

**Title:** *International Journal of China Studies*  
**ISSN:** 2180-3250  
**Publisher:** Institute of China Studies, University of Malaya  
50603 Kuala Lumpur, Malaysia

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*, *eJEL*, *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)*.

Website: <http://ics.um.edu.my/?modul=IJCS>

Manuscripts for consideration and editorial communication should be sent to:

The Editorial Manager  
*International Journal of China Studies*  
Institute of China Studies  
University of Malaya  
50603 Kuala Lumpur, Malaysia  
Tel: +(603) 79565663  
Fax: +(603) 79565114

For further information, please write to [ijchinastudies@gmail.com](mailto:ijchinastudies@gmail.com)



# International Journal of China Studies

**Volume 7      Number 3      December 2016      ISSN 2180-3250**

## Research Articles

How Much “State” is in China’s State Enterprises? – 245  
A Case Study of ZTE Corporation in an Era of Reform  
*Li Ran and Cheong Kee Cheok*

Enabling African Regional Infrastructure Renaissance through 271  
the China-Africa Partnership: A Trans-Continental Appraisal  
*Clayton Hazvinei Vhumbunu*

China’s Dilemma in the South China Sea and the 301  
Arbitration Tribunal – Implications on China’s Regional  
Strategy in Southeast Asia  
*Luong Dinh, Julia*

Factional Pull: Measuring the “Tuanpai Effect” on 319  
Elite Formation from 1992 to 2012  
*Alex Payette*

Banishment of Anti-Communist Chinese to Formosa: 351  
The British as Effectual Mediators in Malaya  
*Low Choo Chin*

## Research Note

The 21st Century Maritime Silk Road and China-ASEAN 375  
Industry Cooperation  
*Lu Jianren*

## Book Review

Priscilla Roberts (ed.), *The Power of Culture: Encounters between* 393  
*China and the United States*  
*Reviewed by Peter Chang Thiam Chai*

# International Journal of China Studies

## Notes for Contributors

### Submission Notes

1. Manuscripts submitted for publication in the *International Journal of China Studies* should focus on contemporary China and her relations with other countries and regions, in the context of regional and global development, and more specifically, issues related to the political, social and economic development, trade and commerce, foreign relations, regional security and science, medical and technological development of contemporary Mainland China, Taiwan, Hong Kong and Macau.
2. A manuscript submitted should be an original, unpublished work not under consideration for publication elsewhere.
3. All manuscripts under consideration for publication will be refereed via a double blind reviewing process.
4. The contents of a published article in the *International Journal of China Studies* reflect the view of the author or authors and not that of the editors of the journal or the Institute of China Studies, University of Malaya.
5. The editors of the journal do not accept responsibility for damage or loss of manuscripts submitted.
6. Manuscripts submitted should be written in English with Microsoft Word in Times New Roman font, size 12 and with 1.5 line spacing, and should not exceed forty pages (or in the case of a book review, not exceeding three pages) inclusive of tables, charts and diagrams, notes, list of references, and appendices. A short note on the author, including name, academic title and highest qualification (e.g., professor, senior lecturer, PhD, MSc, etc.), institutional affiliation, full postal address and institutional e-mail address, and telephone and facsimile numbers should be included. In the multi-author case, the corresponding author should be identified. An abstract of 100 to 250 words and a list of three to five keywords should also be given.
7. Copyrights of accepted manuscripts will be transferred to the *International Journal of China Studies*.
8. Authors must obtain permission to reproduce all materials of which the copyright is owned by others, including tables, charts, diagrams and maps, and extensive quoting should be avoided.
9. Book review submitted should focus on new or recent publications, and the book title, author, city/publisher, year of publication and total number of pages should be shown above the review.
10. Manuscripts and book reviews should be sent by e-mail to [chinastudies@um.edu.my](mailto:chinastudies@um.edu.my) and [ijchinastudies@gmail.com](mailto:ijchinastudies@gmail.com), addressed to the Editorial Manager, *International Journal of China Studies*, Institute of China Studies, University of Malaya, 50603 Kuala Lumpur, Malaysia.

### Stylesheet

1. Check carefully grammar and spelling before submitting the article.
2. Use British English, but alternate *-ize* spelling is permissible. Also note that a billion = 1,000,000,000 and a trillion = 1,000,000,000,000.
3. Make headings and subheadings identifiable, and try to avoid sub-subheadings.

(continued inside back cover ...)

(... continued from inside front cover)

4. A list of references should be compiled, and notes should be placed under a "Notes" heading. Notes and the list of references should be placed at the end of the article.
5. Use full point for decimal and commas for numbers 1,000 and above. A zero must always precede decimals less than 1.
6. Use "per cent", not "%", except in tables and charts.
7. For dates, use day-month-year format (e.g., 1st January 2010), and spell out the months to avoid ambiguity.
8. Do not use apostrophes for decades (e.g., 1990s, not 1990's or '90).
9. For short phrasal quotations, full points and commas fall outside a closing quotation mark. However, where the quote is a complete sentence, the full point falls inside the closing quotation mark.
10. Long quotations, if unavoidable, should be indented, using no quotation marks. The author should take note of the copyright implications of long quotations.
11. Use unspaced hyphens, not dashes, in pages and year spans, and write all page numbers and years in full (e.g., 245-246; 1997-1998).
12. Use British "open" style for abbreviations, with no full points in the following: Dr, PhD, Ltd, Mr, Mrs, US, EU, m, km, kg, ft, eds, vols, nos, but retain full points in ed., vol., no., p., pp., i.e., viz., e.g., etc., ff., *et al.*, *ibid.*, *op. cit.*
13. Use full capitals only for abbreviated names: UN, EU, USA. Only capitalize the first word and important words (verbs, nouns, pronouns, adjectives and adverbs, but not definite and indefinite articles, prepositions and conjunctions) in headings and book titles. Use "State" (except in quotations if the original is not so capitalized) to refer to the central body politic of a civil government and "state" to refer to other senses of the term, including a country or a political territory forming part of a country (except when the term begins a sentence).
14. A non-English term or word should be italicized but the s-ending (if added) in its anglicized plural form should not be italicized, but note that names of institutions, organizations and movements, local or foreign, and names of currencies, local or foreign, should not be italicized. Quotations from books or direct speech in a non-English language and set in quotation marks (followed by an English translation in square brackets) should not be italicized. Quotations translated by the author of the manuscript into English should be so indicated.
15. Use the APA/ACS style for in-text citation with list of references at end of text, with commas, e.g., (Lin, 1998: 24), for in-text citation, and in list of references: Shleifer, A and R. Vishny (1994), "Politicians and Firms", *Quarterly Journal of Economics*, Vol. 109, pp. 995-1025; Steiner, Jürg (1974), *Amicable Agreement versus Majority Rule: Conflict Resolution in Switzerland*, rev. ed., Chapel Hill: University of North Carolina Press; Moscovici, Serge (1985), "Innovation and Minority Influence", in Serge Moscovici, Gabriel Mugny and Eddy van Avermaet (eds), *Perspectives on Minority Influence*, Paris: Maison des Sciences de l'Homme and Cambridge: Cambridge University Press, pp. 9-51. The title of a book or article etc. in a non-English language should be shown in the original language or its Roman transliteration and followed by a translation into English in square brackets. Note that the title of a book or journal which is in italics in the original language or its Roman transliteration should not be italicized in the English translation unless an English translation of the book or journal has been published.

Typeset by Ivan Foo Ah Hiang

Printed by University of Malaya Press  
University of Malaya, Lembah Pantai  
50603 Kuala Lumpur, Malaysia

# International Journal of China Studies

## Chairman

Danny WONG Tze Ken, *Universiti Malaya*

## Founding Editor and Consultant

Emile Kok-Kheng YEOH, *Universiti Malaya*

## Editor-in-Chief

NGEOW Chow Bing, *Universiti Malaya*

## Editors

LEE Poh Ping, *Universiti Malaya*

KUIK Cheng Chwee, *Universiti Kebangsaan Malaysia*

LING Tek Soon, *Universiti Malaya*

ZHANG Miao, *Universiti Malaya*

LI Ran, *Universiti Malaya*

FAN Pik Shy, *Universiti Malaya*

## Editorial Board

Gerald CHAN, *University of Auckland*

Brantly WOMACK, *University of Virginia*

Evelyn DEVADASON, *Universiti Malaya*

Gregor BENTON, *Cardiff University*

Mark HAYLLAR, *City University of Hong Kong*

Carlyle THAYER, *University of New South Wales*

Jonathan BENNEY, *Monash University*

Michael JAKOBSEN, *Copenhagen Business School*

David MCMULLEN, *Cambridge University*

Samuel C.Y. KU, *National Sun Yat-Sen University*

Shiping HUA, *University of Louisville*

Suzanne OGDEN, *Northeastern University*

Wing Thye WOO, *University of California-Davis / Jeffrey Cheah Institute*

YAN Jirong, *Peking University*

BO Zhiyue, *Victoria University of Wellington*

Joseph Y.S. CHENG, *City University of Hong Kong*

Lowell DITTMER, *University of California-Berkeley*

THAM Siew Yean, *Universiti Kebangsaan Malaysia*

*International Journal of China Studies*, Vol. 7, No. 3, December 2016

© Institute of China Studies  
First published in 2016

#### COPYRIGHT

All rights reserved. No part of this publication may be reproduced, copied or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without written permission from the publisher. Under the Copyright Act 1987, any person who does any unauthorized act in relation to this publication shall be liable to prosecution and claims for damages.

Typeset by Ivan Foo Ah Hiang

Printed by University of Malaya Press  
University of Malaya, Lembah Pantai,  
50603 Kuala Lumpur, Malaysia

---

The *International Journal of China Studies* is a triannual academic journal of the Institute of China Studies, University of Malaya, Malaysia. 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)*.

Website: <http://ics.um.edu.my/?modul=IJCS>

Manuscripts for consideration and editorial communication should be sent to:

The Editor, *International Journal of China Studies*  
Institute of China Studies, University of Malaya  
50603 Kuala Lumpur, Malaysia

Tel: +(603) 79565663

Fax: +(603) 79565114

E-mail: [chinastudies@um.edu.my](mailto:chinastudies@um.edu.my), [ijchinastudies@gmail.com](mailto:ijchinastudies@gmail.com)

Further editorial communication and acquisition, subscription and other enquiries could also be sent to:

Miss Susie Ling, *IJCS* Editorial Manager (E-mail: [susielyp@um.edu.my](mailto:susielyp@um.edu.my))

## Contents

### Research Articles

How Much “State” is in China’s State Enterprises? – 245  
A Case Study of ZTE Corporation in an Era of Reform  
*Li Ran and Cheong Kee Cheok*

Enabling African Regional Infrastructure Renaissance through the 271  
China-Africa Partnership: A Trans-Continental Appraisal  
*Clayton Hazvinei Vhumbunu*

China’s Dilemma in the South China Sea and the 301  
Arbitration Tribunal – Implications on China’s Regional  
Strategy in Southeast Asia  
*Luong Dinh, Julia*

Factional Pull: Measuring the “Tuanpai Effect” on 319  
Elite Formation from 1992 to 2012  
*Alex Payette*

Banishment of Anti-Communist Chinese to Formosa: 351  
The British as Effectual Mediators in Malaya  
*Low Choo Chin*

### Research Note

The 21st Century Maritime Silk Road and China-ASEAN 375  
Industry Cooperation  
*Lu Jianren*

### Book Review

Priscilla Roberts (ed.), *The Power of Culture: Encounters between* 393  
*China and the United States*  
*Reviewed by Peter Chang Thiam Chai*



# **Research Articles**





## **How Much “State” is in China’s State Enterprises? A Case Study of ZTE Corporation in an Era of Reform**

*Li Ran\* and Cheong Kee Cheok\*\**  
University of Malaya

### **Abstract**

There has been much debate about the role of the Chinese state, especially the efficacy of its state enterprises. This debate has been complicated by China’s state enterprise reform that produced a variety of state enterprises the characteristics of which challenge conventional definitions of such enterprises. By examining closely a major enterprise, ZTE Corporation, insights can be gained regarding a type of state enterprise, referred to as a “state holding enterprise”. Reform experiments have produced progressive reduction in state ownership without commensurate diminution of state control. Yet this control is only lightly exercised through ensuring compliance with state strategies. Corporate strategizing and management have been left in the hands of professional managers while even the board of directors is composed of company veterans. At the same time, links with the state has brought the Corporation a range of benefits from finance to preferential access to business opportunities. Whether it is state-control or government preferences which brought sustained profitability to the Corporation remains an open question. However, its track record of innovation, manifested through the number of patent applications, suggests that the quality of management did play an important role.

**Keywords:** *State enterprises, ownership, control, China*

### **1. Introduction**

The state has played a dominant role since the establishment of the People’s Republic of China in 1949, with this role fulfilled by state enterprises since 1978. Reform of state enterprises was a central area of reform in the country’s transformation towards a socialist market economy. One product of

this reform is that it is very hard to characterize a state enterprise in China today. Some enterprises are 100% owned by the state, while others are partially owned with varying degrees of state control. Some are held by a state enterprise which is a subsidiary of another state enterprise. In addition, there are enterprises over which the state has control despite having less than a controlling ownership share. Because of the complicated ownership of these enterprises, as well as an unclear link between ownership and control, characterizing state enterprises is not a simple matter.

This situation raises questions that have implications for both the applicability of theory as well as the meaning of state enterprise as currently understood. The western concept of public enterprise is defined by ownership, whether in whole or in part, by the state. Through ownership, control is exercised. To the extent it is the latter which really matters for the state, two related questions are, first, how control is exercised, and second, how does this control affect enterprise performance. Existing theories answer the latter question by pointing to the inferior performance of state enterprises compared to their private counterparts.

Gaining insights into the above issues in the China context is the overarching objective of this paper. The specific objectives are to: (1) clarify the meaning of state and state enterprise in the Chinese context, (2) assess the applicability of extant Western theories of public enterprise in light of (1) above, (3) link the complexity of Chinese state enterprises ownership and control and performance to the reforms that brought the situation about, and (4) view all the above through analyzing the case of ZTE Corporation, a large enterprise officially classified as a “state-holding enterprise”.

In the next section, we provide through a brief literature review the extant theoretical framework underlying this paper, making the case that the Chinese state does not necessarily conform to this framework. A review of China’s state enterprise reform that has produced the types of enterprises today is undertaken in section 3. Using a case study approach, we profile in section 4 ZTE Corporation, relating its development to the reforms mentioned earlier. The discussion is centred on the evolution of the magnitude and nature of state ownership and control. How these links with the state impact enterprise performance is the subject of section 5. The concluding section 6 draws together the main findings and highlights several implications, including for the application of existing theories.

## **2. Theoretical Underpinnings: Contestations of the Role of the Chinese State**

Western models have been extensively applied to China’s state sector. These models, based on agency theory, property rights theory, public choice theory

and neoliberalism, argue against state ownership of enterprises. Agency theory postulated that there would be interest conflicts between the principal and the agent if their interests diverged (Bebchuk and Fried, 2004). Property rights theory implied that the more direct and strengthened were the rights to the property, the better its assets would be used (Alchian and Demsetz, 1973). Public choice theory then argued that when politicians and government officials represented the state to manage public resources, they would give priority to their own interests instead of public interests that state enterprises were to cater to (Tullock, 1987). Finally, neoliberalism emphasizes the efficiency of private enterprises since private sectors face competition and open markets both of which lead to efficiency.

The above four economic theories suggested privatization of state enterprises as the appropriate strategy in the economic development of a nation. If privatization was adopted by state enterprise according to above theories, the enterprise would be much more efficient. Thus, mainstream theories combine to argue for decreased state involvement in order to realize better enterprise performance.

However, the four preceding theories have limited applicability to China, which has lived under a social and political system quite unlike the modern (Western) notion of a nation state against which these theories had been framed. However, other Western theories have partial relevance for China's state enterprises. One is the concept of "economic embeddedness" in which it is argued that human economy was always embedded in society (Granovetter, 1985). The term "embeddedness" expresses the idea that the economy was not autonomous as it was assumed in economic theory, but subordinated to politics, religion, and social relations. Contrary to the market liberalism's view that the state was "outside" of the economy, the state is part of society (Polanyi, 1957).

Another is market socialism, where a socialist state owns the means of production but the prices of commodities are determined by the free market (Buchanan, 1985; Gregory and Stuart, 2004). China is referred to officially as a socialist market economy which stemmed from the Chinese economic reform introduced by Deng Xiaoping. Also called "socialism with Chinese characteristics" (Deng, 1984), it was defined as "a multi-ownership-oriented basic market economic system, with the public ownership in the dominance" (*People's Daily Online*, 2007). When China began its reform, it felt that it could combine socialism with elements of the market economy (Bremmer, 2009; *The Economist*, 2012). As explained later, China's state enterprises are examples of this approach.

Features of the developmental state also apply to China. A developmental state is a state that follows a state-designed development path that favours state interventionism over a liberal open market (Leftwich, 1994).

The developmental state was conceptually positioned between a liberal open economy and a central planned model. So it was neither capitalist nor socialist. The China model of development also relies heavily on a proactive state role. This role is not unique to China, being an essential characteristic of the developmental state like Japan (Leftwich, 1995). What is different for China is that the respective states (Japan, Korea) intervened in the market to promote private sector enterprises (*The Economist*, 1997), the Chinese state supported its own enterprises to promote growth – the so-called “state-led model”.

Scholars, especially historians, have argued that China, while adapting to new circumstances, always looks back to its own history in seeking solutions to problems and challenges. Wang (2014) described how the May 4th Movement of 1919 became a reference point for subsequent movements and reforms. This is because it can draw lessons from over two millennia of history. Also the Chinese state’s boundaries are boundaries of China’s civilization, not just political delineations. So the state and institutions exist to make sure its civilization survives. This is why the Chinese state was said to be a civilization state (Jacques, 2011). China’s civilization was heavily influenced by Confucianism which was not democratic but hierarchical by tradition (Dawson, 2005), depended on an orderly structured society, and emphasize a code of behaviour over individual rights (Li, 1997).

Like the four theories before them, the above four theories of the Chinese state stress the importance of the role of the state and argues for the preservation of that role. Clearly, the Chinese assumption is diametrically opposed to that of mainstream Western theories considered applicable to public enterprises.

An increasing number of empirical studies of state enterprises now support this view (Ren, Zeng and Krabbendam, 2010; Woetzel, 2008; Zheng, Liu and Bigsten, 2003). These recent studies represent a major reversal of early empirical studies up to the 1990s which confirmed theoretical expectations about loss-making state enterprises. What accounted for this change? The answer lies in a series of major reforms state enterprises went through, discussed next.

### **3. China’s State Enterprises Reform**

Since the open door policy was adopted in 1978, the reform of the Chinese economy towards what Deng Xiaoping called “socialism with Chinese characteristics” followed a path that was in many respects unique. This uniqueness stemmed as much from the fact that it was gradual, pragmatic and experimental as from the simultaneous promotion of a non-state sector made up of private enterprises, foreign invested enterprises and

collectives alongside a large state enterprise sector undergoing reform. “Corporatization” was introduced to enhance the efficiency of the state enterprise while retaining the dominant position of the state, with larger autonomy for enterprise management to benefit from managerial incentives. At the same time, 100% state ownership was gradually transformed into a shareholding system of majority state shareholding with minority private equity participation (Cao, 2000).

Before China’s economic reforms in 1978, the state controlled the whole economy; all enterprises were owned and managed by the state, with planned pricing instead of market pricing. This system resulted in the loss of incentive to perform with poor performance the result (Groves, Hong, McMillan and Naughton, 1994). State enterprise reform took two main tracks – improvement of cooperate governance by better monitoring and giving incentives to employees, and reducing the proportion of state ownership (Boubakri, Cosset and Guedhami, 2009).

Corporate governance reforms were sequentially implemented. In the Third Plenary Session of the Eleventh National Congress in December 1978, it was announced that the management autonomy of state enterprises would be expanded by linking managers’ performance to their rewards. This was to be achieved in two ways. The first was increasing autonomy with respect to production plans which gave managers more rights in setting prices and wages, hiring and firing employees, investing of fixed capital and in foreign trade through a profit retention scheme. The second was linking profits or losses of state enterprises to employees’ benefits, with managers allowed to share part of enterprise profits.

This reform consisted of several major initiatives. 1984 saw the dissociation of state enterprises from the government and the separation of ownership rights and control rights. In January 1987, the contract responsibility system under which managers were allowed to share part of the profits was launched (Wang, 2004). After the contract was signed, the manager became the legal representative of the state enterprise and was responsible for its profits and losses. In November 1993, the Third Plenary Session of the Fourteenth National Congress set the target that enterprises would be legal entities in a modern enterprise system. Together with the corporatization of state enterprises, a corporate governance structure was adopted (Zhou and Xia, 2008).

In 2005, the China Securities Regulatory Commission (CSRC) allowed state enterprises listed on China’s stock exchanges (see below) to set up equity incentive plans under stringent conditions (China Securities Regulatory Commission, 2005). These conditions included precise definitions of the nature and quantum of incentives, which employees were to be recipients, the proportion of the general capital allocated to incentive payments, and the

lock-up period of the incentive equity. Thus, China's corporate governance reform has sought to link managerial incentives to enterprise's performance.

Governance reforms were accompanied by ownership reforms. In 1986, the state was motivated to introduce a joint-ownership system to state enterprises. Under these latter reforms, state enterprises would see state ownership progressively reduced, some becoming joint-stock enterprises through listing, foreign investment joint or intersect holdings (Zhou and Xia, 2008).

From 1987, state enterprises were equitized. In 1990 and 1991 respectively, the Shanghai and Shenzhen Stock Exchanges were founded to allow listing of state enterprises. Next, shares in listed enterprises were separated into tradable shares and non-tradable shares. The state and "legal persons" (legal entities like the state, statutory bodies and corporations) held non-tradable shares which gave the government unchallenged control over the listed enterprises. In contrast, tradable shares were open for trading in the two Stock Exchanges and owned by institutional and individual shareholders.

However, one outcome of this reform was conflict between holders of non-tradable shares and tradable shares. Since earnings of non-tradable shares were not influenced by the share price and the enterprise's valuation, enterprise managers could pursue their own interest instead of that of the enterprises and thereby harm the interests of holders of tradable shares. This did indeed occur – diversion of enterprise assets and profits by the former resulted not only in losses to tradable shareholders but also affected investor confidence in Chinese capital markets (Jiang and Habib, 2012). An early effort by the state to reduce the number of non-tradable shares by selling them on the stock markets was unsuccessful on account of the poor response from these markets and had to be abandoned.

To deal with the split share issue, a pilot program was launched in March 2006 which resulted in some non-tradable shares being converted into tradable shares. However, the initial flood of these shares into the stock markets caused considerable instability (*China Daily*, 2005). To stabilize the situation, the State-owned Assets Supervision and Administration Commission (SASAC), formed in 2005 to oversee state assets, stipulated that state-holding enterprises had to maintain a minimum state-share proportion, while enterprises in strategic industries, those crucial to the country's security, such as finance and banking, telecommunications and transportation, needed to retain sufficient proportions of non-tradable shares to maintain state control. Hence, state shareholders who sold down to below these requirements needed to buy back shares through the share market to meet SASAC requirements (China Securities Regulatory Commission, 2005).

Further, on 4 September 2005, the CSRC promulgated "the share-trading reform of listed enterprises regulations" to eliminate interest conflicts between

holders of tradable shares and non-tradable shares. Under these regulations, changes in the status of non-tradable shares had to be approved by at least two-thirds of all holders of non-tradable shares, while holders of tradable shares needed also to be consulted. Whatever was agreed had to be approved by the appropriate SASAC. Once approval was obtained, the Board of that enterprise had to convene a meeting of all shareholders to endorse the scheme.

With these institutional arrangements in place, the trend towards more tradable shares accelerated, so that by 2014, only a tenth of state enterprise shares were non-tradable (Table 1).

The above reforms have produced what official sources refer to as three types of state-owned enterprises today, only one of which fits the public enterprise stereotype in western economics. The first type consists of enterprises 100% owned by the state – state-owned enterprises, state-owned corporations and state legal person joint ownership enterprises. The second type, referred to as state-holding enterprises, are those in which the state has majority ownership (capital or share) (more than 50%), or have the highest ownership among other shareholders with the same enterprise even if it is a minority shareholder (less than 50%), or where the state exercises control through other state-controlled shareholders. The third type, referred to as state joint-ownership enterprises, consists of those in which the state has minority ownership and exercises no control (National Bureau of Statistics of China, 2008).<sup>1</sup> An enterprise that state legal persons joints ownership with other legal

**Table 1** Tradable and Non-tradable Shares in China's Share Markets (2004-2014)

	<i>Total Issued Shares (billion)</i>	<i>Tradable Shares (billion)</i>	<i>% of Shares Tradable</i>
2004	714.94	257.71	36.05
2005	762.95	291.48	38.20
2006	1489.76	563.78	37.84
2007	2241.69	1033.15	46.09
2008	2452.29	1257.89	51.29
2009	2616.29	1975.95	75.52
2010	3318.44	2564.20	77.27
2011	3609.55	2885.03	79.93
2012	3839.50	3133.96	81.62
2013	4056.91	3674.42	90.57
2014	4361.01	3910.43	89.67

Source: China Securities Regulatory Commission (2015). Securities market yearly data. Retrieved from <<http://www.csrc.gov.cn/pub/newsite/sjtj/zqscy/>>.

person or state joint share enterprises could be defined as state-holding or state joint-ownership enterprises according to the specific definition above.

State enterprises are also classified based on administrative institution/control. Thus, they are distinguished between the central government's "central enterprises" ("*Yangqi*") directly under the supervision of the State-owned Assets Supervision and Administration Commission (SASAC) and provincial/local state enterprises supervised by lower level SASACs. Considered to be central to the nation and economy, central state enterprises are involved in electric power and power grid, telecommunications, coal, civil aviation, shipping, petroleum and petrochemical. According to SASAC, as of 30 June 2010, the total number of "Yang Qi" was 125 of which 113 were 100% state-owned. The subsidiaries of "Yang Qi" are classified as primary, secondary, tertiary and lower-tier subsidiaries. Primary subsidiaries are the subsidiaries directly subordinate to the "Yang Qi". Secondary subsidiaries are affiliated to primary subsidiaries. By analogy, lower-tier subsidiaries are subordinate to their parent enterprises. It is also needed to be highlighted that there are two social service organizations managed by the state like a corporation (State-owned Assets Supervision and Administration Commission, 2010). They represent a form of institution that is engaged in education, technology, health, culture, etc., initiated by the state for social welfare and funded by state assets. However, according to regulations from the State Council, they are akin to but distinguished from Non-Governmental Organization (NGO) or Non-Profit Organization (NPO) not only because they were not just established but also supervised by government institutions, and they can also engage in for-profit activities or set up subsidiaries (just like For-Profit Organization) (State Council, 2004).

Also distinguishable as a group are the financial institutions, all strategic enterprises, which are supervised by the People's Bank of China (PBC), the China Banking Regulatory Commission (CBRC), the China Securities Regulatory Commission (CSRC), the China Insurance Regulatory Commission (CIRC) and the State Administration of Foreign Exchange (SAFE). All remaining state enterprises are supervised by other departments under the State Council or collective organizations, and involved industries included tobacco, gold, railway, port, airport, radio and television, culture, publishing and other industries. Social service organizations also exist under these enterprises.

#### **4. A State Enterprise in Transition – ZTE Corporation**

Given the variety of state enterprises, efforts to classify them are futile. The approach here is to rely on a case study. Methodologically part of ethnography, case studies permit deep insights into issues and is also appropriate in situations where it was impossible to separate the phenomenon from its



context, as indeed is the case of state enterprises under continuous reform (Yin, 2009).

To ensure significance, the case selected needs to be important by virtue of its scale of operations or its contribution to national strategy. These criteria led to the selection of ZTE Corporation (ZTE), a major manufacturer of electronic communications equipment (ZTE Corporation, 2016a). From the government's perspective, it, together with firms like Huawei Technology Co. Ltd., spearheads the country's drive to upgrade national technological capability under the Medium and Long-term Plan for Science and Technology Development 2006-2020.

ZTE Corporation is officially classified as a state-holding company – the state, though a minority shareholder, is the largest shareholder among all shareholders, and it also exercises control through its holding company – ZTE Holdings. Its corporate history, divisible into phases, is an eloquent documentary of the progress of state enterprise reform. The period from its formation in 1985 as the Shenzhen Zhongxing Semiconductor Co. Ltd. to about 1992 marked its first phase.

As the workshop director and the chief technology officer of the state military industry enterprise Aerospace System 691 Factory, Hong Weigui was selected as the enterprise's representative to go to the Shenzhen Special Economic Zone to look for partners to form a new technology enterprise. In May 1985, with the approval of the Shenzhen government, Shenzhen Zhongxing Semiconductor Co. Ltd. was founded with Hong Kong's Yunxing Electronics Trading Company as the foreign partner, and two state enterprises, China Great Wall Industry Corporation Shenzhen Branch (now merged into Shenzhen Aerospace Guangyu Industry (Group) Corporation) and Aerospace System 691 Factory, as equity owners. With registered capital of 2,800,000 Yuan and 66% of ownership from Aerospace System 691 Factory, the new company appointed Hong Weigui president. The contract responsibility system was adopted when the Board chose one of the three main shareholders to take the operating responsibility through a contract against which its share capital and dividends were pledged. In December 1992, a group of technicians and managers from Shenzhen Zhongxing Semiconductor Co. Ltd. incorporated a private enterprise Shenzhen Zhongxing Weixiantong Equipment Co. Ltd. with registered capital of 3,000,000 Yuan. This company would have a significant role to play in ZTE Corporation's development. It should also be noted that while Shenzhen Zhongxing Weixiantong Equipment Co. Ltd. was legally a private enterprise, its owners were employees of a state enterprise. As will be demonstrated later, this ownership pattern has major implications for ownership and control.

The second phase began with the enterprise's transformation into the Shenzhen ZTE Holdings and lasted just three years until 1996. In March

1993, Zhongxing Weixiantong Equipment Co. Ltd. merged with two state enterprises – Shenzhen Aerospace Guangyu Industry (Group) Corporation and Aerospace System 691 Factory to form a joint venture company “Shenzhen ZTE Holdings” with the state owning 51% of shares. It was run by Zhongxing Weixiantong Equipment Co. Ltd. and owned by both state and private parties. Thus Shenzhen ZTE Holdings is an example of the “state holding and private operating” system in which the state as owner delegated management to a private shareholder but the private shareholder had to pledge its share rights. State ownership with private management occurred with state enterprise reform to loosen ownership but retain control. In 1995, Shenzhen ZTE Holdings began its internationalization strategy.

Phase 3 (1997-2003) saw the enterprise listing on the Shenzhen Stock Exchange. On 18 November 1997, Shenzhen ZTE Holdings incorporated Shenzhen ZTE which issued 65,000,000 shares with a price of 6.81 Yuan per share as its initial public offering at Shenzhen Stock Exchange. It was the first listed Chinese enterprise manufacturing large scale telecommunications equipment. Shenzhen ZTE is thus also an example of a state enterprise listing to tap outside capital and at the same time subjecting itself to the discipline of the market.

It was in this period that Shenzhen ZTE’s technological potential was recognized by the government. In 1998, the State Economic and Trade Commission identified Shenzhen ZTE as one of the national technology centres, rendering it eligible for preferential treatment in the form of duty-free import of new technologies, instruments, and materials for R&D (Lian, 2012). Tax exemptions and relief were also accorded to expenditures for pilot projects and fixed assets investment for science and technology facilities. But the last two were terminated since 2000.<sup>2</sup> As evidence of its growing capability, Shenzhen ZTE cooperated with the Guangzhou Railway Corporation to construct the first home-engineered railway telecommunications system, thus breaking the monopoly held by foreign enterprises in this area.

The last stage focusing on shareholding reform was from June 2003, when Shenzhen ZTE Co. Ltd. was renamed ZTE Corporation to enter the international market, which is also a part of the government strategy of state enterprise reform to build internationally competitive firms. On 9 December 2004, ZTE Corporation was the first A-share listed enterprise (A-shares refer to Yuan-denominated shares which can only be traded in the SSE) which listed in the Hong Kong Stock Exchange and issued H-shares (Hong Kong dollar 3.1 billion denominated shares listed in Hong Kong).

In accordance with the shareholding reform mentioned earlier, “Directions for ZTE Corporation’s split share reform” was announced by the Board on 23 November 2005 and adopted by ZTE Corporation on 25 December 2005.

Because seven state-holding enterprises were state legal person shareholders, SASAC's review and approval of this proposal was required (Shenzhen Stock Exchange, 2005).

The non-tradable shares could not be traded or transferred in the first 12 months of their issue, no more than 5% of the general share capital from ZTE Holdings could be circulated after 12 months, 10% after 24 months and 37.41% after 36 months. Further ownership protection was accorded holders of non-tradable shares through the setting of a higher price than tradable shares when the former became tradable.

In 2006, to support its expansion in the international market, ZTE Corporation transferred competent management staff overseas to support its international expansion (ZTE Corporation, 2016b).

Finally, according to the annual report of ZTE Corporation, with the approval of the CSRC, the first phase of equity incentive plans for employees was implemented on 13 March 2007, and 85,050,238 shares were allotted to 4,022 qualified employees. This step could be seen as using incentives to boost employees' performance.

## **5. Ownership, Control and Governance**

Changes in the ownership structure have major implications for the degree of state ownership, while the institution of split shares has a major bearing on control. How this control is exercised has to do with governance of the enterprise. And all these factors affect ZTE Corporation's performance.

### **5.1. Ownership Changes**

Table 2 tracks ZTE Corporation's state ownership changes based on milestones in its corporate history. At the end of 1998, state ownership in the form of legal person shares numbered 223,600,000, amounting to 68.80% of the general capital. There was no foreign owned share. The state legal person shares were owned by seven state enterprises, and ZTE Holdings was the holding company with 62.80% of the general capital. Since ZTE Corporation was listed in Hong Kong in 2004, Hong Kong Securities Clearing Company Nominees Limited (HKSCCNL), the foreign shareholder, was the second largest shareholder. Individual owners included top management and other qualified employees who were beneficiaries of the equity incentive scheme. ZTE Holdings held the most shares among state legal person shares; the remaining state legal person shares accounted for only a small proportion (6%) of the total.

With each corporate milestone, state ownership, reflected by the percentage of shares held by state legal persons, diminished. By 2004,

**Table 2** Change in State Ownership of ZTE Corporation (1998-2015)

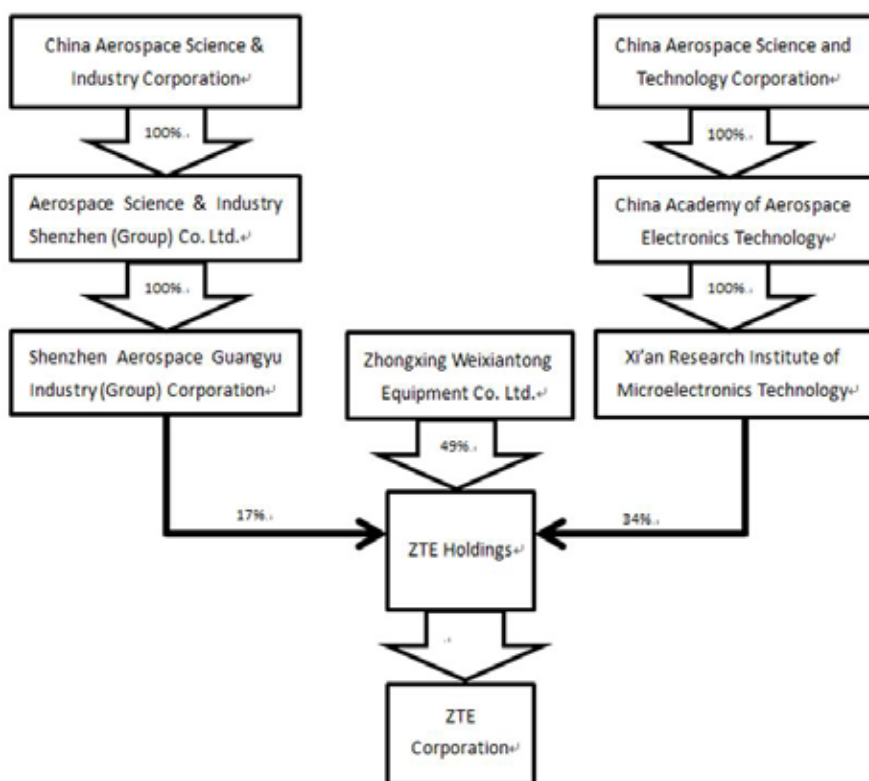
<i>Year</i>	<i>% Shares Held by State Legal Persons</i>	<i>Reason(s) for Change in % of State Ownership</i>	<i>% Shares Held by ZTE Holdings</i>	<i>% Shares Held by HKSCCNL</i>
1998	68.80	Share structure at formation of Shenzhen ZTE Corporation.	62.80	N/A
1999	64.90	Share placing was adopted to all shareholders with total 19,500,000 shares. But state legal person shareholders gave up the placement. As a result, the general capital was increased without the state legal person shares' increases.	59.24	N/A
2001	57.90	Since 13 March 2001, 50,000,000 shares were issued to the public.	52.85	N/A
2004	48.18	ZTE Corporation issued 160,151,040 H-shares which were circulated in at Hong Kong Stock Exchange on December 9. It regulated that the state corporation shareholders had to reduce to hold some shares as the amount as 0.9% of those H-shares.	44.10	14.80
2005	40.86	Since ZTE Corporation adopted the split share structure reform, holders of non-tradable shares paid 2.5 shares for every 10 shares to holders of tradable shares as a sort of compensation.	37.41	16.62
2008	39.07	Through share placement, 58,294,800 H-shares were issued.	35.52	16.66
2009	37.25	85,050,238 shares were granted to 4,022 qualified employees.	33.87	15.89
2010	35.73	58,294,800 H-shares were issued and a warrant call "ZTE ZXCI" exercised the option at the price 42.39 Yuan per share and 21,523,441 A-shares were subscribed successfully.	32.45	18.27
2011	34.04	On 13 June, ZTE Holdings reduced the holding shares of 48,495,000 of ZTE Corporation through Shenzhen Stock Exchange.	30.76	18.27
2015	33.88	A-shares increased to 25,741,682 shares because the employees of equity incentive plans exercised stock options. A-shares increased to 687,508,255 shares because of the implementation of the 2014 annual profit allocation and capital accumulation fund turning into share plan on 17 July 2015.	30.59	18.17

Source: Annual reports of ZTE Corporation (1999-2016).

state ownership had fallen to below 50%, making it no longer a majority shareholder, and, by conventional definition, no longer a state enterprise. Under the Chinese classification, however, ZTE Corporation remains a state-holding enterprise. By 2015, state ownership has fallen to a third, of which 30% is held by ZTE Holdings. Much of the state ownership decline is attributable to the fall in the share ownership of ZTE Holdings.

Throughout this transformation, ZTE Holdings remains the key entity for ZTE Corporation. It is therefore important to understand the ownership structure of ZTE Holdings itself. As shown in Figure 1, “Yangqi” China Aerospace Science and Technology Corporation was the second largest shareholder that owned 34% proportion of ZTE Holdings in 2015. Another “Yangqi” China Aerospace Science & Industry Corporation owned 17% of ZTE Holdings. In total, these two state-owned enterprises owned 51% of ZTE

**Figure 1** Ownership Structure of ZTE Holdings, as of 2016



Source: <<http://www.casic.com.cn/n101/n127/index.html>> and annual reports of ZTE Corporation (1999-2016).

Holdings. Since state enterprises had over 50% ownership, the conventional definition of a state enterprise applies to ZTE Holdings. More importantly, that state enterprises have 51% ownership translates into effective control of ZTE Holdings by the state. The largest single shareholder (49% of shares) was Zhongxing Weixiantong Equipment Co. Ltd. which was a pure private enterprise owned by individuals.

With ZTE Holdings owning just 30.59% of ZTE Corporation in 2015 (Table 2), the 51% state ownership of ZTE Holdings translates into just 15.60% of state ownership of ZTE Corporation. However, because ZTE Holdings is the holding company of ZTE Corporation and the largest of the shareholders (HKSCCNL owns 17% and all other shareholders less than 1% each), it retains full control of the latter. Thus, while state ownership had fallen to the point that it was only a minority shareholder, the state retained control through its majority ownership of the holding company.

There is more to this ownership than these numbers suggest. Although the state through ZTE Holdings has an equity stake of only 15.60% in ZTE Corporation, the other shareholders of ZTE Holdings are former employees of the original state enterprise. Together with the state, these shareholders can be considered “insiders” in the Corporation. There would also be other “insider” minority shareholders who are beneficiaries of the Corporation’s incentive program. To the extent that these “insiders” grew up with the Corporation, their “ownership” counts for much more than ownership as legally defined. They, together with HKSCCNL the nominee company voting with ZTE Holdings which appointed them, would ensure that there would be *de facto* state ownership and little contest in board decisions.

The nature of private sector ownership in ZTE Corporation – the private sector participation coming from employees of state enterprises – is not uncommon in China. While new private enterprises have undoubtedly emerged as a result of the gradual liberalization of the economy, many of today’s private enterprises began life as collectives<sup>3</sup> and township and village enterprises (TVEs) (Gregory, Tenev, & Wagle, 2000). Others were small state-owned enterprises (SOEs) that were privatized, especially under the “grasp the large and let go the small” state enterprise reform policy beginning in 1995. Thus, the public-private enterprise distinction, already less well-defined given the embedded nature of the state in civil society described earlier, is made even more opaque by China’s state enterprise reform experience.

## **5.2. Corporate Governance**

How is this control exercised? It is exercised through governance of the enterprise on the one hand and its relations with the state on the other. The state’s control over ZTE Holdings is reflected in the composition of its

Board of Directors. Interviews with ZTE Holdings top management show the Board of Directors having 9 directors from the three shareholders: Zhongxing Weixiantong Equipment Co. Ltd. (4), Xi'an Research Institute of Microelectronics Technology (3) and Shenzhen Aerospace Guangyu Industry (Group) Corporation (2). State-appointed directors outnumber others 5 to 4.

ZTE Holdings is represented on ZTE Corporation's Board by five directors, a third of the total number of directors, while the remaining directors have been selected for their expertise rather than to represent any single or group of shareholders.

Board directors and senior managers had worked in management in various capacities within the related entities of ZTE Corporation and its parent companies.<sup>4</sup> There are no bureaucrats among them. As already indicated, this close connection to the holding company also bolsters ZTE Holdings' *de facto* control of ZTE Corporation. That all members of the Board are "insiders", those who grew up in or had been part of the component entities of ZTE Corporation and were knowledgeable about both the operations and the technology of the business, is likely to be more material to the success of the Corporation, given the technology intensity of the business, than the much touted autonomy from state control (Li, Xia, Long and Tan, 2012).

The Board of Directors of ZTE Corporation held office for three-year terms. In the five terms since its incorporation, Board members made all the major strategic decisions about the Corporation. They also oversaw top management's appointments and dismissals. The top management took charge of day-to-day operations like recruiting management personnel, supervising enterprise operations, and setting market strategies.

According to interviews with ZTE Holdings' top management, ZTE Corporation was totally independent of the holding shareholder ZTE Holding in respect of employees, assets, finance and accounting, businesses and internal organization managements. Thus, for major decisions, ZTE Corporation did not rely on the state but took decisions deemed to be in the best interest of the corporation. For instance, the technology policies were set by the Chief Technology Officer and his team, who had the final say. And the state through ZTE Holdings did not exercise control over ZTE Corporation through finance. Employees of ZTE Corporation were paid by the Corporation and not by ZTE Holdings.

Whether a *de facto* role is played by government officials in ZTE Corporation is unclear however. Although state enterprise reform had officially ended the role of government officials in these enterprises' administrative hierarchies, interviews with officials revealed that it was not uncommon for state enterprises to be supervised by central and local government officials under overt administrative systems.<sup>5</sup> ZTE Corporation is not under this

category of major state enterprises, and there is the possibility that such an overt system did not exist.

In common with other state enterprises, ZTE Corporation has a (mandatory) Party Committee. Traditionally, this Committee functioned to ensure policies of the Communist Party were followed and implemented, participating in decision making, supervision, employment of key persons, and even day-to-day operations. However, interviews with bureaucrats suggest that the Committee in ZTE Corporation functioned far less intrusively than those in major state enterprises. There could be some truth to ZTE Corporation President Hou Weigui's testimony in a Congressional hearing in Washington DC on 14 September 2012 that the Party Committee had no say in major decision-making and the day-to-day operations of the Corporation. He added that he was not a Communist Party member or a member of ZTE Corporation's Party Committee.<sup>6</sup>

Finally, two indicators point to ZTE Corporation's autonomy from state control. First, while it is customary for part of the after-tax profits of state enterprises to be surrendered to the state (Ministry of Finance of the People's Republic of China, 2013), ZTE Corporation made no such repatriation. Second, prices of major state enterprises products that are closely associated with people's life had to comply with state pricing guidelines (The Central People's Government of the People's Republic of China, 2005b). But again for ZTE Corporation, it is free to set prices based on market demand.

Since ZTE Corporation's listing in Hong Kong, financial reports were prepared according to Hong Kong accounting standards which conformed to international accounting standards (International Financial Reporting Standards) and Chinese accounting standards (Generally Accepted Accounting Principles) and were audited by professional accounting firms. Generally speaking, employees were hired and fired by the human resource department according to their capacities and performance. Additionally, employees were paid and rewarded according to industry benchmarks, with bonuses set based on profitability.

### ***5.3. Relations with the State***

ZTE Corporation's relationship with the state took several forms. First, the state ensured that its policy were followed when President Jiang Zemin visited ZTE Corporation in 2000 and issued important instructions in regard to major issues like technology trade combination policy and stock options issue.

Second, the government leadership also motivated ZTE Corporation to embrace innovation and go global. In 2010, President Hu Jintao visited the ZTE Corporation booth at the Expo on "Emerging Industries of Strategic Importance" in Shenzhen, giving his endorsement to TD-LTE deployment.



In 2011, a member of the Standing Committee of the Political Bureau of the Communist Party of China Central Committee, Li Changchun, visited China Content Broadcasting Network and motivated ZTE Corporation to persist in innovation to revitalize China.

Third, in 2003, Chinese President Hu Jintao came to the ZTE Corporation headquarters to encourage ZTE Corporation to accelerate the “going global” pace. Also when ZTE Corporation signed strategic cooperation plans with other countries’ companies such as India’s Sistema and Hi3G Sweden, the signing ceremony was attended by the presidents of both countries.

Not unexpectedly ZTE Corporation has a good relationship with the central and local (Beijing and Shenzhen) governments. This relationship is built on compliance with the country’s technology strategy. This compliance saw ZTE Corporation investing heavily in R&D and hiring many R&D staff (Table 3), including for “TD-CDMA”, “TD-LTE” and “Gota” – related technologies and products. Also, consistent with the policy of collaboration with research institutes and universities – “*Ke Jiao Xing Guo*” (Development through Promoting Science Technology and Education), ZTE Corporation founded a corporate training centre – ZTE University – to deliver corporate training in 2013. Also, in order to acquire technological support for its products, ZTE Corporation established the Industry-University-Research Institute Collaboration Forum to target long-term development. This forum makes full use of the advantages in R&D of the universities. Publications by ZTE Corporation, such as the journals *ZTE Communications*, *ZTE Technologies* and *Mobile World*, track its technological development.

ZTE Corporation’s support of the state has been rewarded. ZTE Corporation was able to bid successfully for businesses with major state enterprise clients such as China Unicom, China Telecom, China Mobile, and Guangzhou Railway. When the central government promoted Chinese telecommunication industries and products overseas, ZTE Corporation would have the opportunity to bid for projects. An example: during celebrations for the 60th anniversary of the establishment of Australia–China relations in 2012, the door was opened to ZTE Corporation as part of China’s proposed cooperation with Australia. ZTE Corporation also plays a role when the Chinese government provides assistance to third world countries. Sometimes, when the state offered telecommunication projects which enjoyed preferential treatment, ZTE Corporation was asked to tender. And when China offered preferential loans to Papua New Guinea for infrastructure development including the installation of a telecommunication system, ZTE Corporation is one of the companies selected.

Another dimension of this recognition is the state’s favoured treatment of the enterprise in recognition of its achievements in technology. In the early years of ZTE Corporation’s establishment, its products were recognized by

the Ministries of Posts and Telecommunications and Information Industry and the State Science and Technology Commission. And this Corporation itself also received the central and local governments' recognition. In 1996, ZTE Corporation was recognized by the State Science and Technology Commission as one of key high-tech enterprises under the National Torch Program and by the State Council as one of the 300 key state enterprises. This recognition arises from the state's drive for indigenous innovation under the Medium and Long-term Plan 2006-2020 referred to above. As early as 1998, the State Economic and Trade Commission identified ZTE Corporation as one of the national technology centres which rendered it eligible to enjoy preferential treatment in the form of duty-free imports of materials, income tax exemption on the sale of technology products, and incentives for investment. In 1999, ZTE Corporation was also involved in the State Council's National High Technology Research and Development Program. State recognition of ZTE Corporation's contribution also came in the form of the presence of state dignitaries in major ZTE Corporation events. For instance, ZTE Corporation's Pakistan branch was opened in 1999 with Premier Li Peng present, while in 2000, President Jiang Zemin and Vice Premier Wu Bangguo visited ZTE Corporation.

ZTE Corporation managers interviewed also disclosed that it is relatively easy for ZTE Corporation to secure special state funds like science and technology innovation supporting funds and awards. For exports, the state provided export tax rebates for ZTE Corporation. Other export incentives were also offered to ZTE Corporation. For instance, the China Development Bank (CDB) contracted with ZTE Corporation to buy some of the latter's accounts receivable if it was able to meet its export quota. ZTE Corporation could also get loans at lower than market rates from CDB. And for specific projects in developing countries, ZTE Corporation could secure preferential loans. In 2012, CDB announced it would increase its strategic cooperation with ZTE Corporation in the next five years to the amount of USD20 billion (ZTE Corporation, 2012). According to its financial statement, ZTE Corporation had government subsidies and tax preference in previous years till 2013.

Beyond financial incentives, the state was prepared to allow a change in "Hu Kou"<sup>7</sup> to attract talented workers to ZTE Corporation and retain productive employees. Cheap land was offered by local governments to ZTE Corporation to construct research centres, factories, and affordable housing. For normal commercial loans, ZTE Corporation had better access to credit than private enterprises.

The above suggests that state control of the enterprise is exercised through ensuring compliance of and support for state strategies rather than through the placement of bureaucrats on the board or intervention in the

management of the Corporation. Indeed, the last function is “outsourced” to professional managers who make all the key decisions for the Corporation. Financial support comes not from direct payment of employee wages but from preferential financial arrangements available to the Corporation. These arrangements represent just one dimension, albeit the most important, of the state’s support of the Corporation.

#### 5.4. Corporate Performance

How has this enterprise model of minority state ownership, state control over policy but with enterprise autonomy in day-to-day operations performed over the years? Table 3 shows performance indicators based on sales and profits for the period 2001 to 2015. These show growing sales yielding a healthy rate of return of 3.7% or more during those years.

In 2015, total sales reached 100,186.4 million Yuan, a 23% increase over the previous year, a high one within this industry. International sales made up 47% of total sales, having grown 15%, elevating it to become the world’s fourth largest mobile phone manufacturer.

**Table 3** Financial Performance of ZTE Corporation (2001-2015)

<i>Year</i>	<i>Total Sales (million Yuan)</i>	<i>Expenditure on R&amp;D as % of Sales</i>	<i>Net Profits (million Yuan)</i>	<i>Rate of Return (%)</i>	<i>R&amp;D Staff/ Total Staff (%)</i>
2001	9,440.9	11.10	414.0	4.39	45.5
2002	10,795.9	10.45	703.6	6.52	42.0
2003	17,036.1	9.01	1,028.3	6.04	37.6
2004	21,220.1	10.67	1,272.5	6.00	32.5
2005	21,740.7	9.01	1,287.7	5.92	31.2
2006	23,214.6	12.20	767.0	3.30	34.6
2007	34,777.2	9.23	1,252.2	3.60	35.1
2008	44,293.4	9.02	1,660.2	3.75	33.8
2009	60,272.6	9.59	2,458.1	4.08	33.5
2010	69,906.7	10.14	3,250.2	4.65	32.8
2011	86,254.5	9.85	2,060.2	2.39	33.6
2012	84,118.9	10.50	(2,840.9)	(3.37)	38.0
2013	75,233.7	9.81	1,357.6	1.80	37.5
2014	81,471.3	11.06	2,633.6	3.23	35.9
2015	100,186.4	12.18	3,207.9	3.20	37.5

Source: Annual reports of ZTE Corporation (2002-2016).

What might account for the Corporation's success? One explanation may lie in the model of light state control only in the form of ensuring national strategy compliance combined with autonomous management. However, the many areas of state support would also have given ZTE Corporation an edge over private sector competitors.

A better measure of ZTE Corporation's performance is its achievements in technology. As a technology company, ZTE Corporation's success must necessarily be built around technology. The innovation theme of ZTE Corporation was from "Made in China" to "Created in China". Pursuing this objective, the company had indeed progressed from basic material processing to the forefront of the Chinese technology sector. It made efforts in indigenous innovation while also introducing foreign advanced technologies to reach international standards. For these efforts it was rewarded and recognized by both Chinese government and other countries' governments. As early as 1986, an R&D team created the first generation of 68-lines stored program control exchange ZX-60. Sequential improvements led to the licensing and adoption of ZTE Corporation's equipment for use in China. In August 1995, it became the first within the industry to receive the ISO9001 Quality Certificate, and in 2000, it also received the 2000 edition 9001 standard authentication. In

**Table 4** The Global Top Five PCT Applicants and the Number of International Applications (2008-2014)

<i>Year</i>	<i>Rank 1</i>	<i>Rank 2</i>	<i>Rank 3</i>	<i>Rank 4</i>	<i>Rank 5</i>
2008	Huawei 1,737	Panasonic 1,729	Philips 1,551	Toyota 1,364	Robert Bosch 1,273
2009	Panasonic 1,891	Huawei 1,847	Robert Bosch 1,586	Philips 1,295	Qualcomm 1,280
2010	Panasonic 2,154	ZTE 1,863	Qualcomm 1,677	Huawei 1,528	Philips 1,435
2011	ZTE 2,826	Panasonic 2,463	Huawei 1,831	Sharp 1,755	Robert Bosch 1,508
2012	ZTE 3,906	Panasonic 2,951	Sharp 2,001	Huawei 1,801	Robert Bosch 1,775
2013	Panasonic 2,881	ZTE 2,309	Huawei 2,094	Qualcomm 2,036	Intel 1,852
2014	Huawei 3,442	Qualcomm 2,409	ZTE 2,179	Panasonic 1,682	Mitsubishi El 1,593

Source: *PCT Newsletter* by World Intellectual Property Organization (WIPO), 2009-2015 at <<http://www.wipo.int/pct/en/newslett/year.jsp>>.

2011 and 2012, ZTE Corporation was ranked No. 1 globally by WIPO (World Intellectual Property Organization, 2015), surpassing Huawei, the perennial No. 1 for China (Table 4). In terms of authorizations and applications of the domestic patent for invention, ZTE Corporation was No. 1 in China (ZTE Corporation, 2013).

These technology indicators point to an enterprise that is competitive in its core area of competence. This competence is less a reflection of state support, although it helped to attract talent, than of management capability. In this sense, it provides a degree of vindication for the state enterprise model exemplified by ZTE Corporation, a model that is at variance with the stereotype implicit in existing conceptualization of state enterprises and more akin to the so-called government-linked companies that exist in many countries.

Since ZTE Corporation launched its internationalization strategy, its share of revenue from outside China has soared. 2007 saw international revenues accounted 60% of the total revenue – the first time it exceeded domestic revenues (ZTE Corporation, 2016b). It also cooperated with international high technology companies like IBM. In all, its equipment are used by more than 500 telecommunications companies in more than 140 countries and regions. For some of these countries like Malaysia, it had a significant market share.

## **6. Conclusion**

Although the role of the Chinese state and its enterprises has been viewed through the lens of Western theories as generally negative, a systematic reading of China's history suggests that this view should be contested. Add to this history China's unique state enterprise reform experiments, and an assessment of Chinese state enterprises that is far from clear-cut emerges. Thus, while numerous studies have espoused a negative view of Chinese state enterprises, research endorsing the opposite view, both theoretical and empirical, is growing.

This study has not attempted this assessment but instead focuses on one enterprise, ZTE Corporation, tracing its origins and linking its growth and transformation to China's stepwise state enterprise reform. Because of these changes, it has come to embody the state's strategy of reducing ownership but maintaining control. Yet the term "control" may be a misnomer – ZTE Corporation retains almost complete management autonomy although complying with national strategies of technology development. Even board members, who are instruments of state control, are chosen from within the corporation and its affiliates.

At the same time, state support in the form of tax preferences has undoubtedly helped ZTE Corporation's performance. Such support weakens

arguments that attribute state enterprise competitiveness principally to autonomy and/or the absence of state control. However, since, as shown by the many loss-making state enterprises with state support, preferential treatment by the state does not necessarily translate into better performance, arguments that autonomy begets better performance remain intact (Li, *et al.*, 2012). Still, ZTE Corporation does not easily fit the mode posited of state controlled, dispersedly controlled and privately controlled in that it embodies elements of both state and private control. What appears to be critical to ZTE Corporation's success, apart from managerial autonomy, is the presence of "insiders" both in the state and private entities owning ZTE Corporation who are well versed with the company's operations at the helm. Since these insiders were there from the beginning, it is also not very meaningful to refer to ZTE Corporation's management as being "outsourced".

As a "state-holding company", ZTE Corporation embodies much less "state" than what is normally understood in a state enterprise. Its management is also not in the hands of bureaucrats. Although no generalization is warranted, ZTE Corporation's performance attests to the relative success of the state strategy to stress control over ownership. And this control is limited to providing a strategic direction. In moving from state-owned to state-controlled, more appropriately state-led, China's state enterprises can be said to be at the forefront of the model of state capitalism.

The ZTE Corporation experience speaks also to how not only agency costs have been reduced but also public choice issues have been resolved. It also shows that the importance of property rights can be exaggerated. What has emerged from the interviews is that ZTE Corporation's personnel, from the management down, take pride in what they have created, despite owning very little of the enterprise. This sense of collective pride, attributable to Confucian concepts of collective identity and increasingly recognized as an East Asian trait – of collective pride and shame – has most recently been discussed in the context of a South Korean jetliner crash in San Francisco (Klug and Lee, 2013), can contribute materially to performance.

Finally the relevance of neo-liberal theories has been muted by the complexity of ownership in the specific case of state enterprises like ZTE Corporation and in general by the embeddedness of government in Chinese society. China's state enterprise reform experience has blurred further the lines between state and private enterprises which are central to Western public enterprise theories. Many of China's private enterprises today began life as state enterprises or as collectives. Some, like the private enterprise which is an equity partner of ZTE Corporation, have been formed by state enterprise employees.

With these enterprises, a calculus of ownership and control that is different from that predicated on existing theories has emerged. We believe

it is this calculus, as much as the management autonomy to which much research is directed, that helps to explain good state enterprise performance.

## Notes

- \* Li Ran is a Research Fellow at the Institute of China Studies, University of Malaya. She can be reached at <liran@um.edu.my>.
  - \*\* Cheong Kee Cheok is a Senior Research Fellow at the Institute of China Studies, University of Malaya. He can be reached at <keecheok1@yahoo.com>.
1. Despite this classification, the actual number of each of the three types of enterprises cannot be determined because such a classification is not shown in official statistics. Instead, the *China Statistical Yearbook 2012* lists eight major enterprise types with no obvious way of mapping these onto the three state enterprise groups mentioned.
  2. The last two preferences were terminated in 2000.
  3. Some collectives had been leased out to private entrepreneurs to run, with the option of taking the enterprise private eventually (Ralston, Terpstra-Tong, Terpstra, Wang and Egri, 2006).
  4. For example, Hou Weigui is the president of ZTE Corporation and Zhongxing Weixiantong Equipment Co. Ltd.; Xie Weiliang, is the vice-resident of ZTE Corporation, the president of ZTE Holdings, the general manager of Shenzhen Aerospace Guangyu Industry (Group) Corporation and the president as well as general manager of Aerospace Science & Industry Shenzhen (Group) Co. Ltd.
  5. Peoples Republic of China's Law on Public Officials had been approved by the 15th Session of the Standing Committee of the 10th National People's Congress (The Central People's Government of the People's Republic of China, 2005a). There are five general administrative levels for public officials – national, provincial, bureau, county and rural.
  6. The hearing was held because ZTE was suspected by members of the US Congress that it would do the bidding of the Chinese government and would pose a threat to American national security if allowed to do business (supply equipment to American companies) there (Iceo.com.cn, 2013).
  7. The “Hu Kou” system refers to the country's household registration system, which specifies for each household a particular residential location. Residents have full rights and enjoy education and social welfare benefits offered by the state as long as they remain in their specified location, but lose these rights and benefits if they move away without official permission.

## References

- Alchian, A.A. and Demsetz, H. (1973), “The Property Right Paradigm”, *The Journal of Economic History*, Vol. 33, No. 1, pp. 16-27.
- Bebchuk, L.A. and Fried, J.M. (2004), *Pay without Performance: The Unfulfilled Promise of Executive Compensation*, Cambridge, MA: Harvard University Press.

- Boubakri, N., Cosset, J.C. and Guedhami, O. (2009), "From State to Private Ownership: Issues from Strategic Industries", *Journal of Banking & Finance*, Vol. 33, No. 2, pp. 367-379.
- Bremmer, I. (2009). "State Capitalism Comes of Age: The End of the Free Market?", *Foreign Affairs*, May/June, pp. 40-55.
- Buchanan, A.E. (1985), *Ethics, Efficiency, and the Market (Philosophy and Society)*, Lanham, MD: Rowman & Littlefield.
- Cao, L. (2000), "Chinese Privatization: Between Plan and Market", *Law and Contemporary Problems*, Vol. 63, No. 4, pp. 13-62.
- China Daily* (2005), "Regulator Details State Share Reform", retrieved 1 December 2012 from <[http://www.chinadaily.com.cn/bizchina/2005-09/06/content\\_542725.htm](http://www.chinadaily.com.cn/bizchina/2005-09/06/content_542725.htm)>.
- China Securities Regulatory Commission (2005), "Administrative Measures for Equity Incentive Plans of Listed Enterprises (For Trial Implementation)", retrieved 31 December 2012 from <[http://www.csrc.gov.cn/pub/newsite/ssb/ssflfg/bmgzjwj/ssgszl/200911/t20091110\\_167765.htm](http://www.csrc.gov.cn/pub/newsite/ssb/ssflfg/bmgzjwj/ssgszl/200911/t20091110_167765.htm)>.
- Dawson, M.M. (ed.) (2005), *The Ethics of Confucius*. New York, NY: Cosimo.
- Deng, X.P. (1984), "Building a Socialism with a Specifically Chinese Character", *People's Daily*, retrieved from <<http://english.peopledaily.com.cn/dengxp/vol3/text/c1220.html>>.
- Granovetter, M. (1985), "Economic Action and Social Structure: the Problem of Embeddedness", *American Journal of Sociology*, Vol. 91, No. 3, pp. 481-510.
- Gregory, N.F., Tenev, S. and Wagle, D.M. (2000), *China's Emerging Private Enterprises: Prospects for the New Century*, Washington, DC: World Bank (free PDF).
- Gregory, P.R. and Stuart, R.C. (2004), *Comparing Economic Systems in the Twenty-first Century*, Boston, MA: Houghton Mifflin.
- Groves, T., Hong, Y., McMillan, J. and Naughton, B. (1994), "Autonomy and Incentives in Chinese State Enterprises", *The Quarterly Journal of Economics*, Vol. 109, No. 1, pp. 183-209.
- Iceo.com.cn (2013), "Mei zhi yi zhong xing she dang zhu zhi shi jia zheng zhi kong zhi, dong shi zhang cheng bu shi dang yuan" (U.S. doubts that the Party Committee inside ZTE has political control over it, the President said he is not a Party member), from <<http://business.sohu.com/20130115/n363497497.shtml>>.
- Jacques, M. (2011), "How China Will Change the Way We Think: The Case of the State", Retrieved from <<http://www.transatlanticacademy.org/publications/how-china-will-change-way-we-thinkthe-case-state>>.
- Jiang, H.Y. and Habib, A. (2012), "Split-share Reform and Earnings Management: Evidence from China", *Advances in Accounting*, Vol. 28, No. 1, pp. 120-127.
- Klug, F., and Lee, Y.K. (2013), "Asiana crash a point of shame for Koreans", from <<http://finance.yahoo.com/news/asiana-crash-point-national-shame-124939265.html>>.
- Leftwich, A. (1994), *The Developmental State*, Department of Politics, University of York.
- Leftwich, A. (1995), "Bringing politics back in: Towards a Model of the developmental state", *The Journal of Development Studies*, Vol. 31, No. 3, pp. 400-427.



- Li, C. (1997), "Confucian value and democratic value", *The Journal of Value Inquiry*, Vol. 31, pp. 183-193.
- Li, S., Xia, J., Long, C.X. and Tan, J. (2012), "Control Modes and Outcomes of Transformed State-owned Enterprises in China: An Empirical Test", *Management and Organization Review*, Vol. 8, No. 2, pp. 283-309.
- Lian, Y.H. (2012), "The basic thread of state identifying technology centers' evaluation", retrieved 12 December 2012 from <[http://www.xundeer.cn/\\_d274701288.htm](http://www.xundeer.cn/_d274701288.htm)>.
- Ministry of Finance of the People's Republic of China (2013), "Statements regarding the central state-owned capital operation budget in 2013", from <[http://ysss.mof.gov.cn/2013zyczys/201303/t20130322\\_784806.html](http://ysss.mof.gov.cn/2013zyczys/201303/t20130322_784806.html)>.
- National Bureau of Statistics of China (2008), *Suggestions on the definition for state enterprises*, retrieved from <[http://www.stats.gov.cn/tjfg/gfxwj/t20080410\\_402473191.htm](http://www.stats.gov.cn/tjfg/gfxwj/t20080410_402473191.htm)>.
- People's Daily Online* (2007), "Socialism with Chinese Characteristics", from <<http://english.peopledaily.com.cn/90002/92169/92211/6275043.html#>>.
- Polanyi, K. (1957), "The Economy as Instituted Process", in M. Granovetter and R. Swedberg (eds), *The Sociology of Economic Life*, Boulder, CO: Westview Press.
- Ralston, D.A., Terpstra-Tong, J., Terpstra, R.H., Wang, X.L. and Egri, C. (2006), "Today's State-owned Enterprises of China: Are They Dying Dinosaurs or Dynamic Dynamos?", *Strategic Management Journal*, Vol. 27, No. 9, pp. 825-843.
- Ren, L., Zeng, D. and Krabbendam, K. (2010), "Technological innovation progress in Central China: a survey to 42 firms", *Journal of Knowledge-based Innovation in China*, Vol. 2, No. 2, pp. 152-170.
- Shenzhen Stock Exchange (2005), "Directions for ZTE Corporation's split share structure reform (Abstract) (Revision edition)", from <<http://disclosure.szse.cn/m/finalpage/2005-11-23/16217014.PDF>>.
- State-owned Assets Supervision and Administration Commission (2010), "Guo wu yuan guan yu xiu gai 'shi ye dan wei deng ji guan li zan xing tiao li'" (The decision of the State Council on amending the 'Provisional Regulations on Administration of public institutions'), from <[http://www.gov.cn/zwgk/2005-05/23/content\\_227.htm](http://www.gov.cn/zwgk/2005-05/23/content_227.htm)>.
- State Council (2004), *Modifications for "Interim regulations on social service organizations's registration and management"*, retrieved from <[http://www.gov.cn/zwgk/2005-05/23/content\\_227.htm](http://www.gov.cn/zwgk/2005-05/23/content_227.htm)>.
- The Central People's Government of the People's Republic of China (2005a), "Zhong hua ren min gong he guo gong wu yuan fa" (People's Republic of China Civil Servants Law), from <[http://www.gov.cn/flfg/2005-06/21/content\\_8249.htm](http://www.gov.cn/flfg/2005-06/21/content_8249.htm)>.
- The Central People's Government of the People's Republic of China (2005b), *Zhong hua ren min gong he guo jia ge fa* (The Law of Price of the People's Republic of China), retrieved from <[http://www.gov.cn/banshi/2005-09/12/content\\_69757.htm](http://www.gov.cn/banshi/2005-09/12/content_69757.htm)>.
- The Economist* (1997), "China adopts the chaebol", from <<http://www.economist.com/node/90635>>.
- The Economist* (2012), "The rise of state capitalism", from <<http://www.economist.com/node/21543160>>.

- Tullock, G. (1987), "Public Choice", in J. Eatwell (ed.), *The New Palgrave Dictionary of Economics* (Vol. 3), London: Macmillan, pp. 1040-1044.
- Wang, G. (2014), *Another China Cycle: Committing to Reform*, Singapore: World Scientific.
- Wang, X. (2004), "State-owned Enterprise Reform and Corporate Governance of China", retrieved from <[http://coe21-policy.sfc.keio.ac.jp/ja/event/file/s1-6.pdf?&lang=en\\_us&output=json](http://coe21-policy.sfc.keio.ac.jp/ja/event/file/s1-6.pdf?&lang=en_us&output=json)>.
- Woetzel, J.R. (2008), "Reassessing China's state-owned enterprises", *McKinsey Quarterly*, Vol. 3, p. 59.
- World Intellectual Property Organization (2012), *PCT Newsletter*, from <[http://www.wipo.int/edocs/pctndocs/en/2013/pct\\_news\\_2013\\_03.pdf](http://www.wipo.int/edocs/pctndocs/en/2013/pct_news_2013_03.pdf)>.
- Yin, R.K. (2009), *Case Study Research: Design and Methods* (Vol. 5), Thousand Oaks, CA: Sage Publications.
- Zheng, J., Liu, X. and Bigsten, A. (2003), "Efficiency, Technical Progress, and Best Practice in Chinese State Enterprises (1980–1994)", *Journal of Comparative Economics*, Vol. 31, No. 1, pp. 134-152.
- Zhou, T.Y. and Xia, X.Q. (2008), "The progress of China's state enterprises reform", in J. Quan (ed.), *China: 30 years of Reform and Opening-up (1978-2008)*.
- ZTE Corporation (2012), "China Development Bank Bolsters Partnership with ZTE, Financing Facility Expanded to US\$20 Billion", from <<http://www.zte.com.cn/global/about/press-center/news/201212/372570>>.
- ZTE Corporation (2013), "ZTE Ranked World No. 1 in Patent Applications for Second Straight Year", from <<http://www.zte.com.cn/global/about/press-center/news/201303/391025>>.
- ZTE Corporation (2016a), "Introduction of ZTE Corporation", from <[http://www.zte.com.cn/en/about/corporate\\_information/](http://www.zte.com.cn/en/about/corporate_information/)>.
- ZTE Corporation (2016b), "The History of ZTE Corporation", from <[http://www.zte.com.cn/en/about/corporate\\_information/history/](http://www.zte.com.cn/en/about/corporate_information/history/)>.

## **Enabling African Regional Infrastructure Renaissance through the China-Africa Partnership: A Trans-Continental Appraisal**

*Clayton Hazvinei Vhumbunu\**  
University of KwaZulu-Natal, Durban, South Africa

### **Abstract**

The China-Africa partnership in infrastructure development has taken a transformational shift from a national orientation to a regional and continental approach. Traditionally, China had been engaging in bilateral agreements and Memorandums of Understanding (MoUs) with African countries in their individual capacities and construct cross-sectoral infrastructure projects at national level mostly through its state-owned enterprises (SOEs) within the construction sector and financial services sector. The African Union (AU)-China MoU to cooperate on major infrastructure networks and industrialization process in Africa signed on the 27th of January 2015 signals a serious commitment to close the continent's infrastructure deficiency gap and facilitate African regional infrastructure renaissance. This is aligned to AU's Agenda 2063 which affirms Africa's aspiration to have a "world class, integrative infrastructure that crisscrosses the continent" by the year 2063. The China-Africa partnership is poised to catalyze the physical integration of Africa through the joint development of trans-boundary infrastructure projects. This partnership is traceable back to the construction of the landmark Tanzania-Zambia Railway (TAZARA) Project, also referred to as the "Uhuru Railway", constructed between 1968-1976 to link the Zambian town of Kapiri-Mposhi and Tanzanian port of Dar es Salaam. This paper assesses completed and on-going major regional or trans-boundary infrastructure projects that have been developed through the China-Africa partnership across the continent in the 21st century since the landmark TAZARA project. It analyzes the possible impacts of the projects on the integration of African countries. The paper critically reflects on how the China-Africa partnership can be strategically strengthened for the realization of Agenda 2063 strategic goals, priorities and aspirations. It finally recommends strategies that can be adopted to strengthen the China-Africa partnership, and maximize the delivery of transnational/transboundary infrastructure on the continent.

**Keywords:** *China-Africa partnership, Trans-boundary/regional infrastructure, regional integration*

## 1. Introduction

The China-Africa partnership in socio-economic and political development has continued to strengthen since the early contacts between China and the African continent during the voyages undertaken by Admiral Zheng He in the early 15th century (see Harris, 2003; Jinyuan, 1994; Liu *et al.*, 2014; Vhumbunu, 2014; Wade, 2005; Yoshihara and Holmes, 2008). Since the attainment of independence in Africa, most countries on the continent partnered China in different areas of cooperation which intensified at the turn of the millennium following China's "going out policy". This fittingly complemented the equally intensifying African regional integration initiative whose approach followed the path of consolidating Regional Economic Communities (RECs) for the eventual integration of the continent into the African Economic Community (AEC) through a 34-year process as set out by the AEC Treaty (Abuja Treaty) of 1994. The Abuja Treaty foresees a fully integrated African Economic and Monetary Union with a single African currency, and an African Central Bank in the year 2018, having transformed through the various stages of sectoral integration, harmonization of policies, establishment of common markets (CMs), Free Trade Areas (FTAs) and Customs Unions (CUs) within RECs at first, and later at the continental level (Organization of African Unity, 1991).

One means of accelerating this continental integration initiative has been through the physical integration of the 54 African states through infrastructure development in the form of regional roads, railways, airways, waterways, energy infrastructure, among others. Since the construction of the landmark Tanzania-Zambia Railway Project, also referred to as the "Great Uhuru Railway", constructed between 1968-1976 to link the Zambian town of Kapiri-Mposhi and Tanzanian port of Dar es Salaam, the China-Africa partnership has strengthened, with China involved in several regional projects across the continent. This paper explores the major transnational or regional projects that have been undertaken through the China-Africa partnership at the turn of the millennium across the continent. It is organized as follows. Section two will focus on the historical context of the TAZARA project and its significance to the transformation of the China-African partnership in infrastructure development. The third section explores the post-TAZARA frameworks for China-Africa partnership on infrastructure development. A critical assessment of infrastructure development projects that are regional/trans-boundary in nature that have been delivered within the framework of China-Africa partnership are presented in section four of the

paper. The fifth and sixth sections of the paper focus on the prospects for the China-Africa partnership for infrastructure delivery and recommendations respectively.

## **2. The TAZARA Project: Its Significance to the China-Africa Partnership Transformation**

The history of China-Africa partnership in infrastructure development is usually traced back to the grand TAZARA project which stretched for 1,860 km from Dar es Salaam to the Zambian town of Kapiri-Mposhi. The TAZARA was a regional infrastructure project that linked Central and Southern African countries with East Africa thereby laying the foundation for closer inter-state cooperation, trade, and tourism between and amongst countries within these three African regions.

The railway was constructed by the China Engineering Construction Company (CECC) through an interest-free loan repayable in thirty years amounting to Yuan 988 million (around US\$500 million at that time) from the Chinese Government. According to the Tanzania Zambia Railway Authority (2016a), the loan was extended to cover costs of railway line construction (including 320 bridges, 22 tunnels and 2,225 culverts), supply of motive power and rolling stock, steel rails, equipment for signaling, cement sleepers, construction of stations, construction of a training school, workshops, and other related infrastructure in addition to 15,000 to 50,000 Chinese labour force (see also Arewa, 2016: 137).

Notwithstanding notable operational and viability challenges that has been faced by the TAZARA, which was established in 1968 to manage the railway project, the TAZARA railway has immensely contributed to regional integration through linking and connecting countries within the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC). To date, the railway has transported over 30 million metric tons of freight within the region through its freight services trains over and above transporting 30 million business and ordinary travellers through express and ordinary commuter trains, and commuting regional tourists through its special tourist trains (Tanzania Zambia Railway Authority, 2015).

Since 2010, China still extends financial and technical support to maintain and upgrade TAZARA for operational efficiency as the TAZARA infrastructure is unable to meet demand. From 2015-2016, the traffic handled by TAZARA was reported to have increased by 49 per cent to 130,000 tonnes as compared to 87,000 tonnes recorded between 2014-2015 whilst passengers transported between the two cities of Dar es Salaam and New Kapiri-Mposhi increased by over 20.2 per cent in the third quarter of 2016 to 133,863 from

111,335 in the third quarter of 2015 (see *Tanzania Invest*, 18 August 2016; *Zambia Invest*, 6 September 2016; *Zambia Invest*, 29 November 2016).

To date the TAZARA project has a lot of significance in terms of defining future partnership between China and Africa in economic, social and political development. Symbolically, TAZARA remains a symbol of friendship not only between China, Tanzania and Zambia, but also within the broader sense of China-Africa relations. It transcends beyond the founding fathers of the project, China's Mao Zedong, Tanzania's Julius Nyerere and Zambia's Kenneth Kaunda. The project also signalled the need for African countries to "think regional" in developing infrastructure whilst also proving beyond reasonable doubt the capacity and strength of Pan-African cooperation in the joint planning and implementation of mega infrastructure projects on the continent.

However, this is not to imply that the TAZARA is operating smoothly. The project has been facing its own challenges, especially at the turn of the millennium. For instance, in "Defending the people's railway in the era of liberalization: TAZARA in southern Tanzania", Monson (2016) explores some of the challenges that have been encountered in the management of the mega railway authority, and these are still being faced even now, such as lack of capital for the rehabilitation and maintenance of the railway facilities, non-payment of employee salaries, insufficient locomotives, technical skills deficiencies, and general underperformance (see also *Tanzanian Affairs*, 1991; Tanzania Zambia Railway Authority, 2016b; *East African Business Week*, 1 March 2015; *New China*, 29 April 2016; *AllAfrica*, 26 February 2016; *China Daily*, 31 July 2015).

Despite these operation and financial viability constraints, TAZARA continue to manage to expand its regional network coverage to other countries in the region such as the Democratic Republic of Congo (DRC) and Malawi. For instance, in 2016 alone, TAZARA secured a deal to transport petroleum consignments to Malawi and petroleum products to DRC in June and July respectively (*Tanzania Invest*, 18 August 2016). The on-going efforts to resuscitate and revitalize TAZARA back to its peak performance of the 1980s will assist to sustain the railway project (see Tanzania Zambia Railway Authority, 2016c; *East African Business Week*, 1 March 2015; *New China*, 29 April 2016).

### **3. Post-TAZARA Frameworks for China-Africa Partnership on Regional Infrastructure Development**

Since TAZARA, the China-Africa partnership in infrastructure development, as argued above, has transformed with the orientation and focus increasingly shifting from national to regional, and gradually from regional to continental.

Most countries have started to revamp their “colonial” railway tracks, highways, sea ports, energy and water projects with a cross-border focus. This has resonated well with the African integration philosophy, approach and strategy. This development can be analyzed from different angles and perspectives. With heightened globalization, intensification of regional integration and increased global inter-dependence, Africa needs the partnership with China on infrastructure development. Likewise, China, just like any other rationale investor, is ready to grab this as an opportunity for investment and business as well as building its diplomatic capital. This therefore presents an opportunity for Africa to ease the “supply-side impediments to African integration” (Schiere, 2011: 95). Thus, the China-Africa partnership remains strategic and key in unlocking the continent’s socio-economic development potential as well as its capacity to industrialize.

The AU Action Plan for the Accelerated Industrial Development of Africa that was adopted at the First Ordinary Session of the AU Conference of Ministers of Industry on 27 September 2007 in Midrand, South Africa, implored the need to highly prioritize infrastructure development at regional and continental levels in order to accelerate industrial development and continental integration. The *Africa Infrastructure Knowledge Program Handbook on Infrastructure Statistics* (2011: 4) broadly defines infrastructure to entail “all the main networks that support economic and social activity including those associated with transport (including roads, railways, maritime and air), water, sanitation, power and information communications technology (ICT).” For effective regional integration, a focus on productive economic infrastructure is critical.

The World Bank analytical assessment report on African regional trade integration, *De-Fragmenting Africa* (2012: 74-75), cites the limited physical infrastructure as a major inhibiting factor to smooth integration, trade, growth and development. The continent’s physical and economic geography definitely requires efficient regional infrastructure across all sectors, such as rail, road, air, water, energy and telecommunications sectors. With a land cover area approximately 30 million km<sup>2</sup> and 16 out of the 55 African countries being landlocked, the rationale for improved infrastructure across the continent can never be reasonably contested.

The importance of infrastructural development in driving continental integration has been long acknowledged by African Heads of State and Government as affirmed, and re-affirmed, in the Abuja Treaty of 1991; Lagos Plan of Action for the Economic Development of Africa of 1980; Accra Declaration for Uniting Africa adopted by the 9th Ordinary Session of the AU Heads of Summit in July 2007; among other several summit declarations and decisions. The approval of the Programme for Infrastructure Development in Africa (PIDA) by the African Heads of State and Government in January

2012, Addis Ababa, Ethiopia, together with the AU Infrastructure Master Plan, New Partnership for Africa's Development (NEPAD) Short Term Action Plan (STAP), and Medium to Long-Term Strategic Framework (MLTSF), all signified the importance of regional infrastructure development as a key foundation for continental integration, and sustainable socio-economic development and cooperation.

The AU signed an MoU with China on the 27th of January 2015 to "cooperate on major infrastructure networks and industrialization process in Africa" within "the Framework of the Agenda 2063, High Speed Railway, Aviation, Road Highways and Industrialization Infrastructure" with the objective to accelerate the African integration process (AU, 2015: n.p.). With the AU taking the coordinator role in the implementation of infrastructure projects envisaged through the MoU, this signals a momentous shift from a national approach to a regional and/or continental approach in the China-Africa partnership in infrastructure development. As Anthony (2015: 1) puts it, the AU's engagement with China in this respect "resonates with this vision [of physically integrating and connecting African countries], but on a continental rather than regional scale".

The Agenda 2063 presents the continental aspiration to have "world class, integrative infrastructure that criss-crosses the continent" (AU, 2015: 4). The same document further commits African countries to speed up actions to "connect Africa through world-class infrastructure, including inter-connectivity between island states and the mainland, and with a concerted push to finance and implement the major infrastructure projects" in transportation, energy and ICT (AU, 2015: 16-17). In addition, the 50th Anniversary Solemn Declaration of the Heads of State and Government of the AU adopted by the 21st Ordinary Session of the AU General Assembly in Addis Ababa, Ethiopia on the 26th of May 2013, committed to "[a]ccelerate Africa's infrastructure development to link African peoples" with a strategic focus on transport, ICT, energy and other social infrastructure (AU, 2013: 4).

Pursuant to Agenda 2063, the AU also made commitments within the Forum on China-Africa Cooperation (FOCAC) framework. This is reflected in the FOCAC Johannesburg Action Plan (2016-2018: n.p.), which notes:

The two sides agree that underdeveloped infrastructure is one of the bottlenecks hindering independent and sustainable development of Africa.... The two sides will take concrete measures and give priority to encourage Chinese businesses and financial institutions to expand investment through various means, such as Public-Private Partnership (PPP) and Build-Operate-Transfer (BOT), to support African countries and the African flagship projects, in particular the Programme for Infrastructure Development in Africa and the Presidential Infrastructure Championing Initiative, in their efforts to build railroad, highway, regional aviation, ports, electricity, water supply,



information and communication and other infrastructure projects ... and facilitate infrastructure connectivity and economic integration in Africa.

In the Action Plan, China and Africa will develop transnational and trans-regional infrastructure, transnational highway networks, railway networks, regional power projects, seaport and aviation infrastructure projects on the continent as well as cooperate on the joint development of ICT infrastructure in telecommunications (see FOCAC Johannesburg Action Plan 2016-2018, 2015).

Previously, in the Beijing Action Plan (2013-2015), which was an outcome of the Fifth Ministerial Conference of the FOCAC held in Beijing, China from 19-20 July 2012, the Chinese Government agreed to support and partner Africa in financing the construction of regional infrastructure and transnational projects under PIDA and the Presidential Infrastructure Championing Initiative so as to achieve connectivity and continental integration through Chinese enterprises and financial institutions. Under Section 4.3 on Infrastructure Construction of the Beijing Action Plan (2013-2015: n.p.), the Government of China had committed:

[To] support Africa in achieving connectivity and integration and developing more integrated infrastructure within the framework of the Programme for Infrastructure Development in Africa and the Presidential Infrastructure Championing Initiative ... and continue to encourage capable Chinese enterprises and financial institutions to participate in transnational and trans-regional infrastructure construction in Africa and provide preferential loans to support infrastructure building in Africa.

Thus through the above discussed frameworks such as FOCAC Declarations, agreements committed through the AU and at times directly with RECs and member states, the China-Africa partnership has made strides in developing regional infrastructure since the TAZARA project of the late 1970s. There has been notable progress thus far across all infrastructure sectors. In the railway construction sector, for instance, “rail projects planned or underway in Africa are enough to connect Cape Town [at the tip of South Africa] to Copenhagen [on the eastern coast of Denmark]” (*Mail and Guardian*, 8 April 2016).

According to the China-Africa Economic and Trade Cooperation White Paper for 2010, by the end of the year 2009, China had provided assistance for the construction of over 500 infrastructure projects in Africa. Further to that, the China-Africa Economic and Trade Cooperation White Paper for 2013 also revealed that the Chinese Government approved concessional loans worth a total of US\$11.3 billion for 92 African projects between 2010 and May 2012 alone. The White Paper also expresses China’s intention to “push forward Sino-African transnational and trans-regional infrastructure

construction partnerships” to further continental integration and development. The increased presence of Chinese enterprises on the continent is a true sign of the involvement in infrastructure development. The Chinese Ministry of Commerce (MOFCOM) says by the end of the year 2013, more than 2,500 Chinese companies were operating in Africa across all sectors.

It is worthwhile to highlight and discuss some of the major trans-regional infrastructure projects that have been initiated and developed through the China-Africa partnership ever since the TAZARA railway project. This paper focuses on projects that are mainly regional and continental both in significance and outlook. An attempt is made to have a balanced presentation of infrastructure projects in terms of sectoral and geographical balance.

#### **4. Assessment of Regional/trans-boundary Infrastructure Projects**

##### ***4.1. The Merowe Dam Hydropower Project in Sudan***

The Merowe Hydropower Dam Project (or Hamdab Dam) is a multi-purpose dam constructed along the Nile River in Northern Sudan with an installed electricity generating capacity of 1,250 megawatts. Construction of the dam commenced in 2004 and was completed in 2009 with a total cost of the project valued at US\$1.8 billion (Xinhua, 3 March 2009). The China Export-Import Bank financed 240 million Euros with the Sudanese Government together with Arab financial and development institutions also contributing to the project. Chinese corporations, the China International Water and Electric Corporation (CWE) and China National Water Resources and Hydro-power Engineering Corporation constructed the dam, with Harbin Power Engineering Company and Jinlin Province Transmission and Substation Project Company undertaking the transmission system extension works (*People's Daily*, 1 February 2007). French and German companies assisted with project management, civil engineering and installation of generators and turbines.

In addition to the Merowe Dam, the Chinese Government has facilitated the financing and/or construction of several hydro- and solar-energy projects in many African countries such as Algeria, Angola, Burundi, Botswana, Central African Republic (CAR), Cameroon, DRC, Ethiopia, Gabon, Ghana, Guinea, Kenya, Madagascar, Malawi, Mozambique, Nigeria, Sierra Leone, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe among others. These projects have been undertaken by Chinese corporations such as Sino-Hydro Corporation, Shenzhen Energy Group, China International Cooperation Group (CHICO), Shandong Electric Power Construction Corporation (SEPCO), Harbin Power Equipment Company, China Machine Building International Corporation, China National Machinery and Equipment Import Export

Corporation (CMEC) with preferential loan facilities mainly provided through the China Export-Import Bank.

Most of the above energy projects are very vital not only in assisting the beneficiary countries to meet their energy demands, but also go a long way in assisting countries to realize regional energy visions and milestones. Addressing national energy production capacities is the first stage of achieving sustainable regional energy integration and cooperation before the development of cross-border/trans-boundary energy inter-connection infrastructure. The energy infrastructure development projects by the Chinese will boost the potential and generating capacity of national power plants to feed into their respective power pools, namely the Association of Power Utilities in the Maghreb (APUA) established in 1989, the Central Africa Power Pool (CAPP) created in 2003, the East African Power Pool (EAPP) created in 2005, the Southern African Power Pool (SAPP) created in 1995, and the West African Power Pool (WAPP) established in 2001. Given the limited energy currently being traded within, between and among African regions,<sup>1</sup> regional energy infrastructure development through the China-Africa partnership will integrate Africa quicker whilst assisting the continent to realize its development goals.

#### ***4.2. The Unity Bridge Construction Project between Mozambique and Tanzania***

The two-lane 720 metres long Unity Bridge (Ponte da Unidade/Umoja) was a cross-border infrastructure project linking Tanzania with Mozambique across the Rovuma River. The project was undertaken by the China Geo-Engineering Corporation through funding from the governments of Tanzania and Mozambique at a total cost of US\$26.8 million (*East African*, 2010). The bridge was inaugurated in May 2010 and facilitated an easier and shorter transportation route for trade in goods and services between Southern Africa and the East African Community thereby significantly reducing the cost of doing business in the region.

The Unity Bridge cuts the distance between the respective capitals of the two countries, Dar es Salaam and Maputo, by about 1,000 km. Chinyemba and Sikuka (2010) stated that the Unity Bridge is expected to boost development within the Mtawara Development Corridor<sup>2</sup> in Tanzania and Mozambique, together with the rest of the SADC region concluding that it was a milestone towards deeper regional integration. According to the authors, during the opening ceremony of the Unity Bridge on 12 May 2010, the President of Mozambique, Armando Guebuza, stated that the “benefits [of the bridge] will not be limited to bringing closer the people of our region [Eastern and Southern Africa], but also the whole of Africa with all the resulting

positive spins towards development” (Chinyemba and Sikuka, 2010: 5). This is so because the bridge’s spatial development initiative corridors dimension is very broad since it feeds into transnational transport routes via the Nacala Corridor and Maputo Development Corridor<sup>3</sup> both of which widen the scope of regional integration within and between EAC, COMESA and SADC.

#### ***4.3. The West-East Expressway in Algeria***

Chinese corporations have also been involved in deepening regional integration through regional infrastructure development in North Africa. In the 1,216 km long 6-lane West-East Expressway which connects Algeria’s eastern border with Tunisia and western border with Morocco, passing through the country’s 24 provinces, the China International Trust and Investment Corporation (CITIC) and China Railway Construction Company (CRCC) constructed the longest section (the central and western section) which measured 528 km.<sup>4</sup> The eastern section of the highway was allotted to a Japanese Consortium, COOJAL and local contractors.

The West-East Expressway was launched in March 2007 and is part of the envisaged 7,000 km long Trans-Maghreb Highway that runs through the Maghreb states from Egypt to Mauritania in North Africa through Libya, Algeria, Tunisia and Morocco. The Algerian Government is funding the overall project costs of US\$11.2 billion and was initially scheduled for completion by 2010. The West-East Expressway project was scheduled to be completed in 2014 (Union for the Mediterranean, 2014). The project’s key role as a vital component of the Trans-Maghreb Highway will definitely contribute hugely to the physical integration of North Africa and feed into the Algiers-Lagos Highway which is part of the Trans-Africa Highway network that link African capitals with major production areas to promote continental integration (AfDB, 2013).

Over and above the West-East Expressway Project in Algeria, the Chinese Government has been involved in funding the construction of the 84 km long Addis Ababa Expressway in Ethiopia in 2010 linking Adama (in Central Ethiopia, South-East of Addis Ababa) with the Ethiopian capital city. The project was constructed by the Chinese Communication and Construction Company (CCCC) and completed in 2014 at a cost of over US\$600 million funded through a US\$350 million concessionary loan from the China Export-Import Bank.<sup>5</sup> Besides reducing congestion and accommodating more traffic volumes, the Addis Ababa Expressway is part of the Cape Town-Gaborone-Cairo Highway section that feeds into the Trans-Africa Highway network.

Through loans from Chinese banks, several road projects have been completed in many African countries. According to the “China White Paper on China-Africa Economic and Trade Cooperation” (China State Council

Information Office, 2013), the China Road and Bridge Corporation (CRBC) was involved in the road reconstruction in Angola whilst the Belet Uen-Gulcaio section of the Belet Uen-Burao Highway in Somalia was completed through Chinese aid. Road projects in Ghana that fall along the Tweneboa-Enyenra-Ntomme Corridor in West Africa, such as the Ofankor-Nsawam Highway which was constructed in 2004, were also financed through Chinese loans through the China EXIM Bank and were constructed by Chinese companies including the China Railway Engineering Corporation Limited.

Countries such as Angola, DRC, Kenya, Mozambique, Namibia, Sudan, Tanzania and Zambia have also benefited from extended financial aid for road infrastructure development. Most of these roads are feeder roads into the main development corridors being pursued at regional level by African RECs and they are valuable components of Africa's main multi-modal transport corridors.<sup>6</sup> This will strengthen Africa's pursuit of the Almaty Declaration and Programme of Action of August 2003, which implored the need to improve transit transport connectivity as one of the mechanisms of broadening regional integration, expanding regional markets and enhancing intra-regional trade.

#### ***4.4. The Nouakchott's Friendship Port (PANPA) in Mauritania***

The Autonomous Port of Nouakchott (PANPA), also referred to as the Friendship Port Project, in Mauritania's capital on the Atlantic coast was undertaken by a Chinese enterprise, China Harbour Engineering Company (CHEC), which is a subsidiary of CCCC, through a preferential loan of two billion Yuan from the China Export-Import Bank (*Xinhuanet*, 26 September 2009; *China Daily*, 26 September 2009). The project involved the extension of the Nouakchott Port by 900 metres, upgrading of petroleum berths, water break point and port protection infrastructure.

PANPA is a key infrastructure not only for Mauritania as it handles over 90 per cent of its imports, but also for the West African region as a whole. The Nouakchott Port expansion will serve as a hub of regional importation and exportation in the envisaged Trans-West African Coastal Highway that will link twelve Economic Community of West African States (ECOWAS) member states from Nouakchott (Mauritania) to Lagos (Nigeria) through Dakar (Senegal) and it will feed into the Pan-African Road network extending from Mauritania to the Port of Mombasa in Kenya (ECA, 2010). This will deepen and widen both intra-ECOWAS trade and economic cooperation whilst also opening opportunities for inter-regional cooperation and integration between ECOWAS and EAC.

The Chinese Government has provided financial facilities with regional integration benefits of similar magnitude in Africa such as the Kribi Deep-Water Port of Cameroon. Phase 1 of the project started in 2011 was funded

through the China Export-Import Bank and constructed by the China National Electric Equipment Corporation and the China Harbour Engineering Company Limited. It was completed in 2014, paving way for Phase 2 of the project that comprise the construction of a quay, berths and 20 terminals (*Construction Review Online*, 26 February 2016; Xinhua, 16 February 2015).

Other seaport projects constructed by Chinese companies and/or being funded through Chinese financing facilities include the Bangamoyo Port in Tanzania (partially funded by the China Merchants Holdings (International) Company), the new Port of Maputo in Mozambique (in which the China Harbour Engineering Company is part of the contracted consortium) as well as the Lamu and Mombasa ports expansion projects in Kenya (in which CCCC Group and CRBC are involved with larger share of financing from China Exim Bank). All these port projects are crucial in pursuit of the AU's African Maritime Transport Charter of 2009 which acknowledges the critical role of maritime infrastructure in the African integration.

#### **4.5. The Mombasa-Kigali Railway Project in East Africa**

The Mombasa-Kigali Railway Project, which is also referred to as the East African Railway Project, seeks to construct a 2,935 km long high-speed standard gauge railway line that runs from the Kenyan Port of Mombasa to Kigali, Rwanda through Nairobi and Uganda with future plans of extending the line to Juba in South Sudan (EAC, 2012; *International Railway Journal*, 16 June 2016). The total project cost is estimated at US\$13.5 billion and the targeted completion year is March 2018. Each country is expected to finance a portion of the railway within its territory. The railway line, which is for both passengers and freight, will significantly assist in facilitating the smooth movement of goods and services within the East African sub-region.

There has been notable progress within the Kenyan section. The Kenyan section has been divided into two phases, that is, Mombasa-Nairobi and Nairobi-Malaba where it connects the Uganda SGR line. The first phase of the project, which started in 2014 and scheduled to be completed by June 2017, comprised the construction of a 609 km Mombasa-Nairobi Standard Gauge Railway (SGR) line. This section was reported in December 2016 as "98 per cent complete" and "on schedule" to be completed by June 2017 (*Construction Business Review*, 4 December 2016: n.p.; see also *Daily Nation*, 29 May 2016: n.p.; *International Railway Journal*, 16 June 2016: n.p.). The Government of China, through the Export and Import Bank of China, will finance 90 per cent of the total project costs for the Mombasa-Nairobi SGR Project Phase estimated at US\$3.8 billion, with the Kenyan Government catering for the remaining 10 per cent (Government of Kenya, 2014; *International Railway Journal*, 16 June 2016; Kenyan Railways Corporation, 2016).

The project will be undertaken by the China Road and Bridge Corporation (CRBC) whilst the Kenyan Railways Corporation (KRC) and China Communications Construction Company Limited (CCCC) have entered into a contract to develop the 490 km Nairobi-Naivasha-Kisumu-Malaba SGR line section, Kisumu Port and expansion works at the Embakasi Inland Container Depot in Nairobi under Phase 2 of the project (Kenyan Railways Corporation, 2016). The project scope involves building a total length of 609km rail SGR track, installing electrification and water infrastructure, building freight exchange and passenger stations, marshalling yards, underpasses for wild animals in game parks, installing and supplying locomotives, passenger coaches, freight wagons, signalling and communication facilities (*Construction Business Review*, 4 December 2016: n.p.; *Daily Nation*, 29 May 2016: n.p.; Government of Kenya, 2014: 8; *International Railway Journal*, 16 June 2016; Kenyan Railways Corporation, 2016: n.p.).

The Mombasa-Kigali Railway Project will definitely deepen economic exchanges and cooperation in East Africa through the improvement of transport connectivity amongst Kenya, Rwanda, Uganda and South Sudan as envisaged within the Northern Corridor Integration Projects Initiative (NCPI) vision. This will reduce transportation costs, improve market accessibility and boost intra-EAC trade. Within the Kenyan section, for instance, freight trains have a cargo carrying capacity of 22 million tonnes per annum whilst the passenger locomotives will have a carrying capacity of 1,096 passengers with a speed of 120 km per hour (see *Daily Nation*, 29 May 2016; *Construction Business Review*, 4 December 2016; *International Railway Journal*, 16 June 2016; Kenyan Railways Corporation, 2016). This will reduce the cost of doing business especially considering the cost efficiency of rail transport. The Mombasa-Kigali Railway Project may also be taken as a step in the right direction towards the harmonization of railway gauges in Africa into a common seamless rail network against a background where different rail gauges exist in different regions across the continent. This is imperative in light of the progression towards inter-regional railway connectivity.

The Chinese have been involved in different phases of similar ventures in EAC and beyond. For instance, the Chinese consortium of companies under CCCC is involved in expansion projects at Lamu Port in Kenya. The Lamu Port expansion project is one of the key components of the Lamu Port-Southern Sudan-Ethiopia-Transport (LAPSSET) Corridor Project that seeks to develop a connecting oil pipeline, road and railway lines from Lamu in Eastern Kenya to Juba in Sudan through Ethiopia by the year 2030.

According to the LAPSSET Corridor Development Authority (2013), the project seeks to facilitate trade within the East Africa and Great Lakes sub-region and promote regional economic integration and interconnectivity between African countries. Within the same corridor, there are also plans to

construct international airports, oil refineries and resort towns including future plans to further extend the LAPSET Transport Corridor to connect East Africa with the Douala-Lagos-Cotonou-Abijan Corridor in West Africa which links Benin, Cameroon, Cote d'Ivoire, Ghana, Nigeria and Togo (United Nations Conference on Trade and Development (UNCTAD), 2013).

#### **4.6. The Ethiopia-Djibouti Railway Project**

The Ethiopia-Djibouti Railway Project is another regional infrastructure development project in which the Chinese were involved. The 752.7 km long electrified railway, which was completed in September 2016 and inaugurated on 5 October 2016, connects the Ethiopian capital of Addis Ababa with the Port of Doraleh at the Red Sea coast in Djibouti. It was reported as “the first standard gauge electrified railroad on the continent built with Chinese standards and technology” (*Railway Gazette*, 5 October 2016: n.p.; see also *BBC News*, 5 October 2016; *China Daily*, 11 November 2016; *Sudan Tribune*, 25 September 2016; *The Guardian Newspaper*, 5 October 2016; *Xinhuanet*, 6 October 2016).

The Ethiopian section of the railway project cost around US\$3.4 billion, with the China Exim Bank, the China Development Bank and the Industrial and Commercial Bank of China financing 70% of the costs whilst the Government of Ethiopia funded the remaining 30% (*China Daily*, 11 November 2016; *Railway Gazette*, 5 October 2016; *Sudan Tribune*, 25 September 2016). On the other hand, the Djibouti section was also funded through a US\$505 million loan facility from China (*Railway Gazette*, 5 October 2016).

The railway line had been in operation since 1917 until it later halted its passenger and freight operations in 2010 due to lack of maintenance caused by funding shortages (World Bank, 2013: 9; see also *Railway Gazette*, 5 October 2016). The railway cuts across 30 per cent of Ethiopia's population and 70 per cent of the population of Djibouti (Mohapatra, 2016). In addition, the Ethiopian industrial centres of Addis Ababa, Akaki, Awash, Debre Zeit, Dire Dawa, Metehara, and Mojo are all located along the railway line which makes the project a strategic export and import connecting link as it constitutes a shipping route to the Red Sea (see Mohapatra, 2016).

A briefing memorandum of the Infrastructure Consortium for Africa (ICA) Meeting in 2007 reported of the Ethiopia-Djibouti Railway Line:

The Djibouti-Ethiopia Railway (Chemin de Fer Djibouti-Ethiopien, or CDE) Project consists of a 25-year railway operating concession for the 780 km railway running from Djibouti to Addis Ababa through Dire Dawa. The railway, constructed at the beginning of the 20th Century, has deteriorated



due to lack of maintenance, poor management, and a lack of commercial focus (ICA, 2007: n.p.).

The project was therefore aimed at creating “a reliable, safe, economical and sustainable transportation corridor that acts as a competitive alternative to road transportation in providing access to the Red Sea port” (ICA, 2007: n.p.). In terms of its intended social and environmental impact, the report stated:

[The project will connect] Ethiopia’s industrial centers and large portions of both countries’ populations, the project is expected to contribute to poverty reduction by improving market access and transport conditions. Port and transit services, including road and rail links, are major sources of income and employment for Djibouti: approximately 10,000 jobs are in transport-related activities, and transportation is one of the primary activities of Djibouti’s services sector, which accounts for 70 percent of GDP. Improving the competitiveness of the railway will also support the operations of the port (ICA, 2007: n.p.).

Ultimately, as the Yehualaeshet (2012) stated, the Ethiopia-Djibouti Railway Line will assist to cope with the growing demand for railway services due to economic growth against a background of outdated railway network, limited connectivity and generally poor transport services in the Horn of Africa. The project anticipated such a significant impact and boost on the two countries’ socio-economic growth and development through reducing road maintenance costs, saving fuel, generating employment, reducing pollution and generating revenue (see Mohapatra, 2016). The author’s economic analysis of the Ethiopia-Djibouti Railway Line project within the next 25 years from 2016 revealed that “the NPV [net present value] of the cost streams at 12% calculated to be \$6831,30 million” and that “[t]he economic internal rate of return of investments will be 18.90 percent” (Mohapatra, 2016: 11376).

Although the project is owned by the Ethiopian Railways Corporation (ERC), it has been contracted to two Chinese enterprises, that is, the China Railway Engineering Corporation (CREC) and the China Civil Engineering Construction Cooperation (CCECC) which are constructing two segments of the railway line (*AllAfrica*, 2013: n.p.). The Ethiopia-Djibouti Railway Line was divided into three sections and the China Railway Engineering Corporation constructed the 317 km from Mieso to the town of Dewelle whilst the China Civil Engineering Construction Cooperation (CCECC) constructed two sections with a total length of 439 km from Mieso to the Port of Doraleh in the Red Sea (*AllAfrica*, 2013; *The Guardian Newspaper*, 5 October 2016; *Railway Gazette*, 5 October 2016).

Given the magnitude of the project, the project financial costs were expectedly high as this would involve planning costs, huge infrastructure

construction bill for rails, water supply and drainage, buildings, tunnels and bridges, culverts, preparation of the site, costs of land acquisition and compensation as well as purchase of freight and passenger locomotives, communication and signal equipment.

As the Ethiopia-Djibouti Railway Project has been completed, it will thus be highly significant in socio-economic terms as it will facilitate Ethiopia's access to the sea thereby enhancing the country's logistical capacity whilst at the same time assisting Djibouti to be connected inland for regional trade facilitation purposes. From a spatial development perspective, there will definitely be opportunities for urbanization, boosting of economic activities and job creation. When the project was reported to be completed in September 2016, it was stated:

...1,171 wagons with a capacity to transport 3,500 tons at once and 41 locomotives will be in full service when the Ethiopia-Djibouti railway line enters into full operation following 3-6 months trial rides. The freight trains can ride at a speed of 90 kilometres per hour whilst passenger trains which can carry over 1100 people at once can hit at 120km/hr. It will take around 10-12 hours for the electrified trains to reach Addis Ababa from Djibouti. It used to take 3-7 days for the former diesel locomotives to cover the same route (*Sudan Tribune*, 25 September 2016; see also *BBC News*, 5 October 2016; *China Daily*, 11 November 2016).

The Ethiopia-Djibouti Railway is part of the Djibouti-Libreville Transportation Corridor that is being proposed under the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF). Thus the project is extra-regional in outlook. This will therefore assist in intensifying economic exchanges and facilitate more trade between EAC and ECOWAS. Perhaps, that is why Wang Yang, the Chinese Vice Premier, referred to the project as "the TAZARA railway in a new era" (Xiangjiang *et al.*, 2016).

Over and above the Ethiopia-Djibouti Railway project, the Chinese have funded and constructed major trans-continental railway projects in Africa, through partnerships, which include the Abuja-Kaduna-Kano Railway Project and the Lagos-Port Harcourt-Calabar Coastal Railway Project both in Nigeria, Addis Ababa Light Rail Transit Transportation System in Ethiopia, the Lobito-Congo Railway Project between Angola, Zambia and DRC, the Benguela Railway Project in Angola, the Chad-Sudan Railway Project between Sudan and Chad, and the Mombasa-Nairobi Railway Project (see *Sudan Tribune*, 1 August 2011; *China Daily*, 17 August 2016; *China Daily*, 27 August 2016; *New China*, 5 October 2016).

The recently signed agreement on Africa's High Speed Railway Network between the AU and China in Addis Ababa on the 5 October 2016 (AU, 2016), sets a key framework on integrating and modernizing the railway

network in Africa through collaboration and cooperation in the funding, construction, management and operation of regional rail infrastructure.

#### **4.7. The Maputo International Airport Project**

One of the biggest beneficiaries of massive Chinese investments in African aviation industry infrastructure was Mozambique. The Phase I of the Maputo International Airport Expansion and Rehabilitation Project began in 2007 and was completed in November 2010 with funding from the Chinese Government through a concessional loan of US\$75 million (*AllAfrica*, 2012; *African Avian Tribune*, 2012; *Macau Hub*, 9 December 2015). The project, which was carried out by China's Anhui Foreign Economic Construction (Group) Company (AFECC), involved the construction of a new cargo and passenger terminals, control tower and other supporting airport facilities. Upon completion, the Maputo International Airport doubled its carrying capacity from 300,000 passengers to 600,000 passengers. AFECC will also undertake Phase II of the Maputo International Airport Rehabilitation and Expansion Project (*African Avian Tribune*, 2012).

The Chinese Government have also displayed a commitment to develop the air transport infrastructure across the continent as evidenced by several airport upgrading projects such as the Victoria Falls Airport Expansion Project in Zimbabwe (financed by the China Jiangsu International Group through a US\$150 million loan facility from China Export Import Bank); Anhui Civil Engineering Group (ACEG) and the China Aero-Technology International Engineering Corporation (CATIC) were jointly contracted to work on the "Greenfield Terminal" at Jomo Kenyatta International Airport in Kenya; the New International Airport of Luanda in Angola is also being constructed by the China International Fund (CIF) Limited with other Chinese companies namely CATIC, China Tiesiju Civil Engineering Group (ETSC) and China Highway Group Limited engaged on supporting projects on the airport; and in Malawi, Seirra Leonne, among others (*China Daily*, 19 November 2016; *New China*, 22 October 2016; *China Daily*, 30 January 2015; *Macau Hub*, 14 September 2016).

All these efforts being made through the China-Africa partnership will lay the foundation for the implementation of the Yamoussoukro Declaration which was adopted by the AU member states in 1999 to liberalize access to intra-African air services in Africa. Such liberalization will only produce effective integration results only if the proper air transport infrastructure is in place. The development of air transport infrastructure is also the first step necessary for the implementation of the African Civil Aviation Policy of 2002 whose ultimate thrust is to develop an integrated transportation system

that links the air transportation system for smooth movement of goods and services in Africa.

In light of accelerated globalization, the role of airport infrastructure is vital in integrating African countries not only amongst themselves but also with the outside world. Airports facilitates what Derruder (2012) terms “global inter-city networks” and what Boloukian and Siegmann (2016) refers to as “airport-centric development”. Moreover, studies by Florida *et al.* (2015) in the United States (US), for instance, have confirmed that airports significantly contribute to regional development, and that maximum regional development benefits and impact of airports can be unlocked when the airport infrastructure is expanded to increase the potential capacity of traffic handled as well as cargo and passengers transported. Thus, airport projects in Africa will foster integration through increasing the continent’s hub-and-spoke network or connectivity, cutting costs of doing business and associated inconveniences incurred through unnecessary flight transfers that are a manifestation of Africa’s heavy dependence on foreign hubs and/or few continental “switchboards” discussed above.

## **5. Prospects for the China-Africa Partnership for Infrastructure Delivery**

The China-Africa Partnership in infrastructure development has therefore grown and evolved, spanning over four decades since the TAZARA project. Notwithstanding the invaluable contributions and concerted efforts by China towards de-fragmenting Africa through regional infrastructure development across all sectors as explored above, the continent still faces the reality of a huge infrastructural deficit. As presented by NEPAD, the 51 NEPAD–Pan African Parliament projects cost a total of US\$68 billion from 2012-2020 whilst the World Bank (2012) estimated that Africa needs US\$93 billion per year to close its infrastructural deficit.

The announcement by Chinese President Xi Jinping at the FOCAC Second Summit in Johannesburg, South Africa in December 2015 that China pledges US\$60 billion funding support to Africa including interest-free loans, free aid, preferential loans and export credit, and expanding the China-Africa Development Fund is a boost to African regional infrastructure development plans. The further launch of the Africa-China Growing Together Fund through the People’s Bank of China and the AfDB in May 2014 will also provide wide opportunities for infrastructure projects in Africa. Whilst this may easily be criticized as a potential trigger to a debt crisis in Africa, the ability of African countries to embark on productive and economically strategic regional infrastructure is the key determinant factor.

The January 2015 AU-China MoU on Continental Transport infrastructure development will accelerate the physical integration of Africa. As we reflect on China's experience in deepening and widening regional infrastructure development within the framework of China-Africa Partnership for Cooperation, it is prudent to consider the following recommendations that may assist in shaping and reshaping the different approaches whilst informing perceptions and misperceptions that have always clouded the China-Africa Development Partnership.

## **6. Recommendations**

### *a) Collective emphasis on regional/continental approach to regional/continental infrastructure development*

With clearly defined infrastructure projects' priorities under the AU Infrastructure Master Plan, PIDA, NEPAD-AAP, NEPAD-STAP, NEPAD-MLTSF, Agenda 2063, together with Regional Infrastructure Development Master Plans in all the African RECs, African governments need to collectively think regional in their engagement with China than thinking local by not allowing their National Development Plans (NDPs) to override regional and continental frameworks for infrastructure development in terms of priority and emphasis. Rather, NDPs on infrastructure should be aligned with, and feed into, regional infrastructure plans, priorities and frameworks. Given the nature of regional or transnational infrastructure delivery, African governments need to consider negotiating loan deals for such infrastructure as RECs. This will allow for an integrated and well-coordinated approach that will ensure that the infrastructure projects will adopt a corridor approach so as to speed up African regional integration and structurally transform African economies for sustainable development whilst at the same time providing a platform for interstate or cross-border cooperation which builds trust amongst states germane for regional integration.

### *b) Complementing Chinese assistance with innovative local financing mechanisms in Africa*

Africa's annual infrastructure needs currently stand at US\$93 billion but the continent mobilizes and spends US\$45 billion leaving an annual deficit of US\$50 billion (Economic Commission for Africa Report, 2015). The fact that African countries, according to Deloitte in its *Africa Construction Trends Report* (2015: 5), collectively spend over US\$230 billion in 2015 to construct infrastructure in the transportation, energy and power, and telecommunications sectors, is very commendable. Whilst the Chinese Government is playing an

insurmountable task as a financier of regional infrastructure projects, over and above national projects, African governments need to individually and collectively explore different regional infrastructure financing mechanisms to complement the Chinese support for the purposes of sustainability and to close up the apparent infrastructure deficit on the continent. At regional level, the “Africa 50 Fund”, for example, is an innovative facility to finance infrastructure development on the continent.

Regional mechanisms can be implemented to harness toll fees for further upgrading, rehabilitation and maintenance of the regional highways, progressive and fairer resources-for-infrastructure financing models, Sovereign Wealth Funds (SWFs), Pension Funds, Insurance Funds, the development of attractive PPP models, among others, have never been fully explored. These and other strategies can also be devised at national level. The Government of Kenya, for instance, came up with a strategy to finance its 10% share of the SGR Project through instituting a Railway Development Levy (RDL) of 1.5 per cent on all imports so as to complement the 90% funding secured from the China Exim Bank (Government of Kenya, 2014: 7). Such innovative and inward looking strategies assist to reduce over-reliance on foreign funding and reduce the unsustainable accumulation of foreign debt.

c) *Maximizing the extraction of benefits from the use of productive economic infrastructure*

Despite the often flexible loan repayment plans associated with Chinese loans for infrastructure development, there are genuine fears that the increased borrowing of loans by African countries may ultimately result in the accumulation of huge debts on the part of African governments which will reverse development milestones achieved so far and ultimately scupper the integration momentum through debt entrapment. It is recommended that African countries guard against the “white elephant syndrome” through rushing to secure loans for unviable projects that are not of regional and national economic importance. Regional project design and preparation should be broadened to ensure that infrastructure projects are intertwined with industrialization strategies and Spatial Development Initiatives (SDIs) to create wider socio-economic opportunities so as to avoid the “white elephant” trap. Thus, there is a need to invest in detailed economic analysis of proposed projects before approval for funding. This process must be carried out with due diligence at regional level by all the relevant stakeholders in an inclusive manner. To this end, African countries may need to fully utilize their REC institutions to carry out detailed project feasibility analysis and ensure that regional projects are well assessed and packaged before securing funding. REC institutions such as the ECOWAS Projects Preparation and Development

Unit (PPDU), the SADC Projects Preparation and Development Facility (PPDF), and the COMESA-EAC-SADC Tripartite Project Preparation and Implementation Unit (PPIU), among others, are fundamental in this respect.

d) *Strengthening negotiations for financial assistance and local empowerment components*

It is not a secret that the China-Africa Partnership has been sustained by deep political trust, and has been based on the principles of common development and mutual benefit. Pursuant to these values and principles, the negotiation for infrastructure development loans should also continue to explore the options of subcontracting local players in the African construction sector. This will ensure greater win-win benefits through technology transfer/sharing between Chinese SOEs and local firms so as to invest in the development of local capacities.

An encouraging case is that of Kenya in the construction of its SGR Project: KRC and CRBC agreed on a local procurement formula to the effect that “40 per cent of local content in terms of construction materials [that are locally available], civil works and job” will be procured and/or secured within the country (Government of Kenya, 2016: 8). This is the key to socio-economic empowerment. The Mombasa-Nairobi SGR Project was reported to have created about 30,000 jobs in Kenya (*China Daily*, 13 December 2016). In another case, the Ethiopia-Djibouti Railway Project reportedly employed “over 20,000 local workers in Ethiopia and 5,000 in Djibouti” (Ministry of Foreign Affairs, 2016).

Progressive technology transfer arrangements should be sustained whenever partnership infrastructure projects are undertaken. The arrangement made for the Ethiopia-Djibouti Railway Project in terms of local staff training and transitioning of the handover process is commendable. In this project, Chinese staff will manage the project operations for the first five years upon completion of the railway line in October 2016 and will hand over all the railway operations management to local staff who would have undergone specialist training in China and Russia within the transitional period (*Railway Gazette*, 5 October 2016).

Similarly, for the Mombasa-Nairobi SGR Project, CCCC will operate the railway facility for five years, upon project completion, before handing over to KRC. In 2015, the CRBC also established a Technology Transfer Competence Training Centre in the town of Voi, in Taita Taveta County, to train both skilled and unskilled local SGR employees, engineers and artisans through capacitating them with physical operational skills, technical skills, soft skills, occupational safety, and theoretical studies as part of the SGR project (*Daily Nation*, 3 July 2015; *New China*, 12 August 2015; Xinhua, 1 August 2015). A more or less similar model was also applied in the TAZARA

railway project whereby the TAZARA Training Centre (TTC) was constructed in Mpika District, Zambia; in 1975 by the Chinese as part of the project for railway-specific training and other related capacity building. The TAZARA also employed 38,000 Tanzanians and 13,500 Zambians at the “height of [its] construction” (Tanzania Zambia Railway Authority, 2016d: n.p.).

Besides flexibilizing the loan repayment mechanisms, this sustainably empowers African artisans and experts, and ensures smooth handover thereby guarding against interruptions or destabilization of project operations management.

Adhering to Common Investment Policies and Regulations in regional communities where they are existent, such as in COMESA, is very critical. Related to this, African governments need to improve on upholding highest standards of transparency in negotiating for financial assistance for infrastructure development so as to allow space for legitimate public scrutiny. It is not common knowledge that most of the negotiations for concessional loans or grants seem to be consistently opaque and remain shrouded in bureaucratic secrecy with partial disclosure. The continuation of such opacity may conveniently provide room for kleptocratic tendencies within African governments which obviously encumbers the pursuit of the African regional infrastructural development agenda.

The scope of negotiations for financial assistance may need to be broadened to include enforceable mechanism for African governments to monitor every stage of the project implementation cycle with a view to attend to issues regarding quality assurance, local procurement quotas, labour relations issues, environmental management and protection, among other issues. These issues have tended to be sensationalized and over-exaggerated especially by some sections of the media in Africa and beyond thereby nurturing unnecessary and destructive perceptions and misperceptions around the China-Africa Partnership.<sup>7</sup>

## 7. Conclusion

The trans-continental appraisal has revealed that China is playing a critical role in enabling African regional infrastructure renaissance through the China-Africa partnership across all sectors of road, rail and sea transport, energy, and ICT. This is largely through facilitating low interest loans and grants to finance regional infrastructure projects in all the RECs on the continent. There is a notable shift of focus and prioritization in China-Africa partnership in terms of infrastructure development projects from national to regional/trans-boundary infrastructure. This is aligned to the Agenda 2063 and various REC Infrastructure Development Master Plans which all accelerate connectivity and regional integration in Africa. It can be noted from the completed



projects as well as ongoing projects that the infrastructure projects borne out of the China-Africa partnership are stimulating interstate cooperation in terms of trade and industrialization, movement of people and reducing drastically the cost of doing business in Africa. To complement China's efforts, and for the purposes of sustainability, it is incumbent upon African governments to explore alternative infrastructure financing mechanisms such as new and attractive PPP models, establishment of regional infrastructure development funds, regional infrastructure tolling systems, among others within the framework of the AU Infrastructure Master Plan, PIDA, NEPAD-AAP, NEPAD-STAP, NEPAD-MLTSF, and respective REC Infrastructure Development Master Plans.

## Notes

- \* The author is a lecturer and PhD candidate in International Relations at the University of KwaZulu-Natal (UKZN), School of Social Sciences, Department of International and Public Affairs, Mazisi Kunene Road, Durban 4001, South Africa. Email addresses are <cvhumbunu@gmail.com>; <Vhumbunuc@ukzn.ac.za>.
1. Against a background of foreseen increase of energy demand in Africa from 590 terawatts per hour to 3,100 terawatts per hour as noted in the *2011-2040 PIDA Energy Outlook*, the African Development Bank (AfDB) pointed out that despite recognizable efforts to increase intra-REC Power Pool, the energy traded in the year 2009 was ranging between 0.2 per cent in the Central Africa Power Pool and 7.5 per cent in the Southern African Power Pool (Kambanda, 2013).
  2. A development corridor is a combination of interconnected transport routes that connect centres of economic activity across one or more adjoining countries thereby promoting trade, investment and regional integration. The Mtawara Development Corridor links Malawi, Mozambique, Tanzania and Zambia.
  3. Nacala Corridor connects Malawi, Mozambique and Zambia whilst the Maputo Development Corridor links South African Provinces of Gauteng, Limpopo and Mpumalanga with Maputo Port of Mozambique.
  4. The China Railway Engineering Corporation Limited website reported on 17 April 2011 that they had completed the Western section of the project in April that year.
  5. The *China Daily* (2014) reported that the Addis Ababa-Adama Expressway was constructed at a cost of more than US\$709 million.
  6. Africa's main corridors consist the following; Trans-Maghreb Corridor (stretches from Rabat-Algiers-Tunis-Tripoli-Cairo), Abidjan-Lagos Corridor (stretches from Abidjan-Accra-Lome-Cotonou-Lagos in West Africa), Northern Corridor (stretches from Southern Sudan-Bujumbura-Kinshasa-Ethiopia-Kigali-Northern Tanzania-Kampala-Nairobi-Mombasa), Central Corridor (stretches from Uganda-Burundi-Rwanda-DRC-Tanzania), Dar es Salaam Corridor (stretches from Dar es Salaam-Lusaka-Lilongwe), Walvis Bay Corridor (stretches from Walvis Bay-

Botswana-Zambia-Zimbabwe connecting to the Trans-Kalahari, Trans-Caprivi and Trans-Cunene Corridors), Maputo Development Corridor (links Maputo Port in Mozambique with South Africa's Gauteng Province), North-South Corridor (stretches from Dar es Salaam to Durban going through eight countries, namely Botswana, DRC, Malawi, Mozambique, South Africa, Zambia, Zimbabwe, and Tanzania). Compilations extracted from ECA (2010).

7. In an interview with China.org.cn on 23 of February 2013, Liu Youfa, Vice President of the China Institute of International Studies, noted that there are several politickers, academics and theoreticians who consistently mix up development issues in China and Africa thereby distorting the China-Africa story for political reasons. Unsubstantiated and/or over-exaggerated reports on poor labour relations have been reported in almost all African countries where Chinese enterprises are undertaking infrastructure projects (FOCAC, 2011).

## References

- AfDB (2011), *China and Africa: An Emerging Partnership for Development?* (edited by Schiere, R. et al.), Tunis: Tunisia.
- Africa Infrastructure Knowledge Program Handbook on Infrastructure Statistics* (2011), prepared by the Africa Development Bank Group, World Bank and Infrastructure Consortium for Africa.
- AfDB/World Economic Forum (2013), "Strategic Infrastructure in Africa: A Business Approach to Project Acceleration", AfDB/ World Economic Forum, May 2013.
- African Avian Tribune* (2012), "Mozambique: New Domestic Terminal at Maputo Airport to be ready by October", available at: <<http://www.theafricanaviationtribune.com/2012/06/mozambique-pics-new-domestic-terminal.html>> (accessed on 12 June 2014).
- African Union (2013), "50th Anniversary Solemn Declaration", available at: <[http://au.int/en/sites/default/files/pages/31464-file-50th\\_anniversary\\_solemn\\_declaration\\_en.pdf](http://au.int/en/sites/default/files/pages/31464-file-50th_anniversary_solemn_declaration_en.pdf)> (accessed on 20 December 2016).
- African Union (2015), "Invitation to the Media: MoU Signing Ceremony between AU and China", Media Advisory, 27 January, available at: <<http://agenda2063.au.int/en/news/mou-signing-ceremony-between-au-and-china>> (accessed on 22 September 2015).
- African Union (2016), "African Union Signs Agreement on Africa's High-Speed Railway Network", Press Release No. 348/2016, AU Directorate of Information and Communication.
- African Union Commission (2015), "Agenda 2063: The Africa we want", available at: <[http://au.int/en/sites/default/files/pages/3657-file-agenda2063\\_popular\\_version\\_en.pdf](http://au.int/en/sites/default/files/pages/3657-file-agenda2063_popular_version_en.pdf)> (accessed on 14 December 2016).
- AllAfrica* (2012), "Mozambique: Maputo Airport Domestic Terminal to Open in October", 19 June, available at: <<http://allafrica.com/stories/201206200231.html>> (accessed on 4 June 2015).
- AllAfrica* (2013), Ethiopia Confident of Completing Ethio-Djibouti Rail Project in GTP Period, 1 October, available at: <<http://allafrica.com/stories/201310020133.html>> (accessed on 4 June 2014).

- AllAfrica* (2016), “Tanzania, Zambia Bitter on Challenges Facing Tazara”, 26 February, available at: <<http://allafrica.com/stories/201602260450.html>> (accessed on 13 December 2016).
- Anthony, R. (2015), The AU-China infrastructure deal: a shifting terrain, CCS Commentary, 9 February, available at: <[http://www.ccs.org.za/wp-content/uploads/2015/02/CCS\\_Commentary\\_AU\\_China\\_RA\\_2015.pdf](http://www.ccs.org.za/wp-content/uploads/2015/02/CCS_Commentary_AU_China_RA_2015.pdf)> (accessed on 12 December 2016).
- Arewa, O. (2016), “Constructing Africa Chinese Investment, Infrastructure Deficits, and Development”, *Cornell International Law Journal*, 2015-91.
- BBC News* (2016), “Ethiopia-Djibouti electric railway line opens”, 5 October, available at: <<http://www.bbc.com/news/world-africa-37562177>> (accessed on 10 December 2016).
- Boloukian, R. and Siegmann, J. (2016), “Urban Logistics: a Key for the Airport-Centric Development – A Review on Development Approaches and the Role of Urban Logistics in Comprehensive Airport-Centric Planning”, *Transportation Research Procedia*, Vol. 12, pp. 800-811.
- China Daily* (2009), “Mauritania, China launch Nouakchott Port project”, 26 September, available at: <[http://www.chinadaily.com.cn/china/2009-09/26/content\\_8739855.htm](http://www.chinadaily.com.cn/china/2009-09/26/content_8739855.htm)> (accessed on 10 December 2016).
- China Daily* (2014), “Eight Major Aid Projects by China in Africa”, available at: <[http://africa.chinadaily.com.cn/weekly/2014-05/09/content\\_17495478.htm](http://africa.chinadaily.com.cn/weekly/2014-05/09/content_17495478.htm)> (accessed in 2014).
- China Daily* (2015), “Chinese airport engineers break new ground in Kenya”, 30 January, available at: <[http://africa.chinadaily.com.cn/weekly/2015-01/30/content\\_19448565.htm](http://africa.chinadaily.com.cn/weekly/2015-01/30/content_19448565.htm)> (accessed on 13 December 2016).
- China Daily* (2015), “40 years on, remembering Tazara project”, 31 July, available at: <[http://africa.chinadaily.com.cn/weekly/2015-07/31/content\\_21460844.htm](http://africa.chinadaily.com.cn/weekly/2015-07/31/content_21460844.htm)> (accessed on 18 December 2016).
- China Daily* (2016), “China-funded modern railway wins acclaims from African diplomats”, 17 August, available at: <[http://europe.chinadaily.com.cn/business/2016-08/17/content\\_26504276.htm](http://europe.chinadaily.com.cn/business/2016-08/17/content_26504276.htm)> (accessed on 19 December 2016).
- China Daily* (2016), “Nigeria flags off commercial operation on China-assisted rail project”, 27 August, available at: <[http://europe.chinadaily.com.cn/business/2016-07/27/content\\_26242718.htm](http://europe.chinadaily.com.cn/business/2016-07/27/content_26242718.htm)> (accessed on 20 December 2016).
- China Daily* (2016), “Trains carry a cargo of hope”, 11 November, available at: <[http://europe.chinadaily.com.cn/epaper/2016-11/11/content\\_27341913.htm](http://europe.chinadaily.com.cn/epaper/2016-11/11/content_27341913.htm)> (accessed on 20 December 2016).
- China Daily* (2016), “Chinese-built airport inaugurated in Zimbabwe”, 19 November, available at: <[http://www.chinadaily.com.cn/world/2016-11/19/content\\_27427743.htm](http://www.chinadaily.com.cn/world/2016-11/19/content_27427743.htm)> (accessed on 12 December 2016).
- China Daily* (2016), “Belt and Road Initiative to spur Africa’s growth, reshape global order: experts”, 13 December, available at: <[http://usa.chinadaily.com.cn/business/2016-12/13/content\\_27652660.htm](http://usa.chinadaily.com.cn/business/2016-12/13/content_27652660.htm)> (accessed on 17 December 2016).
- China State Council Information Office (August 2013), “White Paper on China-Africa Economic and Trade Cooperation”, Government of the People’s Republic

- of China, available at: <<http://english.mofcom.gov.cn/article/newsrelease/press/201309/20130900285772.shtml>> (accessed on 17 February 2014).
- Chinyemba, F. and Kizito Sikuka (2010), "Unity Bridge: Symbol of Unity, Prosperity", *SADC Today*, Vol. 12, No. 4, p. 5.
- Construction Business Review* (2016), "Mombasa-Nairobi Standard Gauge Railway nears completion", 4 December, available at: <<http://www.constructionkenya.com/2720/standard-gauge-railway-kenya/>> (accessed on 20 December 2016).
- Construction Review Online* (2016), "Phase 2 construction of deep sea port in Cameroon approved", 26 February, available at: <<https://constructionreviewonline.com/2016/02/phase-2-construction-of-deep-sea-port-in-cameroon-approved/>> (accessed on 10 December 2016).
- Daily Nation* (2015), "Chinese firm launches railway training facility", 3 July, available at: <<http://www.nation.co.ke/business/Chinese-firm-launches-railway-training-facility/996-2774228-vbb9bz/index.html>> (accessed on 10 December 2016).
- Daily Nation* (2016), "Mombasa-Nairobi section of the SGR to be completed by June next year", 29 May, available at: <<http://www.nation.co.ke/news/1056-3223516-6l3gf7z/index.html>> (accessed on 20 December 2016).
- Deloitte (2015), "A 360° View African Construction Trends Report 2015", p. 5, available at: <<https://www2.deloitte.com/content/dam/Deloitte/za/Documents/manufacturing/ZA-ConstructionTrendsReport-2015.pdf>> (accessed on 20 December 2016).
- Derudder, B. (2012), *International Handbook of Globalization and World Cities*, Cheltenham, UK: Edward Elgar.
- EAC (2012). Report of Priority Projects identified at the 2nd EAC Heads of State Retreat on Infrastructure Development and Financing. Deepening the EAC Integration Process through Development of Efficient Infrastructure Systems to support Industrialization and Trade. Nairobi, Kenya.
- ECA (2010), *Assessing Regional Integration in Africa (ARIA IV): Enhancing Intra-African Trade*, Addis Ababa: ECA.
- East African Business Week* (2015), "Tanzania talks to Zambia on TAZARA", 1 March, available at: <<http://www.busiweek.com/index1.php?Ctp=2&pI=2830&pLv=3&srI=58&spI=24>> (accessed on 12 December 2016).
- Florida, R., Mellander, C. and Holgersson, T. (2015), "Up in the air: the role of airports for regional economic development", *The Annals of Regional Science: an International Journal of Urban, Regional and Environmental Research and Policy*, Vol. 54, No. 1, pp. 197-214.
- FOCAC (2011), "Chinese Expert on China-Africa Relations over Past 55 Years", available at: <<http://www.focac.org/eng/jlydh/t805423.htm>> (accessed on 12 June, 2014).
- Forum on China-Africa Cooperation (2015), "The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018)", available at: <[http://www.focac.org/eng/ltada/dwjbzjhys\\_1/t1327961.htm](http://www.focac.org/eng/ltada/dwjbzjhys_1/t1327961.htm)> (accessed on 21 December 2016).
- Government of China (2012), "TAZARA: How the great Uhuru Railway was built", Embassy of the People's Republic of China in the Republic of Tanzania, 11 April,

- available at: <<http://tz.china-embassy.org/eng/media/t921927.htm>> (accessed on 19 December 2016).
- Government of Kenya (2014), “Standard Gauge Railway: Forging New Frontier in Railway Development in Kenya and the Region”, *Uchukuzi*, Issue 1, June 2014, p. 7, available at: <<http://www.transport.go.ke/downloads/transport%20newsletter%20.pdf>> (accessed on 20 December 2016).
- Government of Tanzania (2016), “History of TAZARA”, Tanzania High Commission, Lusaka, Zambia, available at: <<http://www.tanzania.co.zm/highlights/view/history-of-tazara>> (accessed on 19 December 2016).
- Harris, K.L. (1 June 2003), “Early Encounters between China and Africa: Myth or Moment?”, *South African Journal of Cultural History*, Vol. 17, No. 1, pp. 47-71.
- ICA (2011), *Africa Infrastructure Knowledge Programme: Handbook on Infrastructure Statistics*, African Development Bank/World Bank and the Infrastructure Consortium for Africa (ICA), available at: <[http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDBpercent20Infrastructure\\_web.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AfDBpercent20Infrastructure_web.pdf)> (accessed on 3 January 2014).
- International Railway Journal* (2016), “Kenya readies first standard-gauge line”, 16 June, available at: <<http://www.railjournal.com/index.php/africa/kenya-readies-first-standard-gauge-line.html>> (accessed on 14 December 2016).
- Jinyuan, G. (1984), “China and Africa: the development of relations over many centuries”, *African Affairs*, Vol. 83, No. 331, pp. 241-250.
- Kambanda, C. (2013), “Power Trade in Africa and the Role of Power Pools”, available at: <<http://www.afdb.org/en/blogs/integrating-africa/post/power-trade-in-africa-and-the-role-of-power-pools-12101>> (accessed on 5 June 2014).
- Kenyan Railways Corporation (2016), “Standard Gauge Railway Development in Kenya”, available at: <<http://krc.co.ke/sgr/>> (accessed on 20 December 2016).
- Liu, Y., Chen, Z. and Blue, G. (2014), *Zheng He's Maritime Voyages (1405-1433) and China Relations with the Indian Ocean World: A Multilingual Bibliography*, Leiden: Koninklijke Brill NV.
- Macau Hub* (2015), “Maputo airport, Mozambique, among China’s largest aid projects in Africa”, 9 December, available at: <<http://www.macauhub.com.mo/en/2015/12/09/maputo-airport-mozambique-among-chinas-largest-aid-projects-in-africa/>> (accessed on 7 December 2016).
- Macau Hub* (2016), “Cost of the new airport in Luanda, Angola, reaches US\$6.3 billion”, 14 September, available at: <<http://www.macauhub.com.mo/en/2016/09/14/cost-of-the-new-airport-in-luanda-angola-reaches-us6-3-billion/>> (accessed on 19 December 2016).
- Mail and Guardian* (2016), “African countries splashing \$30 billion on 11,000kms of railway – it’s just what continental trade needs”, 8 April, available at: <<http://mgafrica.com/article/2016-04-08-african-countries-splashing-30-billion-on-11000kms-of-railway-its-just-what-continental-trade-needs>> (accessed on 18 December 2016).
- Ministry of Foreign Affairs (2016), “The new Ethiopia-Djibouti Railway inaugurated”, Federal Democratic Republic of Ethiopia Ministry of Foreign Affairs, 7 October, available at: <<http://www.mfa.gov.et/-/the-new-ethiopia-djibouti-railway-inaugurated>> (accessed on 20 December 2016).

- Mohapatra, D.R. (2016), "Economic Analysis of Djibouti-Ethiopia Railway Project", *European Academic Research*, Vol. 3, No. 10, pp. 11376-11399.
- Monson, J. (2006), "Defending the people's railway in the era of liberalization: TAZARA in southern Tanzania", *Africa*, Vol. 76, No. 1, pp. 113-130.
- National Assembly of Zambia (2007), "Parliamentary Debate and Proceedings: 27 March 2007", available at: <<http://www.parliament.gov.zm/node/1870>> (accessed on 19 December 2016).
- New China* (2015), "Chinese built Lamu port on course to transform Kenya, E. Africa", 12 August, available at: <[http://news.xinhuanet.com/english/2015-07/12/c\\_134405455.htm](http://news.xinhuanet.com/english/2015-07/12/c_134405455.htm)> (accessed on 12 December 2016).
- New China* (2016), "Tazara's new CEO pledges to revive Chinese-built railway line", 29 April, available at: <[http://news.xinhuanet.com/english/2016-04/29/c\\_135322894.htm](http://news.xinhuanet.com/english/2016-04/29/c_135322894.htm)> (accessed on 13 December 2016).
- New China* (2016), "Major Chinese-built railways in Africa", 5 October, available at: <[http://news.xinhuanet.com/english/2016-10/06/c\\_135733943.htm](http://news.xinhuanet.com/english/2016-10/06/c_135733943.htm)> (accessed on 19 December 2016).
- New China* (2016), "Zimbabwe to commission renovated Victoria Falls Airport in November", 22 October, available at: <[http://news.xinhuanet.com/english/2016-10/22/c\\_135772864.htm](http://news.xinhuanet.com/english/2016-10/22/c_135772864.htm)> (accessed on 13 December 2016).
- Organization of African Unity (1991), *Treaty Establishing the African Economic Community*, Organisation of African Unity, Abuja, Nigeria, June.
- People's Daily* (2007), "A New Dawn at Merowe: Sudan's Path to Prosperity on the Nile", 1 February, available at: <[http://english.peopledaily.com.cn/200702/01/eng20070201\\_346734.html](http://english.peopledaily.com.cn/200702/01/eng20070201_346734.html)> (accessed on 1 February 2014).
- Railway Gazette* (2016), "Ethiopia-Djibouti railway inaugurated", 5 October, available at: <<http://www.railwaygazette.com/news/infrastructure/single-view/view/ethiopia-djibouti-railway-inaugurated.html>> (accessed on 8 December 2016).
- Schiere, R. (2011), "China and Africa: An Emerging Partnership for Development?", An overview of issues (No. 125, pp. 6-7), Working Paper, African Development Bank Group.
- Sudan Tribune* (2011), "Sudan-Chad railway funds secured", 1 August, available at: <<http://www.sudantribune.com/Sudan-Chad-railway-funds-secured,39696>> (accessed on 20 December 2016).
- Sudan Tribune* (2016), "Chinese firms complete Ethiopia-Djibouti railroad project", 26 September, available at: <<http://www.sudantribune.com/spip.php?article60348>> (accessed on 18 December 2016).
- Tanzania Invest* (2016), "TAZARA Profit Reach \$13.5m Thanks to Improved Freight Traffic", 18 August, available at: <<http://www.tanzaniainvest.com/transport/tazara-profit-2015-2016>> (accessed on 11 December 2016).
- Tanzania Zambia Railway Authority (2016a), "TAZARA", available at: <<http://www.tazarasite.com/>> (accessed on 19 December 2016).
- Tanzania Zambia Railway Authority (2016b), "TAZARA employees strike again! We ask the question: what is the real problem at TAZARA?", 25 November 2014, available at: <<http://tazarasite.com/?p=461>> (accessed on 16 December 2016).

- Tanzania Zambia Railway Authority (2016c), “Chinese Ambassador says TAZARA will surely shine again”, 24 May, available at: <<http://tazarasite.com/?cat=3>> (accessed on 15 December 2016).
- Tanzania Zambia Railway Authority (2016d), “Our History”, available at: <[http://tazarasite.com/?page\\_id=131](http://tazarasite.com/?page_id=131)> (accessed on 14 December 2016).
- Tanzanian Affairs* (1991), “The Tanzania-Zambia Railway Faces New Problems”, 1 September, Issue 40, available at: <<https://www.tzaffairs.org/1991/09/the-tanzania-zambia-railway-faces-new-problems/>> (accessed on 12 December 2016).
- UNCTAD (2013), “Report on the Implementation of Investment Policy Review for Kenya”, available at: <[http://unctad.org/en/PublicationsLibrary/diaepcb2012d6\\_en.pdf](http://unctad.org/en/PublicationsLibrary/diaepcb2012d6_en.pdf)> (accessed on 24 May 2014).
- Union for the Mediterranean (2014), “Physical state of the Trans-Maghreb Motorway Axis: Horizontal Actions for the Integration and Coordination of the Management of the Trans-Maghreb Motorway Axis”, presentation by Salvatore D’Alfonso, Senior Project Manager, Transport and Urban Development Division, Secretariat of the Union for the Mediterranean Work Session Barcelona, 6 and 7 May 2014, available at: <[http://www.cetmo.org/pdf/0.3.Physicalpercent20Statepercent20Trans-Maghrebpercent20Motorwaypercent20Axis\\_SUfM.pdf](http://www.cetmo.org/pdf/0.3.Physicalpercent20Statepercent20Trans-Maghrebpercent20Motorwaypercent20Axis_SUfM.pdf)> (accessed on 12 July 2014).
- Vhumbunu, C. (2014), “Drawing Lessons for African Integration from Accelerated Development in China”, Centre for Chinese Studies (CCS) Discussion Paper, 03/2014: China-Africa Joint Research and Exchange Programme: Forum on China Africa Co-operation (FOCAC). University of Stellenbosch, October 2014, available at: <[http://www.ccs.org.za/wp-content/uploads/2014/10/DP\\_Drawing\\_Lessons\\_for\\_African\\_Integration\\_Clayton\\_2014\\_Format.pdf](http://www.ccs.org.za/wp-content/uploads/2014/10/DP_Drawing_Lessons_for_African_Integration_Clayton_2014_Format.pdf)> (accessed on 14 June 2015).
- Wade, G. (2005), “The Zheng He Voyages: A Reassessment”, *Journal of the Malaysian Branch of the Royal Asiatic Society*, Vol. LXXVIII, Pt. 1, pp. 37-58.
- World Bank (2012), *De-Fragmenting Africa: Deepening Regional Trade Integration in Goods and Services*, Washington DC: World Bank.
- World Bank (2013), “Transport and Logistics in Djibouti: contribution to job creation and economic diversification”, Policy Note, Final Report, No. 75145, February, World Bank: Washington DC.
- Xiangjiang, W., Shoubao, W. and Yao Yuan (2016), “Spotlight: Ethiopia-Djibouti railway-the Tazara railway in a new era”, Xinhua, 3 October, available at: <[http://news.xinhuanet.com/english/2016-10/04/c\\_135730732.htm](http://news.xinhuanet.com/english/2016-10/04/c_135730732.htm)> (accessed on 15 December 2016).
- Xinhua (2009), “Sudan Hails World’s Longest Dam”, 4 March, available at: <<http://english.sina.com/world/p/2009/0303/222923.html>> (accessed on 10 June 2014).
- Xinhua (2015), “Chinese firm launches training center in Kenya to promote technology transfer”, 1 August, available at: <[http://news.xinhuanet.com/english/2015-07/01/c\\_134369925.htm](http://news.xinhuanet.com/english/2015-07/01/c_134369925.htm)> (accessed on 10 December 2016).
- Xinhua (2015), “Interview: Chinese-built deep sea port to boost Cameroon’s economic growth”, 16 February, available at: <[http://news.xinhuanet.com/english/china/2015-02/16/c\\_134001048.htm](http://news.xinhuanet.com/english/china/2015-02/16/c_134001048.htm)> (accessed on 10 December 2016).

- Xinhuanet* (2009), “Mauritanian leader, Chinese official launch Nouakchott Port project”, 26 September, available at: <[http://news.xinhuanet.com/english/2009-09/26/content\\_12114039.htm](http://news.xinhuanet.com/english/2009-09/26/content_12114039.htm)> (accessed on 10 December 2016).
- Xinhuanet* (2016), “Spotlight: Africa’s first electrified railway embraces full Chinese standards”, 6 October, available at: <[http://news.xinhuanet.com/english/2016-10/06/c\\_135733876.htm](http://news.xinhuanet.com/english/2016-10/06/c_135733876.htm)> (accessed on 20 December 2016).
- Yehualaeshet, J. (2012), “Railway Development in Ethiopia, Ethiopian Railway Corporation”, presentation on Horn of Africa Summit 2012 infrastructure and investment, 12–13 March, Nairobi, Kenya, available at: <[http://www.icafrica.org/fileadmin/documents/ICA\\_sponsored\\_events/IGAD\\_HoA\\_Conf\\_2012/Ethiopia\\_ERC\\_IGADConf\\_March%202012.pdf](http://www.icafrica.org/fileadmin/documents/ICA_sponsored_events/IGAD_HoA_Conf_2012/Ethiopia_ERC_IGADConf_March%202012.pdf)> (accessed on 13 December 2016).
- Yoshihara, T. and Holmes, J.R. (2008), “China’s Energy-Driven ‘Soft Power’”, *Orbis*, Vol. 52, No. 1, pp. 123-137.
- Zambia Invest* (2016), “TAZARA to Allow Private Investments”, 6 September, available at: <<http://www.zambiainvest.com/transport/tazara-private-investments>> (accessed on 11 December 2016).
- Zambia Invest* (2016), “TAZARA Freight Volume Increase by +9.4% in Q3 2016”, 29 November, available at: <<http://www.zambiainvest.com/transport/tazara-freight-volume-q3-2016>> (accessed on 11 December 2016).



## **China's Dilemma in the South China Sea and the Arbitration Tribunal – Implications on China's Regional Strategy in Southeast Asia**

*Julia Luong Dinh\**  
Diplomatic Academy of Vietnam

### **Abstract**

The release of the Permanent Court of Arbitration (PCA) Tribunal's Award on Manila's case against China on 12 July 2016 was at first puzzling for Beijing in the context of the forthcoming 25th anniversary of China-ASEAN dialogue relationship. The verdict has been seen as a challenge to China's self-claimed good neighbourliness policy of “qin, cheng, hui, rong” (“amity, sincerity, mutual benefit and inclusiveness”) whereas China has found both its coercive and economic power by no means appealing to its next-door neighbours. However it is worth noting that China has initially managed to get out of the dilemma and gradually facilitated the game change in its favour in the past few months.

The paper argues that China is inevitably trapped in its own dilemmas both at home and abroad should China continue to adopt ambiguity in the South China Sea dispute. Tactics will no longer work and vicious cycles of tensions remain in China's relations with Southeast Asian nations unless Beijing's leaders pledge to harmonizing differences with other ASEAN claimants over the existing problems. In other words a visionary ideational approach to China-ASEAN strategic partnership will be essential for Beijing to turn its security dilemmas into a far-reaching strategy, enabling China to secure major support for its global ascendancy in the foreseeable future.

**Keywords:** *South China Sea, Tribunal's Award, China's regional strategy, China-ASEAN strategic partnership*

### **1. Introduction**

As President Xi addresses the Central Working Meeting on Neighbourhood Diplomacy in October 2013, he attached priority to improving relationship with regional countries, which was crystallized in the four attributes namely

amity, sincerity, mutual benefit, and inclusiveness (亲诚慧容: “qin, cheng, hui, rong”). It is noteworthy that this work forum focusing on the specialized topic of China’s periphery diplomacy followed a number of important Poliburo study sessions aimed at refining China’s diplomatic strategy, notably the study session on overall diplomacy in January 2013 and another study session on maritime strategy in July 2013 (Health, 2013). Southeast Asia was also the first destination for President Xi to launch his vision of a shared destiny community where both advantages and disadvantages exist for China in advancing the idea of regional cooperation based on ancient heritage and future-oriented outlook.

The paper attempts to examine China’s management of the dilemma following the verdict on the South China Sea disputes for the sake of China’s security needs and development interests. It serves as a reminder for China not to undermine the hard-won amity and friendship over the territorial disputes, but aimed at building up its relations with the ASEAN counterparts in Southeast Asia and safeguarding a stable international environment along its periphery instead. The paper argues that China will find itself engulfed in vicious cycles of dilemma caused by the deepened mistrust within Southeast Asia unless a new mindset and creative practice to existing problems between China and other claimants is adopted by Beijing leaders in enlisting support for managing the South China Sea disputes peacefully, ensuring China’s rise is not coercive and at the expense of the rest of the region.

The paper is structured into three main parts. Firstly, the paper attempts to locate the South China Sea in China’s foreign policy during Xi Jinping’s era. Second, the paper summarizes the Permanent Court of Arbitration’s award and discusses China’s changing responses to the Arbitration Tribunal in the past several months. Third, the paper envisions a better future for China-ASEAN strategic partnership should a new approach be adopted and integrated in China’s grand strategy to address the South China Sea’s territorial and maritime disputes with ASEAN claimants and project its influence in Southeast Asia, instead of tactical responses.

## **2. The South China Sea in China’s Foreign Policy during Xi’s Era**

### ***2.1. Main directions in Chinese foreign policy since the 18th Chinese Communist Party (CCP) Congress***

China’s policy has largely been shaped by its strategic goals, especially the two centennial goals to achieve a well-off society set by 2021 and global ascendancy by 2049 respectively. The Chinese Communist Party (CCP) leaders believe that China should take advantage of strategic opportunities in the early 21st century to achieve historic goals, turning China into a global

superpower under the CCP's leadership. Those strategic objectives have been articulated in the CCP documents, namely: (i) to create more favourable conditions for ensuring an international security environment characterized with unpredictability and uncertainty, deepening economic ties with Asia to extend the "period of major strategic opportunity" and smoothing China's "peaceful rise/development" with Chinese characteristics of "no hegemony, no expansion, and win-win cooperation strategy"; (ii) to accelerate the modernization of national defence and armed forces to respond to China's core national security needs and its development interests, addressing both traditional and non-traditional security threats, and to play an active role in international political and security fields commensurate with China's international standing; (iii) to create a beneficial environment for "realizing the mighty resurgence of the Chinese people, the complete unification of the country", the "complete rise of China" and "a defender of a Harmonious Asia Pacific" in the long term (2020-2050) (Health, 2013).

With regard to the existing problems between China and other countries, the CCP Report stated that: "China is committed to peaceful settlement of international disputes and hotspot issues ... and opposes the wanton use of force or threat to use it", learning from history that "the law of the jungle will not lead to the coexistence of human society and that the arbitrary use of force cannot make the world a better place". To this end, China called for "making joint efforts to uphold international fairness and justice", and proposed that "a country should accommodate the legitimate concerns of others when pursuing its own interests". It is widely recognized in international politics that all nation-states, be it big or small, rich or poor, have all the rights "to be firm in resolve to uphold its sovereignty, security and development interests" and "will never yield to any outside pressure" against her interests. In other words, "China will unswervingly follow the path of peaceful development and firmly pursue an independent foreign policy of peace"; China pledged to "continue to promote friendship and partnership with her neighbours, consolidate friendly relations and deepen mutually beneficial cooperation with them, and ensure that China's development will bring more benefits to her neighbours."<sup>1</sup> In that light, it was expected that the period over the next ten years through 2021 should offer more promising conditions to achieve mid-term objectives, appropriately solving territorial disputes with neighbouring countries (Health, 2013).

As Xi came to power in March 2013, the confusing, "harmonious" line in foreign policy under Hu Jintao was replaced with a tougher, more deterministic policy in dealing with other countries. As Xi concentrated his power at home, he also wanted to assert and exercise his authority overseas. At the Workshop on the Periphery Diplomacy in October 2013, President Xi discussed strategic objectives, which may be grouped into three broad categories.

Firstly, Xi discussed objectives that pointed to the creation of a stable and beneficial environment to enable China's rise. Xi called for "comprehensively developing relations with countries on the periphery; consolidating good neighbourly relations; deepening mutually beneficial cooperation; and maintaining and using well the important period of strategic opportunity for our country's development" (Swaine, 2015).

Secondly, Xi emphasized the consolidation of control over China's core interests. The Chinese government repeatedly claimed the so-called "undisputable sovereignty rights" over the disputed land features and waters, asserting that "China will adhere to the path of peaceful development but in no way will the country abandon on its legitimate rights and interests, nor will it give up its core national interests."<sup>2</sup> It is essential to note that Xi appealed to "safeguarding the nation's sovereignty, security, and developmental interests", while being ambiguous and controversial in definition of "core interests".

Thirdly Xi provided guidance on strengthening China's leadership role in Asia. Xi outlined objectives to "make the political relations between China and countries on the periphery even better, the economic links with our country even more solid, the security cooperation even deeper, and the people-to-people ties even closer."<sup>3</sup>

## ***2.2. The South China Sea Disputes in China's Foreign Policy***

The security hotspot involving China's stake in the South China Sea was a challenging test for Beijing leaders given the three major drivers of the disputes, namely domestic politics, strategic calculations, and legal aspect. The South China Sea disputes involve the People's Republic of China (hereafter China), Republic of China (hereafter Taiwan) and four ASEAN claimants (Brunei, Malaysia, the Philippines and Vietnam) on the two archipelagoes in the South China Sea, namely the bilateral disputes over the Paracels between China and Vietnam (known as Xisha by China and Taiwan, and Hoang Sa by Vietnam), and the multilateral disputes over the Spratlys (known as Nansha by China and Taiwan, and Truong Sa by Vietnam) between China, Taiwan, and the four ASEAN claimants. The Chinese on both sides of the Taiwan Strait have been arguing that those land features and waters around them have rightly belonged to China since the Han Dynasty (206 BC to 220 AD) (Severino, 2010: 38). The tensions and stand-offs historically, economically and strategically between China and other claimants in the South China Sea have long been complicated and potentially explosive in the foreseeable future as China pursues a sea-oriented strategy southward.

Domination of the South China Sea remains a priority in China's overall strategic objective. Straddling one of the most geo-strategic chokepoints in the Pacific Ocean with worldwide trade and navigation routes and also high

estimates in oil, gas, and fish reserves, the South China Sea has been viewed as the way-out for China on the southern flank. Especially, according to Admiral Liu Huaqing, the commander of the People's Liberation Army Navy (PLAN) in the 1980s, "whoever controls the Spratlys will reap huge economic and military benefits" (Liu, 2004: 538). Control of the islands is key to the assertion of maritime rights, the security of sea lanes of communication, and regional naval power projection (Fravel 2008: 267). The disputed territories in the region are the historical legacies of decades, and the regional states have taken initial steps in working out a *status quo* pending eventual solutions to those disputes.<sup>4</sup>

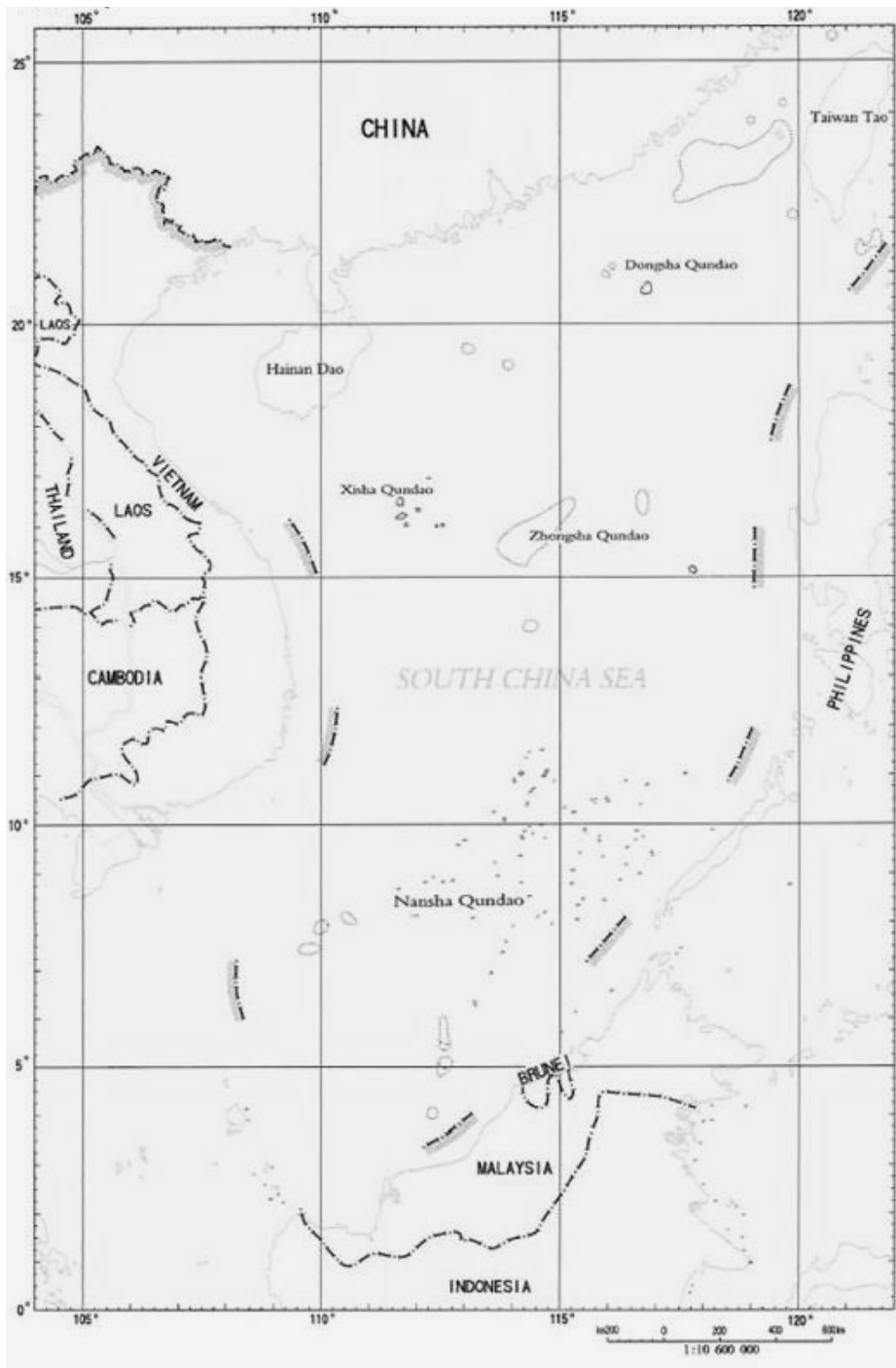
The maritime territorial disputes are the showcase of cooperation and management of conflicting interests and crisis escalations in China's relations with other claimants and the rest of the world. China's maritime claims were the source of problems involving the contested islands and surrounding waters within the ambiguous, poorly-defined nine-dashed line claims. The nine-dashed line (originally known as eleven-dashed line) was drawn out on a map published in 1948 under Chiang Kaishek's Nationalist government.<sup>5</sup> China has never officially declared the line as their claims to the disputed islands, nor provided any legal documents to support the line till recently. In May 2009 the Chinese Government asserted its claims, for the first time, with the map of nine-dashed line attached in the two Notes Verbales to the UN Secretary General in response to the submission of other ASEAN claimants to the Commission on the Limits of the Continental Shelf. Beijing claimed that China has indisputable sovereignty over the islands in the South China Sea and the adjacent waters, and enjoys sovereign rights and jurisdiction over the relevant waters as well as the seabed and subsoil thereof (see Map 1).<sup>6</sup>

China has frequently turned down the possibility of settling the disputes through multilateral negotiations or legal mechanisms within the ASEAN Regional Forum (ARF) or other regional arrangements.

The issue of the South China Sea involves a number of States, and is compounded by complex historical background and sensitive political factors ... China always maintains that the parties shall seek proper ways and means of settlement through consultations and negotiations on the basis of respect for historical facts and international law. Pending final settlement, all parties concerned should engage in dialogue and cooperation to preserve peace and stability in the South China Sea, enhance mutual trust, clear up doubts, and create conditions for the eventual resolution of the issue.<sup>7</sup>

China was inclined to using unilateral actions to assert its claims, both in military and paramilitary actions as empirically evidenced in the past few decades.<sup>8</sup> Chinese leaders have skillfully referred to the 1982 United Nations Convention on the Law of the Sea (UNCLOS) and other legal justifications in efforts to give more credit to the nine-dashed lines and

**Map 1** China's Dash-line Map from Note Verbales of 2009



Chinese sovereignty in those contested islands and waters. In February 1992, China's National People's Congress passed a territorial law that practically transformed the South China Sea as China's internal waters and allowed the People's Liberation Army Navy (PLAN) to evict all foreign vessels in the waters (Buszynski, 2003). Indeed "the fact that China's claims predate the Law on the Sea Convention does not provide a basis under the Convention or international law for derogating from the Convention ... neither China nor any other states could sustain a claim to historic waters or historic rights in areas distant from its shores" (Baumert and Melchior, 2014: 22). The merits of all the claims must be based on legal proceedings should they be unable to be solved by political means, given that "none of the claimants in the disputes of the Paracels and the Spratlys has clear-cut legal cases" (McDevitt, 2014: vii). The advent of the UNCLOS, both as treaty law and as reflecting customary international law, requires states to conform their maritime claims to its provisions, to "settle ... all issues relating to the law of the sea, and establish a legal order that promotes stability and peaceful uses of the seas" as stated in the Convention's Preamble (Baumert and Melchior, 2014).

China's ambiguity over the controversial line, the unpredictability of China's policy and behaviour constitute the big challenges to regional stability, creating tensions across the region. China has not clarified its maritime claims in a manner consistent with international law, either indicating Chinese sovereignty over the islands within the line, or the national boundary line separating China and its neighbouring states, or the dashed line as "historic claims" over the maritime space (Baumert and Melchior, 2014). The disputed "nine-dashed-line" claims invoked by the Chinese government, to consider nearly the entire body of waters in the South China Sea as part of Chinese territory since historical times, are difficult to sustain under the current rules of international law given that the so-called "irrefutable proof" was remarkably weak and ambiguous. China's claims were in fact questionable given conflicting evidence over the nature of scope of the nine-dashed line in China's laws, declarations, official acts, and official statements. China has been tempted to misinterpretation of historical evidence, legal documents and treaties, especially the 1982 UNCLOS to support its ambiguous claims, while paying no respect to the different interpretations put forward by other claimants. China's tacit endorsement of the claims as a critical component in China's maritime strategy, and subsequent problems resulting from China's advance into the South China Sea had undoubtedly portrayed China as an imminent threat to regional stability, demonstrating what Luttwak (2012) fashioned as China's "big power autism". China's size is intimidating and the ambiguity of China's intentions evokes fear (Jakobson, 2014: 12). Based on the vague controversial "nine-dashed line" claims, China has pursued a remarkably inconsistent policy and

unpredictable behaviour in the South China Sea disputes for decades. As noted by Fravel (2008: 267), China generally preferred delayed cooperation to address the disputes concerning the sovereignty of the offshore islands ... China has never entered into talks with other claimants, nor has it indicated a willingness to drop its claims.

Against the fact that the importance of legal factors has largely been dismissed in Asia, it is essential of note that power rivalry and nationalism have driven China and ASEAN claimants into a deteriorating relationship and rising tensions. Since 2009, Beijing's leaders have taken bold steps in asserting its sovereignty and "historic rights" over the two archipelagoes and the surrounding waters regardless of the contending claims by other states. It is worth noting that China's assertiveness put all states on high alert, propelling other claimants and stakeholders to adopt a new measure in slowing down China's advance. Pressure on the Philippines over the 2012 stand-off over the Scarborough Shoal was ironically facilitating Manila in lodging a lawsuit against Beijing in January 2013. The backfire of Haiyang Shiyou (HYSY) 981 in mid-2014 was another blow to China's overconfidence and unilateralism in placing the oilrig within the waters claimed by Vietnam without taking others' concerns as well as international law in its thorough consideration. China's mishandling of the South China Sea disputes was eventually culminated in the Tribunal Award on the case initiated by Philippines.

### **3. China's Response to the Dilemma Following the Arbitration Tribunal on the South China Sea Disputes**

The Tribunal Award was in essence a strong reminder and warning to Beijing of the negative consequences should a major power fail to strike a consensus with other claimant states. Manila's option for legal action has been prioritized and initiated in January 2013 since the diplomatic resources were exhausted following China-Philippines stand-offs over Scarborough Shoal in 2012. Manila sent 19 diplomatic notes to the Chinese side without any responses. The legal verdict will be utilized by the Philippines in responding effectively and legitimately to any pressures, if any, from Beijing during future bilateral negotiations over the disputed seas.

Beijing was at first caught in the dilemma following the Arbitration Tribunal, which was apparently China's very first shame in the international arena because it rejected China's nine-dashed line claims to the disputed seas and features. It was a landslide victory for the Philippines as they won almost all the 15 submissions raised in the case. The 501 page-long Tribunal's Award was summarized into remarkably unprecedented decisions in favour of Manila.

On the nine-dashed line, the Tribunal concluded that, as between the Philippines and China, China's claims to historic rights, or other sovereign

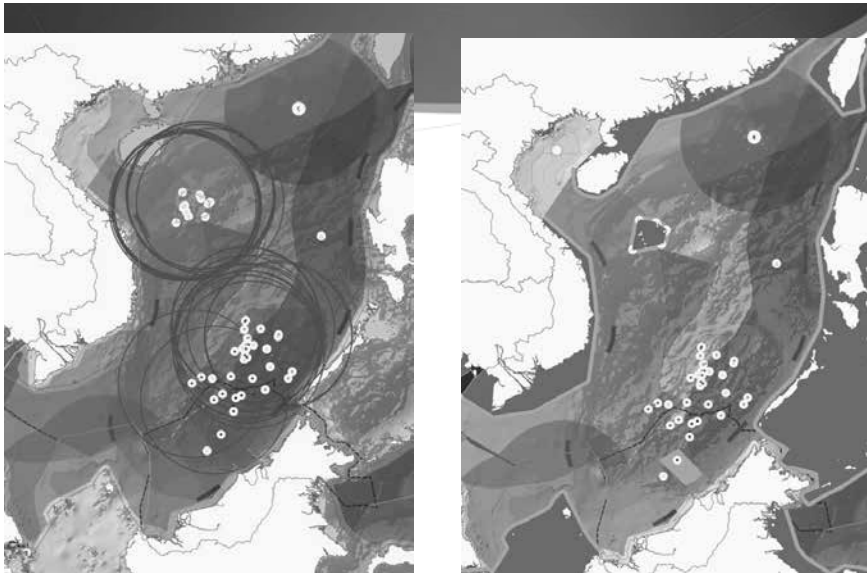


rights or jurisdiction, with respect to the maritime areas of the South China Sea encompassed by the relevant part of the “nine-dashed line” are contrary to the Convention and without lawful effect to the extent that they exceed the geographic and substantive limits of China’s maritime entitlements under the Convention. The Tribunal concludes that the Convention superseded any historic rights or other sovereign rights or jurisdiction in excess of the limits imposed therein.

On the regime of islands, The Tribunal concluded that none of the high-tide features in the Spratly Islands is capable of sustaining human habitation or an economic life of their own, the effect of Article 121 (3) is that such features shall have no exclusive economic zone (EEZ) or continental shelf.

The Tribunal finds that China breached Article 77 and Article 56 of the Convention with respect to the Philippines’ sovereign rights over the living and non-living resources of its EEZs and continental shelf. China has in the course of the proceedings aggravated and extended the disputes between China and the Philippines through its dredging and artificial island-building on low-tide elevations located at the EEZs of the Philippines. China breached its obligations to protect and preserve the marine environment by commencing large-scale island-building and construction activities.<sup>9</sup>

**Map 2** South China Sea Disputes Before and After the PCA Tribunal Award



Source: The copyright for this map is owned by Dr. Tran Truong Thuy, my colleague at the Diplomatic Academy of Vietnam, and I obtained his permission to use it in this paper for illustration purpose.

The Tribunal only rejected two points (or 1.5 points) of the Philippines' questions, as the Tribunal ruled that Gaven and Kennan are rocks, not low-tide elevations, and China and the Philippines have disputes around the Second Thomas Shoal relating to military activities, therefore the Tribunal does not have jurisdiction (exception Article 298). Manila's "effective loss" of the Scarborough Shoal was compensated by the Tribunal's conclusions that fishermen from China, Vietnam, Taiwan and the Philippines have traditional fishing rights in the Scarborough Shoal. As scholars noted, the Award was too much in favour of Manila that it cast doubts on whether the Award can be utilized by the Philippines in practice.

Initially China seemed to over-react to the Tribunal's Award without considering well the negative consequences. A massive propaganda campaign by the Chinese government from the highest ranking leaders to social media has ironically invited growing attention from Chinese and the international community to the PCA ruling award and questions of China's self-claimed legitimacy in the disputes which was barely mentioned prior to 12 July 2016. China had no better choice other than leading a loose and fragmented non-Asian rally of more than 70 countries, mostly geographically located in Africa and land-locked countries, and 230 political groups in over 90 countries to support the so-called "China's position and claims" in the South China Sea.

China's *White Book* issued on 13 July, within a day of the Tribunal's Award release, elaborated Beijing's main position on China–Philippines maritime disputes, namely: (i) Nanhai Zhudao is China's inherent territories in the South China Sea and China has irrefutable sovereignty; (ii) disputes arise because of the Philippines' infringement of China's territories; (iii) the Philippines fail to abide by previous agreements and consensus made with China toward the management of the disputes; (iv) the Philippines has been driven by outsiders to instil troubles in the region; (v) China adheres to settling through negotiation the relevant disputes in the South China Sea.<sup>10</sup> Foreign Minister Wang Yi asserted that China will not be affected by the award of the Arbitration Tribunal because the South China Sea arbitration is completely a political farce staged under legal pretext. China's position of non-acceptance, non-participation and non-compliance is aimed at upholding international rule of law and rules of the region. China's territorial sovereignty and maritime rights and interests in the South China Sea are based on solid historical and legal ground.<sup>11</sup>

China's political and propaganda system launched a series of misplaced attacks on the Tribunal Award and the judges of the PCA themselves. Vice Foreign Minister Liu Zhenmin declared the arbitration tribunal award as waste paper without legal validity and non-binding effect, and that non-Asian judges (4 from Europe and 1 from Africa) are unqualified culturally, historically and geopolitically to issue a verdict on Asian affairs between China and its

neighbour(s).<sup>12</sup> They even went further in accusing the judges of receiving bribery to rule in favour of the Philippines. China's ill-grounded accusations of Japanese Judge Shunji Yanai's behind-the-scene's role in manipulating the game in the South China Sea were against the fact that even Japan itself was adversely affected by the Tribunal Award rulings on the status of features, that may incur big costs of losing a few million km<sup>2</sup> at sea within the EEZs and continental shelf claimed by Tokyo.

In its attempts not to recognize or respect any legal actions by other claimants, China offered confusing interpretations of UNCLOS 1982, especially the Convention's Part XV on settlement of the disputes, e.g. Article 280 on settlement of disputes by peaceful means chosen by the parties, Article 281 on procedure where no settlement has been reached by the parties, and Article 283 on obligation to exchange views. Indeed, as a signatory to the UNCLOS 1982, China should respect Article 288 stating that the Tribunal as one out of four options on legal solutions is established under Annex VII of the UNCLOS 1982 and the Tribunal's Award on Jurisdiction released on 29 October 2015. Pursuant to Article 11 of Annex VII to the Convention, "the award shall be final and without appeal, unless the parties to the dispute have agreed in advance to an appellate procedure. It shall be complied with by the parties to the dispute."<sup>13</sup> It is worth noting that the Tribunal reaffirmed that all of China's objections have been fully addressed and decided in the Tribunal's Award on Jurisdiction, and that the Tribunal's power is pursuant to Article 288(4) to decide any dispute concerning the scope of its own jurisdiction.<sup>14</sup>

Following the release of the Tribunal's Award, President Xi Jinping and other Chinese high-ranking officials immediately stated that the Tribunal's Award is illegal and invalid, having no binding effect on China.<sup>15</sup> On 14 July 2016, Chinese Foreign Ministry spokesperson Lu Kang echoed Beijing's insistence that arbitration unilaterally filed by the Philippines was a violation of international law, and warned that China would adopt a tougher approach to the so-called "provocative moves" in the South China Sea. Chinese Vice Foreign Minister Liu Zhenmin even warned about a future air-defense identification zone (ADIZ) in the South China Sea as a tit-for-tat for the Tribunal Award.

We have set up an ADIZ in the East China Sea. And whether we will set up another one in the South China will depend on the degree of threat we are facing. If our security is threatened we will do so, but our decision will be based on a host of factors and overall considerations.<sup>16</sup>

According to Shen Jinke, a military spokesman for the People's Liberation Army (PLA) Air Force, the combat air patrol conducted by the Air Force in the South China Sea recently will become a "regular" practice in the future to defend national sovereignty, security and maritime interests, safeguard regional peace and stability, and to cope with various threat and challenges.<sup>17</sup>

Paradoxically, the international pressure on China to respect the international arbitration Tribunal ruling over the South China Sea cast an adverse impact on Beijing's image and legitimacy both at home and abroad. Having influential relations with several Southeast Asian countries, China was faced with growing criticism of dividing ASEAN and "buying" some ASEAN least-developed members to get the Joint Communique of the 49th ASEAN Foreign Ministers' Meeting released on 24 July 2016 without any references to the Tribunal's Award.<sup>18</sup> As Beijing leaders realized that their way of handling this new dilemma in the South China Sea has been quite costly and even more counterproductive, they sought to divert the domestic pressure and international attention by adopting a new low-profile approach. As new Filipino President Rodrigo Duterte offered to talk with the Chinese side on the South China Sea right after the Tribunal's Award, Beijing leaders spared no efforts in obtaining a deal with Manila to get things back to normal in their planned scenario. Chinese Foreign Ministry spokesperson Lu Kang said China and the Philippines reached consensus during President Duterte's state visit to China between 18-21 October 2016, and both agreed to focus on cooperation, put aside their differences and bring the South China Sea back to the correct track of bilateral negotiation and consultation.<sup>19</sup> Huge economic deals worth US\$13.5 billion signed during Duterte's China trip was well justified for the two sides' agreement reached five years ago in 2011, prior to the Scarborough Shoal Incident and the Tribunal Award, on bilateral dialogue and consultation in seeking a proper settlement of the South China Sea issue.<sup>20</sup> The South China Sea arbitration case took a "back seat" during the so-called "milestone" visit to China without being mentioned in the China-Philippines Joint Statement on 21 October 2016.<sup>21</sup> China has basically managed to get out of the dilemma following the Arbitration case and gradually facilitated the game change in its favour in the past few months.

#### **4. Implications on Regional Security Environment and China's Strategy towards Southeast Asia**

The South China Sea disputes as regional issues may evolve into world ones given their far-reaching geo-strategic and geo-political, economic, commercial, and environmental implications. The complicated nature of the security hotspot in the South China Sea has called for much more inclusive and multi-dimensional approaches beyond diplomatic hassles, tensions and para-conflicts on the spot and in the regional landscape. Unfortunately, competitive views of self-claimed sovereignty and jurisdiction as well as misperceptions and rivalries over interests associated with those islands and surrounding waters have effectively denied such constructive approaches the chance to step into the controversial and endless debates.

Understanding of Chinese strategic preferences and its patterns of behaviour in zero-sum conflicts such as territorial disputes can help illuminate the trajectory of China's rise as a great power (Fravel 2008: 3). With regard to the territorial disputes in the South China Sea, Beijing has long adopted a double-standard policy. On the one hand, Beijing expressed its dissatisfaction with the existing rule of law set by the US and other powerful nations in the international system, evoking the "victim mentality" to discredit Western injustices in Chinese mainland territories and in their traditional sphere of influence in the colonial past. On the other hand, Beijing, representing 'virtue' and "morality", resorted to the rule of "the might makes right" whenever they are in an opportune position to grasp any islands or features in the contested seas, justifying their inclination to use force in the name of standing up to bring back lost territories to the Great China or the Imperial Middle Kingdom (*zhongguo* – 中国). Beijing's delaying strategy coupled with sporadic and timely escalation to violence had effectively paved the way for China's presence on the disputed rocks and islets in the South China Sea occupied by other claimants.

Having asserted that China cannot abide by the existing laws and rules set by the West, China's leaders have remarkably demonstrated their long-lost pride in being the Great Power in its own sphere of influence in the imperial past, and their desire to set up a new order on their own with the new rules that help Beijing to achieve maximum interests. There is no evidence showing that China's national interests may be compromised by international laws and norms, while other smaller claimants have increasingly been in favour of applying the UNCLOS to the dispute settlements. In this sense, Tonnesson (2011: 56) has urged Beijing's leaders to adopt legal means to resolve the disputes, contending that "the prospect for resolution to happen on the basis of international law increase rather than diminish with the growth of Chinese power and influence".

As China is a signatory to the 1982 UNCLOS, China is bound by commitment and responsibility in providing clarification of the nine-dashed line and Chinese interpretation of the Convention on continental shelf and EEZs. In other words only restraints from ambiguity, respect for freedom of navigation within the EEZs, and a proactive and constructive role in negotiation over maritime delimitation would reduce the tensions and increase confidence-building measures (CBMs) effectively (Tonnesson, 2011: 51). The question is whether the law will be misinterpreted by the Chinese government, or whether the law will be bent to accommodate supreme power at the expense of other smaller claimants? Also whether unilateral behaviour disrupting the *status quo* in the contested seas can be legitimized by China's dominant power? It would be always fairly easy to create tensions and to cause mistrust but extremely hard to win back mutual trust and confidence.

However it would be quite costly in terms of China's ideational power and strategic credibility. As empirically shown throughout the 1990s and until now, neither trust nor limited capability can prevent China from taking assertive behaviour in addressing the security hotspot related to China and other neighbouring claimants. The Chinese leaders always show their people and the world that China would never bend down or compromise under force or threat of force, and as a responsible major power, Chinese behaviour is supposed to represent goodwill and love for peace and harmony. In this sense Chinese leaders must pursue a grand strategy characterized by Confucian harmonious ideational leadership commensurate with China's traditional civilization and its re-ascendancy in the contemporary era. As Tonnesson (2011: 56) pointedly remarked,

No navy, regardless how strong it is, can conquer, fortify and defend the sea or the seabed.... If China's navy even ten times stronger than today, it would still not be able to defend illegally the established oil rigs in South China Sea. It is preferable for state to combine both hard power (naval power) with profound knowledge of existing international law and skillfully flexible diplomacy.

It is noteworthy that the time-biding strategy was soon subject to adjustments as Chinese leaders believed that it was the right time for a rising China to settle accounts with those who humiliated the Son of Heaven (*Tianzi*) and to reclaim the so-called "lost territories" during the past Century of Humiliation. The re-appraisal of Deng's "*tao guang yang hui*" and the transparent assertiveness since 2008-2009 was an initial attempt to eventually unleash the long-awaited ambitions associated with Beijing's hegemonic leadership to rule All-under-Heaven at the expense of the other states. It would be quite difficult for China to manipulate regional affairs, and to follow its dream with the realpolitik-driven strategy at the expense of the others in the US-dominated system. In other words, any unilateral attempts to misinterpret the international norms and rules, including the UNCLOS, to conduct paramilitary activities in the contested seas, or to delay regional efforts toward a more binding code of conduct (COC) to replace a loosely and ineffective DOC in the pursuit of self-interests would run against the prevailing trend of peace and development. Regrettably Chinese unilateral and irrespective actions in the disputed seas with ASEAN claimants have only further undermined region-wide trust and confidence in Beijing's real motives, catalyzing the claimants into the vicious cycles of spiral arms-races and weapon proliferation.

The verdict has been seen a challenge to China's self-claimed good neighbourliness policy of "qin, cheng, hui, rong" whereas China has found both its coercive and economic power by no means appealing to its next-door neighbours. Xi noted that the "strategic objective" of diplomatic ties

to the periphery is intended to “serve and support” the CCP set objective of achieving “national rejuvenation” by mid-century which requires developing “comprehensive relations” with regional powers and “consolidating friendly relations” (Health, 2013: 6). China is inevitably trapped in its own dilemmas both at home and abroad should China continue to adopt ambiguity in the South China Sea dispute. Should Beijing leaders attempt to stir up nationalism and exercise unilateralism in the disputes, China would anticipate another dilemma in the near future. Therefore, a long-term Chinese response to the PCA Ruling will depend most importantly on what Chinese think and do, rather than on “what others do” in the future as concluded by some experts (Swaine, 2016).

Tactics will no longer work and vicious cycles of tensions remain in China’s relations with Southeast Asian nations unless Beijing’s leaders pledge to harmonize differences with other ASEAN claimants over the existing problems. In other words, a visionary ideational approach to China-ASEAN strategic partnership will be essential for Beijing to turn its security dilemmas into a far-reaching strategy, enabling China to secure major support for its global ascendancy in the foreseeable future. It is imperative that: (i) China should keep calm and restrain from positioning itself as a coercive superpower, and respect the interests of all parties; (ii) China should identify problems and develop problem-solving approaches, i.e. working towards a new management mechanism and a legitimate norm-based maritime order in Asia (Morton, 2016); (iii) China should seek truths from facts and adopt both visionary and pragmatic mindsets, nurturing the we-feelings so that all countries do their best and finding ways to work in harmony. By doing so, China can always be full of vigour and serve as the driving force for enduring peace and development.

## **5. Conclusion**

Since China became ASEAN’s Dialogue partner in 1991, significant developments have been witnessed in ASEAN-China relations in the past decades. In the past 25 years, China-ASEAN relations have been transformed from bilateral ties characterized with confrontational mentality during the Cold War to a successful pattern of cooperation. China would sooner or later become the most influential superpower in the region, but ASEAN’s neutrality and centrality should be respected as a critical condition for China’s ascendancy to global power status.

The good relations are primarily the safe relations for all insiders of the game. It would definitely take a longer time and bigger efforts for China and ASEAN to rebuild the strategic trust in the aftermath of crisis and tensions. Instead of blaming ASEAN on their so-called “multilateral hedging policy”

with other major powers, China needs to understand other small countries' worries and concerns. Both sides should acknowledge the existing differences, adopting a flexible approach and self-restraints to minimize stand-off and tension and effectively overcome challenges and obstacles to the substantial development of bilateral relations, contributing to strengthening mutual trust of the China-ASEAN strategic partnership. Only through the creative practices of all responsible stakeholders, can China and ASEAN open up a bright future for building a regional community of shared destinies primarily in Southeast Asia, and the region at large.

### **Acknowledgements**

The author would like to thank Dr. Peter Ngeow and the Institute of China Studies, University of Malaya for their invaluable support in the preparation of this article.

### **Notes**

- \* Dr. Julia Luong Dinh is a Research Fellow at the Institute of Foreign Policy and Strategic Studies, the Diplomatic Academy of Vietnam. The views expressed in this paper do not necessarily reflect the opinions of the author's affiliation. The article was originally a paper presented at the international conference titled "Towards a Diamond Era of ASEAN and China: Opportunities and Challenges" in conjunction with the 25th Anniversary of the ASEAN-China Dialogue held in Kuala Lumpur, Malaysia on 17 August 2016. The author can be reached at email address: <luongunisyd@gmail.com>.
- 1. Full text of Hu Jintao's Report at 18th Party Congress, assessed on 14 August 2016 at <[http://news.xinhuanet.com/english/special/18cpnc/2012-11/17/c\\_131981259\\_12.htm](http://news.xinhuanet.com/english/special/18cpnc/2012-11/17/c_131981259_12.htm)>.
- 2. <[http://news.xinhuanet.com/english/china/2013-07/31/c\\_132591246.htm](http://news.xinhuanet.com/english/china/2013-07/31/c_132591246.htm)>.
- 3. <[http://news.xinhuanet.com/english/china/2013-10/26/c\\_125601680.htm](http://news.xinhuanet.com/english/china/2013-10/26/c_125601680.htm)>.
- 4. The fact that China denied many of the so-called "Qing territorial losses" under signed treaties as illegitimate and unequal had led to territorial disputes with all of its neighbours, most of which have been settled by now (Nathan and Scobell, 2012: 21).
- 5. In an attempt to define and declare the extent of Chinese sovereignty around the Paracels and the Spratlys, the Geography Department in the Ministry of Foreign Affairs (Republic of China) published for the first time "The Location Map of the South China Sea Islands" in which an eleven-dotted line was drawn around the Paratas Islands (Dongsha), the Paracel Islands (Xisha), the Macclesfield Bank (Zhongsha), and the Spratly Islands in the South China Sea, and the southernmost line was about the 4<sup>o</sup> northern latitude. Since 1953, two dots were removed from the map published by the PRC following Chinese Premier Zhou Enlai's approval (Li and Li, 2003).



6. Permanent Mission of the People's Republic of China (PRC), Notes Verbales CML/17/2009 and CML/18/2009, 7 May 2009, available from the UN Division for Ocean Affairs and the Law of the Sea (DOALOS) (Baumert and Melchior, 2014).
7. The PRC Government's Position Paper on Matters of Jurisdiction in the South China Sea Arbitration initiated by the Republic of Philippines, available at the website of Ministry of Foreign Affairs of the PRC (7 December 2014), <[http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1217147.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1217147.shtml)>.
8. Vietnam, the Philippines, Malaysia, Indonesia, and Brunei have maritime zones that extend from their mainland shores into the South China Sea. Assuming for the sake of argument that China have sovereignty over all the disputed islands in the South China Sea, maritime zones generated by South China Sea islands would overlap with those generated by the opposing coastlines of the aforementioned states. In other words, the maritime boundaries delimiting overlapping zones would need to be negotiated amongst parties concerned in accordance with international law (Baumert and Melchior, 2014).
9. <<http://www.pcacases.com/pcadocs/PH-CN%20-%2020160712%20-%20Award.pdf>>.
10. <[http://www.gov.cn/xinwen/2016-07/13/content\\_5090828.htm](http://www.gov.cn/xinwen/2016-07/13/content_5090828.htm)>, also the press conference featuring the White paper on China's South China Sea position <<http://english.cctv.com/2016/07/13/VIDE2ZsrzCJ1OACyDWClzOUw160713.shtml>>.
11. <<http://english.cctv.com/2016/07/13/ARTIIXwkMqMc3Bq25XpDUvBk160713.shtml>>.
12. <<http://www.scio.gov.cn/32618/Document/1483804/1483804.htm>>.
13. <[http://www.un.org/depts/los/convention\\_agreements/texts/unclos/unclos\\_e.pdf](http://www.un.org/depts/los/convention_agreements/texts/unclos/unclos_e.pdf)>.
14. <<http://www.pcacases.com/pcadocs/PH-CN%20-%2020160712%20-%20Award.pdf>>.
15. <[http://news.xinhuanet.com/english/2016-07/12/c\\_135507844.htm](http://news.xinhuanet.com/english/2016-07/12/c_135507844.htm)>.
16. <<http://english.cctv.com/2016/07/13/VIDE7eEo1I9p114W67N5AID9160713.shtml>>.
17. <[http://english.chinamil.com.cn/news-channels/china-military-news/2016-07/19/content\\_7161691.htm](http://english.chinamil.com.cn/news-channels/china-military-news/2016-07/19/content_7161691.htm)>.
18. <<http://asean.org/storage/2016/07/Joint-Communique-of-the-49th-AMM-ADOPTED.pdf>>.
19. <<http://english.cctv.com/2016/10/27/ARTIop2RBK36QKi0vxzBvusE161027.shtml>>.
20. <<http://www.reuters.com/article/us-china-philippines-idUSKCN12K0AS>>.
21. <[http://news.xinhuanet.com/english/china/2016-10/21/c\\_135771815.htm](http://news.xinhuanet.com/english/china/2016-10/21/c_135771815.htm)>.

## References

Baumert, Kevin and Melchior, Brian (2014), "China: Maritime Claims in the South China Sea", in U.S. Department of State (ed.), *Limits in the Seas*, Office of Ocean and Polar Affairs, Bureau of Oceans and International Governmental and Scientific Affairs.

- Buszynski, Leszek (2003), "ASEAN, the Declaration of Conduct, and the South China Sea", *Contemporary Southeast Asia*, Vol. 25, No. 3.
- Fravel, Taylor M. (2008), *Strong Borders, Secure Nations*, Princeton and Oxford: Princeton University Press.
- Health, Timothy R. (2013), "Diplomacy Work Forum: Xi steps up efforts to shape a China-centered regional order", *China Brief*, Vol. 13, No. 22.
- Jakobson, Linda (2014), *China's Unpredictable Maritime Security Actors*, Sydney, NSW: Lowy Institute for International Policy.
- Li, Jinming and Li, Dexia (2003), "The Dotted Line on the Chinese Map of the South China Sea: A Note", *Ocean Development and International Law*, Vol. 34.
- Liu, Huaqing (2004), *Liu Huaqing huiyilu (Liu Huaqing's Memoirs)*, Beijing: Jiefangjun chubanshe (PLA Publishing House).
- Luttwak, Edward N. (2012), *The Rise of China vs. the Logic of Strategy*, Cambridge and London: The Belknap Press of Harvard University Press.
- McDevitt, Michael (2014), "The South China Sea: Accessing U.S. Policy Options for the Future", a CAN Occasional Paper, Arlington, VA: CAN Corporation.
- Morton, Katherine (2016), "China's Ambition in the South China Sea: Is a Legitimate Maritime Order Possible?" *International Affairs*, Vol. 92, No. 4.
- Nathan, Andrew and Scobell, Andrew (2012), *China's Search for Security*, New York: Columbia University Press.
- Severino, Rodolfo (2010), "ASEAN and the South China Sea", *Security Challenge*, Vol. 6, No. 2.
- Swaine, Michael D. (2015), "Xi Jinping's Address to the Central Conference on Work Relating to Foreign Affairs: Assessing and Advancing Major Power Diplomacy with Chinese Characteristics", *China Leadership Monitor*, Issue 46, Hoover Institution, Stanford University, <<http://www.hoover.org/sites/default/files/clm46ms.pdf>>.
- Swaine, Michael D. (2016), "Chinese Views on the South China Sea Arbitration Case between the People's Republic of China and the Philippines", *China Leadership Monitor*, Issue 51, Hoover Institution, Stanford University, <<http://www.hoover.org/sites/default/files/research/docs/clm51ms.pdf>>.
- Tonnesson, Stein (2011), "Misperceptions, National Interests, and Law in the South China Sea", in Tran Truong Thuy (ed.), *The South China Sea – Towards a Region of Peace, Security and Cooperation*, Hanoi: The Gioi Publisher.

## **Factional Pull: Measuring the “Tuanpai Effect” on Elite Formation from 1992 to 2012**

*Alex Payette\**

SSHRC Postdoctoral fellow, University of Montreal

### **Abstract**

Factionalism has, since the 1970s, been one of the key elements in explaining both Elite formation and leadership change in the People’s Republic of China. Despite becoming more “civilized” and bound by institutional constraints, factions and other factional groups still play an important role in Elite recruitment, even if Cadres have to go through extensive “field testing” in order to be promoted. In turn, this article focuses on one of the most important political forces present on the Chinese political scene since the 1980s: the Chinese Communist Youth League (CCYL). Through extensive use of statistical methods, the article tries to measure the “tuanpai effect” on career patterns since 1992 in order to see what, how and up until when the latter affects a Cadre’s promotability. Lastly, this research opens up a discussion on whether the CCYL is a clearly defined and cohesive “faction” or simply a self-repeating promotion channel being used by opportunistic Cadres.

*Keywords:* *Factionalism, recruitment channel, Elite formation, Tuanpai/CCYL, Central Committee*

### **1. Introduction**

Factionalism is perhaps the most iconic element defining Chinese Elite studies since its *debut* back in the early to mid-1970s (Nathan, 1973; Tsou, 1976). Countless studies have since tried to assess the role of factions in Chinese politics using both qualitative and quantitative methods (Bo, 2007b; 2010; Choi, 2012; Fewsmith, 2013; Huang, 2010; Huang, 2000; Kou, 2010; Lam, 2007; 2010; 2015; Li, 2013; Miller, 2011; 2013; Shih *et al.*, 2012; Wang, 2006), be it from a “winner-takes-all” (Tsou, 1976) or a “balancing” approach (Nathan, 1973; Bo, 2007a; 2009).<sup>1</sup> Criticisms have also been raised regarding this notion and its usage as an independent variable to analyze Elite formation (Breslin, 2008; Zeng, 2013). More studies have since started to emphasis

leadership institutionalisation (Kou, 2010; Zeng, 2013; 2014). However, some like Fewsmith (2013) and Shirk (2002) question this assumption. Even if we can observe an on-going standardization, factions will remain of importance for the foreseeable future in Chinese communist Elite formation.

Our inquiry focuses on one of the main forces currently active on the Chinese political landscape: the Chinese Communist Youth League [CCYL] (*Zhongguo Gongchanzhuyi qingniantuan*, 中国共产主义青年团).<sup>2</sup> Structured around a Party mass organisation totalling around 90 million members back in 2014 (*People's Daily*, 2014), the *tuanpai* (团派) “recruitment channel” or faction has produced 38 of the 399 new Central Committee members since 1992,<sup>3</sup> out of which seven have then become Politburo members. Considering its non-negligible importance in terms of top Elite formation during the last two decades, the objective of the article is to attentively measure how the *tuanpai* variable operates (e.g. how does it influence career and promotion patterns? Where does it lead?, etc.).

I posit that the *Gongqingtuan* – insofar as it is a promotion channel – is an intermediate variable that is likely to be associated with some other core determinants pivotal for Politburo membership, which includes for example holding provincial chief positions (Bo, 2007; 2009; Li, 2005). The latter is also likely to allow for continuously faster promotion thus making its member more “promotable” than non-*tuanpai* individuals. However, this accelerated career track, all things being equal, does not exonerate one from having to go through a certain “path” in order to be promoted.

In turn, we expect these individuals to be better positioned and promoted faster than their non-*tuanpai* counterparts and to exhibit a certain ability to “sprint”, even just a bit faster than other Cadres, thus impacting their career path and role in the Party-State apparatus.

Therefore, one of the main objectives of this article is to measure the influence – through statistical analysis – of the *tuanpai* variable on promotion patterns and to see how and when the latter becomes relevant for top promotions (i.e. where and how far can each selected indicator can take an individual to?). This research attempts to do so by comparing career patterns of *tuanpai* and non-*tuanpai* individuals in order to see how and when, by examining samples from 1992 to 2012, each of the defined *tuanpai* variables take “traction” (i.e. when during a Cadres’ career the selected position plays a role).

As such, the main contribution of this article lie in its reassessment of the *tuanpai* variable’s influence on Elite formation. It is important to note, this article proceeds from a top-down approach and focuses on trends and shared characteristics instead of focusing on each individual’s account. This work, which remains exploratory in nature, encompasses a limited number of variables commonly found in the Chinese Elite literature while leaving some

(e.g. impact of economic performance [Landry, 2003; Li and Zhou, 2005] and education [Li and Whyte, 1990] on promotion) aside for the time being.

## **2. Faction or Structure: a Brief Look Back at the Chinese Communist Youth League**

Founded in 1925, the Chinese Communist Youth League (CCYL) focused on student recruitment and on expending teachings of Marxism-Leninism to workers, peasants and students in order, at first, to mobilize them for the revolutionary effort. The latter also fought side by side with the Party during the civil war against the Nationalist Party (Pringsheim, 1962). They were later mobilised during the Cultural Revolution, turned against their own structure and became a vector of the Centre’s political struggle (Funnell, 1970). The CCYL does indeed have a very special place in the Party apparatus as it continuously supplies the Party with new “pre-screened” Party members. It also mirrors the latter’s structure both in terms of organization (e.g. Central Committee, town CCYL secretary, propaganda department, etc.) and recruitment policy.

However, the current version of the tuanpai “clique”, as depicted in the Elite literature, has more recent origins and is first centered around the character of Hu Yaobang (胡耀邦) (Zheng and Chen, 2009). The latter was at the apex of the CCYL from 1952 up until being removed from his First Secretary positions during the early stages of the Cultural Revolution (Funnell, 1970).

Following his reintegration at the Centre in 1977 – holding the head of the Central organization department position – and his entry into the Politburo back in 1978, Hu Yaobang proceeded to promote a number of individuals, one of whom is Hu Jintao, to the higher instances of the CCYL (Shi *et al.*, 2010) in order to prepare them to hold important Party positions. One of the objectives was to circumvent ageism and favouritism inside the Party and to bring more pro-reform Cadres at the Centre. Most of these individuals came from more humble backgrounds (Wu, 2006) and had considerable practical experiences which could benefit the on-going reform process. They were seen as more in tune with the current “infusion” of liberalism of the mid-1980s, yet, considering their strong CCYL commitment to the CCP, they still were great defenders of the one Party rule.

As a political force, the tuanpai came into play during the end of the Deng era – with Hu Jintao’s ascension to the Politburo. They later struggled to maintain equilibrium during and after the Jiang era. Even if Jiang Zemin was able to position some of his men (or what was left of the original Jiang-centric “Shanghai gang” [Wang, 2006]) after 2002, the factional balance shifted, since 2007, in favour of both the tuanpai and the rising Princlings (*Taizidang*, 太

子党).<sup>4</sup> Some individuals, especially in the former group, used the *tuanpai* networks, as children of the Party, to gain momentum and climb the ladder while also using personal networks of influence.

Many key provincial positions have since then been occupied by these individuals (Li, 2002; 2005). Yet, promoted individuals were not “parachuted” into place since most of them, as Li Cheng notes, were already cumulating sub-provincial experiences prior to their promotion to provincial-chief positions. To a certain extent, they still had to follow the path leading to higher positions as to avoid Hu Jintao being called out for favouritism (Li, 2005).

Since Hu Yaobang, the *tuanpai* clique has achieved its goal of creating a channel for younger Cadres to get fast-tracked to higher Party positions. Therefore, it is unclear to what extent it will remain relevant – as a cohesive entity – in the near future. However, the recruitment structure and what it allows for is most likely to endure and to be used by other opportunistic Cadres.

In addition, as Li Cheng (2002) points out, new CCYL provincial secretaries or Central Committee members are probably not purposively building a *tuanpai* faction in the highest echelons of the Party. However, coming from similar backgrounds, they are likely to set and develop rewarding relationships amongst themselves (e.g. encouraging promotion, supporting policies, etc.) as they are linked by a shared experience in the Communist Youth organization.

Therefore, the inquiry at hand ponders this possible “repeating promotion channel” and the remnants of the Hu Jintao effect by assessing the influence and the association levels of precise *tuanpai* positions with other Party and Government positions rather than testing the patronage effect *per se*. The latter can certainly be of importance, however we expect people holding these positions to nonetheless “sprint with small steps” (Kou and Tsai, 2014) because even if there is some form of patronage effect, promoted individuals would still have to bend to the current promotion rules and follow the “path” drawn by previous/current top leaders to avoid destabilizing the fragile ongoing institutionalization.

### 3. Data Sets and Methodology

Data sets – last verified in July 2016 – used in this research come from three sources: (1) dictionary of Central Committee members 1921-2003 (Central Organisation Committee, 2004); (2) Government Leaders database (CPC News); (3) Baike.<sup>5</sup> Triangulating these resources provided the most up-to-date information on all of the individuals’ background, key positions and dates.

The inquiry begins with the 1992 turnover, or when the *tuanpai* was gaining momentum on the Chinese political scene with Hu Jintao’s direct nomination on the Standing Committee of the Politburo.<sup>6</sup> This cut-off point

**Table 1** Population Specifics

<i>Name</i>	<i>Total</i>	<i>Returning</i>	<i>New Central Committee Members</i>		
			<i>Total</i>	<i>Military</i>	<i>Non-military</i>
Central Committee new members 1992	189	107	82	24	58
Central Committee new members 1997	198	86	112	29	83
Central Committee new members 2002	204	90	114	28	86
Central Committee new members 2007	207	101	106	24	82
Central Committee new members 2012	210	91	119	29	90
Total	1008	475	533	134	399

is based on the assumption that Hu, during his early 1980s ascension through the *tuanpai* structure, would be most capable at this moment to place some of its supporters for future promotion. Therefore, this starting point would seem appropriate as we could only count one individual fitting our definition of *tuanpai* and five more who have had any other type of *tuanpai* experience in the 1987 Central Committee newcomers’ group.

Members of the military apparatus have not been taken into account as they are not the main concern for the *tuanpai* group nor are they the ones governing China (Bo, 2007a; 2009; Lam, 2007).

The complete background of each individual (n=399) was organized according to the official ranking structure (*Lingdao zhiwu cengci fenwei*, 领导职务层次分为). All experiences were counted from the prefecture-level (*Ting Ju ji zhengzhi*, 厅局级正职) up until their respective entries into the Central Committee. In addition, all individuals have had their “end-of-career” positions and experiences accounted for (i.e. what were the last and highest positions reached by every individual). As such, the comparison I lay in this article proceeds from two distinct moments in every Cadres’ career: (1) background upon entry into the Central Committee – as to compare all individuals on an equal footing; (2) complete career data in order to see if whether or not end-of-career achievements, both in terms of positions and levels reached, would differ from *tuanpai* and non-*tuanpai* individuals.

However, before proceeding any further, we ought to define what we mean by *tuanpai*, and which indicators were used to find and count these individuals. There are currently several concurring definitions of the “*tuanpai* faction”, all of them with different characteristics and scopes. For

example, Zheng and Chen (2009) define the latter, or the “tuanpai clique” as encompassing individuals “who share working experience in the same organization [the Central Committee of the CCYL].”<sup>7</sup> Some other definitions are based on the “patronage” effect of either Hu Jintao (Bo, 2007a; Dittmer, 2003)<sup>8</sup> or even Hu Yaobang – for earlier periods (Shih *et al.*, 2012; Shih *et al.*, 2010).<sup>9</sup> As such, each definition encompasses a different number of individuals, some of which might even be associated with other competing forces inside the Party-State.<sup>10</sup>

Therefore, it is important to note that the definition used in this article does not encompass the “patronage effect” (Zeng, 2013) of certain factional leaders on individuals being promoted to leadership positions from outside the tuanpai structure as many individuals (with no ties to factional leaders) now see the latter as a fast-tracking route to higher positions (Kou and Tsai, 2014) with little to no policy nor ideological commonalities (Dittmer, 2003).

As such, to be counted as tuanpai in any of the selected turnovers (Table 1), an individual ought to have occupied any of the following: (1) a tuanpai provincial secretary position (*Gongqingtuan Sheng shuji*, 共青团省委书记)<sup>11</sup>; a secretary of the Central Secretariat of the Communist Youth League position (*Gongqingtuan Zhongyang shujiichu shuji*, 共青团中央书记处书记); (3) First Secretary of the Central Secretariat of the Communist Youth League position (*Gongqingtuan Zhongyang shujishu diyi shuji*, 共青团中央书记处第一书记). These three are respectively prefecture, sub-provincial (*Sheng Bu ji fuzhi*, 省部级副职) and provincial-level positions (*Sheng Bu ji zhengzhi*, 省部级正职).

The distinction I posit here between the “patronage effect” and the structure itself draws on the one made by Wang Zhengxu (2006) in regards to the “Jiang-centric” Shanghai gang in contrast to the “Shanghai-promoted” gang.

Furthermore, although I agree with both Breslin (2008) and Bo (2007b) that taking into account provincial tuanpai positions stretches the definition a bit too far, some of the previously presented definitions could account for even more individuals than the one used in this article. That being said, the objective of this definition is to set three indicators and to measure them independently to see which – if any – positions are associated with which other variables and which of the three can be considered the most influential for top Elite formation.

In subsequent parts, the tuanpai variable is assessed for association with several commonly found elements in the Chinese Elite literature: (1) Regional/Provincial experiences; (2) types of positions cumulated; (3) where – region/provinces – these positions have been held; (4) age and promotion speed.

Regional experiences were counted up from the same level while being regrouped under four categories [(1) Eastern; (2) Central; (3) North-East and (4) Western China (Lien, 2012)]<sup>12</sup> and only when an individual occupies a



political position in one of the latter (Annex 1: positions 1 to 6). Holding a position in two different provinces located in the same region has been counted as two experiences.

Annex 1 includes both political and administrative positions from the prefecture all the way to the provincial/ministerial level. All positions have been counted as binary variable.

The age factor encompasses two types of items: (1) age of each individual for every level; (2) assessment of promotion speed via the threshold indicator (i.e. completion of thresholds). Thresholds are cut-off values set by newly selected Politburo members’ age difference per level ( $[\min+\max]/2$ )<sup>13</sup> to which the average of all of the levels’ standard deviation is added. The levels counted for thresholds are: entry into the Party [0], prefecture [5], sub-provincial [4], provincial [3a], Central Committee [3b], sub-national [2] and national [1].

These values change according to new Politburo entries and thus directly affects the number of thresholds one can hope to reach on time. Furthermore, threshold assessment, which draws on the idea of “sprinting with small steps” (Kou and Tsai, 2014), provides a different perspective on time management which directly contrasts subtraction or trend analysis more commonly found in studies addressing Elite formation.

Lastly, a subset of positions and levels have been selected for the end-of-career comparison. This last part takes into account the positions seen as key for Elite formation: (1) Provincial chief positions [Annex 1: position types 5 and 6]; (2) Minister [Annex 1: position type 14]. I want to see who was ultimately able to reach these positions and in turn, considering their importance for Politburo membership (Bo, 2007b; Li, 2010), if the latter two are more associated with tuanpai individuals or not. In terms of levels, the last section examines if reaching the provincial/national deputy level [*Guojiaji fuzhi*, 国家级副职] or even the national level [*Guojiaji zhengzhi*, 国家级正职] is more associated with tuanpai individuals or with their counterparts.

Variables are examined via extensive binary logistic regression (parametric).<sup>14</sup> For the age factor, the latter is also used in addition to student *t*-tests (non-parametric) in order to determine if there is a statistical difference – in terms of age – between tuanpai and non-tuanpai individuals and where, in terms of levels, is the latter located. Finally, Bayes’s theorem of conditional probability will be used to assess the association between each ranks for each group.

Finally, results are first presented using the “encompassing” variable (i.e. having held any of the previously listed tuanpai positions). If the latter turns out to be significant, results are to be deconstructed to see if any of the subgroups accounts for a larger share of the variation. Statistically non-significant results are not displayed in tables yet might be discussed if deemed appropriate to do so.

## 4. Results: Measuring the Tuanpai “Factional Pull”

### 4.1. Assessing the “Geographic Pull”

The first step of this inquiry follows tuanpai individuals and looks at their regional experiences in order to see if they do cumulate these kinds of experiences, and if so where and at what point of their career.

The only major difference may lie in the number of individuals having regional experience. Using Table 2’s data, we can calculate that 81.56 per cent of tuanpai individuals have had regional experience in contrast to 63.16 per cent for their counterparts upon entry into the Central Committee. This trend continues up until the end (or current positions for the 2012 and some individuals in the 2007 population) of each group’s career. As such, 89.5 per cent of tuanpai individuals have had – or is currently holding – regional experience, in contrast to 67 per cent for their counterparts. In turn, this indicates that we are more likely to find tuanpai working their way up through

**Table 2** Regional Experience: Data [Compressed]

<i>Data Sets</i>	<i>Individuals with experience</i>	<i>Two or more experiences</i>	<i>Region 1</i>	<i>Region 2</i>	<i>Region 3</i>	<i>Region 4</i>
Newly promoted Central Committee members 1992-2012 ( <i>n</i> =399)	259	84	110	60	43	116
Newly promoted Central Committee members 1992-2012 (without Tuanpai individuals [ <i>n</i> =361])	228	75	98	52	38	102
Tuanpai individuals (1992-2012 [ <i>n</i> =38])	31	9	12	8	5	14
<i>Complete Career Assessment [Including Post-Central Committee Positions]</i>						
Newly promoted Central Committee members 1992-2012 ( <i>n</i> =399)	276	120	148	89	56	160
Newly promoted Central Committee members 1992-2012 (without Tuanpai individuals [ <i>n</i> =361])	242	102	132	75	46	140
Tuanpai individuals (1992-2012 [ <i>n</i> =38])	34	18	16	14	10	20

Source: Author’s database.

either (geographic) Party or Government positions in contrast to other types of positions for their counterparts.

This distinction between having regional experience or not is statistically significant (Table 3). In addition, it seems that tuanpai individuals are more likely to cumulate more regional experience after becoming Central

**Table 3** Regional Experience (Logistic)

<i>Variable Tested: Having Regional Experience</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38])	.949	.432	.028
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28])	1.585	.620	.011
<i>Complete Career Assessment [Including Post-Central Committee Positions]</i>			
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38])	1.430	.540	.008
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28])	1.382	.621	.026
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38] – two regional experiences or more)	.826	.345	.017
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – two regional experiences or more	.916	.395	.020

**Table 4** Level of Regional Experience (Logistic)

<i>Variable Tested: Level on Which Regional Experiences are Held</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38] – Sub-provincial experiences)	1.037	.412	.012
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Sub-provincial experiences	1.504	.550	.006
<i>Complete Career Assessment [Including Post-Central Committee Positions]</i>			
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38] – Sub-provincial experiences)	1.241	.458	.007
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Sub-provincial experiences	1.337	.550	.015
Tuanpai individuals (First Secretariat 1992-2012 [ <i>n</i> =4]) – two or more provincial-level positions	2.393	1.161	.039

Committee members as demonstrated by Table 2. However, no single region is statistically significant upon entry into nor after the Central Committee.

Results listed in Table 4 go one step further by assessing on which specific level regional experiences are held (i.e. prefecture/sub-provincial/provincial). Evidently, the *tuanpai* variables seem to be associated with sub-provincial positions during both moments (i.e. upon reaching the Central Committee and after), yet for different reasons: (1) *tuanpai* individuals were able to reach sub-provincial positions (Annex 1: Types 3 and 4) before their entry into the Central Committee; (2) provincial-level positions (Annex 1: Types 5 and 6) have simply been held by too many individuals to be considered relevant for any groups when we take into account the entire career path of each individual.

One sub-*tuanpai* group stood out during the analysis: the First Secretaries of the Central Secretariat. These individuals are strongly associated with holding two or more provincial-level positions (Table 4). The latter are, according to the literature, of crucial importance for possible future Politburo membership (Bo, 2007b; Choi, 2012; Li, 2010). However, the region in which these provincial, sub-provincial or even prefectural experiences are held is not statistically significant for *tuanpai* individuals.

Looking at these results, we can assume that the *tuanpai* variable, insofar as it is tied to regional experience – especially at the sub-provincial level, gives some individuals an edge in terms of both mobility for reaching certain positions before other Cadres or to be better placed for subsequent promotions.

#### **4.2. “Pulled” toward Specific Positions? Or toward Key Positions in Certain Location?**

However, is this mobility translated into positions deemed important or more influential for top Elite formation (e.g. provincial-chief positions [Li, 2005])? This section focuses on both position types [Annex 1: 1 to 6] as well as measuring the possible importance of these positions in specific locations.

These results show that *tuanpai* individuals seem to be more on a “political path” (i.e. cumulating political positions [Types 1 to 6]) rather than focusing on higher administrative functions (Types 7 to 14). If we consider *tuanpai* as “politicrats” (*Zhenggong ganbu*, 政工干部), then these observations concur with the ideas of Zang Xiaowei (2004; 2006) and Zhou Xueguang (2001) regarding functional differentiation (*Fenshuhua*, 分殊化), its impact on career patterns and its internal path dependency effect. In turn, this differentiation also influences the promotability of Cadres in the Party-State apparatus (Zang, 2004). However, these are but simple propositions on what types of positions are associated with *tuanpai* individuals in general.

**Table 5** Position Types (Logistic)

<i>Variables Tested: Annex 1 Position Types 1 to 14; Ratio of Positions 1-6 vs. 7-14</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Type 4 positions	1.903	.449	.015
Tuanpai individuals (Central Secretariat [ <i>n</i> =14]) – Type 11 position	1.833	.828	.027
<i>Complete Career Assessment [Including Post-Central Committee Positions]</i>			
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38]) – Type 4 positions	.987	.396	.013
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Type 4 positions	1.099	.472	.020
Tuanpai individuals (Central Secretariat [ <i>n</i> =14]) – Type 6 positions	1.466	.569	.010
Tuanpai individuals (First Secretariat 1992-2012 [ <i>n</i> =4]) – two or more Type 6 positions	3.042	1.029	.003
<i>Position Ratio: Political Positions vs. Administrative Position</i>			
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38])	.871	.373	.020
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28])	1.271	.472	.007
<i>Non-tuanpai</i>			
Non-tuanpai individuals – having more administrative or having held no positions at all [1 to 14]	.886	.396	.025

Table 6 goes one step further by showing results of the intersection between position types [1 to 6] and regions 1 to 4 in order to determine if certain types are favoured in a specific location in contrast to being significant on their own.

Aside from the types listed on Table 6, no other positions were statistically significant upon entering the Central Committee with most positions in region 2 showing a negative slope (association). This means that tuanpai individuals are in general climbing through North-East and Western China during the beginning of their careers. However, upon career completion, no sub-provincial positions remain significant and Type 6 – Provincial-level Party Secretary – in regions 2 and 3 comes out as statistically significant.<sup>15</sup>

The absence of the First Secretaries is also noticed for sub-provincial and prefecture-level positions. However, this can easily be explained by their career patterns inside the tuanpai structure which supplies prefectural and

**Table 6** Position in Region (Logistic)

<i>Variables Tested: Annex 1 Position Types 1 to 6 in Regions 1 to 4</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial Secretaries 1992-2012 [n=28]) – Type 1 in region 3	1.574	.698	.024
Tuanpai individuals (Provincial Secretaries 1992-2012 [n=28]) – Type 4 in region 4	.856	.407	.035
<i>Complete Career Assessment [Including Post-Central Committee Positions]</i>			
Tuanpai individuals (Central Secretariat [n=14]) – Type 6 in region 2	1.668	.624	.008
Tuanpai individuals (First Secretariat 1992-2012 [n=4]) – Type 6 in region 2	2.535	1.018	.013
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [n=38]) – Type 6 in region 3	1.671	.577	.004
Tuanpai individuals (Provincial Secretaries 1992-2012 [n=28]) – Type 6 in region 3	1.696	.621	.006
Tuanpai individuals (Central Secretariat [n=14]) – Type 6 in region 3	2.137	.714	.003

sub-provincial positions all the way to their current provincial-level positions. As such, these few “top tuanpai” are bypassing the competition all the way up to the provincial level to then merge – as Table 6 demonstrates – with the rest of the group by collecting Provincial-level Party Secretary positions. As previously expressed in Table 5, First Secretaries are associated with the accumulation of two of these positions and, as Table 6 shows, one of these two is likely to be located in region 2 – Central China.

We could tentatively posit that the tuanpai faction is not harnessing East coast positions for the benefit of – possibly – other competing factional groups. In turn, this could suggest a form of “division of labour” both in terms of positions and regions between intra-Party competing forces. As such, tuanpai individuals might be relying on the “sponsored mobility” effect (Zang, 2006; Walder and Li, 2001), which requires occupying more inland positions to later come back and be promoted to higher levels, rather than experiences in the economic powerhouse that is the East Coast.

In general, this structure allows individuals to bypass lots of prefecture-level positions to merge at the sub-provincial level and then keep climbing through political positions. However, it allows “higher” tuanpai individuals to shortcut both levels to then directly merge at the end of the provincial level.

In turn, this gives these individuals a tremendous advantage over other Cadres completing one or even several tenures on lower levels.

Most forms of *tuanpai* included in the definition are also associated with provincial-level Party Secretary positions, which is the modal occupation of newly appointed Politburo members since 1992. This suggests that the *tuanpai* structure is able to “pull” individuals toward key positions: controlling the latter is of crucial importance for policy implementation agendas.<sup>16</sup>

As another subset of the same argument, I also tested: (1) Party positions inside either the organization, propaganda, united front department or the Party school on either one of the county (*Zhengchuji*, 正处级), prefecture, sub-provincial and provincial (*Zhengbuji*, 正部级) level; (2) prefecture-level city secretary general (*Diji shiwei mishuzhang*, 地级以上市委秘书长) and provincial secretary general (*Shengwei mishuzhang*, 省委秘书长); (3) any form of business experience; (4) provincial-level disciplinary commission secretary (*Shengwei jiwei shuji*, 省委纪委书记). This adds an additional 20 variables accounted for each individual upon entry into the Central Committee [Table 7].

Table 7 shows *tuanpai* individuals overrepresented in prefecture-level Party positions. It is unclear to what extent these positions can help or be considered as having an effect on a Cadre’s career. However, they are important in the larger scheme of promotions inside the Party-State apparatus. Furthermore, results regarding provincial organisation and propaganda departments reflect the previous finding of Li Cheng (2009).

As expected, business experience has nothing to do whatsoever with *tuanpai* individuals. Furthermore, as Table 7 shows, these individuals, as Wu puts it, managed “to gain moral high ground in the CCP’s anti-corruption campaign” (2006). In turn, results do mirror these two statements.

However, what remains of interest to us is the statistical significance of provincial political positions as the latter are mostly associated with better prospects for Politburo membership.

**Table 7** Party Positions Association (Logistic)

	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial/Central Secretariat/ First Secretariat 1992-2012 [ <i>n</i> =38]) – Provincial director of the Organization department	1.060	.537	.048
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Provincial director of the Propaganda department	1.184	.592	.045
Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [ <i>n</i> =38]) – Provincial Secretary of the disciplinary committee	1.524	.609	.012

### 4.3. Being “Pulled” to the Top: Age and Promotion Speed

This last section, which addresses the “temporal pull”, is structured around four sub-interrogation: (1) is there a statistical difference between tuanpai and non-tuanpai in terms of age?; (2) where is this variation located?; (3) can we quantify this variation?; (4) does the variation – if any – persist once individuals have passed the Central Committee?

Results of *t*-tests [Annex 3]<sup>17</sup> partially answer questions 1 and 2. The tuanpai promoting structure seems to mostly fast-track individuals through both the prefecture and sub-provincial levels. The distinction is, however, statistically non-significant for the Central Committee<sup>18</sup> and entry into the Party levels [0].

This steady variation can be explained by the fact that the tuanpai structure provides a prefecture-level position for just under 75 per cent of these individuals. This allows them to bypass more conventional positions (e.g. city mayor, Party secretary, etc.), to gain faster access to a prefecture-level position (e.g. CCYL provincial secretary, etc.) and to finally merge faster, in general, at the sub-provincial level back in the non-CCYL structure. This small shortcut also allows them to save at least one tenure worth of time (more or less five years) thus remaining younger than their counterparts.

The provincial level positions, aside from national positions, are probably the hardest to obtain for Cadres and came out statistically non-significant for one reason: upon entry into the Central Committee, around 27 per cent of non-tuanpai and 16 per cent of tuanpai individuals do not reach this level. Performing a *t*-test on these individuals does, however, point in the direction of a very statistically significant variation [ $t_{a/2}(294)3.4298P.0007$ ] between tuanpai and non-tuanpai individuals upon entry into the Central Committee. Looking at the end of career data [Annex 3], these missing values are reduced to seven per cent for non-tuanpai and five per cent for tuanpai individuals. If we incorporate these “new” values into our calculation, we get statistically significant variations between both groups, except for the 2012 turnover. This is explained by the fact that 13 per cent of its members have yet to reach provincial/ministerial positions (as of August 2016).

Annex 2 shows an average difference of 4.3 years per level between tuanpai and non-tuanpai individuals, with the largest variations located at the prefecture, sub-provincial and provincial levels (average of 5.47 years younger per level). This slight variation is also expressed by Graphic 1 [Annex 4]. However this difference has yet to be quantified and assessed for statistical significance. In turn, this variation was measured by five years increment indicators – five and ten years in our case – below the overall age average per ranking level (i.e. was an individual five years younger than the age average of a specific level? If so, how long can this variation be maintained?) [Table 8].



**Table 8** Age Variation Per Level and as Composed Indicator

*Variables Tested: Being 5 Years Below Each Level's Age Average; 10 Years Below; Having been 5 Years Below Level 5, 4, and 3's Age Average; Having been 10 years Below Level 5, 4, and 3's Age Average; Having been 5 Years Below Level 5, 4, 3, CC's Age Average; Having been 10 years Below Level 4, 3, CC's Age Average.\**

<i>Groups</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
<i>Tuanpai Individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [n=38])</i>			
5 years below age average [prefecture, sub-provincial, provincial, and Central Committee]	1.992	.558	.000
10 years below age average [sub-provincial, provincial and Central Committee]	3.746	1.132	.001
<i>Tuanpai Individuals (Central Secretariat [n=14])</i>			
5 years below age average [prefecture, sub-provincial, provincial and Central Committee]	2.137	.714	.003
10 years below age average [sub-provincial, provincial and Central Committee]	3.956	.963	.000

Note: \*Non-listed results are to be found on Annex 4.

What is of interest to us are not single level assessments [Annex 4], rather the “consistent” comparative advantage an individual might gain from holding each specific tuanpai position. In general, when accounting for the three CCYL positions a variation of between at least five years up until ten years is statistically significant for each level (Table 8). Specifically, the provincial secretary position is significantly associated with a variation of at least five to ten years at the prefecture and the sub-provincial levels [Annex 4]. Yet, a consistent ten years variation is statistically significant only for the Central Secretariat position. Since three out of four individuals who occupied the First Secretary position have been at least ten years below average from the prefecture to the Central Committee level, we can also safely assume the latter would also give a tremendous advantage to the individual holding it.

This implies that these positions have a similar “pulling effect”, yet the latter two can propel an individual for at least two more levels while allowing individuals to save almost two tenure’s worth of time. As such, if the end game is “promotability”, individuals holding Central Secretariat and First Secretary positions clearly have an advantage over other tuanpai and non-tuanpai individuals for ulterior national level positions.

Finally, the last section of this inquiry turns its attention to promotion speed by way of threshold values as indicators for each level [Annex 2].

**Table 9** Promotion Speed [Threshold Assessment] (Logistic)

<i>Variables Tested: Levels 0 to 3; 2 and More, 3 and More, 4 and More</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [ <i>n</i> =38] – Threshold level 5	1.882	.611	.002
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Threshold level 5	2.702	1.204	.008
Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [ <i>n</i> =38] – Threshold level 4	1.565	.540	.004
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – Threshold level 4	1.174	.551	.033
Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [ <i>n</i> =38] – 2 thresholds or more	2.479	1.021	.015
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – 2 thresholds or more	2.128	1.026	.038
Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [ <i>n</i> =38] – 3 thresholds or more	1.867	.539	.001
Tuanpai individuals (Provincial Secretaries 1992-2012 [ <i>n</i> =28]) – 3 thresholds or more	1.811	.620	.003
Tuanpai individuals (Central Secretariat [ <i>n</i> =14]) – 3 thresholds or more	2.213	1.043	.034

This assessment method differs from what can be found in the literature as it accounts for reaching or not a specified value rather than looking at the total subtraction variation.

Table 9's results clearly show that fast-tracking happens through both the prefecture and sub-provincial levels. As expected from the *t*-tests results [Annex 3], entry into the Party, Provincial and Central Committee levels were statistically non-significant at the time individuals became full committee members. Even when measured with the end of career data – or current data – the provincial level remains not clearly associated with tuanpai individuals as too many non-tuanpai Cadres also were able to reach the latter.

These results are further confirmed through Bayes's theorem of conditional probability. The probability of having reached the prefecture-level while knowing an individual already entered the Party on time [P(5|0)] summed up to 79.5 per cent for tuanpai individuals, in contrast to 41.1 per cent for other Central Committee members. Results were respectively 79.2 per cent and 53.5 per cent for [P(4|5)] and of 15.6 per cent and 8.9 per cent for [P(3|4)]. This allows us to reduce our chances of being wrong when stating that, in general, tuanpai individuals have more chances to complete on time – and or faster than other individuals – both prefecture and sub-provincial levels.

**Table 10** Top National Positions (Logistic)

<i>Variables Tested: Having Reached a National Deputy Position; Having Reached a National Main Position; Having Achieved Politburo Membership</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [ <i>n</i> =38]) – National deputy position	.843	.368	.022
Tuanpai individuals (Central Secretariat [ <i>n</i> =14]) – National deputy position	1.774	.556	.001
Tuanpai individuals (First Secretariat 1992-2012 [ <i>n</i> =4]) – National deputy position	2.533	1.162	.029
Tuanpai individuals (Central Secretariat [ <i>n</i> =14]) – Politburo membership	1.684	.585	.004
Tuanpai individuals (First Secretariat 1992-2012 [ <i>n</i> =4]) – Politburo membership	2.211	1.014	.029
Tuanpai individuals (First Secretariat 1992-2012 [ <i>n</i> =4]) – National main position	2.454	1.195	.040
<i>Level 2 – National Deputy Position Threshold<sup>19</sup></i>			
Tuanpai individuals (First Secretariat 1992-2012 [ <i>n</i> =4])	3.254	1.166	.005

When looking at the slopes [B], we are more able to see which tuanpai position is more strongly associated with the “sprinting” effect and during which portion of a Cadre’s career the specified position would have the strongest impact. For everything below the provincial and national levels, it seems, the CCYL provincial secretary positions would be the most useful to get a head start toward higher positions. Therefore, the latter would enable a Cadre to reach both prefecture and sub-provincial level positions in time, yet it would not be of much use to reach the final steps toward the top of the Party-State apparatus.

The final testing (i.e. association and significance for national level positions) reveals where the “pull” for the last few steps is located. If the Gongqingtuan provincial secretary positions can bring an individual – all things being equal – all the way to the sub-provincial level, then the CCYL First Secretary position can “pull” an individual closer to national deputy positions [Guojiaji fuzhi, 国家级副职],<sup>20</sup> Politburo membership and, for the most part, national main positions [Guojiaji zhengzhi, 国家级正职]<sup>21</sup>. Furthermore, reaching the national deputy positions on time – by way of threshold assessment – is statistically significant only for the First Secretary position (Table 10). Being “on time” for this level implies that these individuals are most likely to still be promotable for even higher positions.

As such, again all things being equal – and without dismissing other factors – we can tentatively posit that the *tuanpai* variable, insofar as it is linked with other key elements associated with top Elite formation, does not only work as a recruitment channel, but can lead all the way to Politburo membership. As such, entering the *tuanpai* organizational structure, provided that an individual can reach at least one of the three listed positions composing our initial definition, can imply faster promotion and key positions.

However, this fast-tracking seems to be active at two distinct moments: pre- and post-provincial level. That being said, the second and most important “pull” seems to be more associated with higher and more difficult to reach *tuanpai* positions (i.e. First Secretary of the Central Secretariat). Therefore, the most optimal path would be to cumulate both provincial secretary and First Secretary positions to bypass the prefecture, sub-provincial and partially the provincial-level positions to then merge at the “end” of the provincial round and still remain highly promotable for national deputy positions.<sup>22</sup> As it turns out, the last four First Secretaries were on average 15 years younger than non-*tuanpai* individuals and 12 years younger than their other *tuanpai* counterparts when reaching provincial-level positions. This amount of time can easily translate into higher positions even if the latter would be clogged for one tenure (five years). Their promotion speed, in general, remains an important comparative advantage (Zheng and Chen, 2009).

If this trend holds true, we can then posit that Zhou Qiang will most likely be promoted to the Politburo in 2017 and Lu Hao in 2022 (Payette 2016a). On the other hand, the future current First Secretary – Qin Yizhi [秦宜智] – is more uncertain as the latter is slightly older than Lu Hao and has not yet been promoted to the full Central Committee membership.<sup>23</sup> However, were he to be selected in 2017, he would still have to undergo between one and two turnovers in the Central Committee, bringing his possible entry in the Politburo between 2022 and 2027.<sup>24</sup>

Individuals who recently (2008) and are currently (2013) holding the second most important *tuanpai* position – the Central Secretariat [*chu shuji*, 处书记] – [ $n=9$ ], are already showing signs that what has been underlined might be true. Although it remains too early to tell for individuals such as Fu Zhenbang [傅振邦],<sup>25</sup> Xu Xiao [徐晓], Zhou Changkui [周长奎] and Luo Mei [罗梅],<sup>26</sup> we can already see individuals like Wang Xiao [王晓] – 2007 Central Committee alternate member (*Houbu weiyuan*, 候补委员) and Lu Yongzheng [卢雍政]<sup>27</sup> already merging toward sub-provincial positions. As for Yang Yue [杨岳] – 2012 Central Committee alternate member – and Wang Hongyan [汪鸿雁]<sup>28</sup>, we can consider them to be “failed attempts” at merging into better positions so far. The latter merged to prefecture-level positions to then come back to the *tuanpai* structure. Finally, He Junke, currently holding

the executive office of the Central Secretariat position (*Changwuchu shuji*, 常务书记) could possibly become the next First Secretary in 2018.

Of course, these assumptions and prognostics are based on the observations and results presented in this article and do not take into consideration other informal manoeuvres or previously made arrangements.

#### **4.4. Expanding the View: What about After 2012?**

Since 2012, and more specifically since 2015-2016, Xi Jinping has tried to undermine the tuanpai structure by cracking down on its “rampant”<sup>29</sup> corruption issue (e.g. the case of Ling Jihua [令计划]).<sup>30</sup> As such, one can be left to wonder if the structure will actually hold its current characteristics or simply be tossed aside during the next turnover.

Although a complete answer cannot be given for the time being – as we would need the 2017 data sets, we can look at the second upcoming generation – born in the 1970s, for clues regarding recruitment patterns and the continuous use (or not) of the tuanpai structure.<sup>31</sup>

Out of the 190 Cadres born in the 1970s and currently holding at least a prefecture-level position, 49.5 per cent have already had some type of tuanpai experience. Out of these, 48 per cent have held/are holding some form of tuanpai positions and out of these, 65% have held the key provincial secretary position. 4.12 per cent of them have held the Central secretariat one. 38.46 per cent of the first ones have already merged and joined back either government or Party positions at the prefecture-level all across China; only 31 per cent of non-tuanpai individuals did. This difference might not seem significant at this moment, yet individuals holding these key tuanpai positions remain more likely to actually merge in the Party-State apparatus than their counterparts coming from the business sector, research centres, etc. As such, for the time being, and for the upcoming generation, tuanpai positions – as a “pulling” factor – do influence promotability and career trajectories toward the Centre.

That said, promotion speed remains, at this point, the most prominent distinguishing factors between tuanpai and non-tuanpai groups. On average, tuanpai individuals born in the 1970s are 2.3 years younger than their counterparts upon reaching the prefecture level, those who have held the provincial secretary positions are 3.5 years younger and the ones who have held the Central secretariat position are 4.31 years younger – almost one complete tenure. As demonstrated in a previous study, even the slightest difference (statistically significant or not when submitted to non-parametric testing) can still drastically alter one’s promotability, especially when measured by way of the threshold effect (Payette 2016b).<sup>32</sup> As such, when applying the appropriate threshold values<sup>33</sup> to the 190 rising Cadres, we get an overall average of 1.2 thresholds (out of three possible for the time

being). However, tuanpai individuals did complete on average 1.39 thresholds in contrast to 0.98 for their counterparts. This average rises to 1.55 for individuals having held the provincial secretary position and to 2.25 for the ones holding the Central Secretariat position. This again indicates that the tuanpai structure is currently “pulling” individuals faster and that efforts at undermining the latter have yet to be felt.<sup>34</sup> Therefore, since all of the Cadres are effectively “sprinting with small steps” (Kou and Tsai 2014), time management (i.e. remaining promotable) and any form of quick start are of crucial importance in order to reach provincial or even national level positions.

To this effect, even with the consolidated effort of Xi Jinping and Wang Qishan to “stop” the tuanpai from producing either successors or top Elites, we can see that around half of the ascending Cadres are or have been part of the tuanpai structure. The former two might reconsider their decision since this “fast-tracking channel” can also be used by their own supporters to reach the Centre faster. As such, we could posit that the current tuanpai crackdown aims at removing some of Hu Jintao and Li Keqiang’s allies rather than to break the promotion channel *per se*.

## **5. Conclusion: Chosen to be Tuanpai? Or Choosing the Tuanpai Structure?**

This article, centred on the general problematic of the role factions in top Elite formation, aimed to measure the “tuanpai effect” in order to see if this kind of network does provide one with better career opportunities and if so, how and at which moment of a Cadre’s career does it work?

As demonstrated, and according to the definition laid out in the methodology section, the tuanpai variable is statistically significant and associated with several of the core elements found in the Elite literature, namely: (1) having several regional experiences; (2) holding provincial-chief positions. Furthermore, on average, tuanpai individuals were “pulled” at faster speed, leaving them between five and ten years younger than their counterparts for two, three or even four consecutive ranking levels. As such, using the tuanpai structure does offer an important comparative advantage as it leaves individuals with one to two’s tenure time in case of setbacks or to be deemed more promotable for higher offices. For the best of them (i.e. the Central Secretariat and First Secretary position), we are talking about multiple provincial experiences, one or more provincial-chief experiences, and being considerably younger than other Cadres up until the Central Committee or higher.

Tuanpai individuals were able to, depending on which of the three positions were held, bypass one, two or even three levels, to then re-join the rest of the crowd while still being much younger and therefore very promotable.

Finally, the First Secretary position, insofar as it is the highest ranked tuanpai position, demonstrated a strong association with both national deputy and main positions, thus creating a possible path – all things being equal – directly to the top of the Party-State apparatus for the individual holding this “precious” position.

This leaves us to tackle one more issue which is the label of “faction” stamped on the CCYL structure. As the reader probably noted, this research assessed and attempted to measure the influence of three distinct tuanpai positions on the career of certain individuals while at the same time discarding their individual affiliations (i.e. if they are under the tutelage of someone else or if they are self-labelled as being part of a different network inside the Party).

For example, let us look at the contentious case of Han Zheng [韩正],<sup>35</sup> current Party Secretary of Shanghai. Han is more than often listed as “Shanghai Gang” rising star, however he did cumulate early in his career two tuanpai positions (i.e. Shanghai tuanpai vice-secretary and secretary). One could argue that this early use of the tuanpai structure allowed him to go over two ranking levels in two years instead of a more regular pace (one tenure is more or less five years). That being said, perhaps Shanghai ties could now better explain his fast ascension to his current key position.

In turn, the case of Han brings back the point raised by both Bo Zhiyue (2007b) and Kou and Tsai (2014) regarding tuanpai as being more of a “categorical group” rather than a faction as defined by either Nathan (1973) or Tsou (1976). Most of the current individuals rising or using the tuanpai structure (mainly the Central Secretariat and Provincial Secretaries) have little to no ties to individuals like Hu Jintao. Therefore, it is of no surprise to see a more eclectic group of individuals using the tuanpai promotion channel because, as shown here, it does indeed work.

The tuanpai path has thus become, in the words of Kou and Tsai (2014: 159-162), a “career trajectory for aspiring leaders” which should not be disregarded for possible ideological reasons. In turn, this “opportunistic” view of the tuanpai structure slightly undermines its supposed idealistic and pro-people inclination. To this effect, these characteristics seem to derive from either the factional chief (e.g. Hu Jintao as being pro-people) or from the sponsored mobility; accepting the work in Western China for prolonged periods of time considered as “being in touch with social issues.”<sup>36</sup> It remains unsure to what extent these elements – idealistic/pro-people – are the results of “being a tuanpai” or simply generational or based on specific individuals, especially when members of other factions or coming from drastically different networks are also using the channel.

Opportunistic Cadres, be they from Shanghai or even considered to be “Princes” or “Princesses” of the Party, are bound to do everything they can

to reach the top, including relying on several networks of support in order to do so. As such, the “factional game”, if ever there is one, might now be one of opportunity rather than loyalty or ideas as it once was during the Deng and Mao eras.<sup>37</sup>

## Notes

- \* Alex Payette 李翰林 is a SSHRC (Social Sciences and Humanities Research Council of Canada) postdoctoral fellow at the University of Montreal. His research interests focus around Chinese domestic politics, Elite selection and promotion mechanisms. His works have previously been published in the *Canadian Journal of Political Science*, *East Asia: An International Quarterly*, *Journal of Contemporary Eastern Asia, Issues and Studies* (問題與研究), *Monde Chinois*, *Asia Focus* [IRIS] and *Asialyst*, to name but a few. He is currently working on establishing a weighted index which would assess the promotability and terminability of Chinese Cadres as they progress through the ranking structure. Email: <alex.payette@mgcill.ca>; <payette.alex@gmail.com>.
1. The listed sources constitute but a sample of the entire body of literature that focuses on factions or uses factionalism as a variable in Chinese politics or Elite formation.
  2. The shorter term “Gongqingtuan” is to be used alongside CCYL.
  3. The definition of what is meant by tuanpai (e.g. which positions are counted, etc.) is in the methodology section.
  4. As it has also been underlined by Wu Junfei, there is a substantial overlap between the Princelings, the tuanpai and the Jiang-era Shanghai gang (2006).
  5. Despite being of questionable reputation, Baike has been used by other researchers such as Bo Zhiyue (2014).
  6. Other studies use a similar starting point or are tied to Hu Jintao reaching specific positions (e.g. First Secretary of the Central Secretariat of the CCYL, Central Committee, etc.) (Shih *et al.*, 2010; 2012).
  7. In this case, the definition could even reach any individuals having CCYL working experience (Zheng and Chen, 2009: 26).
  8. Li Cheng would go on to say that this definition encompasses the “close circle of Hu Jintao” back in the 1980s (Li, 2009).
  9. In both cases, Shih *et al.* focus on the Hu-centric tuanpai group (e.g. individuals who worked within two ranking steps of Hu during his time as First Secretary, etc.).
  10. Several authors have pointed out methodological issues with the usage of “faction” both as a variable and as an indicator simply because of the numerous issues related to categorization and possible overlaps (Kou, 2010; Dittmer, 2003).
  11. Li Cheng (2002) counted these provincial tuanpai leaders (the position) as being of importance when looking at the rise of this clique in the CCP’s ranks. In his view, these CCYL provincial leadership positions (i.e. tuanpai secretary) is bound to speed up their promotion inside the Party-State apparatus.



12. East China [Region 1: Hebei, Beijing, Tianjin, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, Hainan, Shanghai]; Central China [Region 2: Hunan, Hubei, Anhui, Jiangxi, Henan, Shanxi]; North-Eastern China [Region 3: Heilongjiang, Jilin, Liaoning]; Western China [Region 4: Inner Mongolia, Ningxia, Shaanxi, Chongqing, Sichuan, Guizhou, Guangxi, Xizang, Qinghai, Gansu, Xinjiang].
13. Thresholds values are set by the previous turnover’s newcomers (i.e. 2012 new Politburo members set the values for the 2017 thresholds).
14. All variables are tested independently unless indicated otherwise.
15. These results concur with some of Li Cheng’s finding back in 2005.
16. If a competing force were to control several key provinces via this position type, it would be harder to push for implementation of “unfavourable” policies, in turn leading to greater distortion and cross-bargaining with Beijing. These individuals are also very hard to remove or displace as they are technically self-supervised under the “one government, two court (*yi fu, liang yuan*, 一府, 两院) system.
17. The 1992 turnover is not listed in Annex 3 as only one individual fits the pre-established tuanpai definition.
18. With the exception of the 1997 turnover [ $t_{a,2}(81)3.6778P.0004$ ].
19. Thresholds values can be found in Annex 2.
20. National deputy positions encompass regular Politburo membership, yet also include positions such as the Vice-Chairman of the National People’s Congress standing committee [*Quanguo Renda changweihui fuweihuizhang*, 全国人大常委会副委员长], etc.
21. This includes Standing Committee position, Presidency, Chairman of the National People’s Consultative Conference [*Quanguo Zhengxie zhuxi*, 全国政协主席].
22. It does then become understandable that young Cadres – “factionally” tuanpai or not – would see the CCYL structure as a short-cut towards top positions (Zheng and Chen, 2009).
23. Xi Jinping’s comments alongside Wang Qishan’s back in early August 2016 regarding the need to restructure the tuanpai structure might affect Qin’s future promotability. As the Party, lead here by Xi and Wang, is trying to “cut the head of the dragon [斩断团派龙脉],” one can wonder to what extent the tuanpai structure will remain a “promotion” channel after 2017 (Payette 2016a). This of course echoes the fall of Ling Jihua [令计划] at the hands of the *jiwei* [纪委] earlier this year. Ling, a close ally of Hu Jintao, had held the Central Secretariat position since 2007.
24. This excludes possibility of “reshuffling” at the top or even suddenly being investigated for wrongdoing. This reminds us of what recently happened to the ex-rising “star” Su Shulin [苏树林].
25. All things being equal, when considering the age factor and the speed requirements, Fu (b.1975) is currently one of the sole contestants for the role of *jieban* [接班人] in 2032. Others would have us believe that Shi Guanghui [时光辉] (b.1970), protégé of Xi, would top the successor’s list for the 22nd Party Congress. That said, the latter, deputy-mayor of Beijing, would be 62 in 2032 and thus incapable of holding two tenures as a “core” leader of the 7th generation.
26. In order: b.1975 [41]; b.1972 [44]; b.1969 [47]; b.1967 [49].

27. In order: b.1968 [48]; b.1967 [49].
28. In order: b.1968 [48]; b.1970 [46].
29. That is not to say that there is no corruption inside the tuanpai structure. That said, Xi Jinping used the anti-graft campaign as an excuse to launch a “deeper” inquiry on issues related to the CCYL.
30. Some observers might see this gesture as an assault on the current “balancing” approach which is used to describe the state of factionalism since the late 1980s. The latter states that instead of trying to “destroy” one another – winner-takes-all (Tsou 1976) – factions tend to balance themselves inside the Party-State through various institutions (Nathan 1973). As such, the anti-graft campaign was seen as an attempt by Xi to clear out both Jiang Zemin allies (e.g. Zeng Qinghong, Zhou Yongkang, etc.) and Hu Jintao’s supporters in order to consolidate his own Jiangsu gang at the Centre. This is by no means different than Hu Jintao’s attack on Huang Ju and Chen Liangyu right after Jiang Zemin stepped down or the removal of Hua Guofeng’s supporters during the transition period under Deng Xiaoping. As such, there is nothing “special” about Xi Jinping’s current “reshuffling” as most paramount leaders did bring their own support network to the Centre in order to consolidate their position. Balancing, insofar as it does not call for a true equilibrium, is more often than not translated in a form of “division of labour” between factions: Hu (tuanpai)/Wen (Zhu Rongji/Jiang Zemin), Xi (Prince)/Li (tuanpai).
31. The numbers and information used here are from a preliminary survey made for *Asia Forum* [IRIS] to be published only in 2017. As such, the data used here are by no means complete nor final for the time being.
32. The mentioned study refers to 1.28 years as being significant in light of age thresholds.
33. I have applied the 2012 threshold values since the 2012’s newcomers values will have to be applied from 2017 on.
34. We also have to consider that tuanpai individuals are less likely to miss all three thresholds (i.e. falling behind in terms of promotability) than their counterparts are. As such, only nine tuanpai missed all three in contrast to 16 for the non-tuanpai group.
35. This case is often cited as a revealing issue in factional categorisation (Bo, 2007b: 11).
36. That said, and while trying to avoid an oversimplification, the sponsored mobility effect in contrast to evolving solely in Shanghai or Eastern China is bound to have some form of effect on one’s political inclination. As such, we expect Hu Chunhua [胡春华] to be much closer to Hu Jintao’s ideal of social harmony and redistribution than Xi Jinping or any of his lieutenants. However, even if sometimes tuanpai do have more liberal/progressive ideals does not mean they are above tightening social control (e.g. Hu Jintao’s several crackdown in Tibet, etc.). The same goes for Shanghai/Prince-centred factions. We would expect, based on the Jiang-Zhu administration, that the Xi-Li administration would be socially more conservative and more in-touch with economic growth than the Hu-Wen era. Yet, China is currently undergoing economic turmoil with no real

solution on how to deal with real-estate, domestic market, currency control, etc. As such, we are unable to truly measure the differences between the “tuanpai administration” and the Shanghai or even Prince administrations as none of them have been in power more than once so far. Therefore establishing a clear “policy profile” – which in turn would lay expectations for different types of administrations – would be unwise at this point in time.

37. This point has previously been discussed by Dittmer (2003) when discussing the lack of policy or ideological split between factions during the Jiang era.

## References

- Bo, Zhiyue (2007a), *China's Elite Politics: Political Transition and Power Balancing*, Singapore: World Scientific Publishing.
- Bo, Zhiyue (2007b), “China’s New Provincial Leaders: Major Reshuffling before the 17th National Party Congress”, *China: An International Journal*, Vol. 5, No. 1, pp. 1-25.
- Bo, Zhiyue (2009), *China's Elite Politics: Governance and Democratization*, Singapore: World Scientific Publishing.
- Bo, Zhiyue (2010), “China Starts Grooming its Sixth Generation Leaders”, *East Asian Policy*, Vol. 2, No. 1, pp. 34-41.
- Bo, Zhiyue (2014), “Paths to the Top Leadership in China: the Case of Provincial Leaders”, in Chien-wen Kou and Xiaowei Zang (eds), *Choosing China's Leaders*, New York: Routledge, pp. 65-96.
- Breslin, Shaun (2008), “Do Leaders Matter? Chinese Politics, Leadership Transition and the 17th Party Congress”, *Contemporary Politics*, Vol. 14, No. 2, pp. 215-231.
- Central Organization Department (2004), *Dictionary of previous Central Committee members of the Chinese Communist Party 1921-2003*, Beijing: Central Party history press (中共中央组织部-中共中央党史研究室:《中国共产党历届中央委员大辞典1921-2003》,北京:中共党史出版社,2004年版).
- Choi, Eun Kyong (2012), “Patronage and Performance: Factors in the Political Mobility of Provincial Leaders in Post-Deng China”, *China Quarterly*, Vol. 212, pp. 1-17.
- CPC News (2016), “Chinese communist Party and Government Leaders’ Database”, online: <<http://cpc.people.com.cn/gbzl/index.html>> (06/16/2016).
- Dittmer, Lowell (2003), “Chinese Factional Politics under Jiang Zemin”, *Journal of East Asian Studies*, Vol. 3, No. 1, pp. 97-128.
- Fewsmith, Joseph (2013), “The 18th Party Congress: Testing the Limits of Institutionalization”, *China Leadership Monitor*, No. 40.
- Funnell, Victor C. (1970), “The Chinese Communist Youth Movement 1949-1966”, *The China Quarterly*, No. 42, pp. 150-130.
- Huang, Hsin-Hao (2010), “Limited Renewal within CCP’s Elite Circulation: A Trend Analysis on Political Elite Formation”, *Mainland China Studies*, Vol. 53, No. 4, pp. 1-33 (黄信豪:《有限活化的中共菁英循环:党政领吊菁英组成的跨时考察》,《中国大陆研究》2010年第53卷第4期1~33页).

- Huang, Jing (2000), *Factionalism in Chinese Communist Politics*, Cambridge: Cambridge University Press.
- Kou, Chien-Wen (2010), *The Evolution of Chinese Elite Politics: Institutionalization and Power Transfer 1978–2010*, Taipei: Wu-Nan Publishing House (寇健文: 《中共菁英政治的演变: 制度化与权力转1978–2010》, 台北: 五南出版社, 2010年版).
- Kou, Chien-wen and Tsai Wen-Hsuan (2014), “‘Sprinting with Small Steps’ Towards Promotion: Solutions for the Age Dilemma in the CCP Cadre Appointment System”, *The China Journal*, No. 71, pp. 153-171.
- Lam, Willy W.L. (2007), “The Traits and Political Orientation of China’s Fifth-generation Leadership”, in Joseph Y.S. Cheng (ed.), *Challenges and Policy Programmes of China’s New Leadership*, Hong Kong: City University of Hong Kong Press, pp. 35-62.
- Lam, Willy W.L. (2010), *Changing of the Guard: Beijing Grooms sixth-generation Cadres for 2020s*, Washington, DC: The Jamestown Foundation.
- Lam, Willy W.L. (2015), *Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, or Retrogression?*, New York: Routledge.
- Landry, Pierre F. (2003) “The Political Management of Mayors in Post-Deng China”, *The Copenhagen Journal of Asian Studies*, No. 17, pp. 31-58.
- Li, Cheng (2002), “Hu’s followers: provincial leaders with backgrounds in the youth league”, *China Leadership Monitor*, No. 3.
- Li, Cheng (2005), “New provincial chiefs: Hu’s groundwork for the 17th Party Congress”, *China Leadership Monitor*, No. 13.
- Li Cheng (2009), “China’s Team of Rival”, *Foreign Policy*, No. 171, pp. 88-93.
- Li, Cheng (2010), “China’s Midterm Jockeying: Gearing up for 2012 (Part 1 the Provincial Chiefs)”, *China Leadership Monitor*, No. 31.
- Li, Cheng (2013), “A Biographical and Factional Analysis of the Post-2012 Politburo”, *China Leadership Monitor*, No. 35.
- Li, Cheng and White, Lynn (1990), “Elite Transformation and Modern Change in Mainland China and Taiwan: Empirical Data and the Theory of Technocracy”, *The China Quarterly*, No. 121, pp. 1-35.
- Li, Hongbin and Zhou Li-An (2005), “Political turnover and economic performance: the incentive role of personnel Control in China”, *Journal of Public Economics*, Vol. 89, No. 9, pp. 1743-1762.
- Lien, Te-Hung (2012), “A Study on Changes in Regional Development in Mainland China”, *Economic Research*, No. 12, pp. 369-386 (连德宏: 《中国大陆区域发展变化之研析》, 《经济研究》2012年第12期369~386页).
- Miller, Alice (2011), “The Politburo Standing Committee under Hu Jintao”, *China Leadership Monitor*, No. 35.
- Miller, Alice (2013), “The New Party Politburo Leadership”, *China Leadership Monitor*, No. 40.
- Nathan, Andrew (1973), “A Factionalism Model for CCP Politics”, *The China Quarterly*, No. 53, pp. 33-66.
- Payette, Alex (2016a), “Quelle Composition du Politburo et du Comité Central Chinois après 2017? [Looking at the 2017 Central Committee and Politburo Composition]”, *Asia Focus*, No. 3, pp. 1-26.

- Payette, Alex (2016b), "What went wrong? The case of non-selected alternate members of the Central Committee from 1992 to 2007," *Journal of Contemporary Eastern Asia* [in press].
- People's Daily [RMRB] (2014), "End of Last Year National Youth League Membership 89, 499, 000", *People's Daily*, May 4th (《截至去年底全国共青团员8949.9万名》, 《人民日报》2014年05月04日)
- Pringsheim, Klaus H. (1962), "The Functions of the Chinese Communist Youth Leagues (1920-1949)", *The China Quarterly*, No. 12, pp. 75-91.
- Shih, V., Adolph, C. and Liu, Mingxing (2012), "Getting Ahead in the Communist Party: Explaining the Advancement of the Central Committee Members in China", *American Political Science Review*, Vol. 106, No. 1, pp. 166-187.
- Shih, Victor, Shan, Wei, and Liu, Mingxing (2010), "Gauging the Elite Political Equilibrium in the CCP: A Quantitative Approach using biographical data", *The China Quarterly*, No. 201, pp. 79-103.
- Shirk, Susan (2002), "The Delayed Institutionalization of Leadership Politics", in Jonathan Unger (ed.), *The Nature of Chinese Politics*, Armonk, NYC: M.E Sharpe, pp. 297-311.
- Tsou, Tang (1976), "Prolegomenon to the Study of Informal Groups in CCP Politics", *The China Quarterly*, No. 65, pp. 98-114.
- Walder, A.G. and Li B.B. (2001), "Career Advancement as Party Patronage: Sponsored Mobility into the Chinese Administrative Elite, 1949-1996", *American Journal of Sociology*, Vol. 106, No. 5, pp. 1371-1408.
- Wang, Zhengxu (2006), "Hu Jintao's Power Consolidation: Groups, Institutions, and Power Balance in China's Elite Politics", *Issues and Studies*, Vol. 42, No. 4, pp. 97-136.
- Wu, Junfei (2006), "Rise of the Communist Youth League", *Economic and Political Weekly*, Vol. 41, No. 12, pp. 1172-1176.
- Zang, Xiaowei (2004), *Elite Dualism and Leadership Selection in China*, London: Routledge Curzon.
- Zang, Xiaowei (2006), "Technical training, sponsored mobility, and functional differentiation: Elite formation in China in the reform era", *Communist and Post-Communist Studies*, Vol. 39, No. 1, pp. 39-57.
- Zeng, Jinghan (2013), "What Matters Most in Selecting top Chinese leaders? A Qualitative Comparative Analysis", *Journal of Chinese Political Science*, Vol. 18, No. 3, pp. 223-239.
- Zeng, Jinghan (2014), "Institutionalization of the Authoritarian Leadership in China: A Power Succession System with Chinese Characteristics?" *Contemporary Politics*, Vol. 20, No. 3, pp. 294-314.
- Zheng, Yongnian and Chen Gang (2009), "Xi Jinping's Rise and Political Implications", *China: An International Journal*, Vol. 7, No. 1, pp. 1-30.
- Zhou, Xueguang (2001), "Political Dynamics and Bureaucratic Career Patterns in the People's Republic of China 1949-1994", *Comparative Political Studies*, Vol. 34, No. 9, pp. 1036-1062.

<b>Annex 1: Position Type Listing</b>	
<b>Number</b>	<b>Positions</b>
1	Prefecture-level City Mayor
	Sub provincial-level (SPL) City Vice-Mayor
	Central Municipalities (MDUCG) District Head
	SPL District deputy-head
	SPL autonomous area deputy-governor
2	Prefecture-level city Party Secretary
	SPL City Party deputy Secretary
	MDUCG District Party Secretary
	SPL District Party deputy Secretary
	SPL autonomous area deputy-Party Secretary
3	Provincial Vice-Governor
	Autonomous Region (AR) Vice-Chairman
	MDUCG Vice-Mayor
	Provincial/Central Municipality/Autonomous region standing committee
	SPL cities Mayor
	SPL district head
	SPL autonomous region head
4	Provincial Vice-Party Secretary
	AR Vice-Party Secretary
	MDUCG Vice-Party Secretary
	SPL cities Party Secretary
	SPL district Party Secretary
	SPL autonomous region Party Secretary
5	Provincial Governor
	AR Chairman
	MDUCG Mayor
6	Provincial Party Secretary
	AR Party Secretary
	MDUCG Party Secretary
7	Department Chief for any Ministry [any]
	Prefecture-level Department Chief [any]
8	Provincial Prefecture-level office chief [any]
	Provincial prefecture-level bureau chief [any]
9	National bureau vice-director [any]
10	National bureau director [any]
11	Central bureau vice-director [any]
12	Central bureau director [any]
13	Vice-Minister [any]
14	Minister [any]

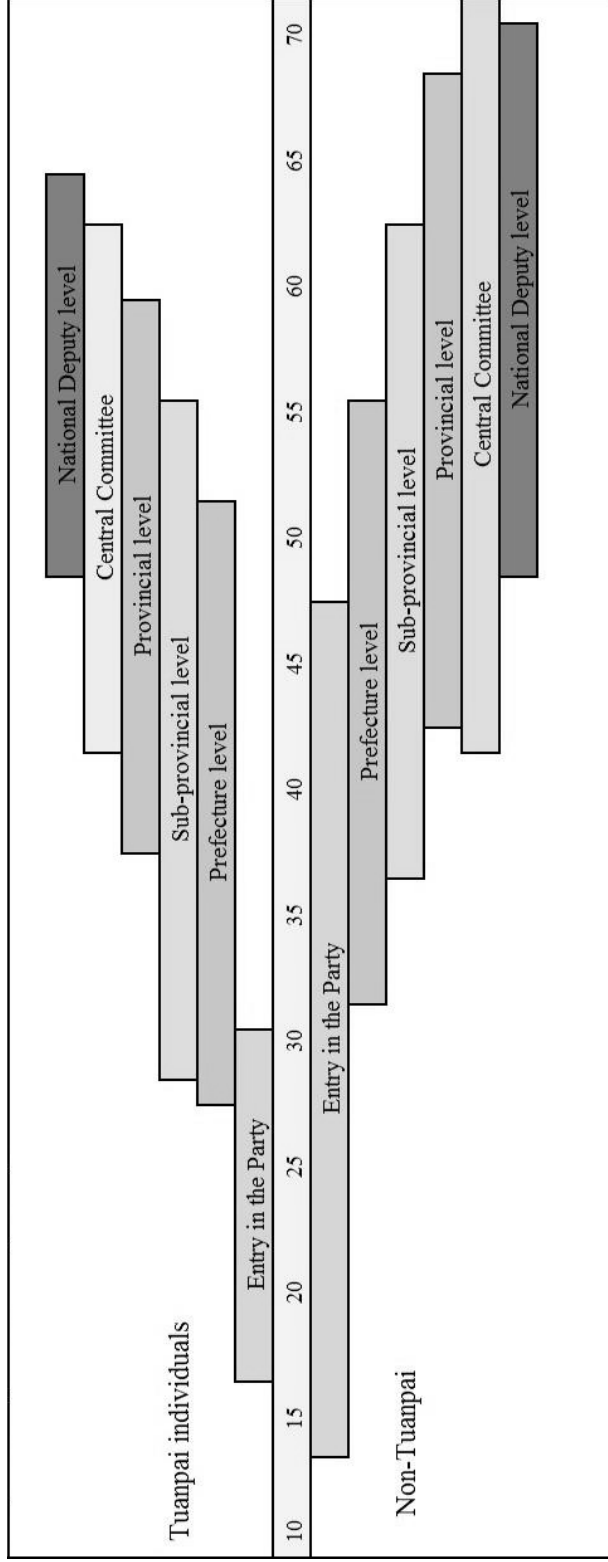
<b>Annex 2: Thresholds Values and Thresholds Completion</b>						
Groups	Central Committee	Level 3[1]	Level 4	Level 5	Entry	Average Completion
Non-tuanpai individuals (n=57) 1992	58.82	56.89	51.96	48.59	21.98	2.68
Tuanpai (n=1) 1992	59	N	55	51	19	1
Threshold values	58.81	59.31	53.81	49.81	26.31	
Non-tuanpai individuals (n=81) 1997	56.78	55.44	48.41	44.75	26.28	3.64
Tuanpai individuals (n=2) 1997	47.5	46	34.5	33	24.5	4
Threshold values	59.69	56.19	53.19	52.19	26.19	
Non-tuanpai individuals (n=80) 2002	56.64	55.31	47.44	43.18	26.24	2.16
Tuanpai individuals (n=6) 2002	53	50.33	40.83	38.20	23	3.67
Threshold values	51.63	54.13	47.63	45.63	26.13	
Non-tuanpai individuals (n=64) 2007	57.14	55.51	47.88	43.35	25.27	2.91
Tuanpai individuals (n=17) 2007	55.35	53.35	39.53	34.44	22.65	3.29
Threshold values	53.91	52.41	51.41	47.41	33.41	
Non-tuanpai individuals (n=78) 2012	57.59	55.94	46.59	41.3	22.64	2.13
Tuanpai individuals (n=12) 2012	57.83	54.50	42.58	34.83	22.42	3.08
Threshold values	56.35	52.85	45.85	40.85	32.35	
<i>Threshold values (level 2)</i>						
Turnover	1992	2007	2002	2007	2012	
Value	65.81	63.19	57.63	57.91	62.35	

**Annex 3: Age Variation [t-tests Table]**

Groups	Sub-provincial	Prefecture
Central Committee New members 1997	$t_{a/2}$ (81)4.3206 P.0001	$t_{a/2}$ (81)3.9536 P.0002
Central Committee New members 2002	$t_{a/2}$ (84)3.4178 P.001	$t_{a/2}$ (84)2.8004 P.0063
Central Committee New members 2007	$t_{a/2}$ (79)6.8838 P.0001	$t_{a/2}$ (79)8.0649 P.0001
Central Committee New members 2012	$t_{a/2}$ (88)3.6604 P.0004	$t_{a/2}$ (88)5.8425 P.0001
<i>Compressed results</i>		
Central Committee New members 1992-2012 [n=399]	$t_{a/2}$ (397)9.5095 P.0001	$t_{a/2}$ (397)10.9977 P.0001
<i>Complete Career assessment [including post-Central Committee positions]</i>		
Groups	Provincial level	
Central Committee New members 1997	$t_{a/2}$ (78)3.3494 P.0012	
Central Committee New members 2002	$t_{a/2}$ (82)2.8931 P.0049	
Central Committee New members 2007	$t_{a/2}$ (73)2.0088 P.0483	
Central Committee New members 2012	$t_{a/2}$ (76)1.1414 ns	



**Graphic 1: Age Variation (Strata)**



#### Annex 4: Age Variation Per Level and as Composed Indicator

*Variables Tested: being 5 years below each level's age average; 10 years below; having been 5 years below level 5, 4, and 3's age average; having been 10 years below level 5, 4, and 3's age average; having been 5 years below level 5,4, 3, CC's age average; having been 10 years below level 4, 3, CC's age average.*

<i>Groups [Single path]</i>	<i>B</i>	<i>S.E.</i>	<i>Sig.</i>
<i>Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [n=38])</i>			
5 years below age average [prefecture]	3.249	.401	.000
5 years below age average [sub-provincial]	2.758	.380	.000
10 years below age average [prefecture]	3.868	.813	.000
10 years below age average [sub-provincial]	4.020	.805	.000
10 years below age average [provincial]	2.351	.730	.001
10 years below age average [Central Committee]	2.125	.694	.002
<i>Tuanpai individuals (Provincial Secretaries 1992-2012 [n=28])</i>			
5 years below age average [prefecture]	3.210	.455	.000
5 years below age average [sub-provincial]	1.915	.413	.000
10 years below age average [prefecture]	2.767	.668	.000
10 years below age average [sub-provincial]	1.695	.708	.017
<i>Tuanpai individuals (Central Secretariat [n=14])</i>			
5 years below age average [prefecture]	2.964	.613	.000
10 years below age average [prefecture]	3.229	.721	.000
10 years below age average [sub-provincial]	5.134	.792	.000
10 years below age average [provincial]	3.031	.792	.000
10 years below age average [Central Committee]	2.846	.770	.000
<i>Groups [Composed path]</i>			
<i>Tuanpai individuals (Provincial/Central Secretariat/First Secretariat 1992-2012 [n=38])</i>			
5 years below age average [prefecture and sub-provincial]	2.927	.420	.000
5 years below age average [prefecture, sub-provincial and provincial]	1.786	.540	.001
10 years below age average [prefecture and sub-provincial]	3.999	1.110	.000
<i>Tuanpai individuals (Provincial Secretaries 1992-2012 [n=28])</i>			
5 years below age average [prefecture and sub-provincial]	2.378	.447	.000
10 years below age average [prefecture and sub-provincial]	1.954	.889	.028
<i>Tuanpai individuals (Central Secretariat [n=14])</i>			
5 years below age average [prefecture and sub-provincial]	3.720	.631	.000
5 years below age average [prefecture, sub-provincial and provincial]	1.978	.706	.005
10 years below age average [prefecture and sub-provincial]	4.339	.923	.000
10 years below age average [prefecture, sub-provincial, provincial]	4.159	1.259	.001

## **Banishment of Anti-Communist Chinese to Formosa: The British as Effectual Mediators in Malaya**

*Low Choo Chin\**  
Universiti Sains Malaysia

### **Abstract**

This research examines the Malayan deportation regime by looking at the banishment of two categories of deportees to Formosa, who could not be deported to mainland China due to their anti-communist outlook. It aims to: 1) analyse an alternative solution to sending alien Chinese to Formosa instead of mainland China, 2) the shifting policy of the British in facilitating the banishment of anti-communist alien Chinese to Formosa, and 3) the attitude of the Federation government in threatening (both the British and Formosa) to send the Chinese to China, if the British consul failed to persuade Formosa to accept them. It asks how the relationship between Malaya, the British and Formosa shaped Malayan banishment practices. This article suggests that the practices were hampered by the absence of diplomatic channels between Malaya and Formosa and the reluctance of Malaya to deal on a non-official basis through the Free China Relief Association. This, then presented the British with the dilemma of whether or not they had a special responsibility to resolve the issue on behalf of its former colony.

**Keywords:** *Banishment, refugees, secret societies, Federation of Malaya, Commonwealth Relations Office, Formosa*

### **1. Introduction**

This article surveys the role of the British, who acted as mediators on behalf of pre and post-independence Malaya. Owing much to the British consular post in Taiwan, Malaya was able to banish anti-communist Chinese to Formosa, with whom they did not have diplomatic relations. As they were ideologically un-deportable to the mainland, Malaya continued to seek the graces of the British consul in Tamsui through the Commonwealth Relations Office (CRO). In the 1950s, there were signs of the changing attitude of the CRO in assuming the role of mediator due to political risks in their relations

with the People's Republic of China (PRC). Acting as mediators presented the British with some considerable political risks. First, the British were risking its relation with Peking in facilitating the banishment of anti-communist Chinese to Formosa. Should the diplomatic venture fail and Malaya decides to send them to Communist China, the British might suffer a serious blow to its international reputation for being part of the desperate alternative. Within the framework of economic interests and national security, Malaya refused to allow them to remain in the country upon completely serving their prison sentence. The shifting policy of the British – represented by the Foreign Office, CRO and the British consulate in Tamsui – then, had to be understood within a wider framework of the attitude of colonial and post-colonial Malaya and the different levels of enthusiasm shown by Formosa.

This paper examines two categories of alien Chinese: members of secret societies and Chinese refugees, whom Malaya had difficulty repatriating. The absence of diplomatic relations hampered the deportation from Malaya to Formosa. As will be discussed below, the Malayan authorities were reluctant to deal directly with Formosa and utilized the British consulate service in Tamsui for repatriating these alien Chinese. Even after achieving independence in 1957, the Federation continued to utilize the Commonwealth Relations Office as mediators on behalf of nations, which did not have diplomatic relations with Formosa.

The battle over the deportation of overseas Chinese is a worthwhile subject of research. Deportation is a concern of the international community, embedded within the broader framework of the Cold War struggles. International politics combined with local dynamics formed the agenda of the Chinese political refugees. The interactions between China, Taiwan, British colonial authorities and Southeast Asian governments, decisively shaped the outcome of the refugee crises (Mark, 2007: 3). The stream of mainland Chinese refugees (Hainanese particularly) in Malaya was an isolated case, compared to the mainstream flow into the British crown colony of Hong Kong (Peterson, 2008; Mark, 2007). While hundreds of thousands of Chinese (from Guangdong and Shanghai), escaped to Hong Kong causing the refugee crisis there (Peterson, 2014: 443), a small group of Chinese from Hainan Island fled to British Malaya. As with members of secret societies and Kuomintang (KMT) thugs, these anti-communist refugees could not be sent to China on ideological grounds. The disability to regularize deportation due to the banishees' ideological differences left the stranded anti-communist Chinese with nowhere to turn to. This paper is concerned with the “un-deportable” anti-communist Chinese and the discourse of repatriation in British Malaya.

Deportation acts as a “symbol of and mechanism for exclusion” by removing non-citizens from state territory (Paoletti, 2010: 3). Deportation was used as a means of immigration control, in defending state sovereignty and

protecting the national border (Peutz and De Genova, 2010: 1). Deportation policies may be a convenient tool to get rid of unwanted aliens. In reality, however, deportation posed a problem to the local authorities when overseas Chinese were “un-deportable” diplomatically to Taiwan. Deportation is a highly complicated process involving state security and state sovereignty. Peutz and De Genova (2010: 13) are right to point out that, “Indeed, deportation is in most cases time-consuming and expensive, and sometimes politically controversial”. As far as Malaya was concerned, its deportation policy remained problematic when concerning the exclusion of undesirable aliens to a country not even recognized by both Malaya and the British.

The main hindrance of sending overseas Chinese to the Republic of China (ROC) was the non-recognition of Taiwanese statehood. Third countries could not deport overseas Chinese to Taiwan if they did not recognize the Taiwanese passport. Foreign policy goals, national security, and national sovereignty concerns complicated the claim of Taiwan to protect the overseas Chinese. Without diplomatic representation, the ROC found it almost impossible to enforce its protectionist policies in a state, which recognized the PRC. The local authorities and the ROC did not have diplomatic channels to facilitate the return of deportees (Oyen, 2007: 240, Mark, 2007: 11; Tang, 1995: 217). Panhuys (1959: 169) is right to point out that a divided state exists for those states which have recognized it, and does not exist from the viewpoint of states that deny it recognition. The international status of Taiwan demonstrated several hindrances as far as the Malayan attitude was concerned. The politics of recognition did play a major role, if not a determining role in deciding the acceptability of the country. A more decisive factor would be the ideology of the deportees. The Malayan case provides an ideal opportunity to analyze the influence of differing state ideology and diplomacy on repatriating unwanted nationals. In what follows, the paper deals with two categories of Chinese deportees which the Malayan Governments had difficulties dealing with: 1) members of secret societies, and 2) Hainanese political refugees. These two categories were of an anti-communist outlook, and thus could not be repatriated to China.

## **2. Malayan Deportation Regime: A Historical Overview**

Banishment of the “Chinese troublemakers” had become the central pre-occupation of Malaya’s immigration control since the 19th century. Chinese criminals, secret society members, and political activists constituted a “security” problem and their banishment was the only workable solution (Blythe, 1969; Yong and McKenna, 1990: 57; Peterson, 2014: 462). The “political undesirables” or the subversive elements of Chinese society had been subject to the Banishment Act. After 1911, Malayan deportees were

closely associated with Sun Yat Sun's Chinese Revolutionary Party. Between 1912 and 1916, around 400 people were banished in the Straits Settlements and Federated Malay States, compared to the menial 200 deportations in the past five years. The use of banishment as "an essential arm of political control" continued to rise in the 1930s, owing to the activities of the Malayan Communist Party. Between 1928 and 1931, about 1,500 were banished. Political concerns coupled with economic depression continued to shape the Malayan deportation regime (Yong and McKenna, 1990: 57).

This security threat continued to threaten Malayan security after the Second World War which witnessed the call for stricter control measures. Following a series of lawlessness and criminal events, the aftermath of the Second World War shifted the government's focus to curbing the activities of secret societies (Blythe, 1969: 355). Banishment legislation was evoked to deal with criminal cases as the most effective tool as "both victims and witnesses were deterred by the general climate of intimidation from reporting to the police or giving evidence in court, with the result that criminals could not be convicted and made to pay the penalty for their crimes" (Blythe, 1969: 358). The Ang Bin Hoey society in Penang and Province Wellesley, for example, were accounted for 30 cases of murder of members of the public, 5 murders of members of the police force, 6 murders of police informers, 8 attempted murders, 46 armed gang robberies, 59 armed robberies, and numerous cases of extortion as well as unreported robberies, between September 1945 and June 1946 (Blythe, 1969: 354-355).

The introduction of the Emergency Regulations 17 (D) in January 1949 gave the authorities wide powers of mass detention and repatriation of alien inhabitants supporting the communists. The history of mass deportation is most notable in Malaya as it signified the forced removal of tens of thousands of alien Chinese suspected of supporting the Malayan Communist Party (MCP). Large-scale deportation, rather than individual deportation, was necessary, as it would be impractical to keep the communist detainees in detention for months. Since January 1949, Malaya aimed to repatriate 2,000 individuals on a monthly basis (Low, 2014: 366-67). Since the declaration of the state of emergency on 16 June 1948, coercive control measures including mass deportation of undesirable aliens were employed under the Emergency Regulation. Hack (2015: 628) shows how deportation (together with detention and resettlement) shaped the British counter-insurgency efforts against the rural Chinese, who allegedly supported the MCP. The number of repatriation including dependants was 380 (1948), 10,262 (1949), 2,804 (1950), 8,719 (1951), 5,575 (1952), 2,098 (1953), 915 (1954) and 496 (1955), of whom 92.7 per cent were ethnic Chinese.

Both Taiwan and the People's Republic of China were taking responsibility for the post-war political refugees and offered political haven (with

dual nationality as a passport to return). Deportation was central to the government's overseas Chinese policy making. Since the Chinese refugees suffered discrimination based on their common ethnicity, both Chinese states reacted to ethnic-based deportation and expulsion by formulating laws based on ethnicity. It was the definition of Chinese nationality based on *jus sanguinis* that enabled the overseas Chinese a right to return (Shao, 2009; Zhuang, 2013). In the immediate aftermath of the war, history witnessed the mass deportation of hundreds of thousands of ethnic Chinese as evidenced from the cases of Indonesia, the Philippines, Burma, Siam and Malaya. Between 1949 and 1961, 500,000 overseas Chinese had migrated to the PRC. Peterson (2014: 102) shows that the mass movement to socialist China was "one of the most understudied aspects of the Chinese diasporas".

The overseas Chinese have been subjected to the protectionist policy of both Communist and Nationalist governments. Among others, deportation and resettlement were the main policy concerns of their *huaqiao* policy especially in the late 1950s. Both Chinese states received and resettled the Chinese political refugees with varying degrees of enthusiasm. Peking established State Farms for the returned overseas Chinese on Hainan Island, in Yunnan and in southern China (Williams, 1966: 66-67; Godley, 1989: 342). Approximately 500,000 repatriated overseas Chinese were resettled in the PRC between 1949 and 1966 (Fitzgerald, 1972: 69-70). Among the notable cases of mass deportation and resettlement involved Chinese political refugees in colonial Malaya (1951), Sukarno's Indonesia (1958), independent India (1963) and again in Indonesia (1966) (Fitzgerald, 1972: 146).

Taiwan – acting as the government representing the *huaqiao* – set up the Free China Relief Association in 1950 to provide "relief and resettlement" of Chinese refugees across the world. In Hong Kong for example, the Rennie's Mill Camp Refugees Relief Committee became the KMT's agent in protecting the interests of the Chinese refugees from mainland China. For the KMT, the plight of the Chinese refugees, especially that of the pro-Taipei refugees should be addressed accordingly. Taiwan even pushed UNHCR to resolve the case of the Chinese refugee crisis in Hong Kong (Mark, 2007: 10-11). The government offered assistance for repatriation and resettlement of Korean-based overseas Chinese in 1950, for 40,000 overseas Chinese from North Vietnam in 1954, and for 3,000 Vietnamese overseas Chinese in 1957 in Taiwan (To, 2014: 235; Tang, 1995: 210). In the 1960s and early 1970s, however, the interests of overseas Chinese in Malaya, South Vietnam, and the Philippines in terms of deportation, could not be sufficiently protected by the ROC when "ROC's increasingly weakened diplomatic position rendered it powerless to offer any practical assistance" (To, 2014: 235).

In the 1950s, a pressing concern for the British colonial authorities of Malaya was the possible halt in the traffic to mainland China. Another

available option was considering sending the Malayan communist detainees to Taiwan, which was highly unpromising.<sup>1</sup> The prospect of direct repatriation from Malaya to Formosa was minimal. The ideological background of the deportees made it highly unlikely for their acceptance by the Nationalist authorities. Chinese deportees in Malaya were also known as communist sympathisers. Though the deportees were Chinese decent and born in Formosa, the British was sceptical that the Taiwanese authorities would accept them on the basis of their descent and nationality.<sup>2</sup>

There were various categories of deportees: Formosan born persons and foreign born persons. The former category was much easily accepted as Taiwan had agreed to accept Formosan born war criminals that have completed their sentences in Malaya. As for the non-native deportees, it was more problematic as the Nationalist passport was not recognized as a valid travel document by the British. Their resistance was anticipated if the repatriation would be “adding to the number of useless mouths, even if the would-be immigrants are KMT sympathisers of the Chinese race (e.g. Rennie’s Mills refugees).” Anti-communist sympathisers deserved a special consideration, because their lives would be in danger if repatriated to Communist China.<sup>3</sup> The Malayan government was cautioned by the Colonial Office and the Foreign Office of the implication of sending deportees with communist sympathies to Formosa. Such a case might compromise H.M. Consul’s position.<sup>4</sup> Moreover, it would not be proper to ask the Formosan authorities to accept deportees who were not born in Formosa.<sup>5</sup>

### **3. Case Study 1: Banishment of Members of Secret Societies and Criminals**

The Federation Government had been deporting communist agitators who were subject to deportation orders under Emergency Regulation to mainland China. Deporting members of the anti-Communist secret societies was more difficult to deal with as they could not be sent to mainland China. Some secret societies such as the Wah Kee and Chung Won Tong secret societies were anti-Communist and repatriating their members to Communist China would put their lives in danger. Another consideration pertained to the logistical aspects. The existing repatriation programme of communists under the Emergency Regulations was conducted solely by the Wah Seng Shipping Company, who Communist China allowed to carry compulsory repatriates to South China. The Company would not accept deportees of anti-Communist secret societies in the vessels with the other communist deportees fearing the danger of violent incidents occurring during the voyages to China. Segregating the two categories in a different compartment was impossible. Repatriation to Formosa, then, was the “only satisfactory solution”. The



Federation sought the agreement of the Foreign Office (FO) for: 1) the principle of deportation from the Federation to Formosa of members of anti-Communist secret societies, and 2) corresponding directly with H.M. Consul in Formosa regarding individual cases.<sup>6</sup>

Failing to get the green light of the FO to send anti-communist deportees to Taiwan, the Malayan government proposed that another category of detainees be sent: the secret society members. The Federation of Malaya believed that secret society criminal activities could not be suppressed unless the weapon of banishment could be used. The Colonial Office supported the Federation "We must, of course, do all we can to assist the Federation in their efforts to suppress the criminal activities of these secret societies."<sup>7</sup> The matter was of some urgency because the detainees were still imprisoned though their terms of imprisonment had expired.<sup>8</sup> The FO gave its approval to the Federation Government corresponding directly with the Consul provided that the final decision in each individual case was set by them. Deportation to Formosa might have to be suspended if the developments affected relations with the People's Government of China.<sup>9</sup>

In the first case, the proposed banishee (Ng) was a member of a triad secret society called Ang Bin Hoay, which had been responsible for abductions and killings. The ground for his banishment was his conviction on five charges of abduction and murder. The authorities believed that the killings were politically motivated, as at that time a private war was being conducted between anti-communist members of Ang Bin Hoay and former members of the Communist Malayan People's Anti-Japanese Army. His strong anti-communist views were a hurdle to repatriate him to China: "If he had not compromised himself by his avowed opposition to the Communist cause, we should have no hesitation, and no difficulty, in banishing him to China." The detainee Ng Cheng Huat was born in the former Federated Malay States, but was not a Federal citizen.<sup>10</sup>

Another case (Wong) was more complicated as the banishee was not even born in Malaya. He was born in Saigon and was a member of the Communist terrorist organization, involved in criminal activities. After his surrender in 1949, he was employed as a detective in the Special Constabulary. In 1952, he was convicted of being in possession of opium and was sentenced to 15 months' imprisonment. He was also suspected of selling opium, running illegal lotteries, taking part in an armed robbery, extorting money from shopkeepers, and planting ammunition on one of these shopkeepers. Efforts were made to banish this person to Vietnam but correspondences with the Vietnam authorities dragged on for over a year without result. As the surrendered terrorist could not be deported to China, the Federation decided that the Formosan authorities should be approached to accept him.<sup>11</sup>

It was doubted if Taiwan would accept any Chinese criminals, who were not born in Formosa or mainland China. If the Consul were to send Ng (member of a secret society), the British would be suspected of restoring a KMT thug. If the Consul were to send an ex-communist terrorist, Wong to Taiwan, there would be much danger here. The British Consul in Tamsui had his doubts as he opined: "I would go so far as to say that the authorities here would certainly refuse to allow him to come here unless they intended to shoot him. In any case I would much rather not touch the case, as we should undoubtedly be suspected of trying to plant a communist spy in Formosa."<sup>12</sup>

The Foreign Office also raised considerable doubt about these two cases. There was no obligation for Formosa to accept them since neither of the two Chinese was born in either Formosa or China. Notwithstanding the possible negative reaction of the Formosan authorities, the consul was requested to approach the government on the first case, since it would not cause a serious effect on relations with the Peking Government. The second case should not be brought up so as to avoid harmful repercussion.<sup>13</sup> While the Federation appreciated the difficulties in Formosa, it was concerned to dispose Ng after his prison sentence expired on 11th July 1953. The Government was reluctant to detain Ng in prison indefinitely.<sup>14</sup> The British Consulate in Tamsui, replied that the Nationalist authorities did not show any interest in Ng's case when he first raised the matter: "there is little prospect of their agreeing to accept him now".<sup>15</sup>

The banishment route to China was closed. Owing to the difficulties experienced in banishing criminals to China (and also Taiwan), the Federation government suggested to have a penal settlement island. As China was unwilling to accept criminal banishees, the government was considering the idea of a "penal colony" – something akin to a rehabilitation centre – to confine the hard core criminals. Originally mooted in 1958, this island would house dangerous thugs, secret society gangsters and extortionists.<sup>16</sup> Following a two-year survey of several offshore islands off both coasts of Malaya, the Government identified Tioman Island, 70 miles off the Pahang coast, as its penal settlement. Singapore also planned to set up a penal settlement on Pulau Senang for prisoners held under its Criminal Law Ordinance.<sup>17</sup> By 1962, no decision had been reached and no suitable island had been found.<sup>18</sup> In 1964, the government declared that the scheme was put on hold due to the difficulty in finding a suitable island for the proposed penal settlement.<sup>19</sup>

#### **4. Case Study 2: Dealing with Political Refugees from Hainan Island**

In another separate incident, the Malayan government was dealing with illegal entry of Chinese immigrants, claiming to be "political refugees". Four PRC nationals landed at Mersing in the Federation of Malaya on 13th May 1955

from Hainan Island. They were “prohibited immigrants” under Section 8(h) and Section 8(0) of the Immigration Ordinance. Under Sections 5(l) and 6(l) of the similar act, they were liable to deportation. Investigation showed that they were not “political refugees in the accepted sense of the term” and the government labelled the case as a “genuine defection”.<sup>20</sup> Allowing them the right to stay permanently would open the doors to a further influx of illegals. In due course, the illegals would request for their families and dependants to proceed to Malaya. It would be embarrassing for the Federation to accept them and it would clearly be harsh to deport them to China where they might in fact face death or imprisonment.<sup>21</sup> The upmost consideration was to avoid setting “an awkward precedent”. The journey from Hainan to the East Coast of Malaya by means of a sailing junk could be undertaken easily during the North-East Monsoon. If the four illegals were allowed to remain in Malaya, there might be further illegals coming in. In line of the strict immigration policy, the government considered it “embarrassing” and “unwise” to accept the illegals.<sup>22</sup>

Prior to Malayan Independence, the Ministry of External Affairs had been utilizing the good offices of the Office of the United Kingdom High Commissioner in Kuala Lumpur for assistance in arranging repatriation to Formosa. A protracted correspondence with the Nationalists government resulted in the issuance of entry permits for the four illegal Hainanese, who arrived in Formosa in October 1956. The Nationalists’ willing attitude was shaped by two factors. First, the Malayan Government proposed to deport the Hainanese to Communist China after having failed to explore other alternatives. Second, the four Hainanese were opponents of Communism and they had asked to be sent to Formosa.<sup>23</sup>

National Independence in 1957 has not changed the “post-office” role of the British. The British were still willing to act as mediators for the independent Federation of Malaya:

It does not seem to us, in regard at least to this type of case, that Merdeka has any real effect on the duties we undertake on behalf of the Malayan Government and we feel, in fact, that there is advantage in our continuing to handle this type of case on their behalf rather than that they should be advised, as is suggested, to make their approach direct.<sup>24</sup>

On 21 February 1959, another group of four Hainanese men landed illegally at Sedili, Johore. Prosecuted for illegal entry, they served prison sentences in Johore Bahru Prison until July 1959.<sup>25</sup> Since the Hainanese Chinese requested to be sent to Formosa, negotiations for banishment were carried out by the Federation Government through the United Kingdom High Commissioner in the Federation.<sup>26</sup> The initial attempt made by the British Consulate, A. Veitch in Tamsui failed. In his conversation with the Consul

on 17 July 1959, the Counsellor for Foreign Affairs of Taiwan refused to accept the “refugees” from the Federation. As 1959 was World Refugee Year, the Federation was expected to take up the responsibility and allow them to remain in its territory.<sup>27</sup> According to the Foreign Office, the Nationalist Government’s response was “a crafty one” and “groundless”. Both Taiwan and the Federation were participants in the World Refugee Year. The extent of their participation however, was open to interpretation: “It therefore seems open to the Federation to maintain, if they wish, that they prefer their ‘participation’ to take the form of financial aid, rather than the relaxation of immigration requirements”.<sup>28</sup>

The Federation was firm in its position. It denied them asylum. As they pleaded not to be repatriated to Hainan (because of the fear of consequences from that regime for fleeing from Hainan), repatriating the four men to Taiwan would be the last solution. In a further attempt to persuade Formosa to open its door, the High Commissioner Office (HCO) in Kuala Lumpur (KL) directed A. Veitch to send a warning message to Formosa, threatening their banishment to Communist China, if Formosa still refused to accept them.<sup>29</sup> Acting on this instruction, the consul sent a warning message to Formosa, thus pushing the Nationalists to take them upon the completion of their prison sentences.<sup>30</sup> Threatening the Nationalists would not work in practice.

Taiwan’s attitude brought up the whole question of the right to “asylum”. The Foreign Office was concerned about the reputation of the Federation in the United Nations if the latter sent those seeking “political refuge” back to China against their will. The international community might look at the case as seeking the status of political asylum in the Federation. The Federation was reminded that the United Kingdom (UK) was a signatory to the Convention relating to the Status of Refugees. Rather than pushing (or threatening) to persuade the Nationalists to take them, the Federation was advised by the Foreign Office to consider the consequences of sending the men back to China. The UK had the responsibility to caution the Federation authorities that “their action may be liable to misinterpretation in the United Nations and elsewhere”.<sup>31</sup> The Federation’s act would jeopardize the position of the UK. London was much concerned since the Federation had been using the service of the UK consulate posts in connection with repatriating the Chinese. The Commonwealth Relations Office expressed its apprehension that: “it is possible that we might find ourselves the object of criticism if it became known that we participated in the repatriation of these men to China”.<sup>32</sup>

However, the Federation was not alone in handling such cases. Hong Kong appeared to act in contravention of Article 1(2) of the convention relating to the Status of Refugees when they pushed “back illegal immigrants through the fence into China”.<sup>33</sup> The migratory trends among the Chinese

fleeing communist China were: 1) fleeing Hainan to the Federation, and 2) fleeing Kwangtung into Hong Kong. It was questionable whether the term “refugee” could be applied in the context of the Chinese arriving illegally in Hong Kong and Malaya. “Illegal immigrants” is a more proper connotation for these Chinese, who entered the Colony illicitly to join relatives in Hong Kong, or to earn a better living. The use of the word “refugee” was somewhat “misleading” as Hong Kong regarded, treated and dealt with them as “illegal immigrants”. N.C.C. Trench from the Foreign Office admitted that “the case of the four Hainanese is not a perfectly clear-cut one of persons motivated solely by the desire to seek political asylum”.<sup>34</sup> It was not clear whether they left China purely for political considerations or for a better economic livelihood. In the case of uncertainty, Trench suggested “it seemed reasonable to give the Hainanese the benefit of the doubt...”<sup>35</sup>

Hainanese Chinese fleeing China may not be regarded as “refugees” or “genuine political escapees”. The Chinese refugees outlined economic hardship and the difficult life in China, rather than Communist oppression or escaping political persecution, as the main reason of fleeing Red China (Peterson, 2014: 468). As a refugee from Hainan in Malaya (Yang Chung Yim, 65 years old) put it:

We decided to come to your country a month ago. The opportunity came on Feb 25 when our government sent us out to fish.... So we started our mission. We had with us some porridge. We chose your country because we had heard much about Malaya and that the Chinese here were doing fine.... Back home we were living from hand to mouth. Our families are suffering and we cannot bear it any longer.... We would rather die in your country than go back to China.<sup>36</sup>

Yang was one of the eight fishermen who fled from the Communist island of Hainan and journeyed for 11 days before reaching Kuala Besut in March 1961, seeking refuge in Malaya. They were all working as fishermen for the Government of Communist China in a cooperative department in Hainan.<sup>37</sup> A day later, they were transferred to the Prison at Pengkalan Chempa (Kelantan) and stayed in the prison prior to being sent back to China.<sup>38</sup> The refugee group expressed its wish to stay permanently in Malaya and start life afresh in the country. According to one of them, Tan Kia Chin, Malaya was “a paradise” compared to the hard life they had had on Hainan Island: “If only we can make our home in Malaya, we would be the happiest people in the world.”<sup>39</sup> The Hainanese people seeking sanctuary in British Malaya were refused asylum. For Formosa, they were defined as “refugees” but for Malaya, the Hainanese did not fit into Malaya refugee regime simply because there was no refugee regime in Malaya and Malaya was not a signatory to the Convention.

On 24 October 1959, after a protracted discussion, the Taiwan Provincial Government finally agreed in principle to accept them, provided that they applied for entry permits and the Federation bore the costs of repatriation incurred in the course of their journey from Malaya to Formosa and arranged for transit visas for Hong Kong.<sup>40</sup> The case was closed in May 1960. These refugees arrived at Keelung on 24 May and were met by the Free China Relief Association.<sup>41</sup>

### **5. Turning to the Free China Relief Association: A Non-Official Alternative**

The government was quite right that a flood of similar cases soon followed. The flow of “refugees” continued to flourish – in family units. Fifteen refugees fled from Hainan, arrived illegally in Kukup, Johore on 11 March 1960 after a perilous two-month journey of over 1,700 miles. Local Hainanese fishermen brought them to the Kukup police station where they surrendered themselves. The *Straits Times* reported that their plea for “political asylum” was rejected, following which they were to choose one of two courses: 1) to sail away in the same junk, or 2) to be repatriated to Formosa. Five men were detained in the Johor Bahru police station while the three women and seven children were accommodated in the Social Welfare Home.<sup>42</sup> Negotiations resumed between the Federation Government and the Formosa Government through the UK High Commissioner for their repatriation.<sup>43</sup> As stated by the immigration officer of the Johore state government: “All of them are illegal immigrants. We cannot keep them in Malaya indefinitely.”<sup>44</sup> The working principle behind the rejection of the granting of political asylum was that “any relaxing of the normal Immigration restrictions might lead to a flood of similar cases”.<sup>45</sup>

The refugees declared that they fled from Communist China because of the unbearable living conditions there and pleaded not be repatriated to Communist China. Fearing reprisals, they elected to go to Formosa. Again, the Ministry of External Affairs approached the grace of the British Consulate at Tamsui to make enquiries to Formosa. This party of fifteen Chinese refugees were more complicated to deal with compared with the previous group because they consisted of 3 families (5 males, 3 females and 7 children) of whom the Federation Government refused to give permission to remain in the country.<sup>46</sup>

At a decisive juncture, the Free China Relief Association at Taipei offered its assistance. For all this while, the Commonwealth Relations Office (CRO) had been helping Commonwealth countries, which did not have their own diplomatic mission in a country.<sup>47</sup> The Foreign Office agreed that Malaya should take up the Association’s offer of help as long as this did not

compromise the Malayan attitude on recognition. The offer was a useful opportunity for the Malayan Government to deal directly with the Association in such cases. However, accepting the offer might imply that Malaya recognized the Nationalists as the Association has its official backing.<sup>48</sup> The Association was well-known for its efficiency not only for resettling Chinese refugees coming from the mainland to Formosa, but also victims of natural disaster. It was through the agency that the Nationalist authorities channelled its relief measures. It was a semi-official organization taking into consideration of the leadership composition of the association (the president and the general-secretary were the advisors to President Chiang Kai-shek).<sup>49</sup>

Recognition and reciprocation were the main impediments. Kuala Lumpur was reluctant to deal directly with the Free China Relief Association on several accounts. First, the Federation was anxious to avoid any action that might be construed or implied as recognition of the Nationalists. Second, reciprocation might be used as a bargaining chip. KL feared that the Association might seek the assistance of the Federation in future cases of Chinese refugees wishing to seek entry. KL reiterated its preferences to handle this case through the Consul in Tamsui.<sup>50</sup> Kuala Lumpur's apprehension to deal directly with the Association was shared by the British Consul in Tamsui, who reported that Formosa might regard direct dealing with the semi-official Free China Relief Association as an important step in establishing diplomatic relations with Malaya. Accepting the Association's offer would be diplomatically "embarrassing" and the Nationalists would publicize the "friendly" attitude of the Federation towards Formosa.<sup>51</sup>

By June 1960, there were signs of reluctance from the Foreign Office in assisting Kuala Lumpur's repatriation efforts. In the past, the FO helped and intervened when the Association had not offered their assistance. N.C.C Trench in his letter to the Consul in Tamsui stated that:

We were not altogether happy about the prospect of asking you to take action in the future over such cases. The advantages to the Federation are of course obvious, but, while we do not want to appear unhelpful, we think that it is not altogether reasonable for them to expect us to risk trouble with Peking over such questions, in order to enable the Government of the Federation to keep their own hands clean.<sup>52</sup>

The FO suggested to the Commonwealth Relations Office (CRO) to request Kuala Lumpur to make use of the Association in the future.<sup>53</sup> In his response, the British consul in Tamsui agreed that it was unreasonable for the Malayan government to expect his office to continue handling such cases with the Nationalists. If the Federation were to recognize Peking in the future, the British would have to resume acting for them. Prior to that, the general consensus was that the handling of these matters should "pass to the Malayan

Government even though it may have to return to us in due course....”<sup>54</sup> As events unfolded, the British realized that the issue was a “Malayan” problem. It was the Malayan unwillingness to correspond directly with the Nationalists and its reluctance to offer refuge to the Hainanese themselves. The office of H.B.M Chargé d’Affaires, Peking made the right point that Malaya must try to persuade the Nationalists to accept them or, alternatively, to offer them refuge. In considering any further similar requests from the Federation, the FO was reminded of the political risks they faced in order to help the Malaysians out of difficulties.<sup>55</sup>

In a note dated 3rd October from the Formosan authorities, the fifteen refugees were denied entry. The British was asked to persuade the Malayan government to grant asylum on grounds of humanity and connectivity. The note stated that:

As this group of persons has succeeded in fleeing to Malaya under the leadership of Lim Joo Hooi, a former Singapore resident, and as most of them either were former local residents or were born locally, or have close relations living locally, it might be as well for the Government of Malaya, on the basis of humanity, to give them priority of consideration in granting them refuge and according them protection.<sup>56</sup>

On grounds of connectivity, at least one member of the party was born in Johore, and at least two others were former residents of Singapore and Hong Kong. Others had close relatives in Malaya. In making a formal approach to the Malayan government, the British were almost certain that they would refuse to allow these people to settle in the country. Ethnic balance played a critical role as admitted by the British: “Overriding all other considerations would be their firm determination to maintain the strictest possible control over the immigration into the country of non-Malays”.<sup>57</sup> Moreover, there was a double standard in which Formosa accepted a large number of Chinese from Indonesia, but refused to accept fifteen more from the Federation. This double standard made it more difficult to persuade the Federation. Having to choose between deporting them to communist China and pleading to Formosa, Lovitt (of the High Commissioner’s Office) suggested that the British appeal to Formosa on humanitarian grounds.<sup>58</sup>

## **6. Shifting Attitude: Releasing the Commonwealth Relations Office’s Function**

Time and again, the Foreign Office reiterated its uncomfortable position in acting as the middle person. KL seemed to have misunderstood the British role in the repatriation of Chinese refugees to Formosa. The Consul in Tamsui acted as a go-between as “a matter of courtesy” rather than “special



responsibility” on behalf of the Federation, which did not recognize both Chinese governments. The FO expressed that, “It was not our intention that we should assume any special responsibility for these refugees.”<sup>59</sup> In other words, KL must solve its own problem when the Nationalist Authorities declined to take on these refugees. The British were keen to avoid giving the impression that they had any special responsibility. Any further involvement would cause the FO various “embarrassments”. First, repatriating the political refugees to China, posed an embarrassment to the British when the refugees considered themselves to be anti-communist. The FO would not take up the case with Peking should the Federation put forward such a request. Second, repatriating Chinese nationals to Formosa likewise was equally embarrassing, if the Peking Government knew about it.

We do not want to get ourselves any further involved as apologists for or pleaders for the Malayan Government and the Formosan Government. What should be done with the refugees is primarily a matter for the Malayan Government which they must decide in the light of the Formosan Authorities’ reply.<sup>60</sup>

Accordingly, the Malayan Government was made to understand that the responsibility for disposing of the persons must rest with KL. Kuala Lumpur must decide whether or not any approach was to be made to Formosa. It was both undesirable and unnecessary for the British to become involved.<sup>61</sup> Lovitt’s suggestion that the British must appeal to Formosa on humanitarian grounds was not well received. Formosa was an administration, which the British only recognized as a local authority and the British would not go beyond their role to press Formosa. The British assistance in this matter should mainly be confined to: 1) acting as a post office in posts where the Malaysians had no mission, or 2) conveying its request to the Colonial authorities if it wanted the British to receive these people in a Colonial territory. The CRO suggested two alternatives to KL: 1) an official basis (reconsidering accepting the Relief Association’s offer), and 2) a non-official basis (the illegal immigrants themselves petition the Relief Association). In both cases, the Federation role would not amount to recognition of the Formosa Government because its role would be limited to forward the petition to the organization.<sup>62</sup>

Having given prolonged consideration to the issue, the Commonwealth Relations Office instructed the High Commissioner’s Office to inform the Malayan Government of the Taiwan Provincial Government’s reply dated 3rd October 1960. The CRO did not wish either to “damage” its relations with Peking by pressing Formosa to receive the Chinese refugees or to deport refugees to Communist China since the United Kingdom is signatory to the Convention on the Status of Refugees. The role of the CRO reflected

the usual practice of the United Kingdom to offer diplomatic services to other Commonwealth Governments who were not represented in any given country. It is the practice to offer their services simply as an agent. The CRO ruled out any possibilities of receiving refugees in a British territory (if Malaya were to make such a request). Other possibilities were more promising: communicating with the Free China Relief Association or allowing the refugees to do so.<sup>63</sup> In its reply to Abdul Hamid bin Pawanchee of the Ministry of External Affairs, the High Commissioner Office could not be more optimistic except to offer its service “to pass a further message to the Taiwan Provincial Government on your behalf if you wish ... if the reply from the Formosan Provincial authorities is still negative I am afraid that we should not be able to help any further”.<sup>64</sup>

As expected, the Federation strongly disagreed with Formosa’s argument on connections with the country. Connections alone could not establish their right of entry. There were about three million Chinese in the country and almost every one of them had some relatives in China. Thousands of alien Chinese (and other foreigners) who had closer connections with the country compared to the fifteen Hainanese had been refused entry to the Federation. Allowing the right of entry to alien Chinese from the mainland would “place the Federation Government in an untenable position *vis-à-vis* its immigration policy”.<sup>65</sup> This would contradict its immigration policy, which served to protect the economic and security interests of its citizens. The Federation wanted to avoid creating a precedent for more Hainanese Chinese to flee to Malaya. Taiwan, in the view of Malaya, had the moral responsibility to accept and resettle Chinese refugees. In a fairly threatening language, the Ministry of Foreign Affairs warned Taiwan of the damaging consequences should Taiwan still refuse to accept the refugees: “If it is known that they have to return to mainland as a result of the refusal of the Nationalist Government to accept them, the consequent reaction among anti-Communist Chinese will in our opinion be most unfavourable”.<sup>66</sup> Following the Malayan reply, the British Consulate continued to press the Provincial Government for an answer.<sup>67</sup>

The Taiwanese authorities finally succumbed. Upon its acceptance of the fifteen refugees, the Federation proceeded to complete the applications to enter Formosa.<sup>68</sup> The Federation Government repatriated five members of one family for a new life in Formosa on 19 December 1961. A family of five Hainanese, then sailed from Penang (transit point) to start a new life in Formosa. The father, Lim expressed his gratitude: “We are grateful to the Malayan Government for its kind treatment of us since our arrival here in March 1959.... We are indeed thankful that we can be sent to Formosa”.<sup>69</sup> Recalling the 15-day fleeing attempt, the father said, “It was a desperate ordeal. We had made up our minds that if we were chased by the Communists, we would all jump into the sea. We decided we would rather die

than go back".<sup>70</sup> Two weeks later, the remaining ten of the 15 refugees were in Penang awaiting repatriation to Formosa after they escaped to Malaya in March 1959.<sup>71</sup>

All attempts to persuade the Federation Government to use the Free China Relief Association as a mediator with Taiwan had failed. When another group of eight refugees landed at Kuala Besut in March 1961, the HCO was convinced that deporting them to Taiwan was the only alternative.<sup>72</sup> However, the British did not want to involve themselves in any similar cases. Instead of asking their Consul in Tamsui to act as intermediary between the Formosan authorities and the Federation, the Foreign Office suggested utilizing another mediator – the International Committee of the Red Cross (ICRC) – to take up future cases with Formosa. The FO stated its readiness to approach the ICRC once the Federation agreed. At this point, it should be noted that the FO still "took the matter in hand" by exploring non-official channels.<sup>73</sup> The position of the FO was to relieve their Consul in Tamsui of this function. The British were keen to have the ICRC, rather than the Consul to deal with the group of eight refugees. Malaya should then handle these cases in future through the ICRC.<sup>74</sup>

In the end, the case of the eight refugees was solved in 1962 with seven of them (one died during detention) arriving in Penang en route to Formosa. It should be noted that the refugees were grateful to Malaya for making a special arrangement to Formosa rather than sending them to China. They expressed their gratitude for being able to start a new life in Formosa, though they were not welcome in Malaya – due to the strict immigration law. While awaiting their repatriation to Formosa, they were staying at the Kheng Chew Association, in which its members and the local community in the efforts of aiding the refugees had collected money in preparation for their trip to Formosa.<sup>75</sup>

## **7. Conclusions**

The two cases discussed above highlighted the prominent "post-office" role played by the Commonwealth Relations Office in repatriating the Hainanese refugees. Independent Malaya played her diplomatic card and her post-colonial relations card very well with the British. A combination of threat and legal security consideration was used to persuade the CRO to believe that they had a special responsibility to deal with the Formosa government. While the responsibility hypothesis may not be a strong one, bona fide "threats" of sending them to China invoked apprehension, which was sufficient to make the CRO pressured Formosa. The threat was real as the so-called refugees were decisively denied asylum and the right to stay in Malaya. Diplomatic tools were well used in the negotiations. Above all, Formosa was the only dumping ground considering that Malaya did not recognize them as Chinese

political refugees and the British (recognizing their signatories to the Geneva Convention) were mindful of the consequences should they failed to negotiate on behalf of these refugees. Hence diplomatic negotiation continued alongside possible “handovers” to non-official bodies such as the Free China Relief Association and the ICRC beginning in 1960, but to no avail. Malayan strict adherence to the non-recognition of any Chinese governments (until 1974), made the state rely entirely on the British CRO in its dealing with Formosa.

This article also highlights the humane side of their banishment story, besides the emphasis on law enforcement and immigration breach. Beyond the rigid aspect of the law, there were humanitarian consideration shown both by the British and Formosan authorities. A humane touch was reflected in the story of these refugees, in which the British were most reluctant to send them back to communist China. Anti-communist banishees required a special consideration. The practice of banishment did not follow the principle of recognition, but on ideology and pragmatic grounds. The main consideration in establishing their country of destination was the expression of interests by the deportees and the willingness of Formosa to accept them. Even when the Foreign Office cautioned the HCO of the possible political risks if they continued to lend a hand to Tunku’s administration, the considerations had not seemed to affect the British attitude. Various reservations and worries expressed by the Foreign Office to relieve the CRO from its due tasks did not impinge on the British role as an effectual mediator for its former colony.

## Notes

- \* Low Choo Chin is Senior Lecturer at the History Section, School of Distance Education, Universiti Sains Malaysia. She can be reached at <lowc@usm.my>.
- 1. Telegram from G.V. Kitson, Office of the Commissioner-General, Singapore to R.H. Scott, Foreign Office, 14 December 1951, the United Kingdom National Archives (TNA), FO 371/92374, FC 1821/139. All sources from the TNA were accessed through Archives Direct: <<http://www.archivesdirect.amdigital.co.uk.ezp-alumni.unimelb.edu.au/>>.
- 2. Letter from G.W. Aldington, Colonial Secretariat, Hong Kong to J.M. Addis, Foreign Office, Hong Kong, 7 January 1953, TNA, FO 371/105340, FC 1822/7.
- 3. Letter from E.H. Jacobs-Larkcom, British Consulate, Formosa, to J.M. Addis, Foreign Office, 8 January 1953, TNA, FO 371/105340, FC 1822/6.
- 4. Letter from J.C. Jerrom, Colonial Office to E.T. Biggs, Foreign Office, 18 February 1953 TNA, FO 371/105340, FC 1822/12.
- 5. Letter from J.M. Addis, Foreign Office to J.F. Brewis, Singapore, 17 March 1953, TNA, FO 371/105340, FC 1822/12.
- 6. Letter from D.C. Watherston, Chief Secretary, to Deputy Commissioner-General for Colonial Affairs, Singapore, 22 May 1953, TNA, FO 371/105340, FC 1822/24.

7. Letter from J.F. Brewis to Addis 16 June 1953 TNA, FO 371/105340, FC 1822/24.
8. Letter from J.F. Brewis to J.M. Addis, Foreign Office 15 August 1953 TNA, FO 371/105340, FC 1822/24.
9. Letter from R.W. Jakeman, Deputy Commissioner General for Colonial Affairs to Chief Secretary, KL, 31 August 1953, TNA, FO 371/105340, FC 1822/30.
10. Letter from D.B.W. Good for Legal Secretary, Federation of Malaya (FOM) to the Deputy Commissioner-General for Colonial Affairs, 5 March 1954, FO 371/110376, FC 1821/6.
11. *Ibid.*
12. Letter from A.H.B. Herman, British Consulate in Tamsui to P.L. Charter, Office of the Commissioner-General, 23 March 1954, FO371/110376, FC 1821/7.
13. Letter from J.M. Addis to Hermann, 12 April 1954, FO 371/110376, FC 1821/7.
14. Letter from P.G. Clough for Legal Secretary, FOM to A.H.B. Hermann, British Consulate, Tamsui, 5 January 1955, FO 371/115191, FC 1823/3.
15. Letter from A.H.B. Hermann, British Consulate, Tamsui to the Legal Secretary, FOM, 1 February 1955, FO 371/115191, FC 1823/7.
16. *Straits Times*, "Federation plans colony for dangerous thugs," 15 September 1958.
17. *Straits Times*, "Thug island for Malaya," 4 October 1960.
18. *Straits Times*, "Penal colony plan hits snag: No suitable island found," 27 February 1962.
19. *Straits Times*, "Penal isle plan: Malaysian needs for review," 30 January 1964.
20. Letter from Office of the Chief Minister and Minister for Home Affairs, FOM to Consulate, 4 November 1955, FO371/141320, FC 1583/1.
21. *Ibid.*
22. Letter from Office of the Chief Minister and Minister for Home Affairs, FOM to the British Consulate, Tamsui, 20 January 1956, FO 371/141320, FC 1583/1.
23. Letter from British Consulate, Tamsui to Far Eastern Department, Foreign Office, July 1, 1959, FO371/141320, FC 1583/1.
24. Letter from British Consulate, Tamsui to Far Eastern Department, Foreign Office, 1 July 1959, FO 371/141320, FC 1583/1.
25. Letter from A. Veitch, Consulate, Tamsui, to G.T.C. Guh, Foreign Affairs Department, Taiwan, 23 September 1959, FO371/141320, FC 1583/4.
26. *Straits Times*, "Formosa agrees to take four refugees from Malaya," 12 April 1960.
27. Letter from A. Veitch, British Consulate, Tamsui, to N.C.C. Trench, Foreign Office, 20 July 1959, FO 371/141320, FC 1583/2.
28. Letter from N.C.C. Trench, Foreign Office to A. Veitch, British Consulate, Tamsui, 5 August 1959. FO 371/141320, FC 1583/2.
29. Letter from High Commissioner's Office, to Consulate, Tamsui, 2 August 1959, FO 371/141320, FC 1583/3.
30. Letter from A. Veitch, Consulate, Tamsui, to G.T.C. Guh, Foreign Affairs Department, Taiwan, 23 September 1959, FO 371/141320, FC 1583/4.
31. Letter from N.C.C. Trench, Foreign Office to H.A. Twist, Commonwealth Relations Office, 27 October 1959, FO371/141320, FC 1583/4.

32. Letter from R.C. Ormerod, Commonwealth Relations Office, London to J.D. Fraser, Kuala Lumpur, 30 November 1959, FO 371/141320, FC 1583/6.
33. Letter from T.A.K. Elliot, British Embassy, Peking to N.C.C. Trench, Foreign Office, 25 November 1959, FO 371/141320, FC 1583/4.
34. Letter from N.C.C. Trench, Foreign Office to G. F. Rodgers, Peking, 23 December 1959, FO 371/141320, FC 1583/4.
35. *Ibid.*
36. *Straits Times*, "8 fishermen flee Hainan, seek refuge in Malaya" 9 March 1961.
37. *Straits Times*, "8 fishermen flee Hainan, seek refuge in Malaya" 9 March 1961.
38. *Straits Times*, "Refugee Chinese moved to jail," 10 March 1961.
39. *Straits Times*, "Seven from China want to stay in Malayan paradise," 19 August 1962.
40. Letter from Foreign Affairs Department, Taiwan Provincial Government to A. Veitch, Consul, 24 October 1959 FO 371/141320, FC 1583/5.
41. Letter from British Consulate, Tamsui to High Commissioner Office, KL, 30 May 1960, FO 371/150481, FC 1583/1.
42. *Straits Times*, "Govt. rejects political asylum plea by 15 refugees," 30 April 1960.
43. *Straits Times*, "Hainan refugees: Talks with Taipei," 12 May 1960.
44. *Straits Times*, "25 Junk Refugees set a problem," 8 December 1960.
45. Letter from C.A. Lovitt to R.C. Ormerod, Commonwealth Relations Office, April 1960, FO 371/150481, FC 1853/1.
46. Letter from Kuala Lumpur (Acting H.C.) to Commonwealth Relations Office, 12 May 1960, FO 371/150481, FC 1853/2.
47. Letter from R.C. Ormerod, Commonwealth Relations Office to N.C.C. Trench, Foreign Office, 18 May 1960, FO 371/150481, FC 1853/2.
48. Letter from Foreign Office to Tamsui, 26 May 1960, FO 371/150481, FC 1853/2.
49. Letter from E.E. Young, Tamsui to N.C.C. Trench, Foreign Office, 28 June 1960, FO 371/150481, FC 1853/3.
50. Letter from Kuala Lumpur to Commonwealth Relations Office, 30 May 1960, FO 371/150481, FC 1853/2.
51. Letter from Tamsui to Foreign Office, 29 May 1960, FO 371/150481, FC 1853/3.
52. Letter from N.C.C. Trench, Foreign Office to E.E. Young, Tamsui, 14 June 1960, FO 371/150481, FC 1853/3.
53. *Ibid.*
54. Letter from E.E. Young, Tamsui to N.C.C. Trench, Foreign Office, 28 June 1960, FO 371/150481, FC 1853/3.
55. Letter from E. Youde, Office of H.B.M. Chargé d'Affaires, Peking to N.C.C. Trench, Foreign Office, 28 November 1960, FO 371/150481, FC 1853/7.
56. Note from the Foreign Affairs Department, Taiwan Provincial Government to British Consulate, Tamsui, 3 October 1960, FO 371/150481, FC 1583/7.
57. FO 371/150481, FC 1583/7. Letter from C.A. Lovitt, High Commissioner's Office to R.C. Ormerod, CRO, October 1960.
58. *Ibid.*
59. Letter from C. Wilson, Foreign Office to Commonwealth Relations Office, 13 December 1960, FO 371/150481, FC 1853/7.
60. *Ibid.*

61. Letter from W.F.G. Le Bailly, CRO to C.A. Lovitt, KL, 30 December 1960, FO 371/158438, FC 1821/1.
62. Letter from W.F.G. Le Bailly, CRO to C.A. Lovitt, KL, 30 December 1960, FO 371/158438, FC 1821/1.
63. Telegram from CRO to KL, 2 February 1962, FO 371/158438, FC 1821/4.
64. Letter from C.A. Lovitt to Abdul Hamid bin Pawanchee, Ministry of External Affairs (MEA), 9 February 1961, FO 371/158438, FC 1821/7.
65. Telegram from HCO to CRO, 25 February 2016, FO 371/158438, FC 1821/9.
66. *Ibid.*
67. Letter from Tamsui to Foreign Office, 25 April 1961, FO 371/158438, FC 1821/9.
68. Letter from A.T. Smith, HCO to B.O. Vallentine, CRO, 15 August 1961, FO 372/158438, FC 1821/10.
69. *Straits Times*, "Refugee family sail away to new life in Formosa," 19 December 1961.
70. *Ibid.*
71. *Straits Times*, "After fleeing reds 3 years ago, 10 on way to Formosa," 31 December 1961
72. Telegram from Kuala Lumpur to CRO, 11 March 1961, FO 372/158438, FC 1821/10.
73. Letter from N.C.C. Trench, FO to W.F.G. Le Bailly, CRO, 10 April 1961, FO 372/158438, FC 1821/10.
74. Letter from J.T. Caff, FO to B.O. Vallentine, CRO, 31 August 1961, FO 372/158438, FC 1821/10.
75. *Straits Times*, "Seven from China want to stay in Malayan paradise," 19 August 1962.

## References

- Blythe, Wilfred (1969), *The Impact of Chinese Secret Societies in Malaya: A Historical Study*, London: Oxford University Press.
- Fitzgerald, Stephen (1972), *China and the Overseas Chinese: A Study of Peking's Changing Policy 1949-1970*, London: Cambridge University Press.
- Godley, Michael R. (1989), "The Sojourners: Returned Overseas Chinese in the People's Republic of China", *Pacific Affairs*, Vol. 62, No. 3, pp. 330-352.
- Hack, Karl (2015), "Detention, Deportation and Resettlement: British Counter-insurgency and Malaya's Rural Chinese, 1948-60", *The Journal of Imperial and Commonwealth History*, Vol. 43, No. 4, pp. 611-640.
- Hara, Fujio (2003), *Malayan Chinese and China: Conversion in Identity Consciousness, 1945-1957*, Singapore: NUS Press.
- Low, Choo Chin (2014), "The repatriation of the Chinese as a counter-insurgency policy during the Malayan Emergency", *Journal of Southeast Asian Studies*, Vol. 45, No. 3, pp. 363-392.
- Mark, Chi-kwan (2007), "The 'Problem of People': British Colonials, Cold War Powers, and the Chinese Refugees in Hong Kong, 1949-62", *Modern Asian Studies*, Vol. 41, No. 6, pp. 1145-1161.
- Oyen, Meredith L. (2007), "Allies, Enemies and Aliens: Migration and US-Chinese Relations, 1940-1965", PhD thesis, Georgetown University: ProQuest.

- Panhuy, Haro Frederik van (1959), *The Role of Nationality in International Law: An Outline*, Leyden: A.W. Sythoff.
- Paoletti, Emanuela (2010), "Deportation, Non-deportability and Ideas of Membership", Oxford Refugee Studies Centre Working Paper No. 65, Oxford: Refugee Studies Centre.
- Peterson, Glen (2008), "To Be or Not to Be a Refugee: The International Politics of the Hong Kong Refugee Crisis, 1949-55", *The Journal of Imperial and Commonwealth History*, Vol. 36, No. 2, pp. 171-195.
- Peterson, Glen (2014), *Overseas Chinese in the People's Republic of China*, Oxon: Routledge.
- Peutz, Nathalie and Nicholas De Genova (2010), "Introduction", in Nathalie Peutz and Nicholas De Genova (eds), *The Deportation Regime: Sovereignty, Space and the Freedom of Movement*, Durham: Duke University Press, pp. 1-30.
- Shao, Dan (2009), "Chinese by Definition: Nationality Law, Jus Sanguinis, and State Succession, 1909-1980", *Twentieth-Century China*, Vol. 35, No. 1, pp. 4-28.
- Straits Times*, "Federation plans colony for dangerous thugs", 15 September 1958.
- Straits Times*, "Little asylum chance for 15", 16 March 1960.
- Straits Times*, "Formosa agrees to take four refugees from Malaya", 12 April 1960.
- Straits Times*, "Govt. rejects political asylum plea by 15 refugees", 30 April 1960.
- Straits Times*, "Hainan refugees: Talks with Taipeh", 12 May 1960.
- Straits Times*, "Thug island for Malaya", 4 October 1960.
- Straits Times*, "25 Junk Refugees set a problem", 8 December 1960.
- Straits Times*, "8 fishermen flee Hainan, seek refuge in Malaya", 9 March 1961.
- Straits Times*, "Refugee Chinese moved to jail", 10 March 1961.
- Straits Times*, "Refugee family sail away to new life in Formosa", 19 December 1961.
- Straits Times*, "After fleeing reds 3 years ago, 10 on way to Formosa", 31 December 1961.
- Straits Times*, "Penal colony plan hits snag: No suitable island found", 27 February 1962.
- Straits Times*, "Seven from China want to stay in Malayan paradise", 19 August 1962.
- Straits Times*, "Penal isle plan: Malaysian needs for review", 30 January 1964.
- Suryadinata, Leo (2005), *China and the ASEAN States: The Ethnic Chinese Dimension*, Singapore: Singapore University Press.
- Tang, Lay Lee (1995), "Stateless Persons and the 1989 Comprehensive Plan of Action Part 1: Chinese Nationality and the Republic of China (Taiwan)", *International Journal of Refugee Law*, Vol. 7, No. 2, pp. 201-231.
- To, James Jiann Hua (2014), *Qiaowu: Extra-Territorial Policies for the Overseas Chinese*, Leiden: Koninklijke Brill.
- Williams, Lea E. (1966), *The Future of the Overseas Chinese in Southeast Asia*, New York: McGraw Hill.
- Yong, Ching Fatt, and R.B. McKenna (1990), *The Kuomintang Movement in British Malaya, 1912-1949*, Singapore: NUS Press.
- Zhuang, Guotu (2013), "China's policies on Chinese overseas: past and present", in Tan Chee Beng (ed.), *Routledge Handbook of the Chinese Diaspora*, Oxon: Routledge, pp. 31-41.



# **Research Note**



## **The 21st Century Maritime Silk Road and China-ASEAN Industry Cooperation**

*Lu Jianren\**

Guangxi University/Chinese Academy of Social Sciences

### **Abstract**

To construct the 21st Century Maritime Silk Road is an important part of the grand Belt and Road Initiative proposed by the Chinese government, and China-ASEAN industry cooperation is one of the main content of implementing this proposal. The paper states the political, economic and cultural motives of China's proposal to construct the 21st Century Maritime Silk Road and all aspects of the foundation that China-ASEAN industry cooperation already has – analyzing the advantages and opportunities that China-ASEAN industry cooperation possesses, addressing the actual progress, existing problems and current challenges that the industry cooperation faces, and finally presenting some suggestions for the improvement of the 21st Century Maritime Silk Road construction and the amelioration of China-ASEAN industry cooperation.

*Keywords: 21st Century Maritime Silk Road, Belt and Road Initiative, China-ASEAN relations, industry cooperation*

### **1. The Motives of China Proposing the 21st Century Maritime Silk Road**

When Chinese President Xi Jinping visited Kazakhstan on September 7th of 2013, he first raised the initiative of jointly building the Silk Road Economic Belt with European and Asian nations; and when he visited Indonesia on October 3rd of 2013, he then raised the initiative of jointly building the 21st-Century Maritime Silk Road with ASEAN countries. These two grand initiatives together have since then been referred to as the Belt and Road Initiative. On March 28th of 2015, the Chinese government officially published the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road* (hereinafter referred to as the *Vision and Actions*), which has rapidly grasped attentions from all over the world. The

background of proposing the Belt and Road initiative, especially regarding “the Road” initiative, is based on two aspects: first, China has today become a major maritime country, and it is marching to become a great maritime power. This is incomparable to the 1990s, so maritime cooperation must be put on the agenda of China’s foreign policy. Second, this initiative is mainly based on the unique maritime geographic location of Southeast Asia, and therefore is specifically targeting at ASEAN. The new Maritime Silk Road will be extended to the Indian Ocean and Europe, but ASEAN will still be the top priority.

The Belt and Road Initiative is not just a domestic development strategy but an international initiative mainly aiming at developing countries in Asia. So, what are the main reasons for China to propose such a vital and grand initiative?

First, from the political perspective, the Belt and Road Initiative conveys China’s idea for a peaceful world and its open-mindedness. Two thousand years of ancient Maritime Silk Road has spread Chinese civilization and the ideas of peace, openness and inclusiveness of the Chinese nation. These ideas are still adhered to by the new generation of Chinese leaders in their governance. Through the construction of the Belt and Road, China will provide development opportunities for Asia and the whole world, share the achievements of development with all nations, and construct broader areas of mutually beneficial relationships. The Belt and Road Initiative adheres to open regionalism and respects and employs the existing regional cooperation mechanisms. The Initiative will not engage in closed regionalism and is not targeted against any third party. Countries along the Belt and Road can participate voluntarily, contribute according to their abilities, and share the benefits.

Second, from the economic perspective, the construction of the Belt and Road is also an effective channel both for China to transfer overcapacity, and for the Asian developing countries to accept the transferred industries. China now has accumulated huge infrastructure production capacity. Industries such as iron and steel, cement, plate glass, electrolytic aluminum, shipbuilding, wind power equipment and building materials have been saturated in the domestic market, which need to be transferred abroad. These high-quality industries are facing overcapacity issues in China, but they are needed for the economic development of the developing countries along the Belt and Road. So, this is a win-win path for both sides.

Third, from the social and cultural perspective, the Initiative will facilitate cultural exchanges between China and countries along the Belt and Road, increase output of Chinese cultural industries, and enhance China’s cultural soft power. The Belt and Road Initiative is not simply a concept of transportation corridor; it involves a full range of communication activities

along the lines of economic cooperation, technology and culture, which will promote people-to-people communication and the establishment of an Asian community.

## **2. The Groundwork and Advantages of China-ASEAN Industry Cooperation under the Belt and Road Initiative**

For ASEAN countries, the Belt and Road Initiative is about the 21st Century Maritime Silk Road, but the Initiative also has a land connectivity component. In 2010, ASEAN proposed the Master Plan on ASEAN Connectivity, which has received unstinting support from China. In 2011, China set up the Maritime Cooperation Fund, which is mainly used for the construction of China and ASEAN maritime connectivity. In 2012, the China-ASEAN Connectivity Council was established to actively promote maritime connectivity in addition to land connectivity. These activities have laid the groundwork for the 21st Century Maritime Silk Road Initiative. Maritime connectivity takes the major ports along the Belt and Road as nodes to construct a safe and effective maritime transportation channel. The land connectivity is to build the China and Indochina economic corridor, which is one of six economic corridors in the *Vision and Actions*.

Traditional focuses of China-ASEAN economic cooperation include fields such as agriculture, manufacturing, and traditional service industries. However, under the 21st Century Maritime Silk Road Initiative, the China-ASEAN economic cooperation will mostly focus on infrastructure, maritime and land connectivity, port city collaboration, and maritime economic cooperation. Through cooperation in these industries, the Initiative will help relieve the pressure of excess capacity in China and construct a China-ASEAN Maritime Silk Road economic belt. Therefore, industry cooperation will be a major field for China and ASEAN under the Belt and Road Initiative.

China and ASEAN has started industry cooperation long before. Since the initiation of negotiating the China-ASEAN Free Trade Agreement in 2003, the industry cooperation between China and ASEAN countries has been carried out for more than 10 years, which has already laid a good foundation. There are 11 key areas of cooperation, namely agriculture, information industry, human resources development, mutual investment, Mekong river basin development, transportation, energy, culture, tourism, public health and environmental protection. Compared with other countries along the Belt and Road, China-ASEAN industry cooperation has five major advantages.

First, both China and ASEAN have built a legal framework for economic cooperation, which provides behavioral norms for industry cooperation. As early as in 2002, both sides have signed the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN.

Afterwards, they have successively signed the Agreement on Service Trade, Investment Agreement and other legal frameworks as well as other relevant documents, which helped determine basic rules of trade in goods and services, and of investment cooperation. The upgraded negotiation of China-ASEAN FTA has so far been basically accomplished, and it will help deepen bilateral industry cooperation.

Second, economic cooperation plans have been made to guide industry cooperation. Since 2004, both sides have formulated and implemented two five-year Plans of Action to Implement China-ASEAN Joint Declaration on Strategic Partnership for Peace and Prosperity. Currently, it has made the third plan of action (2016-2020), which has already been put into practice. There are different five-year plans for each area, like the Five-year Environmental Cooperation Plan, the Five-year Cultural Cooperation Plan, and so on. In 2013, China has put forward the implementation of “2+7 cooperation framework”, which refers to the two-point political consensus on promoting political and security cooperation and economic development in parallel, and the seven priority areas that include the political field, business, connectivity, finance, maritime cooperation, security and people-to-people, scientific and environmental field. This has charted the course of bilateral relations in the years to come.

Third, diversified and multi-level cooperation mechanisms have been built to offer a variety of channels for industry cooperation. There are official platforms such as the China-ASEAN Summit, ministerial conferences, senior official meetings and China-ASEAN Expo. Moreover, there are also semi-official and nongovernmental cooperation platforms, such as the China-ASEAN Business and Investment Summit and the associations related to each industry. All of these form good channels of communication.

Fourth, new patterns of China-ASEAN industry cooperation have been created to promote the bilateral industry cooperation with diversified choices. In addition to established cooperation mechanisms such as the China-ASEAN FTA, Pan-Beibu Gulf economic cooperation, and GMS economic cooperation, new patterns of economic cooperation are being built as well, such as the Lancang-Mekong mechanism, the outside economic and trade cooperation zone, cross-border economic cooperation zone, “two country two parks” cooperation, and “two countries co-building the industrial park” cooperation.

Fifth, China-ASEAN industry cooperation has the supporting fund platforms. The capital sources include China-ASEAN Investment Cooperation Fund, China-ASEAN Maritime Cooperation Fund, and a special loan of US\$10 billion for China-ASEAN infrastructure construction set up by China Development Bank. Besides, in the coming three years, China will set aside RMB30 million in support of economic and technical cooperation under the FTA framework. Moreover, there are also loans that can be applied for from

Silk Road Fund (totaling US\$40 billion), Special Funds for Asia and the Asian Infrastructure Investment Bank (AIIB), which is now operational.

### **3. Opportunities for China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

At present, there are five major opportunities for China-ASEAN Industry Cooperation from the 21st Century Maritime Silk Road perspective.

First, the implementation of the 21st Century Maritime Silk Road Initiative opens up a broad prospect for China-ASEAN industry cooperation. And it includes all 10 nations in ASEAN. For China, several coastal provinces in the eastern and southern regions are the priorities when cooperating with ASEAN. Even so, the capacity is very considerable. The 21st Century Maritime Silk Road Initiative brings unprecedented opportunities both for Chinese industries and ASEAN nations.

Second, the 21st Century Maritime Silk Road Initiative meets the needs of the ASEAN countries. Most of the ASEAN countries are developing countries and because of their poor infrastructure, there are large market demand for construction. For example, in the following five years, Indonesia will put USD459 billion dollars to close the gap between the infrastructure level and the economic growth rate, the average invested each year accounts for about 50 per cent of all its annual revenue. But the Indonesian government apparently does not have such ability (Wanant Kerdchuen 2015). The 21st Century Maritime Silk Road Initiative and the Asian Infrastructure Investment Bank (AIIB) focus on the construction of infrastructure, which fits the infrastructure needs of Indonesia. Indonesia is planning to build 24 ports, 15 airports, 18 special economic zones and nearly thousands of kilometres of railway, and Indonesia's President Joko Widodo has expressed his welcome for Chinese enterprises to participate. Currently, China and Indonesia have already signed a USD6 billion high-speed rail project, and China will provide USD50 billion in loans for these projects which include railway, electric power and metallurgy. Similarly, there is also a need for more infrastructure construction in the Philippines, and the need cannot be fully satisfied if supported only by the World Bank, Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA). The 21st Century Maritime Silk Road Initiative and the Asian Infrastructure Investment Bank (AIIB) will provide huge financial support for its domestic infrastructure construction, which is a great opportunity to change the current poor infrastructure in the Philippines. Other ASEAN countries like Vietnam, Laos, Myanmar and Cambodia face a similar situation.

Third, the implementation of the 21st Century Maritime Silk Road Initiative coincides with a construction period in the ASEAN Economic

Community, which creates new opportunities for China-ASEAN industry cooperation. At the end of 2015, ASEAN declared the establishment of an ASEAN Community which includes the ASEAN Economic Community. With its establishment, ASEAN countries will link as a single market, investment policies will be further eased, mobility barriers will be greatly reduced, and all of these will bring great opportunities for Chinese enterprises to enter the ASEAN market, and bilateral industry cooperation will be more convenient.

Fourth, the building of China-ASEAN basic connectivity network is speeding up right now. China will continue to coordinate air, land and maritime transportation routes, strengthen the planning and building of connectivity in the areas of telecommunications, power, cyberspace, and improve the soft environment such as customs clearance facilitation, market regulation and standard and norm setting. The Chinese government encourages competitive Chinese producers of iron and steel, cement and plate glass, and others, to shift their operation to ASEAN countries to meet the local need of infrastructure development through investment, leasing and loan lending so as to achieve mutual benefit.

Fifth, the two sides have been working together to build an upgraded China-ASEAN Free Trade Area. The negotiations of the upgraded version of FTA have almost been completed at the end of 2015. China will, with a more open attitude, explore with ASEAN a model of pre-establishment national treatment (准入前国民待遇)<sup>1</sup> and a negative list in negotiating an investment treaty. The two sides may strengthen research and cooperation in such areas as harmonization of FTA rules and standards, industrial integration, and SMEs cooperation. The service trade areas of both sides will be further expanded, which increases opportunities for industry cooperation.

#### **4. Achievements of China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

ASEAN countries have mostly responded positively to the 21st Century Maritime Silk Road Initiative proposed by China. Over about a year's period, the two-way industry cooperation has made large progress and achievements which have been reflected in the following aspects.

First, the establishment of the Asian Infrastructure Investment Bank (AIIB) has offered a financial guarantee for China-ASEAN industry cooperation. By the end of 2015, all 10 ASEAN countries participated in AIIB as founding members, and they have shown a positive attitude since the beginning of its formation. In March 2015, just before the Agreement on the Asian Infrastructure Investment Bank came into effect, ASEAN's then rotating chair country, Malaysia, said that ASEAN was supportive of the effort to help set up AIIB, hoping that AIIB and the ASEAN Infrastructure Fund together



can provide more financial support for regional development. The formation of AIIB has ensured adequate financing, stimulated the initiatives of ASEAN countries, and boosted China-ASEAN industry cooperation.

Second, the Chinese high-speed railway is rapidly becoming a major actor in the region. On October 16th of 2015, a Chinese consortium led by China Railway Corporation has officially signed an agreement with a consortium of Indonesian state-owned enterprises to form a China-Indonesia joint venture to take charge of the construction and operation of a high-speed railway project from Jakarta to Bandung, which marks a historical breakthrough for the Chinese high-speed railway industry to spread out. In addition, China-Laos railway cooperation has also progressed remarkably. On December 2nd of 2015, the Laos railway project (from Boten to Vientiane) held a construction commencement ceremony. This is Lao's overseas railway project that directly connects with the Chinese railway network. On March 25th of 2016, the Thai government announced that the railway from Bangkok to Kele will be designed and constructed by Chinese experts, the technology will come from Chinese corporations, and the trains to be made in China. Before long, railways in Laos and Thailand will be linked together and integrated as Pan-Asia railway, forming a Silk Road forged by irons and steels. This will lay the foundation for connecting China-ASEAN industrial chains and building the China-ASEAN economic zone. More importantly, marked by the railway construction, China-ASEAN connectivity will bring the demonstration effect to the implementation of the 21st Century Maritime Silk Road Initiative. Through the two-way industry cooperation, it will make closer the realization of a China-ASEAN Community of Shared Destiny.

Third, the construction of industrial parks has been advanced. Because of the sluggish global economy, China-ASEAN bilateral trade has decreased by 1.7%. Nonetheless, the bilateral economic relations have remained stable and will continue to move forward. Building industrial parks has been a new model for both sides to develop industry cooperation. The existing industrial parks include: China-Malaysia Qinzhou Industrial Park, Malaysia-China Kuantan Industrial Park, Sino-Thailand Chongzuo Industrial Park, Sino-Vietnam (Shenzhen-Haiphong) Economic and Trade Cooperation Zones, China(Guangxi)-Indonesia Economic and Trade Cooperation Zones, Thailand-China Rayong Industrial Park, Sino-Brunei Industrial Park, Guangxi (China-ASEAN) Grain Logistics Industrial Park, and so on. In 2015, the main facilities in China-Malaysia Qinzhou Industrial Park have been fully completed; infrastructure construction in Malaysia-China Kuantan Industrial Park has started; the Guangxi (China-ASEAN) Grain Logistics Industrial Park project has been initiated; the China (Nanning)-Brunei Agricultural Industrial Park and China(Yulin)-Brunei Chinese Medicine Health Industrial Park, together working as the leading projects of Brunei-Guangxi Economic

Corridor, have also commenced. Besides that, in 2015, the China-ASEAN Grain and Oil Processing Park has been initiated and the Brunei Muara Bridge built by China Harbor Engineering Company has held a signing and commencement ceremony. Under the impetus of the 21st Century Maritime Silk Road, China-ASEAN industry cooperation has entered a new stage.

Fourth, the energy industry cooperation is moving forward. In January 2015, all China-Myanmar petroleum pipelines have been connected, which becomes the new path for China's onshore oil import. It contributes to easing China's reliance on the Strait of Malacca when importing oil from the Middle East, ensuring China's energy security, and meanwhile expanding the shared interests of China and Myanmar.

### **5. Problems and Challenges of China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

Although the implementation of the 21st Century Maritime Silk Road Initiative has created a new situation in China-ASEAN industry cooperation, there are some problems in China-ASEAN relations that need to be addressed.

First, China lays much more emphasis on export than import, which is not compatible with the win-win thinking. The implementation of the 21st Century Maritime Silk Road Initiative is based on the principle of cooperation and mutual benefits with ASEAN countries along the Belt and Road. If there is only China unilaterally exporting excess capacity but not opening markets to ASEAN countries, it will discourage them from participating in the initiative. For example, with comparatively good infrastructure, Malaysia and Singapore hope to bring their competitive service industries like finance, telecommunications and foreign trade to the Chinese market. Companies in Thailand, Vietnam and Brunei, on the other hand, are somewhat more concerned and resistant to the entrance of the Chinese companies and products into their markets, worrying about the impact of Chinese competition. So it is not easy for China and ASEAN countries to truly realize win-win industry cooperation. Both sides should conform to the requirements of the upgraded version of China-ASEAN Free Trade Area (CAFTA), further open the service trade market to each other, and lower the investment barriers. As for China, it may be good to follow the Early Harvest Program of China-ASEAN FTA, surrendering part of the profits and let the ASEAN countries to "pick the peaches first".

Second, the preparation in implementation is insufficient, and the decision-making departments of both sides lack coordination. For example, during the implementation of the high-speed railway project in Thailand, because of insufficient research, China provided a relatively high interest rate on a loan, and the Thai government turned to the Japanese lower-interest

loans which finally transferred part of the project to Japan. The construction date of the China-Thailand high-speed program has also been delayed again and again. On March 28th of 2016, the Thai government declared that there will be independent financing instead of the China-Thailand joint venture way of constructing the China-Thailand high-speed railway. The reason for such change is because of the decentralization of the decision-making departments on both sides and the increased number of different stakeholders, which led to overlapping operations by different departments and difficulties in coordination.

Third, the project negotiations often are caught in the conundrum of neglecting one or the other. The China-Indonesia high-speed railway cooperation falls into sheer drama as well. Both China and Japan competed fiercely for the projects in Indonesia. In order to balance the relationship with China and Japan, the Indonesia government once cancelled the high-speed railway project that was intended for Japan and afterward delivered the project to China for more favourable conditions. However, this has led to dissatisfaction on the Thai's part. Even though the Export-Import Bank of China has lowered the 3 per cent bottom line of overseas project for Thailand, the Thai side, taking Indonesia as an example, demanded for a much lower price, decreasing the loan interest rate from 2.5 per cent to 2 per cent, in which the Thai government said would demonstrate the friendship between China and Thailand. The setback in Thailand showed that the negotiation on China's side was limited to the tradition of "case by case." The relevant authorities for the Chinese negotiators have not formed a more integrated set of regulations and guidelines, and the related departments often lack effective communication between each other, and these are the reasons that led China into a very difficult position.

Fourth, weak awareness of risk prevention among Chinese companies. The implementation of the 21st Maritime Silk Road Initiative will encounter political and economic risks. At present, ASEAN countries are overall politically stable, but there are risks which include the political instability in some countries, such as Malaysia, the imperfect legal systems in Myanmar, Laos and Cambodia, the fast changing foreign investment laws and regulations in countries like the Philippines, and the strong oppositions from non-governmental organizations in countries such as Myanmar and Laos. When investing in these countries, Chinese corporations have to consider the political and economic risks; they have to learn from the heavy losses of the three big projects invested in Myanmar and increase their awareness of risks.

In addition to the problems stated above, there are some challenges for China-ASEAN industry cooperation under the 21st Maritime Silk Road Initiative, mainly in the following aspects.

First, the influence from the South China Sea dispute is undermining mutual strategic trust between China and some ASEAN countries. ASEAN, as a whole, has changed their past silent attitude towards the South China Sea dispute. It has constantly criticized China for its rights-defending actions in expanding some reefs in the South China Sea during the ASEAN Foreign Ministers' Meeting and even during the ASEAN Summit in the past few years. With the ruling of the South China Sea Arbitration, which was unilaterally put forward by the Philippines, in July 2016, the South China Sea dispute has become the regional hot issue. The attitudes of Vietnam, Malaysia and Indonesia towards the South China Sea dispute have also become increasingly tougher. China has put forward a "dual-track" approach, which refers to "specific disputes are to be addressed by countries directly concerned peacefully through negotiation and consultation and that peace and security of the South China Sea be jointly upheld by China and ASEAN countries working together." However, with the strong intervention from the United States, and its coordination with Japan and the Philippines, this issue will be much harder to be resolved.

Second, there are persistent doubts on China's intentions. The 21st Century Maritime Silk Road Initiative was China's goodwill and it embodies China's policy of Kindness, Sincerity, Mutual Benefits and Inclusiveness (亲诚惠容) towards ASEAN countries. But there are a lot of people in ASEAN countries who doubt China's intention. A Vietnamese scholar even said that, "every new road constructed by the Chinese Emperor is built to serve for its invasion and expansion" (*Talk Vietnam*, 2015). Hishamuddin Hussein, the Defense Minister of Malaysia, reportedly said that "China has to publish its intentions of pushing this Initiative, and should not consider the 21st Maritime Silk Road Initiative as its own plan but the plan related to the region like ASEAN" (quoted in Zhang, 2015). Feng Huilan, the former Trade Minister of Indonesia, said in the Boao Forum of 2015, "We both know that there are some worries for people along the Belt and Road, they are fearful about China pushing its products, service and even corporations to other countries forcibly by the Belt and Road Initiative" (*Wangyi Caijing*, 2015). And similar doubts have also been expressed by some think-tanks from ASEAN countries.

Third, there are also persistent conflicts in several sets of bilateral interests. Some media organizations in Thailand believe that the fundamental nature of the Belt and Road Initiative is for China to transfer its excess capacity and productivity abroad, benefiting its own economy through overseas investment construction and realizing the purpose of building a powerful China. They have suggested that there are conflicts between the Belt and Road Initiative of China and the national interests of Thailand; there are worries that once the powerful manufacturing industries of China take Thailand as the dumping market, "Made in Thailand" will die (*Sing Sian*

*Daily*, 2016). Many Vietnamese also contend that Chinese corporations always bring their own construction team, which leaves no opportunity for the local businesses in Vietnam in China-invested projects. Furthermore, the Belt and Road Initiative will only increase Vietnam's economic dependence on China (Wei and Mou, 2015).

Fourth, there are persistent restrictions from different investment rules of various countries. In every two years, the Philippines government updates the restricted foreign investment items. In the ninth version of the restricted list, it bans foreign investment in marine resources development and restricts the share proportions of foreign ownership in the areas of land acquisition and land natural resources development. In the public sector, foreign involvement in operation and management should be less than 40 per cent. This has imposed significant costs for the Chinese corporations investing in the Philippines. Other countries also have similar problems. For example, in Malaysia, there is a rule limiting the importation of Chinese labourers which led to labour shortage for Guangxi's firms to construct a steel plant in Kuantan. In Indonesia, there are rules restricting the export of raw ore.

Fifth, opposition from NGOs in some countries could be a concern for Chinese enterprises. A great number of NGOs in Myanmar supported by western countries are working against three big China-invested projects in Myanmar, which are the Myitsone Dam project, Letpadaung Copper Mine, and the Sino-Myanmar Railway (from Kunming to Kyaukpyu) Project. Besides, in Laos, people are fearful of the disruptions brought by China's projects and are concerned that these projects will harm the environment. After the anti-Chinese protests in Vietnam in 2014, the Vietnamese public in general has a hostile view towards China.

Sixth, there are always doubts about the quality of Chinese enterprises. The image of Chinese enterprises has always been inferior to Japanese enterprises, which have been investing and operating in Southeast Asia for a long period of time. Chinese enterprises, especially some small and medium-sized enterprises, are sometimes too profit-oriented and have neglected to fulfil their social responsibilities to the societies they are investing in. They cut down trees, dug the mineral resources, and damaged the environment in Myanmar, Laos and Cambodia, which are unwelcome by the locals. Although the more established and well-governed state-owned enterprises are taking steps to build a better image of Chinese enterprises, the process is comparatively slow.

Seventh, disturbance by external factors could create unwanted complications. The United States' Asia-Pacific "Re-balancing Strategy" has caused China problems and there will be new policy actions in the future. In respect to the South China Sea dispute, the Philippines and Vietnam may further strengthen relations and military cooperation with the United States. In May

2016, after United States President Barack Obama's visit to Vietnam, the United States has promised to fully lift the ban on arms sales to Vietnam, and the bilateral military cooperation has been reinforced. The second leg of the United States' "Re-balancing Strategy" is in the aspect of the economy. The United States has strengthened economic relations with ASEAN countries, and four of the ten ASEAN countries, namely Singapore, Brunei, Malaysia and Vietnam, have reached agreement to join the Trans-Pacific Partnership (TPP). Three other ASEAN countries, namely the Philippines, Thailand and Indonesia, are actively applying for membership in the TPP. As Indonesia puts it, joining the TPP is a signal of ASEAN countries leaning towards the United States economically. Even Cambodia has received the invitation from the United States to join the TPP. In addition to the United States factor, there is also the Japan factor. Japan has expanded its investment in Southeast Asia and has competed fiercely with China in many projects in Southeast Asia. For example, Japan recently used a lower interest rate and shorter reimbursement deadline than China to attract Indonesia to cooperate with Japan to build the Bandung–Jakarta railway. Besides, Japan also expanded the loan amount of the Bank of Asia to compete with the China-led Asian Infrastructure Investment Bank. Finally, new problems of some established projects may crop up unexpectedly. An example of which is the China–Thailand Railway project. Out of consideration about the loan interest rate, the Thai government has decided to raise funds by itself rather than securing the loans from China, which is creating pressure for China to push lower its loan interest rate.

## **6. Some Suggestions on Promoting China-ASEAN Industry Cooperation under the 21st Century Maritime Silk Road Initiative**

In order to better construct the 21st Century Maritime Silk Road Initiative and China-ASEAN industry cooperation, the following suggestions are made.

First, enhancing the China-ASEAN inter-governmental cooperation and carrying out relevant agreements. The year 2016 is the starting year of China's 13th Five Year Plan, and also the first year since the ASEAN Community has been declared. China should foster strategic cooperation with ASEAN, seizing the opportunity of the ASEAN economic community and the 21st Century Maritime Silk Road Initiative, deepening industry cooperation between China and ASEAN countries.

To promote the implementation of the 21st Century Maritime Silk Road Initiative, there is a need to carry out the relevant agreements. In November 2015, Chinese Premier Li Keqiang attended the 18th "10+1" (ASEAN plus China) meeting in Kuala Lumpur, and in his speech, he has stated that China is willing to push the Belt and Road Initiative to be integrated with national

development strategies of the regional countries, actively participating in the Master Plan on ASEAN Connectivity, continuing to promote the Pan-Asian railroad construction, signing the transport facilitation agreement with Laos and Thailand as soon as possible, formulating China-ASEAN transport facilitation agreement, and establishing China-ASEAN computer emergency response organizational cooperation mechanism and the China-ASEAN Information Port together. These proposals are very specific in nature for constructing the 21st Century Maritime Silk Road, but they all need to be actively promoted by the involved governments and implemented one by one. Existing platforms such as the Asian Infrastructure Investment Bank, Silk Road Fund, and China-ASEAN Investment Cooperation Fund need to be utilized. At present, the Asian Infrastructure Investment Bank has already entered the operational stage. ASEAN countries and China should play a more important role in jointly building the 21st Century Maritime Silk Road and China-ASEAN industry cooperation.

Second, there is a need to highlight the three common principles stated in the *Vision and Actions* document and fully arouse the enthusiasm of ASEAN. The three common principles of discussing, building and sharing together are the important principles of constructing the 21st Century Maritime Silk Road. China and ASEAN countries should adhere to the principles of equality and realize a win-win solution in industry cooperation. Besides, China should introduce more details about the plan on constructing the 21st Century Maritime Silk Road, leading the ASEAN countries to fully understand the initiative and listening to their voices in order to carry out the principles of discussing, building and sharing together.

Third, adjust the position of the government to the rightful place and let enterprises play the main role. The main bodies in constructing the 21st Century Maritime Silk Road are enterprises, not governments. It should be a model where governments provide the platforms but the real operations are conducted by enterprises. For China, the government should play the role of macroscopic planning and policy guidance, as well as providing policy support and facilitation services for Chinese enterprises to “go out.” When Chinese enterprises go to ASEAN countries, they will encounter some difficulties, such as unfamiliarity with local politics, economy, investment environment, laws and regulations and shortage of professional overseas projects talents. These would require the relevant government departments to form a complete set of “going out” policies, to assist in talent recruitment, and to enhance inter-governmental communications. In addition, the government should utilize the services provided by business organizations and chambers of commerce such as business training. In industry cooperation, it is for the enterprises to play the main role. They are to follow common international business rules, exploit comparative advantages, develop projects, and conduct

marketability operation. It is necessary for the government to avoid excessive administrative intervention.

Fourth, there is a need to resolve the South China Sea issue properly. After the outcome of the South China Sea Arbitration Tribunal, some countries in ASEAN may make use of this opportunity to pressure China. The mutual trust in China-ASEAN relations will then be negatively influenced and that will also affect bilateral industry cooperation. As for the solution of the South China Sea issue, in addition to the “dual-track” approach proposed by China in 2014, Premier Li Keqiang has also put forward suggestions to jointly safeguard peace and stability in the South China Sea by all countries in the 10th ASEAN Summit in November 2015. On this basis, we should further give play to the role of ASEAN in solving the South China Sea issue, accelerating the negotiation on the Code of Conduct (COC), striving to avoid a deterioration in the South China Sea situation.

Fifth, China and ASEAN countries should further promote social and cultural exchanges. Creating an atmosphere of people-to-people closeness and offering each other mutual support and assistance in times of adversity will help the implementation of the 21st Century Maritime Silk Road greatly. At the end of 2015, the ASEAN Community, including the ASEAN socio-cultural community, has been declared. China and ASEAN should make full use of this historic opportunity and strengthen the cultural exchange between both sides. China-ASEAN industry cooperation will not work out without people-to-people exchange and deeper understanding between both sides. As of present, many countries in ASEAN have already relaxed visa requirements for Chinese citizens to promote people-to-people exchange and industry cooperation.

On the other hand, China should step up in the training of students in ASEAN languages to satisfy the needs in industry cooperation with ASEAN countries. As of now, China’s university education of ASEAN languages remains far from adequate. Meanwhile, Chinese academia and government should also encourage the integration of all aspects of knowledge concerning ASEAN and individual ASEAN countries, including politics, history, culture, ethnic characteristics, and so forth, in order to cultivate comprehensive and interdisciplinary talents for China to understand ASEAN better.

## Notes

- \* Professor Lu Jianren 陆建仁 is Chief Research Fellow, China-ASEAN Research Institute, Guangxi University, and also Senior Research Fellow, National Institute of International Strategy (NIIS), Chinese Academy of Social Sciences (CASS). He can be reached at <lujr@cass.org.cn>.



1. Pre-establishment national treatment is to provide national treatment for foreign capital during the entry stage, which means the capital importing country should provide foreign capital treatment that is no less than domestic capital in the pre-establishment stage.

## References

- Sing Sian Daily* 星暹日报 (2016), "The Overwhelming Advantage in Price When Chinese Fruits and Vegetables Dealers Marching into the Thailand's Market: Impacts on the Thai Local Vendors", 4 May.
- Talk Vietnam* (2015), "Experts Sceptical of Maritime Silk Road", 27 November, available at: <<https://www.talkvietnam.com/2015/11/experts-sceptical-of-maritime-silk-road/>>.
- Wanant Kerdchuen (2015), "Foundation for the Future", *Asia Focus*, 2 February.
- Wangyi Caijing* 网易财经 (2015), "Audio transcript in Boao Forum for Asia 2015 Annual Meeting", 27 March, available at: <<http://money.163.com/15/0327/15/ALNM0TPE002555CG.html>>.
- Wei, Qiang 韦强 and Mou Shan 牟珊 (2015), "An Analysis of Vietnamese Attitudes towards China 越南民众对华心态评析", *Consensus Net* 共识网, 20 June, available at: <[http://www.21com.net/articles/world/zlwj/20150620125973\\_all.html](http://www.21com.net/articles/world/zlwj/20150620125973_all.html)>.
- Zhang, Yuan-an (2015), "The Belt and Road Initiative: the Profound Strategy Proposed by Chinese Leaders", *China Daily*, 1 April, available at: <<http://translate.chinadaily.com.cn/article-304760-1.html>>.



# **Book Review**



## Book Review

Priscilla Roberts (ed.), *The Power of Culture: Encounters between China and the United States*, Newcastle, UK: Cambridge Scholars Publishing, 2016, 603 pp.

Sino-US interaction represents one of the most critical international relationships of our times. The former, a rising global power, and the latter, the incumbent superpower, are jostling, subtly at best, for pole position in a still evolving new world order. And we are witnessing the dispatching of both hard and soft power in this geopolitical rebalancing. Like the Americans, the Chinese are dispensing their intangible assets. In addition to political and economic diplomacy, this charm offensive contains a pronounced projection of cultural power, with the aim of procuring international goodwill and strategic advantage.

*The Power of Culture: Encounters between China and the United States* examines this aspect of the multifaceted Sino-US rivalry. It is a collection of conference articles from the American Studies Network (ASN), a professional entity representing China-based scholars of America studies. As such this book advances a unique point of view, namely, a mainland Chinese perspective of the encounter between these two world powers. Multidisciplinary in scope, it looks at the ongoing engagement from divergent viewpoints, involving fields ranging from political science and international relations, to historical, anthropological and cultural studies.

These divergent essays are organized under three main themes. Part I (Perspectives on Sino-American Relations) is a survey of this important bilateral tie, examine through the lenses of their cultural engagements. It begins with an analysis of the US strategy in East Asia in terms of geopolitics and cultural ambitions. This is followed by a set of articles analyzing the Reagan Administration's policy towards China, American Presidential War Rhetoric, and a taxonomic review of Obama Administration's addresses pertaining to China, among others. The section ends with two studies, one on China's "New Long March" to challenge American cultural primacy and the other the role of US think tank in shaping the American cultural security.

The focus of Part II (Educational Exchanges) is on the interplay of cultural powers within the education arena and looks at it from three angles. The first addresses the American impact on the Chinese world. Set within the backdrop of what he calls a "Cultural Cold War", Zhang Yang

elucidated the not widely known American role in the establishment of the Chinese University of Hong Kong. Next we have an analysis of the effects of Chinese Fulbright scholars upon their return to China from the US. The second set of articles broadly deals with the significance and challenges facing the two countries' educational exchange programs such as the ACCEX Network, and US-China Education Trust. Part II also delves into the more recent Beijing's initiative at cultural and educational diplomacy, namely, the Confucius Institute project. The worldwide establishment of these primarily language teaching (thus far) state-sponsored entities have generated criticisms and controversies, especially in the West. Ye Ying analyzed the American trepidations with a review of the US mainstream newspaper reporting on these language centres. Notwithstanding some underlying consternations, the author surmises that the American perception of the Confucius Institutes remains on the whole a positive one, an assessment that some may find as insufficiently critical.

The final and also largest segment of the book, Part III (Cultural Encounters: Representations, Appropriations, and Interpretations) contains a series of essays attending to the Chinese and American conception and perception of each other, as depicted by the US popular cultures and mass media, covering mediums and materials that include novels and comics, TV dramas and reality shows, Hollywood movies and rock music. The thrust of these inquiries is centred around the issues of women and gender, sexuality and family life, though not exclusively. A number of the articles analyze the American historical reception and contemporary treatment of Chinese men and women. These researches also decipher how the American characterizations of the Chinese shaped the Chinese self-identity and in turn colour the Chinese image of America.

At the outset, this is a significant corpus of works pertaining to the encounter between China and America in general and their cultural power play in particular. The strength of such an anthology is its scope, offering readers a wide ranging perspective on the subject at hand. On this account, *The Power of Culture: Encounters between China and the United States* is a good resource for students as well as scholars researching on the Sino-US relationship and their soft power contestation specifically. However as with most edited compilations, the relevance and quality of the presented articles do vary notably. For example, the piece on the Joy Luck Club and its bearing on international relations is not immediately obvious. That said, this title remains, all in all, a body of commendable scholarship and a valuable contribution to the existing literature.

Peter T.C. Chang  
Institute of China Studies  
University of Malaya

# International Journal of China Studies

Volume 7

Number 1

April 2016

ISSN 2180-3250

## Research Articles

Assessing the Progressive Services Liberalization in the  
ASEAN-China Free Trade Area (ACFTA) 1  
*Yoshifumi Fukunaga and Hikari Ishido*

The Challenge of Conflict Resolution in the  
South China Sea Dispute: Examining the  
Prospect of a Stable Peace in East Asia 23  
*Renato Cruz De Castro*

The Effect of International Relations on Cross-Border  
Economic Ties: A Case Study of 53  
Taiwan's Economic Policies toward China  
*Chien-Kai Chen*

US-China Relations: A Media Perspective 79  
*Chen Xi and Francisco X. Garcia*

## Research Note

Shaping Collective Attitudes: A Textual Analysis of the  
"China Dream" 101  
*Lim Tai Wei*

## Book Review

Abdul Razak Baginda, *China-Malaysia Relations and  
Foreign Policy* 117  
*Reviewed by He Yanqing*

# International Journal of China Studies

Volume 7

Number 2

August 2016

ISSN 2180-3250

## Research Articles

Globalizing the Chinese Social Assistance Program:  
The Authoritarianism That Listens? 121

*Huisheng Shou*

Culture and Commerce: China's Soft Power in Thailand 151

*Kornphanat Tungkeunkunt*

Normative Hierarchy in Informal Economic Institutions:  
Docile China versus the Assertive West 175

*Hironori Wada*

## Research Notes

Effective Corporate Board Structure and Agency Problems:  
Evidence from China's Economic Transition 199

*Zhang Cheng, Cheong Kee Cheok, Rajah Rasiah and  
Zhang Chen*

Understanding the Economic Diplomacy between the  
Philippines and China 215

*Tina S. Clemente*

## Book Reviews

William J. Norris, *Chinese Economic Statecraft: Commercial  
Actors, Grand Strategy, and State Control* 237

*Reviewed by Jonathan Eli Libut*

Edward N. Luttwak, *The Rise of China vs. the Logic of Strategy* 239

*Reviewed by Kai Chen*



Call for Papers



# Issues & Studies

A Social Science Quarterly on China, Taiwan, and East Asian Affairs

*ISSUES & STUDIES* (ISSN 1013-2511), published quarterly by the Institute of International Relations, National Chengchi University, Taipei, Taiwan, is an internationally peer-reviewed journal dedicated to publishing quality social science research on issues—mainly of a political nature—related to the domestic and international affairs of contemporary China, Taiwan, and East Asia, as well as other closely related topics. The editors particularly welcome manuscripts related to China and Taiwan. Authors may submit via e-mail an original manuscript copy, a half-page summary, and five keywords in Word format to <[issues@nccu.edu.tw](mailto:issues@nccu.edu.tw)>. In order to ensure the anonymity of the review process, *we ask that all correspondence regarding submissions be direct to this e-mail account.*

Subscription: annual subscription rate is US\$40.00, plus postage of US\$12.00 (surface mail) or US\$28.00 (air mail). Please pay in advance by check payable to National Chengchi University.

### *Issues & Studies*

Institute of International Relations  
National Chengchi University  
64 Wanshou Road, Wenshan District 116  
Taipei, Taiwan (ROC)  
TEL: 886-2-8237-7377 FAX: 886-2-2939-7352  
E-mail: [issues@nccu.edu.tw](mailto:issues@nccu.edu.tw)  
Website: <http://is.nccu.edu.tw>



INSTITUTE OF INTERNATIONAL RELATIONS  
NATIONAL CHENGCHI UNIVERSITY, TAIPEI, TAIWAN (ROC)



### Call for Monographs: Book Series on East-West Cultural Encounters in Literature & Cultural Studies

This Series seeks scholarly works on intercultural encounters in literature, particularly East-West precolonial, colonial, or postcolonial contacts that expose, problematize, or re-create the sense of locality, historicity, and subjectivity. The Series especially welcomes monographs written in English or other languages translated into English. Conference volumes or edited volumes by multiple authors will not be considered at this time. Volumes of essays with a thematic focus written by a single author, however, are welcome. We also encourage the submission of revised doctoral dissertations which employ innovative concepts related to our topics. Suggested topics include but are not limited to the following:

- Colonial literature in the countries of the Asian Pacific Rim
- Transpacific or transatlantic cultural or literary routes/roots
- New cultural identities in literature in neocolonial and global Asia
- The relationship between Asia and Oceania
- The contacts between Asia and Europe or the Americas
- Theoretical paradigms of globality and worlding
- Convergences and divergences of exile, diaspora, and expatriation
- Asian diasporic writing in the new millennium
- Canons and genres
- Classics in modern contexts
- Cultural translations of Sinophone, Anglophone, Francophone and/or Hispanophone literatures

A leading university in the world, National Taiwan University is striving for more international collaborations and scholarly exchanges. NTU Press, playing an important role in disseminating top-notch research and scholarship in the Chinese-speaking academy, is now expanding its scope of publication in English. All submissions will be assessed by the Editors and reviewed by anonymous readers. Once the book project is approved, the author(s) will receive a contract from NTU Press. Please send a book prospectus, the author's CV, and a sample chapter to the Editors. The manuscript should employ the MLA format and style, and only a completed manuscript will be considered.

Series Editors

Dr. Bennett Yu-Hsiang Fu ([bennettfu@ntu.edu.tw](mailto:bennettfu@ntu.edu.tw))

Dr. Chi-She Li ([jjsheli@ntu.edu.tw](mailto:jjsheli@ntu.edu.tw))