



# DEFENSE DOSSIER

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ISSUE 17

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## FROM THE EDITORS

Welcome to the August 2016 edition of AFPC's Defense Dossier. The articles contained in this issue are based upon the AFPC-sponsored April 18 Capitol Hill conference entitled "Xi in Command? Chinese Reforms and Regional Responses." The four presentations at that event focused on the international implications of Xi Jinping's domestic political reforms, regional responses to Xi's more assertive foreign policy, the current state of cross-strait relations between China and Taiwan, and the implications of Xi's restructuring of the Chinese military. We have complimented these presentations here with an article examining how Xi's reforms are likely to affect the bilateral U.S.–China relationship.

As always, we hope you find the pages that follow insightful and instructive.  
Sincerely,

Ilan Berman  
Chief Editor

Richard Harrison  
Managing Editor

# Xi Jinping's "Socialism with Chinese Characteristics"

Joshua Eisenman and Amanda Azinheira

Since 2012, in order to guarantee the Communist Party of China's (CPC) continued hold on power, President Xi Jinping has sought to reinvigorate China's national development strategy, known as "socialism with Chinese characteristics." In the wake of rising economic strains and bureaucratic foot-dragging, Xi has reinforced China's party-centric nationalism, launched an anti-corruption campaign to purify the CPC, and empowered it by quashing discontent and silencing critics. The party regularly harnesses nationalism in an effort to bind the Chinese people together and solidify its rule over the country. Below are half a dozen key tactics of this strategy, many of which harken back to the Maoist era. Yet, unlike during Chairman Mao's time, the CPC's political base is no longer the "worker-peasant alliance."

## THE TENETS OF XI'S RULE

*The cult of personality.* President Xi Jinping is the most powerful Chinese leader since Mao Zedong. Like Mao, part of Xi's power stems from the cult of personality he has built around himself. Outside the wall of the Forbidden City, his face adorns pendants and trinkets alongside Mao's. Videos about "Daddy Xi" and his adoring wife "Mama Peng" pervade Chinese social media, including a popular music video showing images of the couple holding hands and casting loving glances at each other.<sup>1</sup> This adoration is further stoked by Xi's efforts to end corruption and elitism within the party, which depict him as the leader of a movement to clean up government and level the playing field for average Chinese. This populist approach seems to have won the adoration of tens of millions of average Chinese people, although many officials have seen a noticeable reduction in their perquisites.

*Purification of the Party.* Xi's anti-corruption campaign is the largest the country has ever seen. Extravagant government spending on food and liquor are closely watched, as are any ostentatious displays of wealth among party members. The public has been shocked by the sheer extent and level of malfeasance that has been revealed within the Party. In 2013, 180,000 officials were disciplined for corruption. In 2014, it was 232,000, and last year it was over 300,000.<sup>2</sup> Meanwhile, Xi has announced a restructuring of the Communist Party Youth League, an important path to CPC leadership in the past and the political stronghold of his predecessor, Hu Jintao. Although the party leadership remains dominated by members of the youth league (known as *tuanpai*), Xi seeks to reform the organization, to prevent the emergence of future challengers and constrain the rise of those whose loyalty remains uncertain.

*Expanding surveillance state.* Under Xi, authorities have tightened their grip on almost all aspects of private life and doubled down on the surveillance-based security state. The country now uses facial recognition software that is linked to a national ID card system which also holds information about an individual's next of kin. These systems are then linked to the cameras on the street in every major city, allowing authorities to trace the whereabouts of regime critics and troublemakers.<sup>3</sup> An already approved law, which will take effect next year, has put a chill on Chinese cooperation with foreign non-governmental organizations (NGOs) and stigmatized that cooperation by placing it under the purview of the security services. At a time when international coordination among NGOs and transnational networks has reached the apex of effectiveness, it has never been

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so difficult for foreign NGOs to work with their Chinese counterparts.

*Under Xi, authorities have tightened their grip on almost all aspects of private life and doubled down on the surveillance-based security state.*

*Pervasive censorship.* An increasingly pervasive and responsive censorship apparatus has cleansed the Internet and social media of inconvenient or unsavory information. In a speech presented at the *National Propaganda and Ideology Work Conference* in 2013, Xi declared that “the internet has become the main battlefield for the public opinion struggle.”<sup>4</sup> Accordingly, under his rule, the state has tightened its control over censorship and caused an even further decline in Internet freedom. In January of last year, authorities upgraded the infamous “Firewall of China,” enabling it to block several providers of virtual private networks (VPNs) that were being used to skirt government-imposed restrictions and access blocked sites. The number of blocked sites themselves has increased dramatically; of the 1,000 most viewed webpages in the world, 169 were blocked in China in 2014, as compared to just 62 the year before.<sup>5</sup> To ensure that anything that risks defaming China’s political system is cleansed, the CPC has exercised complete control over all audio and visual entertainment, including TV, movies, and video games.

*Anti-Western propaganda.* In June, Tian Jin, the assistant bureau chief at China’s State Administration of Press Publication, Radio, Film and Television, wrote that China is engaged in an ideological struggle with the West, which is “conspiring” to divide China. Tian argued that either media outlets promote the Communist Party line or be banned from broadcasting. “The conspiracy among foreign enemies to use force to divide and westernize us has yet to end. Programs that mock pertinent societal issues, ridicule national policy, disseminate misleading viewpoints, promote extreme views, deliberately go against societal order will soon find themselves resolutely stopped and managed seriously.”<sup>6</sup> Chinese women are even being warned off of dating foreigners, for fear they are spies hunting for state secrets.<sup>7</sup>

#### COSTS AND CONSEQUENCES

Discouraged by Xi’s crackdown, China’s economic and political elites are voting with their feet and wallets, moving both their children and their wealth out of the country. In 2014-15 there were more than 304,000 mainland Chinese students studying at U.S. universities, up more than 10 percent over the previous year.<sup>8</sup> Meanwhile, by July China’s forex holdings were down to about \$3.2 trillion, off by about 20% from their June 2014 peak of \$4 trillion.<sup>9</sup>

*To ensure that anything that risks defaming China’s political system is cleansed, the CPC has exercised complete control over all audio and visual entertainment, including TV, movies, and video games.*

Taken together, the aforementioned aspects of Xi’s brand of socialism with Chinese characteristics represent a significant strengthening of the party state at the expense of individual liberty. He has consolidated his political power and tightened control over the party and Chinese society. Under such conditions, many will continue to find new and innovative ways to circumvent the system. As the old Chinese proverb goes, “On top there are policies, below there is pushback.” ■

#### ENDNOTES

<sup>1</sup> The video is available online at <https://www.youtube.com/watch?v=VuQ6HYfRHTw>.

<sup>2</sup> China News, October 12, 2015, <http://www.chinanews.com/gn/2015/10-12/7563687.shtml>; “Sub-anchor: China Vows to Strike ‘Tigers and Flies,’” CCTV, January 10, 2014, <http://english.cntv.cn/program/china24/20140110/105576.shtml>; “More Chinese Officials Disciplined in 2014, CCDI,” Xinhua, January 29, 2015, [http://news.xinhuanet.com/english/china/2015-01/29/c\\_133957054.htm](http://news.xinhuanet.com/english/china/2015-01/29/c_133957054.htm); “Graft Busters Discipline Nearly 300,000 Officials in 2015,” Xinhua, March 6, 2016, [http://news.xinhuanet.com/english/2016-03/06/c\\_135160649.htm](http://news.xinhuanet.com/english/2016-03/06/c_135160649.htm).

<sup>3</sup> Peter Fuhrman, “Government Cyber-Surveillance is the Norm in China – And It’s Popular,” Washington Post, January 29, 2016, [https://www.washingtonpost.com/opinions/cyber-surveillance-is-a-way-of-life-in-china/2016/01/29/e4e856dc-c476-11e5-a4aa-f25866ba0dc6\\_story.html?utm\\_term=.bb5e7c78baeb](https://www.washingtonpost.com/opinions/cyber-surveillance-is-a-way-of-life-in-china/2016/01/29/e4e856dc-c476-11e5-a4aa-f25866ba0dc6_story.html?utm_term=.bb5e7c78baeb)

<sup>4</sup> Freedom House, “China,” Freedom On The Net 2015, n.d., <https://freedomhouse.org/report/freedom-net/2015/china>.

<sup>5</sup> Ibid.

<sup>6</sup> “Master the news media in this important position (study and implement the important speech of Comrade Xi Jinping on the

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<sup>7</sup> “Taiping Bridge Street Triple living communities 4.15 National Security Education Day national campaign,” Fengtai District official website, April 15, 2016, <http://tpqjd.bjft.gov.cn/view.do?c=86&p=12502>

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<sup>8</sup> Institute for International Education, “Project Atlas: International Students in the United States,” n.d., <http://www.iie.org/Services/Project-Atlas/United-States/International-Students-In-US#.V7IaYWXXn-Y>

<sup>9</sup> Elena Holodny, “China Just Stunned the Markets,” Business Insider, July 7, 2016, [http://finance.yahoo.com/news/china-just-stunned-markets-000200438;\\_ylt=AwrXnCAIHXoWUAZVTQtDMD;\\_ylu=X3oDMTByc3RzMXFjBGNvbG8DZ3ExBHBvcwM0BHZ0aWQDBHNiYwNzcg--](http://finance.yahoo.com/news/china-just-stunned-markets-000200438;_ylt=AwrXnCAIHXoWUAZVTQtDMD;_ylu=X3oDMTByc3RzMXFjBGNvbG8DZ3ExBHBvcwM0BHZ0aWQDBHNiYwNzcg--)

## PLA Reforms and Their Ramifications

Cristina Garafola

At the Third Plenum of the 18<sup>th</sup> Central Committee in November 2013, the Communist Party of China formally announced a series of major reforms to the People's Liberation Army (PLA).<sup>1</sup> So far, those reforms have included a reduction of 300,000 personnel, a reorganization of the former seven Military Regions into five “theater commands,” and the restructuring of the former four General Departments into 15 smaller organizations that all report directly to the Central Military Commission (CMC). Official media coverage has also detailed an extensive anti-corruption campaign that has led to disciplinary action against dozens of high-ranking PLA officers, as well as plans for an end to fee-based services that had been run by PLA personnel as secondary sources of income.

This newest round of reforms has been portrayed as a far-reaching process for both the PLA and Chinese society as a whole. It is expected to last until 2020, and will improve the military's efficiency, warfighting capability, and—most importantly, from the Party's perspective—its political loyalty. However, the reforms also challenge entrenched interests within the PLA, and could lead to reluctance within the military to adjust to new realities. Nevertheless, the reforms will likely succeed due both to recognition within the PLA of continued weakness in operational capabilities and to the senior Party leadership's ability to coopt support from various groups within the institution.

### THE RATIONALE FOR REFORM

On January 1, 2016, the CMC released a document explaining the rationale for undertaking the reforms as well as the priority areas for reforming the PLA.<sup>2</sup> According to the “Opinion on Deepening the Reform of National Defense and the Armed Forces,” the reforms are necessary both for the PLA and for China as a whole. In addition

to being the only path forward to transform the military into a modern fighting force, they are also one component of policies designed to help China reach broader national-level goals, which official policy statements have detailed as becoming a “moderately prosperous society” by 2021 and becoming a “modern socialist country” by 2049.

The main goals of the reforms as described in the “Opinion” are twofold. The first is to guide the PLA toward the “correct political direction” of Communist Party control and away from the perceived laxness of the pre-reform PLA, which was seen as corrupt and too opaque for Party leadership to administer. The second is to improve the PLA's ability to fight and win wars.

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### WHICH REFORMS DO WE KNOW ABOUT SO FAR?

*Organizational.* The reforms that have been publicly announced have already had far-ranging effects on the PLA. The main set of reforms includes changes to the relationships among the major bureaucratic organizations within the PLA, which have been newly defined in the “Opinion” as “the CMC manages, the theater commands focus on warfighting, and the services focus on building [the forces].”

Several organizational changes have occurred to date. First, the CMC's oversight over the four old General Departments has grown, as their functions were reorganized into 15 bodies that are under its direct control. Previously, many of these organizations reported directly to the General Departments and were thus less visible to the

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highest level of military leadership.

Second, the seven military regions have been renamed and consolidated into five theater commands. These commands have been tasked with developing a more joint command structure, called a “joint operations command system,” to be used during wartime operations. This contrasts with the former military regions, which were largely ground force-dominated and focused on peacetime administration.

Third, the relationships among the services are changing. Prior to the reforms, the PLA Army did not have its own service headquarters, and its administrative functions were carried out by the four General Departments. Partially because of this, and because of the historical dominance of the PLA Army within the PLA over the other services, the General Departments were largely ground force-dominated. In December 2015, however, an Army headquarters was established for the first time, putting the service on an equal footing with others in terms of organizational structure. The Second Artillery Force, which controls China’s nuclear and conventional missile forces, was additionally elevated to a service and renamed the Rocket Force (PLARF). Including the Navy and the Air Force, this brings the current number of services to four (the newly created Strategic Support Force, although not a service, will focus on cyber, information and electromagnetic warfare, and likely some areas of space operations).

Theoretically, the roles of the services will be changing as well. Although their leadership has traditionally played a role in commanding operations, pursuant to the new guidance the services are supposed to focus on force “building,” or manning, training, and equipping the armed forces, while the theaters themselves focus on warfighting.

*Personnel.* In recent decades, the PLA has embarked on multiple rounds of personnel reductions, most recently with a 200,000 personnel cut that left roughly 2.3 million troops remaining as of mid-2000s.<sup>3</sup> This latest reduction of 300,000, over half of which will come from demobilizing officers, is expected to be completed by 2017.<sup>4</sup> Although no major reductions have been announced yet, a significant portion of these cuts will likely take place

within the PLA Army. A *China Daily* article on changing trends in military recruitment noted that 24 percent fewer students would be admitted to ground force-related programs of study in military schools in 2016 compared to 2015, while students focusing on aviation, missile, and maritime topics would increase by 14 percent. The number of students focusing on space-, radar-, and drone-related topics was expected to grow by 16 percent.<sup>5</sup>

As personnel reductions get underway, reintegrating hundreds of thousands of PLA officers and soldiers into the civilian workforce is a concern for the CPC leadership. During a senior leadership meeting earlier this summer, President Xi Jinping noted that finding unemployment for demobilizing officers is a “political task” that is closely tied to the PLA’s reforms.<sup>6</sup> At a June conference, Liu Yunshan, a member of the Politburo Standing Committee (PBSC), stated that performance criteria for evaluating and promoting government officials, which typically include metrics such as economic growth, should also include their success in finding employment for demobilized officers in their respective jurisdictions.<sup>7</sup>

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*Anti-corruption.* The “Opinion” discusses improvements to PLA regulatory systems that would reduce the corrupt practices publicized in recent years, including bribery and position-buying. In addition, an anti-corruption campaign, primarily focusing on mid- to high-ranking officers within the PLA, has resulted in disciplinary action and/or jail time for dozens of officers.<sup>8</sup> In May 2016, the PLA and the People’s Armed Police Force held a meeting in Tianjin where they outlined a pilot plan to shut down fee-based services in non-military fields, such as real estate leasing, medical treatment, publishing, and hospitality services.<sup>9</sup>

### LINGERING QUESTIONS

As the reforms continue to unfold, the extent to which they have impacted the PLA in some areas remains unknown to outside observers. For most of these, key developments could arise as a result of the 19<sup>th</sup> Party Congress in late 2017 and the Central Committee plenums leading up to it.

Some areas where key questions still remain include trends in the jointness of the theater commands, if any; the relationship between the new commands and supporting organizations; and the role of the CMC as the PLA evolves. First, although the services are now more equal in terms of organizational structure and hierarchy, the new commanders and political commissars of the five theater commands still all come from the ground forces. This implies continued Army dominance within the system. After the current “transition” leadership of the new theater commands eventually retires, one area to watch will be how Navy and Air Force officers are integrated into the leadership of the commands.

Second, the relationship between the theater commands and the Strategic Support Force is also unclear. If the force has operational control of troops, it is not yet known how it will coordinate those operations with the theater commands during wartime.

*The reforms challenge a number of entrenched interests (both corrupt and bureaucratic) within the PLA, which may incentivize members of the military to resist them or find loopholes to blunt the changes already underway.*

Third, the composition and role of the CMC itself may change as the PLA continues to reform. The CMC’s portfolio of organizations over which it has direct oversight has expanded from four to 15, increasing its workload during a period in which it is also developing and enacting major reforms within the PLA. Will the CMC’s support staff be augmented to increase its ability to monitor all these organizations? Prior to the reforms, membership of the CMC generally included two vice chairmen, the defense minister, the leaders of the four General Departments, and (since 2004) the PLAN, PLAAF, and PLASAF

(now PLARF) commanders. As the relationship among the services, theater commands, and other organizations evolves, the CMC’s membership is likely to shift as well.<sup>10</sup>

### IMPLICATIONS

The wide scope of initiatives included in the reforms raises questions about how long they will take to implement, how likely they are to succeed, and their overall impact on the PLA’s capabilities. The timeline the PLA set to complete the reforms by 2020 is ambitious, and though formal structures and procedures are likely to be in place by then, efforts to improve warfighting capabilities and dismantle corruption networks will likely continue beyond that date.

The reforms additionally challenge a number of entrenched interests (both corrupt and bureaucratic) within the PLA, which may incentivize members of the military to resist them or find loopholes to blunt the changes already underway. PLA officers who personally benefited from running fee-based services or engaging in other corrupt practices may oppose efforts to clean up the system. On the bureaucratic front, resistance to change may stem from inertia or power struggles within a large government organization, but may also reflect concerns about how the new system will work in practice. For example, the service headquarters will be focused on manning, training, and equipping their respective services, while the five new theater commands have been tasked with leading military operations. It is unclear, however, how decision-making that affects both the service and the theater commands will be coordinated with respect to acquisitions, training, and resource allocations. One commentary by a PLA officer expressed concern that the services may pursue force modernization that is not relevant to warfighting requirements, while the theater commands may not understand restrictions placed on the services due to personnel or costs. These concerns may indicate that the process for negotiating interactions between the theater commands and the services on these issues has not yet been developed.<sup>11</sup>

Despite these incentives to push back, however, the reforms will likely succeed overall due to recognition within the PLA of continued weakness in operational capabilities and the senior Party leadership’s ability to coopt var-

ious groups within the PLA. In the first group are officers who either want to play a role in creating a more capable fighting force, or hope to advance their careers by implementing new policies—or a mix of the two. In the second are senior officers who have benefited from the pre-reform system and have been placated by being allowed to hold on to their current privileged status until they retire.<sup>12</sup> In the third group, influential senior officers who might otherwise resist the reforms, the threat of investigations, trials, or even worse fates that have befallen disgraced colleagues may prove persuasive enough for a majority to fall in line.

Both PLA sources and senior Party leadership, including President Xi, have emphasized the importance of PLA reforms for carrying out military modernization and realizing broader goals for the Chinese nation. Whether or not the reform program meets the stated goal of 2020, Western observers' understanding of the success and implications of many of the proposed changes will depend on close examination of them, particularly as the lead-up to the 19<sup>th</sup> Party Congress gets underway. Successful, substantive reforms, ones which go beyond official propaganda, will be those that show significant progress not only in traditional benchmarks (such as the development and fielding of new systems), but also in how the PLA approaches joint operations, and in the training, personnel recruitment and retention, and professionalization required of a modern military. ■

#### ENDNOTES

<sup>1</sup>Portions of this article were adapted from earlier research published in Cristina Garafola, "Will the PLA Reforms Succeed?" European Council on Foreign Relations China Analysis, March 30, 2016, [http://www.ecfr.eu/page/-/XIS\\_ARMY\\_-\\_GARAFOLA.pdf](http://www.ecfr.eu/page/-/XIS_ARMY_-_GARAFOLA.pdf).

<sup>2</sup> People's Republic of China, Central Military Commission, "Central Military Commission Opinion on Deepening the Reform of National Defense and the Armed Forces" [中央军委关于深化国防和军队改革的意见], January 1, 2016.

<sup>3</sup> Dave Finkelstein, "Initial Thoughts on the Reorganization and Reform of the PLA," CNA Occasional Paper, January 15, 2016, 1, [https://www.cna.org/cna\\_files/pdf/DOP-2016-U-012560-Final.pdf](https://www.cna.org/cna_files/pdf/DOP-2016-U-012560-Final.pdf).

<sup>4</sup> Fang Yongzhi, "Ceremonies Do Need for Retired Military Officers,"

China Military Online, June 13, 2016, [http://eng.chinamil.com.cn/news-channels/2016-06/13/content\\_7098893.htm](http://eng.chinamil.com.cn/news-channels/2016-06/13/content_7098893.htm); "China's 300,000 Troop Reduction Plan is Unlikely to Increase Civil Unrest Risks or Hamper Political Stability," IHS Jane's, September 7, 2015, <http://www.janes.com/article/54082/china-s-300-000-troop-reduction-plan-is-unlikely-to-increase-civil-unrest-risks-or-hamper-political-stability>.

<sup>5</sup> "PLA Restructuring Changes Focus at Military Schools," China Daily, April 28, 2016, <http://en.people.cn/n3/2016/0428/c90786-9050697.html>.

<sup>6</sup> "Xi Stresses Employment of Demobilized Military Officers," Xinhua, June 7, 2016, [http://eng.chinamil.com.cn/news-channels/2016-06/07/content\\_7091286.htm](http://eng.chinamil.com.cn/news-channels/2016-06/07/content_7091286.htm). It is unclear if the article quotes Xi Jinping directly or paraphrases him.

<sup>7</sup> "Xi Stresses Employment of Demobilized Military Officers," Xinhua, June 7, 2016.

<sup>8</sup> Fan Xiaozhou, "PLA Says Two More Senior Officers Probed for Corruption," Caixin Online, June 1, 2015, <http://english.caixin.com/2015-06-01/100815231.html>.

<sup>9</sup> Xu Xieqing and Liu Changyu [徐叶青、刘长宇], "Armed Forces and Armed Police Convene Meeting on Pilot Scheme to Comprehensively End Paid Services; Zhao Keshi Attends and Gives Speech" [军队和武警部队全面停止有偿服务试点任务部署会议召开赵克石出席并讲话], PLA Daily, May 8, 2016; See also "Military Leadership Meets to Hash Out End to Paid Services," Global Times, May 9, 2016, [http://english.chinamil.com.cn/news-channels/china-military-news/2016-05/09/content\\_7042063.htm](http://english.chinamil.com.cn/news-channels/china-military-news/2016-05/09/content_7042063.htm).

<sup>10</sup> Allen, Blasko, and Corbette list eight options for possible compositions of the CMC in the future. A ninth and tenth option could include the defense minister, the heads of the Joint Staff Department and the Political Work Department; and either the five theater commanders or the four service commanders. See Kenneth W. Allen, Dennis J. Blasko, and John F. Corbett, Jr., "The PLA's New Organizational Structure: What is Known, Unknown and Speculation, Parts 1 & 2," Jamestown Foundation China Brief, Jamestown Foundation, n.d., [http://www.jamestown.org/uploads/media/The\\_PLA\\_s\\_New\\_Organizational\\_Structure\\_Parts\\_1\\_and\\_2\\_01.pdf](http://www.jamestown.org/uploads/media/The_PLA_s_New_Organizational_Structure_Parts_1_and_2_01.pdf).

<sup>11</sup> Xu Debin, "Military Reforms Recognize Inconsistencies: Worries That the Theater Commands Do Not Care about the Influence of Personnel or Financial Powers on Combat" [军改认识误区：担心战区不管人权财权影响作战], China National Defense Daily, January 7, 2016. Xu worked in the former Guangzhou Military Region's Political Department Office as of August 2014.

<sup>12</sup> Though there have been some exceptions to the rule. On these cases, see Jérôme Doyon, "Personnel Reshuffle in the PLA: The Two Promotions That Did Not Happen," European Council on Foreign Relations China Analysis, March 30, 2016, [http://www.ecfr.eu/page/-/XIS\\_ARMY\\_-\\_DOYON.pdf](http://www.ecfr.eu/page/-/XIS_ARMY_-_DOYON.pdf).

## A Bumpy Road Ahead for China-Taiwan Relations

Derek Grossman

The inauguration in May of Taiwanese President Tsai Ing-wen represents a critical inflection point for cross-strait relations. For eight years under Kuomintang (KMT) rule, Taiwan was able to reach accommodation with mainland China, inking 23 economic agreements and even opening political talks, which culminated last Fall in the KMT President Ma Ying-jeou meeting with Chinese President Xi Jinping in Singapore. However, some in Taiwan argued that these achievements were realized at the expense of Taiwan's economic development and sovereignty. Now, with Tsai as president and her Democratic Progressive Party (DPP) holding a majority in the legislature, it would seem that cross-strait relations have entered a more antagonistic dynamic.

The central issue is the so-called "1992 Consensus"—an acceptance of "one China" reached with Ma and the KMT, but never recognized by Tsai or the DPP. To her credit, Tsai has issued numerous political overtures to Beijing, yet Xi has demonstrated a clear reluctance to accept her as a credible partner. Instead, Xi has turned up the heat on Tsai in an attempt to undermine her administration. This strategy will probably result in periodic and perhaps even sustained tensions that are unlikely to bring Taiwan any closer to Beijing and which may, in fact, only convince Taiwan of the need to increasingly distance itself from China.

### SNAPPING OLIVE BRANCHES

From the start of her campaign to become Taiwan's president, Tsai has tried to reconcile her party's traditionally pro-independence position in favor of a more predictable and stable cross-strait policy predicated on, in her words, "no surprises, no provocations."<sup>1</sup> Following her election in January, Tsai began the process of making good on her pledge. In an interview with Taiwan's *Liberty Times* on January 21st, for example, she acknowledged for the first time that the 1992 Consensus was a "historical fact" and

represented part of an "existing political foundation."<sup>2</sup> To be sure, Tsai stopped short of endorsing the substance of the agreement. In an apparent response on March 5<sup>th</sup>, Xi mandated that Taiwan recognize "the core connotation of the 1992 Consensus" and suggested that Tsai must explicitly accept that "one China" includes both mainland China and Taiwan without differing interpretations.<sup>3</sup> Indeed, Xi may have raised the rhetorical bar even higher for Tsai since her predecessor, Ma, never had to do the same.<sup>4</sup>

During her inauguration speech on May 20<sup>th</sup>, Tsai once again emphasized that she believed the 1992 Consensus was a historical fact, but again declined to endorse the substance of the agreement.<sup>5</sup> In response, China's Taiwan Affairs Office (TAO) issued a statement condemning the speech, labeling it "an incomplete test paper."<sup>6</sup> Xi directed the TAO to cut off official ties with its Taiwan interlocutor, the Mainland Affairs Council (MAC), and to cease even semi-official dialogue through China's Association for Relations Across the Strait (ARATS) with Taiwan's Straits Exchange Foundation (SEF).<sup>7</sup> To be sure, in August the TAO stated that communication on previously existing agreements lack of communication will make it particularly difficult for China and Taiwan to implement their economic agreements—despite TAO's recent statement that the agreements would remain in place—and will make the conclusion of any others highly doubtful.<sup>8</sup> Perhaps more alarmingly, Taiwan and China do not have a direct line of communication in the event of a crisis situation.

### XI'S PRESSURE TACTICS

Without Taiwanese acquiescence to Beijing's demands on the 1992 Consensus, Xi appears to have embarked on a strategy to discredit Tsai in the hopes that a candidate more favorable to China is elected in 2020. One component of this approach has been to launch ad hominem

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attacks against Tsai herself. In May, for instance, a senior Chinese military official with China's Academy of Military Sciences, who concurrently serves as a member of AR-ATS, posted an article opining that Tsai was "extreme" and "emotional" because she is unmarried.<sup>9</sup> Although it was quickly taken down and roundly condemned in China, the fact that the article ever appeared in the first place in the *International Herald Leader*—a newspaper affiliated with state-run *Xinhua* news—only reinforced Taiwan's perception that China does not maintain a favorable view of Tsai.

*Taiwan's President Tsai has issued numerous political overtures to Beijing, yet Xi has demonstrated a clear reluctance to accept her as a credible partner. Instead, President Xi has turned up the heat on Tsai in an attempt to undermine her administration.*

More importantly, such personal attacks fit a clearly defined pattern. In the past, Xi's lieutenants have routinely criticized Tsai for being "a splittist" and "true believer" in Taiwan independence, suggesting that she cannot be trusted to negotiate in good faith with China. While there may be differing interpretations of her past policy positions, such as when she rejected the 1992 Consensus during her failed presidential campaign in 2012, Beijing has sidestepped a substantive discussion of Tsai. Instead it has resorted to public taunts, at one point accusing Tsai of "evil talk," "carping," and embarrassing herself.<sup>10</sup>

Xi is also pressuring Taiwan by further squeezing its international space. Before Tsai's inauguration, for example, Beijing accepted The Gambia's request to establish formal diplomatic relations with China.<sup>11</sup> To be sure, The Gambia had requested a switch in diplomatic recognition (from Taiwan to the PRC) in 2013, but under a tacit diplomatic truce in effect between China and Taiwan dating back to 2008 under the KMT, Beijing held off on accepting The Gambia's request. In the current context, however, Xi saw greater benefit in sending a political message to Taiwan that it could further restrict its international space at will, and China's establishment of relations with The Gambia could be seen as signaling its willingness to persuade more of Taiwan's 22 remaining diplomatic partners

to switch sides.

In a similar vein, Taiwan's invitation to the World Health Assembly (WHA) this year, which it normally attends as an observer under the mutually accepted name "Chinese Taipei," arrived with new prerequisites for participation. For the first time, Beijing managed to insert language in the invitation on adhering to the "one China" principle. It also dusted off United Nations Security Council Resolution 2758 from 1971—stating that only the People's Republic of China is the "legitimate representative of China"—to reinforce what Beijing sees as Taiwan's proper place in the international forum.<sup>12</sup> Taiwan decided to ignore these caveats and move forward by attending the WHA meeting in Geneva. However, during his address to the WHA, Taiwan's health minister was instructed not to use the term "Taiwan," resulting in domestic criticism of Tsai's "cross-ministry" coordination of his talking points.<sup>13</sup>

*Without Taiwanese acquiescence to Beijing's demands on the 1992 Consensus, Xi appears to have embarked on a strategy to discredit Tsai in the hopes that a candidate more favorable to China is elected in 2020.*

Xi also appears to be consciously reducing the number of tourists China sends to Taiwan. According to one source, Beijing plans to cut tourist numbers from 3.85 million in 2015 down to 2 million in 2016.<sup>14</sup> The obvious intent is to use tourism as an unofficial economic sanction against Taiwan, and the possibility of other like-minded economic punishments—such as the cancellation of trade deals or direct flights to the mainland—could follow.

Finally, Xi has flexed China's military muscle to compel Taiwan to fall in line with Chinese demands. In the run-up to Taiwan's elections and presidential inauguration, the People's Liberation Army (PLA) conducted military exercises involving live-fire and island-landing operations. Although official Chinese statements claimed that the exercises were pre-planned and part of the PLA's annual training cycle and not aimed at political events on Taiwan, the timing certainly seems suspicious.<sup>15</sup> In addition, the exercises involved the PLA's 31<sup>st</sup> Group Army—a mili-

tary unit based in Fujian Province, opposite Taiwan, that would likely be an essential component of any amphibious landing campaign against the island nation.

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Beijing also has more subtle ways of issuing military threats to Taiwan. Last summer, for example, a YouTube video posted online by China Central Television (CCTV) featured PLA soldiers storming a replica of Taiwan's Presidential Office. According to a Shanghai news outlet, it demonstrated how China "would use force to solve the Taiwan issue."<sup>16</sup> Psychological warfare is just one component of a likely broader Chinese information operations campaign meant to reduce Taiwanese morale.

#### A LASTING COLD PEACE

Barring a breakthrough on the 1992 Consensus, cross-Strait relations are likely to encounter periodic tensions and even perhaps a lasting cold peace that features sustained political tensions with suspended or circumscribed economic ties. According to recent polling research, nearly 74 percent of the Taiwanese public supports Tsai's China policy, so there is no political imperative, as the democratically elected leader of Taiwan, for her to change course any time soon.<sup>17</sup> And while Xi's pressuring strategy has yielded some tactical gains—such as domestic criticism of Tsai during the WHA episode—it is hard to envision how this approach would lead to a more pliable Taiwan.

In fact, the trend seems to be heading the other way. Tsai, for example, has pledged to diversify Taiwan's economy away from dependence on China, and the DPP majority in the legislature recently introduced a "Cross-Strait Agreement Oversight Bill" that would allow legislators to intervene at any time in cross-Strait agreements to halt

or reconsider them—an unprecedented power.<sup>18</sup> Another point of tension emerged on July 12<sup>th</sup>, following The Hague's Permanent Court of Arbitration decision to reject China's sovereignty claims vis-à-vis the Philippines in the South China Sea. Shortly after the decision, the TAO reached out to its MAC counterpart, offering that the two sides "join hands with China in safeguarding the sovereignty of the South China Sea islands and the rights in the surrounding waters."<sup>19</sup> Tsai's administration promptly rejected the offer, which would have implied that Taiwan's claims were the same as China's because Taiwan is a part of China.<sup>20</sup> Instead, Tsai immediately sent a military ship to patrol the largest island in the Spratly Islands under its *de facto* control, Itu Aba, otherwise known in Taiwan as Taiping Island.<sup>21</sup> These types of moves suggest less integration and further estrangement in the future.

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## The Region Seeks Balance

Jeff M. Smith

In retrospect, China did a remarkably effective job managing threat perceptions across the first two decades of its spectacular rise. International relations theory posits that China's rapid ascent to regional hegemony would provoke one of two responses from its neighbors: either to "Bandwagon" with China, effectively submitting to its authority, or to internally and externally "Balance" against its growing power.

Until recently, however, China's key neighbors—including India, Vietnam, Japan, the Philippines, Australia, Malaysia, Indonesia, Singapore, Myanmar, and South Korea—largely defied this prediction, assiduously avoiding the choice between Balancing and Bandwagoning. Instead, they pursued the mildest variants of both, engaging with (but not submitting to) Beijing while maintaining modest and non-threatening security relationships with the U.S. and other regional powers. This behavior is partly attributable to the nature of Asian diplomacy and the inherent proclivity to seek at least the veneer of harmonious relations with all parties while avoiding "taking sides" or making hard choices wherever possible.

It's little surprise that Bandwagoning with China is a decidedly unpalatable option for most regional capitals, given their bitter historical experiences and the potent forms of nationalism coursing through the region. Yet the absence of more overt Balancing behavior was more perplexing, and a testament to the effectiveness of China's "peaceful rise" narrative and the soft power diplomatic and economic offensive atop which it was built. This narrative benefitted from Chinese leadership that was relatively restrained in both its actions and demeanor, as evidenced in the bookish, almost timid figure cut by Hu Jintao, China's president from 2002-2012.

China was also aided by no shortage of global distractions and tragedies, including: the end of the Cold War, the first Gulf War, the onset of the Information Age and Globalization, the 1998 Asian financial crisis, 9/11 and the rise

of Islamist terrorism, the subsequent wars in Iraq and Afghanistan, the challenge posed by Iran's nuclear program, and a steady stream of crises in the Middle East, to name just a few.

In this turbulent geopolitical context, China's rise looked—and often felt—quite peaceful. Beijing treated its neighbors with relative magnanimity as it sought membership, and later leadership, in an alphabet's soup of regional and international institutions. Preoccupied with domestic economic development and social stability, Beijing reached compromises with its neighbors on the majority of its land border disputes through the mid-2000s, often on terms favorable to the opposite party. Meanwhile, by mid-decade Asian views toward the U.S. were souring, particularly after the Bush administration's 2003 invasion of Iraq.

At the end of the last decade something changed, however. Perceptions about China's rise, and China's behavior itself, began to evolve at an accelerating rate. The phenomenon arguably began in 2008, with China's hosting of the Beijing Olympics and the onset of the global financial crisis, which China seemed to weather far better than its peers.

Those dual events prompted something of an awakening of Chinese nationalism, a trend further fueled by the relative opening of China's online news and social media space. A rapid expansion of Internet access and engagement paralleled the rise of a new generation of popular Chinese online and print outlets with a distinctly nationalist bent. While the proliferation of nationalist discourse served the Chinese Communist Party's interests, it also created new pressures and incentives that rewarded hardline posturing and raised the political cost of concessions and compromise.

### TOWARD CONFRONTATION

In 2009, China's territorial disputes in the South China Sea, relatively dormant over the preceding two decades, rose to the forefront of regional security concerns. A joint sub-

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mission by Malaysia and Vietnam to the United Nations in May of that year outlining their continental shelf claims<sup>1</sup> was followed a day later by China's first-ever formal submission to an international body of the ambiguously-defined "9-dash line" that encompasses nearly the entire South China Sea.<sup>2</sup> In the years to follow, China's policies and rhetoric toward the South China Sea (and later the East China Sea) hardened.

*The absence of more overt balancing behavior is a testament to the effectiveness of China's "peaceful rise" narrative and the soft power diplomatic and economic offensive.*

The rise of President Xi Jinping, first as head of the Communist Party in November 2012 and then as President in March 2013, only crystallized concerns that China had abandoned its "peaceful rise." Xi amassed and consolidated power with greater speed and efficacy than his contemporaries, not least through an unprecedented anti-corruption campaign targeting "tigers and flies," paired with a massive restructuring of the Chinese military and purge of disloyal officers. His avowedly more confident and outwardly nationalist personal disposition was eventually reflected in a more assertive and combative Chinese international posture.

In an early address to the Politburo in July 2013, Xi argued China must focus on "promoting a shift toward overall planning and consideration of both rights protection and stability maintenance." As analyst Ryan Martinson notes: "In this scarcely penetrable prose, Xi is saying that in the past China had attached too much importance to stable relations with its neighbors, to the cost of 'rights protection.' Under Xi's leadership, China would balance these competing objectives in a way that favored rights over stability."<sup>3</sup>

In the years that followed, the region witnessed steady escalation of tensions and clashes at sea amid China's seizure of Scarborough Shoal in 2012, its declaration of an Air Defense Identification Zone in the East China Sea in 2013, its positioning of an oil rig in waters claimed by Vietnam in 2014, and its gradual construction and militarization of seven artificial islands in the Spratly Islands beginning in mid-2014. Meanwhile, regional diplomats began to complain about a more belligerent and arrogant tone assumed

by Chinese officials in private and public interactions.

Xi's China seemed to be abandoning the guiding adage of Deng Xiaoping, "hide your capabilities, bide your time," in favor of the confident pursuit of the "Chinese Dream." An increasingly popular nationalist discourse portrays China as an aggrieved nation desperately trying to recover from a "Century of Humiliation" suffered at the hands of foreign powers. It argues that China is a nation under constant duress from neighbors seeking to leverage its weakness for territorial gains. And the U.S., while still respected as the global superpower, is increasingly portrayed as wielding an invisible hand directing regional events against China's interests.

Indeed, Chinese scholars and experts now regularly identify the U.S. "Pivot to Asia," announced in early 2011, as the source of recent regional tensions and instability. Meanwhile, Washington is often portrayed as covertly encouraging regional capitals to provoke China in the East and South China Seas, undermine its efforts at regional diplomacy, and establish a coalition of regional powers to "contain" China's rise. A video released in the summer of 2016 by China's Supreme People's Procuratorate warned: "clouds of domestic troubles and foreign dangers...are destroying China's domestic stability and harmony with all possible means. Behind all these incidents we can often see the shadow of the Stars and Stripes."<sup>4</sup>

*China's hosting of the Beijing Olympics and the onset of the global financial crisis prompted something of an awakening of Chinese nationalism, a trend further fueled by the relative opening of China's online news and social media space.*

#### REGIONAL REACTIONS

Chinese nationalists are right to be concerned the regional tides are turning against them, even if their diagnosis of the problem is grossly misplaced. The reality is, after avoiding the choice between Bandwagoning and Balancing for so many years, many regional capitals have reached a tipping point and are being drawn to the latter. With political freedoms in China receding domestically and foreign policy bravado expanding abroad, its neighbors increasingly see moves toward Balancing as their best means of insur-

ance against Chinese coercion or aggression.

That much is evident in regional attitudes toward Internal Balancing, or enhancing domestic military capabilities. In 2013, for the first time in recent history, more money was spent on defense in Asia than in any other region in the world. In 2015, Indonesia, the Philippines and Vietnam increased defense spending by 16%, 25%, and 7.6%, respectively. Indeed, last year global defense spending grew by just 1%, but in Asia it swelled by 5.4%. And it's now expected to climb a further 23% between 2016 and 2020.<sup>5</sup> The largest importer of arms in the world over the last five years was India.

The signs of External Balancing are no less obvious. A budding network of new defense linkages among select Asian "Middle Powers" is producing a staggering number of "firsts": from new defense dialogues, to new bilateral and multilateral military exercises, Joint Vision Statements, and arms deals. As they have moved to strengthen inter-Asian defense ties, so too have many drawn closer to the U.S., and made no secret of their desire to see a stronger U.S. presence in the region.

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To highlight how quickly the landscape is shifting, consider the number of "firsts" to take place in the past two years: the first India-Japan-Australia Trilateral Dialogue; the first case of Japanese troops exercising on Australian soil; the first visit by Vietnam's Communist Party chief to the U.S.; the first India-U.S. Joint Vision for the Indo-Pacific; the first visit by a U.S. defense secretary to a Vietnamese military base; the first joint India-Australia maritime exercises; the first Japan-Philippines naval exercise in the South China Sea; the first Japanese consideration of military exports in decades; the first visit by a U.S. defense secretary to U.S. Pacific Command; the first U.S.-India cooperation on aircraft carriers; and the first-ever purchase of submarines and advanced missiles by the Philippines, to name just a few. The Asia-Pacific, says Asia expert Alexander Sullivan, is "seeing an unprecedented level of regional security co-

operation at both the bilateral and multilateral levels, which will continue in the coming years."<sup>6</sup>

#### CAUSE AND EFFECT

By blaming the U.S. and failing to recognize China's culpability in this phenomenon, Chinese nationalists are doing their nation a disservice, and merely accelerating the trend toward Balancing in the process. As U.S. Defense Secretary Ashton Carter has noted, it is China's behavior that is "out of step with both the international rules and norms that underscore the Asia-Pacific's security architecture," and it is China's behavior that is "spurring nations to respond together in new ways"<sup>7</sup> and "causing many countries in the region to want to intensify their security cooperation with the United States."<sup>8</sup>

Asian nations are far too proud and far too independent to be cajoled by the United States into working against their self-interest. And America is far too pragmatic and far too invested in U.S.-China ties to covertly seek to create some sort of containment alliance against China. Regional trends toward Balancing are being driven by fear and anxiety over Chinese policies. Chinese nationalists would be better served trying to understand and address the concerns of their neighbors rather than peddling conspiracy theories about Uncle Sam. ■

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## Xi's Reforms and the U.S.-China Relationship

Mohan Malik

Conventional wisdom has it that China, under the rule of Xi Jinping, has abruptly transitioned from its overly cautious, low-profile, responsibility-shirking, and free-riding persona of the past to that of a more confident, aggressive, revisionist power that is increasingly pushing back against the United States and testing its alliance commitments, while promoting its own alternative (i.e., exclusionary) norms, policies and institutions in many areas occurred. In reality, shifts in China's external behavior date back several years, coinciding with the 2007-2008 global financial crisis during Hu Jintao's administration and intensifying soon after China overtook Japan as the second largest economy in 2010.<sup>1</sup> It was during this time that China signaled its transition from the late Deng Xiaoping's approach of "hiding your strength and biding your time" to one of "seizing opportunities, taking lead and showing off capabilities to shape others' choices in China's favor."<sup>2</sup>

### DIVERGENT PATHS

Although the United States and China are each other's largest trading partners, with an annual trade volume of \$500 billion, they are now competitors in the military and geopolitical realms. The post-Cold War, post-9/11 period of great power cooperation is over.

It was not initially this way. Faced with the worst economic crisis since the Great Depression, President Barack Obama's original narrative was that the possibilities of cooperation with China were endless. Washington even went out of its way to propose a notional "G-2" partnership with Beijing.<sup>3</sup> In his first year in office, in clear gestures to China, Obama refused to see the Dalai Lama, and delayed arms sales to Taiwan while his Secretary of State Hillary Clinton decided against raising human rights during her first visit to Beijing.

However, Obama's overtures did not impress an increasingly ambitious, adventurist Beijing all that much. As former Deputy Secretary of State Richard Armitage famously put it, "The administration expected the Chinese to be grateful for all these things, but the Chinese don't do gratitude."<sup>4</sup> Thus, driven by the opportunity to reshape the global order more to its liking, China played hardball on issues such as climate change, North Korea's saber-rattling, and Iran's nuclear program. It likewise began demonstrating a new assertiveness in numerous territorial disputes, stretching from India to the South China Sea and Japan—a development that undermined Beijing's official policy of "peaceful rise" and simultaneously heightened tensions with America's friends and allies.

Belatedly, the Obama administration adjusted its China policy. It launched its "pivot" to Asia, resumed arms sales to Taiwan, and rejected China's claims to the disputed islands and reefs in the East China and South China Seas. Thus, by the time Xi Jinping assumed the Chinese presidency in late 2012, a whole range of contentious issues bedeviled the U.S.-China relationship.

### BACK TO THE FUTURE

For his part, Xi Jinping is a very different kind of leader. His ascendancy to power coincided with a sharp downturn in China's economy, with growing income inequality and corruption. His number one priority, therefore, was to assert his authority and rejuvenate the Chinese Communist Party (CCP). To this end, Xi assembled a large toolkit: a centralization of power, the revival of nationalist fervor, the promotion of "red" rhetoric, cultivation of a populist image, and an ideological turn toward nationalism and cultural identity. Communist discourse started appearing along with Confucian quotations in China's state-run media.

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Xi is driven by power, unbridled power—both in domestic politics and in world affairs. He is said to be more powerful than any Chinese leader since Mao Zedong. Like Mao, he has coined a number of slogans and catchphrases. Like Mao, he rules his country with a very small coterie. If Mao used the charge of “capitalist-roader” to purge his rivals, Xi accuses his opponents of corruption. Xi likewise has succeeded in marginalizing the other members of the powerful Politburo Standing Committee, and jettisoned the post-Mao “collective leadership” model put in place by Deng Xiaoping. He holds the titles not only of party leader, head of state and commander-in-chief, but also leads economic reform and internal security organs. At the same time, Xi has established the “Central Leading Group for Comprehensively Deepening Reform” to focus on economic and party reforms—and then has had himself designated as the “core” of the leadership, a status that none of his post-Deng predecessors took for themselves.

Xi Jinping’s reign has been characterized by a massive crackdown on civil society (arbitrary arrests and abductions, televised confessions, and surveillance) and the promotion of a cult of personality.

Xi has also tried to reform foreign affairs and security institutions. He established the Central National Security Commission (CNSC) in January 2014. The CNSC, which Xi chairs, is a top-level body for developing a national security strategy and for improving inter-ministerial coordination. His penchant for titles has prompted China-watcher Geremie Barmé to call him “China’s COE” (“Chairman of Everything”).<sup>5</sup>

Xi’s leadership has also effectuated a conceptual shift in Chinese foreign policy. Consistent with his advocacy of active great power diplomacy as a tool for the revitalization of the Chinese nation, the slogan of “peaceful rise” has been replaced with that of the “China Dream.” And as Beijing has begun establishing its own separate global financial and security institutions to reflect its rising normative power, geopolitics has become the new arena of the U.S.-China rivalry.

#### ECONOMIC REFORMS, POLITICAL CRACKDOWN

Xi is presiding over the lowest economic growth in three decades. With mounting debt, rising wages, laid-off workers, declining exports and investments, Beijing faces serious economic challenges that call into question the efficacy of the much-touted “China model.” Of greater concern is the rapid rise of total debt (encompassing that from the corporate, household, and financial sectors), which increased from 150 percent of GDP in 2009 to 250 percent (\$25.6 trillion) of GDP in 2015.<sup>6</sup> To make matters worse, capital flight to the West has accelerated; an estimated \$700 billion flowed out of China in 2015-16, much of it into the United States and other nations, thereby depleting China’s \$4 trillion dollar reserves down to \$3.2 trillion.<sup>7</sup>

In response, Xi has created small leadership groups to spearhead economic reform efforts. But Xi’s reform bonanza is not what the rest of the world desires. He knows that global power comes from factory floors and manufacturing plants, but is reluctant to introduce changes that will create a free-market consumer economy. Those who expected Xi to turn to the task of making significant structural changes to China’s state-dominated economy after consolidating his political power have been disappointed. Xi values the role of market forces in economic growth. But he wants to “unleash market productive forces” to stimulate and revitalize, not shut down, the state-owned enterprises (SOEs) and financial institutions that constitute a huge part of China’s economy under the Party’s control. In other words, his economic policy is a mix of Maoism with state capitalism.

*Xi’s policies have laid to rest the premise that the rise of middle class and economic prosperity eventually leads to political openness and integration within the existing international order.*

In keeping with his worldview, Xi seems more interested in party reform than in political reform. In his speeches, Xi repeatedly warns against advocacy of constitutional democracy, liberalism, universal values, civil society, and media freedom. Critics argue that the reversal of the political reforms of the past several decades (e.g., competitive local elections, public-interest litigation) and the

purge of senior leaders and military generals on a scale not seen since the 1950s has generated so much fear that it will have a negative impact on the economy. His supporters maintain that Xi is attempting to cleanse a system that is rotten to the core and seemingly on the verge of collapse, and that this consolidation of political power is a pre-requisite to economic change. Whatever the case may be, Xi's policies have laid to rest the premise that the rise of middle class and economic prosperity eventually leads to political openness and integration within the existing international order.

China's domestic problems are systemic. Mass campaigns and purges have often led to splits within the party elite. No Chinese leader can succeed in eradicating corruption in a one-party system without any checks and balances. The goals of maintaining the CPC's monopoly over political power undercut all efforts to cleanse the political system or to reform and dismantle SOEs for fear of high unemployment, inflation, and social unrest. Xi's "rule by fear" may help him attain some economic reforms, but genuine, long-lasting institutional changes are unlikely. As scholar Barry Naughton points out, Xi's economic reforms are "part of a broader authoritarian reform project, designed to reinvigorate institutions and revitalize ideology, but with the unabashed goal of strengthening the system, which is intended to remain authoritarian."<sup>8</sup>

*Xi is deeply beholden to the military. This has only served to amplify the already expansive power of the Chinese armed forces which have a loud voice in the country's foreign affairs.*

#### A MARTIAL FOCUS

Compared to his predecessor, Hu Jintao, Xi is deeply beholden to the military—especially some People's Liberation Army (PLA) hawks who happen to be his close confidants. This has only served to amplify the already-expansive power of the Chinese armed forces, which after two decades of consistent double-digit growth in military expenditures, have a loud voice in the country's foreign affairs. By contrast, the role of other ministries, in particular the Ministry of Foreign Affairs,

in decision making is very limited. Xi heads the Leading Small Group on Foreign Affairs, which takes all major foreign policy decisions (including on territorial and maritime disputes). Xi must keep the military on his side to implement his reforms. Though Xi's priorities are primarily domestic, many hawkish PLA officers want him to strike back if the country's "core interests" around its periphery (e.g., the South China Sea) are challenged.

The Third Plenum of the 18<sup>th</sup> Central Committee of the CCP, held in November 2013, announced major military reforms and significantly advanced military modernization programs that must be completed before 2020. Xi has accordingly embarked upon a thorough reorganization of the military, which is intended partly to reaffirm the PLA's loyalty to the Party and to him personally but also to enhance its capability to conduct integrated joint operations in potential regional conflicts, enforce China's territorial claims in the South and East China Seas, and protect sea lanes beyond China's borders. And, short of a major economic meltdown, China's power projection capability is estimated to grow rapidly between now and 2025, as the country's real figures are three to four times the figures cited in the official defense budget for defense spending.<sup>9</sup>

Though the military balance of power is likely to remain in favor of the United States and its allies for quite some time to come, the focus of Chinese military modernization is on developing area denial strategies, which would make it extremely costly and dangerous for the U.S. Navy to operate near the Chinese coast. China plans to build a blue-water navy that will include four aircraft carriers, the world's largest submarine fleet, and missile capability that would deny the U.S. Navy the ability to operate inside the "first island chain" (from southern Japan through Taiwan and the Philippines to the South China Sea) and effectively counter regional competitors Japan and India. Indeed, despite regular "feel-good" high-level summits and numerous "rules of the road" agreements, air and naval encounters by surveillance and reconnaissance aircraft and vessels will continue because these are deliberately designed to signal that the days of the Pacific Ocean as an "American lake" are now over. Beijing is also using its burgeoning military-industrial complex

to court, arm, and aid its friends and allies in order to protect its overseas interests, assets, and nationals.

#### “ASIA FOR ASIANS”

Xi’s global power ambitions are a major driver of his external policy preferences, and this is especially true with respect to sovereignty disputes and relations with the United States. While Chinese leaders and diplomats still chant the mantra of “peaceful rise,” their body language makes it clear to everyone to get out of their way. A constant refrain in Chinese leaders’ deliberations with Asian leaders is that “Asia belongs to Asians” and outside powers (i.e., the United States) should have no place in it. This has prompted Washington to emphasize that the United States is a “resident Pacific power” with “legitimate regional interests.”<sup>10</sup> Nevertheless, Beijing dubs America’s regional alliances as “relics of the Cold War” that must be dismantled in order to restore what it calls “natural power balance in the region” (in other words, a Sino-centric hierarchical order of pre-modern Asia).<sup>11</sup>

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The “Asia for Asians” concept, in its various permutations, seeks to induce Asians to cooperate on security issues without assistance from non-Asians, arguing that “Asia is strong and wise enough to take care of its own security.”<sup>12</sup> In other words, instead of looking to the United States across the Pacific, Beijing wants Asians to look north to China for their security. Xi has called on his country to project its soft power, build a “global network of partnerships,” and eventually create a new post-Western model of international relations. China is establishing its overseas military facilities, and engaged in an intensifying strategic competition worldwide with the United States and other regional powers in its quest for friends and allies to seek safe and secure access to resources, markets and bases.

Beijing’s long-term strategy is driven by the twin goals of re-establishing pre-dominance in Asia and regaining territories that China claims as its own. To this end, China’s strategy is to undermine the America’s credibility as regional security guarantor. Beijing’s diplomatic rhetoric notwithstanding, the “New Type of Great Power Relations” espoused by China’s leadership seeks a U.S. recognition of China’s primacy in Asia in a geopolitical deal that would limit Washington’s regional role and presence, and relegate traditional U.S. allies (especially Japan) to the sidelines. Rising powers like to test the resolve of old powers, as China is now doing in the Pacific and Indian oceans. The South China Sea, through which more than \$5.3 trillion of maritime trade passes each year, is now the arena of a geopolitical poker game that will determine the future of regional order—Pax Sinica or Pax Americana.

This push and shove will continue for decades. Who emerges at the top in this poker game will ultimately determine the future of world order.

#### MULTILATERAL MANEUVERS

China has long operated both inside and outside of the U.S.-led liberal international order. Its national interests require it to simultaneously maintain a status quo in the UN Security Council and the World Trade Organization, reform the International Monetary Fund and World Bank, form new institutions such as the Shanghai Cooperation Organization and the New Development Bank, and subvert the law of the sea, nonproliferation and outer space treaties. Yet, under Xi, it has clearly and unequivocally emerged as a revisionist power. China today is as determined to change the U.S.-led order as the United States seeks to preserve it. As Vice-Foreign Minister Fu Ying put it recently: “The U.S. world order is a suit that no longer fits China as it’s grown too big and too powerful.”<sup>13</sup>

Slowly but surely, Beijing is working to erode elements of the financial and security components of the post-World War II U.S.-designed international order. While Washington promotes APEC-type pan-Pacific institutions, Beijing prefers pan-Asian forums such as CICA

and its own “One Belt, One Road” initiative, which exclude the United States. China’s power plays reverberate across Asia. In 2015, Beijing succeeded in weaning away key U.S. allies in Europe and Asia to join the Asia Infrastructure Investment Bank (AIIB). More and more, stymied by latecomer China, Washington is no longer able to set the agenda, achieve desired outcomes or protect ideals and rules with respect to nuclear nonproliferation, climate change, navigation and human rights.

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#### WHAT THIS MEANS

It is already abundantly clear that Xi Jinping is a much more powerful and determined leader than were his predecessors. He appears adept at playing power games, both with his domestic rivals and with other major global powers. The ultimate objective of his domestic reforms is to keep the CCP in power, and to strengthen its hand on the world stage.

For the foreseeable future, therefore, China’s aggressive behavior is likely to continue, for it is linked to the Party’s agenda of achieving national renewal through an expansionist nationalist ideology. Only a cataclysmic event or a major crisis, or a sudden break by Beijing from its recent foreign policy positions, will push Chinese policymakers away from irredentism and toward moderation. A slower economic growth rate of four to five percent might also translate into lower military expenditures and perhaps less belligerence.

The postwar international order has traditionally depended on three factors: U.S. alliances, uncontested American maritime dominance, and a stable, unmolested balance of power. All of these are now being challenged by China’s growing power and purpose. For, China—the biggest beneficiary of the postwar order—no longer sees U.S. primacy as serving its interests. It is a reality that the United States and its regional allies will

be forced to contend with in the years to come. ■

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