

东亚研究所通讯

INSIDE PAGES

...

**China's New Guiding Ideology:
The Unfolding of the Xi
Jinping Era**

**China Focuses on Anti-
Corruption Institution-
Building in Xi Jinping's
Second Term**

**Xi Jinping and the
People's Liberation Army:
Before and After the 19th
Party Congress**

**China's Reactive
Taiwan Policy**

**China-US Relations:
Greater Predictability
in the Relationship**

**China's Policy Towards
Southeast Asia
during Xi Jinping's
Second Term**

**China's Shift in Economic
Policy Priorities: From
Quantity to Quality**

**Social Policy Reform in
Xi Jinping's China**

China's New Guiding Ideology: The Unfolding of the Xi Jinping Era

When consolidation of power is reinforced by the consolidation of ideology, Xi Jinping is in a position to break new path for China and reshape the events of the world.

LANCE L P GORE

On 18 October 2017, China unveiled its new official guiding ideology in General Secretary Xi Jinping's political report at the opening session of the 19th National Congress of the Chinese Communist Party (CCP). Officially introduced as "Xi Jinping Thought of Socialism with Chinese Characteristics for a New Era" (hereafter "Xi Jinping Thought"), it was subsequently enshrined in the revised CCP Constitution.

On the surface, the new seven-member Politburo Standing Committee lineup has preserved continuity and factional balance, with all five new members promoted from the 18th Politburo. However, during his first term, Xi took over the economic policy initiative from Premier Li Keqiang, and inducted both Wang Yang and Zhao Leji who have proven their loyalty to Xi. Most importantly, Xi had also installed his staunch ally Li Zhanshu third in the leadership hierarchy, placed Han Zheng, widely regarded a Jiang protégé, the last in the lineup, and filled the larger Politburo with loyalists. The elevation of "Xi Jinping Thought" therefore heralds the full consolidation of Xi's power and the official inauguration of the Xi Jinping era.

Xi characterised his era as one of "never forgetting why we started (*buwang chuxin*), staying focused on our mission (*laoji shiming*), and holding high the banner (*gaoju qizi*)". "Xi Jinping Thought" signifies the reaffirmation the socialist path and touching base with Marxism. The Xi Jinping era is certainly a departure from the liberalising reforms of the Deng Xiaoping–Jiang Zemin era and the hesitation of the Hu Jintao era.

Furthermore, "Xi Jinping Thought" also provides the blueprint for reforms in the pipeline to build a new system that can accommodate the "new normal" economy, address a wide range of social and environmental problems, and ensure the long-term sustainability of Chinese development. It has strong intent to decisively root out corruption within the Party and end the incessant infighting between left and right radicals—i.e. no more debate, just follow Xi.

The grand objective of "Xi Jinping Thought" is to build China into "a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful" by the mid 21st century. China's "principal contradiction" had evolved from the Mao era, which was framed as a class struggle, to the Deng era, which was characterised as the tension between "the increasing material and cultural needs of the people and the backward social productivity". By contrast, in the Xi era, the "principal contradiction" China faces is the tension between "unbalanced and inadequate development and the people's ever-growing needs for a better life".

In other words, in addition to material betterment, the CCP needs to address Chinese people's increasing demands "for democracy, rule of law, fairness and justice, security, and a better environment". Policies in the Xi era will no longer be driven by GDP growth alone.

The new era will seek progress in five areas simultaneously, namely economic, political, cultural, social and ecological, by adopting the "four comprehensives"

continued on page 12

Xi Jinping Ushers In a New Era Amid Complex Challenges

China recently witnessed its once-every-five-years top leadership transition this fall. The ruling Chinese Communist Party (CCP) held its 19th National Congress from 18 to 24 October 2017 and unveiled the reshuffle lineup of the all-powerful Politburo Standing Committee. On the new Politburo, Xi Jinping has installed most of his allies and loyalists, crowding out the once-influential “Shanghai Gang” and “Youth League faction”.

Although Xi has successfully consolidated his power, he still faces many challenges in the Party. One of the major challenges is how to rejuvenate the Party spirit under the newly introduced “Xi Jinping Thought of Socialism with Chinese Characteristics for a New Era” banner as the new leadership pledges to push ahead the anti-corruption campaign. The “Xi Jinping Thought” reaffirms China’s socialist path and also provides the blueprint for reforms in the pipeline that would address a wide range of social and environmental problems. Xi’s new agenda will require a highly motivated cadre corps, whose power and privileges were curbed, and work morale affected by the anti-graft investigations.

Xi’s urgent push for economic reform is also fraught with challenges. The lack of substantive political reform resulted in power- and market-based interests being intertwined with the political structure, and in the establishment’s lack of motivation to reform the economic system. Xi’s new leadership team will provide the window of opportunity for a shift towards quality-based growth.

Xi’s team will also continue to promote social policy reform, allocating more financial resources to social programmes and incorporating social goals into local officials’ list of “obligatory targets”. With poverty alleviation as new focus in the social sphere, China targets to eliminate rural poor by 2020. A crucial challenge faced is

the local governments’ lack of capacity in finance, personnel and political resources.

The post-19th Party Congress witnessed a shift in China’s Taiwan policy from “promoting reunification” to “opposing independence”. Despite Beijing’s success in attracting Taiwanese capital and migrants and in blocking Taiwan’s diplomatic activities, it

encountered challenges in political negotiation. Xi may adopt a more proactive policy exerting greater pressure on Tsai Ing-wen’s government.

China’s relations with its neighbours and the United States improved in 2017, despite the spates of territorial disputes in the South and East China Seas. Xi, having consolidated his power, may employ a more pragmatic approach in foreign policy in his second term. As is evident in US President Trump’s recent state visit to China, both countries seemed ready to resolve their differences over the trade and North Korea’s nuclear issues.

President Xi’s and Premier Li Keqiang’s visit to Vietnam and the Philippines, respectively, had clearly eased China’s tensions with the two countries. China’s policy towards Southeast Asia, however, appears to be unchanged. An increasingly confident Chinese leadership will generate impetus to achieve even greater gains. Hence, Chinese leaders should also devote more efforts in other new areas of cooperation and in building trust with various countries. ■



Professor Zheng Yongnian
EAI Director

EDITORIAL COMMITTEE

Professor Zheng Yongnian
eaizyn@nus.edu.sg

Dr Shan Wei
eaisw@nus.edu.sg

Ms Ho Wei Ling
eaihlw@nus.edu.sg

EAI Bulletin is published twice yearly by the East Asian Institute (EAI), an autonomous research organisation set up in April 1997 under a statute of the National University of Singapore. EAI succeeds the former Institute of East Asian Political Economy (IEAPE).

All rights to the materials in this newsletter belong to EAI. The views expressed in this newsletter are those of the authors and do not necessarily reflect the views of EAI. The Institute welcomes contributions and comments from readers.

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>

China Focuses on Anti-Corruption Institution-Building in Xi Jinping's Second Term

In Xi's second term, China is mulling over a decision to establish a national supervisory commission that integrates the functions of the Party's discipline inspection authorities and anti-corruption agencies in the administrative and judiciary apparatuses.

CHEN GANG

The Communist Party of China (CPC) convened its 19th Party Congress in Beijing from 18 to 24 October 2017, which also marked the start of the second term of Xi Jinping, now aged 64, as CPC general secretary and chairman of the Central Military Commission (CMC). Xi has successfully consolidated his power through a ruthless anti-corruption campaign in the past five years. Between November 2012 and July 2017, more than 280 officials at vice-ministerial level or above (or military officers at deputy-corps level or above), 8,600 bureau-level officials, 66,000 county-level officials and 1.34 million township-level officials were placed under investigation by the Party's disciplinary inspection commissions at various levels.

At the 19th Party Congress, it was evident that Xi faced political resistance from within the Party as his anti-graft campaign cut deeply into major vested interests. Wang Qishan, the feared anti-graft czar who led the CPC Central Commission for Discipline Inspection (CCDI), had to retire from his Party post. Zhao Leji, former chief of CPC Central Organization Department, will replace Wang as chief of the CCDI.

Nevertheless, the personnel reshuffle does not necessarily mean that the anti-corruption crackdown will be of reduced scale and intensity in Xi's second term. Xi reiterated in his work report to the Party Congress the Party's firm determination to carry on the anti-graft campaign. At a plenum before the 19th Party Congress, 12 CPC Central Committee members—including Sun Zhengcai, former Party chief of south-west China's Chongqing municipality, former Minister of Justice Wu Aiyang and former chairman of China Insurance Regulatory Commission Xiang Junbo—were expelled, boosting the count of disgraced Central Committee officials in Xi's first term to 35.

In Xi's second term, the CPC leadership will strive to reform the anti-corruption institutions to enhance the efficiency and legitimacy. China is mulling over a decision to establish a national supervisory commission (NSC) and to pass a law on national supervision. The commission and its local branches at various levels will integrate the functions of the Party's discipline inspection authorities and anti-corruption agencies in the administrative and judiciary apparatuses. The move aims to help Party graft-busters centralise the fragmented anti-corruption efforts and legitimise their extralegal investigations under the framework of "rule of law".

The Party-state has relied on its discipline inspection system (*jijian xitong*), and political and legal systems (*zhengfa xitong*) for its anti-corruption campaign, but the complicated relationship between the two systems has, to some extent, affected the efficiency and legitimacy of the anti-corruption drive. Once the NSC is set up, the anti-corruption watchdog's powers could be recentralised, thus easing the tensions

between the CCDI and Central Political and Legal Commission in the new institutional framework. The establishment of the NSC may not be able to solve the fundamental problems facing China's anti-corruption drive, such as the lack of an independent judiciary system and of impartiality in law enforcement.

Corruption is not a new phenomenon in the history of the People's Republic, as can be explained from the perspective of a lack of independent judiciary system and media supervision. After 30 years of gradual economic reforms, the Party-state's partially marketised economy has become a hotbed for more high-stakes and high-level corruption cases. Despite China's economic liberalisation for over three decades, the state has not withdrawn from the economy, which is still in the state sector's secure control and under strong intervention of government policies. China's rapid marketisation process after 1992 had opened up more opportunities for rent-seeking activities. Large state-owned enterprises, public service organisations and local governments have become corruption-prone.

Corruption poses serious threat to the image and legitimacy of the leadership under Xi, who has to stem the escalation of large-scale corruption in order to regain public support. Nevertheless, uprooting corruption is mission impossible in the current political, economic and social context, and Chinese leaders fully understand the limit of anti-corruption actions. High-profile corruption cases like Zhou Yongkang's and Bo Xilai's may be interpreted as the outgrowth of power struggles within the CPC, with competing factions using the "war on corruption" as a tool to eliminate or weaken rivals and their corporate supporters. The new leadership is expected to taper down the scale of the anti-corruption movement once it has consolidated its power and established full authority.

Although Western observers often criticise China's anti-corruption campaign as ineffective and superficial, the CPC's long-term adherence to high-handed and multidimensional actions does prevent corruption from becoming a fatal threat to the Party's rule or to the country's economic growth. Punishing big-timers severely is also an efficient way of redistributing wealth in the context of exacerbating social inequalities. In the long run, to win in a full-scale war on corruption, China has to gradually institutionalise an independent judiciary system with enhanced supervisory role for the media and public. Catching "tigers" alone will not suffice to make the regime more accountable, transparent and responsive. Selective enforcement in a politicised process would only spawn deeper corruption and undermine the effectiveness of the anti-corruption campaign. ■

Chen Gang is Assistant Director and Senior Research Fellow at EAI.

Xi Jinping and the People's Liberation Army: Before and After the 19th Party Congress

Xi Jinping's efforts to strengthen the Party's "absolute leadership" of the People's Liberation Army were mainly driven by the rampant military corruption attributable to the neglect of civilian control in the Hu Jintao era.

LI NAN

In his report to the 19th Party Congress, Xi Jinping upholds the Party's "absolute leadership" over the People's Liberation Army (PLA) to advance the goal of building the PLA into a military that "follows the command of the Party and is capable of fighting and winning wars". The conventional interpretation of the Party's "absolute leadership" is for Party leaders to mobilise the PLA for intraparty leadership power struggles, or to defend the Party against popular rebellions from within Chinese society. During his first five-year term, however, Xi has not employed the PLA for the aforementioned missions.

A number of senior officers, including former Central Military Commission (CMC) vice chairs Xu Caihou and Guo Boxiong, have been prosecuted for military corruption since 2014. However, they were convicted of economic crimes such as profiteering from sales of offices, sales or lease of military land and properties, outsourcing of defence contracts and embezzlement of official budget, but not for political crimes such as organising anti-Party cliques. Ties among corrupt officers, being founded on monetary transactions rather than on a common ideology, are fragile and disorganised. The fact that a majority of these senior officers were prosecuted sporadically after their retirement suggests that they did not constitute a critical political threat to Xi.

Similarly, there is sketchy evidence of close connections between the PLA leaders and Party leaders prosecuted for corruption like Zhou Yongkang, Ling Jihua and Sun Zhengcai. This is understandable because there has been no PLA representation in the Party's Politburo Standing Committee since 1997, and the Party's general secretary, serving as the CMC chair, has monopolised authority to have close interactions with PLA leaders. The lack of close civil-military connections also stemmed from the post-Deng development where officials on both sides of the civil-military boundaries were vertically circulated within their own chains of command, based on their distinctive skill sets and a separate incentive structure for upward mobility. As a result, there was limited horizontal or cross-boundary circulation of elites.

Xi's emphasis on civilian governance-based issues, such as economic restructuring for sustainable growth, combating corruption, narrowing the wealth gap and tightening social

control to achieve social stability, has also prevented the occurrence of major social upheavals that require massive PLA intervention in domestic politics. It should be noted that such an intervention by the PLA not only indicates the failure of civilian governance in maintaining social stability, but also increases the difficulty in controlling the PLA.

Therefore, rather than for intraparty leadership power struggles, enhancing the Party's "absolute leadership" essentially refers to re-establishing the Party leader's control of the PLA in peacetime military administration, which has vital implications for command and control of the PLA in times of crises and wars. This change was chiefly driven by rampant military corruption attributable to the neglect of civilian control when Hu Jintao served as the CMC chair from 2004 to 2012.

...rather than for intraparty leadership power struggles, enhancing the Party's "absolute leadership" essentially refers to re-establishing the Party leader's control of the PLA in peacetime military administration, which has vital implications for command and control of the PLA in times of crises and wars.

To strengthen the Party's control of the PLA, Xi first dismantled the four General (namely Staff, Political, Logistics and Armament) Departments that had "concentrated too much power in themselves" and served as major venues for corruption. Second, Xi stresses the "CMC chair responsibility system", which requires 15 new CMC agencies to "report to [the] chair on all important matters and all major decisions must be made by [the] chair". Third, to enhance the chair's oversight against corruption, Xi has separated the monitoring agencies responsible for discipline inspection, audit and judiciary from performing agencies as separate chains of command that report

directly to him. Fourth, to prevent situations of the PLA becoming "lords of their own estates", Xi has divided the power for force construction and power for operations between services and theatres.

Xi's primary responsibilities are to run the Party and the state. Upon consolidating his power to control the PLA, Xi is likely to delegate various authorities to military professionals he trusts and knows well, in order to make the PLA "capable of fighting and winning wars". General Zhang Youxia, the newly appointed CMC vice chair, has strong personal ties with Xi because their fathers were partners in commanding a major PLA column in the late 1940s. Admiral Miao Hua, the newly appointed chief of Political Work Department and a CMC member, rose from the ranks of the 31st Group Army which was stationed in Fujian province, where Xi worked

continued on page 12

China's Reactive Taiwan Policy

Three factors, namely Taiwan's rejection, America's obstruction and China's unfavourable internal situation, have constrained China's efforts in political negotiation with Taiwan.

QI DONGTAO

Comparing China's Taiwan policy presented in the 19th Chinese Communist Party (CCP) Congress report to that in the 18th Party Congress report five years ago, it is clear that the new focus for the next few years is to "oppose independence" (*fandu* 反独) rather than "promote reunification" (*cutong* 促统) as promulgated in the 18th Party Congress report. The rationale behind the change is easy to understand: when the 18th Party Congress convened in 2012, Kuomintang's (KMT) Ma Ying-jeou, who is pro-unification, was re-elected to the Taiwan presidency, having significantly improved cross-strait relations since 2008, and thus creating a golden opportunity for China to promote its reunification course through possible political negotiations with Taiwan. By contrast, in 2017 when the 19th Party Congress was held, Democratic Progressive Party's (DPP) Tsai Ing-wen, who is pro-independence, has been in power for over a year and her tenure has witnessed a constant decline in cross-strait relations since 2016, thus rendering China's promotion of reunification irrelevant to Taiwan but its repression of Taiwan's independence an imperative.

While such a strategic change in China's Taiwan policy seems reasonable to China, it essentially reflects the predicament that the Chinese government has been facing for decades. Despite the proactive approach and significant progress made in the economic, social and international aspects of its Taiwan policy, China's Taiwan policy in the political field experienced frustrating challenges from both external and internal factors. In other words, China is able to unilaterally and successfully promote various economic and social policies in attracting Taiwanese capital and migrants to China, and to block Taiwan diplomatically in the international aspect, but its efforts in political negotiation, requiring both external cooperation and internal political will, is far from bearing fruit.

Taiwan's rejection, America's obstruction and China's unfavourable internal situation are three factors that have constrained China's efforts in engaging political negotiation with Taiwan. Taiwan's former dictator Chiang Kai-shek and his less authoritarian successor (also his son), Chiang Ching-kuo, had good reasons to reject China's call for reunification through political negotiation: They lost mainland China to the CCP during the civil war in 1949 and refused to accept the legitimacy of the People's Republic of China. Although they

refused to talk to the CCP about unification, they also did not want Taiwan to become a de jure independent country either, having cracked down on pro-independence activities in Taiwan. Chiang Ching-kuo's successor, Lee Teng-hui, who became the first popularly elected Taiwanese president in 1996, advocated his rejection of unification with the "two-state" theory. Chen Shui-bian—who became Taiwan's first president from the opposition party, DPP, in the 2000 presidential election, thus ending the KMT's 55 years of one-party rule—had angered China with his "two countries on each side (of the Taiwan Strait)" statement in his first term, and irritated both China and America with radical pro-independence activities in his second term. Interestingly, although cross-strait relations became unprecedentedly good during the Ma Ying-jeou administration from 2008 to 2016 because of his acceptance of the one-China principle, he refrained to begin political talks with China, citing unfavourable public opinion as an excuse.

Since assuming power in 2016, Tsai Ing-wen has refused to explicitly accept the one-China principle, the precondition set by China for any political talks. As a result, China changed its Taiwan policy from "promoting reunification" to "repressing independence".

Taiwanese leaders' rejection of unification is largely premised on America's support. Although America does not support Taiwan's de jure independence, it does not want China to take over Taiwan either, thereby boosting Taiwanese leaders' confidence in rejecting China. In the Mao era and before America established diplomatic relations with China, America sent

aircraft carriers and battleships to the Taiwan Strait to deter China's military takeover of Taiwan. After America officially switched diplomatic ties from Taiwan to China in 1979, it created the Taiwan Relations Act to ensure Taiwan's security through arms sales and other essential support. Since then, whenever cross-strait tension escalates to a dangerous level, America still sends its aircraft carriers in the vicinity of Taiwan to show its determination to protect Taiwan.

China's unfavourable internal situation has long been nonconducive to initiating political talk with Taiwan. During the 1966–1976 Cultural Revolution, China was embroiled in constant political and mass movements and the top leadership had no time for the Taiwan issue. Since the reform and opening-up era in 1978, economic development

Since assuming power in 2016, Tsai Ing-wen has refused to explicitly accept the one-China principle, the precondition set by China for any political talks. As a result, China changed its Taiwan policy from "promoting reunification" to "repressing independence".

continued on page 12

China–US Relations: Greater Predictability in the Relationship

China and the United States seem ready to work together to resolve their differences over trade and North Korea despite US President Donald Trump's earlier talks of taking China to task over these issues.

LYE LIANG FOOK

China–US relations appear to have settled down to some predictability and stability since US President Donald Trump assumed office in January 2017. Apart from his tough talk and erratic outbursts, Trump has come nowhere near the threats he made during his campaign, i.e. labelling China a currency manipulator and imposing a 45% tariff on Chinese imports. Instead, Trump recognised the need to work with China on two key fronts: to reduce China's large trade deficit vis-à-vis the United States, and to address North Korea's nuclear and ballistic missile programmes. Both parties, despite their differences, would have more to gain by collaborating on these two fronts.

CHINA'S TRADE DEFICIT WITH THE UNITED STATES

To push for a more balanced and fairer China–US trade relations, Trump has sought to reduce China's large trade deficit at US\$347 billion with the United States in 2016. At the US–China Summit in April 2017 held in Mar-a-Lago, the two countries convened a breakout session of the Comprehensive Economic Dialogue and agreed to adopt a 100-day plan. In May 2017, both sides announced their “initial commitments” in areas like agriculture trade, financial services, investment and services. As part of the “early harvest” package and to lend symbolic support to Xi's Belt and Road Initiative, Trump sent a special envoy to Xi's first-ever Belt and Road Forum in May 2017.

However, efforts to pare down China's huge trade deficit were fraught with challenges and America's threats of sanctions. When the two sides met for another round of Comprehensive Economic Dialogue in July 2017 at the end of the 100-day period, they failed to announce any additional agreements except to reiterate their common objective to reduce the trade deficit. They also did not issue a joint statement like they did in May 2017 when announcing their “initial commitments”. It was reported that the talks fell through when the US side pushed the Chinese counterparts harder on specific trade commitments than they were willing to fulfill.

Trump's readiness for tough action was evident when his administration launched separate investigations in April 2017 into whether imports of foreign-made steel and aluminium (for which China contributes more than half of the world's production capacity) would compromise US national security. In October 2017, the Commerce Department announced that it would impose higher preliminary tariffs of between 96.81% and 162.24% on Chinese aluminium foil (up from between 16.56%

and 80.97% announced in August 2017) on the grounds that the goods were sold at unfairly low prices. Such measures were meant to give Trump some leverage to pressure China to do more on the trade front ahead of his visit to China.

On the sidelines at the Hamburg G-20 summit in July 2017, Trump and Xi agreed to work on a one-year cooperation plan—presumably a more encompassing plan than the 100-day plan announced in April 2017—which will give both sides a longer time frame to work through their issues.

NORTH KOREA'S NUCLEAR AND BALLISTIC MISSILE PROGRAMME

Despite his occasional threats to take unilateral actions against North Korea, Trump has continued to engage and seek China's help to rein in North Korea's nuclear and ballistic missile programmes. At the summit in Mar-a-Lago, China and the United States reiterated their commitment to the denuclearisation of the Korean peninsula and implementation of relevant United Nations' Security Council resolutions. Trump even revealed that he dangled the offer of a “far better” trade deal in front of China if it solves the “North Korean problem”.

As North Korea stepped up its nuclear and ballistic missile programmes in 2017, the United States, while criticising China for not doing enough, continued to look to China to exert greater pressure on North Korea. In late July 2017, Trump tweeted that he was “very

disappointed” with China for doing “nothing” for the United States when North Korea test-fired its second intercontinental ballistic missile that was reportedly capable of reaching the United States. Yet, in the same tweet, Trump was quick to assert that “China could easily solve this problem”.

After North Korea tested its sixth nuclear device in September 2017, Trump spoke with Xi over the phone and the UN Security Council resolution 2375 was later adopted to impose tougher sanctions on North Korea, including a ban on sale of natural gas liquids to North Korea, a ban on North Korean textile exports and a limit on the supply of petroleum products bound for North Korea. US Representative to the UN Nikki Haley remarked that the UN resolution would not have materialised without the “strong relationship” that has developed between Trump and Xi. Due to the rapport established between Trump and Xi, the teams from America and China were able to work together to come up with a tougher resolution against North Korea.

Due to the rapport established between Trump and Xi, the teams from America and China were able to work together to come up with a tougher resolution against North Korea.

continued on page 12

China's Policy Towards Southeast Asia during Xi Jinping's Second Term

No major change is likely to occur in China's policy towards Southeast Asia in Xi's second term, but the perceived policy success during his first term and a new confidence are likely to generate a new push to achieve even greater gains.

ZHANG FENG

At a recent workshop on East Asian regional order that I attended, one comment made by a prominent Southeast Asian expert provoked more response than any other on that day: "China has won Southeast Asia".

Judging from the heated debates thereafter, the argument failed to carry the day. However, most scholars in attendance—while not endorsing the strong verdict about China's recent foreign policy towards Southeast Asia—readily agreed that China had made major strides in the region since the release of the Philippines vs. China arbitration ruling over the South China Sea in July 2016. Such is the ironic turn of events since then—the arbitration ruling, which is an overwhelming legal victory for the Philippines, has turned out to be an instrument that China uses to ease regional tensions and to reorient the South China Sea issue on a diplomatic course it has long promoted.

It is no surprise that rosy assessments of its Southeast Asia policy have dominated Beijing's thinking. The Philippines won a resounding victory in the arbitration, but China has successfully suppressed its significance. Moreover, under President Rodrigo Duterte, China-Philippines relationship has entered a new cooperative phase, thus effectively removing the most contentious source of the South China Sea tension in recent years. Having parried heavy criticisms from the United States and some countries in the region about its island building in the Spratly Islands, China has brought the tempo of the building activities under control, steadily enhancing its physical presence in the maritime heart of Southeast Asia. And, in a smart move to snub the arbitration ruling and preempt US meddling in the South China Sea, China unleashed its potent diplomatic tool, i.e. embarking on serious negotiations over a code of conduct (COC) for the South China Sea. Even US officials, notably Secretary of Defense James Mattis, acknowledged that they must let diplomacy run its course before opting for more aggressive options.

Such optimism about Chinese success in Southeast Asia dovetails with the buoyancy emanating from President Xi Jinping's nearly three-and-a-half hour speech at the 19th Party Congress on 18 October 2017. Xi exhorted China to follow the established strategy of peaceful development and build "a community with a shared future for mankind". With

respect to the regional strategy of which Southeast Asia is a critical part, Xi reiterated and advocated the deepening of relations with neighbouring countries "in accordance with the principle of amity, sincerity, mutual benefit, and inclusiveness and the policy of forging friendship and partnership with its neighbors", which are major themes of China's first-ever conference on regional policy that he chaired in October 2013. Xi also warned that "[n]o one should expect China to swallow anything that undermines its interests".

As is evident in the two underlying themes in Xi's speech—i.e. a continuity of regional policy principles laid down since 2013 and a long-standing strong resolve to protect China's rights and interests, no major change is expected to occur in China's policy towards Southeast Asia in Xi's second term. The perceived policy success in regional affairs during Xi's first term and a new confidence verging on triumphalism, however, are likely to generate a new push to achieve greater policy gains. The temptation to advance policy gains may prove irresistible to China if America's waning influence is perceived to further decline during the Trump administration. However, the risk is that Beijing's overconfidence may lead to rashness in policy implementation that could raise regional apprehension about Chinese power and even trigger a new round of tension in the South China Sea.

China's sophisticated implementation of the "Belt and Road Initiative" in the region...will therefore present the greatest potential for its Southeast Asia policy in Xi's second term.

A cool-headed assessment will show the limits of China's recent success in Southeast Asia. Although Beijing successfully banished the South China Sea arbitration ruling from discussions centring the Association of Southeast Asian Nations (ASEAN), the Duterte administration has, for the time being, shelved—rather than rejected—the ruling that is in favour of the Philippines. Although ASEAN has gone along with China to negotiate a COC, which was originally ASEAN's own idea, it is lukewarm about the outcome of a non-legally binding document preferred by China. Some member states and even ASEAN as a grouping may have second thoughts if China is discerned to deploy delaying tactics. More so, other countries with a strategic stake in the region—like the United States, Japan and Australia in particular—will not allow China's domination without, at least, a protracted diplomatic fight. Even if US influence indeed declines further as a result of the ineptitude of the Trump administration, this will not

continued on page 13

Recent Staff Publications

Books

Hong Kong History: New Perspectives

(Vol. 1 and Vol. 2, revised edition with additional chapters)

Editor: **Wang Gungwu**

Publisher: **Joint Publishing (HK) Co, Ltd**

Year of Publication: **2017**

This two-volume collection is a revised edition of the same book published in 1997. It offers a whole new, unexplored perspective of Hong Kong, is different from other historical and research references on Hong Kong's past and present. The development of the uniquely different Hong Kong mentality and consciousness culminates in the concept of "Hong Kong people" (*xianggang ren*) in the 1970s, therefore giving rise to this new perspective. The essays were authored by historians who were born after the World War II and grew up in the milieu where the new Hong Kong consciousness was in the making and are thus the product of the new social ethos. Wang's epilogue puts the concept of "Hong Kong people" and their embodied characteristics in a historical and evolutionary context, which serves as a perfect conclusion to the book.

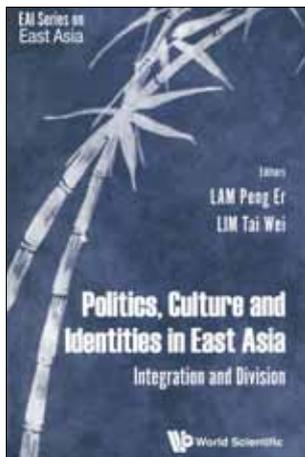


Politics, Culture and Identities in East Asia: Integration and Division

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

Publisher: **World Scientific Publishing**

Year of Publication: **2017**



This edited book reflects the "yin-yang" of East Asia—the analogy of co-existing "hot and cold" trends in that region. To concentrate only on geopolitical competition and regional "hot spots" will exaggerate, if not misrepresent East Asia as a Hobbesian world. There are four "vectors" in the geopolitics of East Asia: China rising, the United States "rebalancing" to this region, Japan "normalising" as a nation-state and ASEAN

emerging as a regional community. The interplay of these four "vectors" will set the trajectory of geopolitics in East Asia.

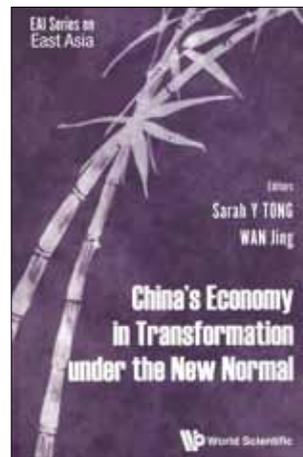
This volume also focuses on the politics of identity. The distinctiveness, character and flavour of a group, real or imagined, can be "cool". "Cool" as in being charming and appealing transcends national boundaries. Plurality and diversity of identities and cultures in East Asia can be a celebration of life and humanity. However, the assertion and the intricacy of identity and nationalism in East Asia can be problematic.

China's Economy in Transformation under the New Normal

Editors: **Sarah Y Tong and Wan Jing**

Publisher: **World Scientific Publishing**

Year of Publication: **2017**



This book examines the recent development and prospect of the Chinese economy as the country adapts to changing domestic and external settings. As the Chinese government at both the central and local levels plays an important role in promoting growth, issues such as the role of local government and the reform of state-owned enterprises are examined. Topics such as the development of private consumption and industrial

upgrading are also assessed. The book discusses several matters considered important to China's social and economic cohesion including the management of agricultural product reserves, the development of a functioning social security system and regional development. To help project a long-term view of China's economic strength, the book also examines such factors as development in population and the labour market.

This book provides a comprehensive analysis of China's economy and identifies the recent developments that matter to China's economic future.

As Book Chapters

"Perspectives on Agricultural and Grain Output Growth in China from the Nineteenth Century to the Present Day", in Vicente Pinilla and Henry Wielebald (eds), *Agricultural Development in the World Periphery: A Global Economic History Approach* (London: Palgrave MacMillan), 2 January 2018.
By Jane Du (with R. Ash and King Cheng)

"Why Is the Surface Fleet Gaining Importance? Insights from PLA Doctrinal Writings", in Peter A. Dutton and Ryan D. Martinson (eds), *China's Evolving Surface Fleet* (Newport, RI: U.S. Naval War College Press, China Maritime Studies No. 14), 2017, pp. 43–54.
By Li Nan

"ASEAN–Japan Relations since 1977", in Tommy Koh, Chang Li Lin and Sharon Seah (eds), *Fifty Years of ASEAN and Singapore* (New Jersey and Singapore: World Scientific Publishing with Centre for International Law), 2017, pp. 177–183.
By Lim Tai Wei

"Southeast Asia and Continental and Maritime Powers in a Globalised World", in Aileen Baviera and Larry Maramis (eds), *ASEAN@50: Volume 4, Building ASEAN Community: Political–Security and Socio-Cultural Reflections* (Jakarta: Economic Research Institute for ASEAN and East Asia), August 2017, pp. 19–24.
By Wang Gungwu

In Journals

"Assessing China's Recent Capital Outflows: Policy Challenges and Implications", *China Finance and Economic Review*, Vol. 5, No. 3, 2017.
By Sarah Chan

"Getting Food Price Right: the State versus the Market in Reforming China, 1979–2006", *European Review of Economic History*, Vol. 21, No. 3, 2017, pp. 302–325.
By Jane Du (with Kent Deng)

"Naval Leadership Reshuffle, Evolving Maritime Strategy, and Professionalization", *East Asian Policy*, Vol. 9, No. 3, September 2017, pp. 58–68.
By Li Nan

"The Southern Theater Command and China's Maritime Strategy", *China Brief*, Vol. 17, No. 8, June 2017.
By Li Nan

"State-Endorsed Popular Culture: A Case Study of the North Korean Girl Band Moranbong", *Asia and the Pacific Policy Studies*, Vol. 4, No. 3, September 2017, pp. 602–612.
By Lim Tai Wei

"Land-based Finance, Fiscal Autonomy and Land Supply for Affordable Housing in Urban China: A Prefecture-level Analysis", *Land Use Policy*, No. 69, 2017, pp. 454–460.
By Qian Jiwei (with Hu Zhiyong)

"The Evolving Singaporean Welfare State", *Social Policy & Administration*, Vol. 51, No. 6, 2017, pp. 916–939.
By Qian Jiwei (with Lee Soo Ann)

"China's Future Health Care System: What Role for Private Production and Financing?", *International Journal of Healthcare Technology and Management*, Vol. 16, No. 1/2, 2017, pp. 29–43.
By Qian Jiwei (with Åke Blomqvist)

"A Challenge to Test One's Loyalty", *The Straits Times*, 30 April 2017, pp. B4–B5 (Reprinted in *The Straits Times Asia Report*, April–May 2017, pp. 12–13).
By Wang Gungwu

"Motivation behind China's 'One Belt, One Road' Initiative and Establishment of the Asian Infrastructure Investment Bank", *Journal of Contemporary China*, Vol. 26, No. 105, 2017, pp. 353–368.
By Yu Hong

"Infrastructure Connectivity and Regional Economic Integration in East Asia: Progress and Challenges", *Journal of Infrastructure, Policy and Development*, Vol. 1, No. 1, 2017, pp. 44–63.
By Yu Hong

"China's Belt and Road Initiative and its Implications for Southeast Asia", *Asia Policy*, No. 24, July 2017, pp. 117–122.
By Yu Hong

FORTHCOMING

"The Belt and Road Initiative: Implications for China and East Asian Economies",
Copenhagen Journal of Asian Studies
By Sarah Chan

"The Housing Affordability Crisis and Government Policy Actions in Taiwan",
Economic Alternatives
By Chen Chien-Hsun

"Unrevealing China's Food Security Puzzle, 1979–2008",
The China Quarterly
By Jane Du (with King Cheng)

"A New Welfare Regime in the Making? Paternalistic Welfare Pragmatism in China",
Journal of European Social Policy
By Qian Jiwei (with Mok Ka Ho)

"Social Protection for the Informal Sector in Urban China: Institutional Constraints and Self-selection Behaviour",
Journal of Social Policy
By Qian Jiwei (with Jiang Jin and Wen Zhuoyi)

Belt and Road Initiative, the Rise of China and International Cooperation: What it Means to China and the Region,
Beijing: World Affairs Press
By Yu Hong

"Mobilizing Resources for Education: The 2012 'Great Leap' in a Province in Western China",
Journal of Contemporary China
By Zhao Litao (with Li Ling and Huang Chen)

China's Shift in Economic Policy Priorities: From Quantity to Quality

With a largely satisfactory economic outcome for the first three quarters of 2017, the Chinese government signals an evident shift towards quality-based growth as its economic policy priority.

SARAH Y TONG

In his work report to the 19th Communist Party Congress delivered on 18 October 2017, Xi Jinping highlighted a two-stage development plan for China, including the basic realisation of socialist modernisation by 2035 and of a great modern socialist country by the mid 21st century. Incidentally, no GDP (gross domestic product) growth target was set for 2020 onward. This apparently signals a significant shift in policy priorities from economic expansion to quality enhancement of the economy.

Since the late 1970s, sustaining a healthy economic growth to strengthen the Party legitimacy has always been one of the top priorities of Chinese leaders. Xi is no exception, especially he has taken on direct responsibility in governing the country's economic affairs. Since early 2017, there have been signs of a shift in the focus of structural reforms. Several factors underpin this adjustment.

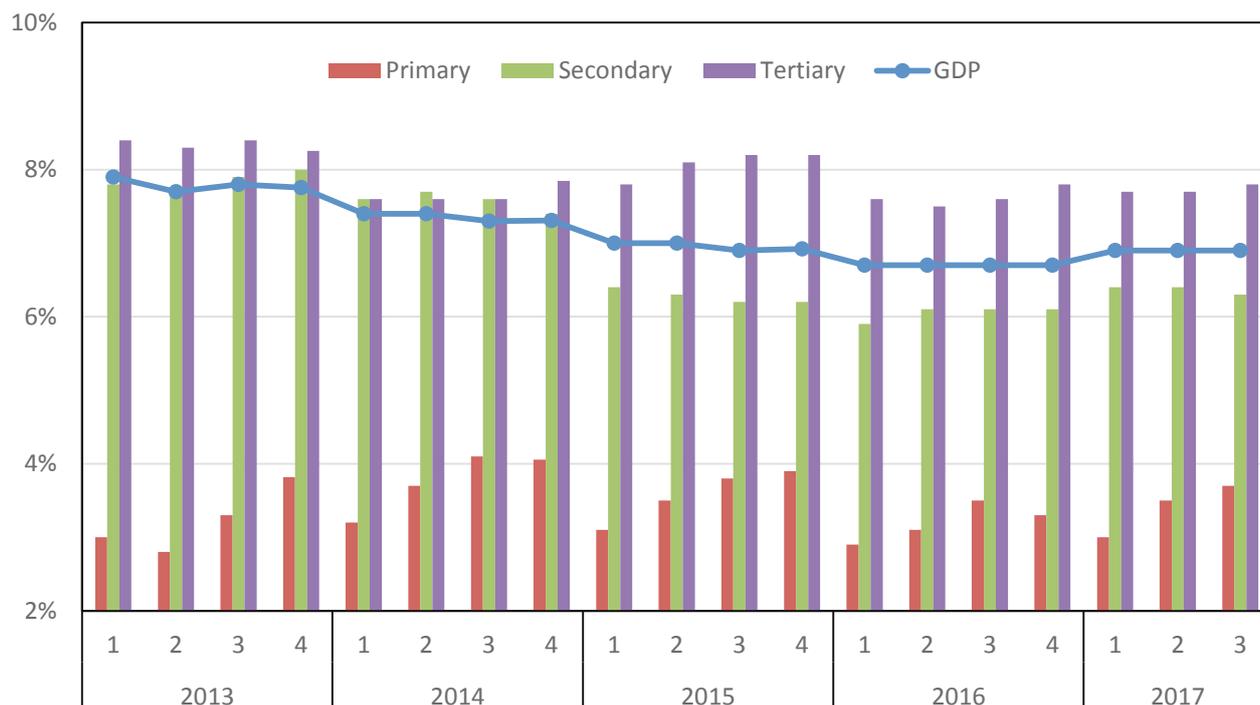
First, despite various difficulties, China's economic performance has been satisfactory. In particular, the economy has outpaced the annual growth target of 6.5% required to achieve the objective of quadrupling per capita GDP between 2000 and 2020, the first millennium development goal that China set. Although annual economic growth gradually decelerated from 7.8% to 6.7% between 2013 and 2016, the year-on-year growth for the first three quarters of 2017 stabilised and slightly recovered to 6.9% (Figure 1). The year

2017 is likely to see the first growth acceleration since 2011.

More importantly, this modest outcome was achieved without the need for a strong fiscal stimulus, and the significance of investment declined compared to the previous year. In the first three quarters of 2017, final consumption contributed 64.5% of the economic growth, up from 61.7% over the same period in 2016. Economic growth contribution from gross capital formation was 32.8% in 2017 and 43.1% for 2016; and that from net export was 2.7% and -4.8% in 2017 and 2016, respectively. In other words, growth in the first nine months of 2017 was sustained by a robust increase in consumption and a healthy recovery in external demand, rather than by government-led investment expansion. As such, the Chinese government has positive sentiments that attaining 6.5% in average annual economic growth between 2015 and 2020 may not be too difficult. That gives the leadership greater confidence to focus more on structural reforms.

Second, the government's recent experiences led to its awareness that economic restructuring is not only desirable but also inevitable. In the first place, growth based on government-led investment expansion is inefficient and unsustainable. Fixed asset investment by state-owned and state-controlled enterprises grew by 21.1%, compared to 9.1% by private firms in the first three quarters of 2016.

Figure 1. Quarterly GDP Growth by Sectors (year-to-date), 2013–Q3 2017



Source: CEIC Data Manager.

continued on page 13

Social Policy Reform in Xi Jinping's China

Social policy reform will continue under the Xi Jinping administration in the years to come.

QIAN JIWEI

Social policy reform is currently a high priority in China's reform agenda. Since the start of the Hu–Wen administration (in the early 2000s), two areas of social policy reform were proposed. First, the Chinese government initiated new social programmes and expanded the coverage of existing social insurances including pension, health and social assistance. Second, the Chinese government shifted its expenditure emphasis towards social policy. Government expenditures on social security and social assistance, education and health increased by 21.4% annually between 2003 and 2013, significantly higher than the nominal gross domestic product (GDP) growth. The ratio of total government expenditure on social security and social assistance, education and health care to GDP rose from 4.7% in 2003 to 7.8% in 2013.

In the years to come, the Xi Jinping administration will continue to carry out social policy reform. According to the resolution of the 19th National Congress of the Communist Party of China (CPC) in October 2017, “the principal contradiction in Chinese society has evolved into one between unbalanced and inadequate development and the people's ever-growing needs for a better life”. The 13th Five-Year Plan, released in 2016, lists indicators in the social areas as “obligatory targets”, which include years of schooling for the labour force, poverty alleviation and urban shantytown renovation.

Compared to the Hu–Wen era, China now spends even more fiscal resources on social programmes. In 2016, it spent about RMB6.3 trillion or about 33.5% of total government expenditure on social policy areas, including education, health and social security, compared to RMB4.1 trillion or 32.6% of total government expenditure in 2012. With new initiatives in the social policy areas, government social expenditure in China is on an increasing trend.

However, a major difference delineating between the Hu–Wen and Xi Jinping administration in social policy reform is poverty alleviation. Rural poverty alleviation has been a very important social policy area in China since the 1980s, but the Xi administration has considered it an issue of high importance. The major target set for the “13th Five-Year Plan” for the 2016–2020 period is to build a “*xiaokang*” or “moderately prosperous society in an all-round way” by 2020. In this context, lifting rural residents out of poverty is imperative to building China into a moderately prosperous society.

According to the “13th Five-Year Plan”, China targets to reduce the number of national-level poverty-stricken counties

and number of rural poor to zero by 2020. Between 2013 and 2016, over 55 million people were lifted out of the poverty, and the poverty alleviation target for 2017 is over 10 million rural residents. The target was backed by a substantial increase in government expenditure by about 19.2% in the central government's earmarked fund for poverty alleviation between 2013 and 2016.

China, with per capita GDP around US\$8,100 in 2016, is now a middle-income country. To transform into a domestic consumption-driven economy, China needs to build a sound social infrastructure or introduce a good social policy. The establishment of a social infrastructure in all likelihood will promote consumption. However, challenges remain for China's social policy reform. With a rapidly ageing society, the central government needs to channel huge financial resources into social areas.

Under the current intergovernmental fiscal system, some local governments do not have sufficient capacity to finance social programmes, thus leading to underprovision of social services. For example, many cities choose to limit the benefits of social insurance only to residents with *hukou* (household registration). Migrant workers are not covered by local social programmes.

Besides the issue of social services underprovision, regional variances of public service provision are very high, depending on the fiscal capacity of the regions/cities. For example, rich cities are able to subsidise more for insurance enrollees. In Shanghai, for instance, the budgetary support for urban resident health insurance reached RMB4.57 billion in 2016, or 86% of total revenue of the urban resident health insurance fund. The ratio of fiscal subsidy to individual contribution in Shanghai was about 7.4 while the national average was only around 4 in 2016.

China needs to put in substantial efforts in poverty alleviation—despite double-digit economic growths in the last three decades, it still has a large population living in absolute poverty. It was recently estimated that as of end-2016, over 43 million rural population still live below the official poverty line.

The lack of capacity of government agencies is a critical issue for implementation of poverty alleviation programmes. At the local level, poverty alleviation bureau/offices usually face shortage of resources as other departments such as bureau of civil affairs and education bureau are given higher priority in the policy agenda. For example, in a national-level poverty stricken county in Shanxi province, there were reportedly only five staff in charge of all poverty reduction programmes in 2016.

China targets to reduce the number of national-level poverty-stricken counties and number of rural poor to zero by 2020.

continued on page 13

China's New Guiding Ideology: The Unfolding of the Xi Jinping Era

strategy—i.e. to comprehensively build a moderately prosperous society; to comprehensively deepen reforms; to comprehensively implement the rule of law; and to comprehensively strengthen Party discipline. The policy platform has such a mind-boggling disposition that it tends to confuse rather than clarify, but it also reflects the wide scope and complexity of the reforms that Xi's new era wants to tackle.

This is evident in the policy guides covering 14 areas of building the new era socialism with Chinese characteristics, including the CCP leadership, the rule of law, promotion of socialist core values, national security, military reform and foreign affairs as outlined in the report to the Party Congress. There is little new in all of these, but Xi put them together as a comprehensive plan.

Xi therefore has an exceedingly ambitious agenda ahead, which requires enormous concentration of power and an effective leadership team, as well as a highly motivated cadre corps. Xi is poised to become the most powerful leader since Mao, with no rivals who are of comparable weight (following the decimation of the Jiang and the Youth League factions prior to the 19th Party Congress). The 440 "big tigers" (i.e. senior cadres of the Party-state at the provincial/ministerial level and above, including generals in the military) implicated in the past five years is testimony that Xi may be able to overcome any resistance. However, motivating the cadre corps is a different matter altogether.

Xi's reform approach emphasises meticulous planning and implementation. He insists that every reform should have a clear, detailed and executable objective, a timetable, a measurable outcome, a coherent mechanism for coordination, clear division of labour and transparent accountability of tasks assigned to individual cadres. This is a highly demanding approach for the cadre corps, whose power is constrained, privileges and perks reduced, and nerves wrecked by the aggressive anti-corruption campaign. Xi's strategy to motivate the cadre corps is to reinvigorate the Party spirit by bringing back the old ideals and ideological faith. The Party, as well as the nation, is expected to unite behind "Xi Jinping Thought" and work hard in the next five years and beyond to achieve the specified goals. With this ideological consensus, Xi is also in a position to demand loyalty and political conformity, to enforce Party discipline and to minimise the centrifugal forces in the Party. But these are not motivating devices. Without a doubt, Xi faces daunting challenges ahead. ■

Lance L P Gore is Senior Research Fellow at EAI.

Xi Jinping and the People's Liberation Army: Before and After the 19th Party Congress

for 17 years and thus had opportunities to get acquainted with Miao.

More importantly, these senior officers' extensive combat and service experiences have won Xi's and the PLA's trust in them. For instance, both General Zhang and General Li Zuocheng, the newly appointed chief of Joint Staff Department and a CMC member, were decorated veterans of the 1979 Sino-Vietnamese War. The incumbent CMC vice chair General Xu Qiliang, a combat pilot, impressed Xi by implementing his policy in reorganising the PLA, and would stay for another term. General Wei Fenghe, an incumbent CMC member and China's defence minister-designate, rose from the ranks of the Rocket Force and has rich command and service experiences with China's strategic missiles. ■

Li Nan is Visiting Senior Research Fellow at EAI.

China's Reactive Taiwan Policy

has been the Chinese leaders' top priority; hence to them, Taiwanese investment and cross-strait peace take priority over political negotiation and unification. Especially, China's economic, political and social underdevelopment in the early days significantly diminished its appeal to Taiwan.

As Xi announced the advent of a "new era" in China in the 19th Party Congress report, the aforementioned three factors will probably change gradually in favour of China in the new era, thus motivating China to adopt a more proactive Taiwan policy in not only economic, social and international fields but also in the political aspect. ■

Qi Dongtao is Research Fellow at EAI.

China-US Relations: Greater Predictability in the Relationship

MORE OF THE SAME

Trump and Xi appeared to have developed positive personal chemistry since their first encounter at the Mar-a-Lago meeting in April 2017. It was unusual for Xi, an incumbent president, to travel from Beijing to Florida to meet with Trump, who was recently sworn into office. The two leaders have since spoken on the telephone a couple of times and Trump reciprocated Xi's gesture in April 2017 with his state visit to China in November 2017 as part of his first Asia tour. China played to Trump's penchant for high peageantry and pomp by according him a state visit-plus treatment. Beijing even gave Trump business deals worth a whopping US\$253 billion and promised to liberalise its economy further.

To be sure, China and the United States have their differences too on trade and North Korea issues, despite the pledges and initiatives to collaborate. For instance, they failed

to announce further progress beyond the “initial commitments” of the 100-day plan. The United States continues to press hard on China to grant American firms similar level of access to Chinese trade and market that it provided for Chinese firms in the United States. The Chinese, for their part, also called on the United States to lift the ban on high-tech exports to China as an effective measure to address China’s trade deficit with America. It also remains to be seen how much of the US\$253 billion in deals signed during Trump’s visit will actually materialise. While both countries are committed to a denuclearised North Korea in principle, China is still firmly opposed to Trump’s threat to resort to unilateral military options on North Korea.

Ultimately, these issues and the interdependence between the United States and China behove the two countries to work together to reduce their differences in order to find practical and feasible ways forward. In other words, it is imperative for both countries to cooperate with, instead of being at odds against, each other on these issues. ■

Lye Liang Fook is Assistant Director and Research Fellow at EAI.

continued from page 7

China’s Policy Towards Southeast Asia during Xi Jinping’s Second Term

necessarily mean a corresponding gain for China; countries in the region, including some Southeast Asian states, may adopt new strategies to limit Chinese influence.

One can hardly fault China’s principle of forging friendship and partnership with neighbouring countries that Xi reiterated in his 19th Party Congress speech. The question is how this principle will be enacted in practice, especially in a geopolitically volatile region such as Southeast Asia. Chinese gains in the region since 2016 are not unqualified. A triumphalist strategy of making rapid gains with no regard for regional concerns is likely to be counterproductive, whereas a strategy that exercises patience will soothe regional anxiety and achieve mutually beneficial cooperation. China’s sophisticated implementation of the “Belt and Road Initiative” in the region to forge mutually beneficial relations with its neighbours, as promised by Beijing, will therefore present the greatest potential for its Southeast Asia policy in Xi’s second term. ■

Zhang Feng is Fellow in the Department of International Relations at the Australian National University’s Coral Bell School of Asia Pacific Affairs and Adjunct Professor at the National Institute for South China Sea Studies in China.

continued from page 10

China’s Shift in Economic Policy Priorities: From Quantity to Quality

This year, investment growth by state enterprises and by private firms were similar at 11.0% and 10.1%, respectively, with a better economic outcome and a considerably narrowed difference between them. In addition, China’s investment-driven extensive growth is also afflicted with numerous challenges including environmental and resource

constraints. Furthermore, as the world’s major economies continue to face various challenges and become increasingly protectionist and inward-looking, China’s export-oriented economy will, too, have to confront growing difficulties.

Third, that China will not set annual growth targets beyond 2021 may have significant implications for policymakers and for the government bureaucracy’s operation. On the one hand, this will modify the incentive system for officials in both the central and local governments, encouraging them to concentrate more on economic restructuring and reforms. On the other, policymakers may have larger room to press ahead with painful structural reforms.

Yang Weimin, vice minister/deputy director of the Office of the Central Leading Group on Financial and Economic Affairs, advocated further improvement to the approach of promoting economic development and outlined three components. The first is to promote high-quality growth. Second, to formulate a renewed development model, an economic structure and new drivers for growth. Third, to construct a modern economic system that is based on quality and efficiency.

To achieve these policy objectives, the Chinese government is committed to deepen supply-side structural reforms, emphasise innovation, improve the efficiency of the market system and promote economic opening-up. It also proposes taking measures to address the new “basic contradictions” in society, namely “the contradiction between rising demands for a better life and the reality of an unbalanced and insufficient development”. The implementation measures include rural revitalisation and balanced regional development strategies. While maintaining a balance between efficiency and a more widely shared development will remain challenging, the Chinese government is apparently convinced that quality-based growth is the solution. ■

Sarah Y Tong is Senior Research Fellow at EAI.

continued from page 11

Social Policy Reform in Xi Jinping’s China

Another attributing factor to government agencies’ poor capacity is asymmetric information. This implies inaccurate data collection on household information, with practices of corruption being reported. Insufficient information about the rural poor’s profiles and databases also impedes accurate targeting and identifying the causes of poverty, which will prove useful in evaluating and designing poverty reduction policies. Currently, the databases simply record reasons of poverty of rural poor individuals or households. The most oft-cited reasons for poverty that the rural poor gave in survey forms include poor health, low education and lack of skills, poor living conditions and shortage of credit options, among others. However, the actual reasons can be far more complex and interrelated. As such, to be able to correctly identify the root cause of poverty even with the support of big data poses a serious challenge. ■

Qian Jiwei is Research Fellow at EAI.

EAI's 20th Anniversary Celebrations

PUBLIC FORUM • China in a Transitional Global Order



From Left: Guest-of-honour of the public forum, Deputy Prime Minister and Coordinating Minister for National Security Teo Chee Hean; EAI Director Professor Zheng Yongnian introduces the four distinguished panellists, namely Professors David Shambaugh, Shi Yinhong, Kjeld Erik Brødsgaard and Wang Huiyao; the audience at the public forum.

The East Asian Institute (EAI), National University of Singapore celebrated its 20th anniversary on 24 May 2017. The occasion was marked by a public forum titled “China in a Transitional Global Order” and an international conference on “China’s 19th Party Congress: Leadership, Politics and Policy”. Professor Saw Swee Hock and Lee Foundation were co-sponsors of the two events that convened local and international distinguished scholars and academics.

The theme coincided with China’s transition to become a global power flexing its economic, military and political muscle at a time when the United States under Donald Trump reorients itself politically and becomes economically more inward-looking. This presents an opportune time for China to step in to fill the leadership void on global issues.

Singapore’s Deputy Prime Minister (DPM) and Coordinating Minister for National Security Teo Chee Hean presided at the public forum as guest-of-honour. EAI Director Professor Zheng Yongnian chaired the public forum featuring Professor David Shambaugh, Professor Shi Yinhong, Professor Kjeld Erik Brødsgaard and Professor Wang Huiyao in the panel of distinguished scholars.

Recounting the early history and evolution of the EAI in his welcome remarks, EAI Chairman Professor Wang Gungwu traced the genesis of EAI to its predecessors—the Institute of East Asian Philosophies (IEAP) set up in 1983 and the Institute of East Asian Political Economy (IEAPE)—the brainchildren of Singapore’s former deputy prime minister, the late Dr Goh Keng Swee. Professor Wang recollected that it has been an exhilarating 20 years of studying and connecting China’s modern transformation with its historic past and of taking a broader view of how China reinvents itself as it rises and becomes the world’s second-largest economy after the United States. Emphasising that EAI is neither one of those think tanks that advise on or work out government policies nor an academic centre that analyses policies and practices, Professor Wang said what makes EAI special is “its role in assisting the government and people of Singapore to grasp the significance of changes in China and to help them see their way to deal with the vast country”.

In the opening of his keynote address, DPM Teo highlighted the period of transition and various changes that East Asia is undergoing currently—China’s challenges of rapidly changing demographic, economic and social changes; changeover of Hong Kong’s chief executive from

Leung Chun-ying to Carrie Lam; Japan’s difficult relations with its neighbours despite relative political and economic stability; uncertainty over South Korean President Moon Jae In’s policy towards North Korea; and complication in cross-strait relations as politics in Taiwan becomes increasingly complex, and so on.

However, optimism abounds in DPM Teo’s elaboration of the close ties between Singapore and China in a wide-ranging exchange on issues of common interests between the two countries. He added that he had co-chaired two of three main bilateral mechanisms with senior Chinese leaders over a span of three months in the first half of 2017. He reiterated that Singapore is a strong supporter of China’s peaceful development and constructive engagement in the region, and has supported China’s developmental priorities at key stages in Singapore–China government-to-government projects like Suzhou Industrial Park, Tianjin Eco-City and Chongqing Connectivity Initiative.

Ending his address on an equally positive note, DPM Teo expressed his three hopes for China that it becomes even more integrated with the region and the world as it prospers; it continues to contribute to developing international norms and rules; and it finds a harmonious blend with modernity, drawing on its rich civilisation.

Professor David Shambaugh, professor and director of the China Policy Programme at George Washington University, said that the deeply strained US–China ties under the Obama administration have been on a “reset” mode after Trump took office in January. He added that it was unclear at the juncture whether the Trump administration, having shown commitment to the “one-China principle” and withdrew from the Trans-Pacific Partnership, will pursue a China-centred Asia policy or Asia-centred China policy. Will China be more pushy or sensitive to lend a listening ear to Asia? Professor Shambaugh urged EAI to also focus on China’s external and foreign relations in addition to its in-depth research on China.

On China’s external relations with other countries, Professor Shi Yinhong of Renmin University of China said that China has moderated its assertive stance in the South China Sea region since the previous year. It instead has escalated partnership with Russia. While US–China rivalry will not intensify in the near future, Professor Shi did not want to read too much optimism into it.

Professor Kjeld Erik Brødsgaard of Copenhagen

Business School acknowledged that China–EU relations are primarily premised on the “One Belt, One Road” (OBOR) initiative. Professor Brødsgaard highlighted the reasons why the Europeans view China’s OBOR with scepticism, giving the initiative labels like “one belt, one track/way”. They regard the initiative as China’s venture to reallocate its industrial overcapacity and to take over foreign companies.

Professor Wang Huiyao of the Centre for China and Globalisation remarked that globalisation has shaped China’s narrative of its second opening-up as the country embraces globalisation and becomes more outspoken and

vocal on global issues. As is widely known, Deng Xiaoping’s open-door policy in 1978 to attract investment and establish special economic zones was China’s first opening-up. Professor Wang pointed out that the OBOR initiative and the Asian Infrastructure Investment Bank (AIIB) are China’s innovations of promoting globalisation, demonstrating its active participation in global governance and global organisations. Singapore’s strategic position in Asia-Pacific as global financial centre and transportation hub can act as China’s bridge between the East and West to promote its OBOR and AIIB initiatives. ■

INTERNATIONAL CONFERENCE • China’s 19th Party Congress: Leadership, Politics and Policy



From Left: EAI Director Professor Zheng Yongnian delivers opening remarks; the first session panellists are Professors Joseph Fewsmith, David Shambaugh (discussant), Wang Gungwu (chair), Kjeld Erik Brødsgaard and You Ji; and the panellists at the second session are Professors Zheng Yongnian, Lin Shuanglin (discussant), John Wong (chair), Frank Pieke and Lowell Dittmer.

While 2016 was the United States’ election year, 2017 is considered China’s political year with its top leadership transition at the 19th Party Congress held at five-year intervals. EAI Director Professor Zheng Yongnian, in his opening address at the international conference, asserted that the direction of Xi Jinping’s leadership and the reshuffle lineup of the Politburo will have significant impacts on the world.

Professor Zheng said that Xi Jinping is by far considered the most powerful and influential Chinese leader since Mao Zedong. Xi’s determination to introduce reforms is manifested in his third and fourth plenum reform decisions with hundreds of reform items in place. While Xi has consolidated his power with the high-profile, large-scale anti-corruption campaign, the nationwide fight against graft has, on the other hand, resulted in an inactive bureaucratic system and slow progress in reforms.

Professor Kjeld Erik Brødsgaard highlighted two main differences between Xi Jinping and Deng Xiaoping in leadership style. First, Xi insists on acquiring formal posts unlike Deng, who ruled informally and rarely participated in Politburo meetings. Second, Xi deviates from Deng’s policy line of the “separation of the Party and government” in favour of a unitary system of Party-led governance. In short, the Chinese political system has become ambidextrous with the Party–state–business iron triangle forming the core of the system.

Offering another aspect of Xi’s leadership, Professor You Ji of the University of Macau noted that Xi’s rule as a statesman rather than a technocrat like his predecessor Hu Jintao has helped Xi to build up a firm leadership core. Xi has also strengthened his personal authority in the People’s Liberation Army by installing his trusted allies in key positions.

Professor Joseph Fewsmith of Boston University said Xi is the first Chinese leader who is not a revolutionary but has deep concerns about ideological control to ensure the Party legitimacy. Xi’s “China Dream” is about “national rejuvenation” and building a “moderately prosperous society”, not a communist utopia. With the Party’s imminent centenary in 2021, Professor Fewsmith posited that indigenising (*bentuhua*) Chinese philosophy and social science can be a way to make Chinese ideology more comprehensible.

Professor Zheng Yongnian gave a succinct description of the internal workings of the Party. In establishing the powerful central leading small groups, Xi became head of all these groups and installed himself as the “core leadership”. Xi is thus able to overcome resistance from vested interests to further reforms, enforce planned reforms and build effective institutions. He expressed optimism for the Party’s perennial survival and longevity, so long as it remains open and disallows opposition parties.

Professor Frank Pieke of Leiden University noticed that the Party has developed new strategies such as red tourism and cadre education, as well as images of China’s Maoist past, to fill the ideological vacuum. He labelled the revival of Party spirit and essence as “communist civil religion”, which will be a long-term reorientation of the basis of the Communist Party rule.

Professor Lowell Dittmer of the University of California at Berkeley highlighted that Western China scholars have misconstrued perception of Chinese political reform, which they assume there is none and that a successful political reform must infer Western democratisation. On the reform of the Communist Party, Professor Dittmer said the Party has instead made significant progress in three directions, namely economic developmentalism, institutional rationalisation and democratisation with Chinese characteristics. ■

Some Highlights at EAI



Mr Richard McGregor, former Financial Times bureau chief in Shanghai, Beijing and Washington, DC, discusses about his new book, *Asia's Reckoning*, at the EAI Distinguished Public Lecture on 14 November 2017. His lecture, entitled **"Three Tigers, One Mountain': China, Japan and the United States in the Pacific Century"**, unpacks the old resentments, rival ambitions and alliances of convenience that have defined the trilateral relationship between Washington, Beijing and Tokyo since the 1970s. EAI Senior Research Fellow and Assistant Director **Dr Chen Gang** moderates the Q&A session.



Professor John A Mathews, Professor of Strategy from the Macquarie Graduate School of Management in Macquarie University, delivers a lecture on **"Global Green Shift: China as Driver"** at the EAI Distinguished Public Lecture on 4 April 2017. EAI Senior Research Fellow **Dr Sarah Y Tong** chairs the lively Q&A session that sparks interesting arguments about US President Trump's stance on climate change and the global impact of China's renewable energy programmes.



Above: EAI Scholars in meetings and discussions with overseas delegates.