

## 东亚研究所通讯

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## The Sixth Plenum of the Chinese Communist Party: Party Rectification as Power Consolidation

*Party-building for Xi Jinping is to kill two birds with one stone—to arrest the degeneration of the Party and to shore up his authority.*

LANCE L P GORE

The Sixth Plenum of the 18th Congress of the Chinese Communist Party (CCP) held from 24 to 27 October 2016 had finally granted Xi Jinping the leadership “core” (*hexin*) status that he had sought for a long time. The officially sanctioned reference is now “the Party central leadership with comrade Xi Jinping as the core”, replacing “the Party central leadership with comrade Xi Jinping as the general secretary”. The pursuit of “core” status is Xi’s quest for personal authority on top of the institutional power he has amassed.

Signs of resistance and compromise to Xi’s move include the reiteration in the Sixth Plenum documents of “collective leadership”, “intra-Party democracy” and the prohibition against personality cult. Earlier attempt in early 2016 to install Xi as the core had failed. Since the core status is neither a legal nor an institutional concept, it will only be useful to Xi if he is able to assemble a leadership team of his own at the 19th Party Congress to be held in late 2017. He would then have enough supporters around him to make the “core” meaningful. With the core status, it is expected that Xi will have greater say in personnel decisions at the 19th Party Congress.

The main theme of the Plenum, however, was Party-building. The Plenum promulgated two more regulations as part of his “comprehensively governing the Party strictly” (*congyan zhidang*) programme—“On the Norms of Intra-Party Political Life under the New Situation” and “Regulations on Intra-Party Supervision”.

The former is a revision of a 1980 document bearing the same title (but without the words “under the New Situation”), which was intended to “normalise” intra-Party political life that had been severely damaged by the Cultural Revolution, but particularly to rectify the Mao personality cult and its associated disregard for rules, regulations and institutions. The revised version, however, stresses another intra-Party norm—unity and discipline—with special emphasis on “supporting the authority of the Party centre”. The document specifically makes it clear that the norm applies to “the members of the Politburo Standing Committee, the Politburo and the Central Committee”. In such syntax, the “central authority” could only be Xi Jinping himself. The antithetical emphases in the two versions of the document portray completely different political dynamics today, compared to 36 years ago.

The fact that Xi Jinping continues to strive for the consolidation of his power towards the end of his first term is indicative of his vulnerability. He is fighting not only the centrifugal forces unleashed by the increasing pluralisation in the Party membership but also the hidden threat to his power and positions.

Xi’s political vision for China is centred on a virtuous, disciplined and competent Leninist ruling party. He regards such a party as the main political advantage of China and the key to national rejuvenation. However, he is stricken by an acute sense of crisis caused by the rampant corruption in the ranks of the Party, giving him the determination to rescue the Party handed down by his father’s generation of revolutionaries.

The unruliness among Party establishments is the main threat to the internal cohesion of the Party. The popular expression “policies do not leave the gate

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## Xi Jinping Secures the Leadership “Core” Status amid Daunting Challenges

Another turbulent year is drawing to a close. With Donald Trump elected to the American presidency and the Britain’s Brexit vote, we see a massive backlash against globalisation, which may create an even tougher environment for China’s economy and greater challenges for China’s reform. Domestically, the Sixth Plenum of the 18th Congress of the Chinese Communist Party (CCP) had finally granted Xi Jinping the leadership “core” (*hexin*) status that he had long sought for. Xi’s predecessor, Hu Jintao, never attained this status. The officially sanctioned reference is now “the Party central leadership with comrade Xi Jinping as the core”, replacing “the Party central leadership with comrade Xi Jinping as the general secretary”.

Xi’s attempt to centralise power in his hands is in part a reaction to the excessive diffusion of power that enabled the emergence of oligarchical power blocs within the CCP, leading to inefficacy in policy and reform as well as corruption. He first pursued institutional centralisation of power by establishing a number of powerful “leading small groups” headed by him. His quest for “core” status represents his attempt to shore up personal authority. However, the reiteration of “collective leadership”, “intra-Party democracy” and the Party’s ban on personality cult in the Sixth Plenum documents, as well as an earlier failed attempt to install Xi as the core leader at the start of 2016 are the existent signs of resistance and compromise to Xi’s move.

As the core status lacks a formal definition of the scope of power, whether it carries any considerable weight depends on how the political situation develops in the years ahead. Any informal consensus achieved on defining such power is likely to be fluid. The fact that Xi is still trying to consolidate his authority four years into his

tenure is a testament to his fragility rather than strength. His new core status will only prove useful to shore up his authority or advance his political vision if he is able to assemble a leadership team of his own at the 19th Party Congress late next year.

The CCP continues its intensive programme of Party-building in 2016. Xi’s political vision

for China is centred on a virtuous, disciplined and competent Leninist ruling party, which he regards as China’s main political advantage and the key to national rejuvenation. However, an acute sense of crisis caused by rampant corruption in the ranks within the Party has steered Xi’s resolve to rescue the Party handed down by his father’s generation of revolutionaries.

Xi’s Party-building and rectification programme has seen resurrection of some Maoist traditions as revealed in the Sixth Plenum such as re-establishing ideological faith, etc. This Maoist Party-building model faces great challenges under prevailing conditions as the CCP’s vast membership of nearly 90 million is as diverse as the Chinese society. A majority of the Party members joined the CCP during the reform era and pursue diverse careers that may or may not involve the Party. Hence, to re-indoctrinate Party members of diverse backgrounds and values with the official ideology is like putting genies back in the bottle. ■



Professor Zheng Yongnian  
EAI Director

### EDITORIAL COMMITTEE

**Prof Zheng Yongnian**  
eaizyn@nus.edu.sg

**Dr Lance L P Gore**  
eaigore@nus.edu.sg

**Ms Ho Wei Ling**  
eaihw@nus.edu.sg

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Please address all correspondence to: **Mr James Tan**, East Asian Institute, 469A Tower Block #06-01, Bukit Timah Road, National University of Singapore, Tel: (65) 6779 1037 • Fax: (65) 6779 3409 • Email: eaitanj@nus.edu.sg.

<http://www.eai.nus.edu.sg>

# Provincial Personnel Reshuffle before the Sixth Party Plenum

*Xi Jinping is consolidating his power over local affairs in preparation for the next round of power transfer at the 19th Party Congress in 2017.*

CHEN GANG

Chinese provincial leaders, who are important political players that constitute the largest bloc in the Central Committee of the Chinese Communist Party (CCP), are the central leadership's major link in the implementation of its political and socio-economic policies. In China, provincial leaders include provincial Party secretaries, provincial governors, chairpersons of provincial people's congress, chairpersons of Provincial People's Political Consultative Conference, standing committee members of provincial Party committee, and other deputy-provincial-level officials like deputy provincial Party secretaries and vice governors.

The recent personnel reshuffles at the provincial level show that Xi Jinping, China's paramount leader, is consolidating his power over local affairs in preparation for the next round of power transfer at the 19th Party Congress in 2017. As the central figure of the CCP's fifth-generation leadership, Xi has begun to groom the sixth-generation leadership that is scheduled to take over power at the 20th Party Congress in 2022. Based on past power transition practices, the majority of the Politburo Standing Committee members—the core of the CCP's central leadership—must possess working experience as provincial leaders.

Year 2016 has witnessed intensifying political jockeying at the provincial level with reshuffle of provincial leaders in strategically important provincial regions like Xinjiang, Tibet, Hunan, Jiangxi, Shanxi, Tianjin, Jiangsu, Hubei and Zhejiang. The personnel changes before the Sixth Party Plenum in October 2016 involved Chen Quanguo, Wu Yingjie, Li Hongzhong, Du Jiahao, Li Qiang, Lu Xinshe, Wang Guosheng, Wang Xiaodong, Wang Dongfeng, Che Jun, Luo Huining, Lin Duo, Liu Qi, Chen Run'er, Xie Fuzhan, Bu Xiaolin, Liu Guozhong, Sun Jinlong, Hu Heping and Lou Qinjian, who are either promoted or transferred to posts of provincial governors or Party chiefs. Some of them are likely to join the elite Politburo and become state leaders at the 19th Party Congress.

Clearing the way for new blood has meant the replacement of political veterans. As is evident, the top leaders of Xinjiang, Hunan, Jiangxi, Jiangsu and Shanxi had to give up their provincial management roles ahead of their retirement age of 65. Further, Tianjin's acting Party Secretary and Mayor Huang Xingguo, who was once a Politburo hopeful tipped to join in 2017, was surprisingly placed under investigation for corruption charges in September. Huang's career, in fact, overlapped with at least three Politburo Standing Committee members, including Xi himself. Huang also spent more than three decades in Zhejiang province, where he worked under Zhang Dejiang, who is currently chairman of the National

People's Congress and the Party's No. 3 leader. Li Hongzhong, former Party secretary of Hubei province, replaced Huang as Tianjin Party secretary, while Wang Dongfeng became the mayor of Tianjin.

Four centrally administered municipalities, namely Beijing, Shanghai, Tianjin and Chongqing and two provincial regions—Guangdong province and Xinjiang Autonomous Region—enjoy higher political status as their Party bosses are usually also Politburo members. Chen Quanguo and Li Hongzhong, who are, respectively, newly anointed Party chiefs of Xinjiang and Tianjin, thus have high chances of entering the Politburo in 2017. Li's career prospects are less predictable as some reports said his transfer from Hubei to Tianjin could help facilitate anti-corruption inspectors to conduct more thorough investigations in Hubei province.

Frequent promotions and transfers broke with past patterns, as the career trajectory of established front runners were disrupted by new rising stars from Xi's inner circle. Since the existing line-up of provincial Party chiefs and governors were earlier decided on the eve of the 18th Party Congress in 2012, the status quo was a consequence of pre-2012 factional politics in which Xi could not then have much say on those personnel issues. The current massive provincial leadership reshuffling is thus inevitable now that Xi has consolidated

his political power amid unprecedented anti-corruption investigations and a sweeping military restructure.

Xi's local working experience in Hebei, Fujian and Zhejiang provinces, and Shanghai municipality has enabled him to cultivate a web of mentor-protégé ties with many of his subordinates in those places. Similar connections could also be observed in Shaanxi province, his hometown by family origin, in Tsinghua University, his alma mater, or in his previous working places like the Central Party School. Officials who developed their personal and political ties with Xi during his tenure at the provincial or central level have now become trusted members of Xi's team.

Xi Jinping is a game changer in the rule-making of provincial leaders' political mobility with his new principle of "*nengshang nengxia*", or the promotion or demotion of local cadres climbing the political ladder based on their performance. Previously, although the prospects for further promotion were slim for most provincial leaders, demotion was likewise rare unless they made serious political mistakes or were involved in graft activities.

Currently, under the new normal of "*nengshang nengxia*", some local leaders were demoted to lower-ranking positions for dereliction of duty or other misconduct. In February

**Frequent promotions and transfers broke with past patterns, as the career trajectory of established front runners were disrupted by new rising stars from Xi's inner circle.**

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# Sustaining Economic Growth against Strong Headwinds

*To sustain the above benchmark growth, the Chinese government has stepped up policy support, likely at the expense of the already delayed reforms and slow economic restructuring.*

SARAH Y TONG

There is little doubt that China's economy is facing mounting difficulties, as reflected in its continued growth deceleration since 2010. Gross domestic product (GDP) for the first two quarters of 2016 each grew by 6.7% year-on-year. This rate is the lowest in a quarter century, even weaker than the 7.1% annual GDP growth rate in 2008 when the global financial and economic crisis hit.

In fact, the Chinese government has in recent years modified its growth target. Although China managed to achieve a GDP growth for the first half of 2016 that was above the 6.5% benchmark necessary for China to achieve its goal of doubling its per capita GDP in 2000 by 2020, the relatively dismal performance has elicited grave concerns. A number of considerations underline the widespread anxieties.

First, the persistent downtrend has reached alarming level. From the post-2000 peak of 14.2% in 2007, followed by a sharp drop of five percentage points to less than 10% in 2008 and 2009, and a quick rebound to a double-digit growth in 2010, China's GDP growth has since fallen steadily every year from 10.6% in 2010 to 6.8% in 2015, the lowest since 1990. In the latest World Economic Outlook released by the International Monetary Fund in October, China's GDP growth is projected to be 6.6% for 2016. The quarterly data also demonstrate a similar trend—China's GDP growth has been mostly on the decline since the third quarter of 2013, from 7.9% year-on-year to 6.7% this year. The slide will possibly continue and lead to prolonged economic stagnation.

Second, given the economic slowdown, there is only limited restructuring observed to the Chinese economy. In 2015, final consumption contributed 4.1 percentage points to GDP growth, half a percentage point higher than two years earlier. This was still considerably lower than the 4.3 to 5.9 percentage points in contribution between 2009 and 2013. As is evident, with the Chinese government putting its strong fiscal support in post-2008 to an end, consumption has yet to become a strong driving force to sustain robust growth. Meanwhile, the share of household consumption in GDP has risen gradually since 2010 and steadily from 36% to 38% in 2015—a small but encouraging improvement.

In the first half of 2016, growth in final consumption contributed 4.9 percentage points to GDP expansion, a positive sign of robust household consumption. However, it remains to be seen whether the momentum could sustain and further strengthens. Retail sales of consumer goods are not particularly strong—real growth in retail sales of consumer goods has declined continuously since 2012, from 12.1% to 10.6% in 2015, and further slumped to 9.7% in the first half of 2016.

From a sectoral perspective, in terms of relative importance, the tertiary sector has overtaken the secondary

sector, including industry and construction, whose share in GDP declined from 46.8% in 2007 to 40.6% in 2015. However, changes in China's GDP growth continues to be driven primarily by fluctuations in growth of industrial value added. Between 2011 and the second quarter of 2016, the correlation coefficient between quarterly growth in GDP and that in industrial value added was 98%, compared to that between GDP and tertiary sector output at 78%. In other words, industrial activities continue to have a dominant impact on overall economic performance.

Policy efforts appear to be either insufficient or ineffective in facilitating economic restructuring and promoting growth. To drive economic reform, the central government established the leading small group for comprehensive reform in late 2013, which has since held 29 meetings and passed about 150 official documents. Many of the documents focus on reforms such as the state-owned enterprise reform, fiscal and taxation reforms, and pilot free trade zones. The Chinese government has also supported growth through government spending and cheap credit provision—for instance, it stepped up investment in infrastructure to encourage growth, and injected new aggregate financing amounting to RMB9.8 trillion for the first two quarters of 2016, over 10% higher than that in 2015. Despite the measures, it remains unclear the extent of real impact these policy initiatives and government spending would generate.

Information on economic activities in July and August released recently has shown some positive signs of improvement, including industrial profits and trade. China's employment situation is also generally stable. Nonetheless, there are areas of deep concerns. As housing destocking measures have resulted in a surge in housing prices nationwide, especially in first- and second-tier cities, many local governments initiated to impose a new round of purchasing restrictions, which may consequently depress household consumption of housing-related items such as furniture and home appliances. The percentage of loss-making industrial firms therefore continues to rise, from 9.4% in 2011 to 13.2% in 2015. In September, the World Trade Organization revised downward its prediction of the world's trade growth due to slower global growth. It seems that China's export prospects would be in dire straits.

Given the challenges of sustaining an economic growth at above the benchmark, there is little room for the Chinese government to push for deep structural reforms. That said, with these delays in implementing reforms that are imperative to bring about transformation, China's economy may be heading down the path of a protracted struggle of decelerating growth. ■

Sarah Y Tong is Senior Research Fellow at EAI.

# The Neglected G20: Understanding China's "Hangzhou Model"

*China is capitalising reputable international events to enhance its national capability.*

SIMON SHEN XU HUI

The recent Group of 20 (G20) Hangzhou Summit was a glitzy event to China's diplomacy. Unsurprisingly, the media in China immediately announced that the summit was a huge success. The international media, on the contrary, gave rather limited attention to it. Nonetheless, China has fully utilised the summit as a means to boost its soft power. But, whether this summit is of significance as a platform to promote global governance is another story.

One of the examples that illustrate the summit as China's soft-power projection tool is the approval of Paris Agreement by both the United States, which is the world's largest economy, and China, the world's largest carbon emitter. The decision was jointly announced by Chinese President Xi Jinping and US President Barack Obama. This time round, Beijing holds a different attitude towards the agreement, in comparison to how they responded at the Copenhagen Summit back in 2012. The diplomatic gesture of a joint ratification not only strengthened the said agreement but has also constructed for China an image of an equal power to the United States in the international arena.

As the host country, China successfully removed all sensitive peripheral diplomatic issues—including the Senkaku Island dispute, the North Korea nuclear crisis, the installation of the Terminal High Altitude Area Defence (THAAD) in South Korea and the South China Sea dispute—from the summit agenda in order to prevent unnecessary distractions. It had deftly set an ambiguous agenda broadly based on "innovation and sustainable development", "structural reform", "multilateral trade", "interregional infrastructure investment", and "global financial governance", etc., to encapsulate the central theme of the summit. The agenda, with the benefit of semantic and conceptual ambiguity, had offered plenty of room for China to interpret various issues differently, and also an opportunity for China to link its national interests to those in the international arena. For example, the "One Belt, One Road" initiative has become a global economic governance issue. Another example can be cited from the G20's discussion on "global economic and financial reform", in which Xi Jinping made an urgent appeal for the inclusion of developing nations to give them a stronger voice in the global governance process. In claiming itself as the largest developing country, China's discourse power has obviously been promoted.

In other words, China has been seeking to incorporate its hard power into the global governance mechanism through multilateral platforms. In this case, China can legitimise its military presence through engagement in the existing diplomatic mechanism or by establishing new diplomatic platforms. Such a strategy is not unique. In fact, the United States in the post-war era had used similar tactics to integrate into the post-war global governance institutions, which propel it to eventually become a world leader.

China, as the host country of the G20 summit, has also grasped this opportunity to promote its soft power. To give an impression of the grandeur of the summit, China invited not only the national leaders of G20 members but also the leaders of various global governance institutions and non-G20 members, setting a record number of participants attending this G20 summit. To ensure success of the summit,

China fully tapped the resources of Hangzhou, providing more than a thousand volunteers months of training in English and international etiquette. This has demonstrated the capability of an authoritarian regime. However, such special arrangements can be quite costly—for example, China had mobilised some of the local residents to travel to other regions and shut down local shops to tighten security. These course of actions were criticised for causing disturbance to citizens' livelihood.

That said, it is indeed questionable whether China's ability to host the summit—albeit pulling out all the stops—can be regarded as projection

of its "soft power". However, one should recognise that China and the West do not share an identical definition of soft power. To China, "international gestures" and the "manners of a great power" are manifested via aforementioned actions and means. It has also further enhanced its stature among developing countries after a video that shows how Obama and his delegation were treated on the tarmac of Hangzhou Airport went viral. After the summit, the Chinese media advanced and rallied behind the "Hangzhou Consensus", advocating it as a replacement to the US-led Washington Consensus. While the "Hangzhou Consensus" can be viewed as a mere propaganda scheme that does not gain traction globally, China's implicit strategy in capitalising reputable international events to enhance its national capability should not be neglected or underestimated. ■

Simon Shen Xu Hui is Visiting Senior Research Fellow at EAI.

# China's Housing Fever Returns Again

*As a national housing crash is circumvented, China's housing boom is not expected to trigger a macroeconomic crisis.*

ZHOU ZHIHUA

China has again seen a turnaround in the housing sector. In the first eight months of 2016, the total transaction amount and floor space sold for commercial buildings nationwide amounted to 6,662.3 billion yuan and 874.51 million square metres, respectively, an increase of 38.7% and 25.5% year-on-year. Meanwhile, real estate investment grew by 5.4% compared to the same period in 2015, up from an annual increase of 1.0% for 2015.

Several factors underpin the latest market boom. The central government's destocking measures have lowered the purchase thresholds, thus entitling more households to buy. The declining supply and rising prices of land have pushed up housing prices in high-tier cities. Land transactions in 2014 and 2015 declined by 14.0% and 31.7% year-on-year, respectively. Although land transactions reduced by 8.5% in the first eight months of 2016, land leasing fees amounted to two trillion yuan during the same period, an increase of 14% year-on-year. Nevertheless, housing demand remains strong in high-tier cities, and a stagnant stock market has further fuelled speculation in the housing market.

The easing monetary and loose credit environment is a big contributor to the boom. As of the second quarter of 2016, the newly increased real estate loans and mortgages went up by 52.6% and 109.1%, respectively. In the first nine months in 2016, bonds issued by real estate companies amounted to 960 billion yuan, three times higher than 2015 over the same period. Bond issuance, together with huge bank loans and quick house sales, has provided substantial capital to real estate developers. The capital available to real estate companies grew 14.8% in August 2016, up from 2.6% in December 2015.

In addition, various informal financial means have leveraged housing purchases in high-tier cities. In first-tier cities where purchase limitation policies apply, individuals with extra cash collaborate with those who qualify for restricted purchases to buy houses and then share the gains after selling them. By borrowing from certain institutes (e.g. financial corporations, developers, real estate agencies), buyers in high-tier cities could make down payment as low as 5% of the house price.

Housing boom has indeed helped maintain year-on-year economic growth at 6.7% in the second quarter of 2016. However, it might disrupt the leadership's efforts in economic transformation from an investment-intensive, housing-led and export-reliant model to one that is based on innovation, consumption and services. Large spending on housing will also deter households' consumption on other sectors. Housing fever may come at the expense of causing stagnation to other industries and disruption to

economic restructuring. Without financial support from the banks, enterprises and individuals in other industries are unable to invest.

The housing fever could also exacerbate income inequality, class stratification and social discontent. Surging housing prices increase the value of property thereby enriching homeowners, yet at the same time exclude the poor and low-income households outside the market. The expensive housing has also downgraded the quality of life of many homeowners in high-tier cities, who managed to buy their property but have to fork out over half of their monthly income for mortgages.

Despite the negative impacts, the housing fever has seemingly created a win-win situation for various stakeholders. The boom has brought local governments more land revenues for regional development. Banks

welcome a prosperous housing development to ensure safety of their huge real estate loans. Riding on the housing boom, urban homeowners—accounting for over 85% of urban population—fear and loathe plummeting housing prices and shrinkage of their household assets.

The central government is facing the dilemma of driving growth while preventing the housing market from overheating. Housing is a durable source of growth for the Chinese economy, at least for the foreseeable future. However, the housing boom could hamper the development of other industries, and aggravate housing affordability, class stratification and social grievances.

There are signs that the leadership attempts to take measures to cool the housing fever. Rigid policies to restrict speculation and regulate the housing market are enforced to temper the markets in high-tier cities. Since the first week of October which coincided with the Golden Week, 22 cities have initiated to implement cooling measures largely in purchase limitation and credit restriction. Such measures have effectively constrained housing transactions in the last two weeks of October.

The current housing boom is largely a product of destocking policies, easy money, surging land prices and strong demand particularly by heavily leveraged speculators. Given the housing boom is caused by some internal and controllable factors, it is believed that the Chinese government is still able to get the housing sector back on track. A national housing crash is thus circumvented in the imminent future and the housing boom is not expected to be a serious trigger for macroeconomic crisis. ■

Zhou Zhihua is Visiting Research Fellow at EAI.

**Despite the negative impacts, the housing fever has seemingly created a win-win situation for various stakeholders.**

# Emerging Young Politicians in Hong Kong's Legislative Council Elections 2016

*Political battles in post-Occupy Central have infiltrated Hong Kong's Legislative Council with incoming pro-independence candidates joining the pro-democrats.*

LIM TAI WEI

**H**ong Kong held its Legislative Council (LegCo) elections in September 2016 in a system with 35 seats up for vote and 30 assigned ones. The seats that are not votable are functional constituencies drawn from different sectors in Hong Kong society, including the business elites. The system ensures representation by both pro-Beijing and pan-democratic forces in the lawmaking body, which is currently weighted in favour of pro-establishment, pro-Beijing representation. Differing interpretations of the representativeness of this system and an array of views related to an alternative system to replace it had contributed to the pro-democracy movements at the end of 2014.

When the Occupy Central movement drew to a close in 2014, it was predicted that the movement participants will turn to legal methods as well as underground means to advocate their causes. Some of these frustrated participants were unhappy with the slow progress made by pan-democrats in the legislature. Through legal means, in September 2016, six young incoming leaders were elected into the LegCo. This was a significant election held after the Occupy Central movement. Given that the six young leaders are supporters of autonomy/independence/localism, they are seen as representative of groups advocating for faster democratisation.

Quantitatively, there was a record turnout of more than two million voters. An example of the six pro-independence/localism/autonomy politicians from the post-Occupy Central movement voted into power was 23-year-old Nathan Law (of the Demosisto Party). He enters a LegCo currently dominated by representatives who are pro-establishment and/or pro-Beijing and this ensures that China's interests will not be contravened easily. Baggio Leung—also one of the six young candidates voted into the legislature—and his Youngspiration party publicly advocate Hong Kong independence. There were several other more extreme candidates who were however disqualified from participating in the election.

The age of these young politicians is of significance because they will be witnesses to the year 2047 when Hong Kong's "one country, two systems" will no longer apply and a new political and social contract emerges between Beijing and Hong Kong. Nathan Law received the next highest number of votes in the multi-seat constituency. The election of six pro-independence movement leaders, who are often seen as radicals by Beijing, the Hong Kong authorities and moderate legislators, indicates a desire for change by some members of the public. Many within this group are keen to roll back what they perceive as Beijing's influence in Hong

Kong freedoms and politics. Some pro-democracy forces regard these youngsters as inheritors of their democratisation causes.

For these young activists in the Hong Kong legislative space, a way to effect changes is through reaching out to pan-democrats, the traditional opposition to pro-Beijing factions. In the past, pan-democrats had never advocated independence as part of their democratisation agenda. If pan-democrats collaborate with the six newly elected young leaders and form a one-third bloc within the legislature, they are able to veto constitutional bills. Pan-democrats have previously used filibustering to block bills and initiatives, and it is expected that veto filibustering would intensify with the incoming elected young activists. This implies the political deadlock may continue.

Beijing, through the Hong Kong and Macao Affairs Office of the State Council, has sternly opposed any form of independence for Hong Kong. Pro-establishment forces are trying to persuade the democrats and young pro-independence lawmakers to moderate their political stance. Beijing makes it clear that notions of independence run against the Chinese constitution of China and Hong Kong legality. To the Chinese authorities, Hong Kong independence is a sensitive topic as it may be associated with independence movements in Xinjiang, Tibet and

Taiwan which the authorities fear may unravel the unity of the state and territorial integrity.

Chinese domestic media channels and dailies were careful to downplay or not feature news on the victory of the pro-independence candidates. The election was seen by some a litmus test of the popularity of the current Chief Executive CY Leung. The chief executive has so far downplayed the results as an indication of challenges against him. However, he does not seem to recognise any possible impact of the LegCo elections on the chief executive election.

Pro-Beijing legislators have pointed out the unrealistic nature of Hong Kong independence and also the importance of the "one country, two systems" model in regulating bilateral relationships. Chinese top leader Zhang Dejiang's visit just before the elections was an important mission to gather information on Hong Kongers' voices across different sectors (including an unprecedented meeting with selected pan-democrats) in order to recalibrate relations between Beijing and Hong Kong in the post-Occupy Central period and also to pave the way for Chinese President Xi Jinping's upcoming visit. ■

**Beijing makes it clear that notions of independence run against the Chinese constitution of China and Hong Kong legality.**

Lim Tai Wei is Adjunct Research Fellow at EAI.

# Recent Staff Publications

## Books

**Zheng Yongnian on China series**

*The Rise of China: Re-evaluating Asian Values*

*Reshaping the Ideology*

*China's Frontier Governance\**

*China's Reform Roadmap*

*Rebuilding Chinese Society*

Author: **Zheng Yongnian**

\*Co-author: **Yang Lijun**

Publisher: **Orient Publishing Center**

Year of Publication: **2016**

The *Zheng Yongnian on China* is a new series of cutting-edge books exploring major aspects of contemporary Chinese society, politics, economics and culture. The 2016 collection consisting of five books authored by Professor Zheng will be very useful as an informative, insightful and invaluable compendium of contemporary China for the academia, policymakers and general readers.

*The Rise of China: Re-evaluating Asian Values* explains how China can revitalise Asian values from two perspectives: correcting Western misperceptions about the East, especially about China; and analysing Asian values in the new era with China's development experience.

China needs innovative thinking to reinvent its ideology. In *Reshaping the Ideology*, the author examines the new ideological theories that the Chinese Communist Party has advanced through the years—such as “socialist market economy”, the “three represents”, “scientific outlook on development” and “China Dream”—to adapt to the needs of socio-economic development. But the question is how to generate consensus among the people on these expressions.

The erosion of society by the market economy and capitalism is a fundamental cause of problems in contemporary Xinjiang and Tibet. *China's Frontier Governance* examines how capitalism and the market economy have led to the increase of ethnic conflicts and the serious challenges of

ethnic issues China faces. Vulnerable groups of ethnic minorities have lost effective social protection, the absence of which led them to look for self-help and seek extreme religious beliefs.

*China's Reform Roadmap* discusses about China's re-entering the “climax of reform era”—how it should take the next right step in its reform strategy under complex domestic and international environments as it also experiences a series of external geopolitical changes.

*Rebuilding Chinese Society* examines the reconstruction of social order in the light of the current societal problems in China. The author analyses that the strategy is to elevate social order reconstruction to top priority on China's political agenda and overcome various resistances to achieve the goal when an opportunity arises.



### *Internal Pluralism and the Construction of China's New Type of Think Tanks*

Author: **Zheng Yongnian**

Publisher: **Orient Publishing Center**

Year of Publication: **2016**

The current “think tank fever” in China warrants the need to understand the origins and development of global and Chinese think tanks.

This book expounds the uniqueness of Chinese think tanks and attempts to explore what kind of think tank China needs and can develop, and how China can build a new type of think tank, etc. The core of China's new think tank construction is essentially to reject “colonised” thoughts and rebuild China's own knowledge system, and to conduct policy analyses and recommendations. If the effective establishment of China's unique knowledge system is lacking, there will be situations of “tanks more than think” or even “tanks without think”.



## *The Revival of Nationalism in China*

Author: **Zheng Yongnian**

Publisher: **Orient Publishing Center**

Year of Publication: **2016**



China's nationalist sentiment in the face of the West's propagation of "China threat theory", "encirclement of China" or even "divide and conquer strategy" is deemed normal and understandable. In fact, nationalism is authentically a Western product and a natural extension of individual rights consciousness at the nation-state level.

The nation created by the nationalist concept of "one nation, one country"

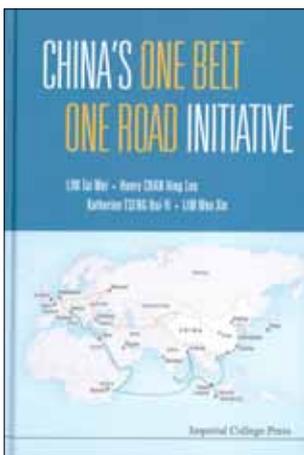
has contributed to international conflict and unbalanced development. Modern China ultimately achieved national rejuvenation after a challenging process of self-exploration, leveraging the spirit of nationalism, and concerted efforts to establish a unified, centralised modern nation-state. However, there are both positive and negative sides of nationalism. The destructive influences of narrow nationalism to China's development and its international status should not be ignored.

## *China's One Belt One Road Initiative*

Editors: **Lim Tai Wei, Katherine Tseng Hui-Yi and Lim Wen Xin**

Publisher: **Imperial College Press**

Year of Publication: **2016**



This book studies the equilibrium or balance between overland and maritime trade routes of the One Belt, One Road (OBOR).

The book is broadly divided into two sections—the interpretive section and the empirical study section. The interpretative section examines contemporary media narratives related to the OBOR initiative in interpreting current policy agendas and legitimising diplomatic and economic

exchanges. The empirical section studies the overland route of the OBOR, analyses the viability of the Euro-China High-speed Rail and Central Asia-China High-speed Rail, and highlights the economic, bureaucratic and geopolitical challenges that these projects will likely face.

## **As Book Chapters**

"Tobacco Control in China: Institutions, Bureaucratic Noncompliance, and Policy Ineffectiveness", in Kjeld Erik Brødsgaard (ed), *Chinese Politics as Fragmented Authoritarianism* (London: Routledge), 2016.

By **Qian Jiwei**

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"The US Hegemony, East Asia and Global Governance", *Bandung: Journal of the Global South*, Vol. 2, No. 1, December 2015, at <<http://link.springer.com/article/10.1186/s40728-015-0023-9>>.

By **Chiang Min-hua**

"Sustaining Hong Kong's Services amid Changing Dynamics of China's Economy", *China Perspectives*, Vol. 2, No. 2, 2016, pp. 37–45.

By **Chiang Min-hua**

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By **Qian Jiwei (with Alex He Jingwei)**

"Money and Growth through Innovation Cycles with Leisure", *Economics Letters*, Vol. 148, November 2016, pp. 23–26.

By **Wan Jing (with Zhang Jie)**

"The Resource Boom in China's Resource-Rich Provinces: The Role of the State-owned Enterprises and Associated Problems", *Asian Survey*, Vol. 56, No. 2, 2016, pp. 270–300.

By **Yu Hong and Zheng Yongnian**

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"Is China in the International Tax Competition Arena?", *Bulletin for International Taxation*

By **Chen Chien-Hsun**

"The Bonus Scheme, Motivation Crowding-Out and Quality of the Doctor-Patient Encounters in Chinese Public Hospitals", *Public Organization Review*

By **Qian Jiwei (with Alex He Jingwei)**

"Motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank", *Journal of Contemporary China*

By **Yu Hong**

# After the South China Sea Arbitral Award: What Rules Now?

*Without institutional instruments to enforce the award, strategic thinking and diplomatic arm-wrestling prevail in the post-arbitration South China Sea.*

KATHERINE TSENG HUI-YI

**M**ore than three months after the South China Sea arbitral award was issued, much to the surprise of the legalists in international law community, it has seemingly been put on the shelf, scarcely exerting any influence in the South China Sea battleground. The reaction from the international community, which actively advocates the rule of international law, also came as another surprise because most countries have taken a low-profile attitude with caution and tepidness—a sharp contrast to the enthusiasm displayed before the arbitration award. The international community, while having taken notice of the award, barely expressed a word of support for or rejection of the award's decision and implementation of it.

Japan and Australia are two exceptions. But their emphasis is largely directed at the institutional cost of China's non-compliance of the award, rather than vouching full support for the tribunal's judgement in the Philippines' 15 submissions. Both have also emphasised the preservation of and respect for a rules-based order (i.e. rule of law), instead of the United Nations Convention on the Law of the Sea (UNCLOS).

The subdued legal battlefield has given way to diplomatic arm-wrestling among states, involving both claimants and non-claimants. The Philippines has attracted prime attention for two reasons. On the one hand, even with a sweeping victory that rules in its favour, the Philippines lacks political resources to push through a full-scale implementation of the award. The tribunal also suffers from a common structural flaw plaguing international courts—that it does not have the institutional instruments to implement its decision. Further, the United States, a strong advocate of the arbitration, has swerved its position by softening its criticisms of China's rejection of the arbitration award.

On the other hand, the Philippine newly elected president Rodrigo Duterte, who was sworn in just weeks before the award was issued, made statements that signalled adjustments, if not a drastic reversal, of the Philippine policies regarding the South China Sea. The Duterte government sent a special envoy to Beijing to convey Manila's goodwill of opening up further talks to break the current stalemate. His efforts, nevertheless, achieved little payback as progress is slow. This should however be deemed as a testing ground for both China and the Philippines to search for a common denominator standard to start negotiations. It is expected that Beijing and Manila are cautious and conservative in their approach as both sides encounter pressures from domestic audiences and external players.

Regional responses towards the arbitration outcome are nonetheless intriguing. Immediately after the award, countries in the region generally took a low-profile posture, avoiding to give clear indications of their stance on the award. Yet, most countries acknowledge that the region would benefit from an enhanced rules-based maritime order. That said, the Association of Southeast Asian Nations' (ASEAN) procrastination in issuing a joint statement on the South China Sea arbitration is of particular interest. It was not until the end of July that ASEAN issued a statement claiming to uphold the institutional strengths of the award, while avoiding name-calling of the culpable country.

Amid the simmering tensions, the international community's muted support for the implementation of the arbitral award warrants serious reconsideration. This raises the question of what actually constitutes the "law of rule"

(the term is a wordplay on "rule of law" and deliberately used to refer to the dominating principle in the current South China Sea situation) and its applicability in the post-arbitration South China Sea. To put it differently, the award seems to corroborate the fact that the law has its limitation in resolving disputes that attract massive international attention and involve geopolitical rivalry. Apparently, negotiations remain to be the best hope for China and the Philippines in dispute resolution, while diplomatic

arm-wrestling remains ongoing. However, uncertainty persists whether the law and the arbitral award could play a constructive role in the course of negotiations. In other words, would an exclusion of the arbitral award from negotiations inflict severely on the credibility of the UNCLOS as the constitutional legal document of contemporary maritime governance?

Apart from the power politics rhetoric that dominates the South China Sea issues, the issue of "compliance" is a dilemma in the making of maritime governance in the contemporary system. The concept of "compliance" with the law requires rethinking, and a distinction between "implementation" and "compliance" should be made, particularly in international law practice. "Implementation" should encompass a broader scope of practice and be inclusive of "compliance". That said, "implementation" should not be merely confined to "compliance" in a legal sense, but should instead comprise all actions that may hopefully facilitate or result in compliance. Further, compliance requires a full spectrum of observations of all decisions

**The concept of "compliance" with the law requires rethinking, and a distinction between "implementation" and "compliance" should be made, particularly in international law practice.**

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# The Tsai Ing-wen Administration's Role Conflict Dilemma

*As a movement government, the Tsai administration has to keep a fine balance between its dual role as the government and the independence movement leader.*

QI DONGTAO

**A**fter Taiwan's first female president Tsai Ing-wen took office in May 2016, her administration's short honeymoon period was ended by the declining public support, large protests, and mounting economic and diplomatic pressures from the mainland Chinese government. In fact, a long-term and critical challenge afflicting the Tsai administration is its role conflict dilemma rooted in the nature of the administration, being a movement government.

A movement government is a type of democratic government. The distinction between a movement government and an ordinary democratic government is that the former's legitimacy is premised on its commitment to lead an important political movement, such as the Taiwan independence movement, in addition to the popular vote it wins in an election. Therefore, a movement government plays dual role of a national government and a movement leader. Under most conditions, the two roles are, however, inherently conflicting. As a government, the general public expects it to develop the economy, and promote social harmony and progress; as a movement leader, supporters expect it to achieve the movement's goal (e.g. Taiwan's independence), which is often at odds with the government's objectives of economic development and social harmony. The movement government thus sways between the two roles, trying to keep a fine balance. However, achieving and maintaining balance is difficult, and often leads to frequent shifts in the administration's policies and further political and social instability. Exacerbating instability will cost the movement government dearly in terms of popular support.

From the perspective of the movement government framework, the Tsai administration, in its first several months, clearly attempted to emphasise its role as a government and minimise the movement leader role—a tactic that is similar to Chen Shui-bian's concessional strategy he adopted during the early period of his first term (2000–2004). As Tsai enjoys much popular and stronger legislative and local governors' support than Chen, she has not compromised on the pro-independence issue as much as Chen did in 2000. She has, on the other hand, repeatedly shown goodwill towards mainland China by promising to conduct cross-strait affairs in accordance with the Republic of China Constitution and the Act Governing Relations between the People of Taiwan Area and the Mainland Area, both of which are based on the one-(Republic of) China principle.

Tsai has also rejected the version of the Cross-Strait Agreement Supervisory Act that used terminology implying

a state-to-state cross-strait relationship, and replaced the sensitive terminology "Taiwan–China" with "cross-strait"; she further defined cross-strait relations according to the Republic of China constitutional institution in the Democratic Progressive Party's version of the Cross-Strait Agreement Supervisory Act to address the mainland Chinese government's concern.

The important officials tasked with cross-strait relations in the Tsai administration are technocrats who are not known to hold strong pro-independence stance—this could be viewed as extending a gesture of goodwill to mainland China. Tsai's appointed premier Lin Chuan—a non-partisan from a deep-blue (pro-Kuomintang) family—was finance minister in the Chen administration and is known to hold vague ideological stance on the unification–independence issues. Lin formed a cabinet mainly consisting of technocrats and professionals,

most of whom had worked for either the Chen or the Ma administration, or both. It was reported that many in the green camp were dissatisfied with Lin's cabinet for it included too many former officials from the blue camp. For example, one of the most important positions on cross-strait relations—the minister of Mainland Affairs Council—was filled by an incumbent diplomat in the Ma administration, Katharine Chang. The minister of foreign affairs, David Lee, was also an incumbent senior diplomat in the Ma administration.

Nevertheless, both Chang and Lee had worked for the Chen administration as well. Furthermore, Tsai announced in her interview with *The Wall Street Journal* and then reiterated in the National Day speech that her administration would not use confrontational strategy against mainland China in the same vein as Chen did in his second term.

However, Tsai certainly has not abandoned her administration's movement leader role and attempts to balance the dual role. Her administration has been focusing mostly on consolidating Taiwan's de facto independence and promoting Taiwanese nationalism to fulfill its movement leader role. For example, the Tsai administration rescinded the Ma administration's pro-China and therefore controversial textbook revision guidelines, changed the Academia Historica's regulations to restrict mainland Chinese scholars' access to the archives, improved Taiwan's relations with the United States and Japan, and promoted the "New Southbound Policy" to enhance economic, social and cultural ties with India and Southeast Asian countries, thus reducing Taiwan's economic dependence on mainland China. The Chinese government believes that these are essentially

**The Chinese government...insists that the pre-condition for future cross-strait talks is Tsai's acceptance of the "1992 consensus"...**

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# Ticking Nuclear Time Bomb in Korean Peninsula?

*Pyongyang's nuclear time bomb is ticking but external "bomb disposal squads" are missing.*

LAM PENG ER

Given Pyongyang's unrelenting nuclear weapon development, peace and stability in Korean peninsula have become more uncertain and increasingly perilous. A nuclear time bomb is ticking away but the United States and China are unable to defuse it—a dilemma for the two great powers indeed. If the United States were to attempt a risky preemptive surgical strike against suspected North Korean nuclear facilities, the results would be uncertain and catastrophic because North Korea has the capability to retaliate massively (even with only conventional weapons) against South Korea and the US forces based on the peninsula. If China were to cut off its energy and food lifeline to North Korea, the possible collapse of its erstwhile ally may result in a deluge of refugees and a reunified Korean peninsula allied to the United States.

It is therefore puzzling why Pyongyang is playing brinksmanship with its neighbours. Perhaps we can answer this vicariously from the suspicious eyes of a beleaguered and distrustful North Korean Stalinist regime. Unlike South Korea which has a security guarantee from its ally—the United States, North Korea no longer enjoys any military protection from China. Moreover, Pyongyang views revisionist Beijing, which has long embraced capitalist incentives and strayed away from socialist ideology since 1978, with distrust. Further, the fact that Chinese President Xi Jinping extended an invitation to South Korean President Park Geun-hye, a mortal enemy of the North, to review the 70th Anniversary of the V-day parade in Tiananmen Square in September 2015 is indeed a slap in the face to Pyongyang. That Pyongyang has accelerated its nuclear tests, launching missiles from land and submarine the following year can be interpreted as a manifestation of its defiance of and disdain for Beijing, and its iron resolve in asserting sovereignty and autonomy.

To Pyongyang, acquiring a nuclear arsenal is necessary to ensure the survival and legitimacy of its regime—a totalitarian regime under the Kim dynasty. The United States had in the past labelled North Korea as an "axis of evil". Pyongyang, unsurprisingly, is paranoid that the US superpower actively attempts to seek a regime change in North Korea. That said, Pyongyang is also cognizant that Saddam Hussein of Iraq and Gaddafi of Libya would probably not be toppled by the American-led allied interventions if they had had a nuclear deterrent. Therefore, for regime survival, Pyongyang will

seek nuclear deterrence at all costs. Moreover, developing its own independent nuclear *force de frappe* could demonstrate the efficacy of its *Juche* ideology of self-reliance. Pyongyang also recognises that the ability to stand up to the American "imperialists" and get noticed by its neighbours in Northeast Asia would strengthen the country's prestige and legitimise the Kim family to rule the brainwashed North Korean population perpetually. Pyongyang's nuclear blackmail could conceivably secure concessions and aid from its neighbours. But it is unclear whether North Korea can succeed anymore employing this strategy as its neighbours are increasingly exasperated by and sceptical of its real intentions.

The threat of nuclear proliferation in North Korea is, of course, of great concern to Japan because it fears the former's growing nuclear arsenal would put Japan within the striking distance. While the reliability of Pyongyang's missile delivery system and its capability to miniaturise nuclear warheads remain uncertain, Japan will take no chances even though it enjoys the security of its American ally's nuclear umbrella. Besides bolstering its own theatre missile defence system, Tokyo may eventually study its preemptive strike option if it is convinced that North Korea's nuclearisation is unstoppable. However, Japanese Prime Minister Abe Shinzo can leverage the North Korean nuclear threat to justify the passage of more muscular security laws permitting the Self-Defence Forces to engage in collective security, and subsequently to revise the pacifist post-war Constitution and transform Japan into a "normal country" to the chagrin of China.

South Korea has hardened its posture towards its "Brother Enemy" by cutting off its last remaining bridge to the North when it closed down the Kaesong Industrial Complex in February 2016 and punished Pyongyang by laying off 53,000 North Korean workers who earned important foreign exchange. Disappointed that Beijing is unwilling and unable to restrain Pyongyang on nuclear proliferation, Seoul has decided to introduce the US Terminal High Altitude Area Defence (THAAD) missile system, much to the anger of its Chinese neighbour who views this deployment as a security threat. In this regard, North Korea is nothing but a trouble for China although the former is supposed to be the latter's buffer from US military forces in South Korea.

Public opinion has also hardened in the South against the North. According to the media, a majority of South

Unlike South Korea which has a security guarantee from its ally—the United States, North Korea no longer enjoys any military protection from China... To Pyongyang, acquiring a nuclear arsenal is necessary to ensure the survival and legitimacy of its regime—a totalitarian regime under the Kim dynasty.

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## **The Sixth Plenum of the Chinese Communist Party: Party Rectification as Power Consolidation**

of Zhongnanhai” (the compound housing the central government and top Party organs in Beijing) was coined to mock the central authorities during the reign of Hu Jintao and Wen Jiabao. As a much stronger leader, Xi Jinping intends to re-establish central authority by tightening internal control of the Party through both formal rules and informal norms. *Shoujilü jiangguijü*, which means observing the Party discipline and adherent to Party norms, became a buzzword in the Party-building discourse. His strategy as revealed in the Sixth Plenum includes three components: rebuilding a healthy human ecology within the Party; re-establishing ideological faith; and beefing up intra-Party supervision. Xi's Party-building and rectification programme has indeed seen resurrection of some of Maoist legacy as well as Chinese cultural traditions.

Xi realises that formal and informal rules, even fully enforced, are not enough to curb the opportunism among Party members who face great temptations in a materialist world. It must be supplemented by “rule by virtue” (*yide zhidang*), which in China has a long cultural tradition in the moral self-cultivation of Confucian scholar-officials. Xi also tries to revive the CCP's own traditional values of sacrifice, service and people-centred work style, and clean and frugal lifestyle, etc. This was essentially the tradition that won the support of the people, leading to the CCP victory against the corrupt Kuomintang in the long civil wars.

Xi is the top leader most serious about tightening Party discipline in the reform era. He emphasises that the Party discipline must be more stringent than the law, as he believes establishing the rule by rules in the Party a pre-condition and integral part of establishing the rule of law in the country. To his own advantage, though, his discipline drive stresses loyalty and obedience to the central authority, utilising another long-standing intra-Party norm from the Mao era—the taboos against factionalism. ■

Lance L P Gore is Senior Research Fellow at EAI.

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## **Provincial Personnel Reshuffle before the Sixth Party Plenum**

2016, Sichuan Governor Wei Hong was demoted to a vice-departmental post and relieved of his party duties for “being disloyal and dishonest” towards the Party.

Among the 31 provincial regions, Beijing, Shanghai, Chongqing and Guangdong are the only regions whose Party chiefs and governors still retain their positions since their appointment at the 18th Party Congress. Substantial changes to the provincial/municipal leadership in these regions are expected leading up to the 19th Party Congress.

Even for provinces that have already undergone important personnel changes, massive reshuffles are foreseeable as the incumbents may have to brace for retirement, transfer, demotion or even corruption probes in Xi Jinping's new normal of politics. ■

Chen Gang is Senior Research Fellow at EAI.

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## **After the South China Sea Arbitral Award: What Rules Now?**

made in the ruling and should not be accorded with extreme rigidity. Greater flexibility should thus be exercised in the implementation based on various degrees of compliance. In this sense, the law can serve a larger functional role in the post-arbitration negotiation.

The arbitral award is not the end game of the South China Sea disputes. Barely so. The fact that it is being dismissed has regrettably undermined the integrity of law in solving international disputes. In this regard, both China and the Philippines as well as the international community should give serious thoughts about the role of law in upholding regional and international maritime order and governance. On this note, it appears that a common international order, in a broader sense, is one that could accommodate diverse values of various countries and this could take shape in the future by appropriate legal instruments. ■

Katherine Tseng Hui-Yi is Research Associate at EAI.

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## **The Tsai Ing-wen Administration's Role Conflict Dilemma**

“cultural and gentle pro-independence activities”, and insists that the pre-condition for future cross-strait talks is Tsai's acceptance of the “1992 consensus” or its key connotation of the one-China principle.

Chen Shui-bian had, during his first term, tried to show more goodwill to mainland China than Tsai, but his concessional China policy became confrontational within two years and even radicalised in his second term. There are two major reasons for the Chen administration's movement leader role that later took priority: the Chinese government did not respond favourably to Chen's concessions and Chen failed his role as the government leader mainly due to the corruption scandals involving his close officials, his family members and himself. He had hoped that emphasising the movement leader role with various radical pro-independence moves would help him regain popular support, at least among movement supporters. It seems that this is a plausible scenario for Tsai if the Chinese government continues to disregard her gesture of goodwill and if the Tsai administration stumbles on its government role in reviving Taiwan's economy in the next few years. ■

Qi Dongtao is Research Fellow at EAI.

## Ticking Nuclear Time Bomb in Korean Peninsula?

Koreans are now in favour of the South developing its own nuclear deterrence against the North. That might well be a recipe for disaster if the South were to engage in a nuclear arms race with the North. Meanwhile, in its psychological “warfare” against the North, Seoul had intimated that it will send hit squads to assassinate North Korean leader Kim Jong-un if Pyongyang were to deploy nuclear weapons. This is nothing but bluster because Pyongyang will surely retaliate massively.

The domestic political situation in South Korea took a bizarre turn in November 2016 when a political scandal engulfed President Park Geun-hye. Apparently, she was unduly influenced by a close friend Choi Soon-sil, allegedly a “Rasputin-like” cultish and shadowy figure, who had access to certain confidential information (including policies and

strategies towards North Korea) even though Choi did not hold any official appointments. Park is obviously in deep political trouble—she is now a lame-duck president and her prestige is irreparably damaged. It is unclear how South Korea can manage its relations with the unpredictable and dangerous North Korea when its political leadership, policymaking and domestic politics are in an utter mess.

Another unpredictable factor thrown into the vortex of political tension and nuclearisation of the Korean peninsula is the US presidential election in November 2016. Will the new Trump administration skilfully bring the US allies of South Korea and Japan together to face a common threat from the North? Will the Trump administration adopt a tougher stance towards Pyongyang than the Obama administration? Meanwhile, the North Korean nuclear time bomb continues to tick. Yet, the bomb disposal “experts” are still nowhere to be seen. ■

Lam Peng Er is Senior Research Fellow at EAI.

## EAI International Conferences and Forums

### EAI INTERNATIONAL CONFERENCE

#### China's Neo-Socialism under Xi Jinping



“Xi’s version of socialism is after all the accumulation of wisdom backed by the glorious Chinese civilisation...”

EAI Chairman Professor Wang Gungwu

What is the nature of socialism under Chinese President Xi Jinping in both theory and practice? The East Asian Institute held a two-day international conference that convened well-known academics from China, Australia, Europe, Singapore, Taiwan and the United States on 18 and 19 August 2016 to explore the questions, trends and possible outcomes of the new form of socialism or neo-socialism in China, mainly in the key areas of economy, society and politics.

As is widely known, socialism is not new in China, which has adopted the ideology since the founding of the People’s Republic of China in 1949. This then raises the question what is new or neo about China’s socialism or, rather, Xi’s version of socialism?

EAI Director Professor Zheng Yongnian explained in his opening remarks the evolution of socialism in China and its various interpretations and applications under different Chinese leaders.

Mao Zedong, in describing China as being in its “initial stage of socialism”, envisaged to build China into not only a full-scale socialist country but also a communist one. When Deng took the helm, he redefined socialism, incorporating it in policy goals, and focused on economic opening up and transformation.

Since Xi came into power in 2012, China’s socialism has deviated from Deng’s socialism with Chinese characteristics. In fact, Deng’s socialism with Chinese characteristics rarely appears or gets mentioned in the Party’s document today since the 18th Party Congress. On ideological grounds, Deng’s policy has been criticised for causing wide income inequality and social division.

Under Xi, China has become increasingly more socialist as Maoism gains popularity among various social groups. The rise of populism—which harks back to the Mao era—is however not deemed a positive development for China. Some China scholars observed that this year, 2016, being the 50th anniversary of the Cultural Revolution, witnessed a comeback of the revolution’s work style in certain quarters of Chinese society or government. Professor Zheng opined that China is not able to avoid the legacy of the Cultural Revolution—the social repercussions of which will increasingly manifest in the coming years. Xi’s governance of the country by “rule of law” certainly puts China on the right course; however its implementation seems to endorse the work style of the Cultural Revolution, hence sending confusing and conflicting signals about the direction that Xi wants to steer China to.

EAI Chairman Professor Wang Gungwu’s keynote address not only set the tone of the conference but also set the audience and panel speakers thinking about what China’s socialism stands for. Professor Wang said socialism espoused by early Chinese thinkers and reformists like

“Under Xi, China has become increasingly more socialist...”

EAI Director Professor Zheng Yongnian



Yan Fu, Kang Youwei and Sun Yat-sen, and socialism with Chinese characteristics (or *Zhongguo tese*) advocated by Mao, Deng and succeeding Chinese leaders, in fact, date back a long way to the great tradition of Chinese civilisation and Confucianism. That the ruler and the state are responsible for equality in society and equitable distribution of wealth are already deeply ingrained in Chinese traditions and heritage, and certainly not an imitation of socialism in the West.

Professor Wang further added that Xi's anti-corruption campaign is one of the means of saving the Chinese Communist Party—which is tantamount to saving China and the state—to make it clean, respectable and credible. Professor Wang also recognised that Xi indeed believes in

change while ensuring the continuity of Chinese heritage and history, and leveraging Chinese nationalism together with socialism and communism. This aligns with the long-standing Chinese conviction of change to ascertain that tradition emerges better, stronger and richer.

Perhaps Xi does not accept the word neo or new, as Professor Wang drew a conclusion. Xi's version of socialism is after all the accumulation of wisdom backed by the glorious Chinese civilisation as well as the *xing*—i.e. the action, and reactions and failures of Xi's predecessors. Xi is committed to building a strong state that cares for the people and advocates the *datong shehui* (society of great harmony) ideal which is still rooted in Chinese civilisation. ■

## THE 11TH CHINA–SINGAPORE PUBLIC FORUM

### ASEAN-China Relations: Celebrating 25 Years of Partnership

Co-organised by the East Asian Institute, NUS and Chinese People's Institute of Foreign Affairs



From left:  
 Professor Tommy Koh (at the rostrum);  
 Mr Xu Ningning;  
 Professor Zhai Kun;  
 Ambassador Yang Wenchang;  
 Professor Kishore Mahbubani; and  
 Professor Tan Kong Yam.

To mark the 25 years of diplomatic relations between ASEAN and China in advance of the official date on 3 October 2016, the East Asian Institute and the Chinese People's Institute of Foreign Affairs (CPIFA) co-organised a public forum titled "ASEAN–China Relations: Celebrating 25 Years of Partnership" on 6 May 2016.

Professor Tommy Koh, chairman of the Centre for International Law at National University of Singapore, and Ambassador Yang Wenchang, former president of CPIFA, co-chaired the forum that made up of four panel speakers—Professor Kishore Mahbubani, dean of the Lee Kuan Yew School of Public Policy, NUS, and Professor Tan Kong Yam, co-director of the Asia Competitiveness Institute at the Lee Kuan Yew School of Public Policy; and Professor Zhai Kun from the School of International Studies, Peking University and Mr Xu Ningning, executive president of China-ASEAN Business Council from the China side.

Professor Tan remarked in his presentation on the topic "ASEAN–China Economic Relations: From Competitor to Facilitator" that China is now a major market and engine for Asia's growth. It will work to China's advantage to assist in ASEAN's industrialisation and open up its expanding market for ASEAN's products since it has moved up the value chain.

Mr Xu highlighted how China has attached great significance to developing its ties with ASEAN as it was the first country to accede to the Treaty of Amity and Cooperation in Southeast Asia, the first to create a free trade area with ASEAN and establish strategic partnership with ASEAN. To further strengthen such ties, Xu suggested implementing the third Plan of Action for China–ASEAN strategic partnership that includes the part on promoting connectivity; building mutual trust with less emphasis placed on security-related

issues; and enhancing China-ASEAN industrial cooperation.

Professor Kishore Mahbubani highlighted the larger geopolitical shifts and developments that would affect China-ASEAN relations. He cautioned that ASEAN will have to face and bear the brunt of strategic competition between China and the United States in the region, particularly in the South China Sea. By drawing an analogy of a Ming vase with ASEAN, he urged the two big powers to be mindful that their rivalry should not break ASEAN—a broken and disunited ASEAN will not bode well and is certainly not in their interest.

Professor Zhai Kun shared his analysis of how China-ASEAN relations had affected the Asia-Pacific order in almost every five-year interval since 1991, thus explaining the importance of the relations in "shaping" regional order. Taking reference from Xi Jinping's concept of a China-ASEAN community of common destiny, Professor Zhai proposed setting up a China–ASEAN Eminent Persons Group to brainstorm ideas; building an inclusive Maritime Silk Road that involves the United States; and establishing a China–ASEAN Young Leaders' Summit to incorporate views of youth from both sides.

Professor Tommy Koh weighed in as moderator of the question and answer session with an insightful comment that despite the seemingly wide differences between the United States and China in the short term, there may be a convergence of interest between them in the long run. In the longer term, China will become a maritime power that is able to and aspires to carry out the kind of military activities or surveillance activities that the US navy now conducts in other countries' exclusive economic zones. In this sense, China's strategic interests and that of the United States may coincide. ■

*FORUM*

**EAST ASIA  
OUTLOOK  
2017**

Organised by  
**East Asian Institute,  
National University of  
Singapore**

**17 JANUARY 2017**  
YORK HOTEL, CARLTON HALL  
Singapore



***INTERNATIONAL  
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**PEACE  
AND  
COOPERATION  
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**FEBRUARY 2017**  
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FOR EVENT DETAILS, PLEASE CONTACT

JAMES TAN

TEL: (65) 6779 1037

EMAIL: [eaitanj@nus.edu.sg](mailto:eaitanj@nus.edu.sg)

## Some Highlights at EAI



**Professor David Zweig**, chair professor of the Division of Social Science at the Hong Kong University of Science and Technology delivers a lecture titled **"The Best are Yet to Come: State Programmes, Domestic Resistance and Reverse Migration of High-level Talent to China"** at the EAI Distinguished Public Lecture on 27 October 2016. EAI Senior Research Fellow Zhao Litao explains the significance of Professor Zweig's research.



**Professor Dwight H. Perkins**, Harold Hitchings Burbank Professor of Political Economy at the Harvard University, presents a lecture titled **"China's Challenge: Avoiding the Middle Income Trap"** at the Goh Keng Swee Lecture on Modern China on 15 September 2016. EAI Director Professor Zheng Yongnian fields questions from the audience at the Q&A session.



**Professor Andrew G. Walder**, Denise O'Leary and Kent Thiry Professor at the School of Humanities and Sciences, Stanford University, gives a lecture titled **"Rebellion and Repression in China, 1966 to 1969: New Findings from a Macro Perspective"** at the EAI Distinguished Public Lecture on 22 August 2016. EAI Professorial Fellow Professor John Wong chairs the Q&A session.



**Professor Kjeld Erik Brødsgaard** from the Department of International Economics and Management at Copenhagen Business School delivers a lecture on **"Chinese Politics as Fragmented Authoritarianism"** at the EAI Distinguished Public Lecture on 16 August 2016. EAI Director Professor Zheng Yongnian briefly introduces fragmented authoritarianism as the key concept to understanding China's political process.