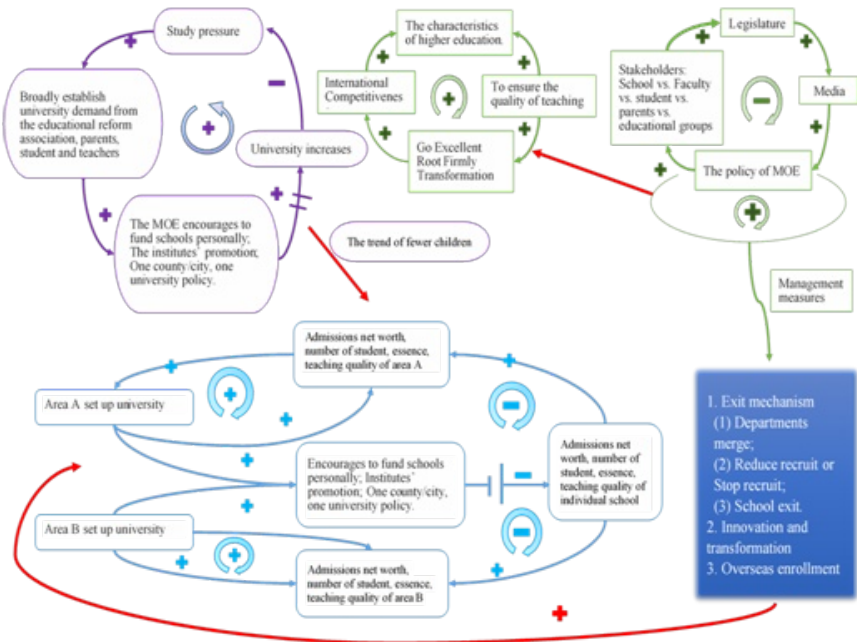
The previous strategy seems to be effective, but now invalid, and things seem to be increasingly complex.

C) Management policy:

The education authorities in Taiwan should be alert to the short-term sequelae of countermeasures, as some countermeasures can only solve the current difficulties, but long-term goals may be harmful. So, it should reduce the frequency of non-systematic countermeasures, and re-focus on the long-term goal and strategy. It needs to re-structure and to find the fundamental problem to seek a proper long-term solution, i.e. stop the university expansion while students are getting less. Moreover, the better way is to gather related stakeholders into the decision-making process and in search of common solution.

6.4. System Archetype of Positive Feedback Loop Diagram

Figure 5 Reinforcing Feedback Loop Diagram



Source: Author.

When the education authorities through coordination process cooperate with the various stakeholders, interested parties, and legislature department, and then set out a feasible long-term vision and goals clearly, try to let policy move towards a consensus among all parties and in the right direction, the system will somehow return to a positive enhanced loop as shown in the middle top of Figure 5.

7. Conclusion and Suggestions

The findings of this study are summarized below:

(1) Lower birth rate and related problems do not occur suddenly, as argued earlier, as the number of newborns in Taiwan of about 326,000 from 1987 to 1997 decreased to approximately 271,000 in 1998, plunging by 55,000 in a year. In 2010, the number of births was about 167,000, nearly half of the number in 1997, reaching a new low in history. On the contrary, colleges and universities have increased by 163 from 1997 to 2006.

Meanwhile, the government has initiated policies such as the establishment of numerous universities and colleges, encouraged private schooling, implemented the “one County, one University” policy, and so on. The contents have involved not only educational reform initiatives but also “political checks”. In 2016, the number of college freshmen began to grow negative, and it will predictably become more severe by 2017. All the data and trends are clear, but higher education policies do not seem to be in the right direction. In fact, the main reason would be to yield to politics and come under the pressure of stakeholders, therefore making “Fixes and Fail” type of policies, eventually resulting in serious consequences.

(2) In respect of the university exit mechanism, the Ministry of Education adopted the *University Law* which in its Article 7 set out the proposal of merger plan for universities on 26 January 2011. On 22 June 2012, the MOE formulated the enactment of the “National University Merger Promotion Scheme”, and then set the implementation of the principle of counseling private institutions to improve and stop to act in September 2013, which is considered as formally starting the university exit mechanism.

According to the plan of the Ministry of Education, there will be about 60 universities which need to be withdrawn in five years. However, there seems to be no consensus on some controversial matters yet, such as the rights of the faculty members that is of concern to the Higher Education Union, and the suspicion that tens of billions of schools' properties may be privatized, etc.

(3) For university innovation and transformation, the “Transitional Program for Higher Education” was issued on March 27, 2015, which was assigned to establish the task force and specific office that will be responsible for handling the university innovation and transformation issues. The office will conduct three missions of the reform and transformation of counseling, teaching quality maintenance, and human resource upgrading. The *Higher Education Innovation and Transformation Act* was then put forward on July 3, 2015. The legislative connotation includes the strategies of “high-level talent promotion”, “consulting for the exited school”, “school remodeling” and “university cooperation and merger”.

Yet, a project developed by MOE in accordance with the above-mentioned Act which is considered the basis of regulation of university transformation was stopped to act on September 29, 2016. Apparently, *The Transformation of Higher Education Innovation Act* seems to be dead. In fact, the policy has not been sustained due to the change of government in 2016, and numerous interested parties and stakeholders have nothing to do with it.⁶

(4) Regarding the university exit mechanism, the new government set up the “Scheme for the Transformation and Exit Fund” which was enacted in 2017. It was proposed to be approved by the “Central Government Special Fund Management Guidelines” and submitted to the Executive

Board for approval. Then, according to Article 4 and Article 21 of the *Budget Law*, the provisions of the fund income and expenditure custody and use were agree upon.

In February 2017, a new plan was also proposed for the transformation and exit of private educational institutions. However, the draft was highly controversial and criticized. The Anti-Education Commercialization Union questioned about possible malpractice if the private schools exited according to the Scheme could change mode into “other educational, cultural or social welfare institutes”, and if including them into the urban planning lands can also assist in the rapid change. Many criticisms on the university transition indicate that it may easily become a private industry, but other messes would come up with 5 billion NT dollars of national funds to deal with! Thus, the Anti-Alliance suspects and protests against the Private University Transformation and Exit arrangements, and believes that it cannot solve the current higher education crisis in Taiwan.

As a policy analysis article, this research has the following policy suggestions and recommendations:

(1) In response to the trend of fewer children, the Ministry of Education should put forward coping strategies at an early stage, and think of it as a critical governance project. Nevertheless, it seems that the MOE policy initiatives on this serious problem were not given special attention and were not being consistent – as noted, the policy or program swings and is lack of consensus, thus cannot get the trust from people and cannot effectively solve the problem as well. The collapse of higher education is imminent, hence management strategy should be consistent in order to avoid the occurrence of the *Fixes and Fail* dilemma.

(2) The legislation is, in fact, only a supporting measure; the organizations need to take a correct and timely management while the *Tragedy of the Commons* system archetypes occur. Only better management can reduce the impact, and law enforcement is not only solution to the problem; in fact, the process of a positive management is the right way to avoid the wrong cycle of governance.

(3) At present, the theoretical models adopted by the social sciences are mostly from the perspective of linear thinking, but many problems in real life are non-linear in structure. This paper starts from the perspective of system dynamics, hoping to grasp the important factors of mutual interaction and influence in the issue of Taiwanese higher education crisis, and hopefully to find a comprehensive strategy to solve such a critical problem.

Notes

⁺ An earlier version of this paper was presented at the 2017 KAPA International Conference, June 22-24, 2017, in Jeonju, Korea. The author would like to thank Professor Sang-Chul Park for his comments, and also, Professor David Rosenbloom and Professor Sung-Jun Myung for their kindly questions and advices on the draft. However, the author takes sole responsibility for this article.

^{*} Su-mei Sung (宋素梅) is Member of EMPA Program at the Department of Public Administration and Policy, National Taipei University (國立臺北大學), Taiwan (ROC). She has served as Senior Executive Officer at the Control Yuan (監察院) of the Republic of China. Sung completed her undergraduate degree at the Department of Law, Soochow University (東吳大學), Taipei, Taiwan, and continued her MA programme at the University of Birmingham, United Kingdom. Sung's main research

interests are public policy and institutional reforms. <Email: b0935576610@gmail.com>

1. *Now News*, 2011.11.19. See: <http://www.nownews.com/n/2011/11/19/456557>
2. The information is extracted from: Ministry of Education (2001). *Records of review and improvement of educational reform*. (Huang, 2003)
3. Sources are mainly at the Home Affairs Department of the Ministry of the Interior. In addition, the Ministry of the Interior Statistics Department on October 15, 2016, released from January to September birth statistics: 2016 January-September number of births 151,411, compared with the same period in 2015 with reduction of 2,630, or 1.7%; crude birth rate of 8.6 thousand points, slightly less than that in 2015 by 0.5 thousand points, with the estimate that the number of babies born in the year being about 210,000.
4. See Wu Si-hua's proposal reported in 《評鑑雙月刊》第 59 期 [*Evaluation bimonthly*, No. 59], 2016.
5. Opinion of Professor David Rosenbloom in his comments on this paper at the 2017 KAPA Conference.
6. *The United Daily* (聯合報), February 7, 2017 (<https://udn.com/news/story/9/2270757>).

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Chinese in Southeast Asia
– *Research Notes*

Malayan Chinese Who Were Deported to China

Hara Fujio*

Research Fellow Emeritus, Institute of Developing Economies, Japan

Abstract

Relying on two volumes of *Who's Who* published by ex-Malayan Chinese who were forced to come to China between 1948 and 1963, this author intends to investigate (1) where these deportees were born / originated and in which province they settled, (2) their occupations in Malaya and in China, (3) their political affiliations / activities both in Malaya and in China, (4) their educational background both in Malaya and China, (5) their condition in China, and (6) correlations among some of these factors.

Keywords: *anti-British armed struggle, Emergency, China Democratic League, Chinese Communist Party, li xiu, Malayan Communist Party, Malayan People's Anti-Japanese Army, place of birth, place of origin, occupation, education, oppression in China*

1. Introduction

Former Malayan Chinese who either were repatriated (deported) or spontaneously returned to China organized their associations in various places in China. From the early 1980s, they began to publish their

memoirs in Hong Kong.¹ In 2009, their associations in Guangzhou (廣州), Hainan (海南), Shenzhen (深圳), Zhuhai (珠海) and Hong Kong published a collected brief curriculum vitae of the members.² Two years later, 5 associations – Swatou=Shantou (汕頭), Meizhou (梅州), Huizhou (惠州), Zhongshan City (中山市) of Guangdong (廣東) and Nanning (南寧) of Guangxi (廣西) – joined them to publish the second volume.³ Number of the returnees listed in both volumes is shown on page 9 (in Vol. 1: 479 persons and in Vol. 2: 212 persons).

2. Chinese Deported from Malaya to China

In the earliest stage of deportation to the newly established People's Republic of China, the Returned Overseas Chinese Friendship Association published a book⁴ to accuse British colonial authorities who persecuted the Chinese in Malaya. Dozens of deportees' names are recorded there also.

According to a British source, the total number of Chinese deportees from Malaya between 6 December 1948 and 10 March 1953 was 24,036.⁵ On the other hand, according to a Chinese source, Malayan deportees from June 1948 until August 1950 were more than 35,000.⁶ The last batch, i.e., 38th, of the deportees were “shipped” in 1963. Accordingly, the total number should be much more than these figures. Therefore, these listed persons are just the tip of the iceberg.

Those who appear both in the Returned Overseas Chinese Friendship Association, 1951 (?) (ROCFA) and the *Who's Who of Returned Overseas Chinese*, 2009, 2011 (*Who's Who*) are as below.

A mass rally of more than 1,300 returned Malayan Chinese to impeach British imperialists was held in Chao Yang (潮陽), Guangdong, on 19 December 1950.

Zheng Gui-yu (鄭桂玉) witnessed:

On 10 March 1949, I reached Kampung Pasir which was located ten miles from Muar. At my friend's house, I was surrounded by brutal army. Twelve brutal soldiers toppled down me onto the ground and violated me until I fainted. After that they tortured me. My whole body still throbs.

(ROCFA, pp. 4 -7)

59 years later, she was recorded:

Born in Muar, Johor, in 1924. During the Japanese occupation, joined Min Yun (民運) movement of the Anti-Japanese League (抗日同盟) led by the MCP. After the War, appointed as chairperson of the Muar Women's Federation (婦聯會). Joined the MCP in 1946. Since June 1946, continued to be in charge of *Min Yun* around Pasir and Pagor. Arrested in March 1949. Detained in Muar and Keluang concentration camp. Deported in November 1950 as the first batch of deportation after liberation of China, and landed on Chao Yang (潮陽), Swatou. After engaged in the Overseas Chinese Refugees Office (難僑處), was transferred to Xing Long (興隆) Overseas Chinese Farm in Hai Nan. Shifted to Lu Feng (陸豐) Overseas Chinese Farm in 1966. Retired in 1985. Approved privileged retirement (*li xiu* / 離休 = 離職休養)⁷ in 1987, and then, following her children, shifted to Overseas Chinese Town (華僑城) of Shen Zhen.

(*Who's Who*, Vol. 1, p. 207)

A mass rally of returned Malayan Chinese to impeach British imperialists was held at Xiamen (廈門) ROCFA on 10 December 1950. It adopted a consolation to the returned Malayan Chinese landed on Swatou. Among the participants, Zhao Hui-huang (趙輝煌) was there.

Chen Zhen-hong (陳振洪) appealed to the rally:

We are sadly recalling our families, relatives, friends and Malayan people who are persecuted by British imperialists. We must turn this sadness to power. We must unify resistance against British imperialists and support (North) Korea cum anti-United States movements. Only by defeating the imperial clique headed by the US, we overseas Chinese can find out the exit.

(ROCFA, pp. 11-16)

59 years later Zhao Hui-huang was recorded as below:

In December 1942, joined Min Yun, and then the 5th regiment of the MPAJA. After the War, was calumniated to have murdered a district chief of the San-Min Zhuyi Youth Corps (三民主義青年團) and arrested. Though acquitted, detained in Taiping jail. In August 1947, secretly deported to Xiamen and handed over to the Koumintang authority. Severely tortured in jail. When Xiamen was liberated in December 1949, he was released. Assigned to police, security office and then transportation office. Privileged retirement in 1986.

(*Who's Who*, Vol. 1, pp. 212, 213)

Chen Zhen-hong was recorded:

Originated from Xianyou (仙游), Fujian (福建). Born in Teluk Anson (present Teluk Intan) in 1917. After Japan surrendered, assumed as director of the Cultural Department of the Teluk Anson People's Committee. Secretary of the Teluk Anson Town Branch of the China Democratic League (中國民主同盟) in 1946. Teluk Anson-based reporter of *Min Sheng Pao* (民聲報), *Ipoh Daily* (怡保日報), *Modern Daily* (現代日報) and *Nan Chiau Jit Pao* (南僑日報) between 1946 and 1948. Appointed as an executive committee member of the Perak Writers' Association (寫作人協會) between

1945 and 1948. Arrested on 21 June 1948 and deported in September 1949. Worked at a secondary school in Guangzhou. Privileged retirement.

(*Who's Who*, Vol. 1, p. 159)

A file, FO.371/92374, of the British National Archives⁸ contains a translated news extract from *Lian Ho Pao* (聯合報), Canton (Guangzhou), dated 5.7.1951. This file refers to many deportees. Among them, three are listed in the *Who's Who* again. After briefly commenting that the 8th batch of the returned overseas Chinese from Malaya, who had arrived in Canton on June 28 yesterday (sic), told the press the atrocities of British imperialists in Malaya, this news report referred to the three persons as below (FC 1821/115 of FO 371/92374):

Ko O-yao, a merchant in Kuala Lumpur, and his wife, Li Hsueh-mei, were both arrested by the British troops for the reason that Malayan liberation troops [*the article wrote earlier about the Malayan People's Liberation Army, but its exact name was the Malayan National Liberation Army – Hara*] were seen in the vicinity of their residence. Li Hsueh-mei was brutally beaten eight times until she vomited blood. She cut her throat in an attempt to kill herself, but she was saved and sent to a concentration camp. Ko O-yao, during his trial, was stripped off all clothes and forced to sit on a block of ice for eight hours, and his health was seriously affected as a result.

Huang Yu-mei, residing in Selangor, was arrested when the British immigration authorities found out that her husband was a liberation soldier. The British police discovered a copy of *Nan Chiao Jih* (sic) Pao and 4 pairs of old shoes in her room, and asserted that she must be a messenger of the Malayan communists. They threatened to shoot

her if she did not tell the truth, and purposely fired two shots behind her neck to scare her. On the day of her arrest she was taken to the political department at Ipoh where she was shut up for 7 days. ... For more than 40 days she was questioned again and again and was heavily beaten every day. ... She was finally imprisoned in a camp.

60 years later, Li Hsueh-mei (Li Xue-mei / 李雪梅) was recorded as below:

Born to Tang (湯) family in Mei Xian (梅縣), Guangdong, in 1921. In her childhood, sold to Li family as a nursing bride (童養媳). With her husband's family, came to a village near Ipoh. After outbreak of the Anti-Japanese War, led by a district committee member of the MCP, Chen Hong-ming (陳洪銘), left that feudal family to join anti-Japanese organization and engaged in Min Yun. Due to betrayal of a traitor, arrested by the Japanese army. Firmly endured various brutal, bloody tortures. After released upon the end of the War, engaged in drama activities. The organization decided for her to collect information of the enemies in the disguise of a dancer (舞女). This task connected with Perak State Committee secretary, comrade [Zhong / 鍾 – Hara] Ai Ke (愛克) only. When comrade Ai Ke was transferred from Perak towards the end of 1946, her special task also ended. Then transferred to Ipoh for mass-work of the Women's Federation. But as her special task as a dancer incurred suspicion of comrades, she could not work there without anxiety. So she shifted to Kuala Lumpur and was married to the late elder sister's husband, Xu Ya-you [許亞佑 , Ko O-yao shown above]. Recovered relations with the organization and engaged in revolutionary movements there. Due to the Emergency of 1948, her whole family was arrested and deported.

After returning to China, worked at farming department and an overseas agricultural farm in Guangdong. As Xu Ya-you was not accustomed to hard life in a farm, he, together with their children, applied for settlement in Hong Kong. Li was transferred to the acupuncture and moxa cautery department of a Chinese medical hospital in Guangdong.

In 1956, when “struggle against counter-revolutionaries” was deployed, the then department chief of the Guangdong General Labour Union, Chen Hong-ming (led Li in Ipoh as shown above) killed himself. Harboured deep grievance against this, Li sent letters to those comrades who knew Chen as well as to the relevant departments in order to plead innocence. It resulted in a cap of “contemporary counter-revolutionary” and detention. Though acquitted in around 1964, she had no other way to live but to apply for settlement in Hong Kong. Finally, through support of the Friendship Association of Returned Chinese from Singapore-Malaya, she was vindicated and approved the privileged retirement. Died in January 1998 in Hong Kong.

(Who's Who, Vol. 2, pp. 94, 95)

As for Huang Yu-mei (黄玉妹), Who's Who recorded as below:

Born in Singapore in 1931. Originated from Zhejiang (浙江). Joined the Overseas Chinese Democratic Youth League (華僑民主青年同盟) led by the CCP in Singapore in 1947. In May 1951, arranged by the organization, returned to the home country to join socialist construction. After returning, engaged in a construction-apparatus company in Guangzhou. CCP member. Privileged retirement.

It seems that the two Huang Yu-mei are different persons.

From here, we can confirm what kind of people they were, and how they were arrested and deported. In China, their lives were neither easy nor stable. It must be worth analyzing their lives recorded in 2 volumes of *Who's Who* in detail.

3. Analysis of the Deportees from Malaya

3.1. Returnees listed in Hara (2001)

Before beginning to analyze the deportees from Malaya listed in the two *Who's Who*, I wish to refer to Malayan returnees (either deported or returned on their own will) listed in my book of 2001.⁹ Based on information accumulated for a few decades, I made a list of former Malayan Chinese in the book. Summed up figures of it are:

Total number: 378 including pre-war period and from Sarawak.

Of them, 185 returned after the end of the Pacific War.

Overlapped persons with 2 volumes of *Who's Who* are 17 only.

Hara's book dealt with comparatively well-known and influential persons.

Several aspects of them are shown in Tables 1, 2 and 3. (Bold figures indicate conspicuously large numbers in Tables 1, 11, 13, 15-1, 15-2.)

(1) Table 1.

Of 168 persons (185-17) who returned from Malaya after the end of the Pacific War, great majority (112 persons, 66.7%) were concentrated in 1948-1950, that is, soon after the Emergency. Nonetheless, immediately after the establishment of the People's Republic, those who spontaneously returned to China outnumbered the deportees.

Table 1 Year of Return (Hara 2001)

Year of Return	Deportee	Returnee	Total
1946	9	2	11
1947	3	4	7
1948	20	18	38
1949	15	23	38
1950	15	21	36
1951	1	3	4
1952	1	4	5
1953	1		1
1957	4		4
1958	0		0
1959	1		1
1961		4	4
1963	1	1	2
1967		1	1
1970		1	1
Late 1940s		2	2
1950s		7	7
Late 1960s		1	1
n.a.	1	4	5
<i>Total</i>	<i>72</i>	<i>96</i>	<i>168</i>

(2) Table 2.

Number of the Malayan Communist Party (MCP) and Chinese Communist Party (CCP) members are equivalent (76 each) and that of the China Democratic League (CDL, one of the pro-CCP democratic parties in China) is a little smaller. Most CCP members either had joined

the party before coming to Malaya or after returned to China. Only 2 joined in Malaya. They were all secret members. On the contrary, the Malayan branch of the CDL was admitted legal position in Malaya. The CDL played as a proxy of the CCP (which was prohibited by the British authorities) in Malaya. Great majority of the CDL members joined it in Malaya. Many had double memberships (CCP+CDL 20, MCP+CCP, 18).

Table 2 Party Membership (Hara 2001)

	Pre-Malaya	Malaya	Post-Malaya	Others	Total
CCP	30	2	35	9	76
CDL	3	46	7	7	63
	Pre-War Return		Post-War Return	n.a	Total
MCP	24		44	8	76
CCP +CDL		20	MCP+CDL		4
MCP+CCP		18			
MCP+ZGD		3			

CDL: China Democratic League (中國民主同盟)

ZGD: Zhi Gong Dang (致公黨)

(3) Table 3.

There are many influential persons in Hara's list. Numbers of the representatives of the National People's Congress (全國人民代表大會)

and the People's Political Consultative Conference (全國政治協商會議) are shown in Table 3. The most well-known persons among them are Tan Kah Kee (陳嘉庚) and Hu Yu-zhi (胡愈之). This is in contrast to the fact that only one person (Chen Qi-hui/陳其揮) of the 2 volumes of *Who's Who* was appointed as a representative of the PPCC (VI). It shows that the deportees of the *Who's Who* are generally grassroots.

Table 3 Number of Representatives of Returnees from Malaya in Chinese Parliaments

Term	I	II	III	IV	V	VI	VII
NPC	14	11	11	7	12	10	8
PPCC	11	14	11	8	9	18	9

NPC: National People's Congress (全人大)

PPCC: People's Political Consultative Conference (全國政協)

Only one person (陳其揮) of *Who's Who* became a representative of PPCC (VI).

Commencement of each Term

NPC: (I) September 1954, (II) April 1959, (III) December 1964, (IV) January 1975, (V) February 1978, (VI) June 1983, (VII) March 1988.

PPCC: (I) October 1949, (II) December 1954, (III) April 1959, (IV) December 1964, (V) February 1978, (VI) June 1983, (VII) March 1988.

3.2. Various Aspects Derived from *Who's Who*

General statistics of the 2 volumes are as below.

	Vol. 1	Vol. 2	Total
Total number of listed persons	479	212	691
Returned after the end of the Pacific War	477	193	670
Of them, Deported	343	154	497
Returned on their own will (Many had no other way)	134	39	173

Table 4 Place of Origin (祖籍)

	Vol. 1	%	Vol. 2	%	Total	%
Guangdong	199	50.9	53	40.5	252	48.3
Hakka	107	27.4	33	25.2	140	26.8
Fujian	61	15.6	20	15.3	81	15.5
Hainan	15	3.8	17	13.0	32	6.1
Guangxi	7	1.8	8	6.1	15	2.9
Zhejiang	2	0.5		0	2	0.4
<i>Total</i>	<i>391</i>	<i>100</i>	<i>131</i>	<i>100</i>	<i>522</i>	<i>100</i>

Hakka: Those originated from Huizhou (惠州), Huiyang (惠陽), Meixian (梅縣), Dapu (大埔) and Baoan (寶安) of Guangdong

Table 5 Place of Birth

Birth Place	Vol. 1	Vol. 2	Total	%
Guangdong	15	19	34	33.0
Hakka	8	11	19	18.4
Fujian	9	7	16	15.5
Hainan	11	12	23	22.3
Guangxi	0	5	5	4.9
Hong Kong	1	1	2	1.9
Indonesia	2	0	2	1.9
Jamaica	1	0	1	1.0
Thailand	0	1	1	1.0
<i>Total</i>	<i>47</i>	<i>56</i>	<i>103</i>	<i>100</i>

(2) Table 5. Place of Birth.

Guangdong including Hakka comprises more than half (53 out of 103). Hainan (23) slightly surpasses Fujian (16). Its reason is same as above. Comparing with the total number, we can recognize that great majority of them were born in Malaya.

(3) Table 6-1, 6-2, 6-3 and Table 8. Settled Place and Place of Origin.

Settled place means the province where the returnees/deportees settled down. A small portion of them were transferred from one province to another (for instance from Guangdong to Hainan). These persons are recorded in both provinces in the tables.

As for provinces settled in, great majority, 435 persons (77.3%), were settled in Guangdong. Followed by 78 in Hainan (13.9%), 20 in Fujian (3.6%) and other places 30 (Table 8) (5.3%). Of 435 persons settled in Guangdong, 311 persons (71.5%) originated from Guangdong itself (Guangdong + Hakka). Yet, 65 Fujian Chinese (14.9%) also settled there. Those originated from other provinces are few. Of 78 persons settled in Hainan, share of the “indigenous” people, i.e., Hainanese (15 persons, 19.2%), is much higher than in Guangdong. Yet, Guangdong people comprise great majority, 51 persons (65.4%) here, too.

As for those settled in Fujian, people originated from Fujian itself are the majority. But, the total number for Fujian is minimal. This is because, as pointed out earlier, these lists mostly recorded the returnees living in Guangdong and Hainan.

Table 6-1 Settled Place (Guangdong) and Place of Origin

Place of Origin	Vol. 1	Vol. 2	Total	%
Guangdong	178	23	201	46.2
Hakka	95	15	110	25.3
Fujian	52	13	65	14.9
Hainan	11	0	11	2.5
Guangxi	6	5	11	2.5
Zhejiang	2	0	2	0.5
n.a.	30	5	35	8.0
<i>Total</i>	<i>374</i>	<i>61</i>	<i>435</i>	<i>100</i>

Table 6-2 Settled Place (Hainan) and Place of Origin

Place of Origin	Vol. 1	Vol. 2	Total	%
Guangdong	7	27	34	43.6
Hakka	2	15	17	21.8
Fujian	3	2	5	6.4
Hainan	1	14	15	19.2
Guangxi	0	2	2	2.6
n.a.	4	1	5	6.4
<i>Total</i>	<i>17</i>	<i>61</i>	<i>78</i>	<i>100</i>

Table 6-3 Settled Place (Fujian) and Place of Origin

Place of Origin	
Guangdong	2
Hakka	2
Fujian	9
Hainan	1
Guangxi	0
n.a.	6
<i>Total</i>	<i>20</i>

Table 7-1 Settled Place (Guangdong) and Birth Place

Birth Place	Vol. 1	Vol. 2	Total	%
Guangdong	12	9	21	41.2
Hakka	6	4	10	19.6
Fujian	5	1	6	11.8
Hainan	4	4	8	15.7
Guangxi	0	2	2	3.9
Hong Kong	1	1	2	3.9
Indonesia	1		1	2.0
Jamaica	1		1	2.0
<i>Total</i>	<i>30</i>	<i>21</i>	<i>51</i>	<i>100</i>

Table 7-2 Settled Place (Hainan) and Birth Place

Birth Place	Vol. 1	Vol. 2	Total	%
Guangdong		11	11	28
Hakka		7	7	18
Fujian	1	3	4	10
Hainan	4	10	14	36
Guangxi		2	2	5
Thai		1	1	3
<i>Total</i>	<i>5</i>	<i>34</i>	<i>39</i>	<i>100</i>

Table 8 Other Settled Places

Beijing & the Center	11
Guangxi	6
Sichuan	5
Shanxi	2
Hunan	2
Shanghai	1
Jiangxi	1
Hubei	1
Heilongjiang	1
<i>Total</i>	<i>30</i>

Table 8.

Number of those worked for the central government or other provinces (30) is small. This might be because they were mostly farmers and workers and few were intellectuals needed for the pivotal machinery of nation-building.

(4) Table 7-1, 7-2. Settled Place and Birth Place.

Among the settlers in Guangdong and Hainan, number of those who were born in China is comparatively small (49 for Guangdong, 38 for Hainan). This also shows that great majority were born in Malaya.

Of 51 persons who settled in Guangdong, 31 were born in Guangdong. When comparing this with Table 5, it is known that out of 53 persons born in Guangdong, only 31 (58%) were settled in this province. In the case of Hainan, of 23 persons born in the island (Table 5), 14 (61%) were settled there. According to Table 7-2, among settlers in Hainan, those who were born in Guangdong (18) outnumbered those born in Hainan itself (14). It might imply that the main principle of disposition of the returnees was to settle them not necessarily in their place of birth but in the place which could accommodate them, could utilize their ability for economic development.

(5) Table 9-1, 9-2. Occupation in Malaya and China.

Malaya: Of 220 persons whose occupations are available, 81 (36.8%) were rubber tappers. When farmers, wood-cutters and fishermen are added to them, 95 persons (43.2%) were engaged in agricultural section. This reflected specific industrial structure of Malaya in which many Chinese were working in agriculture. Workers in factories, mines and shops formed more than one quarter (59 persons, 26.8%). This also reflected specific economic structure among Malayan Chinese. Number

of intellectuals such as journalists and teachers were also substantial (62 persons, 28.1%). They played important role in the Anti-Japanese as well as Anti-British struggles. Many of them returned to China on their own will in order to participate in construction of socialist new China.

Table 9-1 Occupation (Malaya)

Occupation	Number	%
Rubber Tapper	81	36.8
Farmer & Wood-cutter	12	5.5
Fisherman	2	0.9
Worker	42	19.1
Miner	11	5.0
Shop Assistant	6	2.7
Engineer	2	0.9
Company Owner & Self-employment	2	0.9
Journalist	19	8.6
Teacher	43	19.5
<i>Total</i>	<i>220</i>	<i>100</i>

China: Formerly I supposed that most returnees might be settled in agricultural farms. This turned out to be correct. Of 692 persons whose occupations are available, members of agricultural farms including tea farms form the largest group (235 persons, 34.0%). When farmers and forestry & fishery are added to them, agricultural section (245 persons) forms 35.4%. When a rubber farm was established in Hainan, not only former rubber tappers settled in the island but also settled in Guangdong earlier were transferred there. Factory workers (141 persons, 20.4%) are

the second largest. However, when workers of commerce & service section are added to them, they surpass agricultural workers (276 persons, 39.9%). Government officers and party officials come next (109 persons, 15.8%). Many of them are related to the overseas Chinese departments. There are substantial number of teachers and journalists as well. Teachers and journalists in Malaya tended to be engaged in the same jobs in China.

Table 9-2 Occupation (China)

Occupation	Number	%
Government, Party Office	109	15.8
Agricultural Farm	154	22.3
Relevant Work in Farm	22	3.2
Tea Farm	59	8.5
Farmer	7	1.0
Forestry & Fishery	3	0.4
Factory Worker	141	20.4
Commerce & Service	135	19.5
Journalist	8	1.2
Teacher	36	5.2
Engineer	8	1.2
Hospital	9	1.3
Voice of Malayan Revolution	1	0.1
<i>Total</i>	<i>692</i>	<i>100</i>

Table 10-1 Education (Malaya)

School	Number	%
None	8	4.3
Lower Primary & Quit Primary	9	
Primary	52	
Higher Primary	7	
<i>Primary Subtotal</i>	68	36.6
Lower Secondary	28	
Secondary	57	
Higher Secondary	7	
<i>Secondary Subtotal</i>	92	49.5
Night School	8	4.3
Normal School	10	5.4
<i>Total</i>	186	100

Table 10-2 Education (China – Pre-Malaya)

Primary	1	
Secondary	3	
University, College	3	(1 = HK)

Table 10-3 Education (China – Post-Malaya)

Primary	2
Lower Secondary	2
Secondary	6
South University	15
Other Universities	9 (1=HK)
Ta Teh Institute (HK)	6
School of Party, Military, & Marxism- Leninism College	14
Normal College & Professional College	5
<i>Total</i>	<i>59</i>

Notes:

South University: 南方大學

Ta Teh Institute (Dade College) (Hong Kong): 達德學院 (香港)

Normal College: 師範大學 or 速師

(6) Table 10-1, 10-2, 10-3. Education in Malaya and China.

Malaya: Indication of primary as well as secondary schools in Malaya seems not consistent. So, original school strata shown in the books, lower primary, primary, higher primary, lower secondary, secondary, higher secondary, are retained in the Table. Each subtotal of primary school and secondary school is shown too.

Of 186 persons whose data are available, those graduated or quitted primary school numbered 68 (36.6%) and secondary school 92 (49.5%). 10 persons were graduated from various normal schools (teachers' training schools). Considering the general educational standard of Malaya at that time, it seems that they got comparatively higher education. But, most of the persons whose data are not shown in the books might be too poor to receive any official education.

China – Pre-Malaya of Table 10-2 means those who received education in China before coming to Malaya. This figure (7 persons) should be compared with 103 of Table 5. Extremely few people obtained official education before immigration. Of three persons who received tertiary education, one had tentatively come to China to study in a university and went back to Malaya once. One was graduated from an English college of Hong Kong.

China – Post-Malaya of Table 10.3 means education they received after coming to China for good. Since most of them were older than primary or secondary schooling age, only a few entered these schools. Some were elected to study in the Party schools, in the Military schools or in the Marxism-Leninism College. Some (9 persons) of those who had secondary education level were admitted to universities including Xiamen University and Beijing University. In the tertiary education, South University (南方大學) of Guangzhou and Ta Teh Institute (達德學院) of Hong Kong played a very important role.

South University was established by the CCP soon after *Hua Nan* (華南, South China) came under its rule. Its objective was to nurture cadres of the new nation; president was Ye Jian-ying (葉劍英). Lectures officially started on 1 January 1950. Term was originally fixed to be 1 to 2 years. But in order to participate in reform of the nation, the first batch was graduated by 7 months. In October 1952, it merged with 6 other universities to form South China Normal University (華南師範大學).¹⁰

Ta Teh Institute was established by the China Democratic League (CDL / 中國民主同盟) in accordance with the arrangement of the CCP in October 1946. More than 50% of its managers and 40% of its teachers were CDL members respectively. It is said to have produced plentiful talents for national liberation. On 22 February 1949, due to

retraction of the license by the colonial government of Hong Kong, it was closed down.¹¹

It seems that former overseas Chinese from Southeast Asia in general, who eagerly wished to participate in the effort to build a new nation led by the CCP, were trained to be regional or middle-ranking cadres in the Ta Teh Institute before the establishment of the People's Republic, and in the South in the early years of the PRC.

(7) Table 11. Members of the Malayan Communist Party; Year of joining the Party.

257 persons are explicitly recorded as the MCP members. Besides them, 7 persons are implicitly hinted as its members.

Of 257, early members who joined the Party before the Pacific War numbered 40 (by 1940=31, 1941=9) (15.6%). During the War, 100 persons (1942-45=93 + early 1940s=7) (38.9%) joined. In the following year of the end of the War, the number reached its peak, 38 persons. From 1947 on, new affiliation gradually reduced. This might be because of severe suppression and the state of emergency.

(8) Table 12-1, 12-2, 12-3. Other Party membership.

The Chinese Communist Party has the second largest membership (119 persons) after the MCP (Table 12-2). Out of them, 2 had joined it in China before coming to Malaya, 1 joined in Singapore. All the others joined after coming to China, great majority of them joining in the 1950s and the 1960s. The third largest party is the Zhi Gong Dang (ZGD / 致公黨). It originated from Ang Bin Hui (Hong Men Hui / 洪門會), an overseas Chinese secret society to overthrow the Qing Dynasty. All of the 13 members here joined it after returning to China.

Table 11 MCP Members: Year of Joining

~ 1940	31
1941	9
1942	18
1943	25
1944	26
1945	24
1946	38
1947	13
1948	12
1949	12
1950	8
1951	7
1952	3
1953	2
1954	1
1955	0
1956	1
1961	1
1962	2
<i>Subtotal</i>	233
<i><u>Exact year n.a.:</u></i>	
Early 1940s	7
Mid-1940s	3
Early 1950s	1
Year n.a.	13
<i>Subtotal</i>	257
Courier	2
Member, probably	5
<i>Total</i>	264

Table 12-1 Other Party Members

Labour Party	1
Parti Rakyat	1
CDL	11
OCDYL	3

Notes:

CDL: China Democratic League (中國民主同盟 , all joined in Malaya in 1946-47)

OCDYL: Overseas Chinese Democratic Youth League (華僑民主青年同盟)

Table 12-2 CCP and ZGD

	CCP	ZGD
Pre-Malaya	2	(All in China)
~ 1945	0	
1946-49	6	
1950s	30	3
1960s	13	1
1970s	7	0
1980s	7	3
1990s	2	0
Year n.a.	51	8
In Singapore	1 (late 40s)	
	119	15

ZGD: Zhi Gong Dang (致公黨)

Table 12-3 Party: Plural Affiliation

-
- MCP + CCP: 51 (of them CCP → MCP 2)
 - MCP + CDL: 5
 - MCP + Zhi Gong Dang: 6
 - MCP + CDL + CCP: 3
 - MCP + CDL + ZGD: 2
 - MCP + CDL + CCP + ZGD: 1
 - CDL + ZGP: 3
 - CDL + ZGD + CCP: 2
 - CDL + CCP: 0
 - Labour Party + ZGD: 1
-

The fourth largest party is the China Democratic League (CDL) which has 11 memberships. Contrary to the ZGD, all of them joined it in Malaya in 1946-1947 (Table 12-1). As the CCP did not have a branch in Malaya, the CDL was given a role to propel pro-CCP movement on behalf of it. For the youths, however, the CCP organized its direct wing, the Overseas Chinese Democratic Youth League (華僑民主青年同盟) in Malaya. Three joined it.

Many had plural memberships (Table 12-3). The largest combination is the group that affiliated both with the MCP and the CCP (51 persons). Of them 2 had joined the CCP in China prior to coming to Malaya. Until 1949, all the MCP members automatically became the CCP members when returned to China. But, strict investigation on thought and former activities was necessitated after that. Other MCP members joined the CCP after returning to China. Other combinations are much less. All of the six who affiliated both with the MCP and with the ZGD joined the latter after settled in China. All of the five who had

double memberships of the MCP and the CDL joined both parties in Malaya. Eight persons had more than triple memberships.

(9) *Table 13. Privileged retirement (li xiu).*

This table investigated whether Party affiliation has something to do with the status of retirement. As a whole, one third of the returnees were granted the privileged retirement. On the other hand, as high as 70.6% of those who had double membership of the MCP and the CCP were granted it. Half of the CCP single membership persons as well as members of parties other than the CCP and the MCP were granted it. It implies that their activities as the MCP members in Malaya and the CCP members in China are highly valued.

Table 13 Privileged Retirement (*li xiu* / 離休)

	No. of Li xiu	Total No.	%
MCP (only)	82	202	40.6
CCP (only)	32	63	50.8
MCP + CCP	36	51	70.6
Other Affiliations	10	20	50.0
No Party	57	317	18.0
<i>Total</i>	<i>217</i>	<i>653</i>	<i>33.2</i>

(10) *Table 14. Number of Guerrillas.*

Many deportees had joined the guerrilla troops, that is, Malayan People's Anti-Japanese Army during the Japanese occupation period (218 persons) and/or Malayan National Liberation Army (MNLA) after the Emergency (117 persons). Of these, only 42 persons (19.3% of the MPAJA) joined the MNLA. Besides that, out of 75 MCP members in the

MPAJA, only 19 (25%) joined the MNLA. One of the reasons that only such few MPAJA members participated in the anti-British guerrilla war might be that they did not want to restart a harsh armed struggle in the jungle after 2 years' legal activities. Another, maybe more important, reason will be shown soon.

Among guerrillas, 35% were the MCP members during the Anti-Japanese war and 40% during the Anti-British war. Among guerrillas who participated in both wars, ratio of the MCP members is slightly higher (45%). They might be the hard core of the warriors.

Table 14 Number of Guerrillas

Anti-Japanese (A)	Anti-British	Both (B)	B/A (%)
218	117	42	19.3
Of these, MCP Members			
76	47	19	25.0
%	%	%	
34.9	40.2	45.2	

(11) Table 15-1, 15-2. Arrest and Capture.

Table 15-1 shows the year in which former MPAJA members were arrested. Out of 152 persons who are recorded to have been arrested, nearly a half (70 persons, 46%) was in 1948 followed by 1949 (26 persons, 17%). Thus, 63% were arrested just prior to or in the earliest stage of the Emergency. This might be the more important reason why

former MPAJA members could not join the Anti-British war. They might carefully be spotted as “persona non grata” by the British authorities lest they join the guerrillas.

Table 15-1 Arrest of Former MPAJA Members

1945	0
1946	4
1947	3
1948	70
1949	26
1950	7
1951	5
1952	10
1953	4
1956	6
1957	2
1958	2
1959	2
1950s	5
Year n.a.	6
<i>Total</i>	<i>152</i>

This can be compared with the total number of arrest (Table 15-2). Though arrest/capture concentrated in 1948 (147 persons, 30.6%) and 1949 (100 persons, 20.8%) too, the following several years (1950-1953) saw much larger numbers than the MPAJA members.

Table 15-2 Year of Arrest/Capture

Year	Arrest	%	Due to Information from “Betrayers”	%
1945	0	0	0	0
1946	5	1.0	1	20.0
1947	6	1.3	0	0
1948	147	30.6	17	11.6
1949	100	20.8	23	23.0
1950	74	15.4	26	35.1
1951	43	9.0	24	55.8
1952	26	5.4	12	46.2
1953	24	5.0	2	8.3
1954	7	1.5	1	14.3
1955	8	1.7	1	12.5
1956	11	2.3	6	54.5
1957	7	1.5	2	28.6
1958	5	1.0	2	40.0
1959	4	0.8	2	50.0
1960	0	0	0	
1961	0	0	0	
1962	1	0.2	1	100
1963	1	0.2	0	0
End of 40s	1	0.2	0	
1950s	10	2.1	1	10.0
Year n.a.		0	1	
<i>Total</i>	<i>480</i>	<i>100</i>	<i>122</i>	<i>25.4</i>

Table 15-2 also shows the number of arrest/capture depending on information derived from the “betrayers” who had earlier participated in their struggle against the colonialists. As a whole, 122 persons (one quarter) were arrested due to this kind of information. In 1951, 1952 and 1956, the rate was as high as about a half. It implies that British intelligence system was quite effective in oppressing the movements in these years.

(12) Table 16. Experience of Oppression in China.

China under Chairman Mao Ze-dong (毛澤東) often mobilized anti-rightist or anti-revisionist movements. Returned overseas Chinese were involved in these movements. This table shows on what occasions or movements Malayan returnees were involved, or more precisely speaking, accused and oppressed. The table merely shows the number of persons who referred to these experiences in the *Who's Who*. Much more people are supposed to have these painful experiences.

Even in the earliest movement of 1951-52 (struggle against three evils, that is, corruption, waste and bureaucracy), 6 persons were criticized. In the following movement of anti-counterrevolutionaries in 1955 and 1956, three were targeted. In the Anti-Rightist struggle of 1957 and 1958, 15 persons were convicted of various crimes and punished. In contrast to it, in the Four Clean-ups Movement (FCM) from 1963 to 1966, only 4 persons were involved. Three of them were members of the FCM work troops. It might mean that 3 were not targets of the movement but its propellers.

The largest and most disastrous movement for them was the Cultural Revolution between the mid-1960s and the mid-1970s. Forty-nine persons were targeted and received various harsh treatments including *xiafang* (下放, transfer to work at lower levels) and baseless

convictions as traitors. Two died due to persecution. One of them committed suicide.

Altogether 13 people were targeted on two occasions and 2 on multiple occasions. Since the late 1970s, almost all of them have had their honor restored.

Table 16 Experience of Oppression in China

<i>Movement</i>	Movement against three evils (三反運動)	Elimination of counter-revolutionaries (肅反運動)	Anti-rightist struggle (反右鬥爭)	Four clean-ups movement (四清運動)	Cultural revolution (文化革命)
<i>Period</i>	1951-52	1955-56	1957-58	1963-66	1966-76
<i>Number</i>	6	3	15	4	49
<i>Reasons/details</i>	Imprisoned 1 Spy 1	Traitor 1	Traitor/Rightist 2 <i>Xiafang/Laogai</i> 3 Unregistered household /Expelled from CCP 2 Impeached/Imprisoned 3	Impeached 1 FCM work troop 3	<i>Xiafang</i> 17 Traitor/Spy/Rightist 10 Impeached/Imprisoned 9 <i>Laogai</i> 2 Died 2

Oppressed on two occasions 13
multiple occasions 2

Notes:

Xiafang: 下放 (transfer to work at lower levels)

Laogai: 勞改 (reform through labour)

Unregistered household: 黑戶

Four clean-ups: Purification in the fields of politics, ideology, organization and economy

FCM work troop: 四清工作隊

Table 17 Shifted to Hong Kong

1960 - 69	4
1970 - 75	8
1976 - 80	14
1981 - 85	5
1986 - 90	2
(1980s)	1
1990 - 98	2
Year n.a.	1
<i>Total</i>	<i>37</i>

(13) Table 17. Shift to Hong Kong.

Some returnees could not stand the living conditions or the ill-treatment in China and shifted to Hong Kong through obtaining permission of the respective office in charge. Total number here is 37 families. Even before the Reform and Open-up Policy started in the late 1970s, 12 families shifted. Largest number was recorded soon after the policy was introduced (1976-1980).

Most of the returnees did not come to China on their own will but due to deportation. This shift might reflect this background.

Notes

- * Dr Hara Fujio (原 不二夫), retired historian (Tokorozawa-shi / 所沢市 , Saitama-ken / 埼玉県), was Professor at the Department of Asian Studies, Faculty of Foreign Studies, Nanzan University (*Nanzan Daigaku* / 南山大学), Nagoya (名古屋), Japan, from 1999 until 2012. Prior to that, He worked at the Institute of Developing Economies, Japan, for 31

years from 1967. He had been affiliated with the School of Social Sciences of the Universiti Sains Malaysia, Department of History as well as Faculty of Economics and Administration of the University of Malaya, Xiamen University in China, and the Institute of Southeast Asian Studies in Singapore. His research interests include modern historical relations between Malaya (Malaysia) and Japan, modern historical relations between Malayan (Malaysian) Chinese and China, and the history of the Malayan Communist Party. He is presently Research Fellow Emeritus at the Institute of Developing Economies, Japan. <Email: yuanbu9er@yahoo.co.jp>

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An Exploration of Chineseness in Mindanao, Philippines: The Case of Zamboanga City⁺

Melodina S. Cruz*

University of the Philippines Diliman

Abstract

There has been a growing body of narratives on the minorities in Mindanao, the Philippines' second largest island group, mostly focusing on the Muslims and the lumads (non-Muslim indigenous people) either as a whole or as a specific people group. Such narratives are in light of issues concerning aspects of peace and security, economic development, land disputes, and the environment. The Chinese as a minority in Mindanao are not given much attention despite the many works on Chinese integration and Chineseness in Southeast Asia. Similar research in the Philippines is confined largely to Manila, leaving a gap in the historical narratives. This exploratory and descriptive research note aims to provide a pilot inquiry on the Chinese in the spatial peripheries of the Philippines, particularly in Zamboanga City, by exploring how Chineseness is practiced in their everyday life.

Keywords: *Chineseness, Chinese community, Zamboanga City, Mindanao*

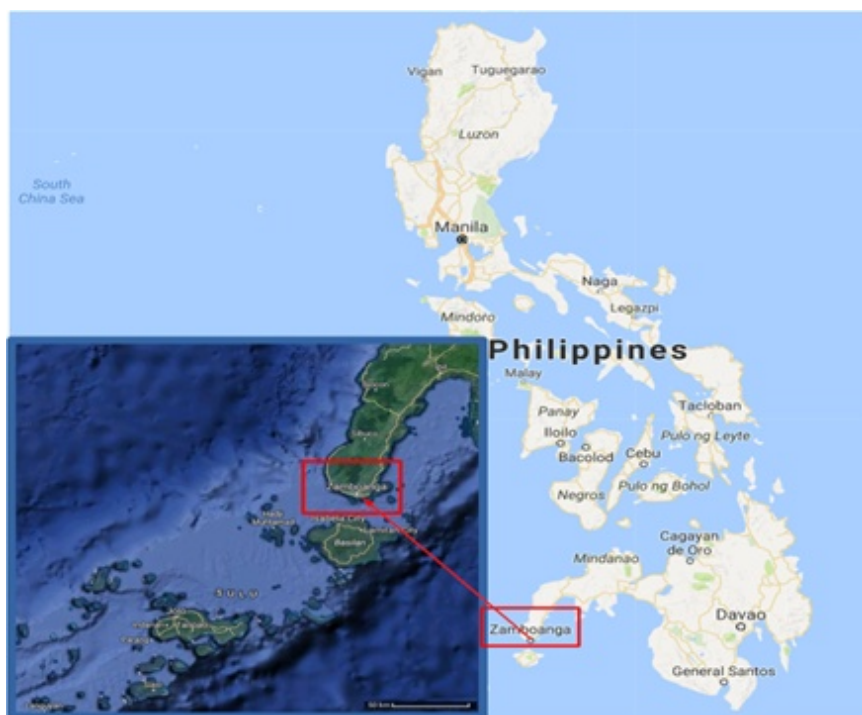
1. Introduction

Philippine history tends to focus on events in Luzon and Visayas, with less attention on Mindanao. Recent events concerning the resumption of talks on the Bangsamoro Basic Law (BBL) (*MindaNews*, 13th January 2017), the violent encounter in Mamasapano, Maguindanao in 2015 (*Rappler*, 6 January 2017), the impunity surrounding the election-related massacre in Maguindanao in 2009 (*MindaNews*, 21st November 2016), the spate of kidnappings and beheadings by the Abu Sayyaf Group (ASG) (*Benar News*, 10th January 2017), the alleged militarization of lumad areas in Mindanao, the Marawi crisis of 2017, and the victory of former Davao City Mayor Rodrigo Duterte in the 2016 presidential elections are some of the major events that led to Mindanao becoming the topic of everyday conversation in recent times. But beyond the many negative reports on Mindanao, there is much more to know and understand about its history, culture, and people.

Following the assumption that the Chinese is a heterogeneous group depending on where they settled (Ang-See, 2011), and noting that more studies are needed on the Chinese in Mindanao, this research note focuses on the Chinese-Filipinos in Zamboanga City (Figure 1). Zamboanga City is selected as the area of study because of its rich history owing to centuries of trade and cultural intermingling involving the Chinese, Malays, and local people groups dating back to the 13th to 14th century. At present, there seems to be a harmonious coexistence among the residents of the city. Chinese schools and a Buddhist temple exist alongside Catholic schools and churches, and Islamic masjids. Moreover, with the city being the gateway to Mainland Mindanao from the outlying islands of Basilan and Sulu, one would be able to find Chinese Muslims who migrated to the city after the burning of Jolo in 1974 during the Marcos regime. On the other hand, Spanish settlement in the city in the 16th century paved the way for Catholicism to take

root. This research note explores aspects of Chineseness through languages spoken, festivals observed, religious beliefs and practices, attitudes towards non-Chinese, and self-identity. A brief description of the Chinese community within Zamboanga society will be presented in this essay.

Figure 1 Map of the Philippines with Inset Showing Zamboanga Peninsula (Google Maps 2017)



Source: Google Maps.¹

2. The Concept of Chineseness

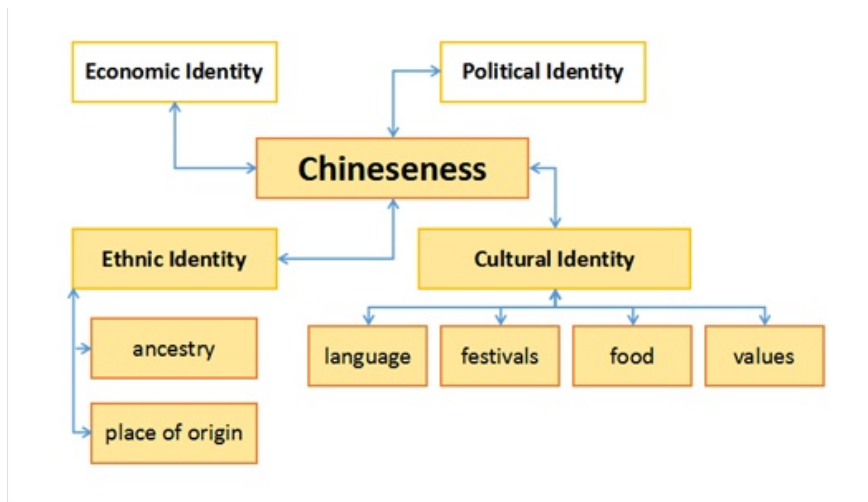
Studies on the Chinese in Mindanao have large room for more scholarly attention and the subject areas that can be explored in further research are myriad. Majul (1999), for instance, mentions that Muslim missionaries from China arrived in Sulu as early as the 4th century. The work inspires interest in future interrogations that investigate the connection between the development of Islam in the Philippines and China. Another interesting study that yields valuable insights for future studies is the mapping of families done by Samuel Tan (1994) to find out how the Chinese have become integrated in the political life of Sulu. Interracial marriages in this context reflect the situation of Chinese traders or members of their family marrying into local political elites thus establishing strong politico-economic ties. It is quite interesting how Chinese and Islamic elements would fit together to create social harmony given that the two cultures have been trading as early as the Yuan Dynasty (1278-1368) (Abubakar, 1973). At present, there is great room for in-depth studies that investigate the dynamics of the different identities involving Chineseness and Muslimness, and how they fit into the concept of the Filipino identity.

“The Chinese have never had a concept of identity, only a concept of Chineseness, of being Chinese and of becoming un-Chinese,” writes Wang Gungwu (1992) in his seminal book *China and the Chinese Overseas*. Wang later qualifies this and proposes the existence of Chinese identities instead of a homogenous Chinese identity, or even Chineseness, which varies as a subjective concept. Efforts to preserve a strong Chinese nationalist identity among the Chinese migrants led to the establishment of schools in an attempt to create a transnational identity that transcends citizenship and demands allegiance to China, the country of origin. But historical events, both global and local where the Chinese settled, contributed to and still contribute to changing Chinese

identities. Chineseness as an elusive concept leads scholars looking into this topic to agree with Wang (1992) that the Chinese is not a homogenous group (Djao, 2003; Pan, 2006; Ang-See, 2011; Suryadinata, 2011; C-B Tan, 2011). Such a view results in a vast number of studies with the goal of identifying how Chineseness is manifested in different contexts in today's highly globalized world (See Djao, 2003; Pan, 2006; Tong, 2010).

As this essay aims to explore how Chineseness is practiced in Zamboanga City, it utilizes a modified version of Wang's (1992) multiple identity model and considers Chinese identity as comprising four aspects: ethnicity, nationality, class, and culture. This research note focuses on the ethnic and cultural aspects as indicated in the conceptual framework (Figure 2).

Figure 2 Conceptual Framework for Exploring Chineseness



Ethnic identity acknowledges a shared heritage (John Macionis in Djao, 2003) and is operationalized in the framework through ancestry and place of origin. Cultural identity is analyzed by looking into language, festivals, food, and values (Figure 2). It is important to underscore that this essay explores respondents' perceptions and applications regarding a broad set of indicators, characteristics, and practices that are associated with Chineseness in aid of giving greater salience to how respondents frame their identity regardless of how much of these factors are manifested in their daily life.

In the framework, the use of a Chinese language is included as a marker, which is cultivated in Chinese schools.² This research note also considers Ul Ain's (2015) study of the Muslims in China, which includes the observance of festivals as an indicator of acculturation in Chinese society. In looking at the extent that certain Chinese festivals, which are observed in Mainland China, are practiced in Zamboanga City, we consider the Spring Festival or Chinese New Year (春節), Qingming / Tomb-Sweeping Day (清明節), Dragonboat Festival (端午節), Hungry Ghost Festival (中元節), and Mid-Autumn Festival (中秋節). In Chinese textbooks in the Philippines, these are also considered to be the top four traditional festivals, with the exception of the Hungry Ghost Festival. The latter is observed for its association with many taboos that apply to occasions such as weddings, business openings, and various celebrations.

Eating and preparing Chinese food are linked to family ties and knowledge of Chinese cuisines connotes knowledge of Chinese culture where food is of great significance especially during festivities. Chinese values are centered on filial piety wherein ancestor worship is practiced and parents are looked after in their old age. Other important Chinese values also include frugality, attention to schooling and education, and diligence (Djao, 2003). The view that these values indicate Chineseness

is hinged on a particular social context that, in many instances, does not exist anymore. Nevertheless, certain stereotypes remain, even when such values are also associated with other groups and even while these values are present in other cultures. We allow respondents to frame their perceptions whether in contestation or otherwise.

3. Method and Findings

The preceding conceptual framework was used to design a questionnaire and an interview instrument. The latter allowed elaboration of questionnaire responses. Sensitive logistical preparations were made since this pilot inquiry took place in Zamboanga City where kidnappings are relatively frequent due to the city's proximity to Sulu where the Abu Sayyaf group is based. The researcher employed social networks to build a network of gatekeepers that were critical to facilitating respondent selection of persons who self-identify as having Chinese heritage (i.e. Chinese-Filipinos in Zamboanga City) and providing the mediation that established openness from the respondents. Given that different Chinese persons manifest varying degrees of Chineseness, the sole criterion for selecting respondents is ethnic identity, indicated by the existence of a Chinese ancestor whether patrilineally, matrilineally, or both and an affirmed self-identification by the respondent.

Structured data processed from questionnaire responses were juxtaposed with content analysis of interview data. This pilot research gave salience to respondent perceptions and personal narratives of their practices in order to understand the complexity of the subject and to gain deeper insight by gathering meanings, which may otherwise be obscured by conventional structured interrogations (Sandelowski, 1991) that seek generalization of results rather than in-depth reflection on particular cases. In light of this objective, respondents were deliberately limited to

seven. Moreover, the pilot respondent sample was necessary to evaluate the questionnaire and interview instruments in the context of productivity in retrieving information.

In the tables and succeeding discussion, respondents are distinguished by codes. Table 1 presents the respondent profile. Table 2 presents respondent perspectives on Chineseness indicators. For the respondents, ancestry is the top marker of Chineseness and all respondents share the same view that it does not matter whether Chinese ancestry is from both parents or from either parent. The second top marker is the use of a Chinese language while all respondents agree that proficiency in a Chinese language does not necessarily qualify one to be Chinese. As CA1 and BA2 noted, many non-Chinese Muslim students in Zamboanga with no Chinese ancestry exert effort in learning the language.³ Nevertheless, 4 respondents (CA1, CA3, BA1, BA2) emphasized the importance of knowing how to read, write, and speak a Chinese language for one to claim Chinese heritage. BA1 rhetorically asked, if one does not speak a Chinese language, can he/she still be considered Chinese (“ 哪有不曾說華語的華人 ”)? Her daughter-in-law added that it is embarrassing that some Chinese are less interested than non-Chinese Muslims studying in Chonghua School in gaining language proficiency. But for CA1, speaking the language is mostly for utilitarian purposes as the language is very important in conducting business. Regarding the history of Chinese education in the city, BA2 expressed disapproval of the decrease in number of Chinese subjects as mandated by the Department of Education. For her, this does not bring any good (“ 沒有好處 ”) because Chinese children are losing the ability to speak Chinese. Respondents who had Chinese education until high school preferred to use Hokkien, although one respondent (BA1) indicated a preference for Mandarin (Putonghua).

Table 1 Respondents' Profile

Code	With Chinese name?	Age	Sex	Religion	Generation	Occupation	Chinese education
MA1	No	46	Male	Muslim	2nd	policeman	none
CA1	Yes	undisclosed	Male	Catholic	3rd	businessman	high school
CA2	Yes	54	Female	Catholic	3rd	businesswoman	high school
CA3	Yes	54	Female	Catholic	3rd	businesswoman	high school
CA4	Yes	55	Male	Catholic	3rd	none	high school
BA1	Yes	undisclosed	Female	Buddhist	3rd	grandmother, temple volunteer	high school
BA2	Yes	undisclosed	Female	Buddhist	undisclosed	teacher, temple volunteer	high school

Zamboanga City has resident multilinguals as a result of intermingling among different cultures and ethnolinguistic groups – Tausug, Sama, Chinese, Visayan, and Tagalog. All respondents speak Filipino and Hokkien (Table 3). CA1 and CA3 speak and use all seven languages in various contexts as both run a business. CA3 shared that she uses Tausug and Visayan to communicate with domestic helpers and employees. This provides an insight into the socioeconomic status of the latter two groups. On the other hand, BA2 shared that her grandchildren are all multilinguals who speak Tausug because of interactions with Muslims enrolled in Chinese schools. CA1 emphasized the importance of Chinese in conducting business but also stressed that it is the key to preserving Chinese culture.

Table 2 Indicators of Chineseness Based on Respondents' Perspective

Code	Has Chinese ancestors	Speaks a Chinese language	Recognizes China as place of origin of ancestors	Practices ancestor worship
MA1	1	0	0	0
CA1	1	1	1	1
CA2	1	1	0	0
CA3	1	1	1	0
CA4	1	0	0	0
BA1	1	1	1	1
BA2	1	1	1	1
<i>Total</i>	7	5	4	3
Percentage	100%	71%	57%	43%

Table 3 Languages Spoken

Code	Languages	Hokkien	Filipino	Mandarin	English	Chavacano	Tausug	Visayan
MA1	5	1	1	0	1	1	1	0
CA1	7	1	1	1	1	1	1	1
CA2	5	1	1	1	1	1	0	0
CA3	7	1	1	1	1	1	1	1
CA4	6	1	1	1	1	1	0	1
BA1	3	1	1	1	0	0	0	0
BA2	5	1	1	1	1	1	0	0
<i>Total</i>		7	7	6	7	6	3	3
Percentage		100%	100%	86%	86%	86%	43%	43%

Table 4 Chinese Festivals Observed

Code	Spring Festival	Tomb-Sweeping Day	Dragonboat Festival	Hungry Ghost Festival	Mid-Autumn Festival
MA1	1	1	0	0	0
CA1	1	1	0	0	0
CA2	1	1	0	0	0
CA3	1	1	0	1	1
CA4	1	0	0	0	0
BA1	1	1	0	1	1
BA2	1	1	0	1	1
<i>Total</i>	7	6	0	3	3
Percentage	100%	86%	0%	43%	43%

Of the five important Chinese festivals, the Spring Festival is the most familiar to the respondents who all observe it (see Table 4). Six out of 7 respondents observe Tomb-Sweeping Day. MA1 observes this special day, despite being Muslim and considering that Islam forbids giving too much attention to the deceased (Ul Ain, 2015). MA1 reveals that they clean tombs on Qingming (around the month of April or May in the Gregorian calendar) as a sign of respect to their deceased loved ones. CA3 follows the tradition of preparing five kinds of fruits and six dishes (*go'kuan lak'lai*) during Qingming. The Hungry Ghost Festival and Mid-Autumn Festival are observed only by CA3, BA1, and BA2 who identify themselves as “very Chinese”. CA3 makes sure that she prepares food offerings during the Hungry Ghost Month. She also observes the Mid-Autumn Festival with the Tan-Yu clan association with which she is connected through her mother. Both CA2 and CA3 shared

that they do not play dice games in Zamboanga, but they do so when they are in Manila. The Dragonboat Festival is virtually not observed in spite of the city's coastal features. It is then interesting to investigate further the process of integration that the Chinese migrants historically experienced given the festivals they observed in China (e.g. the Dragonboat Festival in Fujian) and Zamboanga's local culture (e.g. marine culture as epitomized by the Vinta vessels). Regarding the preservation of Chinese culture, MA1 thinks that observing traditions is sufficient while the rest of the respondents see language as a central component of culture and its preservation.

All respondents agree that the Chinese would rather set up his/her own business rather than to be an employee and that the Chinese are a hardworking people. Regarding frugality and thriftiness being important Chinese values, only MA1 disagrees on account of extravagant banquets. Where social interactions with non-Chinese are concerned, all respondents agree that there is harmonious relationships with non-Chinese. All respondents not only have non-Chinese neighbors and friends but they also do not feel discrimination from non-Chinese while in their company. Only BA1 shared wariness towards Muslims, including Chinese Muslims, due to the kidnapping issues that are associated with extremist groups.

Table 5 shows that despite the liberal view permitting Chinese men to marry non-Chinese women, no respondent agrees to the view that Chinese women should marry non-Chinese men. CA3 shared with slight resentment that it seems unfair that her brothers are allowed to marry non-Chinese, but she is not. Despite her disagreement, she concedes that it would be difficult to marry a non-Chinese because of cultural differences. Only BA1 opined that the Chinese should marry fellow Chinese.

Table 5 Views on Interracial Marriage

Code	Chinese men are permitted to marry non-Chinese wives.	Chinese women are permitted to marry non-Chinese husbands.	My parents strictly want me to marry a Chinese.	I prefer to marry a Chinese.
MA1	1	0	0	0
CA1	NA	NA	NA	NA
CA2	1	0	1	1
CA3	1	0	1	0
CA4	1	0	0	0
BA1	0	0	1	1
BA2	1	0	NA	NA
<i>Total</i>	<i>5</i>	<i>0</i>	<i>3</i>	<i>2</i>
Percentage	75%	0%	43%	29%

Table 6 Rituals, Beliefs, and Diet

Code	After offering food to household gods, we eat the food.	We offer food to deceased ancestors.	I believe in life after death.	We practice cremation.	We bury the dead instead of cremating them.	Newborn males should be circumcised.	It is okay to drink alcoholic beverages.	I eat pork.
MA1	0	1	1	0	1	1	1	0
CA1	1	1	1	NA	NA	NA	1	1
CA2	1	1	1	1	1	1	1	1
CA3	1	1	1	1	1	1	1	1
CA4	0	0	1	0	1	1	1	1
BA1	1	1	NA	1	1	NA	1	1
BA2	1	1	NA	1	1	NA	1	0
<i>Total</i>	<i>5</i>	<i>6</i>	<i>5</i>	<i>4</i>	<i>6</i>	<i>4</i>	<i>7</i>	<i>5</i>
Percentage	71%	86%	71%	57%	86%	57%	100%	71%

Table 6 presents respondents' practices that relate to rituals, beliefs, and diet. Ancestor worship is practiced by all respondents but in different ways. MA1 clarified that they do not worship the dead, but that they honor them by means of ritual food offerings to household gods and ancestors, deviating from Islamic teachings. However, offered food is not consumed by the family members. CA4, a Catholic, does not practice this ritual. Burial of the deceased is the norm although CA2, CA3, BA1 and BA2 see cremation as an alternative. Regarding circumcision, all agree that circumcision must be performed on males, but that it is not required for newborns. MA1 explained that according to Islam, circumcision on newborns is a must, but that in contemporary times, circumcision may be performed later in life. Regarding diet, MA1 raised the pork taboo. On the other hand, BA1 and BA2 espoused Buddhist vegetarianism, although BA1 consumes meat on rare occasions. MA1 shared that it is okay to drink alcoholic beverages. When asked to clarify, he answered that he himself does not drink, but he sees nothing wrong with people who drinks alcohol, a sign of openness to other cultures.

4. Closing Remarks and Further Research

Rather than proposing a definitive yardstick of Chineseness, the pilot study provided insights into how a community, contingent on its particular social context, can frame Chineseness that consists of negotiations and constestations of different aspects of cultural and ethnic identity.

Further conceptualization can focus on the economic and political aspects of identity. Moreover, a large-scale survey would be fruitful. Particular sampling can consider student respondents in Chinese schools. Participant observation in the places of worship and in restaurants can

also be employed to observe how social interactions take place among the Chinese in Zamboanga City.⁴ Finally, local historical research will be a good complimentary work. For instance, narratives from the burning of Jolo in 1974, which led to mass migration of Chinese from Jolo, can be explored.

Another interesting research area is cultural practice in the context of Samuel Tan's (1994) observation that Muslim rites and rituals have merged with those of the Chinese as much as Chinese costumes and customs have adopted Islamic characteristics. From the interviews, the respondents indicated awareness of similarities and differences between Muslims and Chinese. CA3 mentioned that both groups practice the provision of dowry to the girl's family prior to marriage. CA4 shared that the groups are similar when it comes to the practice of polygamy, the use of the lunar calendar, and to having a strong sense of community.

The subject of religion also yields research potential. Based on respondent information and physical observation, there are at least three Chinese groups in the city based on religion (see also Table 1). One group is comprised of the Chinese who attend Sunday mass and self-identify as Catholics. Another group consists of the Chinese who attend Buddhist prayer rituals at Avalokiteshvara Temple. Some from them claim to also attend Catholic mass from time to time. A third group is composed of Muslim Chinese who worship at the mosque. Despite the differences in religion, the groups enjoy a harmonious relationship with each other.

Finally, the aspect of commercial relations among Chinese and non-Chinese can be explored. Zamboanga city does not have a Chinatown (唐人街). Businesses owned by Chinese and non-Chinese are situated side by side. The same can be said of the residential areas, where, according to the locals, the Chinese have both Chinese and non-Chinese as neighbours.

Notes

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- ^{*} Melodina S. Cruz (陳愉寧) is a graduate student of Asian Studies majoring in China Studies at the University of the Philippines Diliman. She obtained her Bachelor of Arts in European Languages (Spanish-French) and Diploma in Archaeology from the same university. She has taught Spanish language before working for a multinational company as digital librarian and data analyst. She also does translation work involving English, Spanish, and Chinese. She was a volunteer at the Wikimedia Philippines Built Heritage Mapping Project and occasionally joins heritage mapping projects in coordination with local governments. Her research interests include peripheral communities, minority groups, comparative linguistics, comparative religion, built heritage, and Philippine colonial history. <Email: melodina.cruz@upd.edu.ph, melodinacruz@gmail.com>
1. Following usage instruction at source "Using Google Maps, Google Earth and Street View" (guidelines are for non-commercial use) <<https://www.google.com/permissions/geoguidelines.html>>.
 2. Schools are among the identified institutions together with temples, clan associations, and business clubs that help promote Chineseness. The evolution of education policies in the Philippines (Sussman, 1976; Pan, 2006) has been an important factor in the language skills of the Chinese. The temples, on the other hand, continue the propagation of Buddhism and provides an opportunity to use the Chinese language through the books

used in ritual prayers. Clan associations provide an avenue for important celebrations where reunions take place. Business clubs encourage social networks, which intertwine commercial and social ties.

3. Similarly, the respondents recognized that many Filipinos without Chinese ancestry already engage in practices that were strongly associated with the Chinese, such as fengshui, and the use of Traditional Chinese Medicine.
4. Following Pelletier (2014) in his study of Taiwanese Muslims, the researcher observed the people at an eatery serving satti, a popular breakfast meal of sticky rice topped with heapful of spicy sauce that goes well with barbecue. Also, participation in a Buddhist prayer ritual or what the locals call “Sunday Mass” in a temple dedicated to Avalokiteshvara (a.k.a. Guanyin) provided insights on Chinese language usage.

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Postscript

POSTSCRIPT

Arif Dirlik – The Passing of a Great Mind

While we were preparing the publication of this third and final issue of Volume 3 of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* (December 2017), a sad news reached us. Arif Dirlik, who has been with us as an advisory board member of an earlier journal since 2012 and of this journal since 2015, has passed away on 1st December. A great friend, colleague and founding member of this journal, Arif has been a great pillar of support for the journal's mission of providing constant critical analysis of the political economy of contemporary China, both her domestic sociopolitical and socioeconomic development and her international strategic relations, as well as the intricate *innenpolitik-außenpolitik* nexus, without fear or favour. Just as Rebecca E. Karl succinctly describes in her essay "In memoriam: Arif Dirlik (1940-2017)", Arif has long been inspiring us to be *fearlessly radical and radically fearless* in staying true to the principles and holding dear to the ideals forming the cornerstone of the journal since its founding in 2015 and over 2010-2014 of the earlier journal. In his various valuable contributions to this journal and the earlier journal, from 2012's "Social justice, democracy and the politics of development: The People's Republic of China in global perspective" (with Roxann Prazniak)¹ to 2014's sharply titled "Forget Tiananmen, you don't want to hurt the Chinese people's feelings – and miss out on the business of the new 'New China'!"² to 2016's "The

mouse that roared: The democratic movement in Hong Kong”³, Arif, who was formerly Knight Professor of Social Science and Professor of History and Cultural Anthropology at the University of Oregon and Professor of History and Cultural Anthropology at Duke University before his retirement,⁴ has never minced his words in his sharp assessment of Communist Party-ruled China’s sociopolitical situation, mode of governance, State-civil societal relationship, political dissent, and treatment of dissidents. As one of the most important critics writing at the nexus of globalisation, postcolonial theory, historiography, Asia-Pacific Studies, and capital critique, whose works have been translated into Chinese, Japanese, Korean, Turkish, Bulgarian, French, German, Portuguese, and Spanish,⁵ Arif is pivotal in maintaining the focused direction of the earlier journal (2010-2014) and the present journal (since 2015) and the publication of the special-focus issues of *State, governance and civil societal response in contemporary China: Critical issues in the 21st Century* (2012)⁶, *June Fourth at 25: The quarter-century legacy of Tiananmen* (2014)⁷ and *From Handover to Occupy Campaign: Democracy, identity and the Umbrella Movement of Hong Kong* (2016)⁸ which was followed up in the following year by *Hong Kong twenty years after the Handover: Quo vadis?* (2017)⁹. Arif’s passing is a great irreplaceable loss of the world academia. He is dearly missed.

Like over the previous years, it is this spirit, this vision, that has carried us through the three issues of 2017, from the special issue of *Norms and institutions in the shaping of identity and governance: Mainland China and Taiwan in the regional environment* (Vol. 3, No. 1, April/May, pp. 1-521), to the issue focusing on *Hong Kong twenty years after the Handover: Quo vadis?* (Vol. 3, No. 2, July/August, pp. 523-999), and now to the present issue (Vol. 3, No. 3. December, pp. 1001-1472).

China and the World: Global Footprint and World Power Rivalry

This third and closing issue of Volume 3 of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* (2017), as in previous years, again represents a collection of research articles covering some of the most pertinent aspects of the state and changes in the political economy and strategic relations of contemporary China. Coming under three sections are eleven full-length research articles. The first five – “The new normal in Russia and China: Between past embedded structures and future global dominance” by Solomon I. Cohen, “Neo-mercantilist policy and China’s rise as a global power” by Fu-Lai Tony Yu, “Are the conflicts between the U.S. and China manageable?” by Jinghao Zhou, “China’s strategic engagement with Sri Lanka: Implications for India” by S.Y. Surendra Kumar, and “The tale of the dragon and the elephant: A review on the implications of Sino-Indian border disputes to political order in Asia” by Reymund B. Flores – under the section *Global Dominance and World Power Rivalry* look critically into the global rivalry between the United States of America, the post-Cold War sole remaining superpower, and the star-performer among would-be superpowers, China; between China and India, two of Asia’s oldest civilisations striving for regional and global dominance; and between China and Russia, the ex-superpower struggling to regain its lost Cold War-era world status. These are followed by three papers under the section *Global Footprint and International Recognition* – “The economic dimension in China’s foreign relations: Reflections for China studies in the Philippines” by Tina S. Clemente, “China’s aid and oil-for-infrastructure in Nigeria: Resource-driven or development motive?” by Gold Kafilah Lola *et al.*, and “China in the First World War: A forgotten army in search of international recognition” by Roy Anthony Rogers and Nur Rafeeda Daut – that respectively analyse China’s foreign relations

from the perspective of her South China Sea/West Philippine Sea rival claimant the Philippines, explore China's ulterior motive behind her foreign aid and FDI in Nigeria, and China's little-known involvement in the First World War and its effect on the country's diplomacy and foreign policy today.

Taiwan and Cross-Strait Relations

Moving our focus from mainland China under one-party dictatorship to the vibrant liberal democracy of Taiwan, three papers are included under the section *Perspective on Taiwan and Cross-Strait Relations* – “Comparing the cross-Strait economic policies of KMT and DPP, 2008-2016: Implications for the future politics of Taiwan” by Adrian Chi-yeung Chiu and Kam-yee Law, “Making cross-Strait relations: A constructivist view” by Sebastian Hambach, and “The universities become more while students are getting less? A System analysis of the Taiwanese higher education crisis” by Su-mei Sung – with the first two articles analysing the linkages between the development of the island state's cross-Strait policy and her electoral and party politics, and the third paper exploring the country's current higher education crisis.

Chinese Overseas in Southeast Asia

After the full-length research articles, this journal issue also contains an empirical Research Notes section on Chinese in Southeast Asia, with Hara Fujio's “Malayan Chinese who were deported to China” investigating the background and personal details of those ethnic Chinese deported to China during the Communist Party of Malaya (CPM)'s insurgency against British colonial government and later the nascent Federation of Malaya government between 1948 and 1963, and

what happened to them after they arrived in China, and Melodina S. Cruz's "An exploration of Chineseness in Mindanao, Philippines: The case of Zamboanga City" providing a pilot inquiry on the preservation of Chineseness among the Chinese minority in the spatial peripheries of the Philippines, focusing on the little-studied Chinese community in Zamboanga City in Mindanao which is better known for its political troubles and ethnoregional insurgency.

Acknowledgements

The present issue of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, the third and final issue (December) of this year thus significantly completes the 2017 volume beginning with the April/May special issue (Vol. 3, No. 1), *Norms and institutions in the shaping of identity and governance: Mainland China and Taiwan in the regional environment*, and followed by the July/August *Focus* issue (Vol. 3, No. 2), *Hong Kong twenty years after the Handover: Quo vadis?* The present issue, Vol. 3, No. 3, hence brings the journal's third volume to a close by directing its focus one more time onto some of the most critical areas of the state and changes in the political economy and strategic relations of today's mainland China and Taiwan which the journal was exploring in this year's first issue in April/May. Before ending this postscript, we would like to thank all the contributing authors and the anonymous reviewers for their invaluable efforts in making the publication of the three issues of this third volume (2017) possible. For the present issue of Volume 3, Number 3, we are also grateful to our proof-reader, Mr Zhang Yemo (張夜墨), for his crucial assistance in checking the final galley proofs and CRCs, and as always to Miss Wu Chien-yi (吳千宜) for the journal's website

construction and maintenance. The responsibility for any errors and inadequacies that remain is of course fully mine.

Dedication

This journal issue was prepared in fond memory of Arif Dirlik (1940 – 2017), our dear friend, colleague, contributor and advisory board member, whom we all missed, and to whom it is dedicated.

Emile Kok-Kheng Yeoh, PhD*
Editor, Contemporary Chinese Political Economy
and Strategic Relations: An International Journal
Department Head and Associate Professor
Department of Administrative Studies and Politics
Faculty of Economics and Administration
University of Malaya
Malaysia

Notes

1. Arif Dirlik and Roxann Prazniak, “Social justice, democracy and the politics of development: The People’s Republic of China in global perspective” (pp. 285-313), *IJCS* 3(3), December 2012. Also as Chapter 1: “Social Justice, democracy and the politics of development: The People’s Republic of China in global perspective” (pp. 31-59) in Emile Kok-Kheng Yeoh (ed.) (2013), *China: Developmental Model, state-civil societal interplay and foreign relations – ICS tenth anniversary commemorative anthology*, Kuala Lumpur: Institute of China Studies, University of Malaya, 745 pp. + xxi <<https://www.dropbox.com/s/ty2j9w901gnjmv6/ICS-10Anniv-book-250913-with-cover-horiz-plates3-7-xxi-aligned-736-7Scopus.pdf>>

2. Arif Dirlik, "June Fourth at 25: Forget Tiananmen, you don't want to hurt the Chinese people's feelings – and miss out on the business of the new 'New China'!" (pp. 295-329), *IJCS* 5(2), June/August 2014.
3. Arif Dirlik, "The mouse that roared: The democratic movement in Hong Kong" (pp. 665-681), *CCPS* 2(2), August/September 2016.
4. Arif was also formerly a Distinguished Visiting Fellow at the Peter Wall Institute for Advanced Studies, University of British Columbia, has held honorary appointments at China Center for Comparative Politics and Economics, Central Compilation and Translation Bureau, Beijing, the Center for the Study of Marxist Social Theory, Nanjing University, Northwest Nationalities University, Lanzhou, PRC, and has taught at the Chinese University of Hong Kong.
5. Arif has published over fifteen books and numerous articles. His 1997 book *The postcolonial aura: Third World criticism in the age of global capitalism* (Westview) is a trenchant analysis and critique of postcolonial theory, and an assessment of its adequacy to the contemporary situation. *After the revolution: Waking to global capitalism* (Wesleyan, 1994) posed a similar set of challenges to Marxist theory, calling for a new set of oppositional practices and modes of critique that respond to the situation of a newly hegemonic global capitalism and the demise of the socialist states. Arif's other books include *Places and politics in the age of global capital* edited with Roxann Prazniak (Rowman and Littlefield, 2001), *Postmodernity's histories: The past as legacy and project* (Rowman and Littlefield, 2000), *What is in a rim? Critical perspectives on the Pacific region idea* (Westview, 1993), and *Anarchism in the Chinese Revolution* (University of California, 1991). His various other recent book-length publications include *Selected works of Arif Dirlik* (2010, in Turkish), *Pedagogies of the global: Knowledge in the Human Interest* (Routledge, September 2006), *Global modernity: Modernity in the age of global capitalism* (Routledge, December 2006), and three edited volumes,

Snapshots of intellectual life in contemporary China (Duke University Press, July 2008, special issue of *boundary 2: an international journal of literature and culture*), *The formation and indigenization of the disciplines in China: Sociology and anthropology* (The Chinese University Press, Hong Kong, 2012) and *The end of the peasant? Global capitalism and the future of agrarian society* (Routledge, November 2015). His other publications in English include *Revolution and history: Origins of Marxist historiography in China, 1919-1937* (University of California Press, 1978), *The Origins of Chinese Communism* (Oxford University Press, January 19, 1989), *Marxism in the Chinese Revolution* (Rowman & Littlefield Publishers, June 2005), *Schools into fields and factories: Anarchists, the Guomindang, and the National Labor University in Shanghai, 1927-1932* (Duke University Press, August 1991), and *Culture and history in postrevolutionary China: The perspective of global modernity* (The Chinese University Press., Hong Kong, March 2012).

6. *State, governance and civil societal response in contemporary China: Critical issues in the 21st Century* (*International Journal of China Studies*, Vol. 3, No. 3, December 2012, pp. 229-532 – special issue edited by Emile Kok-Kheng Yeoh). <<https://www.dropbox.com/s/mrliaizycaq3pe/IJCS-V3N3-combined-text-cover-hi-res-280413-p417-sets.pdf>>
7. *June Fourth at 25: The quarter-century legacy of Tiananmen* (*International Journal of China Studies*, Vol. 5, No. 2, June/August 2014, pp. 197-563 – special issue edited by Emile Kok-Kheng Yeoh). <<https://www.dropbox.com/s/1x335y8yf504anr/IJCS-V5N2-combined-text-cover.pdf>>
8. *From Handover to Occupy Campaign: Democracy, identity and the Umbrella Movement of Hong Kong* (*Contemporary Chinese Political Economy and Strategic Relations: An International Journal* (CCPS), Vol. 2, No. 2, August/September 2016, pp. 635-984 – focus issue edited by Joseph Yu-shek Cheng and Emile Kok-Kheng Yeoh). <<http://icaps.nsysu.edu.tw/ezfiles/122/1122/img/2375/165090456.pdf>> <<https://www.dropbox.com/s/1x335y8yf504anr/IJCS-V5N2-combined-text-cover.pdf>>

com/s/laezk1sfx85mr93/CCPS-V2N2-full-issue.pdf>

9. *Hong Kong twenty years after the Handover: Quo vadis? (Contemporary Chinese Political Economy and Strategic Relations: An International Journal (CCPS), Vol. 3, No. 2, July/August 2017, pp. 523-999 – focus issue edited by Joseph Yu-shek Cheng and Emile Kok-Kheng Yeoh). <http://icaps.nsysu.edu.tw/ezfiles/122/1122/img/2374/CCPS3(2)-full-issue(2).pdf> <https://www.dropbox.com/s/4d4hackrq0dz743/CCPS-V3N2-full-issue.pdf>*

* Emile Kok-Kheng Yeoh (楊國慶), with a Ph.D. on ethnopolitics in socioeconomic development from the University of Bradford, West Yorkshire, England (1998), is the department head and an associate professor of the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, Kuala Lumpur, Malaysia. He is the founding editor of the triannual academic journal *Contemporary Chinese Political Economy and Strategic Relations: An International Journal (CCPS)* jointly published by the Institute of China and Asia-Pacific Studies of Taiwan's National Sun Yat-sen University and the University of Malaya's Department of Administrative Studies and Politics, was the director of the Institute of China Studies (ICS), University of Malaya, from 13th March 2008 to 1st January 2014, the founder and editor of the institute's then SJR top-tier Scopus-indexed triannual academic journal, *International Journal of China Studies (IJCS)*, Vol. 1, 2010 – Vol. 5, 2014), and is currently also a member of the international editorial committee of several journals in Asia and Latin America. Among his publications in recent years are “マレーシア——親中心理を支える構造” [Malaysia: The fundamental structure of pro-China sentiment] (book chapter, University of Tokyo Press, forthcoming, February 2018), *Hong Kong twenty years after the Handover: Quo vadis?* (edited focus issue, CCPS, 2017, 477 pp. + xv), *Norms and institutions in the shaping of identity and governance: Mainland China and Taiwan in the regional*

environment (edited special issue, CCPS, 2017, 521 pp. + xviii), *From Handover to Occupy Campaign: Democracy, identity and the Umbrella Movement of Hong Kong* (edited focus issue, CCPS, 2016, 350 pp. + xviii), *China amidst competing dynamics in the Asia-Pacific: National identity, economic integration and political governance* (edited special issue, CCPS, 2016, 633 pp. + xv), *Crossing the Chinese frontier: Nation, community, identity and mobility* (edited special issue, CCPS, 2015, 410 pp. + xv), “Rising China as a regional power and its new assertiveness in the South China Sea” (book chapter, Palgrave Macmillan, 2014), *China – State, public policy and society* (guest edited special issue, *The Copenhagen Journal of Asian Studies*, 2014, 140 pp.), *June Fourth at 25: The quarter-century legacy of Tiananmen* (edited special issue, *IJCS*, 2014, 367 pp. + xv), “Poverty reduction, welfare provision and social security challenges in China” (book chapter, Routledge, 2014), *Taiwan: Democracy, cross-Strait relations and regional security* (edited focus issue, *IJCS*, 2014, 195 pp. + x), “Evolving agencies amid rapid social change: Political leadership and State-civil society relations in China” (book chapter, Palgrave Macmillan, 2013), “中國—東南亞關係：中國能源安全政策的區域安全戰略分析” [China-ASEAN relations: analysis on regional security strategy of China’s energy security policy] (book chapter, Wu-Nan, Taipei, 2014), *China: Developmental model, State-civil societal interplay and foreign relations* (edited monograph, 745 pp. + xxi, ICS, 2013), “Fiscal reform, decentralization and poverty alleviation in the context of China’s 12th Five-Year Plan” (*Journal of Asian Public Policy*, Routledge, 2012) and “The role of China in Asia-Pacific trade framework in the context of APEC” (book chapter, World Scientific, 2011). His latest research projects include the Equitable Society Research Cluster UMRG Programme on Public Administration and Governance (2016–2018, principal investigator), Malaysian Ministry of Higher Education / University of Malaya High-Impact Research (HIR) Grant project “The

China Model: Implications of the contemporary rise of China” (2013-2016, principal investigator) at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, and Suntory Foundation / University of Tokyo international research grant project “Beyond ‘China threat theory’: Dialogue with China experts on the rise of China” (2014-2015, Malaysian component).

<Website: <http://emileyeo5.wix.com/emileyeoh>>

<Email: yeohkk@um.edu.my, emileyeo@gmail.com>

Book Review

Book Review

Judith Shapiro, *China's environmental challenges*, 2nd edition, Malden, MA: Polity Press, 2016, 228 pp. + xxiv.

In 1979, the author Judith Shapiro from the United States first came to China when her government established diplomatic relations with China. She wrote this book and two others while in the mainland. An academic, she now teaches in the Global Environmental Politics programme at American University in Washington, DC.

This is a well-researched and balanced book about one of the great problems of our time – how the world's second largest economy and the largest country with the largest carbon dioxide emissions is working to deal with its environmental problem, with significant implications for the rest of the world. The answer is complex and contradictory, and the responsibility lies in the foreign responsibility for the consumption of goods in China and with the national government and the people. Environmental issues are becoming China's top priority, and it is the turning point for China: “Human must conquer nature” is not a valid argument anymore.

China's environmental challenges takes the form of environmental policy guidebooks or contemporary Chinese student handbooks, as well as manuals for the people who are interested in this area. Its 228 pages is divided into seven chapters. Each chapter ends with a series of questions and several links to websites for further discussion by the

readers. This book is thus suitable for high level of teaching and learning. The book is based on a compilation of second-hand sources, specializing in articles devoted to environmental issues in China, documentaries and some personal interviews, as well as communications with the author. The environmental theme is served by a multidisciplinary approach focusing on five key analytical concepts of globalization, governance, national identity, civil society and environmental justice (related to the fields of political science, environmental anthropology, human geography, environmental history and environmental economics). After introducing China's environmental problems and challenges, the book, in its second chapter, details the factors that affect the natural environment of the country: the overburden, the rise of the middle class, globalization and industrialization, urbanization, reduction of arable land, climate change and other factors. The third chapter focuses on the institutional and legal framework of China's governance system. The fourth chapter looks at the issue of national identity and the creation of China's sustainable development model. The fifth chapter deals with the emergence of civil society and the political orientation of people's participation in national environmental issues. The penultimate chapter presents the issue of equality and environmental pollution in China as well as wider scope of poverty in the world. Finally, the author concludes by pointing towards a path that China may pursue and also reflects upon the possible role of the developed countries in it.

This new edition has incorporated updated data and trends since 2012, including the tensions caused by the impact of the *Under the Dome* video as well as more details of the strategies used by the government and non-governmental organizations to guide the public towards more sustainable choices in their lives. There is also a much more in-depth discussion of the global impact of China's quest

worldwide for resources to promote its economic growth and social advancement.

This makes this edition even more important for those who are interested in this area, though the fact that Shapiro argues that the history of China's environmental challenges began in the Mao era could represent a fundamental weak point in her argument. China lived on one of the most fertile areas of the earth since some three thousand years ago, when human activities were already at a disadvantage. This fertility was the catalyst for the developments of China's science, engineering and administrative systems, and the robustness of these systems was in turn a major reason for China's long-term environmental degradation.

China and the earth are at a crucial moment; the road towards a more sustainable development model is still open. But, as Shapiro persuasively argues, making this choice will need humility, creativity, and denial of business as usual. The window of opportunity will not be open for a longer time. In order to achieve sustainable development in China, the country needs knowledge and expertise from developed countries but ultimately also needs to solve its own significant internal problems in its own way. Shapiro's point of view is that there is no simple solution, but all the pieces are there to solve the puzzle; yet it will take much collective effort – both domestic and international.

This book represents a brilliant textbook that should be recommended to the people who are interested in how rapid economic growth has taken a toll on China's environment. It also provides important lessons for anyone who might still hold the optimistic perception that the country is full of gold. *China's environmental challenges* is the foundational text many of us have been waiting for.

Zhang Yemo
Institute of Biological Sciences

*Faculty of Science
University of Malaya
Malaysia*

Zhang Yemo (張夜墨) is on the staff of the Equitable Society Research Cluster UMRG Programme on public administration and governance (2016-2018), Malaysian Ministry of Higher Education / University of Malaya High-Impact Research (HIR) grant project “The China Model: Implications of the Contemporary Rise of China” (2013-2016) at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, and a PhD candidate at the Institute of Biological Sciences, Faculty of Science, University of Malaya, Kuala Lumpur, Malaysia. <Email: zhangyemo@siswa.um.edu.my>

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