

东亚研究所通讯

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## Cross-Strait Relations: Typhoon Morakot and the Dalai Lama

*After a honeymoon period of 14 months, cross-Strait relations have been strained as a result of the Dalai Lama's recent visit to Taiwan in the aftermath of Typhoon Morakot, which savaged southern Taiwan and embroiled President Ma Ying-jeou in a political storm.*

BO ZHIYUE & OU-YANG HSIN-YI

**I**n the eyes of Beijing, Ma Ying-jeou is a much more desirable leader to deal with than his predecessors such as Lee Tenghui and Chen Shuibian. Beijing has chosen to ignore his failings and cooperated with him on all major issues. The hiccup of the Dalai Lama's visit is likely to pass without any significant negative consequences for cross-Strait relations.

### A HONEYMOON BETWEEN TAIPEI AND BEIJING

Cross-Strait relations entered a honeymoon period when Ma Ying-jeou was inaugurated as President of Taiwan on 20 May 2008. One month before the inauguration, Vice-President-elect Vincent Siew had already been received by China as the chief delegate to the Boao Forum for Asia and had had a meeting with President Hu Jintao. Soon after the inauguration, cross-Strait relations went on a fast-track of substantial improvement. Within one short year (from June 2008 to April 2009), the newly reconstituted Straits Exchange Foundation met its counterpart, the Association for Relations Across the Taiwan Straits, three times. The two sides signed a series of agreements on charter flights, direct flights, direct communications and direct maritime shipping, as well as expansion of mainland tourists to visit Taiwan, food safety, mutual assistance in anti-crime activities, etc.

After eight years of rule under the Democratic Progressive Party (DPP), a political party that purports to promote Taiwan's de jure independence from China, the pent-up energy for a closer mutually beneficial cross-Strait cooperation finally found its outlet. In this harmonious atmosphere of mutual goodwill, the momentum for still better relations seems unstoppable and irreversible. When Ma Ying-jeou announced his intention to run for chairmanship of the KMT in June 2009, it was widely speculated that he might be preparing for a summit with his counterpart, General Secretary Hu Jintao of the CCP. Less than two weeks after Ma had been elected as chairman of the KMT, however, things appeared to be turning south for him.

### TYPHOON MORAKOT: NATURAL DISASTER AND POLITICAL STORM

On 7 August 2009, Typhoon Morakot hit Taiwan with a torrential downpour. In the subsequent three days, the rainfall and mudslides claimed about 700 lives and caused serious damage to homes and infrastructure in southern Taiwan. In the face of the natural disaster, Ma Ying-jeou and his government proved to be quite ineffective. During the critical hours, none of his key associates were available for supervising disaster relief efforts. The Vice-President was on sick leave; the Premier was having a hair-cut; the cabinet secretary was having dinner with his father-in-law; and Ma himself was attending a wedding ceremony.

*continued on page 14*

## Developments in Asia Encouraging Despite the Global Economic Crisis

China seemed to have weathered well the global financial storm triggered by the US sub-prime mortgage crisis and the collapse of Lehman Brothers more than a year ago. Indeed, it is on track to attain at least eight percent GDP growth for 2009. This year, the country celebrated the 60th anniversary of the establishment of the People's Republic of China and its people would have much to be proud of: a better standard of living for a majority of its citizens and a rising power in the world.

It is not inconceivable that the next few decades may be even more challenging for the Chinese political leadership. This issue of the *EAI Bulletin* examines some of these problems confronting Beijing. These include managing relations with Taipei, handling local protests (exacerbated by rising income inequality and availability of information technology), accommodating an emerging new rich (which creates much ambivalence and envy among many, and class tension), forging better inter-ethnic ties, and combating endemic corruption.

However, there are silver linings to the dark clouds of 2009 in East Asia. With the advent of the Ma Ying-jeou administration in Taiwan last year and the Hatoyama administration in Japan this year, it is anticipated that relations between Beijing and its neighbours are likely to improve further. The Ma administration does not seek *de jure* independence for Taiwan, and the Hatoyama administration envisages a future-oriented relationship with Beijing including a partnership within an East Asian

Community. Included in this issue is also a discussion of a possible Free Trade Agreement between the Mainland and Taiwan.

The year 2009 is also a historical turning point for Japan. For the first time since 1955, the main opposition party, the Democratic Party of Japan, has won more seats than the hitherto perennial party-in-power, the Liberal Democratic Party, in the recent Lower House Election. The new ruling DPJ seeks to change policymaking in Japan from bureaucracy-led to politician-driven; it also seeks a larger international role (including a leadership role to curb global warming) and a more equal partnership with its US ally.

For an update of important events and trends in East Asia, please check the website of the East Asian Institute. Our website provides synopsis of policy briefs written by EAI staff, books published and weekly public seminars and conferences organised by the Institute. I hope that you will find our website helpful and the latest issue of the *EAI Bulletin* stimulating. You are most welcomed to attend our public seminars and conferences, and interact with our speakers and EAI research staff on intellectual issues of common interest. ■



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# Free Trade Agreement between Mainland and Taiwan?

*The signing of an ECFA will have significant long-term implications economically, politically and strategically.*

ZHAO HONG

The past year has witnessed the most rapid improvement in cross-Strait relationship in decades. At the third round of cross-Strait talks in Nanjing on 26 April 2009, Taipei and Beijing inked three agreements on launching regular flights across the Taiwan Strait, enhancing financial cooperation, and jointly cracking down on crime and offering mutual judicial assistance.

Such initiatives are important to normalising cross-Strait economic relations. The talks also reflected Ma Ying-jeou's overall policy of lowering tensions with Beijing by focusing on economic issues. Indeed, cross-Strait relations have taken a dramatic turn since Ma Ying-Jeou took office in May 2008.

By late 2008, the "three links" have been largely achieved with the signing of four agreements, including those on air transport, direct sea transport, postal cooperation and food safety. Moreover, restrictions on two-way investment have been gradually lifted, after the two sides reached a consensus on 26 April 2009.

While progress in cross-Strait relations has been remarkable since Ma took office in May 2008, it did not come as a surprise and rather a process long due. Over the last decade, Taiwan has been feeling increasingly marginalised, being excluded from East Asia's move towards regional integration. More urgently, the island is experiencing the most serious economic depression in decades as the US-led financial crisis spread globally.

Facing the big challenges of quickly reviving the economy and improving its long term prospect since day one in office, Ma moved quickly to focus on economic issues. In addition, to normalise cross-Strait economic relations, negotiations for an Economic Cooperation Framework Agreement (ECFA), a quasi-FTA concept, were proposed.

In early 2008, the Ma administration proposed to discuss the possibility of signing a Comprehensive Economic Cooperation Agreement (CECA) with the mainland. Ma later renamed it to ECFA, which sounds closer to an FTA and also conforms to the bilateral trade principles of the World Trade Organization (WTO). According to Ma's proposal, the signing of ECFA will allow free flow of merchandise, services and capital between Taiwan and the mainland. Issues to be addressed include tariffs, non-tariff measures, investment protection, intellectual property rights and a mechanism for dispute mediation.

The possibility of signing either an ECFA or a CECA with the mainland has prompted extensive discussion and vigorous debates over the past months, including furious criticisms from the opposition Democratic Progressive Party (DPP), which is often ideology-oriented, and tends to

label Ma's cross-Strait initiatives as "selling out Taiwan". The DPP fears that the proposed agreement will inevitably involve delicate political issues that will lead to serious social conflicts in Taiwan, and accused the Ma administration of selling out Taiwan's interests in exchange for closer cross-strait economic ties, arguing that normalising economic relations with China brings Taiwan additional national security risk.

The opposition also argues that an ECFA will lead to "industrial hollowing-out" in Taiwan as more enterprises move to the mainland. It believes that some industries in Taiwan, such as agricultural and service sectors, will be seriously harmed because, based on WTO rules, "Taiwan cannot expect China to unilaterally give Taiwan preferential treatments without providing China an equally beneficial status in the course of liberalising the market."

Based on these reasons, the DPP insists on pushing for a referendum on the ECFA proposal although Ma Ying-jeou repeated his view that only issues involving independence or unification need to be put to a referendum, and there was no necessity for a referendum to decide on his proposed ECFA. This again highlighted the distance and

confrontation between the ruling and opposition camps.

Nevertheless, given the rapid growth in bilateral trade, investment and tourism, both sides of the strait are positioned to benefit from further institutionalisation of their economic and trade relations. The signing of an ECFA can set clearer rules for normalising cross-Strait economic relations so that enterprises from both sides can operate in a more stable and predictable environment.

The signing of an ECFA will also have significant long-term implications economically, politically, and strategically. Through an ECFA, the mainland intends to enhance cross-Strait economic integration in the hope that stronger economic ties will bring Taiwan closer politically and culturally, thus preventing Taiwan from drifting away and creating conditions for cross-Strait political integration.

For Taiwan, an ECFA will help reduce cross-Strait hostility, which in turn improves Taiwan's economic outlook. With improved economic relations with the mainland, Taiwan could look forward to enhancing the island's competitiveness by attracting more foreign direct investments from multinationals and to take part in the emerging East Asian economic community. Cross-Strait relations are also more likely to enjoy a higher level of stability and prosperity in the long run. ■

**The opposition tends to label Ma's cross-Strait initiatives as "selling out Taiwan"**

Zhao Hong is Visiting Senior Research Fellow at the EAI.

# Matrix of Income Inequality, Local Protest and Information Technology

*The poor are getting poorer while the rich are becoming richer in China which has one of the highest rates of income disparity in the whole of Asia.*

YU HONG

The Chinese government faced a growing number of large-scale social protests over the last decade despite a boom in its economy. More importantly, many of these protests have been violent. In Wengan County, Guizhou, the protestors attacked a police station and burned government buildings in 2008. A violent confrontation between rubber farmers and policemen in Menglian county, Yunnan, ended with the death of two rubber farmers. The Chinese leaders are deeply concerned about the situation. Workers laid off from state-owned enterprises and peasants deprived of their land are the two main groups in such protests. Due to the global economic crisis, millions of migrant workers have lost their jobs since 2008, and it will take years for the government to create new jobs for such large numbers of workers. Facing increasing economic hardship and perceived uncertainties, migrant workers could become a major source of social instability in China.

A lack of effective legal channels and social forums for expression of their grievances has led the disadvantaged to adopt brutal and extreme means to get their voices heard and resolve their problems. The power of new information and communication technologies (ICTs) such as the Internet, email and cell phones have undermined the government's capability to contain social protests.

The widespread use of ICTs makes it difficult for the state to block information. In the past, it took days to transmit information: nowadays, with modern technology, it can take a few seconds. The fact that the new ICTs can act as pathways for information dissemination and mobilisation of the people is demonstrated by the SMS (Short Message Service) message-initiated protest against the polluted chemical project in Xiamen City, Fujian.

Garrett's study (2006) suggested that the relatively low cost of spreading information via ICTs might lead to a further upsurge in public protest. Interestingly, Nokia is developing a new cell phone that includes image recognition capabilities and a satellite-positioning system. Holding up handsets, people may be able to see the precise locations of protestors in the future.

The various triggers of social protest range from income disparity, corruption and environmental pollution to illegal land seizure. Rapid industrialisation and economic growth have intensified the seriousness of these issues, particularly in the form of rising income disparity. There is strong statistical evidence, based on Gini coefficient levels, that income inequalities in China have been increasing dramatically over the past decade and greatly exceeding the internationally accepted "danger level" of 0.4. The poor

people are getting poorer, while the rich are becoming richer. The emergence of a new rich class of corrupted officials, entrepreneurs and scholars has further strengthened the perceptions of unfairness and injustice among the ordinary people.

China claims to be a socialist country with its principles based on equality; ironically, it has one of the highest rates of income disparity in the whole of Asia. The Chinese government cannot build a harmonious society unless it seriously addresses the problems of economic unfairness and injustice. The state cannot curb social protests by promoting economic growth alone. A fair mechanism for wealth redistribution and the establishment of social justice are important tasks now facing the government.

The local governments, unrestrained by proper checks and balances, have frequently used harassment and repression to crush social protests. The increasing number of such protests highlights the importance of establishing mechanisms for social dialogue and negotiation and effective institutions to resolve social conflicts in China. These violent incidents reflect the lack of trust and communication between government and people and particularly the shortcomings of local governments. The Han Chinese recently protested against successive syringe attacks and demanded better protection in Urumqi, capital of China's most troubled region, Xinjiang. Li Zhi, the then Party Secretary of Urumqi, stood atop an anti-riot tank to call for the protestors to stay calm and maintain social order. However, this is not the proper way to engage in dialogue with protestors or resolve social conflicts in modern society. These means are in fact counterproductive in that they may well add fuel to an already explosive situation.

Instead of promoting the case for regime change, the majority of social protests focus only on local issues. Also, although the frequency of large-scale social protests is increasing, they are largely spontaneous. The middle class, intellectuals and business elites, who benefit from rapid economic development, have shown very little interest in supporting or engaging in social protest. Therefore, these spontaneous protests have not evolved into a movement for national political reform in China and are unlikely to undermine the ruling power of the Chinese Communist Party and directly threaten regime stability. However, if these massive social protests are not properly handled, they could have a negative effect, not only on social stability, but also on the long-term economic development of China. ■

Yu Hong is Visiting Research Fellow at the East Asian Institute

# China's New Rich: Privately Admired but Publicly Hated

*Despite their wealth and political status, China's super rich are not fully accepted by the larger society. There is a danger of China heading towards a fractured society in which social cohesion is at high risk.*

ZHAO LITAO

**W**ealth creation is a result of economic development. The emergence of the new rich is particularly rapid in China since the early 2000s, thanks to the booming property market, the double-digit economic growth on a much larger scale, and IPOs becoming a new way of wealth creation. Analysts are now talking about the coming of age of China's new class of wealthy.

The question is how this group is being accommodated by the larger society. Elsewhere, the rise of the new rich often leads to conflict between the "new money" and the "old money"; in China, such a scenario is unlikely as the "old money" was largely destroyed by the Communist revolution. Still, social tensions can exist between the new rich and the rest of society, thus creating an uncommon situation of status discrepancy in which money does not translate into social prestige.

Over the years, the Chinese Communist Party (CCP) has played an important role in legitimating the moneyed class. After the 1989 Tiananmen incident, the CCP sought to maintain regime stability by limiting political activism, accelerating economic reforms, and co-opting the elite class into the system. The new strategy of building an extensive "elite alliance" included not only the intellectual and cultural elite, but also the economic elite.

Despite much controversy, the CCP amended the Party Constitution to allow private entrepreneurs to join the party. Channels of political participation for this rising group were also opened up. Becoming a delegate to the National People's Congress (NPC) or the China People's Political Consultative Congress (CPPCC) is an important way to enhance the political status of private entrepreneurs. According to Hurun China Rich List, the earliest and most influential list about China's super rich, in 2008, one-third of the people on the list were party members, and 15 per cent were either NPC or CPPCC delegates.

In stark contrast to their enhanced political status, the social status of China's richest people is more ambiguous and complicated. Their money does not automatically translate into high social prestige, as is the case in most other societies. Instead, towards them the general public has mixed feelings of admiration and aspiration in private, and resentment and ridicule in public.

History plays some part. Private entrepreneurs were de-legitimated and eliminated in the Mao era. In the early 1980s, the first ones that entered private business were most likely those who did not receive much education and could not find a job in the state or collective sector. The image of private entrepreneurs China's richest people back then was as bad as it could be.

After CCP legally recognised private enterprises in 1988, people with secure jobs in the state sector began to "jump into the sea". Many of the richest in the 1990s had what it took to become well respected in society: good education and high prestige brought over from their previous job. Yet their money was considered "dirty". They were believed to have amassed wealth through smuggling, bribery, tax evasion, theft of state assets and other illegal means. The

biggest winners were reportedly children of high-ranking officials or those who have cultivated good connections with them.

China's mass media, while shedding positive light on the moneyed lifestyle and playing an important role in legitimating wealth and consumerism, successfully focused public attention on the "original sin" of China's richest people. A most recent example is Huang Guangyu, the richest person in China for the third time in five years until 2008. Huang was detained that year on charges of manipulating share trading in two listed companies. It does not matter whether his arrest was politically motivated or

not; it only reinforces the perception that China's super rich are problematic.

The growing income inequality is the second factor that brews a sense of relative deprivation, which in turn fuels public resentment towards the super rich. A third factor has to do with the cultural expectation of the rich to be kind as well. Traditionally, the rich were expected to have varying responsibilities towards members of their extended family, lineage and local community. "The unkind rich" were looked down upon by other family and community members. In today's China, the super rich are often criticised for being exploitative of their employees (usually migrant workers from poor areas) while donating little to charity organisations.

On their part, China's super rich increasingly turn to consumerism as a source of identity and status, drawing applause from the international media and

**The divide between the super rich and the rest has real consequences. In early 2003, three leading private entrepreneurs were murdered within three weeks of each other.**

*continued on page 12*

# Ethnic Policy: What could China Learn from Singapore?

*The riots and bloodshed in Xinjiang this July and in Tibet last March revealed deep-rooted problems in China's ethnic policies and called for changes. As Singapore has done a much better job in this regard, the Chinese government may benefit from the experience of Singapore.*

SHAN WEI

**L**ike China, Singapore is a multi-ethnic and multi-religion country. In July 1964, a deadly violence took place between ethnic Malays and Chinese, resulting in casualties of over 400. During the early days of independence in 1965, Singapore was a "state without a nation". Ethnic Chinese, Malays and Indians did not identify themselves with a Singaporean nation. Political leaders had to struggle hard to build a national identity with the slogan "one people, one nation, one Singapore."

One important measure of nation building is the Housing and Development Board (HDB). During British rule, ethnic groups were concentrated in their own villages. After independence, the government set up the HDB to provide subsidised public housing to citizens. More than 80 per cent of Singaporeans are now living in HDB apartments sold under a quota system which ensures that all communities composed of residents from different ethnic groups. People with different linguistic, religious, and cultural background live and participate in community activities together, thereby developing a mutual understanding and ultimately, a common identity.

The government has also acted to reduce economic inequality across ethnicities. In the early years, while Chinese and Indians worked mostly in industries and businesses, Malays were mostly farmers and fishermen, making them economically disadvantaged. The government provided training programmes to help the Malays move up to work in industries and business. Tuition fees for Malay students were waived in elementary and secondary schools to prevent any one of Singapore's ethnic groups from lagging behind in the decades of rapid economic growth.

Political and cultural rights of minorities are also well protected. In parliamentary elections, among the three to six candidates in each constituency, at least one must be from a minority group. A number of crucial cabinet members and most former presidents are non-Chinese.

In education, while English is the first language, students are required to study their mother tongue. Important holidays of every ethnic group are public holidays for the entire nation. Based on the principle of separation of state and church, the government treats all religions equally, and cabinet members sometimes attend religious ceremonies. More importantly, citizens are educated from childhood to respect the lifestyle and customs of other ethnic groups.

An important institutional arrangement is the grassroots organisations. In each housing community there is a Residents' Committee or Neighborhood Committee led by the People's Association, a network devoted to social cohesion and racial harmony. The committees composed of representatives from different ethnic groups, working as an early warning system. The committees will take immediate action to mediate disputes and report to the government, resolving any racial conflicts at an early stage.

Politically, decision makers in China can learn from Singapore by changing "nationality policy" to "ethnic policy." "Nation" or "nationality" is politically defined and implies the right of national self-determination. In contrast, ethnicity is a cultural concept, related to languages, religions, and customs.

As a modern nation-state, there should be only one nation. The Uygur, Tibetan, Hui, and Han Chinese are culturally distinctive, but politically and legally, they are equal citizens.

The Chinese government may want to abolish preferential policies which distinguish between the Han and the minorities and treat everyone equally. In the minority areas, the government could establish inter-ethnic communities and promote racial harmony through communication and mobility.

Economically, increasing the income of minorities and improving their competitiveness in the job market are salient. Bonus credits in college entrance examination are not enough. More resources should be invested in basic and vocational education to help minority youths go to college and develop marketable skills.

Minority cultures and religious beliefs need to be respected by both the government and other groups. In formal education, decision makers may want to include more minority history and culture, and avoid any Han-centric perspectives in the teaching of Chinese history. Students need to learn to respect other people with different ethnic identities and lifestyles.

Village committees and residential committees should take responsibility for maintaining ethnic harmony. The Xinjiang riots on 5 July resulted from a brawl between Uygur and Han workers in Guangdong on 26 June. The local government was slow in reducing the ethnic tension and preventing the riots, revealing the failure of grassroots organisations in minority areas. ■

Shan Wei is Visiting Research Fellow at the East Asian Institute

**The local government in Xinjiang was slow in reducing the ethnic tension and preventing the riots, revealing the failure of grassroots organisations in minority areas.**

# China's Multi-Dimensional Measures against Corruption

*China has made tremendous efforts in curbing corruption in recent years. However, much still needs to be done to win its war on corruption ...*

CHEN GANG

**A**lthough the party-state does not have a good reputation in corruption prevention and law enforcement, China's ranking in the global Corruption Perceptions Index 2008 (CPI) compiled by Transparency International was actually the best among the four emerging economies in the BRIC (Brazil, Russia, India and China) and commensurated with the country's current economic and social development.

China's rampant corruption is attributed to a number of factors, including the one-party political system that lacks an independent judiciary system, illegalises opposition parties and controls the media; the relatively low-level economic and social development; the country's vast area and large population governed by multi-layered regimes; and the fast institutional changes during the reform and open-door process that has created numerous policy loopholes and ambiguities. Globalisation and urbanisation also complicate the whole issue, making it more difficult to detect commercial corruption in all sorts of covert forms.

China's top leadership understands that uprooting corruption is a mission impossible in the current political, economic and social context; however, with painful memories of the 1989 Tian'anmen Square protests triggered by the public's anger over official profiteering and embezzlement, the leaders also know that the party has to remain high-handed to prevent such large-scale corruption from escalating out of control. As many of these cases have become internationalised and too excessive, the party's reputation and legitimacy are at stake, especially when more than 330 million Chinese people are using the Internet that is difficult to censor.

China today still retains the use of the death penalty for corruption and other economic offences, with high-ranking officials being executed occasionally. The Party has launched a number of high-profile campaigns and designed new mechanisms against corruption since early 1990s. Every year about 150,000 officials are punished for bribery, corruption and other offences. To clamp down on the rise of collective corruption and rampant smuggling in the 1990s, the incumbent Jiang Zemin-Zhu Rongji leadership cracked a multibillion-dollar smuggling operation led by Lai Changxing (head of the Yuanhua Group) in east China's Fujian Province, with hundreds of people involved and arrested. The tough action in the Yuanhua case effectively stemmed smuggling activities along the coastline, but it did not prevent corruption from spreading to new areas such as land transactions, privatisation of state assets and infrastructure construction.

**Although western observers often criticise China's anti-corruption work as being ineffective and superficial, the CCP's long-time adherence to high-handed actions with multi-dimensional means does prevent corruption from being a fatal threat to the Party's ruling status or undercutting the economic growth.**

Since 2003, China has decided to make the annual state audit report open to public scrutiny. The report by the State Audit Office, a cabinet department within the State Council, has formed the basis of judiciary investigations into graft, with the state press following up on the report findings in what has come to be known as China's "audit storm". Almost all government departments and state-funded institutions have to go through the annual auditing, which usually uncovers misappropriated funds worth billions of RMB each year.

In 2005, under the new leadership of Hu Jintao, the CCP launched a rectification campaign partly to address corruption and the "moral degeneration" of its officials. The campaign was primarily targeted at abuses that undermine the economy, such as illegal privatisation of state assets and extraction of illegal fees from residents. Although a large number of corrupted officials were investigated and jailed, it did not change the whole situation fundamentally.

In 2006, Chen Liangyu, former party secretary of Shanghai and Politburo member, was dismissed from public offices for his alleged involvement in a large-scale social security fund scandal in Shanghai. Chen and a number of officials in Shanghai were jailed. He is currently the highest-ranking official charged with corruption since 2000.

In 2007 the Chinese government established the National Bureau of Corruption Prevention (NBCP), which reports directly to the State Council. The bureau is said to supervise and regulate the use of power, adopt effective measures to prevent the abuse of power, find loopholes in new policies that may give rise to corruption and study countermeasures, and push for information sharing among the prosecutors,

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# Recent Staff Publications

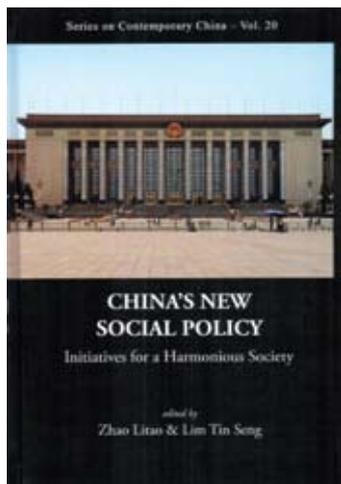
## Books

*China's New Social Policy: Initiatives for a Harmonious Society*

**Editors:** Zhao Litao and Lim Tin Seng

**Publisher:** World Scientific Publishing

**Year of Publication:** 2009



After more than 30 years of rapid development, China has established itself as an important engine of growth for the world economy. This achievement, however, came with a hefty price, in the form of serious pollution in its developed regions and social problems in areas such as healthcare and housing. This book studies some of such problems and provides

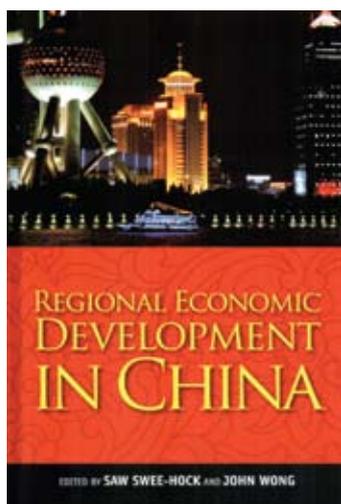
an updated account on a wide range of new social policy initiatives in China.

*Regional Economic Development in China*

**Editors:** Saw Swee Hock and John Wong

**Publisher:** ISEAS Publishing

**Year of Publication:** 2009



This book incorporates a selection of 14 revised papers presented at the international conference jointly organised by the Saw Centre for Financial Studies, NUS Business School, and the East Asian Institute recently.

The 14 chapters discuss in considerable detail the recent shift adopted by the Chinese government towards the regional development of the country to achieve a more balanced economy

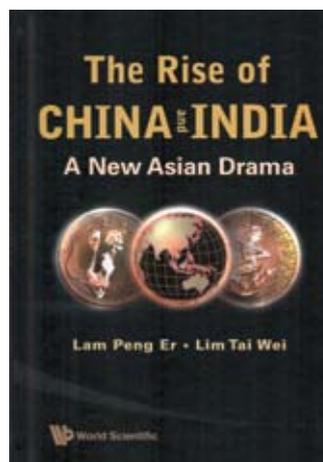
for the whole country. The economic challenges and opportunities in various parts of the region are examined in the context of this new policy. The book will be invaluable to businessmen, analysts, academics, students and policy makers.

*The Rise of China and India: A New Asian Drama*

**Editors:** Lam Peng Er and Lim Tai Wei

**Publisher:** World Scientific Publishing

**Year of Publication:** 2009



The most remarkable phenomenon in Asia in the 21<sup>st</sup> century is the economic rise of China and India. Amazingly, the two most populous countries in the world are uplifting millions of their citizens annually from poverty through rapid economic growth. What is the impact on the region, given the ascendance of China and India? Two possible outcomes: the rise of two great Asian powers may challenge the US and

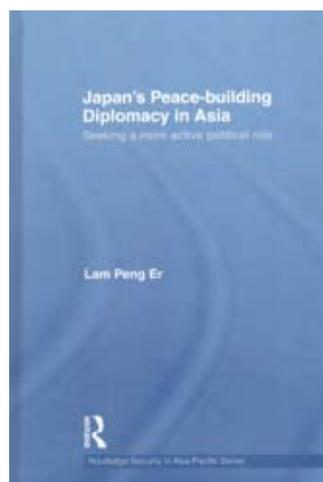
instill fear among the smaller countries in Asia, or, China and India will act as new economic dynamos that will benefit the region even if US' economic presence in the region is to decline in the future.

*Japan's Peace-building Diplomacy in Asia*

**Author:** Lam Peng Er

**Publisher:** Routledge

**Year of Publication:** 2009



The conventional portrayal of Japan's role in international affairs is a passive political player which — despite its position as the world's second largest economic power — punches below its weight on the world stage: its foreign policy driven by Washington, mercantilism and constrained by domestic pacifism. This book examines Japan's emerging identity as an important participant in

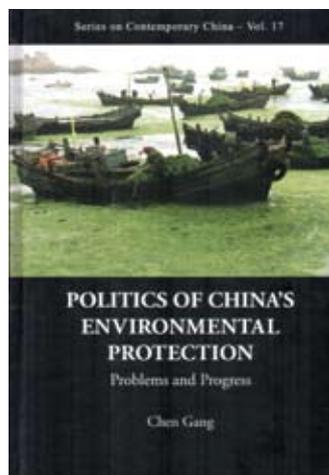
conflict prevention and peace-building in Southeast and South Asia, demonstrating that Japan has increasingly sought a positive and active political role commensurate with its economic pre-eminence. It also provides a lucid appraisal of Japan's overall foreign policy and its new role in conflict prevention and peace-building.

### *Politics of China's Environmental Protection: Problems and Progress*

**Author:** Chen Gang

**Publisher:** World Scientific Publishing

**Year of Publication:** 2009



This book analyses the factors in China's governance and political process that affect and restrain its capacity to handle the mounting environmental problems. It argues that solutions to China's ecological woes to a large extent lie in the political and institutional changes rather than in engineering, technological and investment input. The book talks about new policies and reform

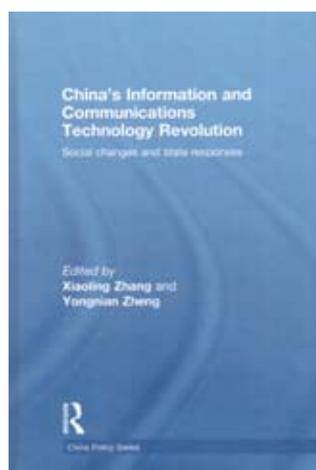
measures in the green area taken by the government since 2007, arguing that some of them may be quite effective in the long run, as long as they alter institutional factors and the 'growth-first' mindset that obstruct the green effort.

### *China's Information and Communications Technology Revolution*

**Editors:** Zhang Xiaoling and Zheng Yongnian

**Publisher:** Routledge

**Year of Publication:** 2009



China has experienced a revolution in information and communications technology (ICT) in recent years, in 2003 surpassing the USA as the world's largest telephone market, and in February 2008 becoming the country with the largest number of Internet users in the world. At the same time, China has overtaken the USA as the world's biggest supplier of information technology goods. However, this transformation has occurred

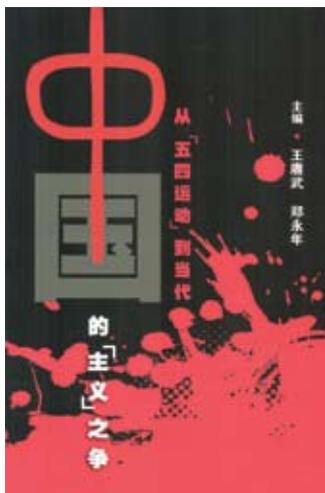
against the backdrop of a resolutely authoritarian political system and strict censorship by the Party-state. This book examines China's ICT revolution, exploring the social, cultural and political implications of China's transition to a more information-rich and communication-intensive society. It also explores the reality of ICT in China, showing clearly that whilst China remains a one-party state, with an ever-present and sophisticated regime of censorship, substantial social and political changes have taken place.

### *90th Anniversary of the May Fourth Movement*

**Authors:** Wang Gungwu and Zheng Yongnian

**Publisher:** World Scientific Publishing

**Year of Publication:** 2009



As a milestone in modern Chinese history, the May Fourth Movement still defies any authoritative historical assessment, not to mention any well-founded, conclusive political assessment. Nevertheless, the various assessments of this great event suffice to bear sombre testimony to the fact that it has retained profound relevance to the unfolding modernity in contemporary China.

Today's China is faced with unprecedented great transformations which engender great problems, the solution of which in turn calls for a great liberation of our minds. Here one shall discover the great relevance of the spirit of the May Fourth movement to contemporary China. What China needs today is not to bid farewell to May Fourth, but to retrieve it.

### *Mao Zedong's New Democracy and its Modern Predicaments*

**Authors:** Zheng Yongnian and Guo Weigui

**Publisher:** Global Publishing

**Year of Publication:** 2009



When Mao Zedong led the communists to power, one of his greatest concerns was to strengthen the country and break its fluctuating cycles of development. Mao's solution was a new path that will allow China to break the cycle and that this new path was democracy.

This book has three primary missions. Firstly, the book traces the historical development of Mao Zedong's search for the new path after his assumption of power.

Secondly, it presents an in-depth discussion on the historical logic of Mao Zedong's radical interpretation of democracy which involves mobilising the mass against the bureaucratic class. Thirdly, the book reflects on the modern predicaments of Mao's new path in the new era.

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**By Yang Mu and Lim Tin Seng**

*China's Elite Politics: Governance and Democratization*, Singapore: World Scientific, 2009

**By Bo Zhiyue**

Why privatize or why not? Empirical evidence from China's SOEs reform, *China Economic Review*

**By Sarah Y Tong**

## EAI's China Journal in Partnership with Project MUSE

As of Vol 2 No 1, *China: An International Journal* is available by subscription only. In addition to normal print subscriptions, online subscriptions are also available through Project MUSE, a database of journals put together by a consortium of university presses led by Johns Hopkins University Press.

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### Some topics in the next issue:

- China Attracts Global Talent
- Managing Social Unrest
- Party-state System in Industrial Relations
- Chinese and Vietnamese Reforms
- China and the European Union
- China and Myanmar

# Japan as a “Common” Democracy

*Can the new ruling party achieve its goals of transforming Japan into a “common democracy” at home and a “normal state” abroad?*

LAM PENG ER

**A**fter the opposition Democratic Party of Japan’s (DPJ) stunning victory at the August 2009 Lower House Election, its top leader Hatoyama Yukio became the Prime Minister in the following month and ended the Liberal Democratic Party’s (LDP) perennial rule of 54 years. This was indeed an historical moment for Japanese politics.

Ruling parties which stay in power for decades through the ballot box are rare and have been labelled “uncommon democracies”. Typical democracies especially those in North America and Western Europe usually experience an alternation of political parties in power. Voters often have a choice of “throwing the rascals out” if the ruling party does not perform. There are usually hungry opposition parties waiting in the wings to displace a tired and discredited ruling party. The defeated party (which held power before) would then lick its wounds, reorganise, reform and wait for the next opportunity to recapture power by enhancing its appeal to voters.

“Uncommon democracies” or one-party dominant systems appeared in both Europe and Asia such as the Democrazia Cristiana (Christian Democrats) of Italy, the Social Democrats of Sweden, the Congress Party of India, the Barisan Nasional coalition in Malaysia, the People’s Action Party of Singapore and, of course, the LDP in Japan. With the historical defeat of the LDP, most of the “uncommon democracies” of the world have been swept away.

For Japan, Prime Minister Hatoyama and the DPJ are hoping to remake the country as a “common democracy” patterned after the British Westminster system by changing the decision-making process from one which was bureaucracy-led to one driven by politicians based on the “sovereignty of the people”. Hitherto, the Japanese policymaking process has often been described as an “iron triangle” comprising the LDP, the bureaucracy and interest groups especially producer interests. The new DPJ government hopes to implement consumer or people-friendly policies such as a 26,000 yen-monthly subsidy to each child until middle high school and the removal of road tolls while cutting back on wasteful public works, a feature of pork barrel politics associated with the LDP.

Whether the DPJ can clip the wings of the powerful bureaucracy remains to be seen. The Hatoyama administration will have no choice but to work with the bureaucracy if it wants its policies to be implemented. It would be naive to think that politicians are the exclusive masters of policymaking in a “common democracy”. Salutary is former Prime Minister Margaret Thatcher’s favourite programme “Yes Minister”,

a satirical sitcom by BBC. In this satire, the Permanent Secretary of the British Civil Service will end every episode with the deferential utterance of “Yes Minister” while quietly subverting the policy preference of his minister.

In the realm of international relations, the DPJ government will seek to make Japan a “normal state”. The idea of a “normal state” was first articulated by Ozawa Ichiro, presently the Secretary General of the DPJ and power behind the throne. According to Ozawa, Japan as a “normal state” is one which makes policies based on its own volition and not merely reacting to pressure from abroad. Ozawa also envisaged a “normal” Japan participating more actively in the United Nations Peacekeeping Operations and multilateralism in East Asia. Hatoyama is also committing Japan to a 25 percent cut in its carbon dioxide emissions (from its 1990 level) and clinch an environmental leadership role in the world.

Arguably, Japanese foreign policy under the LDP is a “grand anomaly” whereby the second largest economy in the world is a military protectorate and political ward of the US superpower. In the pursuit of “normality” in international affairs, the Hatoyama administration will seek a more equal relationship with its US ally. A recalibration of the US-Japan alliance which is acceptable to

Washington is probably the greatest foreign policy challenge to Tokyo. Nevertheless, the alliance remains indispensable to both the US and Japan against the backdrop of a rising China.

The inauguration of a new DPJ government should be a boon to Sino-Japanese relations and East Asia. Prime Minister Hatoyama will not visit the Yasukuni Shrine, the symbol of Japanese militarism to the Chinese and Koreans. Hopefully, Sino-Japanese relations can become truly “normal” without being bedeviled by the burden of history. A future-oriented relationship between Beijing and Tokyo will also underpin a nascent East Asian community, another policy goal of the new DPJ government. The next few years of DPJ rule will indeed be very interesting. If the DPJ government can achieve its twin goals of Japan becoming a “common democracy” at home and a “normal state” abroad, then the transformation of Japan after September 2009 may be as significant as the Meiji Restoration of the late 19th century and the US Occupation of Japan between 1945 and 1952, epochs when Japanese state and society, and its role in international affairs underwent considerable change. ■

Lam Peng Er is Senior Research Fellow at EAI

Hitherto, the Japanese policymaking process has often been described as an “iron triangle” ...

# Towards an East Asian Community?

*The rise of the middle and upper middle classes in East Asia, and its rapid urbanisation are set to drive domestic consumption in the region*

YANG MU

China's economic rebound began in the first quarter of 2009. Its GDP growth in the first half of the year rose by 7.1 per cent over the same period of last year. Major economies in East Asia have, in general, seen recovery in the second quarter, including Hong Kong SAR with a 3.3 per cent rise, Singapore with 20.7 per cent, the Republic of Korea (ROK) with 2.3 per cent and Japan with 3.7 per cent. For developed countries, only Australia, Germany and France saw slight growth while negative growth prevailed in the European Union, the US and the UK.

In previous economic crises, the US played a leading role in bringing the world economy back from the brink. In the current crisis, China's US\$585 billion (13.3% of its GDP) stimulus package is more than double what the US has set aside. In terms of economic performance, China, the East Asian economies and some emerging countries were the first to experience an economic rebound. On the other hand, since the second quarter of 2008, the US economy has contracted for four consecutive quarters by 3.9 per cent, the worst since the 1930s.

Since December 2007, more than seven million Americans have lost their jobs when the recession kicked in. Although the economy is showing signs of recovery, the unemployment rate in US and Europe is still expected to hit 10 per cent, a phenomenon dubbed by economists as a "jobless recovery".

On the financial front, the financial crisis has seriously damaged the once-booming modern banking industry while having a negative impact on traditional banking. Although business has started to pick up steam, US banking experienced its second quarterly loss of \$3.7 billion in 18 years in the second quarter of this year. A total of 81 banks have closed and hundreds more are following suit.

It is therefore unrealistic to expect consumption expansion in the US without income growth and a decline in unemployment. In view of such uncertainties, the world is beginning to look for a new development powerhouse, such as the East Asian countries, to contribute to world growth.

The newly elected Democratic Party of Japan for one has spelt out its intention to actively promote its relationship with other East Asian countries such as China and ROK. Its "new security policy" will seek a less subservient partnership with its traditional ally, the US, and place more emphasis on its relationship with countries in East Asia.

Economically, China has become the largest trading partner of Japan and ROK, while ROK is the third largest trading partner of Japan. The total trade volume among China, Japan and ROK has surpassed that of UK, France and Germany combined. Rana Foroohar said in a recent article in *Newsweek* that Japan can seek new growth points from its cooperation with China, ROK and ASEAN, just like

France whose per capita income has risen by 42 per cent, thanks to the EU common market.

The China-ASEAN Free Trade Area will be set up on 1 January 2010 as scheduled. The world's largest free trade zone with a population of 1.8 billion will definitely accelerate regional economic development. Although the EU and the US are still China's No. 1 and No. 2 trading partners respectively, trade between China and other East Asian countries has maintained a robust momentum. The emergence and growth of the middle and upper middle classes in East Asia, and its rapid urbanisation will continue to drive domestic consumption in this region.

The region is of course not without its problems. The increasing inflow of hot money, instability of exchange rates among East Asian currencies due to the fluctuation of the US dollar, and interest rate hike by some central banks in East Asia remain to be resolved.

Due to such externalities, ASEAN plus Three (ASEAN plus China, Japan and South Korea) needs to strengthen cooperation to ensure development continuity and improve its capability as a whole against possible external financial and currency risks. ■

Yang Mu is Coordinator, China Cooperation Programme, East Asian Institute, NUS.

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*continued from page 5*

## **China's New Rich: Privately Admired but Publicly Hated**

business community for becoming consumers in the global marketplace. The rest of the Chinese society also aspire to become high achievers, yet most of them have to live with the reality that immediate economic success is not within their reach. Many of them are impatient and dissatisfied with their current conditions. In the context of increasing income inequality, it is very difficult for them to accept the super rich as respectable and their luxurious lifestyle justifiable.

The divide between the super rich and the rest has real consequences. In early 2003, three leading private entrepreneurs were murdered within three weeks of each other. There were many speculations on "revenge against the rich" as the motive. As long as China's super rich are not fully accepted by the larger society, there is a danger that China is heading towards a fractured society, in which social cohesion is at high risk. ■

Zhao Litao is Research Fellow at the EAI

# 网络民意对中国社会政治生活的影响日趋明显

罗依平

中国互联网络信息中心(CNNIC)发布的《中国互联网络发展状况统计报告》显示,截至2009年6月30日,中国互联网普及率达到25.5%,中国网民规模已达3.38亿,较2008年底增长13.4%,半年增长了4000万;而宽带网民规模则达3.2亿,占总网民数的94.3%,较2008年底上升了3.7个百分点。迄今为止,中国网民规模、宽带网民数、国家顶级域名注册量(1296万)等三项指标仍稳居世界第一。据调查,通过网络参与社会活动的网民数量今年上半年提升了4.8个百分点。写博客、发帖子、上网交流已成为中国民众表达自身利益诉求和参与社会政治生活的重要方式,网络民意对中国政治、经济以及社会生活的影响日趋明显。

尽管对“网络暴力”存在担忧和争议,但是数以亿计的中国网民依然可以通过直率的评论,推动越来越多社会事件真相的调查乃至影响许多重大公共政策的出台。如温州购房门、云南“躲猫猫”、陕西华南虎照片风波、山西“黑砖窑”、重庆“钉子户”、厦门PX项目、杭州富家子弟飙车撞人等一系列社会公共事件,都是在网络民意的参与和关注中得以处理的。在涉及公民权益的重大决策和重要法律(如《物权法》)的制定中,政府也充分借助和利用网络征集民众意见,并以此作为决策依据。执政的中国共产党正以更为开放和睿智的做法,将洪水般的“网络民意”疏导为现代公民社会的理性表达。中国政府对网络民意的重视,充分显示了决策者们的政治卓识和前瞻未来的执政风格。

中共决策层已经清晰地感受到网络所蕴藏的强大民意力量,互联网官民沟通机制正在建立和完善之中。中共中央总书记胡锦涛去年6月考察人民网,开创了党和国家最

高领导人直接与网友在线交流的先河。国务院总理温家宝也在今年2月接受了中国政府网和新华网的联合专访,并与网友在线交流。温家宝说:“我一直认为群众有权利知道政府在想什么、做什么,并且对政府的政策提出批评意见,政府也需要问政于民、问计于民。”

今年以来,中国地方党政负责人“网络问政”蔚然成风。中共杭州市委书记、宁波市委书记等浙江省11个地市党委主要负责人,近期纷纷就涉及本地的社会热点和网民关心的问题,通过互联网与网民交流意见,倾听民意。今年5月,江西省委书记苏荣通过网络等媒体发表公开信,征求省内外朋友对江西发展的建言和意见,迄今已收到各类建言4.2万条,网络跟帖6万余条,他本人对网络建言作了38次批示。7月中旬,海南省澄迈县委发文,要求全县各级领导干部,每两天至少一次登录县党政网,了解民意,关注民生。

据中国青年报社调中心的调查显示:71.9%的公众认为,网络民意表达将成为中国式民主建设的新通道;67.1%的公众认为互联网已经成为官方体察民意、问计于民的重要途径。虽然网络民意表达的非理性化、信息失真和无序参与等问题亟待采取制度化措施加以解决,然而不容置疑的是,中国网络参政的平台将会更加宽广,网络民意在促进社会公平、正义,特别是监督公共权力运作和保障弱势群体利益等方面将会发挥更大的作用。

罗依平是中国湘潭大学公共管理学院副教授、政治学博士,新加坡国立大学东亚研究所访问学者。

## **Cross-Strait Relations: Typhoon Morakot and the Dalai Lama**

Those who were in charge were sending conflicting messages. Taiwan needed help in relief work, but the vice minister of Foreign Affairs twice declined international assistance. When foreign aid eventually came, Taiwan's military did not know where to deliver relief materials.

Consequently, Ma was under heavy criticism from all sides and his cabinet members tendered their resignations one after another. Ma's approval ratings took a nosedive, from a high of 66 per cent in May 2008 to 29 per cent in August 2009. There were even calls for him to step down as President of Taiwan. Worse still, during this moment of vulnerability, no one spoke out for him. A popular political celebrity in the past, Ma became a political figure with no friends.

### **THE DALAI LAMA'S VISIT: HUMANITARIAN ASSISTANCE OR A POLITICALLY-MOTIVATED MOVE?**

On 26 August 2009, seven local politicians from the DPP decided to invite the Dalai Lama, a controversial figure, to Taiwan to "pray for the souls of Taiwanese who had died during Typhoon Morakot." On the surface, they seemed to have good humanitarian reasons to extend their invitation to a respectable Buddhist monk. Yet it was also a clever political move, putting Ma in a difficult position.

From Beijing's perspective, the Dalai Lama is a separatist, attempting to split Tibet from China in spite of his non-separatist rhetoric. Beijing was offended by Ma's approval of the Dalai Lama's visit. Having declined the Dalai Lama's request to visit Taiwan last year, however, Ma could not afford to reject his request again this time around.

Beijing's response was immediate but measured. Beijing expressed its opposition to the Dalai Lama's visit to Taiwan in whatever form and under whatever identity, but did not criticise either Ma Ying-jeou or the DPP as a party. Upon the Dalai Lama's arrival in Taiwan, Beijing issued warnings about possible impacts on cross-Strait relations and subsequently cancelled a few activities without incurring substantial damages to cross-Strait relations.

With all parties (including the Dalai Lama) showing restraint, the visit did not seriously dent cross-Strait relations.

### **POLITICAL RESHUFFLING IN TAIWAN AND PROSPECTS OF CROSS-STRAIT RELATIONS**

In another dramatic development in Taiwan in the aftermath of Typhoon Morakot, Premier Liu Chao-shiuan announced on 7 September 2009 that he and his Cabinet would resign en masse on 10 September 2009 to take responsibility for the ineffective relief efforts. Ma named Wu Den-yih, secretary-general of the KMT, as the next premier. A seasoned politician with credentials as the former mayor of Kaohsiung for two consecutive terms (1990—1994 and 1994—1998), Wu is likely to be joined by two other KMT politicians, Eric Chu (mayor of Taoyuan County since 2001) and Lin Join-sane (deputy minister of the Interior).

With the departure of the old cabinet, the Taiwanese anger against the government is likely to subside. But the political reshuffle may have different implications for the future development of cross-Strait relations. The old cabinet, in particular Liu Chao-shiuan and Chiu Cheng-hsung, is well known for its acumen in financial affairs, while the new cabinet under the leadership of Wu Den-yih and Lin Join-sane brings political experience to the table.

Given cross-Strait relations had focused on economic and financial affairs, it will be interesting to see how a new cabinet of veteran politicians in Taipei is going to continue to engage Beijing on such matters as ECFA (Taiwan-Mainland Economic Cooperation Framework Agreement) and financial MOU. It remains to be seen whether Ma is going to place politics ahead of economics and pursue a summit meeting with Hu Jintao in the next two years. ■

Bo Zhiyue is Senior Research Fellow at EAI and Ou-yang Hsin-yi is Visiting Senior Research Fellow at EAI and Associate Professor & Chair of the Institute of American Studies at the Chinese Culture University in Taiwan.

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## **China's Multi-Dimensional Measures against Corruption**

police, banks and courts and the NBCP. As the bureau has no power in the investigation of individual cases, its establishment is more or less symbolic.

In April 2008, the CCP Political Bureau passed a five-year anti-corruption plan (2008-2012), which emphasised the prevention of corruption along with punitive measures through combining punishment with education, supervising officials and improving China's judicial system. Top leadership frequently reshuffles local officials among different provinces to check collective corruption in local governments. To address public resentment over official corruption, the CCP started to recognise the supervisory role of the public and media, especially the Internet, in anti-corruption efforts.

Although western observers often criticise China's anti-corruption work as being ineffective and superficial, the CCP's long-time adherence to high-handed actions with multi-dimensional means does prevent corruption from being a fatal threat to the Party's ruling status or undercutting the economic growth. Punishing major offenders severely is an efficient way to checking corruption if total eradication is unachievable in the current context.

In the long run, however, if China really wants to win the war against corruption, it has to gradually institutionalise an independent judiciary system with enhanced roles for the media and public in supervising the government. Catching the "big fish" alone is not enough to make the regime fully accountable, transparent and responsive. Selective enforcement in a politicised process only causes more corruption and finally makes these campaigns lose their credibility. ■

Chen Gang is Research Fellow at the EAI

**EAI INTERNATIONAL CONFERENCE**

**Political Parties, Party Systems and Democratisation in East Asia**

Jointly organised by Konrad-Adenauer-Stiftung and East Asian Institute



Dr Wilhelm Hofmeister of Konrad-Adenauer-Stiftung in his opening remarks pointed out that political activity and analysis are basic human instincts, and that East Asia, with its variety of political systems, is a potent field of study. EAI Director, Prof Zheng Yongnian, noted that the current global financial crisis is an opportune time to look at how the different political systems in East Asia affect the various states' capacities to deal with the crisis.

In the first presentation, Prof Kenneth Paul Tan from Lee Kuan Yew School of Public Policy, National University of Singapore touched on the authoritarian basis of Singapore's democratisation, positing that changes in the electoral sphere can be understood in terms of democratisation and improving administration, but they also have the ability to create and obscure new opportunities and resources for political control. Prof K S Nathan of the Institute of Occidental Studies, National University of Malaysia pointed out that political democratisation in Malaysia has been and will continue to be influenced by ethnic politics. He also questioned the idea of "1 Malaysia".

Prof Sorpong Peou of the Sophia University, Tokyo stated that Cambodia might be moving in the direction of electoral dictatorship with a hegemonic party system now on the political horizon. Dr Lam Peng Er of the East Asian Institute next looked predictively at the end of the LDP's dominance in Japan, and raised the question of whether the LDP can reinvent itself or simply fade away.

The conference continued with Mr Lye Liang Fook's (East Asian Institute, National University of Singapore) argument that the Chinese Communist Party has been proactively initiating various democratising measures to improve its governance and enhance its legitimacy, showing that the CCP is open to democratisation as a means to retain its dominant hold on power in China.

After the lunch break, Dr Pavin Chachavalpongpun (ASEAN Studies Centre, Institute of Southeast Asian Studies) argued that the political struggle in Thailand between Thaksin and the old establishment, despite often being seen as disastrous for the future of the country, can be seen as a part of Thailand's democratisation process. This was followed by Dr Syamsul Hadi's exposition on Jusuf Kalla's defeat in the 2009 presidential election in Indonesia. He concluded that the

ability to maintain a positive image as a public leader is more important than the substance of policies offered in Indonesian politics.

Dr Dennis T Gonzalez of the Ateneo School of Government, the Philippines next looked at Philippines, stressing that politicians and their parties need to sufficiently inform, inspire, and persuade the citizenry about their party visions, policies, and platforms to build a strong democracy. Mr Li Hak Yin of the School of Politics and International Relations, University of Nottingham followed with an analysis that suggests that Hong Kong's current political practices undermine the proper role of the Legislative Council and also the process of democratisation.

Next, Prof Shyu Huo-yan (Institute of Political Science, Academia Sinica) traced how Taiwan's party system has been shaped, transformed and "frozen" into a two-party dominant mode, deadlocked around the issue of unification with China versus Taiwan independence. In the final presentation for the day, Prof Lim Sunghack (University of Seoul) pointed out that since democratisation in 1987, the chief concern of South Korea is democratic consolidation.

The conference concluded with a roundtable discussion in which it was generally agreed that it was not possible to arrive at any one conclusion for the whole of East Asia. Multi-party systems and democratisation have yielded different results for the various countries, and cannot be applied across the board.

**EAI DISTINGUISHED PUBLIC LECTURE**

**Global and Regional Supply Chains and Chinese Exports**

by Professor K. C. Fung, University of California, Santa Cruz, USA

Professor Fung shed light on the important question of how sophisticated Chinese exports are to Asian economies and the United States in his analysis of the unique features of China's extensive processing trade, touching on the identification of imported intermediate goods, their allocation across sectors, and the Chinese trade regime. In concise and clear explanations, Professor Fung showed how vertical specialisation of Chinese exports was estimated, and also how intermediate goods imported into China were identified using Chinese benchmark input-output tables and a detailed Chinese trade dataset which distinguished processing trade from other forms of trade. Through these methods, Professor Fung highlighted the domestic and foreign content of Chinese exports in various industries to different destinations and China's participation in the global and Asian supply chain.



## Some Highlights at EAI



Top Left: His Excellency President S R Nathan (right) graced the Welcome Dinner of EAI's International Conference in Honour of Prof Wang Gungwu's Scholarship. Top Right: Prof Robert Cox, Prof Tan Tai Yong and Prof Wang Gungwu (from left). Below: EAI Director signing an Memorandum of Understanding with the Development Research Centre of the State Council of the PRC.



(Top Left) Prof Chu Yunhan, Distinguished Research Fellow, Institute of Political Science, Academia Sinica, Taipei and (Top Right) Prof Dibyesh Anand, Associate Professor of International Relations, Centre for the Study of Democracy gave an EAI Distinguished Public Lecture in May and EAI Public Lecture in June respectively.



Top: EAI scholars (top and bottom left) in discussion with Israeli (top right) and Egyptian delegations (bottom right) in separate meetings on China recently.



*INTERNATIONAL  
CONFERENCE*

# MANAGING ECONOMIC CRISIS IN EAST ASIA

Jointly Organised by  
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