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The U.S. Impact on China's Legal System during the Reform Era / Shiping Hua

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Stephen Bell and Hui Feng, *The Rise of the People's Bank of China: The Politics of Institutional Change (2013)* / reviewed by Kai Chen

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The International Journal of China Studies is a triannual academic journal focusing on contemporary China in issues pertaining to the fields of political, social and economic development, trade and commerce, foreign relations, regional security and other domains of the social sciences in the context of, more specifically, today's Mainland China, Taiwan, Hong Kong or Macau. The journal is abstracted/indexed in Scopus, International Political Science Abstracts, International Bibliography of the Social Sciences, Bibliography of Asian Studies, EconLit, e-JEL, JEL on CD, Ulrich's Periodicals Directory, Ulrichsweb Global Serials Directory, Reference Corporation's Asia-Pacific Database, ProQuest Political Science and Research Library, ABI/INFORM Complete, ABI/INFORM Global, PAIS (Public Affairs Information Service) International, CSA (formerly Cambridge Scientific Abstracts) Worldwide Political Science Abstracts and NLB's ISI (Index to Singapore Information).

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FOREWORD

Nexus and Change: Chinese State-Societal and Foreign Relations

This third and final issue of Volume 5 of the *International Journal of China Studies* (2014) represents an excellent collection of research articles covering some of the most pertinent aspects of the state and changes in the internal political economy and foreign relations of today's China. Among the first five papers focusing on the former are Tabea Bork-Hüffer and Yuan Yuan-Ihle's article on the Chinese government's management of foreigners in the country amidst changes in migration law and regulations, Fu-Lai Tony Yu's on comparing and contrasting Mao Zedong's and Deng Xiaoping's style of entrepreneurship and their impacts on China's economic transformation, Qin Pang's on the central Chinese State's management and control of State-societal relations in the particular context of the recent years' revival of Confucianism among the masses, Shiliang Zhao and Yang Gao's evaluating whether adjustments in China's family planning policy (more specifically, the one-child policy) could really be expected to relieve pressures from the problem of population aging, or in other words, a panacea or Pandora's box in the context of China's colossal demographic dilemma, and Shiping Hua's on the American influence in the legal system of today's China, in intriguing contrast with the pre-reform era when countries like Japan, Germany and the former Soviet Union had had more impact on China in terms of law transplantation in the twentieth century.





With the next three papers this journal issue moves on to China's foreign relations. Included here are Mikio Oishi's comparative analysis of three major and long-standing conflicts in East Asia – that of the Korean Peninsula, of the Taiwan Strait and of the South China Sea – in his exploration of an East Asian way of conflict management, Liu Yangyue's study on the key social conditions that facilitate a “new-type” Sino-U.S. relations, drawing insights from the complex constructivist ideas that are based on binary complementarity and an emphasis on dynamic process, and Paul Joseph Lim's policy comments and research notes on a European perspective of China, ASEAN and East Asian regionalism.

This issue also includes four book reviews: Hang Lin commenting on Enze Han's book on the politics of contestation and adaptation to Chinese national identity among the country's ethnic minority groups; Monir Hossain Moni's take on William C. Kirby's edited volume following a conference at Harvard University's Fairbank Center for Chinese Studies on the six decades of People's Republic of China and where she is heading to; Kai Chen looking at Stephen Bell and Hui Feng's study on the dynamics of the People's Bank of China – one of the most powerful central banks in the world; and Amit Ranjan discussing Ashok Kapur's treatise on the tringular/multipolar relationship between China, India and Pakistan in the pre- and post-Nehru eras.

This December 2014 issue of the *International Journal of China Studies*, the third and final issue of the fifth volume since the launching of the journal in 2010, thus significantly completes a trilogy beginning with the April issue (Vol. 5, No. 1) that focused on Taiwan's democracy and cross-Strait relations, followed by Vol. 5, No. 2, covering the quarter-century legacy of the Tiananmen demonstrations of 1989 which culminated in the June Fourth tragedy – a June/August issue as the usual August publication date was brought forward to June to commemorate the twenty-fifth anniversary of a momentous, tragic event of June 1989 that tremendously shaped and altered China's trajectory of development whether in terms of her internal political economy or her foreign relations and diplomacy in the subsequent decades. The impacts, overt or subtle, are undoubtedly still strongly felt today. The present issue, Vol. 5,



No. 3, hence brings the 2014 trilogy to a close by concentrating its focus on some of the most critical areas of the state and changes in the domestic political economy and international relations of today's mainland China.

An earlier version of the first article in this journal issue was originally presented at the ICS International Conference, "From Hu-Wen to Xi-Li Administration: China's Leadership Transition and Its Domestic and International Implications", jointly organized by the Institute of China Studies, University of Malaya, and the East Asian Institute, National University of Singapore, held at the University of Malaya in Kuala Lumpur, Malaysia, on 12-13 September 2013 – one of the last two in an uninterrupted series of biannual international conferences convened at the Institute of China Studies (ICS), University of Malaya, during my tenure as the director of the institute (13th March 2008 – 1st January 2014). Another paper, on Xinjiang, also originally presented at the said conference, has been included earlier in the Vol. 5, No. 2, of this journal. (The reviewed and revised versions of four other papers from the conference were published in a thematic special issue of the *Copenhagen Journal of Asian Studies* this year which I and the assistant director of the East Asian Institute, Liang-Fook Lye, jointly guest edited.) The sixth article and the policy comments and research notes in the present *IJCS* issue are from another earlier ICS International Conference, "China, ASEAN and the Changing Context of East Asian Regionalism", jointly organized by the Institute of China Studies of University of Malaya, Research School of Southeast Asian Studies of Xiamen University (China), Department of International Relations of Changwon National University (Republic of Korea) and the Asia-Europe Institute of University of Malaya, held at the University of Malaya on 5-6 December 2012. *IJCS* wishes to thank these four presenters from the two conferences for their patience and efforts in revising their papers for this volume of the journal following conference feedback and reviewers' comments.

Before ending this foreword, I would like to thank all the contributing authors and the two anonymous reviewers for each paper for their invaluable efforts in making the publication of this journal issue



possible. I am also grateful to the journal's administrative and webpage officer Miss Susie Yieng-Ping Ling and administrative assistants Miss Geeta Gengatharan and Miss Nazirah Hamzah for webpage, printing and distribution arrangements. The responsibility for any errors and inadequacies that remain is of course fully mine.

Dr Emile Kok-Kheng Yeoh
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Dr Emile Kok-Kheng Yeoh 楊國慶 is the founder and editor of the *International Journal of China Studies* (Scopus-indexed since 2010) and a member of the international editorial committee of several other journals in Asia and Latin America. He holds a Ph.D. on ethnopolitics in socioeconomic development from the University of Bradford, West Yorkshire, England (1998), and was the director of the Institute of China Studies, University of Malaya, from 13th March 2008 to 1st January 2014. <Email: yeohkk@um.edu.my, emileyeo@gmail.com>





Articles







**The Management of Foreigners in China:
Changes to the Migration Law and Regulations
during the Late Hu-Wen and Early Xi-Li Eras and
Their Potential Effects**

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Yuan **Yuan-Ihle****
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Abstract

Several substantial changes and amendments to the migration law of the People's Republic of China (PRC) have been introduced during the late Hu-Wen and early Xi-Li eras. The major objective of this article is to discuss whether the new provisions will generally change non-Chinese foreigners' livelihoods and opportunities for working and residing in the country. This paper analyses policy documents and reports, scholarly literature on the management of foreigners in China, and national and international media reports. We conclude that while there has been a rhetorical shift from a focus on strictly managing and controlling foreigners in China to attracting and promoting their inflow since the Hu-Wen era, new measures benefitting foreigners primarily target the so-called foreign talents. At the same time, greater emphasis is placed on monitoring and controlling other groups of foreigners and on reducing the "three illegalities" (illegal entry, illegal employment, and illegal stay). The new regulations that were released under the new leadership of Xi-Li during the summer of 2013 account for continuity since the Hu-





Wen era. The recent population census indicated that the number of foreigners in China is insignificant compared to the country's total population. However, the recent changes have made clear that the current PRC regime does not intend to increase the number of foreigners substantially and approaches its foreign population cautiously.

Keywords: *migration law, African migration, illegal migration, international migration, leadership change*

JEL Classification: *F22, J15, J61, K31*

1. Introduction

Each generation of Chinese leaders since the opening reforms had acted deliberately in revealing the direction that reforms would take during its legislative period (cf. Callahan 2013). Cautious and long-term preparations ensured a smooth leadership transition during the last turnover from the generation of leaders under Hu Jintao and Wen Jiabao to the new regime led by Xi Jinping and Li Keqiang. Maintaining political, social and economic stability during this period is deemed of the highest importance for preventing socio-political unrest, maintaining steady economic growth, and maintaining one-party rule. Therefore, we can only surmise possible paths that will be pursued by the new leadership. Yet, Xi and Li joined the nine-member Politburo Standing Committee during the 17th Congress of the Chinese Communist Party in 2007, and have been groomed as the heirs and deputies of Hu and Wen; for this reason, Xiao (2013) expects continuity of policy rather than change.

Nevertheless, the management of foreigners in the People's Republic of China (PRC) has developed through the amendments and revisions in entry and exit administration law announced and partly implemented around the time of the leadership change during the late Hu-Wen era and the early Xi-Li era. The main objective of this article is to discuss the expected effects of the recent migration law changes. Will the management of foreigners change, and if so, to what extent? What





are the implications for foreigners' livelihoods and opportunities to work and reside in the country? In this paper, we focus on non-Chinese foreigners who live in or seek to live in mainland China (that is, not including the Hong Kong and Macao Special Administrative Regions). Therefore, we examine a narrower portion of China's migration law than is commonly considered in scholarly literature, which usually includes outflows of Chinese citizens for the purposes of tourism, visiting relatives, studying abroad, employment, or permanent residence and their return as well as the *Haiwai Huaren* (Chinese overseas) (e.g. Liang and Morooka, 2008; Zhu *et al.*, 2008; Liu, 2009, 2011).

Attracted by China's unprecedented economic boom and its resulting opportunities and demands, an increasing number of foreigners from diverse places have flown into the country, particularly in the aftermath of China's WTO accession. Among these new arrivals are expatriates working for transnational and Chinese companies, individual businessmen, students, journalists, and diplomats (Brady, 2000; Willis and Yeoh, 2002; Yeoh and Willis, 2005; Pieke, 2010, 2012). The 6th national census included data on foreigners living in mainland China for the first time and counted the number of foreigners at 593,832 at the end of 2010 (excluding those in the Hong Kong and Macao Special Administrative Regions and those on short-term business or tourist trips) (*People's Daily* as of 29 April 2011).

The next section (section 2) describes the development of Chinese migration law and policies prior to 1978 until the economic reforms, which is necessary to understand the impact and relevance of recent policy changes that are subsequently identified. In section 3, we consider the heterogeneous group of Africans residing in China to examine the management of foreigners in the PRC. We briefly outline African migration to China and analyse how Africans' immigration, livelihoods, and businesses have been affected by previous migration law changes and policy measures. In the discussion section (section 4), we consider the possible ramifications of recent alterations to the PRC's exit and entry law during the late Hu-Wen and early Xi-Li eras. We focus, first, on contingent general effects and, second, on the specific consequences for Africans living in China.





This paper is based on analysis of policy documents and reports, Chinese and international media reports, and scholarly literature on the management of foreigners in China. The case study of Africans in China is also based on the first author's fieldwork experiences in south-eastern China.

2. The Management of Foreigners: Development of the PRC Entry and Exit Law and Regulations

2.1. The Emergence of the PRC Migration Law and Its Changes from 1978 until the Mature Hu-Wen Era

Before turning to recent changes to China's exit and entry system and how these potentially affect foreigners, especially African migrants residing in the country, it is necessary to briefly sketch the development of migration law in the PRC. After assuming power in 1949, the communist regime developed a coercive entry and exit administration system (Liu, 2009). One objective of the system was the cautious control of the flow of foreigners as well as their activities in the country. In the subsequent decades, only a carefully selected, very small number of foreigners who were sympathetic to the regime were permitted to remain in the country (Brady, 2003). The foreign population was cautiously separated from the local population through strict monitoring and regulations (Bork-Hüffer *et al.*, 2014).

In regard to the time after the opening reforms, changes to the entry and exist system were slowly implemented. A new foundation for migration law was laid with the "Law of the People's Republic of China on Control of the Entry and Exit of Aliens" (中华人民共和国外国人出境管理法), which was adopted and promulgated on 22 November 1985 and implemented through specific rules that were approved and promulgated in December 1986 (Liu, 2009, 2011). Alterations included the abrogation of the Exit Visa or Exit Certificate for foreigners, which had been introduced in 1954 (Liu, 2009).

Major modifications of regulations of the inflow of international migrants were fostered by the reinforced market reforms begun in 1992 and China's accession to the WTO in 2001. For instance, the Foreign



Exchange Certificate (FEC), which was a surrogate currency that foreigners in China were required to use for all purchases they made in the country (Petracca, 1990), was abolished in 1994. Since the 1990s, the strict separation of places of work and residence for foreigners and locals was gradually dissolved (Brady, 2000; Farrer, 2010; Bork-Hüffer *et al.*, 2014). Other regulatory aspects have remained in place until today, including the obligation to report the place of residence to the authorities within 24 hours in urban areas and 72 hours in rural areas, which allows close monitoring of foreigners' residences and movements.

One of the most progressive changes made to the entry and exit system for foreigners during the period following WTO accession was the modification to the residence permit system and the introduction of permanent residence. After the new conditions for residence permits were tested in Shanghai and Beijing in 2004, this new measure was applied to all of China (Liu, 2011). A new residence permit not only entitled the holder to reside legally in China but also replaced his or her visa and allowed for (multiple) entry into the country for the duration of the residence permit (Liu, 2011). This change to the residence permit system was of relevance for those who had entered China on an X (study), Z (work) or D (permanent residence) visa, and applications for resident permits could be handed in for periods of one, two, three, four, or five years.

In addition, a permanent residence scheme, the "Regulations on Examination and Approval of Permanent Residence of Aliens in China" (外国人在中国永久居留审批管理办法), was implemented in 2004. The permanent residence scheme allowed foreigners to apply for long-term stay in the country for the first time in case they had successfully obtained a D visa (cf. Liu, 2011). Three groups became eligible to apply for permanent residence: skilled migrants, business migrants and family migrants. Yet, the number of D visa holders was small and potential candidates were required to fulfill rigorous criteria, which radically diminished the number of applicants (cf. Liu, 2009). Consequently, the number of foreigners who received permanent residence permits during the seven years after the release of the "Regulations on Examination and Approval of Permanent Residence of Aliens in China", from 2004 to



2011, was insignificant. There were approximately 1,700 successful permanent residence applicants (*Wen Wei Po* as of 18 September 2013). However, a significantly higher number of permanent residences was approved in 2012. A total of 1,202 foreigners received a permanent residence permit in this single year; however, at least 53 per cent of these permits were issued to overseas Chinese (Anonymous, 2013). While this legislation included the preconditions that foreigners must fulfill to apply for permanent residence, no measures addressing the integration of these residents into the social welfare, education and other service systems available to Chinese citizens were included (Liu, 2009).

The gradual delegation of responsibilities within the administration to lower levels of government since the economic reforms has produced different local practices for managing and controlling foreigners and also varying initiatives targeted at attracting and catering to the foreign population (Brady, 2000; Wang and Lau, 2008; Liu, 2011; Bork-Hüffer *et al.*, 2014). The reforms of the exit and entry regulations implemented after 2001 led to local measures and regulations enforced by local authorities that amend (Liu, 2009) or conflict with the national regulatory framework. For example, as residence permits are issued by local Public Security Bureaus (Liu, 2011), local authorities have a much higher stake in deciding upon the lengths of stay of foreigners who work and study in their administrative zone ever since residence certificates have come to replace their holders' visas.

Moreover, local governments have increasingly undertaken activities to attract selected groups of foreigners – especially high-skilled foreign managers and professionals who are thought to be important for local economic development. Examples of such initiatives include the promotion of high-end gated communities adapted to the demands of the foreign population that are being built in Beijing (Wu and Webber, 2004) and Shanghai (Wang and Lau, 2008) and the release of the “Provisional Rules on the Implementation of the Shanghai Municipality Residence Certificate while Introducing Talents” (引进人才实行上海市居住证制度暂行规定) in Shanghai in 2002, which entitled foreigners with a Shanghai residence permit to obtain the same welfare benefits as Chinese citizens (Liu, 2011).





A restrictive visa issuance policy preceding the mega-events that the country has hosted over the last five years – including the Beijing Olympic Games 2008, the Shanghai Expo 2010, the Guangzhou Asian Games 2010, and the celebrations for China’s 60 year anniversary – was the subject of considerable international attention and criticism (cf. Bork-Hüffer *et al.*, 2014). These policies included decreases in the number of visas issued for business and travel purposes, rejections of multiple entry applications, and increased required documentation for visa applications, such as return tickets and hotel bookings for the entire stay (*Wallstreet Journal* as of 22 May 2008). Furthermore, citizens of 33 countries were no longer eligible to apply for visas in Hong Kong, and an invitation letter was also required in Hong Kong, where many intermediaries previously had procured visas without such documents (*Asia Times* as of 25 April 2008). These changes were introduced without a warning and affected many foreigners staying in or intending to travel to China.

Additionally, two other developments have been intensely discussed in China since the mature Hu-Wen era: With the increasing inflow of foreigners, Chinese media and scholarly sources, especially those discussing the management of foreigners in Guangzhou (e.g. *China Newsweek* 中国新闻周刊, 2009; Zhang, 2005; Liao and Du, 2011; Pan and Qin, 2011), have voiced great concern about the “three illegalities” (*sanfei* 三非: illegal entry, illegal stay and illegal employment of foreigners) and consider *sanfei* to be a significant source of criminality. While the de facto number of foreigners culpable of *sanfei* is unknown, this topic is discussed intensively in the state media and public and sometimes reveals xenophobic sentiments. Furthermore, migration intermediary agencies, mostly for exit-related services for Chinese but also for the immigration of foreigners, have proliferated to meet increasing demand. Several regulations were released in 1999, 2001 and 2002 to administer the activities of these intermediaries (Liu, 2009). However, reports on the informal activities conducted by these organizations have increased recently. For example, these organizations utilize loopholes in the system to issue visas to foreigners without invitation letters or other required documents (Bork-Hüffer *et al.*, 2014).





2.2. Changes to the PRC Exit and Entry Law and Regulations during the Late Hu-Wen and Early Xi-Li Eras

Three major amendments or revisions to the exit and entry system were made during the late Hu-Wen and early Xi-Li eras. The changes include an interim measure that allows foreigners to participate in the social insurance system for the first time, a new migration law and specific rules for implementing the new law, which will be outlined in the following paragraph.

The “Interim Measures for Social Insurance System Coverage of Foreigners Working within the Territory of China” (hereafter referred to as “Interim Measures for Social Insurance”) (在中国境内就业的外国人参加社会保险暂行办法) were released on 11 September 2011 and implemented since 15 October 2011 (Ministry of Human Resources and Social Security of the People’s Republic of China, 2011). This regulation applies to all foreigners legally employed in China (e.g., by private and public enterprises, public institutions, and registered non-governmental organizations) and covers all five social insurance schemes available to Chinese employees (pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance). Employers are responsible for registering their foreign employees for insurance within 30 days after the employees received their official employment permit (i.e., employment permit, foreign expert certificate, or certificate of resident foreign journalist). So far, only measures for the reimbursement of contributions made to pension insurance are specified in the regulation. Item 5 stipulates that when a foreigner leaves China before he or she is entitled to receive pension benefits or submits a written application to terminate the social insurance contract, the individual contribution to the pension fund can be refunded.

The second major change was the adoption of the “Exit-Entry Administration Law of the People’s Republic of China” (hereafter referred to as the “New Law”) (中华人民共和国出境入境管理法) (Standing Committee of the National People’s Congress of China, 2012) on 30 June 2012, which has replaced China’s “Law of the People’s Republic of China on Control of the Entry and Exit of Aliens” (hereafter





referred to as the “Old Law”). The New Law came into force on 1 July 2013. It substantially concretizes the previous version and integrates interim regulations and policies, e.g., the new procedures for residence permits and permanent residence. For instance, in accordance with the “Regulations on Examination and Approval of Permanent Residence of Aliens in China”, item 47 reaffirms the preconditions for acquiring permanent residence and stipulates that foreigners who have made remarkable contributions to Chinese social and economic development or comply with other preconditions specified in the “Regulations on Examination and Approval of Permanent Residence of Aliens in China” (e.g., high value direct investment and family reunion) may receive permanent residence. Residence permits are divided into two categories: employment and non-employment purposes.

Along with new provisions facilitating visa application, easing general entry and application for permanent residence, the New Law introduces additional measures for stricter supervision of the entry of foreigners and specifies prohibited activities related to the entry and exit of foreigners. The New Law also specifies penalties for foreigners committing *sanfei* activities and for persons providing support to these foreigners. For example, item 7 widens the authority of police and Ministry of Foreign Affairs to collect fingerprints and biological evidence from foreign travelers at borders and ports. Item 43 stipulates that a foreigner shall be considered to be illegally employed when he or she has not obtained either a work permit or work residence permit or he or she works in fields beyond the scope prescribed in the work permit. A foreign student shall be considered illegally employed if he or she works in violation of the rules for foreign students or works beyond the prescribed scope or time limits.

The revisions include specific and higher fines for activities related to illegal entry, stay, or work for all those involved, i.e., the foreigners and any person or entity helping foreigners to illegally exit or enter, work or reside in the country (items 71-74, 78-80). Additionally, measures to address foreigners guilty of *sanfei* were codified in PRC law for the first time. These measures include on-the-spot interrogation (item 59), continuous inspection (item 59), detention (items 60, 63), restriction





of foreigners' movements (item 61), and repatriation (item 62).

With the release of the New Law, new regulations for its implementation have been formulated under the new leadership: the "Administrative Regulations of the People's Republic of China on the Entry and Exit of Aliens" (hereafter referred to as the "New Regulations") (中华人民共和国外国人入境出境管理条例) (State Council of the People's Republic of China, 2013) were adopted in July 2013 and implemented since 1 September 2013. They introduce new types of visas and measures allowing stricter management of foreigners living in China.

The number of visa types increased from 8 (C, D, F, G, J, L, X, Z) to 12 (C, D, F, G, J, L, X, Z, R, M, Q, S). A new long-term visa, the R visa, should be issued to high-level foreigners with specialized skills that China urgently needs (item 6). To address illegal employment and criminal activities conducted by foreigners holding a short-term visa for visiting purposes (F visa), the scope of activities allowed under the F visa has been reduced in the New Regulations, as visitors on an F visa may no longer conduct commercial activities in China. Temporary visits for business purposes are now issued a new visa type, the M visa, which requires an invitation letter issued by a Chinese business partner (item 7). F visas can only be issued for visits with non-commercial purposes (e.g., cultural exchange, scientific investigation and research) and require an invitation letter from a Chinese host organization (item 6 and 7).

While Z visas (work) remain in place, family members of Z visa holders will now be issued an S visa for the purpose of visiting spouses, parents, children under 18 years old, and in-laws who are working or studying in China. The former L visa for tourist and family visits was divided into types L and Q. L visas will be issued only to tourists. The X (student), S (family visits to foreign family members residing in China), and Q (family or relative visits to family members or relatives holding Chinese citizenship or to foreigners holding permanent residence) visas are each divided into long-term (X1, S1, Q1) and short-term (X2, S2 and Q2) stays (item 6).

The New Regulations clarify provisions that address *sanfei*. Item 25





defines an illegal stay, which includes holding an expired visa or travel document and conducting activities that are beyond scope of the visa. To address the illegal employment of foreign students (e.g., teaching foreign languages or conducting illegal commercial activities) (cf. Ye, 2011), item 22 confirms the right of foreign students to obtain internships in China, but stipulates that any work-related activities must be allowed by the educational institute and require an appended note by the police on the residence certification. Furthermore, item 26 stipulates that employers and educational institutes are obliged to report to the police when their foreign employees or students leave, are missing, die or violate the New Regulations.

3. The Management of Foreigners: Africans in the PRC

3.1. General Background of Africans in the PRC

Drawing from the substantial body of literature on African migration to mainland China and fieldwork in China conducted between 2006 and 2010 that included qualitative interviews and a quantitative survey of Africans living in Guangzhou and the bordering city of Foshan as well as expert interviews with leaders of African home country unions, resident committees, and real estate agents (cf. Bork *et al.*, 2012; Bork-Hüffer *et al.*, 2014), we first introduce the diverse African population in China before turning to impacts of the immigration process on African migration to China and their livelihoods in the country. The possible effects of recent policy changes on African nationals are then presented in the discussion of overall ramifications in section 4.

African migration to mainland China began during the mid-1990s and was influenced by several parallel developments. First, some African students remained in China and entered the trading business. Second, African businessmen located in Hong Kong, attracted by the closeness of production sites and the established trading base that existed in the city of Guangzhou, began to explore mainland China. Third, the Asian financial crisis in 1997 encouraged some Africans who had been working in Southeast Asia to relocate to China to look for new business opportunities (Bertoncello and Bredeloup, 2007; Bodomo, 2012). The





influx of Africans increased substantially after China became a WTO member in 2001. Africans have (temporarily) settled in many major cities in mainland China of which the largest numbers reside in Guangzhou, Yiwu, which hosts the second largest cluster of Africans, Shanghai, and Beijing (Bodomo, 2012: 10). Furthermore, African diaspora communities reside in the Hong Kong and Macao Special Administrative Regions (cf. Bertonecelo and Bredeloup, 2007; Bodomo and Teixeira-E-Silva, 2012; Mathews and Yang, 2012); however, these communities will not be considered in this paper.

Based on surveys of China's African community, Bodomo (2012: 12) estimates that 400,000 to 500,000 Africans have settled in or are temporarily visiting China. Unlike the official number of foreigners in the PRC based on the 2010 census, this number includes Africans on tourist or business (former F) visas. Most Africans in China work in the export/import of Chinese goods and were issued F visas, which were not counted in the last census. Others are enrolled as students at Chinese universities, employed as professionals (e.g., teachers, professors, professional athletes, diplomats) or are visiting for a short time for business purposes (Bodomo, 2012: 12-13).

The countries of origin vary by location: the large group of traders in Guangzhou mostly originates from West African countries, while many Africans in Yiwu are from the Maghreb region (Bodomo, 2012: 11). Scholars have described the emergence and consolidation of an ethnic enclave in Guangzhou around the Xiaobeilu area – a residential and business location dominated by Africans (Li *et al.*, 2008; Zhang, 2008; Li *et al.*, 2012; Li *et al.*, 2013). There are strong links within the diverse African communities: chain migration plays an important role in the continuous inflow and final destination of newcomers to China. Migrants without a network or resources often begin working as employees for established African traders. Strong bonding within the communities is also reflected in shared and celebrated socio-cultural customs; Bodomo and Ma (2012) have emphasized the importance of food and eating together for community building among West Africans in Guangzhou. African migrants in China have created home country unions that provide their members with a variety of services (cf. for an





overview of home country unions in China, Bodomo, 2012, and for the types of services, Bork-Hüffer *et al.*, 2014), which are based in Guangzhou due to the large population of Africans in south-eastern China.

In addition to their attachment to the own migrant communities, many African traders have developed economic and social links to the host society. They reinvest a significant portion of their profits in the country (Bertoncelo and Bredeloup, 2007), some offer employment opportunities to locals in their businesses (Bertoncelo and Bredeloup, 2007; Bork-Hüffer *et al.*, 2014), a few have local partners, or marry Chinese nationals (Bork-Hüffer *et al.*, accepted for publication). However, as Xu and Liang (2012) have noted, exchange with locals and integration into the host society is largely dependent upon the migrants' ability to speak either Mandarin or the local dialect, which is true for only a small percentage of Africans. Furthermore, Müller and Wehrhahn (2013) have pointed to the economic difficulties faced by Africans due to contracts or oral arrangements breached by their local trading partners.

3.2. The Effects of the Management of Foreigners on the Inflow, Lives and Businesses of Africans in the Mature Hu-Wen Era

Overall, Africans occupy a special position among foreigners in China for several reasons. The majority of them are individual businessmen and businesswomen. Unlike other groups of foreigners (of which many are expatriates who were recruited by transnational and Chinese companies for their specific expertise), African petty traders have come to China looking for niches in the import and export trading system. Their inflow has not been supported by the national government or the local communities they reside in as the one of the so-called "foreign talents". Additionally, black Africans have been particularly affected by discrimination and racism against foreigners in China (cf. Callahan, 2013).

While the types of visas that African professionals have held varies (work visas [Z], business visas [F], diplomatic visas), most African traders have been issued business visas (the former F visas; Bork-Hüffer





et al., 2014) because they either have their own business or work for other small businesses (mostly operated by Africans) and are not eligible for Z visas, which require employment in a larger, recognized company. Those enrolled in universities obtain student visas. Several authors have reported that African traders who do not manage to obtain business visas overstay or stay on tourist or student visas (Haugen, 2012; Mathews and Yang, 2012; Müller and Wehrhahn, 2013; Bork-Hüffer *et al.*, 2014).

The entry of foreigners in general, and for Africans in particular, has become much more difficult since the Beijing Olympic Games in 2008. During this and other mega-events (cf. section 2.1), the Hu-Wen regime was eager to create a progressive and prestigious image of the nation and convince national and international audiences of the success of the economic reform path (Broudehoux, 2007; Brady, 2009; Callahan, 2013). The regime, and thus the local municipalities, feared tarnishing these endeavours with any negative reports that could be caused by the activities of its foreign population. As Li *et al.* (2012) have reported, in 2008, the Guangzhou government was reprimanded by the People's Consultative Conference (CPCC) for not monitoring and controlling its foreign, particularly African, population more effectively. Tension increased when Africans protested in Guangzhou in 2009 after two African textile retailers were seriously hurt escaping a police raid. A similar protest occurred in 2012 after the death of an African in police custody. Both the national and city governments have been alarmed, especially prior to the Asian Games in November 2010.

At the local level, the municipal government increased controls and raids of business locations in the Xiaobeilu and Guangyuanxi areas in Guangzhou and at residences. These culminated in almost daily inspections in the months prior to the Asian Games during which Africans often faced harsh and offensive treatment by the foreigner police; such raids were witnessed by the first author in Guangyuanxi. At the national level, only short-term visas were issued to many foreigners, particularly Africans, who were unable to obtain extensions for their F visas to conduct business (Bodomo and Ma, 2010; Müller and Wehrhahn, 2013; Bork-Hüffer *et al.*, 2014).





Differences in local strategies of addressing foreigners were reported in a comparison of Guangzhou and Yiwu (Bodomo and Ma, 2010) and Guangzhou and Foshan (Bork *et al.*, 2012; Bork-Hüffer *et al.*, 2014). Bodomo and Ma (2010: 288) note that “more efficient, more professional, less corrupt and more racially tolerant” enforcement personnel is found in Yiwu, which accounts for fairer treatment of Africans compared to treatment observed in Guangzhou. In addition, they report that Africans in Yiwu experience greater religious freedom compared to their compatriots in Guangzhou, where many migrants have joined illegal Pentecostal churches, which are not allowed to practice (cf. Haugen, 2013). Bork-Hüffer *et al.* (Bork *et al.*, 2012; Bork-Hüffer *et al.*, 2014) found that a considerable number of traders had relocated their place of residence from Guangzhou to the neighbouring city of Foshan, while continuing to work in Guangzhou. In addition to economic incentives such as more affordable housing in Foshan, the more lax treatment of foreigners and less control of documents influenced relocation to Foshan. However, the authorities in Foshan have also started to change their attitude towards its growing African population. This change was reflected in an unofficial order issued at the beginning of 2010 to all registered housing agents in the main areas where Africans were residing to stop leasing apartments to Africans.

4. Discussion: Evaluating Recent Changes in China’s Migration Law and Policy

While China’s exit and entry administration system has undergone gradual relaxation and differentiation since the opening policies in 1978 (cf. Liu, 2009, 2011), there have been profound amendments during the late Hu-Wen and early Xi-Li eras. The specific implementation and effects of recent modifications are awaited, and only preliminary conclusions based on past developments are possible at this time. We first discuss the potential success of the “Interim Measures for Social Insurance” before turning to an analysis of the different implications of the New Law and New Regulations. We will also discuss possible ramifications of the changes for African migrants living in China.





4.1. Evaluating the “Interim Measures for Social Insurance”

A change towards providing more services to foreigners is clearly reflected in the “Interim Measures for Social Insurance System Coverage of Foreigners”, which offers foreigners the possibility to join the national social security scheme for the first time. However, we argue that this system is not yet of high interest to many foreigners in the country. Although it is on the rise, the number of foreigners who manage to obtain permanent residence and who have a long-term perspective to remain in the country is still very low. The past arbitrariness of the entry and exit law, e.g., changes in advance of the mega-events that the country has hosted, leaves many foreigners feeling insecure about their stay and the personal benefit of joining the Chinese social insurance programme. Participating in the insurance also requires that foreigners are employed by a company or institution, which excludes individual business-owners.

Additionally, the specifics of the regulation are lacking in three areas. First, details of how insured foreigners benefit from social insurance within and outside China are missing. Second, a clear explanation of benefits and how the contributions paid to medical insurance, work-related injury insurance, unemployment insurance and maternity insurance would be refunded after an insured foreigner leaves China is needed. So far, only measures on the reimbursement of contributions to the pension insurance have been released (see section 2.2). Third, China has signed bilateral agreements on the exoneration of pension insurance and unemployment insurance only with Germany in 2001 and with South Korea in 2003 on the exoneration of pension insurance. Thus, so far, transnational companies and their foreign employees from other countries worry that they must pay contributions to social insurance in both China and their country of origin (*China Economic Weekly* 中国经济周刊, 2011).

These factors significantly reduce the attractiveness of the social insurance system for many foreigners. The Chinese media has also repeatedly stressed that the integration of foreign employees into the Chinese social insurance system may make an enormous contribution to





the social insurance fund and benefit Chinese society. According to an estimate by PricewaterhouseCoopers, if the approximately 600,000 foreigners working in China became members of the social insurance system, they could potentially contribute 3,360 million RMB to the social insurance fund (*China Economic Weekly* 中国经济周刊, 2011: 40). However, actual benefits of the “Interim Measures for Social Insurance” for foreigners remain undefined.

4.2. Evaluating Recent Changes Related to the New Law and New Regulations

Overall, the New Law and New Regulations have clarified China’s migration law for foreigners. These measures are intended to attract foreign talents and increase control of foreigners. Changes to the exit and entry law and regulations during the Hu-Wen era in addition to the “Interim Measures on Social Insurance” that benefit foreigners are actually restricted to a small and privileged group of foreigners. These measures include the introduction of permanent residency in 2004 and changes to the scope of residence permits and their integration in the New Law in 2012. The promotion of permanent residence during the late Hu-Wen era was clearly notable in the increase in permanent residencies granted in 2012 but their overall number is still very low.

The promotion of the inflow of foreign talent has been strengthened in the New Regulations under the new leadership, e.g., through the creation of new R (talent) visas. However, concrete guidelines for the issuance of this visa have not been agreed upon and the effects are unknown. According to a *China Daily* article (*China Daily* as of 4 May 2013) that refers to a draft of the New Regulations, R visas are divided into R1 and R2 visas: an R1 holder would be entitled to apply for a residence permit for up to 5 years with unlimited entry and exits, while a R2 holder may stay in China for up to 180 days without having to leave the country in-between while the R2 also comes with the right for multiple entries and exits. It remains unclear when a foreigner should apply for an R visa and when to apply for a Z (work) visa. Hence, the eligibility for these visas must be further determined and it remains to be seen how many foreigners will successfully obtain an R visa.





For the majority of foreigners, the New Law and the New Regulations imply stricter monitoring and control. Specifically, the New Regulations that have been released and implemented under the new leadership regime intend to more closely monitor individuals who come to China for business purposes and who have previously stayed on F visas but must now apply for M (business) visas. Moreover, no option for long-term stays for the large number of foreigners who have their own businesses and for their foreign employees currently exists because these applicants are barred from obtaining Z (work) or R (talent) visas that require their applicants to be employed by a Chinese or larger transnational company or institution. Additionally, few applicants will be able to fulfil the rigorous set of criteria required to apply for a D (permanent residence) visa. Thus, although some (e.g. petty African businessmen or businesswomen) might (intend to) stay in China for a long period, these people are dependent on frequent renewal of their short-term M visas.

A major focus of the New Law and the New Regulations was the new measures to target the three illegalities (*sanfei*) and illegally operating migration intermediaries. The formulation of more concrete provisions on visa categories and illegal acts increases transparency for foreigners. The official announcement of unitary guidelines on measures that can be taken by the authorities and of limits for penalties and fines for foreigners guilty of *sanfei* also reduces the scope for arbitrary enforcement by local authorities. The stricter penalties for migration intermediary agencies could discourage their operations. However, the success of measures targeting *sanfei* will depend on the success of their local enforcement, and previous reports suggest that insufficient resources and corrupt enforcement personnel often affect enforcement (cf. Bork-Hüffer *et al.*, 2014).

The changes in immigration processes prior to mega-events have shown that short-term modifications are implemented without a warning. The resulting confusion among foreigners is fuelled by speculation in local and international media reports that often deviates considerably because they draw from partial or biased information. Only when such short-term measures are stopped and all modifications to the





management of foreigners and immigration processes are officially announced – in reasonable advance of their implementation – can transparency be permanently improved.

The privileging of selected foreigners during the Hu-Wen era is consistent with the Mao Zedong and early Deng Xiaoping eras during which foreigners that sympathized with the Chinese leadership were invited to China and strategically utilized by the government to bolster political legitimacy (Brady, 2000). However, unlike during the Mao era, the late tendency to favour certain groups of elite foreigners and foreign talent is more economically than politically motivated as these groups are regarded as having knowledge, skills, and relationships that are beneficial for China's economy.

Constructing a special status of selected foreigners also has a long tradition in China, which was enacted e.g., through the FEC for financially privileged foreigners (cf. Petracca, 1990) and the restriction of their residences to high-class hotels and accommodation for foreigners (Brady, 2000). Instead of fostering preferential treatment of elite foreigners, policies should rather focus on accommodating foreigners as equal components of the Chinese society. Yet, as Brady (2000) has argued, foreign policy and the management of foreigners have not only been implemented to supervise foreign influences but also play an implicit role in controlling the Chinese population. The government's interest is to maintain the notion of the foreign "other" rather than to achieve close bonds between foreigners and Chinese locals or integrate the former. It is unlikely that any such change in China's strategy of managing foreigners will occur in the future.

Separating foreigners into wanted and unwanted groups is aggravated by the practices of local authorities, which also focus on policies and activities that attract high-skilled, well-funded foreigners and investment to their cities. The design of new, high-class luxury gated communities for foreign professionals, as reported by Wang and Lau (2008), in Shanghai is only one example of such local policies. We argue that this preferential treatment of foreigners produces a "second type of segregation" of foreigners from locals. The first type of institutional segregation of foreigners occurred through high-class foreigner-centred





hotels and accommodations during the Mao era, which have only recently been abolished. Such measures are detrimental to the integration of foreigners into China and cause discontent in the local population and encourage the xenophobic voices that have become much louder during the last decade.

4.3. Evaluating the Effects of Recent Changes in China's Migration Law and Policy for Africans in the PRC

To evaluate possible ramifications for Africans living in China, it is necessary to distinguish among the different groups that reside in the country. The immigration of African elite migrants may be positively affected by recent changes; China's continuous economic development maintains the demand for highly skilled professionals, teachers, and professors at a high level. Some of these foreigners might become eligible for R1 or R2 visas or benefit from eased preconditions for permanent residency. Likewise, these individuals could become members of the social insurance system.

However, we expect that the recent changes are detrimental to the entry and work of African traders in China, i.e., the vast majority of Africans in China, because they do not benefit from the new regulations. Rather, these migrants are intended to be more strictly controlled. How the changed conditions for the issuance of the F business visa affects the entry of these foreigners and whether they will be issued M visas remains to be seen. As noted above, individual businessmen and -women continue to be barred from visa types granting long-term stays in the country and must continuously renew their M visas. Furthermore, African traders are also not eligible to become members of the social insurance system.

As noted in section 3.2, the tightening of visa issuance and controls in relation to the international events that were staged in China during recent years have had profound effects on the livelihoods of African traders. Many are required to leave and return to the country regularly for business purposes, e.g., to maintain contact with intermediaries and buyers in their home or other countries from which they import goods. These traders were particularly affected by the downturn in applications





for multiple entries. Furthermore, migrants of several African nationalities (among them South Africans and Nigerians) were also among the citizens of 33 nations that were no longer allowed to apply for visas in Hong Kong prior to the Beijing Olympic Games (*Asia Times* as of 25 April 2008). As generally applying for or renewing expiring visas in Hong Kong was and is a common practice among Africans based in south-eastern China (cf. Müller and Wehrhahn, 2013; Bork-Hüffer *et al.*, 2014), this policy harshly affected those staying in the region.

Overall, problems in obtaining valid visas have decreased the number of African traders staying in China. Due to the changed circumstances, migrants sought alternative strategies for remaining in the country. While some decided to overstay their visas, others who could obtain sufficient funds bought a visa from intermediary agents based in Guangzhou, in Hong Kong or in their home country and that would sell visas without necessary documents (e.g., an invitation letter) for a high price (Haugen, 2012; Bork-Hüffer *et al.*, 2014). Because their livelihoods and relatives back home depend on the businesses they have established in China, such short-term changes in immigration processes hardly gives them the option to look for other opportunities.

Those who had overstayed were found to be in a “second state of immobility” by Haugen (2012) in her study on Nigerians in Guangzhou because both their transnational and translocal mobility were affected by not holding valid papers that would allow them to go abroad and the constant threat of being caught in China. Furthermore, some undocumented Nigerians turned to illegal activities, such as selling drugs, when they had not perceived other opportunities for making a living. Policy changes have also significantly increased insecurity among traders, which is detrimental to the stabilization of relations with intermediaries and business partners, the establishment of trust, generating a secure trading base, and the traders’ general economic situation according to Müller and Wehrhahn (2011, 2013).

It is questionable whether the number of undocumented Africans working and residing in China can effectively be reduced simply through the higher penalties that were approved with the New Law. As Haugen





(2012) notes in her study on undocumented Nigerians in Guangzhou, these migrants are willing to take high risks given the lack of alternatives, such as returning to their home country or migrating somewhere else. Overall, as Bork-Hüffer *et al.* (accepted for publication) argue, African traders “contribute to increasing the demand for and international trade with Chinese products, they invest and/or consume in the country, and a substantial number employ Chinese workers, which are all factors that benefit the Chinese economy and society”, which renders the arbitrary immigration measures themselves rather than the response of the Africans as questionable.

5. Conclusions

There has been a rhetorical shift from a focus on strictly managing and controlling foreigners in China to attracting and promoting their inflow since the Hu-Wen leadership era. However, a close examination of the Interim Measures for Social Insurance and the New Law reveals that such changes refer almost solely to the so-called foreign talents. For all other groups, the recent alterations produce stricter monitoring and control. Emphasis has been placed on the control of illegal entry, stay, and employment. The New Regulations released under the leadership of Xi-Li in summer 2013 account for continuity since the Hu-Wen era.

Nevertheless, the formulation of precise and clearer guidelines for entry, exit, stay, and employment of foreigners in China throughout the late Hu-Wen and early Xi-Li eras has increased transparency. However, additional implementation rules still need to be determined (e.g., in regard to the new visas) and it has to be seen how the new regulations will be enforced.

Overall, the New Law, New Regulations, and notably low number of issued permanent residences have made clear that the former and current PRC regimes have not intended and do not intend to increase the number of foreigners substantially and maintain a cautious stance towards foreigners. The recent population census indicates that the number of foreigners in China is insignificant compared to the country's total population. China will face an increasing labour shortage in the





coming decades because of the one child policy, which has created an imbalanced dependency ratio as an increasing number of older people are supported by working-age people (Pieke, 2012). Unlike other countries that are experiencing falling birth rates and decreases in population, China's government does not seem to consider immigration to be one strategy to address its shrinking population.

Notes

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China's Economic Change in Entrepreneurial Perspective: Mao Zedong (Transformative Entrepreneurship) versus Deng Xiaoping (Adaptive Entrepreneurship)⁺

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Abstract

This paper interprets China's economic transformation in entrepreneurial perspective. This paper argues that there are two types of entrepreneurial leadership, namely transformative and adaptive. Transformative entrepreneurial leaders, with creative thinking and charisma, are able to exercise ideological breakthrough in the society and implement novel economic policy. With grand vision in their minds, they shape history and bring about a "creative destruction" to the traditional society. Adaptive entrepreneurial leaders are pragmatic, flexible and adaptive in economic policy making. They learn from errors and able to exert incremental change to the economic system. They enhance a better coordination of economic activities in the society and restore social and economic orders. The concept of the two types of entrepreneurial leaders will be applied to understand China's economic transformation since 1949 under the leadership of Mao Zedong and Deng Xiaoping.

Keywords: *China's economic transformation, entrepreneurial leadership, Mao Zedong, Deng Xiaoping*

JEL Classification: *D78, D81, E65, N15*





1. Introduction

Since the establishment of People's Republic of China in 1949, China had undergone a series of socialist revolution under the leadership of Mao Zedong (thereafter as Mao). After three decades of radical economic experimentation, China remained to be one of the poorest nations in the world. In the 1980s, Deng Xiaoping (thereafter as Deng) proposed and conducted economic reforms. Since then, China's economic performance had steadily improved. For the 24 years from 1988 to 2012, China experienced an average gross domestic product (GDP) growth rate of 9.8 per cent.¹ China's long and winding road to modernization, of course, triggers the interests of many development economists. In explaining China's economic performance, most neoclassical economists utilize Robert-Solow-Romer Growth model. The formal neoclassical production function view of economic growth is like a recipe where all the growth ingredients (such as capital and labour) are dumped into a pot (growth model), heated up (quantitative calculation), then, the output target can be achieved. Such approach provides no insight into the decision-making process of actors concerned (Leijonhufvud, 1986: 203; see also Langlois and Robertson, 1993: 31-41). It is not difficult to understand the reason why scholars in mainstream neoclassical economics neglect the role of policymakers in development planning. In neoclassical mathematical growth models, human agency can be omitted and hence, has no role to play. It must be iterated that the making of national economic policy is principally in the hands of policymakers. It would be odd to study policy change without making reference to the thoughts and actions of policymakers (Yu, 2011: 132-133). To understand economic transformation of a nation in an evolutionary perspective, it requires us to know major political and economic players who are in charge of the economy. Yu (1997) argues that government agency can exhibit entrepreneurial spirit too. The term "entrepreneurial state" is used to describe the Meiji government in Japan and governments of the four Asian Tigers. This paper classifies two types of entrepreneurial leadership to explain economic transformation of China since 1949. Specifically, it uses the concept of transformative





entrepreneurial leadership to explain Mao Zedong's economic management and the concept of adaptive entrepreneurial leadership to explain Deng Xiaoping's economic reforms. Uncertainty, learning, creativity and adaptation are the key elements in understanding China's economic change. There are quite a number of works comparing the leadership and economic management between Mao and Deng (for example, Chan, 1997; Teiwes, 2001, Lu and Lu, 2008). However, these studies do not link the theories of entrepreneurship with the economic management of the two leaders. So far, no study has been done on how the two types of entrepreneurial leadership influence China's economic transformation since 1949. This paper attempts to fill such a gap.

2. Two Types of Entrepreneurial Leadership in National Economic Management: Transformative versus Adaptive

The theories of entrepreneurship in economics can be applied to understand the role of political leaders in economic change. Entrepreneurial leaders in managing an economy can be classified into two types, namely transformative and adaptive. They have different impacts on economic and political changes. The former creates new ideologies, exercises path-breaking economic policies and transforms the traditional economy into a brand new society. The latter is adaptive. The adaptive entrepreneur brings the chaotic economy back into an organized society. Through learning and trial and error, adaptive entrepreneurial leaders enhance a better coordination in economic activities, thus entailing a gradual change in the economy.

2.1. Transformative Entrepreneurship in Economic Management

This paper uses Joseph Schumpeter's contributions to the theories of entrepreneurship to construct the concept of "transformative leadership". According to Schumpeter (1934/1961), entrepreneurs bring about technological breakthroughs and exert a disturbing force on an economy, which is termed as "creative destruction" (Schumpeter, 1934/1961: 81-86). Their activities include the combination of productive factors in some new way, the introduction of a new good or quality of a good, the





introduction of a new production method, the opening of a new market, the utilization of some new source of supply for a raw material or an intermediate good and the establishment of a new organization in an industry (Schumpeter, 1934/1961: 66). Just like entrepreneurship in the market, transformative leaders in national development can bring about a creative destruction to the existing economic and social systems by introducing new political and economic ideas, brand new political processes and systems, opening up new ideologies, moral thinking and establishing new political organizations.

Furthermore, in Schumpeter's perspective (1947/1966: 150), transformative leaders encompass three essential characteristics:

First, it can always be understood *ex post*; but it can practically never be understood *ex ante*; that is to say, it cannot be predicted by applying the ordinary rules of inference from the pre-existing facts. Secondly, it shapes the whole course of subsequent events and their long run outcome. It changes social and economic situations for good and creates situations from which there is no bridge to those situations that might have emerged in its absence. Thirdly, the frequency of its occurrence has something to do with the quality of the personnel available in the society, with relative quality of personnel and with individual decisions, actions and patterns of behaviors.

Schumpeter (1934/1961: 93) reminds us that path-breaking innovation is a difficult job because it lies outside the routine framework and the environment resists in many ways. Therefore, the function of transformative leaders, in Schumpeter's view, does not only consist in inventing or creating a new system or regime, but also consists in "getting [new] things done".

While transformative leadership brings about radical change to the social system, its impacts can be positive or negative. On the positive side, it can, for example, create a more just society for the world to follow. In history, they are the Founding Fathers of the United States, Abraham Lincoln and Mohandas Gandhi. However, transformative leaders, with its creative destruction power, can bring evil and vice to human race, such as Adolf Hitler, Joseph Stalin and Mao Zedong.





2.2. The Role of Adaptive Entrepreneurial Leadership in the National Economy

It is well known that Schumpeter's mode of entrepreneurship is rare in economic history. Most entrepreneurs in the market are adaptive but their contributions in economic development should not be ignored. Likewise, there are not many political leaders as influential as Hitler, Gandhi or the Founding Fathers of the United States. Most leaders in national economic development are adaptive in nature. Agreeing with Baumol's view (1968: 85), leaders with adaptive entrepreneurship deserve a place alongside with transformative leaders in the front rank of contributors to economic prosperity. Leaders with adaptive entrepreneurship put new ideas in use. They learn and exploit the political success of others. They invent neither new ideologies nor policies, but rather apply them for the advantage of their nation. In Leibenstein's view (1978: 74), leaders with adaptive entrepreneurship possess the capacities to search and discover economic opportunities for their country. They are capable of evaluating economic projects, marshaling the financial resources necessary for national development. These leaders in national development are strategic followers.

The two modes of entrepreneurial leadership, namely transformative and adaptive, can be associated with what Schumpeter (1947/1966) called "creative response" and "adaptive response" in economic history. In Schumpeter's words (1947/1966: 150):

Whenever an economy reacts to an increase in population by simply adding the new brains and hands to the working force in the existing employment, or an industry reacts to a protective duty by expansion within its existing practice, we may speak of the development as adaptive response. And whenever the economy or an industry or some firms in an industry do something else, something that is outside of the range of existing practice, we may speak of creative response.

Hence, transformative leadership is largely associated with "creative response", while adaptive leadership, with "adaptive response". In politics, America's Founding Fathers, Adolf Hitler's Nazi of Germany,





the Meiji government of Japan, Vladimir I. Lenin in Soviet Russia, Mohandas Gandhi in India and Mao Zedong in China possess the quality of transformative leadership. Franklin D. Roosevelt (USA), Martin Luther King Jr. (USA), Lee Kuan Yew (Singapore), Ho Chi Ming (Vietnam) and Deng Xiaoping (China) are in the category of adaptive leadership. Of course, the delineation between the two types of leadership is just a matter of degree. A summary of the two types of entrepreneurial leadership was given in Table 1.

Table 1 A Comparison of Two Types of Entrepreneurial Leadership

Transformative	Adaptive
Ideological breakthrough; novel/creative thinking and pioneer in radical economic policy making	Incremental innovation in ideologies and gradual change in economic policy
Self-confidence; risk-taking and bold attempt in implementing a project	Pragmatism and consensus building
Grand vision and history shaping	Learning, errors elimination and adaptation
“Creative destruction” to the traditional society leads to coordination failure in economic activities	Restoration of social and economic orders and better coordination of economic activities
Change of a system	Change within a system



We shall apply our theories of entrepreneurial leadership to explain the two periods of economic change in China since 1949, namely Mao's and Deng's economic transformation. To do so, an understanding of the personality and biographies of Mao Zedong and Deng Xiaoping will help to explain the formation of economic policies and their impacts on China's economy.

3. Mao Zedong's Personality Traits and Leadership Style

Mao (1893-1976) was born into a peasant family in Shaoshan (Hunan province, central China). After graduating from the Hunan First Normal School in 1918, he went to Peking, the national capital of China and worked in the Peking University library. It was during this time that Mao did most of his self-study and read Marxist literature. Growing up in a traditional Chinese peasantry family and mastering no foreign language, Mao was deeply embedded in Chinese culture. Paradoxically, as a rebellious leader, he also attempted to destroy Chinese traditions and Confucian values during political movements.

It is well known that Mao was a visionary, romantic revolutionary leader (Teiwes, 2001: 1). He was "a charismatic visionary, brilliant strategist and shrewd but devious political manipulator" (Vogel, 2011: 29). He possessed supreme confidence and dominance to inspire great numbers of followers. Mao was not only a risk-taker who was "willing to get the job done but also a charismatic leader who could convert the masses" with his rhetoric (Maccoby, 2000: 69-70). Through grand visions, coupled with great charisma, Mao gained devoted followers. Mao's visions can be strongly evidenced in two bold and creative economic reforms, namely, the Great Leap Forward and the Cultural Revolution.

However, there are dark sides of Mao's personality. Mao demonstrated himself the personality traits of self-inflation, self-admiration, and the expectation of admiration from others (Sheng, 2001). He strove to gain power and glory, and worked aggressively to be admired rather than loved. He resisted advisers' suggestions, took credits for successes and blamed others for their own failures and shortcomings.



Mao was a poor listener, hypersensitive to criticism and lacked empathy. He was unwilling or unable to mentor or be mentored, and intensely competitive. When he did not like the rules, he ignored, or even changed them.² In the next section, we shall explain and illustrate how Mao's personality traits influence the economic management of China under his leadership.

4. Mao Zedong's Economic Management during 1950-1957: Venturing into a Socialist Regime

By gaining widespread support from peasants, the Chinese Communist Party (CCP) under Mao's leadership successfully established its legitimacy in mainland China in 1949. The experience and knowledge of the party leaders in general and Mao in particular had significant influences on the economic management of the Mainland, and hence the growth trajectories of the economy. Given Mao's extremely high creativity with talented leadership, but lacking knowledge of the West, how did he manage China and lead the economy out of backwardness? We argue that Mao's economic management style was governed by his split personality with a hybrid of angel and devil. In old feudal China, peasants were severely exploited by landlords. Mao acted as a saviour to the poor peasantry class. On June 28, 1950, an Agrarian Reform Law was passed to redistribute land rights. Lands of landlords were brutally confiscated by the government and subsequently redistributed to the lower-class peasants. Political movements against landlords caused the humiliation and death of many landowners. The land reform was followed by the "Three-anti and Five-anti Movements", as well as the "Anti-Rightist Movement", when property owners and businesspeople were labeled as "rightists" and purged. It is estimated that at least one million people were killed during this period (Werth *et al.*, 1999). As a result, rural and farm sectors achieved a quasi-classless system that ultimately eliminated feudalism of Imperial China. Both agriculture and industry experienced growth from 1949 to 1958. By 1958, agricultural production almost doubled from 1949 (108 million tons to 185 million tons), coal production quadrupled to 123 million tons, and steel





production grew from 100,000 tons to 5.3 million tons (Liu 2004). Mao's radical leadership in the early 1950s was generally welcomed by the public!

5. The First “Fatal Conceit”³: The Great Leap Forward (1958-60)

Mao was a talented and charismatic leader. He was able to convince the masses to follow him and exploit them for his advantages. He knew little about the economic and social systems of the West in general, production and technologies of advanced nations in particular. Of course, a person who is deficient of certain knowledge can make up by learning. However, Mao refused to learn Western technologies. He was self-centred and full of self-confidence. He was what Hayek (1988) referred to as a man of “fatal conceit”. The result of an ignorant man with strong leadership brought China into the first economic disaster in the late 1950s.

Knowing very little about the West and disregarding the economic realities in China, Mao thought that “east wind of socialism” could prevail over “the west wind of capitalism” (Sheng, 2001: 123). In 1957, under Mao's revolutionary romanticism, the Chinese Communist Party launched one of the greatest economic experiments in the human history, namely the Great Leap Forward. From 1958 to 1960, the Great Leap Forward attempted to move the country towards “a spiritually mobilized populace simultaneously bringing about the full-scale modernization of China and its transition from socialism to communism within a few short decades” (Oxford Reference Online, 2009). It aimed at accomplishing the economic and technological advancement of the country at a faster pace and with greater results. The slogan of the movement was to “overtake Britain and outperform the United States”. The movement centred on brand new socio-economic and political systems, namely the people's communes, which were created in the countryside and in a few urban areas. The aim of the political movement was to increase agriculture and industrialization through central planning and communal production. It was envisaged that the government could control the sale of agricultural goods if it also controlled the production of those goods.





This would supposedly be easier if the production plan could be done in larger groups to exploit the economies of scale. Such “creative destruction” (Schumpeter, 1947/1966) rendered extremely high transaction costs and the plan was infeasible. As a result, many people starved to death. However, the propaganda machine of the Communist Party continued to give out larger numbers of the goals accomplished in order to push people to produce more output. The local leaders of the communes were lying about the production and success of the agricultural numbers which led to more grains being sent to urban areas or being exported and not enough being left for the peasants in rural areas to consume. Apart from food production, the political movement also focused on steel production. In 1958, Mao was shown a backyard steel furnace and given the belief that steel could be produced there. He then encouraged people to produce steel in the backyards. Households, with enthusiasms, donated their cooking utensils, farming tools, or iron gates to the commune furnaces to produce steel. When Mao later knew that steel was impossible to produce in backyard furnaces, he chose not to disclose the truth to the public. The economic experiment ended up in a total failure. Amongst the Great Leap Forward’s consequences were the shortage of food,⁴ shortages of raw materials for industry, overproduction of poor-quality goods, deterioration of industrial plants due to mismanagement, and exhaustion and demoralization of the peasantry and intellectuals. As a result, millions of people died of starvation. It is estimated that between fourteen and forty million people died during the Great Leap Forward before the plan was abandoned in January 1961 in the Ninth Plenum of the Eighth Central Committee (Sheng, 2001).

6. The Cultural Revolution 1966-1976: The Economic Catastrophe in Human History

Having experienced a major setback, Mao and his party could learn from the mistakes and changed economic policies to eliminate errors. Unfortunately, learning in “wrong” direction can be possible. Even worse, bad learning by a talented leader brought China into another



economic catastrophe. Due to the failure of the Great Leap Forward, hardliners in the party had no choice but to give way under pressure. Mao stepped down from his position as the chairman of the People's Republic of China. Liu Shaoqi, the second man in the party, took the control. Together with Deng Xiaoping, Chen Yun, Peng Zhen and others, Liu's group revised the Mao's extreme left policy and initiated a series of corrective measures. Such measures would be beneficial to China's economy. However, as a distinguished founder of the People's Republic of China, Mao did not admit his errors in initiating the Great Leap Forward movement. Admitting mistakes means a severe humiliation to the supreme leader. Sheng (2001: 120) rightly argues that "the bipolar co-existence of intense paranoia and grandiose fantasies exhibited in the last 10 years or so of his life testified to Mao's deteriorating narcissistic personality disorder, which, in turn, translated into China's chaotic and frenzied politics of the Cultural Revolution". Mao showed his aggressiveness in his attempt to compete with God.⁵ As a creative leader, Mao found a way out to justify his restlessness. He blamed the failures of previous movements on the incomplete socialist regime.⁶ In Mao's view, to remedy the situation, a more radical communal property system should be conducted. In 1967, he initiated another radical political movement, which had never been experimented in the human history before, namely the Cultural Revolution.

As a charismatic entrepreneurial leader, Mao was able to organize a political movement which persuaded the masses to follow his ideologies. As Lieberthal (1995: 60) argues, revolutionary or radical economic reform "is by its very nature unsettling. Its adherents must maintain a level of frenetic intensity and passion that rarely is compatible with smooth administration. Revolutionaries tend to view complex administration as an obstacle to their goals, while civil servants often want to temper the enthusiasm and lack of technical expertise that accompany the policy thrusts of revolutionaries". Mao utilized the passion of young people to rebel against the old system and senior Politburo members by forming the Red Guards. Red Guards had two roles. Firstly, it was manipulated by Mao as a power struggle with and revenge on Liu who openly humiliated him. As a result, Liu was branded



as a capitalist. Secondly, Red Guards was used by Mao as a device to destroy the old systems and create a brand new society as Mao himself believed he was the guidance of the new world. On 16 August 1966, eleven million Red Guards gathered in Tiananmen Square to hear encouragement from Mao who portrayed himself as a supreme emperor as in the old imperial China. During the heat of the Cultural Revolution, social and economic orders were completely turned upside down. Intellectuals were transported to rural areas to do manual labour in which they did not have comparative advantages. Homes of citizens were turned into communes for collective production.

Today, scholars in New Institutional Economics (e.g. see Ostrom, 2000) argue that an extreme communal property system renders prohibited transaction costs and therefore is economically unfeasible. There are different sources of inefficiency associated with extreme communal production during the Cultural Revolution. First, there was a lack of incentive to work hard because people could not reap the rewards for what they put in. It renders high monitoring costs for the communal brigades to enforce the team to work (Alchian and Allen, 1983). Without profit incentive, political movements glorifying group effort were used to push people to work. Secondly, in the nature of public ownership of productive assets, common property rights led to the abuse of resources, thus, reducing productivity. The third source of economic inefficiency is in the distribution of the products. When price is not used as a mechanism of distribution, other methods would be applied to capture rents. Cheung (1998) argues that in the Communist society, rank and seniority in the Communist party is used for allocation of goods. Hence, every commune member engages in an unproductive ways to seek higher rank in the party. This leads to rent dissipation (Cheung, 1970, 1998).

Led by Mao's ignorance and charisma, the Cultural Revolution brought millions of people in China into starvation, violence and economic disaster. Red Guards led public beatings, humiliation, and killings of those against the Communist Party. Many of those were beaten publicly and committed suicide. The last two years of the Cultural Revolution in China witnessed a period of re-education, killing,



chaos and China fell into a society without law and order (Oxford Reference Online, 2009). Similar to other Communist countries such as North Korea, Cuba and Vietnam which adopted radical socialism and closed door policy, China became an extremely poor nation in that period. Although it is inconclusive that Mao alone creates such a human disaster in Chinese history,⁷ it is not too wrong to claim that such tragedy is largely attributed to Mao's (negative) leadership.

7. Deng Xiaoping's Personality Traits and Adaptive Entrepreneurial Leadership

While Mao is regarded as the great helmsman in China, Deng is taken as a "paramount leader" and "might best be characterized as the 'political boss' of the post-Mao period into the early 1990s" (Teiwes, 2001: 2). Born into a peasant background in Guang'an (Sichuan), Deng studied and worked in France in the 1920s, where he was influenced by Marxism-Leninist ideologies. Travelling around China, France and Moscow in his youth, Deng was more open to new and foreign ideas than Mao. However, his leadership style was more imperial than presidential (Goodman, 1997). Deng joined the Communist Party of China in 1923. He followed Mao in the Long March and was one of the eight "revolutionary veterans" in the Communist Party. Following the founding of the People's Republic of China in 1949, Deng worked in Tibet and other southwestern regions to consolidate Communist control. Deng was instrumental in China's economic reconstruction following the Great Leap Forward in the early 1960s. His economic policies, however, were at odds with the political ideologies of Mao. As a result, he was purged twice during the Cultural Revolution, but regained power in 1978.

Regarding personality and leadership style, Teiwes (2001: 1-2) comments that Deng is "a pragmatist more interested in measurable results than grand visions". His "determination to get things done his way ... was linked to a willingness to consult and modify positions". Deng's pragmatism can be best illustrated by his statement, "it does not matter if a cat is black or white so long as it catches the mouse". Deng is



also described as “an organisation man who saw his duty as one of serving the Party and its leader, and implementing the ideas of others within the leadership ... In short, Deng was pragmatic, a committed revolutionary throughout his political career, attempting to ensure that the CCP achieved power and China’s modernisation” (Goodman, 1997). Orville Schell, a historian, comments in *Newsweek* that “Deng was skilled at coalition and consensus building While Deng could be opportunistic, he was remarkably constant in his beliefs and predictable in his actions, especially when it came to economics. He rarely tormented himself over difficult decisions. His self-confidence allowed Deng to take enormous gambles” (Schell, 1997).

8. Deng’s Economic Reform since 1978: Gradual Learning and Experimentation

Mao, with his creativity and charismatic leadership, brought the nation into total chaos. The coordination of economic activities completely broke down. Production paralysed, and the economy suffered from huge shortage of foods. Inheriting a ruined economy resulting from the Great Leap Forward and Cultural Revolution in the Mao era, Deng attempted to restore the nation. Seeing that the other two Chinese economies, Hong Kong and Taiwan, performed well in the post-war period, Deng and Chinese leaders in Beijing realized that the radical communal property right system did not work. They wanted to correct the “extreme left-wing” mistakes committed during the Cultural Revolution. Following the death of Mao, a major barrier in the capitalist reform was removed. A new era dawned. In 1978, the Chinese Communist Party led by Deng embarked on a Four Modernizations programme: the party charted a middle road of maintaining political and ideological controls while gradually opening up the country and regulating the influx of new ideas, foreign trade and investment. However, in 1978, Deng did not have a clear vision of how China’s modernization should proceed. As Vogel (2011: 21) puts it “Deng did not have a clear blueprint about how to bring wealth to the people and power to the country; instead, as he confessed, repeating a widely used saying – he groped for the stepping



stones as he crossed the river.” In announcing the Four Modernizations, Deng steered away from Mao’s rigid central controls and introduced incentives to stimulate economic growth. This departure indicated that Deng was a more pragmatic leader. Deng announced a new programme for economic development, calling for the (1) abolition of the collectivized agricultural system, (2) encouragement of private peasant plots to raise agricultural products to sell in the market place, (3) reduction in centralized economic planning, making local economic units responsible for the acquisition of raw materials, (4) encouragement of technology to increase productivity, and (5) use of joint ventures with foreign firms (e.g. the United States and Japan) to bring additional funds and investment to China. Given ideological constraints as well on pragmatic grounds, Deng’s government pursued a capitalist experiment under the slogan of “Chinese-style socialist market system”, which in fact expanded marketization and privatization. He dubbed it as “socialism with Chinese characteristics”. Without any model to follow, the economic reform in the Mainland had to be conducted by trial and error. Gradualism was notably incremental in nature. This gradual reform policy had one advantage. Chinese people could partially maintain their old thinking while at the same time learn new ways of doing. The two most striking experiments at that time were agricultural responsibilities system and the Shenzhen Special Economic Zone.

9. Groping for Stepping Stones to Cross the River: Agricultural Responsibilities System

The most striking economic experiment started at the agrarian sector. It attempted to experiment a market system in the farm sector with the aim of “letting farmers to get rich first”. If this method succeeded, then reform would be extended to the industrial and financial sectors. Starting from the agricultural sector, the government de facto introduced a private property rights system under the name of “agricultural responsibility system”. According to Cheung (1998), a responsibility system “involves a contract between a household or organisation and the government, under which the individual assumes responsibility in



production, pays dues to the government, and keeps the residual". This new policy served as a small impulse to peoples' minds. Farmers and rural workers began to perceive opportunities. At first, farmers did not know what to do. During that time, they were still using the same old interpretation framework to deal with new events. Many of them dared not to move ahead. This was especially true for those people who suffered intense hardship during the Cultural Revolution. With socialist thinking being still in force in most farmers' minds at the early stage of the reform, those people moving ahead and behaving as rural entrepreneurs were condemned as capitalists' devils by other farmers. However, as many rural entrepreneurs became wealthy and did not suffer from any political condemnation, old thinking started to give way. As more farmers learned, new policies were found feasible. More precisely, Chinese people slowly constructed a new framework to deal with the capitalist way of doing things. Such mentality gained ground and was reinforced by continuous rewards. With the success in the rural sector,⁸ similar reforms were then extended to the industrial sector under the name "Bao Chan Dao Hu" (a kind of contracting system⁹) and later to the financial sector.¹⁰ As a result, more and more people accepted the new way of doing things. Even conservative Communist hardliners later gave up radical Communist ideology and were willing to learn new things. They participated in the market ways of doing things and involved in private enterprises. A new social stock of knowledge has been steadily built up as these activities were extended to the whole economy.

10. Shenzhen as an Experimental Zone

In 1980, Deng's government established Shenzhen Special Economic Zone (SSEZ) as one of the testing grounds for economic reform.¹¹ Its aim was to attract foreign capital for modernization. If we use the cost and benefit analysis to evaluate the Shenzhen project, the policy of pouring huge amount of resources into the zone by the central government may not be economically justified.¹² However, if Shenzhen is referred as an experimental zone, then the design will be a sensible



way to tackle uncertainty. Confining the experiment to one small region, the state can avoid massive disasters extending to the entire nation in case the experiment fails. On the other hand, if the experiment succeeds, then the special zone can be applied to other regions. Hence, Shenzhen had been designated as a test bed of change and a guinea pig for China's reform.¹³

Shenzhen used to be a small border town with a population of less than 30,000. At the early stage of development, the general target of making Shenzhen as a special zone was "to develop Shenzhen into an industry-led modernized city, based on the integration of agricultural and industrial development" (Gu, 1998). In August, 1980, the People's Congress passed "Regulations for the Special Economy Zone of Guangdong Province" and officially designated a portion of Shenzhen as the Shenzhen Special Economy Zone (SSEZ). The central government gave the zone special policies and flexible measures, allowing it to utilize a special economic management system. They included:

- Special tax incentives for foreign investments in the Special Economic Zone.
- Greater independence on international trade activities.
- Economic characteristics were represented as "four primacies":
1) constructions primarily relied on attracting and utilizing foreign capitals; 2) primary economic forms were Sino-foreign joint ventures and partnerships as well as wholly foreign-owned enterprises; 3) products were primarily export-oriented; 4) economic activities were primarily driven by market.
- The Special Economic Zone was listed separately in the national planning (including financial planning) and had provincial authority on economic administration. The Zone's local congress and government had legislation authority.

At the early stage of the experiment, the result seemed not promising. By 1985, some critics even pointed out that Shenzhen was a failure because it had not fulfilled its original goals. They argued that rather than being a "window" to the outside world and technology, much of Shenzhen's growth was due to the creation of import production



rather than export production that geared towards gaining capital. Foreign investors were enticed more by the prospect of a huge Chinese market than a favourable tax structure, and started enterprises designed to sell goods within China. Furthermore, many factories were designed to take advantage of the abundant supply of cheap labour and were thus low-tech. Foreigners were unwilling to invest their money in expensive high-tech capital that a largely unskilled labour force might not be able to use. The central government in Beijing was concerned about huge subsidies which were given to Shenzhen, without achieving the prescribed goals. As the result of much debate, the municipal government of Shenzhen was able to respond to the challenge by creating a plan for growth emphasizing export production and high-tech endeavours. After manipulating the tax structure, purging a corruption scandal, and rededicating itself to creating a skilled workforce, exports began to increase.

After 35 years of trial and error, the experiment seemed working. According to Shenzhen Government,¹⁴ Shenzhen is now China's the fourth largest economic driver and richest city in mainland China. In 2011, its GDP growth rate was 10 per cent, with GDP and per capital GDP amounted to US\$178 billion and US\$17,096 respectively. In 2006, Shenzhen was ranked as the best city to live in the mainland China (*Shenzhen Daily*, September 22, 2006). Thus, in hindsight, we cannot claim that Shenzhen is a failure, as assessed earlier by scholars using the cost and benefit approach.

11. Foreign Direct Investment as a Learning Channel

The Deng's government envisaged that the strategic use of foreign direct investment could help China modernize by gaining access to foreign technology and capital (Shi, 2003). Since China "opened" her door in 1979, as a result of some preferential measures, foreign direct investments continued to pour into the Mainland to take the advantage of cheap labour and rentals. According to the official definition in China (Shi, 2003), foreign direct investment took several forms. They were wholly foreign-owned investment, equity joint ventures and contractual



joint ventures. Collectively, they were called *sanzi qiye* that literally meant three types of foreign direct investment enterprises. Each type of contract was stipulated in and protected by specific laws. In addition, there were compensation trade, and assembly and processing agreements. These types of foreign direct investment were more flexible and subject to negotiation between foreign and domestic parties. These informal arrangements were popular in the early stages of the Open Door Policy, especially in the Guangdong area where most Hong Kong-invested firms were located.

In 2011, direct foreign investment in Shenzhen reached US\$4.6 billion, up 7.03 per cent from the previous year. Of that figure, investment from Hong Kong reached US\$3.24 billion, up 4.53 per cent from the previous year. Investment from the United States reached US\$82 million, down 8.62 per cent from a year ago. Its export volume increased 20.2 per cent, to US\$245.53 billion, ranking first among the nation's large- and medium-sized cities for the 19th consecutive year.¹⁵

Foreign direct investment in developing economies is regarded by Marxists as exploitation. Yu (1997: 180) argues that foreign direct investment is useful to latecomer economies in catching up with industrialized economies. As multinational firms from the advanced economies take the advantage of cheaper resources in the developing economies and invest there, local firms in the latecomer economies learn their skills and imitate their products. According to their abilities to absorb foreign technology, local manufacturers modify and gradually create some new designs. From a large reservoir of knowledge, they adopt foreign technology to local circumstances and improve on it. When imperfections arise, they make changes. In short, local firms take the full advantage of being latecomers. Later, some of the latecomer firms may spend money on R&D and move away from pure copying. By trial and error, eventually some firms establish their own brands. More importantly, by selling improved designs at lower prices, local producers can even threaten the original suppliers from advanced countries.¹⁶ They can compete in world markets. Of course, the success depends on the absorptive capacity of the nation.¹⁷ This argument seems correctly explains recent China's latest development.¹⁸ According to a report in



London (Economist Intelligence Unit, August 1, 2002), China was once seen as little more than a vast sweatshop, cheap low-tech production centre. However, that perception is changing. The report remarks:

“As multinationals relocate both factories and research and development (R&D) to China, and local rivals ramp up efforts to develop home-grown products, China is set to become a world centre for high-tech manufacturing. Chinese manufacturing is being led up the industrial value chain by the most well-known foreign technology brands. Multinationals – including Microsoft, Intel and Lucent of the US – have set up over 120 R&D centres in China so far ... The rapid shift of global manufacturing capacity to China has prompted commentators to predict the emergence of a new workshop for the world. Few, however, have noticed a newer but equally pronounced migration of foreign research and development operations to the world’s most populous nation.¹⁹ The importance of this trend, evident not only in information technology but in automation, supplies a potent riposte to sceptics who have argued that China was destined to become a giant sweatshop, productive but low tech. And although much of the cutting edge work is confined to the labs of multinational firms, the people executing it are almost exclusively Chinese. Over time, ideas and skills would be expected to flow to local companies”

(cited in *Financial Times*, 18 April 2002)

12. Learning, Imitation and Catching Up with Its Neighbours

China, as an Asian latecomer, has a wide range of industrialized nations to follow. However, learning from countries with similar thinking and ethnical backgrounds can facilitate learning and therefore reduce coordination costs during the process of catching up. At the early stage of the reform period, the Deng’s government could learn most easily from those countries which encompassed “Asian value”, such as Japan and the four Asian Newly Industrialized Economies, namely Singapore, Taiwan, South Korea and Hong Kong. Understandably, learning from Taiwan at that time was rather difficult due to mutual mistrust. Learning from Japan was possible and indeed China approved many investment projects from Japan. Singapore had been an anti-Communist economy.



Learning from Hong Kong was the most efficient, quickest and cheapest way.

Hong Kong's post-war success is well documented. It has been a free port for more than 150 years. As a result of dynamic entrepreneurs (Yu, 1997) and pro-business government policies (Yu, 2002), Hong Kong has developed into a high-income area. Hong Kong's experience has been recognized by Chinese leaders across the border. Chinese public officials wanted to learn from this small city's economy. To achieve this, China borrowed those dynamic Chinese entrepreneurs from Hong Kong.

The Open Door Policy provided opportunities for Hong Kong entrepreneurs to invest and earn profits in China, on the one hand, and for local enterprises in the Mainland to learn and catch up with Hong Kong, on the other hand. Hong Kong industrialists, with the benefits of cultural and language similarities, were the first group to relocate their factories to mainland China (Yu 1997). Hong Kong had been the largest investor in China (Shi, 2003). At the early stage of the Open Door Policy, investment from Hong Kong accounted for even more than 70 per cent of the total foreign direct investment inflow. Guangdong where more than 80 per cent of foreign direct investment originated from Hong Kong became a huge processing plant for Hong Kong companies (Thoburn *et al.*, 1990; Cheung, 1997). The Pearl River Delta had one time become the "backyard workshop" for Hong Kong.

As Hong Kong firms invested in the Mainland to take the advantages of low wages and rentals there, people in the Mainland imitated and learned from Hong Kong firms. Similar culture and languages between the two economies made learning easier. With Deng's government strove to promote to build similar Hong Kong in the Mainland, those cities in China which locate near Hong Kong such as Shenzhen and Guangzhou quickly learned and imitated Hong Kong's style of entrepreneurship and management. Consequently, living standards and lifestyles in the Pearl River Delta areas have been able to catch up with Hong Kong. Deng's economic policy paved way for the subsequent leaders, e.g. Jiang Zemin and Zhu Rongji, to follow. Hence, it is not an exaggeration to conclude that the emergence of China as the



world's second largest economy in 2010 can be attributed to Deng's legacy.

13. Conclusion

This paper interprets China's economic transformation from 1950 to 1997 in entrepreneurial perspective. This paper classifies two types of entrepreneurial leadership, namely transformative and adaptive. It argues that Mao, a transformative leader, with creative thinking and charisma, was able to exercise ideological breakthrough in the society and implement novel economic policies. After the establishment of the People's Republic of China in 1949, Mao embarked on a land reform programme and two boldest economic experiments in human history, namely the Great Leap Forward and the Cultural Revolution. These unprecedented economic experiments brought about a "creative destruction" to the economy and society of China, which entailed tremendous uncertainty to the country. Nationwide coordination failures in economic activities led to economic catastrophe in China. As a result, China became one of the poorest nations in the world.

After the passing away of Mao in 1976, Deng was able to make a comeback. Deng, an adaptive and pragmatic leader, was able to learn from Mao's errors and adapt to economic change. Under Deng's leadership, China embarked on the Open Door Policy and economic reforms in 1978. Coordination of economic activities via marketization and privatization was made possible. Through learning, elimination of errors and gradual policy change, social and economic orders in China were restored. After nearly 20 years of economic reform (i.e., from 1978 to 1997, the year Deng passed away), China was able to transform itself from one of the poorest nations in the world to a relatively wealthy economy in East Asia.





Notes

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1. Calculation based on data given in IMF *World Economic Outlook Database*, April 2013.
 2. Mao is referred to as suffering from narcissistic personality disorder (e.g. Pye, 1976, 1996; Sheng, 2001; Rosenthal and Pittinsky, 2006)
 3. The term comes from F.A Hayek's book *The fatal conceit: The errors of socialism*, published in 1988. The two cases of fatal conceit committed by Mao are the Great Leap Forward and the Cultural Revolution.
 4. Admittedly, natural disasters also played a part in causing the food shortage.
 5. In his 1946 Chinese poem, Mao wrote: "attempt to compare with the sky in height".
 6. "Neoclassical Austrian" economists such as F.A. Hayek and I.M. Kirzner argue that entrepreneurial learning can eliminate errors and thus the economy is able to move towards equilibrium. Mao's case shows that, given human ignorance, learning may not eliminate errors. On the contrary, after learning, human agents may commit further errors because it is extremely difficult to define a "correct" policy beforehand. Therefore, Lachmann's (1956; 1970) radical subjectivist position seems more appealing. For a differentiation of two types of Austrian economists, namely neoclassical versus radical subjectivist, see Caldwell (1988: 530, note 17).
 7. Pye (1976: 598) argues that "a deeper cultural and societal force that make





- possible of such a unique phenomenon”.
8. Cheung (1998) concludes that “there is no question that in China, the responsibility system has met with great success in agriculture”.
 9. Many types of contracting system were practiced during the experimentation period. For a detailed discussion, see Shiu (1996).
 10. The industrial and financial sectors are structurally more complicated than the agricultural sector. Hence, it is not surprising that the current state enterprise reforms have encountered more difficulties than the farm reform. For a discussion of the differences between agricultural and industrial sectors from the transaction cost perspective, see Cheung (1998). For a review of banking reforms in China, see Shiu (2003).
 11. China’s other special economic zones are Zhuhai, Shantou, Xiamen and Hainan.
 12. For example, Chen’s study (1993: 267) integrates domestic profits in China and concludes that the impact of the central government’s subsidies is small. His report suggests that a heavy reliance on foreign investors is unlikely to maximize the welfare of citizens and that there should be a balance between domestic and foreign investment.
 13. Shenzhen Special Economic Zone was personally proposed by Deng Xiaoping and is often called “the testing bed of Deng Xiaoping’s reform and opening up”.
 14. Shenzhen Government Online, <http://english.sz.gov.cn/economy/> (retrieved on 29 August 2013).
 15. See note 14.
 16. Hong Kong is a good example of catching up. See Yu (1997).
 17. See Cohen and Levinthal (1990) for the concept of absorptive capacity.
 18. Admittedly, at the beginning, most joint ventures were rent-seeking activities pursued by the government officials either at the township or provincial level. However, the most important fact is that Chinese people have had the opportunities to learn from overseas companies.
 19. For example, Alcatel, the telecommunications company, joined forces in 2003 with a Chinese venture capital fund, New Margin ventures, to invest US\$18 million to support innovation in telecom engineering. Alcatel expects to spend around 15 per cent of its worldwide R&D budget in Shanghai. On this investment, Ron Spithill, the executive vice-president of Alcatel, remarks that “China has long been a recipient of telecom technology, very soon it will be a source of innovative technology.” (*Financial Times*, April 18, 2002).



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The “Two Lines Control Model” in China’s State and Society Relations: Central State’s Management of Confucian Revival in the New Century⁺

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Abstract

Whether the authoritarian Chinese state can effectively control an increasingly powerful and autonomous society remains a major debate of Chinese politics. This paper, by drawing on extensive field work, examines an important case, the state’s engagement with the revival of Confucian education in China’s urban society. It advances the current literature in the following ways: first, the central state’s control of Confucian education is far more complicated than has been discussed in previous literature. The central state uses two policy lines, namely, guiding line and bottom line, to shape the development of Confucian education and avoid challenges against the official ideology. Second, the implementation of the two lines at the local level, however, is varied. Though the bottom line is generally firmly followed, the guiding line is carried out with dramatic differences. Third, the variances in local management is found to be closely related with the current political institution in which the central state does not finance local authorities but still retains power to dismiss those who dare to trespass the bottom line.

Keywords: *state and society relations, Confucian education, the central state, bottom line, ideology*





JEL Classification: H19, I28, P36, Z18

1. Introduction

Whether the Chinese state can effectively control an increasingly powerful and autonomous society remains a major debate of Chinese politics. Pessimists, for example, Minxin Pei (2006), contend that the Chinese state is unable to overcome its absolutist origins, and its monopoly of political power will ultimately suffer some form of systemic paralysis or power transition (see also Gilley, 2004; Chang, 2001; Hutton, 2006). However, optimists, represented by Dali Yang (2004), argue that the Chinese state has shown a strong capacity to adapt, adjust and innovate, and that its authoritarian polity has become more responsive and more attentive to economic and social needs (see also Nathan, 2003; Fewsmith, 2001; Dickson, 2003, 2008). This paper contributes to a crucial aspect of the debate, specifically, whether the Chinese state can properly structure different ideologies and beliefs generated amid society. This is significant because ideology is fundamental for political legitimacy which constitutes “the core of any political organization” (Alagappa, 1995: 3). Given China’s recent and possible economic slowdown in the near future, ideological control will be critical for the Chinese Communist Party (CCP)’s legitimacy. It is widely speculated that in case the “quick win” of rapid growth is exhausted, the current regime’s legitimacy will soon come under serious attack (Eichengreen, Park and Shin, 2011; Bradsher, 2012). In fact, A plethora of economic obstacles have already been noted, such as an economic slump of major export markets, stalled economic reforms, institutional deficiencies, resource constraints, demographic aging and environmental degradation, all of which have depressed China’s growth and will continue to do so in the foreseeable future.¹ Besides, with the onset of a series of social and political reforms promised by the current CCP leaders at the third plenary session of the eighteenth central committee, ideological control has become essential for political stability in at least the near future. Hence, whether the Chinese state can keep non-official ideologies and beliefs within its grip remains critical





for its control over society.

This paper explores the issue by examining an important case, specifically, the state’s engagement with the revival of Confucian education in China’s urban society since the new century. Since the early twenty-first century, Confucianism has undergone a revival among China’s urban citizens. Together with Liberalism and Socialism, it has now become one the most influential ideological currents in contemporary China (Tu, 2011). While most existing literature either believes that the Chinese state has either dominated the Confucian revival or that it has little control over it at all, this paper shows that the state’s control is far more sophisticated than “domination” or “non-interference”. The central state uses a two line strategy, namely, a guiding line and bottom line to control the Confucian education. The state mainly provides two guiding lines for lower educational authorities to follow, “replacing Confucianism with ambiguous ‘traditional culture’” and “integrating Confucian elements with the official ideology”. It also sets a bottom line to avoid any challenge against the official ideology. But the two lines are not equally implemented by local educational authorities. While the bottom line is firmly followed, the guiding lines are carried out in different degrees and with varying approaches. This creates an important effect, that is, the central state still retains strong power to avert contraventions against its official ideology but holds only limited control over the direction of the content of Confucian education. Such an effect is found to be closely related with the current political institution in which the central state does not finance local authorities but still retains power to dismiss local authorities who dare to trespass the bottom line.

This research is mainly based on my extensive fieldwork in Guangzhou and Shenzhen in Guangdong Province and Qingdao in Shandong Province from December 2010 to October 2011. A second trip to Guangzhou and Shenzhen was made in July 2013 for the purpose of validating and confirming data collected during the first trip. A small part of the data also comes from my fieldwork in Beijing and Yangzhou in Jiangsu province in early 2011. During the fieldwork, I interviewed bureaucrats and officials from the local education bureaus (*jiaoyuju* 教





育局) and propaganda departments (*xuanchuanbu* 宣传部), teachers and principals from local public schools, Confucian classes (*dujingban* 读经班) and Confucian schools (*quanrizhi jingdian xuetang* 全日制经典学堂). I also collected archival materials, made on-site observations and obtained data from media reports and other secondary sources. The data collection methods will be elaborated later.

1.1. Background: The Confucian Revival in Chinese Education in the New Century

Since early this century, Confucianism has undergone a revival among the urban Chinese public. This is shown in the surging public interest in Confucius and his teachings. The best example is the unprecedented popularity of Professor Yu Dan's TV lectures on Confucianism, entitled *Yu Dan's Reflections on "The Analects"*, in 2006. Her subsequent book based on the scripts of the TV lectures was also warmly received. Within a year, her book had sold four million legal copies across China and an estimated six million pirated ones, remaining at the top of the Chinese bestseller list that year. In the following year, the surging popular demand has given birth to over one hundred kinds of books interpreting Confucianism (Chen, 2007).

The revival of Confucianism has brought a rapidly rising number of children who were sent by their parents to study the Confucian canons in various "Confucian kindergartens" (*quanrizhi jindian youeryuan* 全日制经典幼儿园), "Confucian classes", and Confucian schools.² According to one report from the International Confucius Studies Association, children learning the Confucian canons (including those in government-supported Confucian educational programmes) amounted to over 10 million (Chen, 2007).³ The report also claimed that besides the 10 million children, there were at least 20 million supporting parents and teachers.

"Confucian classes" refer to a group of students organized for the purpose of learning ancient Chinese classics. It usually employs one or two teachers and recruits children younger than twelve years. Its size ranges from a few students to a few dozen. Most students come from





urban middle class families and meet with teachers regularly, usually at the weekend for one or two hours’ reading and teaching. Students are sent to these classes by their parents; and in some classes, parents also participate in the class activities. Some of the Confucian classes are run by certain social organizations (for example, some Buddhist groups) for non-commercial purposes,⁴ but others are purely commercial, such as some training companies in China. The reason that some Buddhist groups were heavily involved in supporting Confucian education, as explained by one of my interviewees, is that Buddhist groups usually consider financing such Confucian education a “virtuous act”. They viewed it as beneficial for spreading Buddhism among the urban middle class because Buddhism in China, after its more than two thousand years of localization, has now greatly overlapped with Confucianism (interview, Qingdao, April 2011).

“Confucian schools” refers to full-time schools specializing in instructing the Chinese classics. These schools are usually operated by social groups (non-official groups), and some of them are, in fact, kindergartens which recruit children younger than seven years. Different from ordinary kindergartens, these schools focus their pre-school education on learning and reciting ancient classics, mainly Confucian ones. In Shenzhen alone, a southern coastal city in Guangdong province, there were at least 34 “Confucian classes” and “Confucian private schools” in 2009 (Shi, 2010).

Since education has always been fundamental for the Chinese state to instill “proper” ideology among its citizens and therefore claim its political legitimacy, it is unlikely that the Chinese government would turn a blind eye to the growing prominence of Confucianism in education. In fact, education, along with mass media and publication, remains to be the key ideological strongholds over which the CCP can never afford to lose its grip, because unlike in liberal democracies where consent is expressed through an institutionalized system of election, the Chinese political system still heavily relies on mass ideological education and campaigns to obtain and mobilize popular consent for its legitimacy (Beetham, 1991; Holbig, 2009). How, then, did the CCP respond to this “Confucian education fever”?





2. Data Collection Methods

This research mainly uses qualitative methods in collecting data. Confucian education still remains somewhat controversial in China and therefore it is difficult to conduct mass surveys of government officials. In-depth interviews, however, allowed this researcher to gather information from government officials and related people in a much more flexible way.

Fieldwork was mostly conducted in Guangzhou and Shenzhen in Guangdong province and Qingdao in Shandong province from December 2010 to October 2011. A second trip to Guangzhou and Shenzhen was made in July 2013 for the purpose of validating and confirming data collected during the first trip. The rationale for choosing these three locations is because Confucian education was observed as experiencing strong revival in these places. And the three places represent three different models of local government's involvement in the Confucian education. In Qingdao, both the prefectural-level (*shi* 市) and district (*qu* 区) (or county/*xian* 县) -level educational authorities are observed as promoting Confucian education; whereas in Shenzhen, only district-level authorities do so. In Guangzhou, neither the prefectural- nor district-level authorities take active measures in promulgating Confucian education. Thus, by examining the three models, I hope this research can possibly come to a reliable conclusion about the Chinese state's management of the Confucian education.

In-depth interviews provide most of the data for the study. During the fieldwork, I interviewed bureaucrats and officials from the local education bureaus (*jiaoyuju* 教育局) and propaganda departments (*xuanchuanbu* 宣传部), teachers and principals from local public schools, Confucian classes and Confucian schools by using semi-structured questions prepared beforehand. For governmental officials, I tried to contact those who were in charge of education and propaganda in the three cities (including those at the province (*sheng* 省), prefecture and district level). During the first round of fieldwork, I obtained three written, one telephone, and twenty-seven face-to-face in-depth interviews. In the second trip, I obtained another eleven interviews





during which I shared my findings with some of the interviewees and listened to their feedbacks. To protect my informants, their identities will not be disclosed in the paper.

Governmental and non-governmental documents also provide important data for this study. They were obtained mainly by three methods. First, some were collected during my interviews with officials at local governmental bureaus. However, some local officials, particularly those at the prefecture level or above, viewed opening their policy documents to those from overseas institutes as potentially troublesome and thus refused to provide some of the documents, even if those were not classified. But this could sometimes be overcome by the second method, turning to the archives of non-official associations. During my visits to these associations, some of them voluntarily showed me official documents which they had received from different levels of government authorities. These organizations, after receiving official documents or directives from their supervising governmental authorities, usually kept these files in order (some of these associations' internal publications also cover public speeches made by central leaders and local authorities concerning Confucianism). The last method involved searching through the Internet. Some local policy documents can be found on the Internet. By these methods, I was able to secure most of the policy documents concerning Confucian education in these three places.

This research is a part of my on-going research project on the Chinese state's response to the Confucian revival in contemporary China for which I also conducted fieldwork in Beijing and Yangzhou in Jiangsu province. A small part of the data also comes from my fieldwork in Beijing. However, most of the data for the study were obtained from the three places mentioned previously.

3. The Chinese State's Control over Confucian Revival in Previous Literature

Most existing literature discussing the role of the Chinese state in the Confucian revival bifurcates along two lines, namely, Instrumentalist and Primordialist. Scholars in the Instrumentalist camp believe that it is





the Chinese state that has purposively created and manipulated the Confucian revival for its own political purposes. It has carefully controlled the Confucian revival. For example, Werner Meissner contended that the Chinese government had funded large-scale research activities and programmes for developing neo-Confucianism in China with its purpose of deploying Confucianism as “an instrument to counter Western influence” (1999: 18). Geremie Barme argued that the opening ceremony of the 29th Olympiad in Beijing, a full representation of Chinese traditional culture, was simply “created under Party fiat with the active collaboration of local and international arts figures” (Barme, 2009: 64). Similarly, Min and Galikowski also claimed that “the Confucian tradition has been revived by the authorities as an important cultural source from which a new national identity can be constructed” (2001: 160). Recent works concerning the rising Confucianism also accentuate the Chinese government’s support for the Confucian revival among the Chinese scholars and general public (see Ai, 2007; Bell, 2008). Some also argue that the state has deliberately appropriated Confucian elements in its cultural diplomacy policies (Cheung, 2012)

The Instrumentalist literature builds a “top-down” control model to explain the state and society interactions in the Confucian revival. This model has a long tradition and has been widely used in analysing the state-society relations in China’s symbolic settings. For example, Schurmann (1966) argued that the Chinese state had used frequent ideological mobilization as a basic mechanism for its legitimization during the Cultural Revolution. The state conducted sweeping ideological campaigns to propagate its official ideologies among even common citizens. This ideological control intensified the state’s dominance over society by establishing direct and impersonal ties between the totalitarian party (its elites) and the masses (Kornhauser, 1959; Arendt, 1951). After China’s opening and reforming policies in 1978, according to Esarey (2005) and Shambaugh (2007), although the state may have lost its total control over all information within society, it still has the capacity to censor and to crack down when and where it sees fit.





In contrast to the Instrumentalists and the top-down control model, the Primordialist, however, attributed the Confucian revival to a growing cultural identity within the Chinese society and viewed the state as not much involved in the Confucian revival. For instance, Guo ascribed the rise of Confucianism to “identification with the nation, particularly national spirit or national essence” (2004: 17). John Makeham (2008: 9) also claimed that “the idea that ‘*ruxue*, *rujia* thought, and *rujia* culture (Confucianism) constitute a form of cultural expression integral to Chinese identity’ was pervasive among the discourse about Confucianism in contemporary China and covers a wide spectrum of participants – academic and official, mainland and overseas-based”. Sebastien Billioud (2007a, b, 2008) insisted that although the Chinese government has been involved in the cultural revival, its role was only conducive and therefore limited. It is the rising interest over Confucianism among the Chinese society that has contributed to the Confucian revival in contemporary China (see also Xu, 2010). Zhao also claimed that the emergence of the cultural nationalistic discourse “was largely independent of ideological propaganda” or “repressive measures taken by the government” (1997: 738). Similarly, Pang (2011, 2012) found that the ordinary citizens’ increasing identity with traditional culture served as the fundamental force for the approval of traditional festivals as public holidays.

The Primordialists build a “bottom-up” model in which society takes the initiative, breeding the Confucian revival that challenges the state, but the state has only limited control over it.⁵ Such a model is not new in the literature for China’s ideological relations between state and society.⁶ For example, Kraus (2004) claimed that owing to technological advances combined with commercialization and globalization, social forces now have growing impact on the initiation and circulation of public information and messages within society, the building block of the “symbolic environment” from which people derive their worldviews, values and action strategies. Lynch (1999) has also argued that millions of individuals and organizations now contribute to the construction of the symbolic environment, controlling more and more ideological resources and reducing the state’s relevance in communication flows.





4. The Central State's Guiding Lines for the Confucian Education

Although both the “top-down” and “bottom-up” model catch part of the intricate state and society interactions in current China and, specifically, in the Confucian revival, the Chinese state's actual control over Confucian revival, as my fieldwork shows, is much more complicated than they suggest. It is neither careful control nor careless non-interference.

The state, especially the central state, mainly adopts a “two-line” strategy in their management of the Confucian education, one is the guiding line and the other is the bottom line. The central state in this thesis refers to the top-most level of the Chinese party-state which includes: (1) the Central Politburo of Chinese Communist Party and its constituent units; (2) the State Council and its constituent ministries, commissions, bureaus, offices; (3) the National People's Congress, its Standing Committee and constituent Committees; (4) the Supreme People's Court and Procuracy (Shambaugh, 2000). The central state, first of all, has made some basic policy parameters concerning the management of Confucian revival, but most of the guidelines are loose and general in nature and they are implemented with varying degrees by different local authorities. Second, it has set a firm bottom line to prevent contraventions against the official ideology and the CCP's rule. However, the implementation of the bottom line is seen as much more completely and strictly followed among local officials than the guiding lines. This unbalanced implementation can be largely attributed to the Chinese political institutions that the central state does not finance the local authorities but still retain power to dismiss local authorities who dare to trespass the bottom line.

The centre has made basic policy parameters for local authorities, among which “replacing Confucianism by an ambiguous notion of ‘traditional Chinese culture’” and “co-opting preferred Confucian fragments into the official ideology” are the two most important.⁷ However, in terms of implementation of these policy guide lines, there is a considerable degree of differences among local authorities.





4.1. Replacing Confucianism with "Traditional Chinese Culture"

The first and foremost policy guiding line in responding to the Confucian revival in education is to supplant the Confucian ideology with "traditional Chinese culture", a term that is deliberately more inclusive and ambiguous than "Confucianism". In fact, the state has never clearly defined what "traditional Chinese culture" is in its official documents, but we can get some idea of its long list by referring to the textbook of *The Chinese traditional culture* (*Zhongguo chuantong wenhua* 《中国传统文化》) authorized by the Ministry of Education (Zhu, 2010). According to the book, traditional Chinese culture composes of not only "the traditional Chinese thoughts" including at least Confucianism, Daoism and Buddhism, but also ancient Chinese architecture, calligraphy, literature, dramas, customs, clothes, to name but a few. Even by this incomplete list, Confucianism can only be counted as *one* minor category of the all-inclusive "traditional Chinese culture", albeit an important one.

By diluting Confucianism with the extensive and excursive "traditional culture", the central state, on the one hand, intends to limit space for the independent development of Confucianism. It has constantly emphasized that the right attitude towards Confucianism should be "removing the dross while keeping the essence". It does not approve inheriting Confucianism without deleting elements that are incompatible with its rule. On the other hand, it is also worried that Confucianism may trigger narrow-minded Han-nationalism, which is adversary to the unity of ethnic minorities. "Our concern about this has become particularly strong, due to the rise of ethnic conflicts in Xinjiang, Tibet and Inner Mongolia in recent years," according to one of the informants in the Shenzhen Propaganda department (interview, Shenzhen, May 2011).

This guiding line is shown in the central state's major official documents, such as the 2001 "Action Plan for the Development of Civic Morality" (*gongming daode jianshe shishi gangyao* 公民道德建设实施纲要), the 2004 "Several Opinions concerning further Strengthening and Improving the Juvenile's Thought and Morality Building by the CCP's Central Committee and State Council" (*Zhonggong Zhongyang*





Guowuyuan guanyu jinyibu jiaqiang he gaijin weichengnianren sixiangdaode de ruogan yijian 中共中央国务院关于进一步加强和改进为成年人思想道德的若干意见), the 2006 “The Eleventh Five-Year Plan for Cultural Development, 2006-2010” (*guojia shiyiwu shiqi wenhua fazhan gangyao* 国家十一五时期文化发展纲要) and the CCP’s Seventeenth and Eighteenth Congress Report in 2007 and 2012.

In all these documents, “Chinese traditional culture” is lauded, and education of “the essences of Chinese traditional culture” is also explicitly emphasized; however, none of the major documents has even mentioned the term “Confucian”, or “Confucianism” or “Confucius”. Rather, the words with the connotation of Confucianism in these documents are always “traditional culture” (*chuantong wenhua* 传统文化), “Chinese culture” (*zhonghua wenhua* 中华文化) or “Chinese traditional culture” (*zhonghua chuantong wenhua* 中华传统文化). Even “national studies” (*guoxue* 国学) which has a comparatively stronger reference to Confucianism cannot be spotted.⁸

“Traditional culture”, in these documents, was often vaguely referred to as the Chinese calligraphy, painting, some classic arts, poetry and the classics.⁹ Confucianism or its related activities are seldom mentioned. For instance, in section 30 of the 2006 document, it was clearly stipulated that:

In those primary schools where resources are available, classes in calligraphy, painting and other classical arts should be set up and open for the students. At the middle school level, in the course of Chinese (*Yuwen* 語文), the proportion of poetry and the classics should be increased. And in both primary and middle school, traditional culture should be incorporated into various disciplines or subjects by connecting traditional culture with their distinctive content.

In terms of implementation of the policy line at the local level, however, there is a considerable degree of differences among local authorities in different places.¹⁰ During my field trip, local authorities in B District, Shenzhen and several public schools of Guangzhou follow the line closely by focusing much of the teaching on various forms of traditional culture in their promoted educational programmes; however,





local authorities in L Town, Qingdao seemed to ignore the policy and was seen as putting great emphasis on the teaching of the Confucian Classics.

In one of the educational policy documents of the local educational authorities in B District, Shenzhen, for local schools, education on “diversified forms of traditional culture” was emphasized. One of the educational authorities in this district told me that they encouraged local schools to develop their own “school-based courses” (*tese xiaoben kecheng* 特色校本课程) instructing a certain form of Chinese traditional culture such as the Beijing Opera (interview, Shenzhen, May 2011). According to my observation during the field trip, these schools do have developed their “school-based courses”, but none of the schools provides any specialized course on Confucianism.

In Guangzhou, no educational authorities at the prefecture- or district-level government have formally launched educational programmes about Confucianism. But there are several middle schools and primary schools in the T District offering Confucianism-related courses or the so-called *guoxue* education. My visit to these schools and interviews with their principals and teachers show that they faithfully followed the central policy of promoting traditional culture, rather than Confucianism. One primary school principal said that their education focuses on the teaching of traditional culture, though they will combine some stories from the Confucian Classics into their teaching (interview, Guangzhou, March 2011). She emphasized that “traditional culture is a much broader concept than Confucianism and since some people (she meant some pupils’ parents) still hold some negative opinions about Confucianism, we do not want to arouse their dissatisfaction” (interview, Guangzhou, March 2011).

However, the Confucian education in the C Town (*xian* 县), Qingdao, shows a different story. Local educational authorities in the town have been enthusiastic about promoting Confucian education. Local public schools have put explicit emphasis on the education of the Confucian classics such as the *Analects* (*Lunyu* 《论语》). For example, public primary schools even required their students to read and even recite a long list of elementary Confucian classics including the *Three*





characters classics (*Sanzijing* 《三字经》), *Standards for students* (*Dizigui* 《弟子规》) and *The book of family names* (*Baijiaxing* 《百家姓》) in the children's morning reading class. These books are not abridged and the schools usually requested the students to read these books without "proper selection", that is, "removing the dross while keeping the essence". In these schools, Confucian education often takes a dominant part in their *guoxue* education programmes. Education of other forms of traditional culture such as the calligraphy and painting, contrary to Shenzhen and Guangzhou, only takes limited time and resources in these public schools.

Such explicit and unselective use of the Confucian classics is in apparent contradiction to the central state's guiding line. Similar cases, however, can also be seen in some public schools in another District in Qingdao. Their teaching style even bears some closeness to that of Confucian private schools (these schools are not government-funded and therefore enjoy some degree of autonomy in deciding their own curricular) which concentrate their education on the reading of authentic Confucian classics.¹¹ In addition, it is worth mentioning that the teaching style, interestingly, is not questioned by the local educational authorities.

4.2. Co-opting Preferred Confucian Fragments into the Official Ideology

Besides attenuating Confucianism with traditional culture in the current education system, the central government has also set another guiding policy, actively co-opting selective elements of Confucianism into its official ideology. By setting these guiding policies, the central state intends to use Confucianism (or traditional culture) as an expedient tool for its own ideological promotion. This is not new in Chinese politics. Before 1949, the then ruling Chiang Kai-shek government had also adopted a similar strategy in its Confucian-inspired moral education. Emblematic of this are Dai Jitao's theories linking Confucianism and Sun Yat-sen's Three Principles of the People (Zheng, 2004, cited from Billioud and Thoraval, 2007). In the imperial times, similarly, the imperial state also mastered the co-optation skills. They, in regulating





popular religious beliefs, co-opted into its official pantheon (like the official ideology today) some popular deities who had already acquired considerable followings (like Confucianism today). In this way, the state took advantage of the popular deities, which after being reshaped and restructured, served for the validation of the state (Shahar and Weller, 1996). The current Chinese authorities are also proficient in this skill.

Local authorities, interestingly, though generally following the guidance, selected different ingredients from the Confucian stock to promote different elements of the official ideology. For instance, some focus on patriotism, while others emphasize on “Socialist Concepts on Honours and Disgraces” (SCHD). Local authorities have their quite distinctive focuses in their educational programmes.

During my field trip, I found that local authorities in Shenzhen and Guangzhou put great emphasis on cultivating patriotism in their traditional culture programmes. In the B District, Shenzhen, one of the local educational officials asserted that their primary teaching objective is to cultivate the students’ *national spirits* for which *patriotism* and the *Zeitgeist* of reform and innovation” (*gaige he kaifang de shidai jingshen* 改革和开放的时代精神) (interview, Shenzhen, May 2011). They also put this in its 2009 “Guidelines for Teaching National Studies” (*guoxue jiaoxue yaoqiu* 国学教育要求) for local schools, and made it as the core principle.¹² According to this official, Confucianism, or more broadly speaking, traditional culture, is compatible with the official Patriotism. First, some of the Confucian ethics such as *zhong* 忠 (loyalty to the country), are in line with patriotism; and second, instilling traditional culture itself is helpful for cultivating national identity, or the so-called “national spirit” (interview, Shenzhen, May 2011).

In the schools where education of Confucianism (traditional culture) was inserted into the curriculum in Guangzhou, education of patriotism was also placed with priority. An illustrative case involves the official programme titled “Red Scarf National Studies Inheriting and Educating Activities” (*honglingjin guoxue chuancheng jiaoyu huodong* 红领中国学传承教育活动). The organizer of the programme in this primary school explained, “one of the most important purposes of our programme is to instill patriotism among the students” (interview,





Guangzhou, March 2011). This is also clearly written in the prelude of the textbook for the programme, which stressed patriotism and “making it the main rhythm of the programme”. It also says that this programme aims to implement the requirements of the central document, “Several Opinions Concerning Further Strengthening and Improving the Juvenile’s Thought and Morality Building”, concerning patriotic education. The implications are clear: the programme is initiated to cultivate “national spirit”, that is, patriotism. In fact, even a partial examination of the textbooks suggests that patriotism is, indeed, a predominant theme over others such as diligence, credibility and frugality, since the book length for patriotism is, by all means, much longer than the others.

Patriotic education, however, was not very much emphasized in the teaching programmes of Confucianism (traditional culture) in other places of my field trip. An interesting case is the moral education programme promoted by the Beijing Oriental Morality Research Institute (Beijing Dongfang Daode Yanjiusuo 北京东方道德研究所, hereafter BOMRI), a research organization affiliated with the Beijing College of Youth Politics. It actively connected its educating programmes of Confucianism with the “Socialist Concepts on Honours and Disgraces” (*shehui zhuyi rongruguan* 社会主义荣辱观, hereafter SCHD).¹³ After 2006 when the “Socialist Concepts on Honours and Disgraces” (SCHD) was issued, an active alliance between the two has been made. SCHD is a set of moral concepts developed by the General Secretary of the CCP, Hu Jintao, and is also known as “Eight Virtues and Shames”. It encompasses the following list of ethical values: (1), love the country; (2), serve the people; (3), follow science; (4), be diligent; (5), help each other and make no gains at others' expense; (6), be honest and trustworthy; (7), be disciplined and law-abiding; (8), live plainly, and do not wallow in luxuries and pleasures.

In the moral education programme promoted by the BOMRI, according to the director, the “traditional virtues” they promoted can be summarized as *bade* 八德 (“eight virtues”): *zhong* 忠 (loyalty), *xiao* 孝 (filial respect for parents), *cheng* 诚 (honesty), *xin* 信 (trustworthiness and credibility), *li* 礼 (rituals/respecting others), *yi* 义 (uprightness), *lian*





廉 (frugality), *chi* 耻 (sense of shame), a slightly different version of the SCHD. Though *zhong* (loyalty) is close to patriotism in their programme, their emphasis is more on *xiao* (filial respect for parents), *cheng* (honesty), *xin* (trustworthiness and credibility) and *chi* (sense of shame). This is because their aim is to cultivate the youth morality, hopefully as a cure for the rapid decline of moral decline among young students in their eyes. Teachers in BOMRI asserted that their main job is to interpret the eight virtues and instill them among the teachers responsible for moral education in the primary and middle schools (interviews, Beijing, January 2011). Their programme received financial support from the Beijing Municipal Government and some “relevant departments” within the Ministry of Education. First conducted as a trial programme teaching traditional Chinese virtues to 40, 000 students in four universities and over a hundred primary and secondary schools in Beijing, it later expanded to a national programme involving 373 schools and universities in Beijing, Nanjing, Shandong, Heilongjiang, Chongqing, Sichuan, Shenzhen, Tianjin, Wuhan and Xian (interview, Beijing, January 2011).

As for the reason for focusing on civil morality education, one director of the BOMRI (and also some teachers) asserted that it is related to its former dean, Professor Wang Dianqin, who committed himself to promoting Confucianism, especially Confucian morality (interviews, Beijing, January 2011). Wang perceived Confucian ethics as an effective cure for the sharp moral decline among youngsters in the early 1990s, which he believed was serious. He set the tradition of emphasizing on the building of moral characters.

Besides, such focus can be also partly attributed to the income resources of this institute. According to one of the leaders, although they can get some financial subsidies from the Beijing Municipal Government for its operation, the amount is, in fact, far from enough (interview, Beijing, January 2011). They currently have seven full-time faculty members and more than 30 part-time researchers. They have to rely on the donation of enterprises and some unofficial organizations for part of their income and operational fees. In fact, they are allowed and even encouraged to collaborate with other segments of society to reduce





the local government's burden. The enterprises and organizations, however, tend not to be interested in cultivating patriotism but in promoting some social moralities such as *cheng* (honesty) and *xin* (trustworthiness and credibility). They are more inclined to finance the programme to improve the morality of youth, which they see as meaningful.

In other places, similar educational campaigns to combine the Confucian ethics with SCHD have been actively launched, especially by local educational authorities such as in Nanchang (Lei, 2006) and Shenyang¹⁴. In these programmes, though patriotism is mentioned, it is not placed as priority.

In sum, the central state retains its control over the education of Confucianism by providing some general guidance for local authorities including educational officials and school principals. However, local authorities, as has been shown in previous analysis, implemented the guidance in different degrees and approaches. One of the reasons for the variations in local authorities' implementations of the central state's guiding line lies in the decentralization of administrative power from the centre to the local level. Since the early 1980s, the central government has gradually relaxed its stifling control and assigned more and more authority and responsibility for the management of education to the local level. The first step was the "Decision of the Central Committee of the Communist Party of China on the Reform of the Educational Structure" (*Zhonggong Zhongyang guanyu jiaoyu tizhi gaige de jue ding* 中共中央关于教育体制改革的决定) issued by the CCP's central Committee in May 1985 (see Tsang, 2003; Wong, 2000; Fernanda, Wiseman, and Baker, 2002). In the 1990s, the division between the central and local has been further specified, and the central educational agencies do not finance or control the administrative management of tertiary and pre-collegiate institutions, though the central should retain its authority for making fundamental rules and regulations.

Due to the decentralized system, the central state has left only inadequate power and authority to control local authorities' management over local education. The central state has had to narrow its focus to making some general guidance that can sanction and bolster its rule. For





local authorities, since they are allowed considerable freedom and authority in making decisions, they can do what they believe as appropriate and reasonable, so long as they do not ignore the centre’s guidelines too flagrantly.

5. The Central State’s Bottom Line for the Confucian Revival

Besides providing some guiding policy parameters concerning Confucianism, the central state also sets a firm bottom line to prevent contraventions against the official ideology and its rule. The bottom line represents the official limits for Confucian discourses and social activities, and in fact, is not specifically designed for Confucianism but rather geared to all activities in the public media discourses.

The bottom line can be summarized as follows:

- (1) inciting subversion of the regime of people’s democratic dictatorship and the socialist system, national division, rebellion or rioting;
- (2) inciting opposition to the leadership of the Chinese Communist Party;
- (3) inciting defiance or disruption to the implementation of the Constitution or laws;
- (4) inciting ethnic or racial discrimination or hatred, or disrupting national unity;
- (5) propagating murder, obscenity or pornography or instigating criminal activities (Shambaugh, 2007).¹⁵

Local officials in ideology-related departments dealing with education and the mass media are required to familiarize themselves with the bottom line even during their pre-career training. The central state has an overarching and sprawling propaganda system penetrating its officialdom which exercises its censorship responsibilities for all information released to the public media, checking whether any public discourse of Confucianism contravenes the bottom line.¹⁶

The central state’s coercive control of Confucian education (discourses and activities) is institutionally motivated. As head of the CCP organization and the state bureaucracy, central authorities still rely on the official ideology to mobilize the commitment and loyalty of the





rank and file of the administrative staff at all levels, and to shape consensus and unity for the CCP's organizational life. In addition, the institutional legacies of Marxism and Maoism give the official ideology an important presence in at least the organizational life of the party state that cannot be questioned or ignored. Thus the central authorities have a great stake in preserving the stability of the official ideology at least within the party. This also explains why official ideologies still feature prominently in the education of party members at various levels at party schools which aim at training the CCP's local cadres (Shambough, 2007).

In contrast with the guiding lines, the bottom line was seen as carefully and strictly followed by local educational authorities in my field trip. One of the reasons is the "double check" system of monitoring local educational authorities' management of the Confucian education. One of my interviewees in the educational bureau of B District, Shenzhen, remarked that their *guoxue* programme of Confucianism is subject to the check of two supervising organs, one being their higher-level educational authorities (in his case, the educational bureau in the prefectural educational bureau in Shenzhen) and the other the same-level propaganda department (the propaganda department in the B District, Shenzhen) (interview, Shenzhen, May 2011). Both of them will check whether their programme is in contradiction with the central state's bottom line, especially the propaganda department. In fact, one interviewee in the S District, Qingdao city, revealed that even their public activities related to *guoxue* (or Confucianism) are subject to the approval of the propaganda department (interview, Qingdao, April, 2011). For example, they need to obtain approval from the local propaganda development before they launch public lectures about Confucianism run by local community committees (*juweihui* 居委会), and courses on Confucianism for the elderly (*laonian xingquban* 老年兴趣班) (interview, Qingdao, April, 2011)¹⁷.

This system, in fact, can also partly explain why local educational authorities are loose in following the guiding lines but strict in the bottom line. In theory, officials in the higher-level educational bureau and the propaganda department need to assess the educational





programme, for example, to see whether it has followed the central state’s guiding line and bottom line. However, these officials sometimes may lack enough professional knowledge of Confucianism; more importantly, as long as the programme is not in contravention against the official bottom line, these officials will not lose anything even if there are some obvious contradictions in the programme with the guiding principles. In fact, they will not gain anything if the programme properly implements the guiding lines. Thus, they have few institutional motivations to check whether it has followed the guiding lines, and tend to believe local educational authorities’ explanations about whether and how their programmes apply the guiding lines. But the check of the bottom line is different. If the programme is found with anti-government content, these officials will have to take responsibilities, especially for propaganda officials. In a word, the current system only provides institutional motivations for checking the bottom line but few motivations for guiding lines.

During the field trip, I found that though the propaganda officials mostly rely on the self-censorship of lower educational authorities and principals, they do not lose their alert. They still insist on at least some kind of check. Educational officials in District B, Shenzhen, revealed that leaders from the propaganda department came to their bureau and inspected their work every year. This is because the propaganda officials understand the importance of the bottom line, and they know that they will have to shoulder responsibility for any serious ideological accident in their bailiwick. Thus, they usually keep a much closer eye on whether the programme follows the bottom line.

6. Conclusion

This paper examines the Chinese state’s engagement with the revival of Confucian education in China’s urban society since the new century. It contributes to a major debate of Chinese politics, whether the authoritarian Chinese state can effectively control an increasingly powerful and autonomous society. It is significant because, on the one hand, ideological control has become critical for political stability given





the recent economic slowdown and possible onset of social and political reforms in the near future; and on the other, Confucianism has undergone a revival among China's urban citizens. Together with Liberalism and Socialism, it has now become one of the most influential ideological currents in contemporary China.

While most existing literature either believes that the Chinese state has either dominated the Confucian revival or that it has little control over it at all, this paper shows that the state's control is far more sophisticated than "domination" or "non-interference". Based on field research, this paper argues that the central state uses a "two lines" strategy, namely, a guiding line and a bottom line to control the Confucian education. The state mainly provides two guiding lines for lower educational authorities to follow, replacing Confucianism with ambiguous "traditional culture" and integrating Confucian elements with the official ideology. It also sets a bottom line to avoid any challenge against the official ideology. But the two lines are not equally implemented by lower educational authorities. While the bottom line is firmly followed, the guiding line is carried out with varying degrees and approaches. Thus, the effect of the two policy lines on shaping the development of Confucian education is, therefore, different. The central state still retains strong power to avert contraventions against its official ideology but holds only some or limited control over the direction of the content of Confucian education. Such an effect is found to be closely related to the current political institution in which the central state does not finance local authorities but still retains power to dismiss local authorities who dare to trespass the bottom line.

Notes

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1. Y. Zhu, “‘Performance legitimacy’ and China’s political adaptation strategy”, *Journal of Chinese Political Science*, Vol. 16, No. 2, 2011, pp. 123-140; D. Zhao, “The mandate of heaven and performance legitimation in historical and contemporary China”, *American Behavioral Scientist*, Vol. 53, No. 3, 2009, pp. 416-433. After three decades’ impressive growth, there have already been signs of an economic downturn since 2011 (B. Eichengreen *et al.*, “When fast-growing economies slow down: International evidence and implications for China”, *Asian Economic Papers*, MIT Press, Vol. 11, No. 1, 2012, pp. 42-87). In 2008 and 2012, over 70 per cent and 60 per cent of Chinese people claimed that “rising prices” (inflation) were a very big problem for China (Pew Global Center, “Growing concerns in China about inequality, corruption”, 2012, viewed in October 2012, available at: <http://www.pewglobal.org/2012/10/16/chapter-1-domestic-issues-and-national-problems/>). In fact, a recent study shows that the CCP has already anticipated slower economic growth and devised strategies to shore up its legitimacy from multiple ideological sources (“China’s state legitimacy can weather economic slowdown”, *Oxford Analytica Daily Brief*, 2012, viewed in October 2012, available at: <http://www.oxan.com/Analysis/DailyBrief/Samples/ChinaStateLegitimacy.aspx>).
 2. For a detailed description of the bottom-up educational movement, please refer to Sébastien Billioud and Joël Thoraval, “Jiaohua: The Confucian revival in China as an educative project”, *China Perspectives*, No. 4, 2007. Tianlong Yu, “The revival of Confucianism in Chinese schools: A historical-political review”, *Asia Pacific Journal of Education*, Vol. 28, No. 2, June 2008.
 3. The author did not clearly state how or when this number was calculated.
 4. Besides the Confucian educators and Buddhists, many Chinese Catholic and Protestant churches also adapt the Confucian classics in their Sunday school moral lessons for children. The author would like to express her





- gratitude to one of the anonymous reviewers for pointing this out.
5. *Primordialism* is another commonly used paradigm in explaining rising political ideologies. In contrast to Instrumentalism, this approach stresses the role of society, rather than the state, in the emergence and production of political ideologies. For instance, scholars in this school, when explaining the origins of nationalism, postulate that it is the societal members' identification with their common ethnic ties and culture that has served as the base for modern nationalism (A. Smith, *Nationalism and modernism: A critical survey of recent theories of nations and nationalism*, Routledge, London, 1998; A. Smith, *Myths and memories of the nation*, Oxford and New York: Oxford University Press, 1999).
 6. Some literature about the Chinese state and society relations in the late Qing period argues that some societal groups have appropriated Confucian elements for their challenges against the imperial state (for details, see Chen, 2010). The author would like to express her thanks to one of the anonymous reviewers for suggesting the literature.
 7. The author would like to clarify that the two guiding lines do not mean that the central authorities have a clear attitude or policy over Confucianism. For example, the statue of Confucius that stood in front of the National Museum of China in Beijing was later removed in April 2011. The incident suggests that there should be internal debates or disagreements concerning the topics of Confucius and Confucianism within the central authorities. The author would like to express her thanks to one of the anonymous reviewers for pointing this out.
 8. Similar findings have already been noted by other scholars such as John Makeham in *Lost soul: "Confucianism" in contemporary Chinese academic discourse*, Harvard University Asia Center, 2008; Sébastien Billioud, "Confucianism, 'cultural tradition,' and official discourses at the start of the new century", *China Perspectives*, No. 3, 2007.
 9. Though "the classics" may have strong connotations of Confucianism, the documents never clearly denoted the classics as "Confucian" or Confucian-related. In practice, as my field trip has discovered, the public schools often include Confucianism, Daoism, and even Marxism and some Western classics such as Shakespeare's works in their "classics education".
 10. The research here only focuses on the educational activities in government-funded public schools as they are the main venues where the government policies are meant to be carried out.
 11. In fact, there are a few non-government funded private Confucian schools (*sishu* 私塾) in China, especially in the Pearl River Delta area. See





- Sébastien Billioud, "Jiaohua: The Confucian revival today as an educative project", 2007.
12. This document can be downloaded from http://bagxt.baoan.net.cn/wz_Show.asp?ArticleID=511
 13. Patriotism and the SCHD are two major components of the Socialist Core Value System, which the CCP claimed as "the essence of the Socialist ideology" in its 17th National Congress in 2007. The other components of the core value system are "Marxism", "Shared Ideal of Socialism with Chinese characteristics" (*Zhongguo tese shehuizhuyi gongtong lixiang* 中国特色社会主义共同理想), "the Zeitgeist of reform and innovation" (*gaige he kaifang de shidai jingshen* 改革和开放的时代精神). And interestingly, while Confucianism has actively been restructured and reshaped to be wedged into patriotism and the SCHD, no systematic efforts have been observed to connect Confucianism with the other components of the core value system. It may be because there are not many overlapping between Confucianism and the others.
 14. For introduction of their specific activities, please refer to http://www.hgedu.cn/CMS/CMS/zjg/dyk/lm3/2007-4-13_1176431894737.html
 15. The five rules are included in the "Provisional Rules for the Administration of Periodicals". For detailed discussion of the rules, see D. Shambaugh, "China's propaganda system: Institutions, processes and efficacy", *The China Journal*, Vol. 57, 2007.
 16. The Chinese propaganda system is mainly composed of two institutions: one is the Communist Party Propaganda system and the other is the state bureaucratic agencies concerning information control and propaganda like the General Administration of Press and Publications. In reality, as the party propaganda system usually leads the state functional agencies, the two can be viewed as merged. The central party propaganda department usually settles every detail of the newly developed party ideology, usually by party leaders. Local branches can only passively receive the edicts. Most of the CCPPD's work is concentrated on writing and disseminating official ideological propaganda information, see D. Shambaugh, "China's propaganda system: Institutions, processes and efficacy", *The China Journal*, Vol. 57, 2007.
 17. Although in most cases, they will get the permission without problems, they have to go through the procedures.





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Can Adjustments of China's Family Planning Policy Truly Relieve Pressures Arising from Population Aging?

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Abstract

The family planning policy has been implemented in China for three decades and leads to the rapid population aging. At the end of 2013, the Chinese government announced a significant adjustment to the family planning policy, which allows couples to have two children if one spouse is an only child. However, people still hope for “further relaxation” of the restriction: allowing couples to have two children without any limits due to increasing concerns that the rapid population aging will produce a heavy economic burden on families and society, and have a big impact on economic development of the whole country. This paper aims to investigate whether further loosening the family planning policy can truly relieve the pressure from population aging based on the scenarios that the second child could be allowed in different stages. Results indicate that the adjustment of the family planning policy at current stage may not efficiently ease the social and economic burden brought by population aging, but rather worsen population burden to China's economy over the long term. In addition, the cumulative dependency ratio over 50 years also suggests that it is not an economically appropriate option to adjust current fertility policy. In response to the upcoming severe aging, accelerating the construction of a sound old-age social service system may be more important than the fertility policy adjustment.





Keywords: China, population aging, total fertility rate (TFR), family planning, population simulation

JEL Classification: J11, J13, J14, J18

1. Introduction

Since the 1980s, the family planning policy in China has been widely promoted and implemented (Festini and Martino, 2004), which successfully controls rapid population growth and provides a good population environment for economic development. After decades of efforts, the development mode of Chinese population has achieved a historic transformation by around 2000, from high birth, death, and growth rates to low birth, death, and growth rates (Merli and Smith, 2002; Yardley, 2008). Since the beginning of the new century, the low fertility level is not only sustained and consolidated, but has also moved to ultra-low fertility level (Retherford *et al.*, 2005). However, the rapid transition from high to low fertility rate also leads to rapid population aging (Isabelle, 2002; Chen and Liu, 2009; Cheng and Hu, 2011).

China's population aging has distinguishing features compared to other countries (Li *et al.*, 2011). The first, the process of population aging and economic development occur simultaneously in China. However, for other aging countries, population aging happens after they have had a highly developed economy and entered a stable period. In other words, aging after getting rich is the feature of population aging in the developed countries. On the contrary, aging before getting rich is the feature of China's population aging. The second, the aging process in China is extremely fast. Because the transition from high to low fertility rate occurs under government intervention and enforcement in China, the whole society maintains a highly consistent action and rarely fluctuates. As a result, the rapid fertility rate decline inevitably leads to extraordinarily rapid aging. The third, China's aging population occurs on a large population base. According to the sixth nationwide population census in 2010, the total population for mainland China exceeded 1.3 billion. That means Chinese society will also be saddled with a heavy



aging population burden under the situation of large population, which has put tremendous stress on environmental resources (Feng, 2005).

Considering the rapid and irreversible development trend of China's population aging and current stage of economic development, there has been increasing concern whether rapid population aging on such big scale and high speed will produce a heavy burden on the society, and have a big impact on economic development of the whole country and social stability (Vaupel and Zeng, 1991). Up to now, without the benefit of learning from the experience of other countries with similar situation, the Chinese government must find out an appropriate way to solve the population aging problem on her own. Regulation of fertility levels with proper strength at appropriate time may be the most intuitive and acceptable solution. Currently, many China's academics have proposed the need to adjust the family planning policy in order to relieve future potential aging pressure. Various views on the family planning programme were put forth by researchers at a conference on "China's population and economic development strategy forum" held in Peking University in June 2012. Zeng proposed that China should adjust current one-child policy, starting by introducing two-child and late child bearing policy, then gradually decreasing the child-bearing age limit of the second child birth, and finally allowing the second child without any limits after 2015. Cai was of the view that the reform of the family planning policy is expected to be more "people-oriented" and "reproductive rights should be returned to the people". However, Zhai asserted that two-child policy may only slow the aging process and speed, but will not solve the aging problem. He thought the fundamental policy to solve the problem of aging is to establish a sound and more comprehensive social old-age security system and social service system for old people (He, 2012).

In fact, the Chinese government has felt the pressure of aging and been trying to solve this problem. At the end of 2013, the Chinese government announced a significant adjustment to the family planning policy: allowing couples to have two children if one spouse is an only child, which was expected to be implemented in 2014. However, Chinese people still hope that the fertility policy can be further relaxed



to allow all families to have two children without any limits, considering the huge pressure of household-centred elderly care in 4-2-1 families. Currently, most of the elderly in China are still cared for by relatives, and only children from single-child parents face the 4-2-1 phenomenon: when the child from a 4-2-1 family reaches working age, he or she would have to care for two parents and four grandparents in retirement. Apparently, increasing fertility rate may relieve population aging, but children cannot provide much substantial support for household-centred elderly care before they reach working age. Those lead to two question arising: can the fertility policy adjustment truly relieve the pressure arising from population aging? How will that influence the population structure in the future? Answering those questions is important for the government to make the appropriate population policies.

Obviously, a sound population policy should be based on the accurate forecast for the future population trend. Currently, demographers have come to the similar conclusion on China's future population trend: population growth rate will slow down, the low fertility level can be maintained, and very serious population aging problem will occur. However, generally, most of those forecasts are only conceptual, and few studies are based on model-based calculations and numerical simulations.

In their studies on aging trends and possible policy adjustments in the early 1990s, researchers had suggested that in order to avoid overpopulation in the future, there is a need to consider the appropriate degree of aging and fertility that is neither too high nor too low (Zeng and Vaupel, 1989; Zeng, 1991, 2001). According to Zeng, the appropriate total fertility rate in rural areas should be gradually decreased from 2.5 in 1987 to the replacement level in 2050, while for urban areas, gradually decreased from 1.9 in 1987 to 1.7 in 2050. On the basis of Zeng's study, Li projected the population size over 100 years under four fertility rate scenarios (Li, 1997). The results indicate that two of them are thought as appropriate fertility plans, which may avoid both rapid population growth and high degree of aging. Those are "two-child policy adjustment plan" (rural women are allowed to have a second child; urban women may also have a second child after 2000) and "late



child bearing and intervals between two child births plan” (on the basis of “two-child policy adjustment plan”, delaying child-bearing age and leaving longer intervals between two child births). In addition, the latter is a better choice, with which population is expected to peak at 1.486 billion in 2030, and then gradually decline to 1.354 billion by 2060; the percentage of the aging population (65 years and older) will be 27.3 per cent in 2060. Li thought that China’s population aging is mainly caused by the rapid decline in the fertility rate, which is closely associated with the strict family planning policy. Therefore, he proposed that the fertility policy should be adjusted from controlling population size only by low fertility rate to take both low fertility rate and regulation of population structure into consideration.

Since the beginning of the 21st century, the population situation in China has been undergoing great changes. Firstly, the drop in the fertility rate is much faster than originally expected by scholars. According to data from the sixth nationwide population census in 2010, the total fertility rate of women of child-bearing age is 1.1811, 0.8821 for urban areas and 1.4375 for rural areas, which is already far below the replacement level (Zhao and Chen, 2011). As urbanization increases and more farmers move to cities for jobs, low birth level has not only been consolidated, but also may be further continued. Secondly, another important change of demographic situation is the serious distortion of the sex ratio at birth (Cai and Lavelly, 2003; Ding and Hesketh, 2006). The new born girls are 20 per cent less than boys, which means that with the current low fertility rate, the number of women of child-bearing age in the future will be less¹.

It is widely known that the complexity of population problems comes from a lag between cause and effect which may be 20 to 30 years. That requires the government to be more prudent in policymaking and scholars to make more forward-looking research. Based on the features of China’s demographic changes in the 21st century and using numerical simulation as a tool, this paper does medium- and long-term simulation for several possible population policy adjustments and provides explanations about the current hot spot issues of population policies.



2. Model and Assumption

2.1. Model

In this paper, the cohort-component method is used for population estimation. This method was first introduced by Notestein to perform a global population projection in 1945 (Notestein, 1945). Since then, it has become a widely used standard method of projecting population and has remained essentially unchanged (O'Neill et al., 2001). Briefly, the initial population is grouped into the cohorts defined by age and sex. According to the assumed fertility, mortality, and migration rates, the population of each age- and sex-specific group is updated as the projection proceeds. For example, each cohort survives move into next age group based on the age-specific mortality rate. The size of new born group is obtained by applying the age-specific rate to the female cohort of reproductive age and then divided into males and females according to the assumed sex ratio.

Let P_{sx} denotes the population size by sex and age, where s and x represent sex (male or female) and age (year), respectively; F_x denotes the fertility rate of women at age x ; D_{sx} denotes the sex and age-specific mortality rate; r_s denotes the ratio of male to female at birth; t denotes the time in years. The population at age x in current year equals the population at age $x-1$ in the last year subtracting the death population at age $x-1$. The new born population in current year equals the female population of reproductive age multiplied by the fertility rate at that age. Generally, the model can be expressed as follows:

$$\begin{cases} P_{sx}(t+1) = P_{s(x-1)}(t) \times (1 - D_{s(x-1)}(t)), x \in (1, X) \\ P_{s0}(t+1) = r_s \times P_{sx}(t) \times F_x(t) \end{cases}$$

At time t , the total population can be expressed as:

$$P = \sum_s \sum_{x=0}^X P_{sx}(t)$$



2.2. Assumption

In order to simulate the impact of population policy adjustment on population trend, assumptions are made as follows:

1. Three assumed time scenarios for the fertility policy adjustment are the year 2015, 2020 and 2025. The fertility policy adjustment means that the government begins to implement “two-child policy”, allowing couples to have a second child without any limits.
2. Once the government implements “two-child policy”, people will reduce their boy preference and the incentive of female baby abortion. Therefore, the sex ratio at birth will return to the natural level, about 106 male babies per 100 female babies.
3. Assuming that the total fertility rate will increase by one unit once the government implements “two-child policy”. The exact value of the increase of total fertility rate is unknown, but we can guarantee that the true values do not exceed our simulated results based on the assumption of one unit increase for the total fertility rate. In addition, we further assume that one unit increase for the total fertility rate is contributed by the females between age 25 and 35 according to their current age-specific fertility rates.
4. Three levels at which people make responses to the fertility policy adjustment by changing their reproductive behaviours are assumed for each time scenario.
 - (a) Low level: high fertility rate will only maintain for 5 years, and then decrease linearly until reaching the original level after 5 years. For example, if “two-child policy” begins in 2015, the total fertility rate will increase one unit and stays at that level until 2020, and then decrease linearly back to the level of 2015 in 2025. That is, policy effects disappear and people voluntarily choose to have just one child.
 - (b) Middle level: high fertility rate will continue for 5 years, then decrease linearly, and go back to the original level after 10 years.
 - (c) High level: high fertility rate will continue for 10 year, then decrease linearly, and go back to the original level after 10 years.

Nine simulation models are obtained by combining three time scenarios and three response levels (Table 1). For example, Model-1 means the Chinese government implements “two-child policy” in 2015 and people make responses at a low level. Other models may be deduced by analogy.

The issue of international migration is not involved in the model analysis. According to the 2013 report by the World Bank, net migration in China is around 1.5 million during the period of 2009-2013 (0.3 million each year), which only accounts for 0.02 per cent of the population (World Bank, 2013). Even if the scale increases 50 times after 50 years, the net migration will still only account for 0.1 per cent of total population. As a result, the issue of international migration does not affect the predicted results.

In addition, the simulation based on current new population policy (allowing couples to have two children if one spouse is an only child) is not included in this study because there is no reliable official statistical data about the size and distribution of families which meet the requirement of the new policy. Wang (2012) estimated the number of women of reproductive age, who are an only child. According to his calculation, there are 29 million, which only accounts for 7.96 per cent of women of reproductive age. Obviously, the influence of the current new policy is much less than the assumed policies in this paper and the result and conclusion of the latter can cover the former.

Table 1 The Description of Models

	Maintaining for 5yrs Declining for 5yrs	Maintaining for 5yrs Declining for 10yrs	Maintaining for 10yrs Declining for 10yrs
In 2015	Model-1	Model-2	Model-3
In 2020	Model-4	Model-5	Model-6
In 2025	Model-7	Model-8	Model-9

3. Results

3.1. The Population Trend

3.1.1. Reference population trend

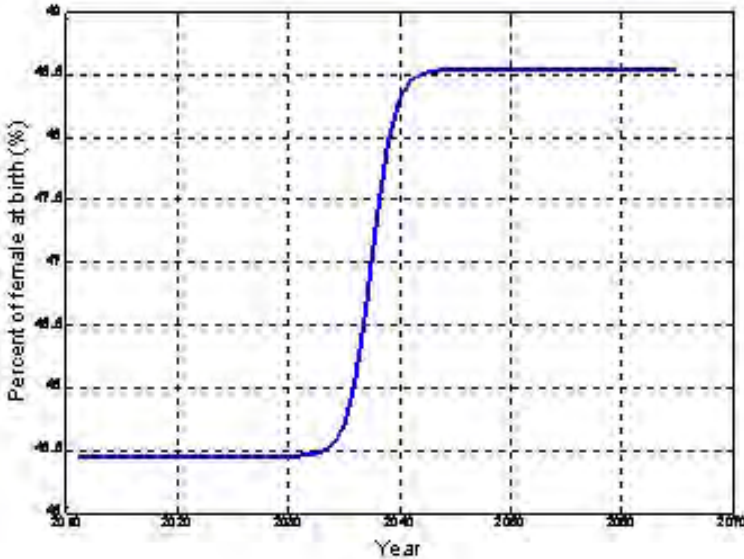
It is necessary to predict China's population trend without the fertility policy adjustment (the reference model) before testing any policy scenario. In this paper, according to the sixth national population census data, the total population (1,339,724,852) by sex and age is used as the calculation basis. Additionally, other data such as fertility rates for women of reproductive age, mortality rates by sex and age and the sex ratio at birth come from *China Population and Employment Statistics Yearbook* (2008, 2009, 2010). Because data in that Yearbook are obtained via the annual 1 per cent population sample survey, in order to reduce errors, average values of 3-year statistical data (2008-2010) are used for model calculations.

In this paper, we simulate and predict population trend in a period of 55 years, which is from 2010 to 2065. In such a long period, some changes may occur to affect population growth and human behaviour. For example, the innovation in biomedical technology may reduce mortality rates at all ages and extend life span. In addition, people may change their reproductive behaviours as well. However, in order to simplify the calculation process, this paper does not consider the above situation, and assumes that the fertility and mortality rates in the next 55 years will keep the same values as the averages of 2008-2010. Meanwhile, we allow them to fluctuate around their mean values. Assuming F_x and D_{sx} represent the average fertility rate and mortality rate in 2010, the distribution of the fertility rate (F_x) and mortality rate (D_{sx}) is as follows:

$$F_x(t) \sim N(\overline{F_x}, 0.01)$$

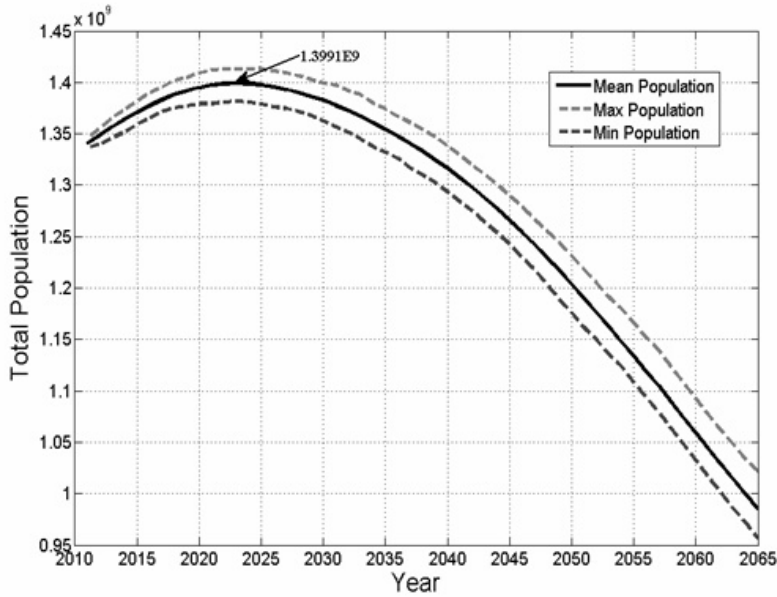
$$D_{sx}(t) \sim N(\overline{D_{sx}}, 0.01)$$

Figure 1 The Proportion of Baby Girls in Total Number of Babies over a Period of 50 Years



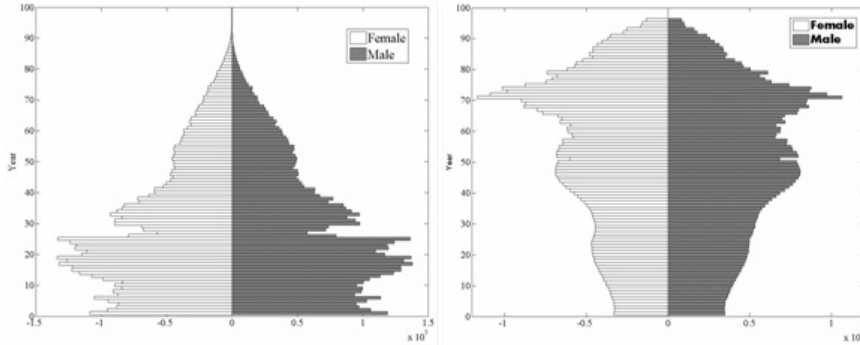
As mentioned earlier, the current sex ratio at birth is seriously distorted in China, up to 120 boys to 100 girls. This paper assumes that in the study period (55 years), the sex ratio at birth will gradually return to a normal level. Figure 1 shows the proportion of baby girls in total number of babies at birth. It indicates that the trend in sex ratio at birth follows a logistic curve, and high sex ratio at birth will still continue for 20 years and then rapidly decline to the normal level within 10 years.

A thousand times of simulation are run to get the population trends over a period of future 55 years, and average, maximum and minimum values are calculated as well. The results show that China's population will continue to grow until 2024 and then gradually decline. It is expected that the average population will peak at 1.399 billion with a maximum of 1.417 billion and minimum of 1.383 billion. That is consistent with Wang's estimation (Wang, 2012), in which, China will

Figure 2 Population Trends of the Reference Model

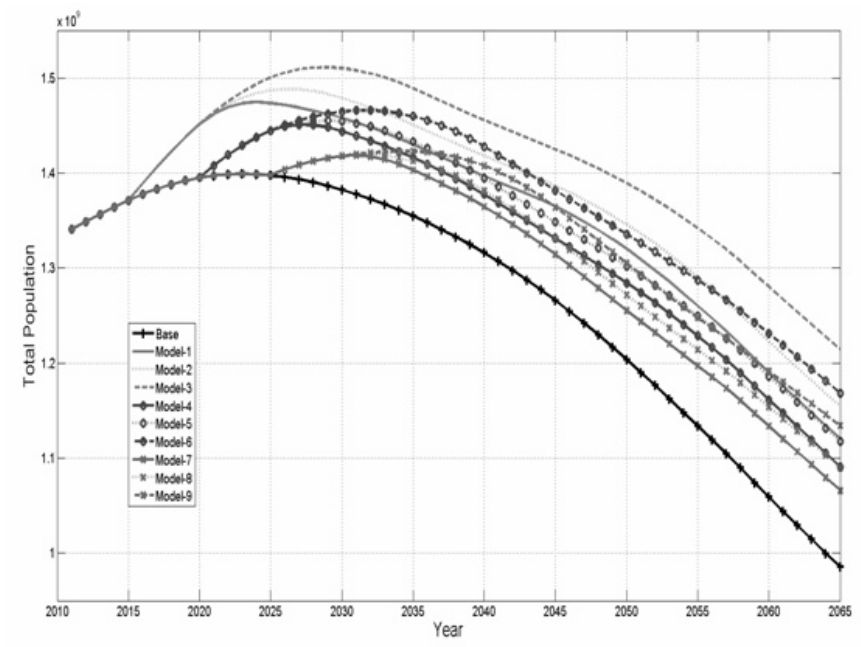
reach its population peak between 2023 and 2025 with an average of 1.392 billion and maximum of 1.41 billion without the fertility policy adjustment. By 2065, the average population is 0.99 billion with a maximum of 1.025 billion and minimum of 0.955 billion (Figure 2).

Excluding the adjustment of the family planning policy, there are two factors that likely affect the population in the future. One is the further extension of life span, which means a decrease in the mortality rate. As a result, the actual population size may be slightly higher than what we observe in the reference model. The other is the voluntary reduction in the fertility rate caused by the change of women's socioeconomic status, resulting in the actual population maybe slightly lower than the observed in the reference model. However, considering that the mortality rate in China has been very low comparing with other developing countries, a significant decline is not likely to happen. An

Figure 3 Population Structure in 1981 (left) and 2065 (right)

increase in life expectancy is also limited before remarkable advances come in biomedical technologies. Additionally, given current low fertility status², a further decline in the fertility rate caused by women's willingness is unlikely to happen. Therefore, the actual population size is very likely between maximum and minimum in the reference model. In general, without the policy adjustment, China's population will continue to increase until 2024, with a peak value between 1.383 and 1.417 billion. By 2065, China's total population will drop to a value between 0.955 and 1.025 billion, which is approximately equivalent to the population size during the period 1978-1983. However, population structure in 2065 will be much different from the early 1980s. Figure 3 shows the difference of population structure between 1981 and 2065, and it is obvious that the population structure will change from a young-age type in 1981 to an old-age type in 2065.

Given the total population from the sixth national census as reference, without the family planning policy adjustment, China's population will continue to increase by about 60 million, and then gradually decline. The pressure from the rapid population growth rate from which the Chinese government has suffered for several decades will gradually be relieved in the future. However, China's total population will still be around a billion by 2065, which keeps the per capita possession of natural resources in a low level compared with other

Figure 4 Population Trends in Different Simulation Models

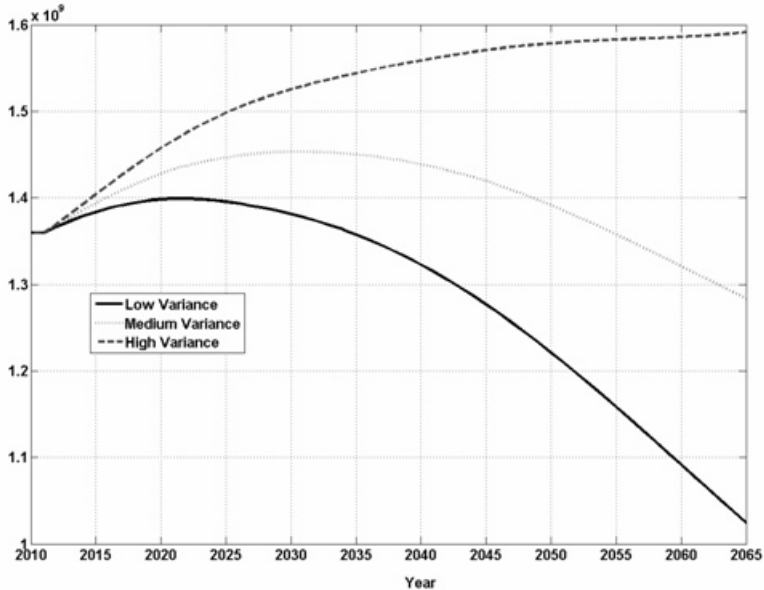
countries. The Chinese government will still face the huge challenge of providing adequate food, fresh water and healthy environment for such a huge population and become more worried about how to meet their demands for high-quality life.

3.1.2. Population trends in nine simulation models

Computer simulation is carried out in accordance with various models in Table 1. It should be noted that for all of simulation models, allowing couples to have a second child reduces people's motivation for sex selection at birth greatly. Therefore, we set the sex ratio at birth at 106:100 (106 boys for every 100 girls) in the simulation.

Figure 4 shows total population trends of different simulation models. Of them, the curves with no marker, with diamond marker and

Figure 5 Population Trends with Different Fertility Variances
(United Nations)



with “x” marker represent population trends for implementing the fertility policy adjustment in 2015, 2020 and 2025 years, respectively. The curve with “+” marker represents the population trend of the reference model. For each of these curves, solid, dotted and dashed lines represent low, middle, and high response levels, which are corresponding to the high fertility rate maintaining for 5, 5, 10 years and declining for 5, 10, 10 years, respectively.

Let us make a comparison with the United Nation’s results (Figure 5). The comparison between Figure 4 and Figure 5 shows that the results in our base model is consistent with that of the United Nations in the low variance model, which indicates that our model estimation is reliable and parameter selection is reasonable. In addition, in their population forecasting methods, the United Nations and other international agencies do not take into account the adjustment of China’s family planning policy and only use different variances to express uncertainties. On the

contrary, different assumptions of the fertility adjustment are involved in our models. So our population estimation and prediction are in a more targeted manner and avoid the divergent results which happen in the United Nations' high variance model.

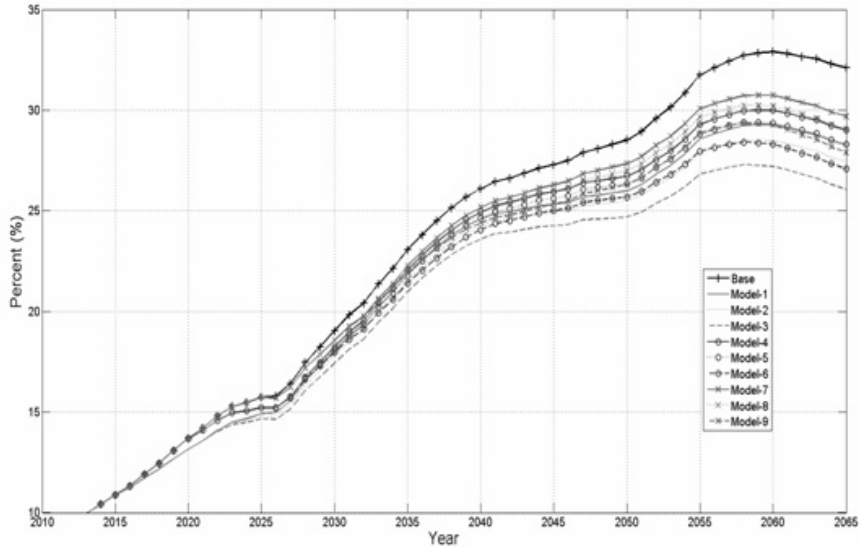
Under the assumption of adjusting the family planning policy in 2015, if the high fertility rate maintains for 10 years and gradually drops for 10 years (a dashed curve with no marker), the total population will rapidly increase in the short term with a peak at 1.54 billion, and then show a slow downward trend. By 2065, it will still stay over 1.2 billion. If the high fertility rate only lasts for 5 years and gradually drops for 5 years (a solid curve with no marker), the total population will reach a peak at 1.47 billion. By 2065, it will decline to about 1.12 billion. In other words, adjusting the family planning policy in 2015 makes a peak population 80-150 million and the total population 150-250 million more than those without the policy adjustment after 50 years (in 2065).

Under the assumption of adjusting the family planning policy in 2025, if the high fertility rate maintains for 10 years and gradually drops for 10 years (a dashed curve with "x" marker), the peak population will reach 1.465 billion by around 2034. If the high fertility rate only lasts for 5 years and quickly returns to the original level, the peak population will reach 1.45 billion by around 2028. Both make a peak population 60-75 million and the total population 100-180 million more than those without the policy adjustment in 2065.

In general, if the government adjusts the family planning policy in the near future (within 10 years), the total population will be more than that without policy adjustment. The earlier the government makes the adjustment, the greater population increments are. Population increases of 100 million will be a huge pressure on the food, resource and environment of the whole country.

3.2. The Proportion of Elderly Population

No matter which assumption is made, the proportion of elderly population will continue to rise, and the degree of aging will become more and more serious until about 2060, when a slight decline will begin (Figure 6). The most serious degree of aging happens in the reference

Figure 6 Aging Trends in Different Simulation Models

model, in which the proportion of elderly population will reach 0.33 by 2060 (one out of three persons will be aged 60 years or older). The Model-3 shows the lowest degree of aging, in which, the fertility policy is adjusted in 2015, and meanwhile people make responses at the high level (the high fertility rate lasts for 10 years and then gradually returns to the original level after 10 years). However, the proportion of elderly population will still reach 0.275 by 2060. If adjusting in 2025 and people's responses being at the low level (the high fertility rate only lasts for 5 years and returns quickly to the original level after 5 years, Model-7), the proportion of elderly population will reach 0.31 by 2060.

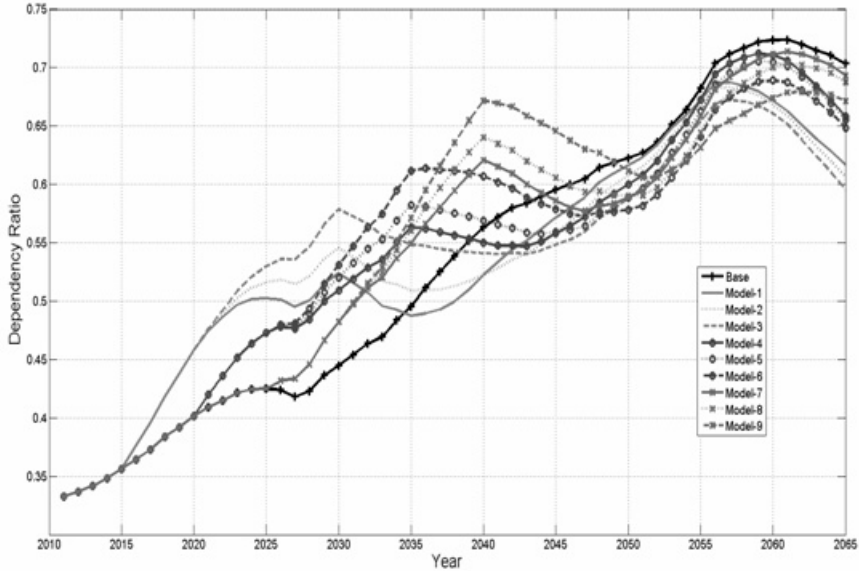
Therefore, only considering to reduce the proportion of elderly population, the fertility policy need to be adjusted as soon as possible, and at the same time, the government should also stimulate people to maintain high fertility desires as long as possible. However, the cost of reducing the proportion of elderly people by that way is the increase in total population size. For example, Model-3 displays the lowest degree

of aging, but the largest total population increments (the dashed curve with no marker in Figure 4). In essence, the solution of reducing aging by increasing population size is equivalent to constantly adding solvent to dilute solution concentration, but the precondition is that there must be a large enough container to accommodate increments of solution. The current data show that in the past few decades, the space of the population container, which consists of water, energy, arable land, and other environmental resources, is getting smaller and smaller. Of course, improving resource efficiency may endogenously expand carrying capacity of the container. However, problems about the population carrying capacity are beyond the scope of this study, and need to be stated specially with new topics. In addition, the immediate transformation of the fertility policy from maintaining a low fertility level to stimulating to attain a high fertility level (above the replacement level) breaks the consistency and continuity of policies and is undesirable.

3.3. *The Dependency Ratio*

The dependency ratio is the ratio of dependent population (younger than 14 or older than 64) to the working-age population (aged 15-64), which intuitively reflects the dependency burden of a society. Due to a synchronous nature of the change in the mortality rate and fertility rate over the course of the demographic transition, a decline of the dependency ratio may occur for some period of time. Many scholars believe that demographic dividend induced by a decline of the dependency ratio contributes to China's rapid economic growth (Wang, 2005; Andrew, 2005; Cai, 2009). But as time goes on, the original working-age population is transformed into dependent population and China's new working-age population is also decreasing year by year, which make the dependency ratio increasing gradually.

An intuitive solution is if there are more children born, when the severe population aging occurred, those children will just join the working-age population and make up for those elderly population gradually withdrawing from the labour market, which would partially offset the economic burden induced by population aging. However, an

Figure 7 Trends in Dependency Ratios in Different Simulation Models

unavoidable fact is that, before entering the labour market, those children also need society's long-term nurture or upbringing. So there exists a problem about the efficient allocation of social resources: would we rather carry heavier burden at present than the future or vice versa? Can what we pay now get adequate return in the future?

Figure 7 shows the dependency ratio in different simulation models. In 2010, the dependency ratio is less than 0.35, which means less than 2 dependents for every 5 workers. Without family planning policy adjustments, the dependency ratio curve is almost monotonically rising. It is expected that there will be 3 dependents for every 5 workers by 2045. The dependency ratio will reach a peak of above 0.73 by 2060, and it will even still stay at 0.7 in 2065, which means 3.5 dependents for every 5 workers.

Once the family planning policy is adjusted, the maximum value of the dependency ratio is smaller than that without policy adjustment. For example, if adjusting the family planning policy in 2015, the maximum

dependency ratio is between 0.66 and 0.68; if adjusting in 2020, the maximum is between 0.68 and 0.71; if adjusting in 2025, the maximum is between 0.67 and 0.72. Obviously, those data demonstrate that implementing the policy adjustment earlier contributes to much lower dependency ratio in the future.

However, after adjusting the family planning policy, dependency ratio curves have significant increases immediately. For example, if the policy adjustment is implemented in 2015, the dependency ratio will increase to 0.5 no later than 2023 (depending on the strength of people's responses), which means 1 dependent for every 2 workers, more than 10 years earlier than without policy adjustment. Even if the policy adjustment is implemented in 2025, time used for increasing the dependency ratio to 0.6 is also 6 to 10 years earlier than without policy adjustment. In a word, regardless of any policy adjustment assumption, the dependency ratio mostly hovers at a high level. Even if a slight decline appears, the dependency ratio will increase again soon.

Over all, figure 7 indicates that a lower future dependency ratio is at the cost of recently rapid rising of the dependency ratio. Therefore, the most appropriate time for the fertility policy adjustment is to reach the lowest total dependency ratio over the whole period.

In order to get optimal economic profits, the government should carefully make the decision on how to allocate limited social resources on the whole horizon. Should the government put more resources on raising more children at present to achieve a lower dependency ratio in the future or put more resources on accelerating current economic development so that the country will have larger wealth to support a large elderly population induced by a high dependency ratio in the future? That is a subtle balance and the key point is to estimate the cumulative dependency ratio over the whole period. Assuming the discount rate is r , meaning that the present value of expenditure used to support one unit of the dependency ratio at time $t+1$ equals r at time t . Then, the cumulative dependency ratio in the entire time T can be expressed as follows:

$$D = \sum_{t=1}^T r^{t-1} d_t$$



where d_t is the dependency ratio at time t and D is the cumulative dependency ratio.

We assume the long-run discount rate equals 0.98 (based on the current interest rate), and cumulative dependency ratios are calculated and shown in Figure 8. The figure intuitively reflects the dependency burden of a society in different simulation models. Without policy adjustment, the cumulative dependency ratio is the lowest over a period of 50 years, which also means the lowest social costs. Once the family planning policy is adjusted, based on previous assumptions, longer time for maintaining high fertility rate (e.g. for Model-3, Model-6, and Model-9, high fertility rate maintains for 10 years and declines slowly) produces higher cumulative dependency ratio. There is almost no difference on corresponding points between implementing the policy adjustment after 5 and 10 years (e.g. Model-4 vs. Model-7, Model-5 vs. Model-8, and Model-6 vs. Model-9).

4. Conclusion

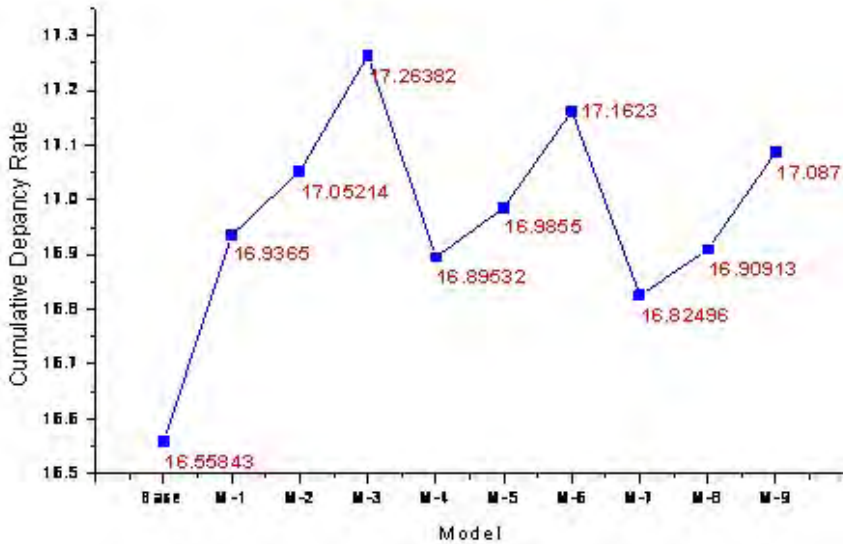
Population policies are fundamental, strategic, and have long-run effects for any country. Except for objective factors, such as population size and structure, adjustments of the population policy are also affected by moral and value judgments.

The Chinese government has been implementing the one-child policy for over 30 years and individual families' desire to have more children has not been satisfied for a long time. On the other hand, government propaganda on population aging exacerbates people's worries about their future. There has been an increasing concern over the huge pressure of household-centred elderly care in 4-2-1 families. Many scholars have raised concerns that high dependency ratio and labour shortages will hinder economic development. So even if the government recently announced the adjustment to its one-child policy, the Chinese people still hope that the fertility policy can be further relaxed: a second child is allowed in all families without any limits.

According to the estimation results in this paper, under current family planning policy without any change, the total population in China



Figure 8 Cumulative Dependency Ratios over 50 Years in Different Models



will reach its peak in 2024 and then start to decline. Although the total population will decline after that, the degree of aging and dependency ratio will still increase continuously until the end of this study period (in 2065). If the government further relaxes the one-child policy in the near future: a second child is allowed in all families without any limits, the future dependency ratio will decrease from 0.6 from 0.7.

However, the cost of that is to increase the total population by about a quarter billion. In addition, adjusting the family planning policy immediately will also bring a high dependency ratio in the future forward to the present. So we should consider the tradeoff between present and future high dependency ratio. Considering cumulative dependency ratios for all the scenarios in the entire study period, the minimum value just appears when the policy is not adjusted, which means maintaining current family planning policy is the optimal choice to minimize social costs.

The complexity in the study on Chinese population is to take into account both population structure and huge population size. Considering China's huge population base, limited capacity for environmental and natural resources, and people's demands for improving quality of life, controlling the population at an appropriate size is still the primary issue that the Chinese government should take into account. Even if no adjustment was made to the strict family planning policy, the population would still be more than one billion by 2065. Providing high-quality life for such a huge population is almost an impossible task for any government in the world. In view of that, this paper suggests that currently, diluting the aging population by increasing the number of people may not be a feasible solution in China. On the whole, only to reduce the pressure of population aging, allowing a second child without any limits before 2020 is not an appropriate option. Of course, making adjustment of population policies would not only involve considering population size, but also political influence and the will of the people. Therefore, population policies need to be constantly adjusted with the economic and social development.

Notes

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1. "Gender gaps in China: Facts and figures", World Bank Report, 2006. <http://siteresources.worldbank.org/INTEAPREGTOPGENDER/Resources/Gender-Gaps-Figures&Facts.pdf>

2. Based on the latest World Bank data, the TFR is 1.6 for China, 1.9 for US, 2.0 for UK and 2.0 for France. <http://data.worldbank.org/indicator/SP.DYN.TFRT.IN>

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The U.S. Impact on China's Legal System during the Reform Era

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Abstract

An enormous amount of Chinese borrowing from the United States in legislation during the post-Mao era has been noted by mainland China scholars. Their studies indicate roughly about 60-70 per cent of China's transplantation of laws is related to the United States. In comparative terms, China has borrowed more from the United States than from any other countries in legislation in the last three decades. This situation contradicts the CCP communist ideology, the Chinese statist cultural tradition, and is a departure from previous Chinese law transplantation experiences in the last century. The Chinese fondness of the U.S. laws appears to be rooted in complex political, social, economic and global situation, not an enlightenment of the elites.

Keywords: *Chinese constitutionalism, Chinese intellectuals, political reform, U.S. constitution, U.S. impact on China, political discourse, law transplantation*

JEL Classification: *K10, K30, K40, K49*





1. Introduction

An enormous amount of Chinese borrowing from the United States in legislation during the post-Mao era has been noted by scholars in mainland China. Studies conducted by scholars in mainland China indicate that about 60-70 per cent of China's transplantation of laws is related to the United States. In comparative terms, China has borrowed more from the United States than from any other countries in legislation in the last three decades, according to these studies.¹

This has raised some serious questions in law transplantation from ideological, cultural and historical perspectives. Ideologically, China is supposed to be on the opposite end to the United States and closer to welfare states that are known for their social democratic practices such as France and the Scandinavian countries. China may have a better chance to borrow from these Western European countries that lean more towards equality than liberty. Culturally, between the two major legal systems, i.e., the European continental system and the Anglo-American system, China may have a better chance to borrow from the former which is more "statist" than the latter that is noted for its emphasis on individuals. After all, China has had a statist tradition dating back for more than two thousand years. Historically, China had not been noted for its borrowing from the United States in terms of law transplantation until recent decades. Instead, countries like Japan, Germany, and the former Soviet Union had had more impact on China in terms of law transplantation in the twentieth century before the post-Mao period. Why has China been so fond of the United States in law transplantation in the last three decades, as demonstrated in the studies of mainland Chinese scholars?

This article studies the U.S. impact on China's legal system during the reform era, with a focus on legislation, through the writings and studies of some mainland China's leading scholars. Qualitative and quantitative studies show that mainland Chinese scholars felt the strong impact of the United States on China's legal system during the time period. It looks like that China's massive borrowing from the United States in its legal system was a result of complex political, economic, historical, and global situations, not a sudden enlightenment by the



elites.

Methodologically, this study is largely qualitative, although some data have been collected. It is almost impossible to measure exactly to what extent that China has borrowed laws from the United States, because many U.S. laws are similar to that of some other countries and some laws have multiple origins. Therefore, the data cited in this study are used suggestively.

In addition, this study used lots of studies from scholars in mainland China. The use of social science research results from mainland China scholars is new. In fact, scientific research by mainland Chinese scholars in general, until recently, was not taken seriously in the West. For instance, the Royal Society used the number of times a research paper is cited in the scientific literature as a proxy for quality. It found that as late as the end of the 20th century, China's citation share in scientific literature was almost nothing. But in 2008, it rose to 4 per cent of the world's total. In terms of quantity, it was even more impressive: China now produces the second largest number of scientific papers, next only to the United States.²

The Chinese social science situation was less developed than natural sciences. Before the reform era, social research was not even considered to be "scientific". In the last more than three decades, China has made progress in social research. According to the figure by UNESCO, China's investment in social science research had an average annual growth of 15-20 per cent from 2003 through 2010.³ Chinese social science research has reached the mainstream Western scholarship as well. Examples include: *Chinese Journal of International Politics* is edited by Tsinghua University but published by Cambridge University Press; *Journal of Modern Chinese History* and *International Critical Thought*, both edited by the Chinese Academy of Social Sciences, are now published by Taylor & Francis.

This study is as much an empirical study as a discourse analysis of the Chinese legislative reforms during the time period. It is important to know how the scholarly circles in China feel about the impact of other countries, especially the United States, on China's legal reforms. In other words, the subject dimension of the issue is no less important than the



object dimension. These Chinese top scholars have no incentive to exaggerate about the role played by the United States in China's legislation, because the regime constantly warns about the Westernization of China.

I start with a historical review of the Western influence on the Chinese legislative reforms in the last century, focusing on the question: Why, until three decades ago, the United States did not have major impact on China's lawmaking, unlike countries such as Japan, Germany, and the former Soviet Union? This is followed by an analysis of the U.S. impact on China's legislative reforms during the reform era. Then, I will look at the U.S. impact on several key issues in legal borrowing, such as federalism, judicial review, and human rights. Finally, I analyse the social context in which China learned from the United States in legislative reforms in the last three decade, trying to answer the question: Why has the United States impacted on China's lawmaking with such a force during the reform era?

2. U.S. Impact before the Post-Mao Reform

One of the earliest studies that introduced the U.S. political system into China was by Liang Ting (1796-1861) who wrote the book *On the United States* (合省国说) in 1844. In the book, Liang introduced the American republican system, the election system, constitutionalism, and separation of power. Xu Jiyu (1795-1873) introduced the republican system, rule of law, and the election system of the United States in the book *Yinghuan kaolüe* (瀛寰考略) in 1848. In *Fazheng Zazhi* (法政杂志) magazine published in August 1911, such ideas as republicanism, democracy, rule of law, and separation of power noted in American politics were introduced also.

Among those early studies that introduced the Western political system into China, the most well-known was by Wei Yuan (1794-1857) who wrote *Hai Guo Tu Zhi* (海国图志). In the book, Wei described the American political system as noted for "rule of law" instead of "rule of man". Wei also introduced the concept of federalism and the idea that man is born with human rights. Everybody is equal before the law.⁴



China's first transplantation of Western laws was made by Emperor Guang Xu (1871-1908) during the 103-day Reform in 1898, although they were in the name of imperial orders. The Late Qing constitutional reform was influenced heavily by the Japanese Meiji Constitution of 1889. In the words of Shen Jiaben (1840-1913), the chief architect of the Late Qing legal reform, Japan was the best model for China to emulate.⁵ But the Japanese legal system was modeled after Otto von Bismarck's legal system of Prussia, which was noted for its favour of a highly centralized bureaucracy. This suited the needs of Japan's – and China's – for national mobilization in the late 19th century. This was also due to the success of the Meiji Restoration which inspired the Chinese scholars and government officials. Japan's geographic and cultural closeness to China was another factor for the Chinese fondness of Japan in law transplantation. Incidentally, Chinese Marxism also came first from Japan.⁶ Furthermore, the large number of Chinese students who went to Japan to study was also important in the Chinese learning from Japan. Japan at that time attracted the largest number of Chinese students, because of the convenience of geographic closeness and cultural similarity. The Qing Dynasty collapsed in 1911, thus ending the 10-year constitutional reform. Most of the new laws had yet been put into practice.

The constitutional framework during the Republican era, i.e., Complete Book of Six Codes, was a combination of American tradition and the European continental tradition. Many regular laws were modeled after that of Germany. For instance, 60-70 per cent of civil laws were borrowed from the German constitution.⁷ For criminal laws and criminal litigation laws, China also borrowed a lot from the continental model, instead of the Anglo-American one.⁸ This is the continuation of the Late Qing constitutional reform, because the Japanese constitutional model was also borrowed from Germany. As the Chinese became more familiar with the West, they felt more comfortable to borrow directly from Western countries, not through a medium, such as Japan. In addition, the ending of Taishou Democracy (1912-1925) in Japan and the subsequent Japanese adopting militarism made many Chinese intellectuals disappointed with Japan.



Apparently, in the early stage of the Chinese legal transplantation, the United States did not exert as much impact on China as some other Western countries. In the late 19th century and early 20th century, China, like Japan, needed mass mobilization for modernization and national defense which called for a concentration of power in the central government, not the American-style federalism. In addition, the United States did not become the global dominant power until after World War II, thus had less influence in the world in a general sense. The U.S. presidential system did not take the monarchy into consideration. But countries like Japan and China in the late 19th century and the early 20th century needed to worry about their emperors.

In 1949, the Chinese Communist Party (CCP) abolished the use of the Republican constitution, the Complete Book of Six Codes. They first drafted the Common Outline and then the 1954 constitution which was modeled after the 1936 Soviet constitution. In drafting the 1954 constitution, Mao Zedong required all high ranking cadres to read the 1924 and 1936 Soviet constitutions.⁹ The major historical event that compelled the Chinese to lean towards the Soviet model was the Cold War, especially the Korean War (1950-1953). China's foreign policy at that time was "leaning towards one side". The Soviet mode also suited the CCP need for one-party domination.

With the split of the CCP and the Communist Party of the Soviet Union (CPSU) in 1956, the Soviet constitutional model was gradually abandoned. China abolished the lawyers' system as well as the Ministry of Justice in 1959. The situation became more extreme during the Cultural Revolution from 1966 through 1976 when only one law was passed.¹⁰

3. U.S. Impact during the Reform Era

The Cultural Revolution ended with the passing of Mao in 1976. After two years of transition, new policies were set with the ascendance of Deng Xiaoping in 1978. The new slogan was "reform and open up". Opening up to the outside world did not refer to foreign trade and other economic matters only, but also to domestic politics, including the



constitutional system. In his report to National People's Congress (NPC) in 1982, "On the Bill to Amend PRC Constitution", Peng Zhen, then Chairman of NPC Standing Committee, said that the 1982 constitution should "pay sufficient attention to not only the rich experience of China's socialist development, but also the experience of foreign countries". In 1994, Qiao Shi, then Chairman of the NPC Standing Committee remarked, "Legislation must be based on China's actual situation. But we also need to learn from foreign countries. We can borrow anything foreign if it is good and suits the need of China's situation. Some of their laws can be transplanted to China directly."¹¹ Chinese scholars echoed this by saying that the country must import laws, because China did not have the time to develop its own legal system.¹²

Some scholars believe that China's law making drew upon multiple sources. For instance, Li Lin believed that China's legal system during the reform era has two sources: Former Soviet Union, but with Chinese characteristics; Western legal system, but with socialist characteristics.¹³ The post-Mao leadership initially intended to return to the spirit of the 1954 constitution modeled after the 1936 Soviet one.¹⁴ This is consistent with the major theory which emerged after the Cultural Revolution, i.e., "primary stage of socialism". In drafting the 1982 constitutions, the drafting committee consulted the constitutions of 35 countries in the world.¹⁵

However, the U.S. impact can be detected from the 1982 constitution and the U.S. influence on Chinese legislative reforms gained momentum towards the end of the last century. The American constitutional system does have some characteristics that the United States is known for, although it may not be able to claim exclusive rights for it. Some Chinese scholars have noted this when tracing the origins of China's constitutional changes. For instance, about 130 scholars from 50 universities and research institutions in China gathered in Wuhan in September 2008 to discuss the impact of the United States and Great Britain on China's legal system. Most of the paper presenters seemed to believe that the Anglo-American system's impact on China in terms of law transplantation was "overwhelming".¹⁶



Chinese law scholar He Qinhua divided the post-Mao era into two periods: The first half of the reform era was influenced more by the first stage of the American legal system before the beginning of the 20th century which was characterized by the spirit of liberalism. During the second half of the reform era, China was influenced more by the second stage of the American legal system, that is, after the beginning of the 20th century, more of welfare. This switch was against the background that from 1998 through 2007, government's revenue increased by 5.7 times, while that of people in cities and town increased by 1.4 times and that of the peasants increased by 1.2 times. Government possessed 76 per cent of the wealth, while the people had less than 25 per cent wealth. China's Gini was 4.7. Twenty per cent of the poorest had 4.7 per cent of wealth, while the 20 per cent richest had 50 per cent of the wealth.¹⁷ For the reform era on the whole, according to He, China was influenced overwhelmingly by the Anglo-American model, especially the United States.¹⁸

Some Chinese scholars elevated the American experience to the level of universal values. They believed Thomas Jefferson and other Founding Fathers in 1776 for the first time were able to put those abstract ideas by the Enlightenment Thinkers into concrete politics in the Declaration of Independence.¹⁹ Some scholars believe that China can learn from George Washington's constitutional thought, which include "checks and balances", "rights of the citizens", and "cultivating a constitutional culture".²⁰ For Chinese scholar Qian Fuchen, as far as theory of modern constitutionalism goes, constitution has four components: "sovereignty lying with the people", "human rights", "separation of powers and checks and balances", and "rule of law". For Qian, the constitutional system of the United States and Great Britain is the model.²¹

The widespread influence of the West, especially the United States, on Chinese legislative reform, has also been noted by Western scholarship. Randall Peerenboom noted that after the 1990s Western exports of legal system gained momentum because of the collapse of USSR.²² He also believed that some of China's administrative laws were modeled on comparative laws in the United States.²³ Andrew Peng noted



“the wide acceptance of the liberal constitutional paradigm among Chinese intellectuals” during the time period.²⁴ Pittman Porter observed “most of the legal forms, structure and terminology currently used in China derive from concepts of European and North American liberalism.”²⁵

Jiang Shigong divides the development of constitutional thought in China in the past three decades into two phases. The first, from the early 1980s through the end of the 20th century, was what he called “an ideological stage” during which general Marxist concepts were used to discuss the basic concepts of constitutions to understand China’s own constitution. In the second phase, since the wave of “constitutional adjudication” that began in 2001, people have tried to understand China’s constitution from a judicial perspective. Influenced by this wave, they have started to Americanize their understanding of China’s constitution and to criticize it according to the principles and rules of the American constitution. Thus, research on the American constitution has become the mainstream in the field of constitutional studies.²⁶

Although it is hard to measure exactly the impact of the United States upon China’s constitutional change, some rough statistical analysis is possible. The study can be conducted against the background of the impressive growth of China’s legislation in general during the time period: From 1978 to 2011, China made 236 laws, 690 administrative regulations, and 8,600 local regulations.²⁷ This is against the poor legislation record of the pre-1978 period: from 1949 through 1978, 134 laws were made. A total of 111 of them had been invalid, or 81 per cent. Only 23 laws were still valid.²⁸

Studies concerning China’s borrowing from other countries in legislation in the last decade include those by Shen Zongling, a law professor from Peking University, Zhu Jingwen, a law professor from Renmin University, and Li Lin, Director of the Law Institute, Chinese Academy of Social Sciences, China’s main think tank. The study by He Qinhua, a law professor from China Eastern University of Politics and Law, on Anglo-American legal systems’ impact on China is also important.



In Shen's study, he listed 26 cases where foreign laws were borrowed in China's legislation. Among these 26 cases, 11 of them were named, while the rest were labeled as "foreign countries". Among the 11 identified cases, 8 of them are about the United States, or 73 per cent.²⁹ In Zhu's study, he listed 16 cases where foreign laws were borrowed in China's legislation. Seven of them were identified. The rest was labeled "foreign countries". Four were from the United States, or 57 per cent.³⁰ In Li Lin's study, 22 cases were listed where China borrowed from foreign countries in terms of legislation. Among the 22 cases, 17 cases were from the United States,³¹ or 77 per cent.

If we average the numbers of the three studies, China has borrowed from the United States 69 per cent of the time in law transplantation. Although this is only a rough estimate, given the small sample size, one can get a glimpse of the overall picture of the impact that the United States exerted on China's legislation. Compared with other Western countries, it looks like that the United States has played the most important role in shaping China's legislation in the last three decade. Actually, this is the first time in history that the United States has played such a significant role in influencing China's legislation.³² It should also be noted, although at the early stage of the reform, China's leaders and intellectuals had intended to go back to the policies of China before 1956 or in constitutional matters going back to the 1954 constitution which was modeled after the 1937 Soviet constitution, the Soviet-Russia experience played very little role in China's legislation in the last three decades. Based on these studies, China borrowed from Soviet-Russian legislation only 9 per cent of the time when it borrowed from foreign countries in legislation.

Among these scholars, Zhu and Shen believe that the 1982 constitution and its amendments borrowed from the United States in "rule of law", "human rights", "protection of private properties", and "federalism", although these characteristics are not uniquely American. Li Lin's study focuses on China's borrowing in non-constitutional legislation.



4. Key Issues: Federalism, Judicial Review and Human Rights

At the centre of constitutionalism is the restraint of government's power as well as the protection of the individuals' rights, which were reflected in such issues as federalism, judicial review and human rights. The United States has impacted on the Chinese legal system in these areas in the last three decades. Shen Zongling noted that the 1982 constitution borrowed from the U.S. federal system in giving more power to the local authorities.³³ Although it is not the only country in the world that has a federal system, e.g., Switzerland and Germany also have federal system, the United States is the most famous for this. Some Chinese scholars believe that in order to build constitutional governance like that of the United States, China must decentralize its power structure.³⁴ At the beginning of the reform, Chinese scholar Zhang Youyun criticized the 1975 constitution that did not give enough rights to the autonomous regions.³⁵

Unlike the late 19th century and early 20th century when China needed centralization of power for modernization and national defense, the post-Mao period was noted for a gradual decentralization of power which was a response to the over-concentration of power in the national government in the late stage of the Cultural Revolution. Since 1978, power has drifted from the party to government institutions and from the central to locals.³⁶ Naturally, Chinese leaders and intellectuals were attracted to U.S. federalism.

Judicial review is almost uniquely American. Although countries like Great Britain and Japan have nominal judicial review system as well, they seldom use it. Some Chinese government officials and scholars have tried to adopt some kind of judicial review in China, although the process was not smooth. Generally speaking, the Supreme People's Court has tried to avoid making judgment regarding the constitutional matters. However, the Supreme People's Court for the first time made an interpretation of the constitution regarding the Qi Yuling vs Chen Xiaoyi etc. Case in August 13, 2001.

The plaintiff Qi Yuling filed a lawsuit at the Intermediate People's Court in Zaozhuang, Shandong Province, against defendants Chen Xiaoyi, etc, over a dispute about infringement of the right to her name



and the right to education. Qi Yuling was accepted by Jining Business School as a new student in 1990 through an examination. Because of the fraudulent act by the defendants, Chen Xiaoqi was able to get into Jining Business School using the plaintiff's name. The plaintiff felt that this violated her right to her own name and her right to education. As a result, Qi requested that such infringement be stopped and that she be paid 160,000 yuan for economic losses. The Supreme People's Court intervened to address this case based on the constitution. Some regarded this case as the equivalent of *Marbury v. Madison* in the U.S. constitution. Huang Songyou, Vice-President of the Supreme People's Court, praised this as a major step in having the judiciary to play a role in interpreting the constitution. However, in 2008, the judicial decision was revoked by the Supreme People's Court.³⁷

Another example of the Chinese testing on judicial review was the Sun Zhigang case in 2003. Sun was beaten to death by retention quarters personnel. Three scholars, who got doctoral degrees in law, appealed to court by citing constitutional reasons, suggesting to set up an independent agency to watch whether citizens' constitutional right was violated. The case was dealt with quickly and heavily through administrative means, not judicial review. Although the attempt to set up some kind of judicial review failed, the term "judicial review" has become a part of the daily discourse of the Chinese people because of media exposure.

The two cases were a reflection of the general situation regarding judicial review in China. Although both cases failed to endorse judicial review, it reflects the desire of some Chinese government officials as well as scholars to adopt some kind of judicial review and they were very aware of the United States' connection. So far, China's constitutionalism has been in the form of making constitution, carrying out the constitution, and amending the constitution, not in the form of the judiciary judging certain laws unconstitutional. Under the current constitutional framework, the NPC has the power to decide whether certain laws are constitutional or not. The NPC is above the State Council and the judiciary, according to the 1982 constitution.³⁸



“Human rights” is certainly not uniquely American. But again, the United States is the most well-known for it. In the words of Louis Henkin, Americans tend to believe that human rights represent something that is uniquely emphasized by Americans.³⁹ Naturally, some Chinese scholars attributed China’s change in the constitution system regarding protecting human rights to the influence of the United States.

The Chinese experience with human rights has been a path of zigzags. Individual rights until 20th century were unique to the West. But China’s 1954 constitution included bill of rights.⁴⁰ For some scholars, the fact that the issue of human rights was written into the constitution in 2004 was one of the two most significant changes in China’s constitutional reform at the beginning of the new century. The other was the issue of rule of law which was written into the constitution in 1999.⁴¹ The issue of human rights received lots of attention from Chinese scholars. For instance, in 2007, key journals of law in China published 159 articles on constitutionalism. Among them, 66 were about human rights, or 41 per cent.⁴²

In the previous constitutions, the section of “protecting citizens’ rights” comes after section of “the structure of the government”. The 1982 constitution reversed the order to emphasize human rights. He Qinhua believed that the 2004 amendment to protect individual rights was influenced by the United States.⁴³

Many legal devices have been adopted to safeguard the rights of the individual and these devices, such as jury, hearings, contracts laws, labour laws, protection of private properties etc., often bear the in-prints of the United States. In the view of Shen Zongling, the Chinese got inspiration from the 1791 U.S. constitution, which stipulates that the suspect has the right for attorney. To ensure that the defendant received a fair trial, China borrowed from the U.S. regarding the jury system. Although such countries as Great Britain, Germany, and France also use the jury system, they don’t use it as regularly as the United States. But China uses jury system only in big cases. This is largely because it is hard to find jurors who have legal knowledge.⁴⁴ In the 1997 amendment, China adopted the principle that one is innocent until proven guilty.



Hearings represent another effective tool to safeguard the rights of the individuals. It was believed that the hearing system in the United States is more effective than the counterpart in China. The testimonies of the United States are more outreaching, more open, and more just than the discussions of the Chinese system. The antagonistic cross-examination in the U.S. hearing system can reveal the nature of the issues under debate more clearly.⁴⁵ Following the example of the U.S. legal system, the new Chinese law stipulates that before ordering for penalty regarding licenses and fines, the administrative units are obligated to inform the parties involved that they are entitled for hearings and testimony. The parties involved will not pay for the hearing costs of the administrative units.⁴⁶ China's first hearing after the Mao era was in 1997, when Administrative Penalty Law was passed by NPC. In addition to public hearings, such mechanisms as letters from the people have received increasing attention by authorities.⁴⁷

China adopted the 1999 constitutional amendment to protect private properties. It was because the Chinese government was under tremendous pressure from the new bourgeois class that either consume what they have earned in an extravagant ways, or move the money overseas. The 2004 constitutional amendment was to protect private properties in a more systematical way.⁴⁸ To make the protection of private properties more effective, a series of laws have been adopted, such as contract laws, tax laws and labour laws. All these laws have imprints from the United States. Chinese law scholar Li Lin believed that laws on contracts were borrowed from the United States too, covering issues such as the principle of choice, charity donations, contracts of lending, contracts in tourism, etc.⁴⁹ Shen Zongling believed that laws regarding taxes and labour were also borrowed from the United States and other Western countries.⁵⁰ The areas covered include investigation regarding taxpayers' bank accounts, enforcement of taxpayers' invasion of taxes, or debts to other parties, etc.⁵¹

The legislation regarding custody of kids by divorced parents was also borrowed from the United States. The parent who does not have custody has the right to come to see the kids. But if such parent's behaviour will harm the kids, then the court can order the practice to be





stopped.⁵²

5. Conclusion: Why Has the United States Impacted on China's Legal System during the Reform Era?

If, as we stated at the beginning of the essay, the United States' large impact on China's constitutional system does not seem to be consistent with China's communist ideology, the Chinese statist cultural tradition, and the historical experiences before the reform, why has it happened during the reform era?

It seems that CCP's highly pragmatic attitudes towards constitutional matters played an important role. Even before the founding of the People's Republic of China, the CCP supported Zhang Junmai who drafted the 1946 Republican Constitution which was very close to the system of the United States. It was noteworthy that the CCP did not support the other two options available at that time, that is, the Soviet model and the Sun Yat-sen model, which were supposed to be ideologically closer to that of the CCP than the American model.⁵³ The situation has become even more so now: the Chinese Communist Party is communist just in name. Ken Lieberthal remarked recently, "If the Chinese Communist Party is called what it really is, it would be called Chinese Capitalist Bureaucratic Party."⁵⁴

Another factor is that many policies and laws made during the post-Mao era were largely the result of historical contingencies as a reaction to the disastrous Cultural Revolution. Many of the social welfare values of European social democracy did not fit the post-Mao political culture which leaned more towards liberty than equality, especially during the first half of the reform period.

Furthermore, modern society was increasingly controlled by technology in the later part of the twentieth century. The bureaucracies of different societies perform similar functions. Therefore, in the West, "convergence theory" was developed to explain the situation. For instance, issues such as food safety and environment have little ideological components and it was relatively easier for the Chinese to learn from Western countries. The United States after World War II,





especially after the collapse of the former Soviet Union, has become the world's dominant power. It was natural for a developing country such as China to learn from the United States in governance. The interconnectedness of the two economies also makes it easier for the Chinese to look to the United States for standard.

Compared with political system, legal system's ideological orientation is less obvious. Thus, it was relatively easier for the Chinese to borrow laws from the West, especially from the United States, under the current situation. Although the term "Chinese model" has been used with increasing frequency in the last decade, which symbolizes that people want to become distant from the Western model, the Western Liberal Model is prevalent. In the words of Pan Wei, a Peking University political scientist who is critical of the American system, "Legal studies is the hardest hit area in the sense that it was influenced by the West the most."⁵⁵

Indeed, the Chinese legislative reforms during the time period are for real, not documents that have meaning on paper only, although changes on paper are also significant. As of 2002, China's legal system ranked in the 51st percentile on the World Bank's rule of law index, having risen from the 32nd percentile in 1996 when the World Bank started to monitor.⁵⁶ For 2010, it was 44.5 percentile. Asia in general is 50.8 percentile in 2010. It goes back and forth. "Despite many problems, China outperforms the average country in its income class on most major indicators of human rights and well-being, with the exception of civil and political rights."⁵⁷ Plaintiff prevails in whole or in part in some 40 per cent of the administrative litigation cases, a rate three times higher than in the United States.⁵⁸

Lynn White also pointed out, if constitutionalism means to contain state power, then the current Chinese system has that element too. For instance, although it is not written into the constitution, no Chinese top leader such as the President can serve more than two terms. White also points out that China is not the only country that has an imperfect legal system. Some of the American laws were made purposely vague also.⁵⁹

"Rule of law" has increasingly replaced governmental policies in the last 30 years. For instance, from 1980 to 1992, NPC made 110 laws,



or each year about 8 laws. From 1993 to 1997, 8th NPC made 78 laws, or 15.6 a year. The 9th NPC, from 1998 to 2002, made 72 laws, or 14.4 a year.⁶⁰ "In today's China, law matters more than it ever has."⁶¹

Furthermore, Chinese political culture has changed a lot in the last three decade because of globalization. The Chinese newspaper *Global Times* reported on March 12, 2012 that 63 per cent of those polled either favoured or did not oppose Western democracy. Half of those polled believe that China was on the verge of revolution. About 93 per cent of city dwellers hope that constitutional amendment be made to protect private properties.⁶²

Another on-line survey shows: for the Chinese public, the most admired leaders are, in order, Zhou Enlai (36.13 per cent); George Washington (35.64 per cent); Hu Yaobang (34.68 per cent); Deng Xiaoping (30.79 per cent). The most favoured political system are those of, in order, the United States (71.98 per cent); Sweden (32.38 per cent); Great Britain (30.76 per cent); Germany (28.81 per cent); Singapore (27.51 per cent). Over half of the respondents did not approve of China's political system.⁶³

In spite of the progress, both in paper and in actions, serious problems still exist. Paradox in social reality exists in the constitutional system. The Chinese public in general still has little confidence in the country's legal system. According to a survey in 2004, only about 20.1 per cent of those polled said that they would resort to the country's legal system when their legal rights were violated. About 21.5 per cent said that they would try to settle the disputes through informal channels.⁶⁴

For some Chinese scholars, "since 1978, legal reforms have remained institutional, not cultural ... Institutionalized legal reform is "decoration". In reality, it is still rule of man, not rule of law. The root of the problem that laws cannot be properly executed is cultural."⁶⁵ Western scholars shared this view: "In the case of China, however, the effects of globalized legal norms are confronted by powerful forces of local culture."⁶⁶ Although Western influence on China's legislation was essential, its operations still reflect the influences of local legal culture. "Chinese legal institutions have been mediated by local legal culture."⁶⁷



The Chinese government's highly instrumentalist attitudes towards the country's legislative reforms have resulted in theoretical difficulties in China's legal system.⁶⁸ For instance, the relations between NPC and its standing committee are unclear. Standing Committee was given the power to interpret the constitution, but it is unclear whether the NPC has the power to do it. In addition, the relations between the State Council and NPC are unclear. On the one hand, the constitution allows the State Council to issue regulations based on the constitution; on the other hand, it also says that the State Council is under the direct leadership of the NPC which issues laws.⁶⁹

Notes

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In Search of an East Asian Way of Conflict Management: Three Regional Cases⁺

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Abstract

There have been three major and long-standing conflicts in East Asia: the Korean Peninsula, the Taiwan Strait and the South China Sea. Although these conflicts have yet to be settled, they have provided the parties to conflict with opportunities to learn how to manage the most protracted and intractable conflicts with as low costs as possible, precisely due to their exceptional longevity. Adopting the concepts of mediation regime and hybrid system, the paper examines how each of these conflicts has been managed. Among the findings are: contradictions involved in these conflicts have been handled in mediation regimes in such a way that they may not clash directly with each other; there are supplementary mechanisms to manage these contradictions, such as binding, balancing and regulating the behaviour of the parties to conflict and crisis management mechanisms; and economic measures and resultant economic interdependence are important ingredients of a mediation regime due to its role as an infrastructure for peace. The characteristics of managing these conflicts identified in the paper suggest an East Asian Way of conflict management.

Keywords: *conflict management, mediation regime, hybrid system, East Asian way*





JEL Classification: F51, F55, F59, N45

1. Introduction

The three long-standing conflicts in East Asia, i.e., the Korean Peninsula, the Taiwan Strait and the South China Sea (SCS), despite the fact that none of them have been fully settled, have produced multitudes of measures, practices, methods and approaches to peacefully manage conflict, thereby contributing to the “East Asian Peace” which, according to Stein Tønnesson,¹ has been in place in the region since 1979.

Among these management efforts are: shifting the arena of conflict from the physical battlefield to the political and international battlefield; mutually guaranteeing space and time in which parties to conflict can more or less freely pursue their own objectives and goals; creating and consolidating economic interdependence between the parties as an infrastructure for peace; allowing the original incompatibilities to transform into new ones that are more manageable or resolvable, to become irrelevant or to dissipate; developing mechanisms to manage crisis that may take place from time to time; forging common understanding and expectation towards each other’s behaviour; and economically and politically guaranteeing the survival of the parties that may collapse otherwise with undesirable consequences for security.² These management efforts and certain degrees of order in the conflicts as a result can profitably be captured from the standpoint of regional regimes for conflict management, which I would refer to as “mediation regimes”.

Two of the above-mentioned conflicts are the off-shoots of major wars, i.e., the Korean War (June 1950-June 1953) and the Chinese Civil War (March 1946-May 1950), which prompted the formation of the Northeast Asian theatre of the Cold War. On the other hand, the SCS conflict (1970s-present) involves the former parties to the Indochina Wars, which established the Southeast Asian “hot” theatre of the Cold War. These facts suggest the existence of structures of alliance, which are embedded to various degrees in East Asia and tend to maintain the





regional divisions.

For some time, these alliance structures were more or less submerged under the surface of the East Asian Peace. However, apparently, they have been given a new lease of life since the early 2010, especially since US Secretary of State Hilary Clinton declared in July 2010 in Hanoi that the United States had an interest in preserving free navigation in the SCS. Already, an incident and a development that had significant implications for peace and stability in East Asia had taken place earlier, i.e., the US announcement to sell its weapons to Taiwan (January 2010) and the Corvette Cheonan sinking incident between North and South Korea (March 2010).

More new developments followed in the wake of Clinton's statement, such as: a visit by the U.S. Seventh Fleet ships to Vietnam (August 2010); the Senkaku/Diaoyu Islands incident between Japan and China (September 2010); the Yeonpyong Island incident between North and South Korea (November 2010); stand-offs, protests and decisions in/over the South China Sea between China and Vietnam and between China and the Philippines (mid-2010 - present); and enlarged and new US-led joint military exercises and US military manoeuvres in the West Pacific including the East China Sea and the SCS (mid-2010 - present) and the latest Japan-China flare-up over the Senkakus/Diaoyus (September 2012 - present).

These incidents and developments, all involving the US to varying extents, seem to reflect US President Obama's American "Pivot towards Asia", which was announced in his Canberra speech in November 2011, and may be construed as American moves to drive a wedge among East Asian countries with its own traditional foreign policy approach, i.e., alliance against adversaries and to encircle a rising China.

Several questions are due in this context: How have the mediation regimes for the three long-standing conflicts been developed vis-à-vis the Cold War-based alliances in East Asia? How have the regimes been functioning in managing these conflicts? What are the impacts, if any, of the American Pivot towards Asia that implies re-emerging alliances in East Asia on the existing mediation regimes? How are these regimes responding to the US new moves? Concerning one of mediation





regime's functions, i.e., to absorb contradictions and incompatibilities, including external impacts, as will be discussed later in this paper, can these three specific regimes absorb the impacts of the US intervention into the region?

In the following sections, the paper first set up a theoretical framework for the analysis of mechanisms of conflict management included in these mediation regimes. Theories of conflict management and international/regional regime will be adopted for this purpose. The paper then applies the framework to each of the three conflicts to understand how these regimes have managed them. Lastly, the paper looks at how these regimes cope with the US new moves in East Asia, which appear to reflect the re-activation or new formulation of US alliance systems.

2. Theoretical Framework: Mediation Regime and Hybrid System

Building on the general concept of international regime, this section introduces the idea of a “mediation regime” vis-à-vis that of alliance, and sets up a simple model of the two-way transition between an alliance system and a mediation regime system, which is referred to as a hybrid system.

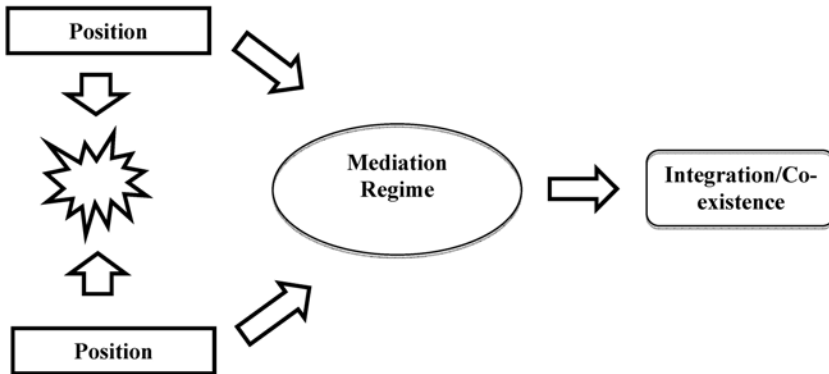
2.1. International Regime

According to Krasner, an international regime can be defined as a set of “principles, norms, rules and decision-making procedures around which actor expectations converge in a given issue-area”.³ As is implied in this definition, actors, state or non-state, are also essential components of a regime. Its general functions are predictability of the conduct of actors and the resulting reduction of transaction costs, generated by the convergence of “actor expectations”.

A constructivist view on a regime emphasizes its regulative and constitutive dimensions, as Hasenclever, Mayer and Rittberger put it, “on the one hand, they [regimes] operate as imperatives requiring states to behave in accordance with certain principles, norms, and rules; on the other hand, they help create a common social world by fixing the



Figure 1 The Basic Function of a Mediation Regime



meaning of behavior.”⁴ Thus, a regime can help actors forge “principled and shared understandings of desirable and acceptable forms of social behavior”⁵ in a given regional context. On the other hand, its constitutive dimension may also help actors reach a shared understanding or definition of the issues themselves, which may have in the beginning been of a contentious nature or plagued with disagreements among actors over their nature.

2.2. Mediation Regime

The concept of a mediation regime can be established by investing an international regime as defined above with more specific functions of conflict management and mediation. Its basic function is to reconcile between contradicting or incompatible positions for integration or co-existence⁶, as is shown in Figure 1.

The integration or co-existence is expected to take place inside the regime. Therefore, the regime may run the risk of its own breakup by absorbing into itself contradictions that exist between the parties. Assuming that a mediation regime has been in place for each of the three long-standing conflicts in East Asia, this paper is interested in how the incompatibilities of these conflicts have been handled towards



integration or co-existence.

In actual conflict situation, it cannot be expected that the integration or co-existence process proceeds smoothly or in a straightforward manner. It is normal that measures are taken haphazardly with sometimes unexpected results. Therefore, the process has ups and downs, going forward and backward, and crises may happen from time to time. For these reasons, a mediation regime needs to possess additional qualities of conflict management.

Firstly, it is necessary to prevent contradictions from prompting the parties to use force in order to achieve their own goals at the cost of others. Regulative qualities of a regime may successfully control the behaviour of the parties by such mechanisms as “institutional binding” and “institutional balancing”.⁷ In the former, the principles, norms, and rules of a regime may internally bind the parties so that they may not resort to coercive or unilateral actions. The same results may be expected from the latter approach by exploiting the fear of the actors that they may be left out of important interactions or transactions in multilateral settings as a consequence of their own deviant actions. In both approaches, “saving face” can be a powerful element to regulate the behaviour of Asian actors with its accompanying notion of appropriate conduct in particular circumstances.

Secondly, incompatibilities may be able to be transformed into the ones in which altered positions of the parties to conflict are more amenable to integration or co-existence. Even if the original incompatible positions cannot directly be reconciled to each other, their nature or identity may be changed in ways that allow mitigation. Constitutive qualities of a regime may help such transformation by bringing about a change among the parties in the way they define or frame the contradictions that they possess between themselves. Or the contradictions may be mitigated or even cease to be when there are major changes in the parties, such as the leadership change. Such changes may take place within the boundaries of a mediation regime, which may be able to claim a part in the results.

Thirdly, economic measures may be used as powerful components of a mediation regime if the actors in the regime can command sufficient





economic resources. Economic development stabilize the state parties by turning a “poverty-conflict” vicious circle into a “prosperity-peace” virtuous circle within itself and, thereby, enhancing the legitimacy of the incumbent government, i.e., improving regime security.⁸ Moreover, when the state parties initiate and deepen economic interdependence, it can function as an infrastructure for peace by: working as confidence-building measures between the parties by means of intensive interactions over economic projects; raising the costs of hostile actions like military operations and thereby exerting powerful influence on the parties for self-restraint; and turning the original incompatibilities of whatever nature less important or even irrelevant in comparison with shared stakes that have newly developed or are developing between the parties.

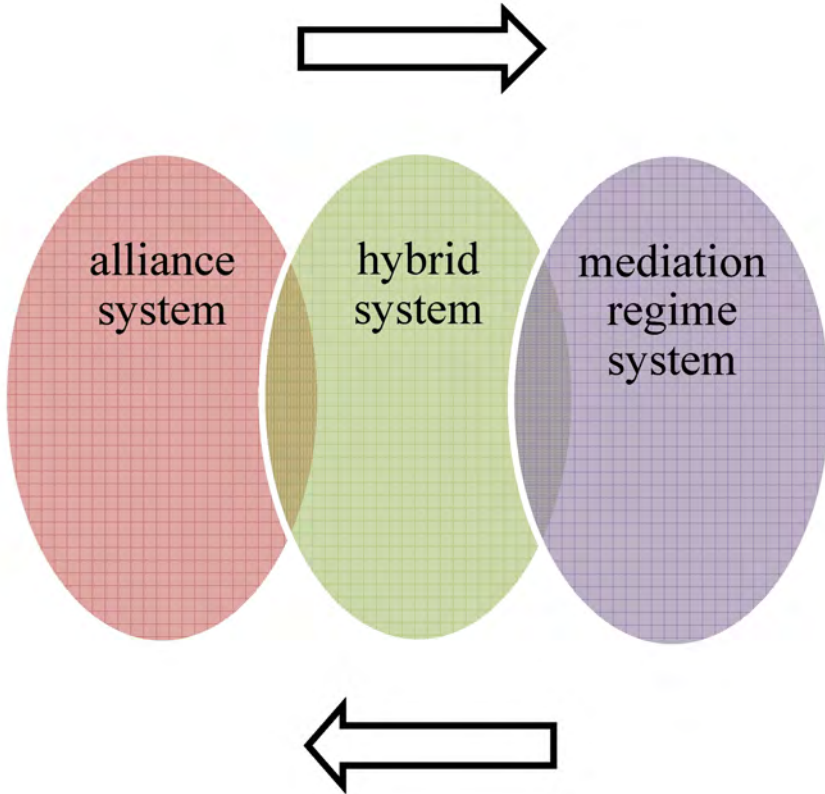
Lastly, the regime should have a strong crisis management capability. As long as irreconcilable contradictions exist, there is always the possibility that a crisis breaks out despite various mitigating functions of a mediation regime discussed above. The process of the reconciliation, integration or co-existence of contradicting positions is long, and so a mediation regime should be equipped with effective crisis management tools. Obviously, the installation of hotlines between top leaders, civilian or military, is among them. Besides, in a crisis, a mediation regime may fully mobilize its resources, such as emergency meetings, shuttle diplomacy and every means of exerting pressure on the parties concerned, including institutional balancing, so that the crisis may not be escalated into more serious levels, but put under control. Even military deterrence by third party states may be considered as among the options.

2.3. Mediation Regime and Alliance

The success in peacefully managing the three long-standing conflicts in East Asia suggests the existence of mediation regimes behind them. As was discussed briefly in Introduction, two of the conflicts have stemmed from the Cold War confrontation, which inevitably involves alliances, and the third conflict, i.e., the South China Sea conflict, includes state parties some of which used to be on different camps of the Cold War confrontation in Southeast Asia. Since the US seems poised to



Figure 2 The Alliance System, Mediation Regime System and Hybrid System



resuscitate its alliance-based regional policy in East Asia, it is important to come up with a framework to understand the relationship between alliance and mediation regime and a two-way transition between the two schemes. To capture these issues, this paper sets up a simple model of the alliance complex, mediation regime complex and hybrid complex, as is shown in Figure 2.

The three systems are considered as part of “security complex” in which security interactions take place among actors.⁹ The model



assumes the prior existence of at least either alliance system or mediation regime system. One system may change into another system, and a transition form is referred to as hybrid system due to the fact that elements of both systems are present in it.

Several ways of one system changing into the other are possible: An expanding mediation regime system may take in contractions that an alliance system may include, hereby gradually dissolving and absorbing the latter. On the other hand, a newly initiated alliance system may create divisions within a mediation regime system, thereby turning the latter into opposing blocs. In both cases, a system works on the other system externally, but it is also possible that a system internally brings about its own change. Wallander and Keohane discuss the possibility of the North Atlantic Treaty Organisation (NATO) transforming itself from an alliance to a “security management institution”, which largely corresponds to a mediation regime of this paper. According to them, this transformation is possible in the post-Cold War era in which alliances against any obvious adversaries are increasingly irrelevant.¹⁰

3. Three Regional Cases

This section applies the theoretical framework established in the previous section to each of the three long-standing conflicts in East Asia: the Korean Peninsula, the Taiwan Strait and the South China Sea and aims to understand the way in which a mediation regime works in each case. This is performed with the following questions in mind:

- What were the original incompatibilities involved in the conflict and how have they been managed?
- How has a mediation regime been forged?
- What are the characteristics of the mediation regime?
- What has been the relationship between the regime and the alliance, especially since 2010, in which the American pivot towards Asia began?





3.1. The Korean Peninsula

Differences in the organizing ideology of the state, i.e., the ones between the capitalist system and the communist system, represented the original incompatibilities in this conflict. A major war in which both sides attempted to forcefully impose their own political and economic systems on the other was not able to settle these incompatibilities. While military stand-off continued after the war, actors involved such as the US, China, the Soviet Union and the United Nations in addition to the two Koreas allowed spaces to be created in which the primary parties to conflict, i.e., the Democratic People's Republic of Korea (DPRK: North Korea) and the Republic of Korea (ROK: South Korea) could more or less freely pursue each other's ideals. There were several attempts to unify the divided peninsula by force, hereby aiming to settle the contradictions once and for all. However, these moves were restrained by each other's allies and the military deterrence that both blocs posed to each other.¹¹

Since the early 1990s, which corresponds to the post-Cold War era, the original incompatibilities on the Korean peninsula have ceased to exist with the demise of communism as a viable organizing ideology of a state. There is no longer the issue as to which of the rival political systems can unify the divided peninsula, by force if necessary. The current issue is how the peninsula and the region can cope with instability emanating from the unstable regime of North Korea, which has suffered from a series of serious economic and humanitarian crises, due to the end of economic and food aid in the late 1980s from the Soviet Union, which collapsed soon after, and floods and droughts in the early 1990s. Many cases of so-called "nuclear brinkmanship" and "crisis diplomacy" by the North, such as the IAEA saga, nuclear tests and missile/satellite launches, may be understood in terms of the regime's struggle for survival.¹²

The mediation regime on the Korean Peninsula currently in place has developed as each political or military crisis unfolded, starting from the early 1990s. A major crisis in May 1994, which went to the brink of a second Korean War, resulted in the Geneva Agreed Framework, involving both Koreas, the US, Japan and the EU and initiating the "KEDO process". The North Korea's withdrawal from the NPT in April





2003 precipitated the US-China-North Korea Trilateral Talks, which have expanded into the Six-Party Talks (SPTs), the main avenue to discuss North Korea's denuclearization, which inevitably include other issues on the Korean Peninsula. Among other mechanisms within the mediation regime are: the US-North Korea High-Level Talks, the Inter-Korean Dialogue and the Japan-North Korea Dialogue. These mechanisms, involving not only state actors but also non-state ones, such as former US presidents Carter and Clinton, the Red Cross and other relief NGOs and UN agencies, and generating various agreements, principles and rules, appear to function as instruments of institutional binding and institutional balancing for North Korea.¹³

In this mediation regime, China is increasingly playing a leading role. For a long time, China has maintained a strong influence over North Korea due to their "blood alliance" in the Korean War. During the Cold War period, Beijing on many occasions restrained Pyongyang from its adventurism towards the South. Since the US-China rapprochement in the early 1970s, China has been in a good position to bridge between North Korea and the US. It is therefore quite natural for China to play the host to the SPTs. While this process has been stalled since April 2009 in the wake of North's another "satellite" launch and nuclear test, China appears to be providing North Korea with a guarantee for the survival of the Kim regime, backed up with the former's own economic development model, which has increasingly been applied on its periphery across national borders, including the China-DPRK ones.¹⁴ As a result, several joint projects are in progress, including development projects spanning two border cities of Dandong on the Chinese side and Sinuiju on the North Korean one and a trilateral master plan for development in the Kwanbuk region where North Korea, China and Russia meet in the Tumen River Delta, facing the Japan/East Sea.¹⁵ These projects can be expected to create an infrastructure for peace, as was discussed in the previous section.

It can be observed that on the Korean Peninsula, the original alliance system has gradually been changed into a mediation regime system. The former contributed to the stability on the peninsula with its deterrence and balance of power. This was especially the case because





the great power rivals in the Cold War came to regard the maintenance of stability on the peninsula as beneficial to their own interests, hereby generating a strong motivation among themselves to control the behaviour of the two Koreas under their own influence respectively. Perhaps, the US-China rapprochement in the early 1970s marked the start of the transition from the alliance system to the mediation regime system, as several conferences and meetings involving these great powers and the two Koreas began to be held from this period onwards.¹⁶ This transition was completed with the end of the Cold War, and this change has strongly affected the nature of the Korean Peninsula conflict. For quite some time, within the established mediation regime, stakeholders have been working toward the stabilization of the peninsula by influencing North Korea, using various means available, although some quarters point out the lack of mutual trust among the actors, especially between North Korea and its Western partners.¹⁷

However, the Corvette Cheonan incident and the Yeonpyeong Island incident, both having occurred in 2010, may mark a change in the mediation regime. Taking into account the ways in which they have been handled by South Korea and the US and their countermeasures in the aftermath, including joint-military exercises in the Yellow Sea, these new developments may be construed as aiming at China as US' real target, reflecting its new policy of "Pivot towards Asia". The stalled SPTs process poses another concern for the future of the mediation regime on the peninsula,¹⁸ as the US and its traditional allies, South Korea and Japan may lose interest in the China-led process or may turn it into a venue of confrontation between the opposing camps that may re-emerge. In such cases, China and the US may end up competing with each other over the influence on North Korea.

3.2. The Taiwan Strait

The conflict across the Taiwan Strait is an extension of the Chinese Civil War between the Nationalist Party or Kuomintang (KMT) and the Communist Party of China (CPC) (March 1946-May 1950). After suffering a military defeat at the hand of the CPC on the mainland, the KMT fled to Taiwan in order to recover its strength and prepare for





counteroffensive. Henceforth, Taipei on Taiwan became supposedly the temporary seat of the KMT-led government of the Republic of China (ROC), while Beijing, the seat of the CPC-led government of the People's Republic of China (PRC) that was proclaimed in October 1949. The two governments claimed that they represented the whole of China and its people exclusively, denouncing each other as an illegitimate regime, and this constituted the original incompatibility of this conflict, which was made more striking by the involvement of rival political and economic ideologies of communism and capitalism.¹⁹

Immediately after the Chinese Civil War, the KMT might have been eliminated on the soil of Taiwan by CPC's People's Liberation Army that would have pursued the fleeing KMT army to the island, but for the powerful military deterrence provided by the US. The US played a decisive role also in the First and Second Taiwan Strait crisis (1954-1955 and 1958) by threatening to use tactical nuclear weapons against mainland China and sending its formidable fleet in defence of Taiwan. While deterring communist attacks, the US also restrained the KMT from launching counteroffensive against the mainland, especially during the period when CPC's Great Leap Forward campaign (1958-1961) plunged the mainland into turmoil and chaos. China was also restrained from invading Taiwan by its early ally of the Cold War, the Soviet Union, which wanted to maintain the status quo across the Taiwan Strait in its regional power balance with the US.²⁰

Starting from the late 1960s, the cross-strait relations shifted gradually from military hostility to peaceful stand-off, in which Beijing and Taipei engaged in a peaceful competition with each other. This was a competition to create a better society in the area under each other's control and to get international recognition as the government representing China. The former involved enhancing each government's legitimacy among the people it ruled through, among others, reducing poverty and improving the living standard of the people. The latter included getting or maintaining the UN seat, winning support of overseas Chinese and forming diplomatic ties with other countries, especially developing nations. While Beijing was more successful than its rival in the international front, Taipei led the competition over





creating a better society until Beijing adopted the “Reform and Open Door” policy towards the end of the 1970s. These efforts of both governments are significant in terms of conflict management, as they successfully shifted the arena of their conflict from physical battlefields to social, economic, political and diplomatic fields, while its incompatibilities remained.²¹

The mainland’s Reform and Open Door policy contributed to changing the structure of the conflict. Firstly, by recognizing the failure of the communist production system that Beijing had adopted since the foundation of the PRC and accepting capitalism, the policy eliminated one of the incompatibilities of the conflict, i.e., that of economic system. Secondly, it opened up the way for economic interdependence across the Taiwan Strait, which was to work as an infrastructure for peace in this conflict²², an important component of a mediation regime.

Another ingredient of a mediation regime has also been in place gradually since this period, i.e., ideas on the ways to achieve peaceful reunification of China and Taiwan and interpretations of and future visions for cross-strait relations. In 1979, the PRC publicly abandoned the forceful re-integration of Taiwan but still kept open the military options on certain contingencies. This sent a message to Taipei as to what kinds of its behaviour were acceptable to Beijing, hereby kick-starting *de facto* negotiations over the rules and principles to regulate the behaviour of actors in a regime. The announcement of formulas and principles, such as “One China”, “One China, One Taiwan”, “One Country, Two Systems”, “One Country, Two Governments”, “One Country, One System”, “Special State to State Relations” and “Nine Principles Concerning Taiwan’s Return to the Motherland” can be seen in the same light, although some of them caused furores or protests on either side. The rule/principle-making efforts have been accelerated since the foundation of two semi-official organs, the Straits Exchange Foundation (SEF, set up by ROC) and the Association for Relations Across the Taiwan Straits (ARATS, by PRC). Both bodies have handled technical and business matters on cross-straits issues, and contributed to new policies.²³



The original fundamental incompatibility of the conflict disappeared when the ROC abandoned its long-held policy of recovering the mainland towards the end of the 1980s. However, a new formidable incompatibility was already emerging at the same time, which was the one over the ethnic nationalism of the Taiwanese people. Decades of the “Taiwan Experience” have developed a new Taiwanese identity that is distinct from the pan-Chinese one, which if not checked, poses a serious threat to China’s national unity and territorial integrity. Under pro-independence Presidents Lee Teng-hui and Chen Shui-bian, Taiwan-mainland relations deteriorated with new moves on the Taiwan side that were construed as steps towards *de jure* independence, culminating in the Third Taiwan Straits Crisis (1996), which was contained by the US dispatching two aircraft carriers to the strait.²⁴ Since the inauguration of pro-PRC Ma Ying-jeou as Taiwan’s President in May 2008, cross-strait relations have recovered quickly. New measures and developments, such as senior official visits, direct flights across the strait, expanded cooperation in food safety and law enforcement and further promotion of economic, social and cultural exchanges, have been enhancing the integration between the mainland and Taiwan.²⁵ Given that Ma secured a second term in office in the January 2012 presidential election, the current positive trend is expected to remain unchanged for the foreseeable future.

It can be observed that like in the Korean Peninsula conflict, the original alliance system has over the time transformed into a mediation regime system in the Taiwan Strait conflict. In the conflict’s early period, military deterrence provided by the US played a decisive role in its management. The deterrence was supplemented by restraining influence on both parties from their allies, i.e., the US and the Soviet Union, respectively. As a result, spaces were created in which Taiwan and the mainland were able to pursue their own goals and objectives rather freely, and they managed to shift the arena of their competition to political, economic, social and diplomatic fields. These can be credited to the alliance system of the Cold War period.

An early sign of a mediation regime can be identified in the Shanghai Communiqué jointly issued by the US and the PRC in



February 1972²⁶, which laid out, among others, the basic principles to address the Taiwan problem. China's Reform and Open Door policy increased the elements of the mediation regime, which in its current form consists of (1) mainland China, Taiwan and the US as main actors; (2) principles, rules and, perhaps, less tangible values, manners, norms, feelings, and rapports shared between mainlanders and Taiwanese; and (3) economic interdependence as a structure for peace. Some of the remaining tasks for the consolidation of the mediation regime would be confidence-building between the military forces on both sides and the initiation of official political talks between Beijing and Taipei.²⁷

Despite shortcomings hinted as above, the Taiwan Strait mediation regime appears to be absorbing contradictions, tensions and occasional shocks arising from the Taiwanese ethnic nationalism. The US "Pivot towards Asia" may be aiming to drive a wedge into this mediation regime, as may be hinted by the US announcement to sell 6.3 billion dollars in weapons to Taiwan immediately after Beijing and Taipei began the negotiation to sign the Economic Cooperation and Framework Agreement (ECFA), which would further advance the economic integration across the strait.²⁸ However, the two sides across the strait seem to be integrated together especially in economic terms, with the mediation regime firmly embedded so much so that it may be able to resist any dividing force.

3.3. The South China Sea

Unlike the other two conflicts discussed above, the South China Sea (SCS) conflict is not directly a result of a previous war nor directly related to the Cold War confrontation, although some of the parties to the SCS conflict were formerly involved in the confrontation. As such, the transition from an alliance system to a mediation system cannot be observed in the process of managing this conflict. It is basically the one between Vietnam, the Philippines, Brunei and Malaysia, all of them being the member states of the Association of Southeast Asian Nation (ASEAN) on the one hand, and China (PRC), on the other.²⁹ It is true that those ASEAN members contend with each other as well in this conflict. However, since China established its formidable presence in the





Spratly Islands in the SCS after a naval battle with Vietnam in March 1988, China and its behaviour in the SCS have been the main issue in the management of this conflict.³⁰ For this reason, it is profitable to look at various types of measures that have been taken concerning the SCS conflict since the late 1980s as a collective effort to create a mediation regime, with China being its main target.

There are three issues in the SCS conflict: (1) sovereignty, (2) exploiting fishery and hydrocarbon resources and (3) free navigation, each of which has generated different sets of incompatibilities.³¹ Most of those in the second and third category, such as some claimant states not recognizing free navigation in areas under their (self-proclaimed) jurisdiction, disputes involving fishing boats and patrol ships and disputes arising from exploiting undersea resources, are relatively easy to settle with mutually agreed measures. On the other hand, incompatibilities over the first category are quite difficult to settle, as the sovereignty issue may evoke strong nationalistic sentiments among the people in the countries concerned and may negatively affect negotiation process. Therefore, the basic tendency to address these incompatibilities has been to focus on developing cooperation schemes for the exploitation of fishery and hydrocarbon resources and to leave the sovereignty issue to bilateral negotiations or set it aside for the time being. Equally important are efforts to regulate the behaviour of the parties to conflict so that these incompatibilities may not raise tension by their behaviour.

Several processes to manage the SCS conflict can be identified: Firstly, Track Two Workshop series has been conducted since 1990 until now under the auspices of Indonesia. Titled “Managing Potential Conflicts in the South China Sea”, mostly senior officials from the state parties to conflict and relevant countries participated in this process as “private persons”. Free from restrictions of official meetings, the process has allowed the participants to freely discuss relevant issues and successfully roped in China that was quite reluctant to be involved in a multilateral process in the earlier period. Although it has not been considered appropriate for the meeting series to discuss the sovereignty issue, the workshops have come up with a number of ideas and plans for



joint development. Secondly, Track One Bilateral Dialogues have been carried out between Vietnam, the Philippines and Malaysia on the one hand and China on the other on a bilateral basis. These negotiations have been dealing with the bilateral sovereignty issue. While it is quite difficult to settle it, the process has at least produced the principles and rules for the settlement, and has functioned as a confidence-building mechanism between the parties.³²

Thirdly, as a natural extension of increasing economic, trade, scientific and technological, and then, political and security exchanges since the early 1990s, the Track One Multilateral Process on the SCS has been on-going. Starting with the ASEAN Ministerial Meeting (AMM) in Kuala Lumpur in 1991, this process has been sustained by various meetings within the fold of ASEAN, such as the ASEAN Regional Forum (ARF: since 1994), the ASEAN-China Senior Officials' Meetings (ASEAN-China SOMs: since 1995), the ASEAN Summit (AS: since 1996), the ASEAN Plus One Meeting (APO: since 1997), the ASEAN-China Senior Officials' Consultation (ASEAN-China SOC: since 2000) and the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus: since 2010). In the beginning, China resisted the SCS issues from being raised in these venues, but has since been slowly opening up to the idea of multilateral discussions on the issues. Especially, the ASEAN-China SOMs, the APO and the ASEAN-China SOC seem to be the choice mechanisms of China that feels it more comfortable to discuss the SCS issues with ASEAN members without the presence of external actors.³³

From these processes, documents such as a "Joint Statement for ASEAN-China Cooperation Towards the Twenty-first Century" (1997) and a "Declaration on the Conduct of Parties in the South China Sea" (DOC: 2002) were signed by both China and ASEAN countries, and China signed the "Treaty of Amity and Cooperation in Southeast Asia" (TAC: signed by ASEAN members in 1976 and by China in 2003). These documents promulgate principles, rules, norms and values, which are expected to bind the signatories in their conduct towards each other, especially in the SCS. Interestingly, ASEAN has already established the "ASEAN Way of Conflict Management" (AWCM),³⁴ and its norms, values and principles, such as consultation, consensus, respect for



diversity and non-use of force in settling inter-state conflict, bind the member states of ASEAN. In this respect, the SCS mediation regime can be considered as the expansion of the AWCM to the SCS, with a view to incorporating China into this regime, to which China also contributes with its normative and cultural resources and particular approaches. One of such approaches is using economic interdependence as a structure for peace, as China is replacing Japan as ASEAN's top partner in trade, investment and aid.

Since 2010, however, when US Secretary of State Hilary Clinton stated during an ARF meeting in Vietnam that the United States had an interest in preserving free navigation in the SCS, the mediation regime over this sea has been facing a challenge from the American "Pivot towards Asia", struggling to absorb shocks and impacts of the US new policy. The current confrontational stance of the Philippines and, to a lesser degree, Vietnam against China on the SCS may be understood in terms of the US effort to generate or resuscitate elements of alliance in Southeast Asia, which appear to be increasingly reflected in the expanding annual US-led joint military exercises, such as the Cobra Gold in Thailand and the Balikatan in the Philippines,³⁵ more frequent US port calls to regional allies and friends, and Singapore's decision to host US Navy littoral combat ships.³⁶ What is being witnessed in this part of the world may be the transition from a mediation regime system to an alliance system. The failure of ASEAN to issue a joint communiqué at the end of its Summit meeting in Phnom Penh in July 2012 is symbolic.³⁷ This unprecedented event may represent a mediation regime that is on the verge of breakup or one that is struggling to absorb and accommodate a shock emanating from the US – a function of a mediation regime.

3.4. Comparative Discussion

This paper has looked at how each of the three long-standing conflicts in East Asia has been managed by mediation regime and alliance. This section compares the findings of the three cases. As for the way in which incompatibilities are managed, in the Korean Peninsula conflict (KPC) and the Taiwan Strait conflict (TSC), the original and fundamental





incompatibility was maintained for quite some time before it disappeared (KPC) or transformed (TSC), while in the South China Sea conflict (SCSC), it has persisted until now. The fundamental incompatibility was largely managed by deterrence generated from an alliance system in the KPC, first by deterrence but increasingly by self-restraint generated from a mediation regime system in the TSC and, to a large degree, by self-restraint in the SCSC. These different ways may be understood by taking into account the Cold War, changes in US-China relations and the regional presence of the US.

An interesting feature in the KPC is that although the original fundamental incompatibility has disappeared and any new fundamental incompatibility has yet to emerge, actors, especially the DPRK, the ROK (under the Lee Myung-Bak government) and the US, still behave like alliance actors (AAs). On the other hand, in the TSC, all actors, i.e., the PRC, the ROK and the US, largely conduct themselves as mediation regime actors (MRAs) at least for now. In this conflict, the new fundamental incompatibility is the one arising from Taiwan's ethnic nationalism, which however seems to be put under control effectively by a mediation regime system. In the SCSC, China has been, to a considerable degree, socialized in the ASEAN Way of conflict management, and so all actors more or less conduct themselves as MRAs, except for the US who apparently behaves as an AA and seemingly aims to nudge some ASEAN actors to behave in the same way. Actually, changes in the role of the US in each conflict are telling: In the KPC, it changed from an AA to an MRA and currently may be poised to be an AA again. In the TSC, it changed from an AA to an MRA, and currently seems to remain so. In the SCSC, the US was absent as an actor in the beginning, but is currently poised to be an AA as a new comer.³⁸

Whether in an alliance system or a mediation regime system, the fundamental incompatibilities have been managed well in all three cases. In the former system, deterrence created spaces for the parties to conflict in which they were able to pursue their own goals or ideals. They were also restrained externally by influential allies who wanted to maintain the balance of power in the region. The latter system, on the other hand,





has absorbed the fundamental incompatibilities into itself. Although integration between contradicting positions does not take place easily, as the three cases testify, the mediation regime seems to function as a cushion for contradiction so that conflicting positions may not clash directly with each other. This appears to be made possible by setting aside contradictions as if they did not exist or by playing them down as if they were not significant. East Asia's idea of social harmony and its non-confrontational values and norms may be playing a role in such schemes. When arrangements are made so that the contradicting positions may not directly clash with each other, the time is generated in which the contradictions either disappear, are made irrelevant or transform into the ones which may be more amenable to integration or co-existence.

The three cases show the important role of economic measures, especially economic interdependence as an infrastructure for peace, which is a powerful ingredient of a mediation regime. In the KPC, the PRC appears to be determined to ensure the survival of the Kim regime of the North by encouraging the latter's economic development according to the China model and by implementing cross-border joint development projects. Even if other elements of the Korean Peninsula mediation regime, such as norms, principles and rules that numerous agreements and exchanges have produced, cease to be effective, the economic elements provided by China may sustain the mediation regime. This is clearly the case in the TSC, where Taiwan is increasingly part of southern China's regional economic system, which effectively regulates the behaviour of Taiwan as well as mainland China. On the other hand, Southeast Asian countries, including the parties to the SCSC, have tremendously been benefitted from the economic facilities that China has provided for them. The deepening economic interdependence between ASEAN and China appears to control the behaviour of these parties for the maintenance of peace in the SCS.

Alliance systems have played a significant role in the crisis management of the KPC and the TSC with deployment of military deterrence. The US military force may still help in controlling the behaviour of the DPRK as a last resort. It was also effective during the





1996 Third Taiwan Strait crisis in an era when the Taiwan Strait mediation regime was already in place to a considerable degree. On the other hand, hotlines exist in both the KPC and the TSC. In addition to the existing Red Cross direct communication line at the border village of Panmunjom,³⁹ it has been agreed that a hotline connecting military chiefs of China and South Korea be installed.⁴⁰ Across the Taiwan Strait, there is a hotline between PRC's Association for Relations Across the Taiwan Straits and Taiwan's Straits Exchange Foundation.⁴¹ It is expected that such hotlines enhance the crisis management mechanisms within the two mediation regimes. On the other hand, in the SCSC, there are already several mechanisms for crisis management, such as "Code for Unalerted Encounters at Sea" (CUES) and political and military hotlines among the actors.⁴² However, in view of current disputes over the sea and rising tension, it is vital to install a more comprehensive system of crisis management to the SCS mediation regime.

4. Conclusion

This paper looked at the management of the three long-standing conflicts in East Asia, using the theoretical lens of mediation regime and hybrid system. Several ways for a mediation regime to absorb or accommodate to contradictions of conflict for eventual integration or co-existence of incompatible positions have been identified. These results cannot be achieved easily, and so the mechanisms to prevent the contracting positions from directly clashing with each other are important. Focusing on actors, a mediation regime is expected to regulate their behaviour so that they may not act in mutually damaging manners. In this respect, a mediation regime provides norms, values and rules, which are expected to bind and control these actors. The notion of "appropriate conduct in a particular situation", the idea influential among Asian actors in particular, may account for their effectiveness.

It seems that a mediation regime can co-exist with an alliance and that they can jointly contribute to conflict management, although relations between them are not static but dynamic: it may be difficult to maintain the status quo in the relations. The two-way transition between





a mediation regime system and an alliance system and the concept of a hybrid system in perpetual transition phases may capture the basic nature of managing the three long-standing conflicts, which appear to emanate an East Asian Way of conflict management.

Notes

⁺ An earlier version of this paper was presented at the International Conference on “China, ASEAN and the Changing Context of East Asian Regionalism”, jointly organized by the Institute of China Studies (University of Malaya), Research School of Southeast Asian Studies (Xiamen University), Department of International Relations (Changwon National University) and Asia-Europe Institute (University of Malaya) on 5-6 December 2012 at the Institute of Graduate Studies, University of Malaya, Kuala Lumpur, Malaysia.

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The New Type of Great Power Relations between China and U.S.: A Complex Constructivist Perspective

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Abstract

The new type of Sino-U.S. relations has been gaining increasing academic attention, as a result of intensive interactions of the two countries' leadership. Since there is no precedent for the new-type great power relations, traditional (mainstream) paradigms in international politics are much less powerful in explaining this emerging phenomenon. By contrast, the theory of complex constructivism, based on binary complementarity and emphasizing dynamic process, provides a useful perspective. Drawing insights from complex constructivist ideas, this paper attempts to identify the key social conditions that facilitate the new-type Sino-U.S. relationship. It also gives advice on how this relationship can be maintained and strengthened.

Keywords: *Sino-U.S. relations, complex constructivism, binary complementarity*

JEL Classification: *F51, F53, F55, F59*





1. Introduction

Despite concurrent government turnovers in both countries in 2012, political leaders in China and U.S. retain the important consensus on a stable, cooperative Sino-US relationship, reached by their predecessors. Their extensive interactions and speeches have expressed a strong desire to forge a “new type of great power relations” between China and the United States. While for China this “unprecedented and inspiring” relationship calls for “promoting equality, mutual trust, inclusiveness, mutual learning and mutually beneficial cooperation” (Hu, 2012), for U.S. it entails “a stable and mutually acceptable balance between cooperation and competition” (Clinton, 2012). The top leadership of the two countries is reaching a consensus on the Sino-U.S. political architecture – to avoid the seemingly predestined “tragedy of great power politics” and to find a feasible way of cooperative co-existence between declining and rising powers. This consensus crystallizes into the notion of “new type of great power relations”, which not only defines the long-term prospect of Sino-U.S. relationship, but also has strategic significance for maintaining global order and constructing a harmonious world against a backdrop of the international structural transformations.

That said, an important question remains unanswered. To what extent is the new type of great power relations effective and realizable rather than rhetorical and hypothetical? The unraveling of this question requires close investigations of the properties and nature of new-type great power relations. It also demands theoretical and empirical evidence that convincingly supports this new model. Since the notion of new-type great power relations is historically unprecedented, traditional (mainstream) paradigms of international relations theory provide only limited clues for the nascent subject. Meanwhile, based on ideas of binary complementarity¹ and evolutionary process, complex constructivism (Dong, 2012) may supply a useful perspective on how this new model forms. This paper begins with a brief review of how traditional theoretical frameworks interpret Sino-U.S. relationship and why they fail to understand its changing nature. It then draws insights from complex constructivism and analyses the key social conditions under which the new-type Sino-U.S. relationship develops. The last part





discusses the strategic implications for strengthening the cooperative process between China and the United States.

2. What Do Traditional Paradigms Say about the New-Type Sino-U.S. Relationship?

One of the core issues in the study of international relations focuses on the power transitions between declining and rising powers and their political consequences. Pessimistic rationalists believe that the rise of state power is often accompanied by the broadening of national interests and aggressive foreign policies. In this scenario resource competitions between status-quo and revisionist states escalate and worries about survival among the former intensify. The anarchic nature of the international system determines that, as John Mearsheimer (2001: 2) early on noted, the ultimate goal of great powers “is to be the hegemon – that is, the only great power in the system”. In this sense, it is an inevitable political tragedy that systemic power transition brings about conflicts and wars.

Widely acknowledged, the rise of China within the U.S.-led unipolar system has been impressive over the past several decades. The power dynamic is déjà vu-ish – reminding people of the great power struggles in history – which leads to pessimistic predictions about the Sino-U.S. relationship. It is believed that a rising China would mount severe challenges against the current international order and its institutional arrangements. Arguments alike regard China’s economic and cultural outflows as part of a strategic master plan to contend with U.S. for resources and soft power, while China’s contentions with U.S. allies over a number of territorial and historic issues further cloud the prospect of the Sino-U.S. relation (Friedberg, 2005:16-24). These “structural conflicts” (Tang and Lu, 2007) make a recurrence of great power struggles seemingly unavoidable. The views that the Sino-U.S. conflict is doomed not only pervade many bestsellers, but also have a place in some academic studies (Friedberg, 2012; Goldstein, 2013). They consider great power relations as a zero-sum game and conflicts repetitive. Therefore, such a perspective leaves almost no room for





discussing how the Sino-U.S. relation could make historical progress.

Not all the rationalists are haunted with gloomy thoughts. Some scholars downplay China's national strength and argue that China has to deal with a series of internal crises before it can supersede the U.S. hegemony (Shambaugh, 2013a). Henry Kissinger (2012) calls attention to the changing historic conditions that may make Sino-U.S. relations less conflict-prone than people thought. But such broad, historic transformations do not explain the constant fluctuations in the bilateral relationship. By contrast, other positive views highlight the role of economic interdependence and international institutions. In general, they suggest that economic interdependence has greatly expanded the shared interests of China and U.S. and heightened the cost of damaging their relationship. Moreover, the diffusion of international institutions has provided them with a significant platform for dialogues and building mutual trust. From this perspective, the Sino-U.S. relation is defined by their anticipation of effective benefits through cooperative actions, rather than a security dilemma created by fears for survival. However, this perspective is still not without problems. It treats China as an outsider of the present international order without any consideration of the irrationality of this order per se (Johnston, 2007; Ikenberry, 2008: 23). In other words, the West-centric order is used as the standard in assessing China's international behaviours. As previously mentioned, the new type of great power relations should be based on equality, inclusiveness and mutually beneficial cooperation which necessitate a democratic and unbiased international system. In this sense, the key to the new-type Sino-U.S. relationship cannot be found among these theories either.

Moreover, rationalism often underscores the role of material factors, making its explanations static and inflexible. It can hardly embrace the normative and evolutionary meanings embedded in the notion of new-type great power relations. On this score, constructivism complements the weaknesses of rationalist views. It pays much attention to the impacts that ideational factors, such as norm, culture and identity, have on international conflict and cooperation (Jepperson, Wendt and Katzenstein, 1996). It argues that international actors behave according to logics of appropriateness rather than logics of consequences. With the





idea that social relations are malleable, constructivists see the possible transformation of Sino-U.S. relationship from “rivals” to “friends”. Such a change may take place when interactions between two countries deepen and their perceptions of the bilateral relation and each other’s intentions converge. Collective identities of trust and cooperation could be established eventually (Pardo, 2009). Nonetheless, constructivist theories seldom identify the conditions – internal or external – under which “enemies” would evolve into “friends”, and vice versa. In addition, the bias similar to that of liberalism still exists. Accepting Western values as universal ones, these theories explore how China socializes international norms and principles and ameliorates its tensions with the United States (Yee, 2010). But when China’s own traditional values are at odds with those of U.S., Chinese behaviours guided by such values are likely to be deemed aberrant and unacceptable without unprejudiced judgment.

Therefore, neither rationalism nor constructivism provides an effective framework for understanding the new-type Sino-U.S. relationship. In fact, more and more studies in international relations have noticed the defects of any singular theoretical paradigm in explaining real-world phenomenon. Some attempt to borrow from more than one paradigm and incorporate ideas from different research traditions into new and comprehensive frameworks. Terms such as realist constructivism (Barkin 2010), complex security theory (Buzan and Waever, 2003), analytic eclecticism (Sil and Katzenstein, 2010) and cosmopolitan power (Gallarotti, 2010) have exemplified these efforts. On this score, a Chinese scholar, Dong Qingling (2012), has raised a concept of “complex constructivism”. It argues that the idea of binary opposition, dominant for long in the Western philosophy, should be replaced by a binary complementarity derived from traditional Chinese philosophy. In specific, it regards material and ideational factors in international relations as a complementary and mutually constructive pair, thus rejecting the common proposition that treats material and emotion as separated and independent variables. As this framework suggests, “within different complex structures constructed collectively by material and ideational elements, actors would choose different





modes of identity construction (divergent identities vs. convergent identities) and resort to different paths of socialization. Therefore (these complex structures) would have impacts on how the international system evolves and which norms and values diffuse” (Dong 2012:132). Although this new framework has its own flaws, such as being too all-inclusive to generate effective causal mechanisms, its core conceptions – especially the complex interaction between material and ideational factors – contribute to our understanding of international relations². As a result, this paper draws lessons from complex constructivism to analyse the key social conditions that support the new-type Sino-U.S. relationship and attempts to understand the evolution of this relationship from a process-focused approach.

3. What Is the Empirical Foundation of the New-Type Sino-U.S. Relations?

According to complex constructivism, what determines the overall trajectory (toward conflict or cooperation) of international system is the complex structure constructed collectively by material and ideational elements. As Dong (2012) put it, “with different combinations of material and ideational structures, actors will adopt different approaches of socialization, internalize different structural norms, and construct and reinforce their preferences.” Specifically, the key social conditions that lead to international conflicts/collaborations include the containment of violent and the extent of identity cohesiveness. The former variable refers to “the extent to which structural power controls and inhibits the use of force among actors” (Dong 2012), while the latter relates to the distinction between divergent and convergent identities. Meanwhile, these social conditions do not function in a static way. The analysis of these conditions should be made with attention to the context of the “structure-agent-process” tripartite interactions. Against this backdrop, this part investigates the social conditions that foster the development of the new-type Sino-U.S. relation and explores the evolutionary process of this development.



3.1. Containment of Violence

The containment of violence in the international system hinges on external factors that inhibit and decrease the likelihood of the use of force. For Sino-U.S. relations, the primary inhibiting factor is the overall feature of the international system. Deng Xiaoping has insightfully pointed out in the 1980s that “peace and development are the major themes in the context of the present era”. This claim remains true today. One important feature of the current international system is the prevalent hope for peace and stability. In fact, at least since the end of the Cold War, armed conflicts between great powers have not been seen. Empirical evidence also supports a peace-inclining world. According to the Uppsala Conflict Data Program (UCDP), organized violence, including armed conflicts, non-state conflicts and one-sided violence, has witnessed a general decline during 2001-2010 (Themner and Wallensteen, 2012). In addition, the Global Peace Index also reports signs of improvement in all the regions except Middle East and North Africa (Schippa and Hyslop, 2012). It is interesting to notice that China and the United States rank in adjacent places (being 89th and 88th respectively among 158 countries), indicating that the two countries may have similar perceptions of and strategic reactions to international affairs. In general, the themes of peace and development have provided positive environment for the new-type Sino-U.S. relationship.

The second factor relates to the multilateral and bilateral cooperative institutions between U.S. and China. The *Yearbook of International Organizations* (Union of International Associations, 2013) has identified more than 66,000 IOs, with an annual growth rate of 1,200. For Sino-U.S. relations, the major function of these institutions is to serve as a mediator or arbiter when disputes and tensions emerge between the two nations, rather than to compel China to accept and comply with international norms. For instance, since China joined the World Trade Organization, both China and U.S. have increasingly resorted to the WTO's dispute settlement mechanism (DSM). As one scholar observed, “the growing utilization of the DSM in the past decade may have helped to channel the tensions surrounding the bilateral trade relationship to the multilateral forum and to prevent intense interest



group pressure from impairing overall United States-China trade relations” (Zeng, 2013: 59). In this sense, the actions of using the DSM contribute to, rather than undermine, the stability of Sino-U.S. relationship. Moreover, bilateral dialogues and institutions have provided a direct platform for enhancing mutual trust and ameliorating tensions. Statistics show that there are over 90 dialogue mechanisms between China and U.S., covering various fields such as politics, economy, security, trade, technology, energy and culture. Twelve meetings between the heads of state have been held since Obama was first elected (Yuan, 2013). While it is over-optimistic that these institutionalized interactions could eradicate in the short term the cleavages between the two nations, they can contain their disputes within the institutional cage. The U.S.-China Strategic and Economic Dialogues, for example, have been regarded as having effects of controlling risks and promoting leadership communications (Jin and Dai, 2013). When the cyber security issue became contentious recently, a working group on cyber security between the two countries was established. It demonstrates that bilateral institutions also count for in addressing new problems of the bilateral relationship.

The gradual stabilization of some critical issues also contributes to the containment of violence in Sino-U.S. relations. Most salient is the issue of cross-Strait relations. The Taiwan independence movements have been, to some extent, on the wane since Ma Ying-jeou was sworn in, which has greatly reduced the uncertainties in the Sino-U.S. relationship. In fact, George W. Bush, in his meeting with then-Premier Wen in 2003, has made public his opposition to the Taiwanese independence. This event has been interpreted as a milestone for the progressive side of the bilateral relations (Yuan, 2012). However, the development of a single event can also undermine the inhibition of violence. For example, sovereignty disputes in the East and South China Sea may spill over into Sino-U.S. collisions. Even more worrisome is that the U.S. has been taking measures to militarize and weaponize the outer space and cyberspace, thus inducing an offense-defense imbalance in the new strategic domains. These efforts would fundamentally weaken the violence controllability in Sino-U.S. relations. Therefore, while the





containment of violence has significantly strengthened the new-type Sino-U.S. relationship, this condition is not permanent and unchangeable. Uncertainties around some critical issues still pose threat to the bilateral relationship.

3.2. The Extent of Identity Cohesiveness

While containment of violence serves as an external (material) condition for the new-type Sino-U.S. relations, identity cohesiveness has a direct impact on the intersubjective dimension. Convergent identities between the two countries stem primarily from a strategic consensus that the two sides have reached on the bilateral relationship. Leaders in both countries have increasingly recognized the importance of stable relations on their national interests, regional peace and stability, as well as solutions to various global issues. In 2005 then-U.S. Deputy Secretary of State, Robert Zoellick, introduced the idea of encouraging China to be a “responsible stakeholder”, which probably indicates a paradigmatic shift of how U.S. government interprets Sino-U.S. relations. In his speech, Zoellick (2005) described a convincing scenario to his audience:

“If it isn’t clear why the United States should suggest a cooperative relationship with China, consider the alternatives. Picture the wide range of global challenges we face in the years ahead – terrorism and extremists exploiting Islam, the proliferation of weapons of mass destruction, poverty, disease – and ask whether it would be easier or harder to handle those problems if the United States and China were cooperating or at odds.”

This view was also acknowledged by his Chinese counterparts. In a visit to U.S. in 2006, Li Zhaoxing, foreign minister at that time, suggested that China and U.S. were not only stakeholders, but constructive collaborators as well. The following development of Sino-U.S. relations has not been immune to quarrels and fissures, especially in the wake of the U.S. strategic policy of “Pivot to Asia”. But these cleavages barely altered the agreement and consensus on a stable, collaborative relationship. For instance, the China-U.S. Joint Statement,





made during President Hu's visit, emphasized that the two countries "committed to work together to build a cooperative partnership based on mutual respect and mutual benefit in order to promote the common interests of both countries and to address the 21st century's opportunities and challenges"³. In 2012 Xi Jinping claimed that a 21st-century new-type relationship between China and U.S. was "irresistible, irreversible, and according with the will of the people" (Xi, 2012). On the other hand, President Obama clearly recognized the importance of bilateral collaboration by stating that the rise of China was in the interest of U.S. and the two countries should seek for "new cooperative models". These statements demonstrate the shared perceptions of Chinese and U.S. leadership – the new era in international politics calls for cooperation instead of antagonism. Convergent rather than divergent identities can be inferred from these observations, since they point to common interests and mutually inclusive cognition.

As public opinion plays an increasingly important role in leveraging foreign policy-making, analysis of identity cohesiveness should not be bound to the elite-level. In this regard, a positive trend towards cohesive identities can be observed within the Sino-U.S. public. The 2012 survey on Sino-U.S. relations, conducted jointly by Gallup and the *China Daily*, showed that 80 per cent of ordinary Americans and 88 per cent of opinion leaders preferred a closer bilateral relationship. Among the perceived factors that obstruct the progress of bilateral relations, lack of trust (75 per cent of interviewees ranked it the first place) outweighed any other reason such as trade imbalance, political differences and China's military modernization (Gallup, 2012). This finding indicates that the majority of U.S. respondents do not follow the realist logic when they think of China. Instead, they see the benefits and necessity of building mutual trust. Meanwhile, polls launched by the Chicago Council on Global Affairs depicted a trend among U.S. public of steadily improving perceptions of China. According to its recent data, the average proportion of U.S. citizens who saw China's rise as a fundamental threat has dropped evidently from 52.5 per cent during 1990-2002 to 38.7 per cent during 2004-2012. A total of 48 per cent of respondents in 2012 defined Sino-U.S. relations as partnership, moving



up from 41 per cent in 2006, while the percentage of suggesting a rival relationship declined from 49 to 47 per cent accordingly (Smeltz, 2012). In addition, the improved perceptions of China were reflected by how U.S. citizens responded to the issue of Asian alliances. On this score, people who prioritized relationship with China, even if it might undermine U.S. relations with traditional Asian allies, accounted for 40 per cent in 2012, much higher than the figure in 2010 (31 per cent). By contrast, the ratio of people holding opposite views declined by 5 per cent (from 58 per cent in 2010 to 53 per cent in 2012) (Smeltz, 2012). Although voices of “China threat” have not been fading among U.S. academics and strategists over the past decade, statistics above showed American people’s increasing perceptions of China as a partner and collaborator rather than an enemy or threat.⁴

A similar trend exists among Chinese people as well. According to the Chinese Academy of Social Sciences’ 2010 survey, people attaching importance to Sino-U.S. relations greatly outnumbered those underrating the relationship by about 90 to 1. As for the prospect of Sino-U.S. relations, most Chinese respondents (68.2 per cent) envisioned a progressive path, though recognizing the potential setbacks at the same time. In general, 77.5 per cent of interviewees estimated an overall progress of bilateral relations, while 16.5 and 5.9 per cent gauged a status quo and a regression respectively (Chinese Academy of Social Sciences, 2010).

As discussions above illustrate, convergent political identities have been forming at both elite and general-public levels. This is encouraging for Sino-U.S. relations, because ideational factors are closely related to the fundamental logic political actors used to understand foreign relationship. To better explain how social conditions construct an evolving process of Sino-U.S. cooperation, the following part will further elaborate on the interactions between material and ideational factors and the impacts on Sino-U.S. relations.

3.3. The Basis of Sino-U.S. Cooperation

Material and ideational structures do not function in an isolated, independent manner. On this score, Buzan and Wæver (2003) have



pointed out that a regional security complex is composed of both power relations and patterns of amity/enmity. However, their theory attributed the formation of amity/enmity to various background causes including history and culture. In this way, patterns of amity/enmity become highly path-dependent and unchangeable. This paper differs from their arguments in that political identities can be shaped by constant containment of violence. When violence between states is kept under control by factors such as supranational authorities, international institutions or public opinion, and this control is deemed effective in the face of emergencies and accidents, positive perceptions of “conflict being avoidable” and “cooperation being feasible” can be gradually developed and reinforced between actors involved. This hypothesis is, to some extent, validated by Sino-U.S. relations. Due to the principle of “struggle without breaking” that both China and U.S. have followed in managing the (post-Cold War) bilateral relationship, temporal fluctuations of Sino-U.S. relations are always overtaken by long-term, strategic stabilities. Political elites and the general public of China and U.S. have steadily constructed rational and moderately optimistic perceptions of their relationship, which boosts the improvement of political identities. When asked about attitudes and policies towards China, less and less Americans chose the answer of “no idea” or “no comment” (Smeltz, 2012). This may reflect the ever-maturing side of their knowledge and judgment about China.

On the other hand, the improvement of identity cohesiveness may in turn constrain the use of force. According to Dong (2012), “the higher the identity cohesiveness between actors is, the likelier they would interpret the power structure in a positive way”. In other words, convergent identities propel actors into accepting and actively constructing norms and institutions that keep power relations within bounds and thus institutionalize the containment of violence. Following this logic, China and U.S. have increasingly resorted to dialogues and consultations when a crisis takes place. For instance, in the face of growing tensions and disputes around the cyber-security issue, the two countries have built a working group on cyber issues, in order to “enhance trust, facilitate cooperation, and construct a peaceful, secure,





open and collaborative cyber domain”⁵. Its actual effects aside, the behavioural pattern of seeking communication and understanding embodies a key element in the new-type Sino-U.S. relations.

The dynamic interaction of violence containment and identity cohesiveness has driven Sino-U.S. relations into a process of increasing collaborations. The ideal outcome of this process is to shape through “persuasive socialization” a new model of relationship based on “equal consultation, rational communication, and non-violent persuasion” (Dong 2012). It is too early to attach to Sino-U.S. relations such an idealist tag. But a trend towards stability and cooperation can still be found. In this regard, by reanalysing the quantitative data of China’s foreign relations, Alastair Iain Johnston (2011) discovered that although the score of Sino-U.S. amity/enmity fluctuated constantly during 1989-2008, the annual average of absolute deviance witnessed a striking decline. It indicates that the volatility of bilateral relations has been on the wane in the past two decades. Moreover, the two countries have expressed willingness to cooperate in more and more global and regional challenges, with a global public opinion holding more and more expectations of Sino-U.S. collaborations. Therefore, it is reasonable to argue that the violence containment and identity cohesiveness are collectively shaping a process of new-type great power relations.

4. What Should Be Done To Strengthen the Process of Sino-U.S. Collaborations?

As discussed above, the new-type Sino-U.S. relations do not stop in a mere vision of futurity. There are empirical evidence and theoretical foundations that support a new model of Sino-U.S. relationship. From the materialist perspective, the use of force between the two countries has been constrained by the overall nature of international system as well as the institutional framework shaped by multilateral and bilateral interactions. On the ideational side, meanwhile, political identities become convergent and cohesive, as positive perceptions of the bilateral relationship are being formed at both elite and general-public levels. Material structure and ideational structure construct a mutually





constitutive and mutually influential relationship. The positive complex (amalgam) of these structures drives Sino-U.S. relations into a cooperative path. Nonetheless, it should be noted that the process of Sino-U.S. collaborations is hardly irreversible. Although the key social conditions that support the new-type great power relations are being consolidated, they can still be undermined by potential Sino-U.S. rivalry in some emergent strategic domains (outer space and cyberspace, for example). In the long run, these conflicts may entirely reverse the path towards cooperation. Therefore, a key element of developing the new-type Sino-U.S. relations lies in the further consolidation of the cooperative process.

First of all, China and U.S. should make efforts to expand and strengthen the bilateral, multilateral and multi-dimensional institutions that inhibit the use of force. The major difference between the new type and traditional model of great power relations is that the former is not built upon a realist balance of power or mutual deterrence. Instead, the new-type great powers cooperate in a non-violent, non-conflicting environment. This environment requires communication platforms for all-round, multi-area dialogues that can be routinized in managing bilateral relations. These consultative and dialogical mechanisms are particularly valuable in emerging strategic domains such as the outer space and cyberspace. The rapid transformation of technologies has largely increased the uncertainties of these burgeoning domains. Besides, norms and institutions often lag behind technological development, making it more likely to arouse strategic misjudgments and mutual suspicions. Transparency measures can also contribute to the containment of potential violence. For instance, the latest Defense White Paper of China omitted the usual utterance of “no-first-use” of nuclear weapons, which caused widespread paranoia among U.S. strategists. This event, in fact, reflects the deep caution and anxiety of U.S. about the possible decline of violence controllability. Feasible ways of enhancing transparency include institutionalized news release, notification for military actions, and weaponry registration (Chen, 2013).

Secondly, convergent identities give rise to positive perceptions and understandings of the power relations. The development of the new-type





Sino-U.S. relations, therefore, relies heavily on boosting identity cohesiveness. Cohesive identities are formed not only through political consensus between elite decision-makers, but also through positive interactions between non-government, especially social, actors. In addition to various exchange programmes, often promoted by state efforts, in culture, education, research and technology, other kinds of non-governmental, civil interactions and public diplomacy should be facilitated. On this score, China may draw lessons from other countries that have developed successful and sustainable public diplomacy activities in foreign relations with the United States (Yu, 2002). Meanwhile, information technologies have offered new possibilities for multi-level interactions. Online track-two forums (such as the East Asia Forum) as well as micro-blogs can be novel ways of deepening Sino-U.S. relations in a bottom-up approach.

Last but not least, the two countries should commit themselves to maintaining the overall stability of the cooperative process. As previously mentioned, the path towards a new-type great power relationship between China and U.S. still risks backsliding. It necessitates rational reactions to, and overly negative interpretations of, potential emergencies and crises in the bilateral relationship. It is rightly in these crises that the wisdom and capability of political leadership in both countries will be tested. How to strike a balance between safeguarding national interests and stabilizing the cooperative process becomes an important task in the future development of Sino-U.S. relations. As David Shambaugh (2013b: 5) said in his recent collection, “the overriding policy task for Washington and Beijing is to manage the competition and maximize the cooperation, so that the relationship does not lurch decidedly in an adversarial direction”.

Notes

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1. According to complex constructivism, the idea of binary complementarity (*eryuan hubu* 二元互补) is drawn from traditional Chinese philosophy as well as recent development in quantum mechanics. It rejects the common idea of binary opposition that treats two contrasting terms, such as material and emotion, as mutually exclusive and separated. Instead, binary complementarity regards material and ideational structures as mutually constitutive. In this way, it bypasses the ontological debate among mainstream IR paradigms and focuses on both material and ideational factors and the way they interact.
2. Recent theory-bridging efforts among Western IR scholars are still trapped, to some extent, in the ontological debate concerning material and emotion. An example of this argument can be found in the responses to Barkin's realist constructivism, presented as a special issue edited by Patrick Jackson (2004) of the *International Studies Review*.
3. The full text of China-U.S. Joint Statement (19th January 2011) is available at: http://news.xinhuanet.com/world/2011-01/20/c_121001428.htm
4. However, it should be noticed that the Pew Global Attitudes Project on U.S.-China Security Perceptions shows a mixed result. Its recent survey has found the share of Americans who regard China favourably falling significantly in the past two years, probably due to the questioning of its survey which has explicitly listed the specific threats of China, including the loss of U.S. jobs to China. Meanwhile, the same survey also shows that 65 per cent of Americans consider relations with China as being very good or somewhat good. The detailed result is available at: <http://www.pewglobal.org/files/2012/09/US-Public-and-Elite-Report-TOPLINE-QUESTIONN AIRE.pdf>
5. This expression is quoted from the Foreign Ministry's press release on 13th June 2013, available at: http://www.china.com.cn/international/txt/2013-06/13/content_29115589.htm

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Policy Comments and Research Notes







European Perspective of China, ASEAN and East Asian Regionalism: A Journey of Discovery⁺

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Abstract

This paper is about a European perspective of the relationship of China with its neighbours, with ASEAN and East Asian regionalism. Is there one? Examined will be instances where Asia and ASEAN figure in EU-China dialogues against the background of the EU's relations with Asia and ASEAN.

Keywords: *international relations, regionalism, EU-Asia relations*

JEL Classification: *F51, F53, F55, F59*

1. Introduction

What is the European perspective of China's relations with the rest of Asia? This is a good question. This is my journey of discovery. There is much written on the European Union's relations with Asia, with ASEAN, with individual countries of Asia and I have contributed to this along with other European academics mostly with a splattering of Asian academics. I am not aware of anyone writing on a European perspective of China's relations with the rest of Asia although I am sure that in talks between the European Union and its members states and Asian partners China and Asia appear on the agenda in exchanges. For me, this paper is





a new direction I am going and I am going to be as original as I can without going to quote other authors as far as possible. I am also aware that I am in my head been informed by readings and by discussions with colleagues, with officials at Brussels' level. However, I will examine what comes out of the European Union and my own past work. An original contribution to a corpus of knowledge is your own. Let me therefore try to see what my head comes out with in this journey.

2. First Thoughts of Europe

When I speak of Europe here, I exclude Russia, that huge Eurasian continent. I am really restricting myself to the area covered by the European Union (EU) and the North Atlantic Treaty Organisation (NATO). I am excluding, therefore, countries in the neighbourhood of the EU like the Ukraine, Belarus, Georgia, Turkey, East and South East of the European Union.

3. European Military Involvement in Asia?

In thinking of a European perspective of China's relations with the rest of Asia or a European perspective towards Asia in general, one must from the very beginning here discount any European role in dispatching a European military (there is no European armed forces) to war, to any offensive role. I refer here to the European Union whose security and defence policy is more into peacekeeping, peace-making with its Battle Groups under what is called the Common Security and Defence Policy (CSDP). We have seen the EU's participation with ASEAN in Aceh; individual European countries' troops in East Timor. They were not an offensive force. Any kind of military operation in an offensive/defensive role in Asia should be addressed rather to NATO and we are seeing European troops under the NATO umbrella in Afghanistan. There is a EU Police Mission in Afghanistan (EUPOL) since mid-June 2007 and extended to 31st May 2013 under CSDP.¹ Whether such kind of operations can be envisaged further afield is unknown but one can be sure that neither the EU nor NATO would want to end up in a position to





take sides in any armed conflict, war between states in South, South East or North East Asia. One must also note that the European publics are generally against war and we are seeing that governments have a hard time to justify higher defence budgets. Will the Ukraine crisis change the European public's attitude on increasing defence spending? We are seeing that the European countries of NATO are unable to operate without the logistical support of the US – the Balkans, Libya are examples – and hence were not really burden-sharing with the US to her dismay. Solution is to work together in arms production and even this seems difficult. Hence, there will be a lot of talking, convincing, sanctioning and leave military matters in the hands of the US in Asia. However, it does say that it has a strong interest in partnership and cooperation with the US on foreign and security policy challenges related to East Asia.² A border management assistance project with ASEAN as security cooperation is unfolding. Whatever contribution from Europe to Asia is in non-military fields like development assistance, scientific cooperation, ASEAN economic integration, exchange of experiences etc. meaning in practical terms much funding of activities from the European taxpayer.

At the individual country level, the UK, for example, which has a defence arrangement with Malaysia and Singapore, the Five Power Defence Agreement (FPDA),³ may act but will she in real terms? The UK does not have any more that reach for prolonged operations. Hence, their cooperation with the French talking about combined operations and joint arms production. Much of this has to do with smaller budgets.

Hence, China and Asia can discount any European military involvement seen from today's perspective. If there is war in the South China Sea, will Europe intervene is a big question when its economic interests are at stake? I cannot foresee.

4. Otherwise

There is much written on the EU's relations with China bilaterally and I have contributed to this. We have seen a lot of developments of the relationship between the EU and China. They now hold regular summits





and a whole range of meetings on almost every sector that one can imagine. Does the rest of Asia appear in talks between China and the EU? We do know that China's contribution to the Asia-Europe Meeting (ASEM) appears on the agenda. China we must not forget hosted an ASEM summit in October 2008. Taiwan, of course, appears on the agenda. The 6-party talks including North Korea are another. The EU has been the biggest donor of humanitarian aid to North Korea and had contributed to the never-happened building of two Light Water Reactors for North Korea. I am not even sure that within the ASEAN Regional Forum (ARF) context, there is any prior discussion with China before the ARF meets. The European civil servants and diplomats dealing with China could confirm or disapprove what I say until now. I am going to examine, at least, the *communiqués*, statements, of the EU-China Summits to see whether China's relations with Asian countries and regions appear.

However, I can be sure that Europe, the EU will like to see peace in China's relations with the rest of Asia, will like to see peaceful solutions found in China's territorial disputes with her neighbours. It will be alarmed if tensions reach close to war that will start phone calls calling for restraints. It may offer to mediate as an honest broker, one never knows. The experience with Taiwan is that it called on both sides to cooperate to find a solution for the World Health Organisation's International Health Regulations.⁴ In 1996 when China lined up missiles aimed at Taiwan and started missile testing, all that the EU did was to issue a statement expressing regret, hard words, tension, miscalculations, confrontation, seeking peaceful solution, refraining from any activities that might possibly have a negative effect on the security of the entire region and demanding an early resumption of cross-straits talks.⁵ On the South China Sea, one can expect the EU to simply support what is being done i.e. the Code of Conduct. Everytime there is a flare-up in South China Sea, one can expect the High Representative for Foreign Affairs and Security Policy on behalf of the EU to issue statements in the line of self-restraint and peaceful resolution and the COC. The latest is in paragraphs 11 and 12 of the Co-Chairs' Statement of the 20th EU-ASEAN Ministerial Meeting, 23rd July 2014. It will want China





embedded in regional cooperation not to speak of regional integration. One reason for the setting up of the ARF was engagement with China. It wishes to be part of the East Asia Summit and not be left out, a statement that we have our interests in Asia even security ones and be along with the big boys including China, Russia and the US. It will simply be statements and declarations that it has almost every day or week when something happens anywhere in the world. The European publics do not even know what the EU and its member states are doing in Asia and probably do not care so long as they do not disturb their lives. What one cannot doubt is that the EU's European External Action Service (EEAS), the foreign service arm, keeps tracks of developments in Asia, of China's relations with the rest of Asia through its EU Delegations, its desks and units in Brussels and the advice of European academics.

5. Examination of *Communiqués*, Statements of EU-China Summits To Start Off

5.1. EU-China Summits

The EU's relations with China go back to May 1975 when Commissioner Christopher Soames holding the portfolio of External Relations visited China. It was only in 1998 that the first Summit was held back to back with the 2nd ASEM Summit in London. The last one was in 2012 on September 20th. I have not been in a position to obtain the Joint Press *Communiqué* of this first Summit (2nd April 1998) nor of the second (21st December 1998) and third Summit (24th October 2000) from the website of the EEAS of the European Union but I am pretty sure that I have them in my archives back in Brussels. Nevertheless I have gone through the rest of the *communiqués* or statements. What have I discovered?

The latest 16th EU-China Summit took place in November 2013 without issuing a press *communiqué*. However, we have the Remarks of the President of the European Council following the Summit⁶ in which mention was made of discussions on Syria, Iran, North Africa, Mali, Sahel and on Asian regional security. He stated, "Like China, the EU





strongly supports ASEAN's integration and ASEAN centrality in the evolving regional architecture. We want a strong, united and self-confident ASEAN”.

This Summit came out with the “EU-China 2020 Strategic Agenda for Cooperation” dated 23rd November 2013 of 16 pages. It opens in fact with a Peace and Security section. In it is stated in Point 3, “Reinforce cooperation in all relevant trans-regional and regional fora, in particular ASEM and the ARF, and contribute to sustainable development and the building of an equal, open, transparent and inclusive regional architecture in Asia. Both sides agree that the EU's participation in the East Asia Summit, based on consensus, would be useful”.

Note the importance the EU and China attached to ASEM, ASEAN and its ARF.

The 20th September 2012 EU-China Summit's joint press *communiqué* covered Syria, Iran, the Korean peninsula, Afghanistan, Burma/Myanmar, Sudan and South Sudan, their respective neighbourhoods and ASEM.

In February 2012, at the 14th EU-China Summit, the joint press *communiqué* in Paragraph 31 spoke of the leaders exchanging views on international and regional issues of common concern such as the Iranian nuclear issue, North Africa, Syria, the Middle East, the Korean Peninsula and Burma/Myanmar and expressed the willingness to strengthen dialogue and cooperation to promote peace and security globally, such as counter-piracy and non-proliferation, and within their respective regions. They agreed that, in view of the fast changes taking place in today's world, China and the EU should work in closer cooperation regarding regional and global issues.

At the 13th Summit in October 2010, there was nothing referring to South, South East or North East Asia but about collaboration in G20 in Seoul and anti-piracy cooperation in the Gulf of Eden. It was a two-page *communiqué*.

At the 12th Summit on 30th November 2009, the EU re-affirmed its commitment to the One China policy and supported peaceful development in the relations across the Taiwan Straits. The countries





touched between them were the Korean peninsula, Iran, Burma/Myanmar, Sri Lanka, Afghanistan and Pakistan. Leaders stressed the important role played by ASEM as a vehicle for dialogue and cooperation between Asia and Europe. There were two summits in 2009.

The 11th Summit on 20th May 2009, Asian countries touched upon were the Korean peninsula, Iran, Burma/Myanmar, Sri Lanka, Afghanistan and Pakistan. This was in a two-page joint press *communiqué*.

It was postponed from November 2008 when it was cancelled because President Sarkozy was going to meet the Dalai Lama in a meeting of Nobel Prize winners at the invitation of Lech Wałęsa in Gdańsk, Poland. Earlier on in August, the Dalai Lama had visited France and met Sarkozy's wife and the French Foreign Minister, Bernard Kouchner.⁷

At the 10th Summit in November 2007, Asia figured as Myanmar, the Korean peninsula and ASEM. One China policy and Taiwan were in the joint press *communiqué*.

In Paragraph 16: "On the emerging regional architecture in Asia, the EU welcomes China's contribution to strengthen open and transparent regional cooperation in Asia, and appreciates China's constructive contributions to the regional political architecture in Asia-Pacific. Both the EU and China express their support for further regional cooperation as demonstrated by the Association of South East Asian Nations (ASEAN) and the ASEAN Regional Forum, as well as enhancement of EU-ASEAN relations. China welcomes the EU's interest in contributing to the East Asia regional cooperation process and its intention to join the Treaty of Amity and Cooperation (TAC)."

In Paragraph 17: "The two sides recognised ASEM as an important framework for multilateral dialogue and political, economic, social, and cultural cooperation between Asia and Europe. They recognised the intensifying economic cooperation as a key component of Asia-Europe relations. Leaders reaffirmed their commitment to strengthen the process through constructive dialogues and action-oriented programmes, to ensure the implementation of the 2006 Helsinki Declaration on the Future of ASEM and the success of the 7th ASEM Summit to be held in





China in 2008.” This was a 15-page joint press *communiqué*.

Probably the region, ASEAN and ASEM were mentioned because of this ASEM in Beijing.

The 9th Summit took place on 9th September 2006 in Helsinki. One China policy and Taiwan as usual followed by Iran, Korean peninsula, 6th ASEM Summit in Helsinki on 10th-11th September 2006. They looked forward to a successful ASEM Summit, a valuable framework for Asia-Europe dialogue and cooperation and this summit would bring the process forward. They agreed to continue their close cooperation in promoting ASEM and welcomed China’s role as the host of the 7th ASEM Summit in 2008. This was a joint press *communiqué* of 11 pages.

The 8th Summit took place on 5th September 2005 in Beijing. In Paragraph 12: “the two sides will continue to cooperate in international and regional affairs, including through ASEM and the ASEAN Regional Forum. The two sides shared a desire to enhance and promote security and stability in East Asia. The EU reiterated its support for achieving a nuclear-weapon-free Korean Peninsula and maintaining peace and stability there. It expressed its appreciation for China’s active role in this and stood ready to provide necessary help when appropriate.”

One China Policy and Taiwan appeared again in the Joint Statement of the 7th Summit of 8th December 2004. Japan, South Korea and China were mentioned in connection to the ITER (International Thermonuclear Experimental Reactor)⁸ project of the EU joining with the US. ASEM and the ARF were mentioned in terms of enhanced regional and inter-regional cooperation. Iraq, Iran, Afghanistan, the Korean peninsula, Burma/Myanmar were mentioned in the Joint Statement.

In the Joint Statement of the 6th Summit, 30th October 2003, China’s important role in the 6-party talks on the DPRK nuclear issue was welcomed. One China policy and Taiwan was the constant mention. ASEM was mentioned with regard to Anti-Terrorism seminar and an ASEM Ministerial Meeting hosted by China on Dialogue of Cultures and Civilisations. This was all.

Apart from the One China principle and Taiwan, in the 5th Summit, 24th September 2002, the Asia touched upon was Afghanistan, India and Pakistan and ASEM.



In the 4th Summit, 5th September 2001, one China principle and Taiwan and the Korean peninsula.

The countries of Asia mentioned in these *communiqués* and statements more or less constantly from the 4th Summit in 2001 to the latest were the One China policy and Taiwan, the Korean peninsula, Myanmar/Burma and Iran. Sri Lanka, Afghanistan and Pakistan were mentioned twice in two Summits (11th and 12th) in 2009. Iraq and Syria were mentioned once each at different summits. These all touched the issue of security and human rights. ASEM and the ASEAN Regional Forum were mentioned more often than ASEAN. ASEAN appeared once in the *communiqué* of the 10th Summit in November 2007.

It appears that in EU-China Summits regional cooperation reflected in ASEAN is not a priority as ASEM reflecting inter-regionalism. Is this because in ASEM both are part of? Or does the EU give more importance to ASEM than its relations with ASEAN? In the 1990s when the EU had difficulties with ASEAN over human rights, East Timor, Myanmar/Burma, ASEAN countries were wondering whether the EU was shifting its priority to ASEM.⁹ The EU had to assure ASEAN that it was not the case. Today, we have the impression that EU-ASEAN relations have more importance than ASEM. Some say that the EU is losing interest in ASEM. The ARF reflects the EU's as well as China's concern about security in South East and North East Asia. This is of great importance to the EU considering her economic interests even if it relies on Asian countries and the US to maintain a secure and safe environment in Asia.

It must be noted that what is said in a press *communiqué* or a statement has already been negotiated for months prior to the actual Summit and one will never know of what was actually discussed on these countries, ASEM and the ARF in the Summits or whether they were actually discussed unless one has access to the archives of the time. Unfortunately, I am not in Brussels to find the note-takers' reports of these summits to verify what was discussed. If what was drafted met no objections from the leaders, what was previously negotiated and agreed between senior officials carries through. In this way actually negotiations took place between officials on stands to be taken on those



countries, ASEM, ASEAN and ARF. Often the tone in the final agreed *communiqué* or statement reflects agreement but disagreements are not made known or some lines that gloss over disagreements. Only those in the negotiations and close by will know the truth.

Taking things at its face value, we can conclude that, in the EU's relations with China, they do discuss these countries, ASEM, ASEAN, the least, and the ARF. One must state also that on Iran, the Korean peninsula etc.. they need not be discussed only at summits but outside it in the corridors of the UN, in usual diplomatic exchanges, over a cup of tea between diplomats.

Having seen the "EU-China relations: Chronology" published by the EEAS, one cannot doubt that the focus of the meetings, seminars are the relationship between the two partners.

It is also interesting to note that from the "EU-China dialogue architecture – main elements" issued by the EEAS under Pillar One, "Political dialogue", Asian affairs are one area for a dialogue between EU and China between special representatives and special envoys. They come under regular meetings of experts. However, looking at the list of meets between both sides in the "EU-China relations: Chronology", one does not see any Asian affairs meetings unless they are held in secret which will be against the transparency policy of the EU.

5.2. Press Releases, Communiqués and Statements Outside of Summits

I am going to examine a few more press releases, *communiqués* and statements outside of the Summits to see how Asia figures in EU-China relations mainly in 2011-2012 going back from the present into the past.

The EU High Representative Catherine Ashton following her visit to China gave her remarks dated 27th April 2013.¹⁰ This included her exchange with the State Councillor, Yang, former foreign minister, on Iran, Syria, North Korea and challenges in the South China Sea.

At the latest 3rd High Level Strategic Dialogue on 9th-10th July 2012 between both sides, the press release simply mentions that they will intensify dialogue on global and regional areas of interest to both sides, including regular consultations, at all levels, on foreign policy, as



well as contacts between special representatives and special envoys. The two sides agreed to hold regular dialogue on defence and security policy. They stressed their willingness to strengthen cooperation in anti-piracy naval escorts. This is the generality of their press release. I always wonder how much they share with one another, exchange and come to common positions. One would think that between the EU and the US there will be much more trust and confidence and more in common than between the EU and China. Following this Dialogue on the second and last day, Catherine Ashton, High Representative for Foreign Affairs and Security Policy and Vice-President of the Commission made a Statement which said among other things China's collaboration on confidence-building on the peaceful nature of the Iranian nuclear programme. That was all on Asia. This may be the only Asian issue discussed as the rest of the statement spoke of EU-China collaboration in other fields.

On 13th June 2012, High Representative in the European Parliament gave her statement on the deteriorating human rights situation in Tibet.¹¹ Tibet is one concern that the EU and its member states will always pay attention to. It will always come up with press releases, statements etc., be willing to meet the Dalai Lama while experiencing the wrath of China.

Why? It is good question despite the protests of China that it is an internal matter and there should be no outside interference. On Tibet, the EU is not as careful to offend China as with Taiwan where generally it respects the One China policy. It has, of course, a European public behind it. There is also a growing interest on Tibetan Buddhism in Europe and the Dalai Lama attracts interest whether as a political leader or religious leader.

On 3rd May 2012, there was press release concerning remarks by the President of the European Council Herman Van Rompuy after his meeting with the Vice-Premier of the People's Republic of China, Li Keqiang. In this press release, we see again that the hotspots – Syria, Democratic People's Republic of Korea and Iran – were discussed. No other parts of Asia or regional cooperation were discussed.

12th May 2011 saw a speech of High Representative for Foreign Affairs and Security Policy and Vice-President of the European



Commission, Catherine Ashton, at the second meeting of the EU-China High Level Strategic Dialogue. In this speech as far as Asia was concerned, it was a general line that she covered with State Councillor Dai Bingguo a number of international issues and focused in particular on North Africa and Asia. The EU-China relationship should be an example of international cooperation for the 21st century.

On 25th October 2011, Catherine Ashton, High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission, made a Statement following two days of talks in Beijing with the Chinese leadership. She met with the Chinese Defence Minister, Liang Guanglie, and she had this to say apart from cooperation on defence and crisis response, in particular, in the fight against piracy and through plans to establish a more regular dialogue between senior officials: “We also discussed regional security issues, including the situation in the South China Sea. We agreed that different territorial claims should be dealt with through diplomatic channels.”

This was the first time I read an explicit position of the EU in talks with China on the territorial claims in the South China Sea.

I have just reviewed what I could find for 2011-2012 of whatever came out from Brussels dealing with EU-China outside of the Summits to find out how often other Asian countries and regional cooperation appear in their bilateral talks. What we can conclude is that, like the Summits, the hotspots appeared on their agenda. Only once in the period covered did the South China Sea come up for mention. Tibet, internal to China, was the subject of a human rights speech of the High Representative for Foreign Affairs and Security Policy and China called off a Summit because of Sarkozy meeting with the Dalai Lama with his wife and the French Foreign Minister meeting the Dalai Lama earlier on in the year.

It appears that in the EU's relations with China, China and Asian countries, and China and Asian regionalism are not discussed substantially as the focus is the two sides' relations. I can, of course, go back in time beyond 2011 to check out.



6. The EU and Asia

This leads me to see how the EU looks at Asia and Asian regionalism outside of its relations with China.

In 1994 the EU came out for the first time its Asia policy in what is called a Communication from the European Commission, “Towards a New Asia strategy”.¹² ASEAN was considered as the cornerstone of its relations with Asia. I remember writing an 11-page paper on the parliamentary position on this Communication for a conference that I still have. Then ASEAN was very much a focus of the EU and not China. Why? The EU promoted regional integration as policy everywhere in the world. Not so much the US. What I must say is that this Communication was a key piece of the background that led on to ASEM. I remember being consulted by the European Commission to prepare the agenda of the first ASEM in Bangkok in 1996.

The EU believes very much in multi-polarity in the post-Cold World era and later, on 12th December 2003 spoke of effective multilateralism in its European Security Strategy, “A secure Europe in a better world”. In this strategy paper, it had a line, “Other regional organizations such as ASEAN, MERCOSUR and the African Union make an important contribution to a more orderly world”. I am not going to explain the difference between multi-polarity and multilateralism in the EU mind. It uses both depending in what context it speaks.

China became a focus of the EU in late 1990s and beyond and we seem to begin to see two tracks, one focus on ASEAN and another on China. For sometime now Asia seems to mean China for the EU. I wondered therefore how important ASEAN is to the EU or for that matter Japan, which it has long, long relations, and other Asian countries. The EU is China’s no. 1 trading partner. For the EU, China is no. 2 trading partner. We often assume that the US is China’s no. 1 trading partner. The US is the EU’s no. 1 trading partner. The idea has been thrown around about a G-2 and recently a Chinese friend of mine working in China’s Ministry of Commerce writing in his private capacity as an academic spoke rather of a G-3.¹³ In this context, what do ASEM and ASEAN count for? I say this because, in ASEM, we speak of the missing link, i.e. Europe and Asia. What is more real? An emerging G3



(US, China and EU) or *bloc-to-bloc* US-Europe-Asia (transatlantic relations-APEC-ASEM)?

7. EU-ASEAN Relations

Back to ASEAN, the focus of the EU's interest in Asian regional cooperation, its relations with the EEC, the predecessor, goes back to the 1970s. My latest version of EU-ASEAN relations was published in July 2012 where I traced the relations from the 1970s through the EU-ASEAN Cooperation Agreement of 1980 until 2011.¹⁴ This EU-ASEAN relations has gone through three phases of relations: the first in the 1970s and 1980s when the ASEAN countries feared being deprived of the UK as a traditional export market when the UK joined the EEC in 1973 and wished access to the EEC's Generalised System of Preferences which it obtained.

The second phase was in the 1990s where relations soured over human rights, Asian Values, East Timor, Myanmar. Cambodia and ASEM were the only goodies where there was cooperation.¹⁵ I have seen through these phases because of my work as a Political Adviser in the European Parliament.

The third phase was in the 2000s when things turned rosy. One factor was September 11 that brought both sides together against international terrorism. This 2000s phase saw much support from the EU for the ASEAN Charter signed in 2007. The atmosphere was very positive. For the EU, ASEAN was finally having a legally-binding Charter. It saw that this Charter had elements of its own Treaties although noting that the principle of non-interference remained in the Charter. It saw that human rights were enshrined in it. There was satisfaction expressed when, in July 2010, the ASEAN's Committee of Permanent Representatives (CPR), an institution of the new Charter was received in Brussels on a study visit learning first-hand information on EU institutions (they did not meet the European Parliament) and its decision-making processes as well as the sharing of experiences on their successes and challenges in their integration process.¹⁶ The first meeting between the EU Committee of Permanent Representatives and the



Committee of Permanent Representatives of ASEAN took place in February 2014.¹⁷

It was the phase to support ASEAN economic integration and it poured in funds for technical support, through the ASEAN-EU Programme for Regional Integration Support (APRIS) and now succeeded by ASEAN Regional Integration Support by the EU (ARISE).¹⁸

However, what failed in this phase but was taken in a good spirit was the EU-ASEAN FTA that was replaced now by negotiating individual, bilateral FTAs. In the ASEAN region, it started off with Singapore and the FTA negotiations concluded in December 2012¹⁹ and initialled on 20th September 2013.²⁰ However, the talks on investment protection that started only after the Lisbon Treaty entered into force, giving the EU new competencies in this area, are still on-going.²¹ Ratification by the European Parliament and by the Singapore Parliament has to wait. We are waiting for progress on the FTA with Malaysia that had stalled over its elections that are now over and just started off with Vietnam.²² The only FTA completed is with South Korea. In the Co-Chairs' Statement of EU-ASEAN Ministerial Meeting, dated 23rd July 2014, progress was noted, as well as the wish of resuming negotiations of an EU-ASEAN Free Trade Agreement, upon realization of the ASEAN Economic Community by the end of 2015. However, attached to the FTAs are the individual political agreements that are pre-requisites imposed by the European Parliament called the Partnership and Cooperation Agreement (PCA). Indonesia (November 2009)²³, Vietnam (June 2012)²⁴ and the Philippines (July 2012)²⁵ have concluded and even signed off their agreements with the EU. Singapore initialled the PCA with the EU on 14th October 2013.²⁶ Malaysia is still negotiating the PCA that had also stalled but re-started in parallel with negotiating the FTA.

This was the phase that saw the EU collaborating with ASEAN in solving the Aceh issue, i.e. the Aceh Monitoring Mission (AMM) from 15th September 2005 to 15th December 2006²⁷ and supporting the peace process in Mindanao within the framework of its Common Foreign and Security Policy (CFSP) but also very concrete contributions



that go beyond the talk shop of the ARF which in the 1990s the EU described but it had to reconcile that it was the only security forum in Asia. At one point, OSCE was offered as a model and there were contacts made. Today it has a more positive attitude towards the ARF and a notable outcome is the border management cooperation project with ASEAN (EU-ASEAN Migration and Border Management Programme (EAMBMP)). The EU has also announced its intention to establish a regional Chemical, Biological, Radiological and Nuclear (CBRN) Centre of Excellence in South East Asia considering that all the ASEAN countries have plans to build nuclear power stations.²⁸ If the EU cannot stop the building of nuclear power plants then the next is to provide training to handle nuclear power in security and safety. Today the support for nuclear power in Europe is on the decline and France, a country heavily dependent on nuclear energy, is going to shut down its oldest nuclear power plant.

The EU has been very keen to be part of the East Asia Summit although it is not geographically part of Asia. Hence, it finally recently acceded to the TAC in Phnom Penh.²⁹ It had the experience of being left out of APEC and it felt very sore about it, I remember. ASEM when offered it by Singapore was a consolation prize. This membership of East Asia Summit (EAS) must be for the EU another high point of its engagement with Asia. What further can it contribute? Joining the EAS is a reflection of the confidence and trust in EU-ASEAN relations. In the EAS, it is going to speak more of security with the other big boys and ASEAN members.

The latest on EU-ASEAN relations is the Bandar Seri Begawan Plan of Action to strengthen the ASEAN-EU Enhanced Partnership (2013-2017)³⁰ that covered all the areas of cooperation or rather where EU taxpayers' money is going into: political/security, economic/trade, sociocultural reflecting the multifaceted character of ASEAN-EU relations. "This Plan of Action will thus serve as a vehicle to strengthen the ASEAN-EU Partnership, while at the same time supporting ASEAN's goals of regional integration and community building, including enhanced ASEAN connectivity, to underpin an ASEAN Community by 2015 and beyond". Its progress was noted in the





Co-Chairs' Statement of EU-ASEAN Ministerial Meeting, dated 23rd July 2014.

This Statement is the latest, latest on the state of play between the EU and ASEAN, which I shall describe with some detail here. We see the use of EU taxpayers' money to ASEAN's benefit as in "welcomed the EU commitment to more than double dedicated support for ASEAN's institution building and 2015 Community-building goals to 170ME in the period 2014-2020." This support will be focused on (i) connectivity, through sustainable and inclusive economic integration and trade; (ii) climate change, environment and disaster management; (iii) comprehensive dialogue facility. Overall EU aid to South East Asia, including through bilateral assistance, will increase from €2.2 billion (2007-2013) to close to €3 billion € (2014-2020). In addition, a significant increase of EU financial support to Mekong countries from 607ME (2007-2013) to 1705ME (2014-2020) to help close the ASEAN development gap including by maximizing synergies with the Initiative for ASEAN Integration (IAI). ASEAN turns outside for assistance but what has been its richer countries' contribution?

Funding for Connectivity refers to ASEAN's Master Plan on ASEAN Connectivity (MPAC); EU-ASEAN Air Transport Integration Project (AATIP), economic integration (ARISE as previously mentioned) that should facilitate greater trade between ASEAN countries.

For climate change, environment and disaster management: there was a paragraph on the UN Framework Convention on Climate Change (UNFCCC)³¹ without reference to funding; joint and sustainable management of maritime resources; the conservation of biological diversity, trafficking in wildlife, timber and other wood products³²; the ASEAN Agreement on Disaster Management and Emergency Response (AADMER) and the ASEAN Coordinating Center for Humanitarian Assistance on Disaster Management (AHA Centre).

For comprehensive dialogue facility, the EU is good for this. It invented READI, (Regional EU-ASEAN Dialogue Instrument), a policy dialogue mechanism/process for promoting the ASEAN-EU dialogue relations in non-trade areas.³³ I assume READI had, has and will be used





to discuss EU-ASEAN cooperation on the following issues that were elaborated and lead on to further specific funding or new funding: maritime surveillance, security and safety cooperation; mediation and preventive diplomacy; port security; counter-piracy; illegal, unregulated and unreported fishing; promotion of the respect for human rights and the rule of law³⁴ science and technology; development of SMEs; fight against terrorism and organized crime³⁵, notably illicit drug production, trafficking and use; trafficking in human beings; cybercrime; mitigation of chemical, biological, radiological and nuclear risks.

Mention was made of the Ministers having exchange of views on international and regional issues of common concern including the commitment to a stable, balanced, transparent and rules-based multilateral trading system and to the World Trade Organization (WTO); post-2015 Development agenda formulation; Millennium Development Goals (MDGs); the international community's commitment to poverty eradication and sustainable development; the critical importance of peaceful and inclusive societies, good governance, rule of law, effective and capable institutions both as important development goals in themselves and as important enablers for development; the Korean Peninsula, the Middle East Peace Process, the escalation of conflict in Gaza, a two-State solution to the Israeli-Palestinian conflict, Syria, Iran, the situation in North Africa and the problem of piracy off Somalia and the Gulf of Guinea, the illicit trade of conventional arms and prevention of their diversion to the illicit market to non-state actors.³⁶

Closer to the two partners, touched upon were Myanmar and its transition to democracy; Thailand, a return to a full-fledge democracy; the Treaty of Southeast Asia Nuclear Weapon-Free Zone (SEANWFZ); ASEAN centrality in the evolving regional architecture in East Asia; ARF; the ASEAN Regional Mine Action Centre (ARMAC).

They issued a Joint Statement on the tragic downing of Malaysia Airlines Flight MH17.

When I read of these areas of cooperation, I tell myself this is still development cooperation. Is ASEAN a beggar? Does it not have any self-pride? No sense of shame to beg? Is it not able to find its own resources? Are not the richer ones supporting the poorer ones? Are there



funds tucked away in some safe havens when they should be used for the countries? What clout has ASEAN on the international scene if its activities have to be externally financed? Where is its independence of action, in activities? No self-pride to pull up its own straps? Where is ASEAN? Or is it taking the attitude that if the West wants it to take certain measures and go in certain directions, it has to pay for it? This is still no self-pride. The European taxpayer has to pay and if so then ASEAN is accountable to the taxpayer represented by the European Parliament to account to. Then, it has to be foreign European consultants coming in to execute projects that are absolutely wrong as if ASEAN does not have its own expertise. It has. The basic issue is: can you not finance yourselves? What national interests have come into play instead of being set aside for common ASEAN interests? Considering this, what is ASEAN/Asian regional cooperation and integration? What is ASEAN/Asian regionalism if it cannot finance itself?

8. ASEAN in the Wider EU's Relations with Asia

Despite ASEAN making it possible for the EU to be part of EAS, there was for a long time no question of ASEAN being considered a strategic partner of the EU. This is reserved for firstly the irreplaceable transatlantic relationship then Russia, Japan, China, Canada and India. This was in 2003 in its European Security Strategy, "A secure Europe in a better world". Since then it has included all the BRICS countries as I discovered in a speech of 1st February 2012 where the High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission delivered her statement on EU foreign policy towards the BRICS (Brazil, Russia, India, China and South Africa) and other emerging powers. From her speech, the BRICS are the 5 strategic partners of the EU but she also mentioned that there were other emerging powers, like Mexico, South Korea and Indonesia. South Korea is now a strategic partner.³⁷ No mention of Singapore though seen as a hub to serve the ASEAN region and gateway into a dynamically growing market of 600 million consumers or any other ASEAN country.³⁸ The ASEAN countries individually have no



economic clout apart from Singapore. Hence, coming together is important and consequently the ASEAN Economic Community (AEC), ASEAN economic integration. Now we hear that the AEC will be delayed.³⁹ For ASEAN to be a strategic partner will probably require ASEAN to be more united on all fronts and speaking more as one voice. However, the Co-Chairs' Statement of the 20th EU-ASEAN Ministerial Meeting, cited before, spoke of upgrading of the partnership to a strategic one and tasked their senior officials to develop a roadmap for this goal.

9. The EU and North East Asia

How important is that group of North Eastern Asian countries to the EU? On 13th December 2011, there was a press release concerning the EU's commitment to ITER mentioned earlier. It announced that the Council today confirmed the additional financing for 2012 and 2013. At the end of the press release, it mentioned the participation of China, India, Japan, Korea, Russia and the USA. Four Asian countries and five if one consider Russia too as Asian. They are all strategic partners of the EU. These Asian countries are at the high end of technically advanced countries to participate in such a project. I am not aware of any South East Asian country in a position to contribute to ITER both financially and in technical expertise. They are more interested in putting their men in space. The reactor is seated in Cadarache in the south of France and is currently under construction. ASEAN has to really integrate not just economically but also politically to have any clout not that the EU has with 27 different foreign and security policies but in a better position to take common stands and deeper economic integration with the risk that any economic and financial crisis affects all.

I have not heard much of the EU making any statement on regional integration in North East Asia. I am sure it will support any integration there since it is its policy to promote integration anywhere in the world. It does not participate in the 6-party talks over North Korea's nuclear proliferation and it does not aim to participate in it but it has participated in KEDO in the past financing the building of two Light Water Reactors



(LWRs) in exchange for the North's termination of the use of its Russian-made graphite reactor and shipped out. The LWRs were never built. The EU has been the largest donor of humanitarian aid to North Korea. If the 6-party talks ever succeed and could lead on to regional cooperation for a start, I do think it will support it. The 6-party talks are dead for the moment. It is, of course, aware that China, Japan and South Korea did meet to cooperate as in the WTO. Bilaterally, the EU succeeded in securing with South Korea a FTA before the South Korea-US FTA even against the automobile lobby in Europe. With Japan, i.e. long, long standing relations and at some point, some thought it was sleeping. With the South Korea-EU FTA, Japan along with Taiwan knocked on the doors of the EU for bilateral FTAs fearing that they will lose out to South Korea in trade and investment. The EU has responded and been negotiating with Japan an FTA since April 2013.⁴⁰ An FTA with Taiwan is supported by the European Parliament⁴¹ but no response from the European Commission or the Council. However, the Parliament's International Trade Committee (INTA) adopted a draft motion for a resolution calling on the EU to begin talks with Taiwan on a bilateral investment agreement that would strengthen EU-Taiwan trade relations.⁴² Now, the likelihood of an investment agreement was expressed by the Head of the European Economic and Trade Office, Mr Frédéric Laplanche, in an article entitled, "EU 'likely to consider' a bilateral investment pact".⁴³ He spoke of it in "due course". He had felt mounting pressure from Taiwan to discuss such an accord or a free trade agreement that could produce "good economic things". This due course became "as soon as possible" in another article, "Taiwan gives hope to the Chinese world".⁴⁴ With Taiwan, respecting the One China policy and within the boundaries of functional sovereignty, the EU has tremendously improve its trade and investment ties and gone beyond that into other fields.

With South Korea, Japan and Taiwan, the EU share common values. Japan and South Korea are natural political partners and "like-minded".⁴⁵ South Korea had no problem signing off with the EU the PCA in which human rights, democracy, rule of law, good governance were the core whose violation will lead to suspension of the agreements.



It is rare to find any human rights resolution in the European Parliament censuring any of these countries. It is rare to hear about conflicts between the EU and these countries. Of course, there are issues of anti-dumping but they are taken in stride.

10. China's Look In

We can rest assured that China keeps track of the EU's relations with ASEAN and its Northern neighbours with its 80 plus (perhaps more now) embassy in Brussels and its press corps of Chinese journalists, the biggest among the Asian press. This is regardless if Asian countries appear or not on the agenda when EU and China meets. Other Asian embassies are also keeping track of the EU's relations with China but whether back in their capitals they give attention is another matter.

11. Bringing Things Together

How to bring all these together? We can say that ASEM is the forum where EU meets Asia and Asia, it seems you need the "other" to come together and construct some kind of Asian identity. I have not forgotten the EAEG and EAEC but having an "other" spurs coming together. Then the EU have its bilateral relations, at sub-continental or sub-regional level, with countries of North East Asia, China being the most important, and with South East Asia, bilateral relations but enmeshed with the regionalism of ASEAN. In as far as regionalism in Asia is concerned, the focus is ASEAN and its other formations mainly the ARF, ADMM⁺⁴⁶ and now the East Asia Summit besides what is provided in its 1980 Agreement with ASEAN: the Joint Cooperation Committee and outside of it the ministerial meeting at the foreign ministers' (AEMM) and economic ministers' level (AEM-EU Trade Commissioner). There has been one ASEAN-EU Commemorative Summit on 22nd November 2007. It could be said therefore that, besides bilateral relations, there are the inter-regional relations exemplified by ASEM and EU-ASEAN.





One wonders whether there is a coherent EU policy towards Asia despite all the Communications on Asia. A visit to the EEAS website on regional policy shows that there is no Asia/ASEAN policy at all. There is only a Central Asia Strategy. Going to the website on regions and looking at Key Documents, one discovers a few new ones. The following is a list:

- “Towards a New Asia Strategy” [COM (94) 314 final], 13th July 1994.
- “Regarding the Asia-Europe Meeting (ASEM) to be held in Bangkok on 1-2 March 1996” [COM (96) 4 final].
- “Creating a new dynamic in EU-ASEAN relations” [COM(96) 314 final], dated 3rd July 1996.⁴⁷
- “Perspectives and priorities for the ASEM Process” [SEC (97) 1239 final], 26th June 1997.
- Working Document, “Perspectives and priorities for the ASEM Process (Asia-Europe Meeting) into the New Decade” [COM 2000 (241), 18th April 2000.
- “Europe and Asia: A strategic framework for enhanced partnership”, [COM (2001) 469, 21st October 2001.
- Working Document 2002 (ref, 23 July 2002), “Unity and strength in diversity”
- “A new partnership with South East Asia” [COM (2003) 399/4], 9th July 2003.
- Multi-Annual Indicative Programme for Asia 2007-2010.
- Regional Programming for Asia Strategy Document, 2007-2013, Revision 1, 31st May 2007.
- Mid-Term Review Document Regional Strategy for Asia (2007-2013), Multi-Annual Programme for Asia (MIP) 2011-2013, adopted by Commission Decision C (2010) 7863 of 17th November 2010.
- Guidelines on the EU’s Foreign and Security Policy in East Asia, 11492/12, 15th June 2012.





Besides these official documents, the EEAS has its Fact Sheets and there are the EU-Asia Fact Sheet, the EU-Asia Security Fact Sheet and the 2012 The EU in Asia Fact Sheet. They describe in nutshells what the EU wants to do in Asia.

It should be noted that in terms of policy, between “A new partnership with South East Asia” [COM (2003) 399/4], 9th July 2003, and “Guidelines on the EU’s foreign and security policy in East Asia”, 11492/12, 15th June 2012, there was none over 12 years. In between are documents referring to implementation. What does the latest say?

This is a 20-page document. The structure of the Guidelines are the following: It starts of course with an Introduction, followed by EU interests in East Asia, The EU’s response, key issues, aims and principles, East Asia and the EU’s Global Agenda, Regional Security Architecture, Cross-Straits Relations, The Korean Peninsula and the South China Sea.

I do not see anything very new except it is quite clearly said of its perspective of Asia. It has direct economic interests at stake in East Asia. What is more interesting is its response. It states that its unique experience of post-war reconciliation (confidence-building, preventive diplomacy, conflict resolution) and political and economic integration, position it well to play an important role in helping to bolster regional security. A number of its regional partners have signaled they would welcome enhanced EU engagement in this respect. Consequently the need of a more developed, coherent and focused common foreign and security policy in East Asia with the purpose of securing and advancing EU interests set out in section II. It then lists actions it should do covering strategic partnerships, ASEAN-TAC-ARF-East Asia Summit, ASEM, strategic dialogue with the US, exchanges with Russia, India, Australia, New Zealand and Canada, the FTAs (Singapore, Malaysia and other ASEAN countries); Japan and South Korea; PCAs (concluding with China) and cooperation in global fora (UN, WTO).⁴⁸

China seems to figure somehow prominently.

It made an important point on encouraging China to be more transparent about its defence expenditure, doctrine and institutions.⁴⁹ China is focused on with regard to rule of law, personal freedoms and





democracy; its integration into the region and in multilateral structures with impacts both regionally and globally; frankness, transparency, reciprocity, mutual support and enhanced bilateral ties; cooperation with China on non-proliferation, counter-terrorism, counter-piracy, illegal migration, serious crime, conflict prevention and peacekeeping, arms control and no-proliferation mechanisms; its WTO commitments; effective multilateralism; global governance; “one country, two systems” of Macau and Hong Kong; China’s confidence in and engagement with the international system; China’s activities in the developing world (Africa); energy and environmental issues.⁵⁰

12. Joint EU and US Position on Asia-Pacific

At the regions website on Asia, one finds a recent notable joint position of the EU and US, a statement on the Asia-Pacific given in Phnom Penh dated 12th July 2012.⁵¹

This statement stated that their exchange of views on developments in the Asia-Pacific demonstrated the importance the European Union and the United States attach to this thriving region and its peaceful and dynamic development. They noted that interdependence between Asia, the European Union and the United States has reached unprecedented levels. Closer consultation between the European Union and the United States on Asia-Pacific issues bilaterally, and with partners across the region, will be aimed at advancing regional security, development, well-being, and prosperity.

They welcomed the progress being made in regional cooperation and integration in the Asia-Pacific. This enhanced the capacity of the region to address complex trans-national issues, while contributing to strengthened governance. The European Union and the United States particularly welcomed the central role played by ASEAN and its promotion of wider regional fora, such as the ASEAN Regional Forum and the East Asia Summit. Both welcomed an active and constructive role for China in the Asia-Pacific Region.

It went on to speak on peace and security, on sustainable development, on trade and economics.





It ended on: “The European Union and the United States appreciate the opportunity for dialogue offered by the ASEAN Regional Forum. In line with the 2011 EU-US Summit commitment to increase ‘cooperation on political, economic, security, and human rights issues in the Asia-Pacific region to advance peace, stability and prosperity,’ they plan to intensify cooperation with Asia-Pacific partners to address regional and global challenges. To this end, both sides decided to continue the regular high level EU-US dialogue on the region at the political and senior officials’ level.”

Asia and Asian regionalism are in the talks between the US and EU. What about such a statement jointly with China? There is more in common between these two transatlantic partners than with China. They acknowledged the active and constructive role for China in the Asia-Pacific Region. Would the EU go along with the US if containing China is the US’ policy?

13. European Regional Integration and Asian Regionalism

I think I have said enough on surveying the scene trying to see whether Asia and Asian regionalism appeared in the EU’s exchanges with China and EU and Asia and ASEAN. I think I like now to go behind some of these terms battered around on regional cooperation, regional integration, regionalism and inter-regionalism. I am not going to refer to academics who have come up with their definitions. I want to present here my own thoughts seeing things from what is on the ground so to speak.

For the EU, the route taken to integrate was to intertwine, to intrapenetrated all the economies of the European states participating in the project via a Customs Union and gradually step-by-step, sector by sector and, there are still sectors and new ones too, to bring into this web. The whole idea was that if all these states had a stake in coming together, the chances of going to war with one another would lessen. If they share a common currency it is even less of chance to do so. It meant chipping away at national sovereignty as confidence and trust built up. It meant national interest was better served, better achieved by coming together



around European interests. It meant chipping away at non-interference. It meant accepting supranational institutions to enable this integration and accepting supranational rules, regulations, directives, law to bring this about. It meant readiness and the discipline to be bounded by the supranational treaties and be sanctioned by them for any violation. Treaty signing is a legal tradition and culture in Europe that actually underlines a lack of confidence, distrust and suspicion. It meant sitting through all issues we disagree openly and agree on solutions. Peace via firstly economic integration. Political integration came later in the 1990s and the process of political and economic integration is never-ending. The economic, financial and sovereign debt crisis spurs the integration process. Yet note the political swings to save the Euro; the Eurozone member states have to cede more sovereignty together, to pull themselves together with some kind of reluctance, uncertainty of trust and confidence in Greece, Spain, Portugal and Ireland to keep the bargain. The President of the European Commission in his State of the Union speech in September 2012 in the European Parliament called for a federation of nation-states.⁵²

It must not be forgotten too that this European integration took place in a peace that was assured by the NATO in the context of a stand-off, a realist balance of power, in a bi-polar Cold War till 1989 and an European integration process supported by the US in post-World War II.

ASEAN shares with the EU the common aim of peace and security and taking the economic route, an economic route that was not that successful in the Preferential Trade Agreements (PTAs). ASEAN was after free trade agreements, finally in the ASEAN Free Trade Agreement (AFTA), whose effectiveness is yet to be seen, between itself and today signs of bilateral FTAs with other countries. But what needs to be stressed is that all these years ASEAN was not aiming at integration whether economic or political, but rather cooperation because the ASEAN countries could not overcome mutual suspicion, mistrust ... Context of the export of revolution from Communist mainland and context of the formation of Malaysia. Till today, ASEAN is still talking of confidence-building measures, preventive diplomacy, conflict resolution. The ASEAN way actually reflects this lack of confidence and



trust in one another. ASEAN speaks of cooperating at comfort levels going from non-sensitive areas to sensitive areas that apparently are not yet there. ASEAN countries are not ready to make the jump that the European enemies were willing to. This context explains why it took so long to arrive at a legally-binding ASEAN Charter and even then commitment has yet to be seen as national interests stand in the way. The Phnom Penh meeting in not coming out with a *communiqué* reflects an ASEAN that has yet to sort out its relations with one another. ASEAN has a problem facing up to issues rather than facing issues straight on and find compromise solutions. Is this cultural, face-saving, or is more than that? What keeps the peace is this continuous talking and is this not costly with rounds and rounds of meetings?

The big difference is the degree of integration they are willing to go. The EU is going much further by pooling sovereignty via supranational institutions while ASEAN countries want to have say, want to keep sovereign power in their own hands. They do not want any interference into their internal affairs. Probably when the ASEAN Economic Community (AEC) begins to function and work itself out, they will soon realize that they need to surrender some sovereignty to common institutions to make the Community work, to make things work to the benefit of all. If ASEAN can make the AEC work without pooling sovereignty that is fine.

It is also clear that ASEAN integration is different from the very idea of three communities from the very start so to speak. In the EU case, it was a linear process step-by-step as stated above from economic to social, in fact, to political but one community. One could say it was also the same case with ASEAN but in a “go” three communities give the impression that the three Communities are just umbrellas (*chapeaux*) to classify different activities, different objectives, different kinds of people involved and hence, where is the sense of a Community? It is artificially set up. The Political-Security Community (PSC) will be interpreted as belonging to those in the business of politics and security. The AEC concerns the business community, the private sector, the investor, the trader. The Social-Cultural Community (SCC), the people, civil society. This SCC is given the job to promote the sense of



belonging to ASEAN, the sense of ASEAN, the ASEAN identity and not the other two Communities although what is done under the *chapeaux* of the other two Communities affects the peoples of ASEAN.

The fact is also that both ASEAN and the EU are top-down set-ups of the governing elites and not the wish of the citizenry. To make communities requires a “bottom-ups” approach that can only be successful if there is participation of the citizenry, civil societies in the process of decision-making and becoming a reality. Through this a sense of belonging to ASEAN, ownership of ASEAN, identifying with ASEAN can take place. Through a “bottom-ups” approach, a sense of being European, a European identity, a European belongingness, an ownership of the European Union. European civil societies have been moving in this direction to have a say in things European. Governments have made efforts albeit insufficient to promote Europe. European member states have never been able to reach out across-the-board effectively but efforts are made and succeeding slowly. Setting the deadline of 2015 may push civil servants to work towards that target but be clear on the ground the ASEAN Community will take a lot more time. It will only be a Community on paper for governments.

Now, it is obvious that the kind of integration of the EU is not the same as just having free trade agreements creating free trade areas between partners be it between ASEAN and China or between Singapore and New Zealand. ASEAN and the EU wish ultimately to have a free trade area through an FTA. FTAs, in fact, are looser than a Customs Union that was the starting block for the EU as a community. ASEAN’s community building is not based on the Customs Union. Nevertheless, in community-building, there is a political intent to bring states together, to bring peoples together but to what extent is another matter. It has more than an economic intent. ASEAN plus Three could go in the direction of an East Asian Community, the counterpart of the EU. This, however, seems far away unless Asian countries can put aside their differences, forgive one another, reconcile, come to compromise on disputes etc.



14. Where Do We Go from Here?

I think as far as the EU is concerned it will always support regional cooperation and integration in Asia and in the process will encourage China's engagement in regional cooperation. If ever an East Asian Community emerges, it will support for that matter a North East Asian Community. It will continue to accept ASEAN's driver seat role in enabling regional cooperation in East Asia, in the ARF and in the East Asia Summit. It will not take any initiative to bypass ASEAN or any other East Asian country. It will simply follow but will not want to be excluded. Her rationale is that the EU has its economic stake in Asia even if it is not part of Asia.

Due to its economic stake in East Asia, the EU will continue to negotiate and sign off FTAs with Asian countries but ones that are what it calls comprehensive and deep and of the WTO + kind which are inspired by its own integration process and by what was not achieved in WTO negotiations. At the same time, it will not take the attitude that it is desperate for FTAs with Asian countries while, at the same time, it wishes FTAs in Asia because it is not going to allow the US or Japan or China to have the whole cake or large slices of the whole cake to themselves leaving her out. Her sell is that it is the biggest market in the world in terms of demand for goods and in terms of destination of investment. It knows that it cannot have an FTA with Asia to the scale of the Trans-Pacific Partnership (TPP), neither will it be part of the TPP. It will not also forget the WTO dimension.

In stating the above as to the continuing stances of the EU, one must also understand where the EU is coming from.

It should be noted that, unlike some Asian economies, the EU economies, the Single Market, is sufficiently self-reliant when it comes to the basics. It is self-sufficient in food production, hence food security barring major catastrophes and able to dump agricultural goods into world markets with all the negative effects on farmers, peasants in third world countries. Its main trade is within itself around 60 per cent. In other words, it is not as dependent as ASEAN countries (20-25 per cent trade between themselves) on foreign trade for its economic survival. It had gone through a period of protectionism; the Common External Tariff





(CET), key to a Customs Union, which helped it also to protect, defend, build up its economic capacity, R&D, muscle before opening up and pushing for free trade.

ASEAN countries, on the other hand, totally owed their development to foreign investments from the very start in this competition to climb up the ladder without giving much thought, sufficient time to develop local, indigenous knowledge, know-how, strengthen local sectors etc. before opening up. So, they continue to be dependent on foreign inputs and are in a weaker position for that and having economies dependent on foreign demand. This is an issue of sequencing as to when to open up. Will AFTA and the AEC ever strengthen the ASEAN economies? A production base for whom? How will ASEAN begin to build its own resources, strengths? How can it share and collaborate to build economic muscle? The Europeans are collaborating to do just that. What can it learn from Taiwan, South Korea and Japan? What can it learn from the EU experience? It is never too late.

The EU opens itself up to extra-EU trade taking up the other 40 per cent allowing other countries to penetrate its market bringing their goods and services but comes from a position of strength, i.e. it can take the competition from outside. It is an investment destination for foreign investors wishing to penetrate its market, one consequence of the CET, in as much as it exports and invests abroad. Consequently, what is created is interdependence between the EU and its external partners, more so in the age of globalization. Whether its relative state of self-sufficiency and self-reliance will remain has to be seen. Already a lot of consumer goods are imported from China, for example, often from EU firms there in China as part of a supply chain production process. Opening up to the world invites all the risks entailed and we see its present sovereignty debt following from the 2008 crisis. We see its need of China's help to solve this debt issue by buying up existing bonds and investing in Europe and buying future Eurobonds, future contribution to the European Financial Stabilization Mechanism (EFSM) and European Financial Stability Facility (EFSF). China too cannot afford to see the collapse of the European economies, its no. 1 export destination. We are





living now in a world where the survival of all economies depends on one another. There is no turning back and it is not a zero-sum game of one side winning and the other losing. It is rather all will sink if there is no solidarity among all and win when all are well.

Politically, we often think that the EU and the US are in the same camp without realizing that between them there is great rivalry too at least economically as we see in the WTO disputes. One EU intention in promoting regional integration world-wide is to counter-balance the US. It does see both a multi-polar world and multilateralism. It cannot contemplate a G-2 probably a G-3 to be at the table but it supports G-20, BRICs.

On the other hand, it looks to the US to ensure security and peace in Asia along with its Asian partners to protect and defend its economic stakes as it is in no position to project power in Asia by military means on a permanent basis. It shares much with the US and considers transatlantic relations fundamental. What it will offer is its experience and skill in reconciling enemies, confidence and trust building, preventive diplomacy, conflict resolution, things of this nature that it had gone through. It is a continent that had gone through ages of war and conflict and the EU is the instrument to end all wars. This one may say is the continued contribution of the EU for the future if requested to share experiences.

15. Conclusion

From the above I attempted to see how the EU looks at China and Asian regionalism in the future and I like to conclude that the regionalism exemplified by FTAs has very much to do with not only the failure of WTO negotiations but is inspired by the neo-liberal agenda, the Washington consensus, now trying to open up economies at the regional level and hoping that this will be building blocks for a more successful WTO. I had pointed out when to open up, sequencing is an issue. However, this regionalism is also borne out of the realization that, in the age of globalization, no country can solve problems on its own but in collaboration with other countries in the region and internationally and





globally. That to have a voice there is the need to group together. Today's rationale for regionalism differs or builds upon the starting rationale of regionalism as we saw in the beginning of the EU in its predecessors for its own internal rationale and benefit and in the case of ASEAN as a bulwark against Communism from mainland Asia. China and Asian countries are in a position to take regionalism to another level of rationale that we await.

Notes

+ An earlier version of this paper was presented at the International Conference on “China, ASEAN and the Changing Context of East Asian Regionalism”, jointly organized by the Institute of China Studies (University of Malaya), Research School of Southeast Asian Studies (Xiamen University), Department of International Relations (Changwon National University) and Asia-Europe Institute (University of Malaya) on 5-6 December 2012 at the Institute of Graduate Studies, University of Malaya, Kuala Lumpur, Malaysia.

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Disturbances and regional challenges in East Asia” in the *Tamkang Journal of International Affairs*, Volume XVII, No. II, and “What has ASEAN offered or could offer to the European Union in their relationship” in *ASEAN Outlook*, December 2013, No. 008, publication of the Taiwan ASEAN Studies Center of the Chung-Hua Institution for Economic Research. <Email: pjplim@gmail.com>

1. Website of EUPOL, Afghanistan.
2. See Council of the European Union, “Guidelines on the EU’s foreign and security policy in East Asia” (11492/12), 15th June 2012, page 8.
3. It includes also Australia and New Zealand.
4. Paul Lim and Sigrid Winkler, “The European Union’s relations with the Republic of China (Taiwan)” in Jens Damm and Paul Lim (eds), *European perspectives on Taiwan*, Springer VS, 2012, page 186.
5. Paul Lim and Sigrid Winkler, “The European Union’s relations with the Republic of China (Taiwan)” in Jens Damm and Paul Lim (eds), *European perspectives on Taiwan*, Springer VS, 2012, page 181.
6. Presse 495 PR PCE 216.
7. “China cancels EU summit over Dalai Lama visit”, *The Guardian*, 27th November 2008; “Brussels stunned as Beijing cancels EU-China summit”, EurActiv.com, 27th November 2008, updated 19th October 2010.
8. More on this later.
9. See Paul Lim, “The unfolding Asia-Europe Meeting (ASEM Process)” in Peter W. Preston and Julie Gilson (eds), *The European Union and East Asia*, Edward Elgar, 2001, page 103.
10. EEAS, “Remarks by EU High Representative Catherine Ashton following her visit to China”, A 237/13.
11. A270/12.
12. COM (94) 314 final, 13th July 1994.
13. Zhang Xiaotong, “The impact of the European debt crisis on the EU-US-Triangle”, *Global Europe Briefing Paper*, No. 3/2012.
14. Paul Lim, “ASEAN’s relations with the EU: Obstacles and opportunities”, *EU External Affairs Review*, July 2012.
15. For a detailed description-analysis, see Paul Lim, “Political issues in EU-ASEAN relations”, *Panorama*, Vol.1/1999, Konrad Adenauer Stiftung, pages 5-41.
16. Paul Lim, “ASEAN’s relations with the EU: Obstacles and opportunities”, *EU External Affairs Review*, July 2012, pages 55-56.
17. Co-Chairs’ Statement of EU-ASEAN Ministerial Meeting, paragraph 4, dated 23rd July 2014.

18. Paul Lim, "ASEAN's relations with the EU: Obstacles and opportunities", *EU External Affairs Review*, July 2012, page 50, and Joint Press Release, 19th ASEAN-EU Ministerial Meeting, 26th-27th April 2012.
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22. See European Commission Press Release, "EU and Vietnam launch negotiations for a comprehensive Free Trade Agreement", 26th June 2012 (IP/12/689).
23. European Commission Press Release, "EU-Indonesia Partnership and Cooperation Agreement: a wider framework for cooperation", 21st May 2010, MEMO/10/206.
24. See European Commission Press Release, "EU and Vietnam launch negotiations for a comprehensive Free Trade Agreement", 26th June 2012 (IP/12/689).
25. European Commission Press Release, "EU and the Philippines sign Partnership and Cooperation Agreement", 11th July 2012 (IP/12/775).
26. "Joint Statement by the European Union and Singapore on the initialling of the EU-Singapore Partnership and Cooperation Agreement", 14th October 2013, 131014/02.
27. Website of the Aceh Monitoring Mission.
28. Paul Lim, "ASEAN's relations with the EU: Obstacles and opportunities", *EU External Affairs Review*, July 2012, pages 56-57
29. European Commission Press Release, "The EU accedes to the Treaty of Amity and Cooperation in Southeast Asia", 12th July 2012 (IP/12/781).
30. This came with the 19th ASEAN-EU Ministerial Meeting, Bandar Seri Begawan, 26th-27th April 2012.
31. "On climate change, the Ministers reaffirmed the commitment to develop a protocol, another legal instrument or an agreed outcome with legal force under the UN Framework Convention on Climate Change (UNFCCC) applicable to all Parties and expressed their determination to adopt the said document at the 21st Session of the Conference of the Parties (COP21), which will be held in December 2015 in Paris, France."



32. “The Ministers welcomed the progress in the negotiations on the Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements between the EU and several ASEAN countries to prevent illegal logging, which should be dealt in a comprehensive manner and cover all of the territories at national level to ensure the FLEGT- VPA’s credibility and integrity.”
33. Paul Joseph Lim, “What has ASEAN offered or could offer to the European Union in their relationship?”, *ASEAN Outlook*, December 2013, No. 008, page 11.
34. Support for the ASEAN Inter-governmental Commission on Human Rights (AICHR) and the ASEAN Commission for the Promotion and Protection of the Rights of Women and Children (ACWC) in terms of exchange of good practices, information, dialogues, seminars and other capacity building initiatives.
35. The Statement spoke of possible development of an Action Plan on Transnational Crime.
36. “The Ministers further underlined the importance of conventional arms control and looked forward to the entry into force of the Arms Trade Treaty.”
37. See Council of the European Union, “Guidelines on the EU’s foreign and security policy in East Asia”, (11492/12), 15th June 2012, page 7.
38. Commission Press Release of 13th July 2011 on Commissioner Karel De Gucht’s visit to China and Singapore (IP/11/871).
39. Reported in *Today*, on-line dated 13th September 2012, from Phnom Penh: “A planned economic union in South-east Asia is likely to be delayed by a year until the end of 2015 because some countries are not ready, Mr Surin Pitsuwan, Secretary-General of the Association of Southeast Asian Nations (ASEAN), said yesterday”.
40. European Commission, Directorate-General for Trade, “The EU’s bilateral trade and investment agreements – where are we?” dated 3rd December 2013.
41. 11th May 2011 resolution on “The annual report from the Council to the European Parliament on the main aspects and basic choices of the Common Foreign and Security Policy (CFSP) in 2009”, presented to the European Parliament in application of Part II, Section G, paragraph 43 of the Inter-institutional Agreement of 17th May 2006 [P7_TA-PROV (2011)0227, A7-0168/2011].
42. See article, “EP urges the Commission and Council to start talks on EU-Taiwan trade agreement” dated 2nd October 2013 in *European Business*





Review. This article echoed the often said message of Taiwan that closer EU-Taiwan economic ties will provide EU enterprises with ample opportunity to enter mainland China's market using Taiwan as a springboard.

43. *Taipei Times*, 17th May 2014.
44. *Taipei Times*, 10th May 2014.
45. See Council of the European Union, "Guidelines on the EU's foreign and security policy in East Asia" (11492/12), 15th June 2012, page7.
46. ASEAN Defence Ministers Meeting plus those of its partners.
47. This was an attempt to re-start relations with ASEAN after the failure of having a new EU-ASEAN agreement and soured relations over human rights.
48. Pages 8-10.
49. Page 10.
50. Pages 12-13.
51. A328/12.
52. Speech/12/596, 12th September 2012.

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Book Reviews







Book Review

Enze Han, *Contestation and Adaptation: The Politics of National Identity in China*, Oxford and New York: Oxford University Press, 2013, 207 pp. + xvii

How various ethnic minority groups in China come to contest or adapt to Chinese national identity? Enze Han struggles with this question in *Contestation and Adaptation: The Politics of National Identity in China* by analysing different political strategies adopted by five major ethnic groups in China with regard to their negotiations of national identity with the Chinese state. Challenging the conventional approaches that focus overwhelmingly on policies and practices of the authoritarian Chinese state, Han argues that “domestic factors alone are not sufficient enough for political mobilization” and international factors that “condition ethnic groups’ preference formation as well as their propensity for national identity contestation” are even more important (p. 147). Developing his own theoretical framework that includes two independent variables – if an ethnic group is economically better-off than its external kin relations and whether the group receives substantial international support, Han aims to systematically examine politically active cases together with the other nonactive cases to unveil “how different groups have resisted or acquiesced in their dealing with the Chinese state and majority Han Chinese society” (p. 19).

After laying the theoretical foundation of his study and presenting the main theoretical configurations in Chapter 1, Han succinctly outlines in the second chapter the general situation of ethnic politics and nation-building efforts in China by picturing a historical narrative and recent developments. With this background information in place, the following





five chapters proceed to analyse five major ethnic minority groups to explore what role external cultural ties and international supports play in the making of each group's national identity contestation and adaption process. Han finds out that four of his selected groups – the Uyghurs, Koreans, Mongols, and Dai – all fit relatively well into one of the framework's four scenarios. Both the Uyghurs and Koreans perceive evident economic, cultural, and political appeal of their external kin relations, but the Uyghurs receive vast ideological and material support from abroad to facilitate their actual national identity contestation, whereas the Koreans do not acquire any external support that aims to politicize their cause. The Mongols, on the other hand, observe better political and cultural alternatives in the country of Mongolia, but they do not consider it as being able to present a stronger economic model, nor do they receive any explicit support from their external kins. Thus the Mongols in general did not and do not tend to actively contest the Chinese national identity. In contrast to the Uyghurs, although the Dai have cultural relations outside China, the bleak political and economic situations in Burma and Laos encourage the Dai to cherish the benefit of being part of China, so that they are willing to adapt themselves to the Chinese national identity and even to become assimilated. The Tibetan situation is chosen as a theory-testing case to demonstrate the general validity of Han's theoretical framework. By delineating the Tibetan identity contestation movement in the past sixty years, Han persuasively shows that international support plays a crucial role in the pattern of political mobilization of the Tibetan nationalists. The book ends with two policy implications proposed by its findings: to prevent ethnic separatism, the Chinese state should improve the living conditions of ethnic minority groups and seek means to restrict possible external support they receive from outside.

In a novel approach to studying how external factors interact with domestic politics in the making of ethnic minority groups' decision to contest or adapt national identity in current China, Han innovatively creates a theoretical framework concentrating on external kin ties and their comparative living conditions, and international support for mobilization. Utilizing data collected through his field researches in



China, Han offers an insightful empirical analysis that demonstrates a positive correlation between variations in these independent variables. Han convincingly shows that the group's external kin relations and its perceptions about the relative strength of competing states are key factors in accounting for the variation in its decision. International support is another deciding variable that affects whether and how a group will pursue national identity contestation.

A point of contention may be that one of Han's proposed policy implications is to restrain "the international space for dissenting ethnic groups" (p. 150). Such suggestion is certainly welcome, yet one may wonder how the contemporary Chinese state can adopt a more assertive foreign policy and at the same time also improve diplomatic relations with potential supporters of domestic ethnic groups – most of these countries are actually the external ties of these groups. Although the Chinese government has in the recent years "courted favor with countries such as Nepal with regard to Tibet, and Central Asia with regard to Xinjiang," will all of China's neighbouring countries really "cut off the external support certain ethnic groups [in China] receive" (p. 150)? Or will they contest to China if their ethnic kins in China are in conflict with the Chinese state?

This minor caveat aside, *Contestation and Adaptation* is a very informative and insightful book, and few will come away without picking up new ideas. Han's sophisticated elaboration of the complexities of national identity contestation and adaption among various ethnic minority groups in China has raised the level of debates in China's nation-building. Packed with substantial information and convincing arguments, this book is good read not only for those who work in China studies but maybe even more so for scholars on other cultures and comparative topics like ethnic politics, national identity, and political mobilization.

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Book Review

William C. Kirby (ed.), *The People's Republic of China at 60: An International Assessment*, Cambridge, MA and London: Harvard University Asia Center, 2011, 418 pp + xii

This volume is the outgrowth of a conference held at the Fairbank Center for Chinese Studies of Harvard University with generous support from the Lee and Juliet Folger Fund. In fact, this conference took place a little ahead of 1 October 2009 when the People's Republic of China (PRC) commemorated its 60th anniversary since its establishment on 1 October 1949. The book seeks to assess where the PRC has been, where it is now, and where it may be going. The two big questions lurking behind many of its chapters are: (1) Is the PRC, after its first three, and arguably its first four, decades of internal strife and turmoil, finally "at ease"? (2) Is it here for the dynastic long haul? While the editor has neatly divided the PRC's 60 years into two 30-year segments, his argument focuses on the condition and longevity of the Chinese ruling system.

Although this volume is divided into five sections with 26 chapters, it still really needs coverage on some pressing issues. First of all, it generally explains the speeches, reports and orders of Mao Zedong (transcribed as Mao Tse-tung), the iconic leader who defined modern China. But it does not provide a frequently overlooked analysis on the failure of his socialism and particularly his role as pro-Marxist leader of a communist revolution in a war-torn and largely rural country to the Great Leap Famine of 1958-1962 beyond his Cultural Revolution that is viewed as one of the deadliest man-made mass killings in human history. However, though it regards Deng Xiaoping's post-Mao (since Mao's





death in 1976) market-oriented economic reforms as a new life into the country's dwindling polity, the Tiananmen uprising of 1989 raised a serious doubt about the durability of the regime. Thus, it would have been fine if the editor added a separate chapter with more sophisticated observations about the legacy of this nation's great change-maker under his successors Jiang Zemin and Hu Jintao who have managed the fastest sustained economic expansion of the PRC during 1990s and 2000s. Also, when nothing is said about the widespread corruption within the Chinese Communist Party, the key questions remain unanswered in this book include: How has China succeeded at economic market reform without changing its communist rule? Could China continue its growth without political reform? Will such an authoritarian state ultimately democratize?

It is interesting that a chapter unfolds the historical context of Chinese entrepreneurs and impressive success of their business ventures while sketching a masterly balance of the government-business relationship in this country. Nonetheless, the volume does not properly investigate why China's explosive economic growth since 1988 has not resulted in an equal increase of income among all Chinese people. Admitting that another important chapter considers both past and current state of Chinese public healthcare system, it has a shortcoming of any insight into China's industrial pollution that threatens the health of the country's citizens and also the natural resources on which their economy depends. An in-depth study on the state responses to unemployment and inequality is also absent, when poverty is still a major issue on the agenda for rural China. In addition, this volume has fully overlooked the evolving impact of civil society in providing social welfare services in the PRC. It seems needful that the book examines the role of Chinese revolutionaries and intellectuals in the turbulent process of PRC's modernization. But it sounds superfluous, as the book has included a long chapter on such less important topic as politics of national celebrations (state parades, sports festivals, etc.).

The book traces the twists and turns of the PRC's foreign relations in the post-Cold War world since 1991. According to the editor, China had "stood up" twice only to find itself in the most dangerous strategic



position of the modern world history, and one of the long-time goals of Chinese foreign policy has been to “catch up” with great powers. But while he relates Japanese full-scale war of aggression against China to Sino-Japanese rivalry, his work lacks any exploration of how Japan’s economic cooperation with China has profoundly impacted the latter’s growth. Nonetheless, when Beijing despite its growing power is hampered by both domestic and international constraints, the editor might have shown how China is increasingly getting involved in multilateral organizations as well as global governance. More critically, this big volume has missed out on another most significant aspect of China’s international political economy because the country is one of the world’s biggest trading powers as well as the largest recipients of inward foreign direct investment (FDI). While the book ends with “We will need a new paradigm to actually come to grips with China’s past, present, and future because, let’s face it, China might not be changing itself, but it certainly is changing the world” (p. 418), it has not eventually answered whether China’s rise will be a “threat” to global peace and security when Beijing advocates “peaceful rise” as its official policy.

It is redundant to say that the editor has actually adopted a holistic approach to write this volume rather than taking any specific analytical or theoretical groundwork in an effort to cultivate an intelligent discussion of the PRC’s past, present and future. As he himself has confessed: “Participants at the conference were asked to deliver not scholarly papers but talks and essays for general audience” (p. 1). Actually, most of the volume’s contributors (including the editor) are historians of earlier epochs. Besides, when *An International Assessment* is the sub-title of the book, it has by using a set of evaluation standards not essentially defined the term “Assessment” as a systematic determination of PRC’s pitfalls and potentials.

Despite some flaws, this compiled book has a number of merits. To be more concrete, its authors are the leading China scholars from three continents (North America, Europe and Asia). While the toughest challenge of an edited volume is establishing a coherent theme with quality analysis that ties all chapters together, it may be seen as an



authoritative one to understand from an elegant interdisciplinary fashion some decisive political, economic, social and cultural concerns of the PRC during the last 60 years. From this memorable and international undertaking, we have also come to know how China in its three-decade-long shift from a planned and broadly egalitarian socialism to an open and state-controlled capitalism has remarkably transformed itself from a desperately peasant-dominated poor nation into one of the richest economic powers with an expanding middle class and more modern megacities than anywhere else on earth. Several Chinese-language essays with English-language abstracts have been included in this original work as well. Although there are a few books on the similar subject, this exceptional piece strongly challenges the historical legacies, ideological principles and institutional settings that have shaped the political culture of today's China.

In conclusion, it is true that the book is written with a wide gamut of perspectives on China. It will nevertheless be a required reading for the students studying contemporary PRC. It will at the same time be of interest to any China watcher who wants to learn how this emerging player embarks upon a new era not only of regional challenges and responsibilities but also of global attention and influence.

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Book Review

Stephen Bell and Hui Feng, *The Rise of the People's Bank of China: The Politics of Institutional Change*, Cambridge: Harvard University Press, 2013, 376 pp. + viii

As one of the most powerful central banks in the world, the People's Bank of China (hereinafter PBC) has attracted more attention from the academia than what it used to be. However, the current literature shows less concerns about the historic and policy interactions between PBC and the Communist Party of China (hereinafter CPC). Stephen Bell and Hui Feng's *The Rise of the People's Bank of China* timely makes up for this deficiency in the literature of PBC.

Based on documentary writings and elite interviews, Stephen Bell and Hui Feng examine the dynamics of PBC, particularly its rising authority in CPC's decision-making hierarchy, and how this essential institution accumulated its authority in the monetary and financial policymaking of China.

This book features three thematic parts. Part 1 (chapters 1-2) overviews the research framework and methodology. The following pages (chapter 3-7) analyse the political and institutional contexts, in which PBC's authority witnessed gradual evolution since 1978, review how PBC's leaders utilize the resources and expertise to strengthen PBC's authority, and demonstrate that PBC's authority has become more prominent than what it used to be. The final part (chapters 8-12) stresses the strong points and weak points of PBC's rise, which have been reflected in monetary policy, rate policy and financial reform.

In this book, Bell and Feng at least offer three contributions to the literature of PBC. First, in the opinion of the authors, institutional





theories (e.g., path dependency theory) could partially explain the factors shaping changes at PBC, and “agents ultimately propel change” (p. 27). Therefore, this book introduces the theoretical approach of “agents-in-contexts” (p. 27), which could be illustrated as “an agent-centered historical institutionalism” into the studies of PBC (p. 22). That is, the authors address the informal interactions between agents and institutional contexts within CPC’s decision-making hierarchy, especially the preferences of senior elites and bureaucrats, which are “shaped by the norms and goals of policy and professional competence and performance” (p. 21).

Second, as the authors point out, the outside-in approach (e.g., international pressure and elite politics) could only influence China’s monetary and financial policymaking to some degree, rather than presenting significant impacts on PBC’s status in the process of policymaking. In contrast, the empowered agents (e.g., PBC) could “push against the inertia of the legacies of the past and forge new ties and change strategies” (p. 151), which in turn would maintain its status in the financial and monetary policy-making hierarchy.

Third, Bell and Feng challenge the polarized narratives of PBC’s status in China’s monetary policymaking, that is, a dichotomy between a puppet institution and an independent kingdom within the CPC’s policy-making hierarchy. As the authors suggest, PBC has gained an indispensable status in the hierarchy, because of its three significant strong points: first, PBC has expertise in monetary and financial policy; second, PBC has been establishing a credible record in policymaking; third, PBC is good at maintaining “strong mutual dependencies between the PBC and leadership of the party-state” (p. 111). On the other hand, it seems impossible for PBC to be an independent kingdom within the hierarchy because PBC has been facing several critical challenges, such as “abolition of financial repression” and “marketization of interest rate” (p. 310).

It is worth noting that several variables would have impacts on PBC’s authority in the coming future. For instance, in 2013, CPC established a central leading team for “comprehensively deepening reform”, which is chaired by President Xi Jinping, and in charge of



supervising the implementation of reform plans as a whole. What are the policy implications of this historic event to the authority of PBC? Could the newly-established leading team help PBC to walk out of the significant dilemma (i.e., utilizing market-oriented measures to deal with the non-market institutional issues) in the process of transition? Moreover, is the theoretical approach of “agents-in-contexts” applicable for the studies of other important financial institutions in CPC’s decision-making hierarchy? The answers to these questions should be highlighted in the future studies.

In short, *The Rise of the People’s Bank of China* reveals the politics of China’s monetary and financial policymaking, particularly PBC’s increasing authority within CPC’s policy-making hierarchy. It is a useful resource for scholars and policymakers who are interested in PBC, and China’s financial and monetary policymaking. In addition, those who are concerned about these research topics will certainly benefit from this book.

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Book Review

Ashok Kapur, *India and the South Asian Strategic Triangle*, London and New York: Routledge Publications, 2011, pp. 214 + vii

India-China relationship is very complex. One of the major reasons for the existing political tensions between them is the 1962 India-China war that still guides their bilateral relationship, and another pertinent reason being their common objective of being a global power. Contrary to these, they are leading trade partners of each other, and their political relationship has not marred bilateral cooperation in the economic arena. On the basis of their economic cooperation, it is being assumed that the spillover of this cooperation would improve their political relationship, but, till now, not such thing has happened. Both countries have kept politics and economics in separate categories, and never let one to influence the other.

In his book, Ashok Kapur has discussed India-China relationship from the strategic point of view. This is how he defines a strategic triangle: “A triangular (or multipolar) relationship between countries is strategic when polarities are deeply entrenched and the issues in conflict are either settled by war – as in case of Nazi Germany versus the US/UK and USSR triangle during the Second World War; or there is a prolonged confrontation that involves military preparations and military fights, ideological and status disputes and diplomatic controversies, as in the case of relationships between China, India and Pakistan” (p. 52).

During his course of study about the South Asian strategic triangle, Kapur has sought help of Martin Wight’s concepts, but only to differ with him. Ashok Kapur himself has developed various analogies and applied them in his study of the South Asian strategic triangle. Unlike





Martin Wight's outline of the first and second rounds of a three-cornered relationship before termination, applying his version of strategic triangle on India and China, he has talked about the existence of *the pre-1947 triangle and the relationship during Nehru, and like-minded successors and post-Nehruvian influenced foreign policy orientation*.

About the first phase, he writes that until the beginning decades of the 20th century, Russia, British India and the Manchu rulers were the main players in the commercially and strategically important Himalayan zone. Britons through Tibet managed to check the imperial advance of Russia, and also accommodated the Manchu dynasty's claims in Tibet by accepting the theory of Chinese suzerainty but not its sovereignty, while recognizing Tibetan autonomy (p. 84). Ashok Kapur further writes that despite such importance of this region, which was extended from Afghanistan to British India's northeast areas and Burma, it had been largely ignored by the Indian Congress Party, and its main maker of foreign affairs - Pandit Jawahar Lal Nehru (p. 83). Opposition to the British imperialism was an ideological fixation in Nehru's thinking, and it led him to minimize the importance of attending to the Himalayan affairs on a geo-political basis. The strategic and commercial importance of the Himalayan zone did not end with Indian independence in 1947, but its course was altered by Indian policies that reduced India's power in the region.

In the first phase itself, Ashok Kapur writes that after the Chinese Communist Party's (CCP) government settled down in Beijing, China made a strategic advancement in this region. On the other hand, India, as a harbinger of world peace, grossly neglected China's strategic statecraft and kept on promoting China on the world stage. Citing S. Gopal, he writes that the image of China as a peace-loving state, and a view that the responsibility for the Cold War lay in part with US aggressiveness towards the Communist world, were propagated by the Indian ambassador to Moscow, S. Radhakrishnan, and by Nehru and his officials in various world capitals (p. 83). In the second triangle, China changed the rule with its military action and aggressive diplomacy. Faced with the use of military force to settle a political question – first by Pakistan in Kashmir in 1947-48, and then by China in Tibet in 1950



– Nehru and his advisers did not amend their worldviews; they stuck to their anti-power politics, anti-military, pro-China positions and elevated them to the category of an official, non-negotiable Indian diplomatic ideology. He writes that Nehru, as a student of world history, learnt nothing along the strategic line, relying instead on the comforting thought that no one would dare attack India; and if anyone does, the major powers would save India (p. 92).

In the second triangle, two major changes occurred in Chinese strategic thinking which highlighted the rise of two elements in Chinese conduct: the use of brute military force and psychological warfare. China had two targets in 1950 – Tibet was its military target that was dealt with by force; and India was its other target that was to be dealt with psychological warfare (p. 95). Ashok Kapur writes that China's psychological warfare strategy worked with Nehru's India because of anti-war, anti-imperialism and pro-China policy of the government. His government lacked internal discipline and balance and clarity in its approach towards Chinese and Tibetan affairs. On the other hand, Mao was a student of Sun Tzu. Instead of leading by evidence, Nehru and his advisers led by their beliefs. They ignored the implications of Beijing's moves and the advice of insiders like Sardar Vallabhbhai Patel and G.S. Bajpai.

According to B.N. Mullik's account, as cited by Kapur, there was an ambiguity in Nehru's China policy. During 1950-59, in public, Nehru took a favourable view of China's peacefulness and mis-assessed its political will. But at the same time he was mindful of China's eventual threat to India – hence there was an instruction by the government to treat China as a primary intelligence target; but there was a feeling among a section of officials that China could be turned around to adopt the path of peace and development – hence the emphasis was on China-India peace and friendship diplomacy (p. 103). On the basis of his study of history, Kapur has drawn three major hypotheses for the 1962 India-China war (p. 105). The most important reason for the 1962 war, according to Kapur, was: China's desire to establish the "Middle Kingdom". The war with India and those with other neighbours, thereafter, were means towards that end. Added to it was Mao Tse-tung's



statement on Tibet as the palm of the five fingers of Ladakh, Bhutan, Sikkim, North East Frontier Area (NEFA) and Nepal that merited liberation. On the issue of then negotiation between India and China over border disputes, Kapur maintains that China's willingness to negotiate was to first delay consideration of the issue until the time was ripe; it became ripe after the Aksai Chin road was established, and then time was ripe to argue that the old Chinese Nationalists' maps were the basis of China's claims and a boundary dispute existed.

After the 1962 war, India learnt its lesson in international politics and strategy. 1962 was a psychological and political turning point in Indian decision-making machinery – civilian and military. From Nehru's obsessive faith in peace diplomacy and a no-war policy with China, Indian leadership accepted China as a real threat. After the death of Pandit Nehru, Indian leadership successfully tried to come out from his idealistic foreign policy and his views about China. This was clearly visible when Indian prime minister Lal Bhadur Shastri saw China as "India's main enemy" (p. 138). Also, post-1962 saw defence spending jumped from 2.1 per cent in 1962 to 4.5 per cent in 1964 (p. 139). Similarly, in 2002 erstwhile socialist and then defence minister George Fernandez unequivocally mentioned China as India's enemy number one.

As a result of the 1962 debacle, Kapur writes, post-1962 witnessed the formation of a new triangle engaging India-Pakistan-China. He writes that the main players in this triangle are India and China, while Pakistan has been used by China to check India and fulfill its strategic interests in this region. China has acted according to its interests and has kept on changing its policies towards Pakistan. In both the 1965 and 1971 India-Pakistan wars, China only issued mere threats to India and clearly maintained a distance from those wars. On Kashmir dispute, China, to serve its self-interests, has kept on switching its position from pro-Pakistan to neutrality. This has been visible more than often. Addressing the Pakistan parliament in 1996, Jiang Zemin, then president of the People's Republic of China (PRC), said: "if Kashmir issue could not be resolved immediately then it should be put on the back burner and South Asia should concentrate on economic cooperation."¹ This was



shocking for Pakistan.

Sino-India relationship was re-built in 1980s. After that, many committees and sub-committees were set up to look into their disputes. The relationship has been matured since 1990s because of common economic interests. Despite such developments, tensions over myriad issues remain there. The two countries are engaged in the encirclement-cum-containment of the other. Even after more than seventeen rounds of bilateral talk between the representatives, the border issue between India and China still remains contentious. It is being assumed that Beijing has often been very flexible about principles in reaching territorial settlements with other states. In the case of India, rather than being flexible, Beijing has chosen to stand firm – in principle, making solution of the territorial conflict less likely.²

This book has theoretically analysed the strategic triangle between India and China; and it caters to the academic purpose of a particular segment of Indian scholars.

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