



IN THIS ISSUE:

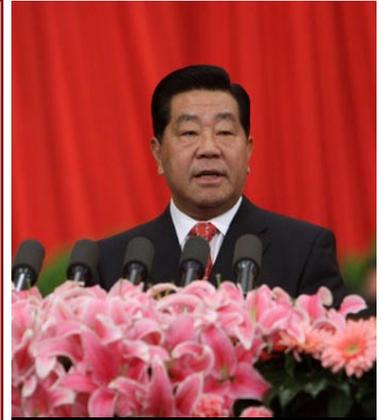
IN A FORTNIGHT
By L.C. Russell Hsiao.....1

CHINA'S VIEWS ON NATO EXPANSION: A SECONDARY NATIONAL INTEREST
By Dennis J. Blasko.....3

THE FUTURE OF CHINESE DETERRENCE STRATEGY
By Michael S. Chase, Andrew S. Erickson and Christopher Yeaw.....6

CHINA'S PALESTINE POLICY
By Chris Zambelis.....9

NEW DIRECTIONS IN CHINA'S HEALTH SECTOR REFORM
By Qingyue Meng.....12



CPPCC Chairman Jia Qinglin

China Brief is a bi-weekly journal of information and analysis covering Greater China in Eurasia.

China Brief is a publication of The Jamestown Foundation, a private non-profit organization based in Washington D.C. and is edited by L.C. Russell Hsiao.

The opinions expressed in China Brief are solely those of the authors, and do not necessarily reflect the views of The Jamestown Foundation.



For comments or questions about *China Brief*, please contact us at pubs@jamestown.org

1111 16th St. NW, Suite #320
Washington, DC 20036
Tel: (202) 483-8888
Fax: (202) 483-8337

Copyright © 2009

In a Fortnight

By L.C. Russell Hsiao

TOWING THE PARTY LINE ON FREE SPEECH

In recent years, party officials in the People’s Republic of China (PRC) have been uncharacteristically bold in speaking about freedom (*ziyou*) and democracy (*minzhu*), both long-standing taboos in the Chinese Communist Party’s (CCP) private and public lexicon. Analysts who monitor developments in China attribute this boldness, which is frequently exhibited in Beijing’s rebuttal of Western criticism for its shortfall in human rights and democratic deficits, to the Party’s increased confidence caused by the country’s rapid economic development in the past several decades. The linear trajectory of China’s unprecedented economic growth has prompted some observers to predict the inevitability of greater freedom and the regimes’ political liberalization. Since January 2009 there have been steady streams of articles in the Chinese media concerning freedom of speech, particularly four key articles on this subject. The appearance of these articles suggest that a major debate is underway within the ranks of Chinese political and intellectual elites that are testing the limits of the party’s line on the freedom of speech—at home and abroad.

Beijing Daily

The *Beijing Daily* (<http://www.bjd.com.cn/>), the media organ of the CCP’s Beijing City Council, published an article on January 13, entitled, “Seeking the Truth Cannot Separate from Freedom of Speech,” written by Communication University of China Professor Shen Minte. In his article, Shen argues forthright that freedom of speech is enshrined in the Chinese constitution. Shen, who is also a noted writer and commentator called on the CCP to “seriously put in practice the important provisions of the freedom of speech that is in the Chinese constitution” (*Yazhou*

Zhoukan, February 2).

The People's Daily

The *People's Daily* (<http://www.people.com.cn/>), the media organ of the CCP Central Committee, published an article on January 13—the same day as Shen's article—entitled, “How Could Government Officials Survive Internet Scrutiny,” written by Wong Xiaotong. In his short commentary, Wong said that party cadres have to survive internet scrutiny, and that “some people and some things cannot survive internet scrutiny, when they are exposed on the internet its problems are readily revealed.” According to the weekly magazine *Yazhou Zhoukan*, Wong's article affirmed the Party's tacit approval of the role of “internet scrutiny” (*wangluo jianbu*), which testifies to the increasing importance of the internet as a tool for supervision; and also as a forum for pooling public opinion and stimulating the interests of citizens for participating in public affairs (*Yazhou Zhoukan*, February 2).

Yan Huang Chun Qiu

The January volume of *Yan Huang Chun Qiu* (<http://www.yhcqw.com/>) published an article entitled, “Constitutional Politics: The Demand for China's National Revival,” written by Chen Hung-yee, a law professor at The University of Hong Kong and member of the Hong Kong Basic Law Committee of the Standing Committee of the National People's Congress and member of the Law Reform Commission of Hong Kong.

Yan Huang Chun Qiu (Chinese Chronicles) is a well-respected monthly Beijing journal, which is dedicated to “researching and revealing historical truths,” and is known to publish commentaries by party elders and public intellectuals that have often broached sensitive issues about CCP reform. In the past, the journal published an interview with Ren Zhongyi, the former-party secretary of Guangdong; an assessment of Hu Yaobang by many party elders that include Tian Jiyun, Li Rui and Cao Zhixiong, the former secretary to Hu Yaobang, among others, which was once banned by the CCP's Propaganda Department; a long essay by Xie Tao, the retired vice-principal of Renmin University in Beijing, entitled, “The Democratic Socialist Model and China's Future,” which caused a major stir in China's pseudo political-academic community (*Ming Pao* [Hong Kong], July 13, 2007).

In his essay, Chen wrote that “rule by law and constitutional politics are fundamental universal values.” He added that “political power can be abused, and absolute power can lead to absolute corruption, so the exercise of power needs to be limited and regulated to prevent the abuse of power,

safeguard human rights and ensure that the government is accountable to the people” (*Yazhou Zhoukan*, February 2).

Qiu Shi

The fact that two of the three articles were published by mainstream official media outlets in the run up to the Second Session of the 11th National Committee of the Chinese People's Political Consultative Conference (CPPCC), which opened on March 3 and is scheduled to conclude on March 12, suggested to some analysts that a major debate is in the offing (*Yazhou Zhoukan*, February 2), but the strong official rebuke penned by Jia Qinglin, chairman of the CPPCC, in the Party Magazine *Qiu Shi* (Seeking Truth) on January 16, indicate that the Party has no intention of loosening its control over the people's freedom of speech—which is ironically guaranteed under the Chinese constitution. In his article, Jia wrote:

“(We must) continue to uphold the correct political direction, steadfastly walk along the unique Chinese socialist political road; build a solid defense against Western Two-party or Multi-party system; against the Two-House, Three-Power Center system and various other wrong ideas.”

Jia's comment is interpreted by some analysts as a clear attempt to squash the debate on free speech in official Chinese media. At the same time, Jia's quick rebuttals could also be seen as a sign of heated debate among Chinese leaders.

According to political insiders in Beijing cited by *Yazhou Zhoukan*, these calls for free speech represent only one of many different voices, and that 2009—which is set with so many sensitive anniversaries—decreases the likelihood that the Party will loosen its monopoly over the media (*Yazhou Zhoukan*, February 2). Remarks by senior Chinese officials seem to indicate that the Party has taken note of the media's strategic value for use not only at home but also abroad.

Another article by China's propaganda chief Liu Yunshan in the January volume of *Qiu Shi* stated that: “It has become an urgent strategic task for us to make our communication capability match our international status ... Nowadays, nations which have more advanced skills and better capability in communications will be more influential in the world and can spread their values further.” Liu's calls were amplified by Li Changchun, the party's top ideologue. Li said: “Enhancing our communication capacity domestically and internationally has a direct bearing on our nation's international influence and position, has a direct bearing on the raising of our nation's cultural soft power, and a

direct bearing on the function and role of our nation's media within the international public opinion structure" (*Straits Times*, January 15).

Mr. L.C. Russell Hsiao is Associate Editor of *The Jamestown Foundation's China Brief*.

China's Views on NATO Expansion: A Secondary National Interest

By Dennis J. Blasko

The eastward expansion of membership and enlargement of missions undertaken by the North Atlantic Treaty Organization (NATO) over the past decade push a lot of sensitive buttons in China's national security policy. These sensitivities include long-standing opposition to the enlargement of military blocs and strengthening of military alliances, interference in the internal affairs of other countries, fear of containment, and opposition to ballistic missile defense systems.

Despite being vestiges of what the Chinese call "Cold War mentality" (*lengzhan siwei*), the government of China has said very little officially and publicly about NATO expansion. Beijing's general opposition to many specific elements of these policies has been consistently defined by official Chinese policy for decades, most readily accessible in its series of White Papers on National Defense since 1998. Moreover, the Chinese government's declared policy for itself is to refrain from taking many of the actions NATO has embraced.

Notwithstanding its criticism of "Cold War mentality," China's foreign policy is rooted in the unabashedly Cold War formulation of the "Five Principles of Peaceful Coexistence." These are 1) mutual respect for sovereignty and territorial integrity (*huxiang zunzhong zhuquan he lingtu wanzheng*), 2) mutual non-aggression (*hubu qinfan*), 3) non-interference in each other's internal affairs (*hubu ganshe neizheng*), 4) equality and mutual benefit (*pingdeng huli*) and 5) peaceful coexistence (*heping gongchu*) [1].

China expanded and updated these principles early this decade with its "New Security Concept," (*xin anquan guan*) the core of which is "mutual trust, mutual benefit, equality and coordination." Under this doctrine, Beijing seeks international cooperation "on the basis of the UN Charter, the "Five Principles of Peaceful Coexistence" and other widely recognized norms governing international relations" [2].

These basic principles can also be traced from the 1998 White Paper to the 2008 edition issued in January 2009. The White Papers outline China's general intentions for its own national defense. For example, "China does not seek hegemonism, nor does it seek military blocs or military expansion. China does not station any troops or set up any military bases in any foreign country" [3]. (Emphasis added) In this context, the term "military expansion" refers to the use of force to attain foreign territory or resources. "Military expansion" does not equate to military modernization, a process the Chinese readily admit to be underway. At the same time China does not insist other countries follow the guidelines Beijing sets for itself.

While China does not join military blocs, it accepts the continued existence of military alliances (such as NATO and the U.S.-Japan or U.S.-R.O.K. alliances), but opposes their expansion. The 1998 White Paper states "*the enlargement of military blocs and the strengthening of military alliances*" have added "factors of instability to international security" [4]. (Emphasis added) This principle continues through the 2008 update that says China "will encourage the advancement of security dialogues and cooperation with other countries, *oppose the enlargement of military alliances, and acts of aggression and expansion*" [5]. (Emphasis added) Though Beijing does not support NATO expansion in principle, the subject is not addressed directly now or in previous White Papers.

The extension of NATO's mission to conduct military operations against Yugoslavia was perceived by Beijing as a serious challenge to UN authority and contrary to the general principle of non-interference in the internal affairs of others. According to the 2000 White Paper:

"Under the pretexts of "humanitarianism" and "human rights," some countries have frequently resorted to the use or threat of force, in flagrant violation of the UN Charter and other universally recognized principles governing international relations. In particular, the NATO, by-passing the UN Security Council, launched military attacks against the Federal Republic of Yugoslavia, producing an extremely negative impact on the international situation and relations between countries" [6].

Left unsaid was the mistaken bombing of the Chinese embassy in Belgrade by an American B-2 resulting in the deaths of three Chinese citizens in May 1999. Even while the standard formulation in the Chinese press at the time referred to the "U.S.-led NATO attack on the Chinese Embassy," it is remarkable that the 2000 White Paper did not refer to the U.S. specifically by name in this incident

[7].

The 2000 White Paper also refrained from citing the United States as the “certain country” that “is still continuing its efforts to develop and introduce the National Missile Defense (NMD) and Theater Missile Defense (TMD) systems, which have undermined the international community’s efforts to stem the proliferation of weapons of mass destruction.” On the other hand, when it came to America’s relationship with Taiwan in 2000, Beijing was direct in its criticism:

“The United States has never stopped selling advanced weapons to Taiwan. Some people in the United States have been trying hard to get the Congress to pass the so-called Taiwan Security Enhancement Act. And some are even attempting to incorporate Taiwan into the US TMD system. The newly revised Guidelines for U.S.-Japan Defense Cooperation has failed to explicitly undertake to exclude Taiwan from the scope of ‘the areas surrounding Japan’ referred to in the Japanese security bill that could involve military intervention” [8].

The subject of Taiwan in 2000, shortly after the election of Chen Shui-bian as president, was important enough to name names specifically. Likewise, the potential that Taiwan could be brought under a U.S. theater missile defense umbrella also spurred Beijing to action. Furthermore, consistent with its opposition of the strengthening or expanding of military alliances, Beijing also criticized the U.S.-Japan alliance for failing to “exclude Taiwan from the scope of ‘the areas surrounding Japan.’” Of all China’s national interests, these direct references to the United States and Japan underscore “the question of Taiwan” as what U.S. strategists would define as a “vital national interest” [9]. Opposing NATO expansion does not rise to that level of national interest.

Within the past year, U.S. arrangements to deploy elements of anti-ballistic missile (ABM) defenses in Poland and the Czech Republic, two new NATO members, contributed to Beijing’s continued general opposition to missile defense in the most recent White Paper: “China maintains that the global missile defense program will be detrimental to strategic balance and stability, undermine international and regional security, and have a negative impact on the process of nuclear disarmament” [10]. However, the 2008 White Paper stated that Washington’s decision last October “to sell arms to Taiwan in violation of the principles established in the three Sino-US joint communiqués, causing serious harm to Sino-U.S. relations as well as peace and stability across the Taiwan Straits” elicited direct condemnation from

Beijing. More concretely, China retaliated by canceling a visit to the United States by a senior Chinese general and port calls by naval vessels, and indefinitely postponing meetings on humanitarian assistance, disaster relief and nonproliferation of weapons of mass destruction (The Associated Press, February 27). The 5-month freeze on Sino-U.S. military contact resumed late February in Beijing with the meeting between U.S. deputy assistant secretary of defense David Sedney and Major General Qian Lihua, the Chinese Defense Ministry’s head of foreign affairs.

Underscoring the common perceptions among much of China’s security elite, the 2008 White Paper also identifies “containment from the outside” as one of its “long-term, complicated, and diverse security threats and challenges.” While Beijing understands the necessity of combating international terrorist organizations (one of China’s “three evils” of ‘terrorism, separatism and extremism’), the ongoing, multi-year “out-of-area” deployment of NATO troops in Afghanistan is a constant reminder of its possible encirclement.

The potential of a NATO presence on China’s western borders was foreshadowed in October 1997 when 500 paratroopers from the U.S. 82nd Airborne Division jumped into Kazakhstan after a direct flight of 8,000 miles for training with forces from (NATO-member) Turkey, Russia, Kazakhstan, Uzbekistan, and Kyrgystan. Then-U.S. Deputy Assistant Secretary of Defense for Russia, Ukraine and Eurasia Catherine Kelleher statement probably contributed to Beijing’s paranoia: “Militarily stronger neighbors, such as China and India, will likely want access to these resources ... As such, it’s in the interests of the United States to help establish and maintain regional stability and security” [11].

Conversely, Beijing does not perceive its participation in the Shanghai Cooperation Organization (SCO) to be a counterweight to NATO. Formed in 2001 and composed of China, Russia, Kazakhstan, Kyrgystan, Tajikistan, and Uzbekistan, the SCO is a not a military alliance. Its security cooperation focuses on “the fight against terrorism, separatism and extremism” [12]. The SCO has nothing like Article 5 of the NATO Treaty which states “an armed attack against one or more [member] in Europe or North America shall be considered an attack against them all” [13]. Tensions in the organization were clearly visible during the August War in 2008 between Russia and Georgia over South Ossetia when the member states expressed “their deep concern in connection with the recent tension around the issue of South Ossetia,” but did not back Russia’s military efforts [14].

Privately the leaders in Beijing and Moscow may rail

against NATO expansion, but Chinese leaders have not voiced their direct concerns publicly. Currently NATO seeks to “launch a fundamental discussion of the roles [Russia] should play in the 21st Century,” but is hampered in beginning this discussion “when Russia is building bases inside Georgia.” According to the NATO Secretary General, a “new European Security Architecture” needs “to move beyond a 19th century ‘Great Game’ idea of spheres of influence” [15]. The Chinese can commiserate with Russian apprehensions, but have a different security calculus to consider. Recently the Chinese publication *Outlook Weekly (Liaowang)* framed NATO expansion in a purely Moscow-centric context: the United States “has gone all-out to push NATO’s eastward expansion so as to squeeze Russia’s geostrategic space” (*Liaowang*, February 9). Writing for *Xinhua* the same author observed, “The U.S.-Russia relationship has been at its worst stage mainly because of the Bush administration’s efforts to deploy a missile defense system in Poland and the Czech Republic, and to enlarge NATO, especially by trying to bring Ukraine and Georgia into the military bloc” (Xinhua News Agency, February 20). In the end, the author recommends no role for China, “it is hoped that the United States and Russia can make some friendly moves, such as the US [sic] side shelving ABM deployment in east Europe and temporarily easing up on bringing Ukraine and Georgia into NATO; and the Russian side could step up coordinated interaction with the Obama administration on the financial crisis and the Iranian nuclear issue” (*Liaowang*, February 9).

In summary, countering NATO expansion has become a “secondary national interest” for China. While NATO’s new form and substance challenge longstanding tenets of Chinese defense policy and are uncomfortable for some Chinese leaders, NATO expansion currently does not threaten Beijing’s vital interests. Other goals are more important to Chinese leaders than bashing heads with those in Washington and the European capitals who have not yet been visibly influenced by Moscow’s more vigorous opposition. Beijing is likely to remain silent on the sidelines and observe the political and diplomatic infighting surrounding this issue. Finally, because of the sensitivities of a NATO military presence on China’s southwestern border, Beijing is unlikely to support the notion of an alternate supply route into Afghanistan via western China without quietly insisting on significant reciprocal U.S. or European concessions on issues key to China’s own vital national interests.

Dennis J. Blasko, Lieutenant Colonel, U.S. Army (Retired), is a former U.S. army attaché to Beijing and Hong Kong and author of The Chinese Army Today (Routledge, 2006).

NOTES

1. This joint Sino-Indian formulation, however, initially was directed toward the Third World and only over the decades has it been applied to China’s foreign policy writ large.
2. “China’s Position Paper on the New Security Concept,” July 31, 2002, at <http://www.fmprc.gov.cn/eng/wjb/zjzg/gjs/gjzyhy/2612/2614/t15319.htm>.
3. “China’s National Defense,” July 1998, at <http://www.china.org.cn/e-white/5/5.2.htm>.
4. “China’s National Defense,” July 1998 at <http://www.china.org.cn/e-white/5/5.1.htm>. I am grateful to Dr. David Finkelstein of CNA who pointed out this nuance in China’s official position a decade ago.
5. “China’s National Defense in 2008,” January 2009 at http://news.xinhuanet.com/english/2009-01/20/content_10688124.htm.
6. “China’s National Defense in 2000,” October 2000, at <http://www.china.org.cn/e-white/2000/20-2.htm>.
7. In contrast, see “U.S.-led NATO’s Attack on the Chinese Embassy in the Federal Republic of Yugoslavia,” November 15, 2000, at <http://www.fmprc.gov.cn/eng/wjb/zjzg/bmdyys/gjlb/3432/3441/t17317.htm>.
8. “China’s National Defense in 2000,” October 2000.
9. See Michael G. Roskin, “National Interest: From Abstraction to Strategy,” *Parameters*, Winter 1994, at <http://www.carlisle.army.mil/usawc/parameters/1994/roskin.htm>. Roskin quotes Hans Morgenthau on two levels of national interest, the vital and the secondary. With vital interests, “there can be no compromise or hesitation about going to war.” Whereas, secondary interests are “those over which one may seek to compromise, are harder to define. Typically, they are somewhat removed from your borders and represent no threat to your sovereignty.”
10. “China’s National Defense in 2008,” January 2009. The U.S. anti-missile basing agreement was one of the “Top 10 international military news in 2008” defined by the *PLA Daily*. See http://english.chinamil.com.cn/site2/news-channels/2009-01/04/content_1607157.htm.
11. Douglas J. Gillert, “After Jumping, Battalion Learns to Crawl,” American Forces Press Service, at <http://www.defenselink.mil/news/newsarticle.aspx?id=41525>.
12. “Shanghai Cooperation Organization,” at <http://www.fmprc.gov.cn/eng/topics/sco/t57970.htm>.
13. “The North Atlantic Treaty” text found at <http://www.nato.int/docu/basicxtxt/treaty.htm>.
14. “Dushanbe Declaration of Heads of SCO Member States” at http://www.bjreview.com.cn/document/txt/2008-10/14/content_156875.htm.
15. “Remarks by NATO Secretary General Jaap de Hoop Scheffer at the Munich Security Conference,” February 7, 2009 at <http://www.nato.int/docu/speech/2009/s090207a.html>.

The Future of Chinese Deterrence Strategy

By Michael S. Chase, Andrew S. Erickson and Christopher Yeaw

The development of China's nuclear and conventional missile power has been among the most impressive and most closely watched aspects of Chinese military modernization over the past two decades. During the past 20 years, the Second Artillery Corps (SAC) has been transformed from a small and exclusively nuclear force to a much larger and more powerful force with a variety of roles for a growing and increasingly sophisticated arsenal of nuclear and conventional missiles. The deployment of the road-mobile DF-31 and DF-31A intercontinental ballistic missiles (ICBMs) is enhancing the striking power and survivability of China's nuclear forces [1]. Moreover, the deployment of more than 1,000 short-range ballistic missiles (SRBMs) since the SAC was given a conventional role in the 1990s gives China many options for striking targets in the region. The development of an anti-ship ballistic missile capability could deter or otherwise complicate U.S. intervention in the event of a regional crisis or conflict. In addition to these developments, the People's Liberation Army Navy's (PLAN) contribution to China's nuclear deterrence posture is also changing with the transition from the PRC's first-generation nuclear-powered ballistic missile submarine (SSBN), which was armed with the relatively short-range JL-1 submarine-launched ballistic missiles (SLBMs) and never conducted a deterrent patrol, to perhaps as many as five Jin-class SSBNs, each of which will be armed with 12 JL-2 SLBMs. This will diversify China's nuclear deterrent and may further enhance its survivability [2]. Chinese analysts assess that the deployment of SSBNs and land-based mobile missiles will "fundamentally ensure the reliability and credibility of China's nuclear force" [3]. The SAC's growing conventional ballistic missile capabilities, particularly the anti-ship ballistic missile, also suggest a growing deterrence role for these conventional forces.

Recently published Chinese sources that include previously unavailable information on nuclear and conventional missile strategy and campaigns are shedding new light on China's evolving approach toward deterrence and Chinese views on the problems of deterrence and nuclear strategy. By drawing on some of these sources, which include a variety of Chinese language books, academic and technical journal articles, military media reports, newspapers and periodicals, and key sources from the secondary literature on the SAC, it is possible to trace the evolution of China's deterrence strategy toward an approach that some have called "effective deterrence."

THE EVOLUTION OF CHINA'S NUCLEAR STRATEGY

In the years following the detonation of China's first atomic bomb in 1964, China's nuclear strategy and doctrine were relatively immature due to the constraints imposed by Mao Zedong's adherence to his military theories, the domestic tumult of the Cultural Revolution, and the limitations of Chinese nuclear warhead and ballistic missile technology. Mao's dogmatic approach made it all but impossible to develop innovative ideas about nuclear strategy and doctrine. The chaos of the Cultural Revolution further inhibited consideration of key issues related to nuclear strategy and doctrine. Finally, according to some analysts, technological developments influenced China's approach to nuclear strategy, rather than strategy driving technological requirements and program decisions [4].

By the mid-1990s, however, Chinese strategists were engaging in debates about nuclear strategy and doctrine along with arms control issues. Some of these discussions centered on a potential shift from the traditional posture of "minimum deterrence" to a doctrine of "limited deterrence," which would require corresponding changes in force modernization if adopted [5]. Chinese nuclear strategists argued that such a shift would require "sufficient counter-force and counter-value tactical, theater, and strategic nuclear forces to deter the escalation of conventional or nuclear war," but China did not have "the operational capabilities to implement this vision of limited deterrence" [6].

By the late 1990s, China was attempting to fill this gap in its operational capabilities at the strategic level and develop its conventional missile forces with an eye toward theater war fighting missions. Indeed, it was not long before China appeared to be on the verge of reconciling the significant divergence between the SAC's once largely ambitious doctrine and its actual capabilities. Whereas Chinese strategists were once severely constrained by technological limitations, but by around 2000, they appeared to have an increasing number of choices regarding the development, deployment and use of PLA missiles. At the time, China was developing an increasingly lethal war-fighting capability for the SAC's short-range conventional ballistic missile forces; a more robust and diversified nuclear and conventional medium-range ballistic missile force at the theater level; and a more formidable and survivable intercontinental force capable of providing China with "credible minimum deterrence" at the strategic nuclear level [7].

THE TRANSITION TO "EFFECTIVE DETERRENCE"

Chinese analysts recognized that a more survivable posture was required to make deterrence credible and effective in

the face of growing challenges posed by improvements in intelligence, surveillance, and reconnaissance (ISR), missile defense, and conventional precision-strike capabilities. Leaders in Beijing also calculated that more robust nuclear weapons capabilities were required to support China's global political and diplomatic status. According to an article co-authored by General Jing Zhiyuan, the commander of the SAC and General Peng Xiaofeng, the political commissar of the SAC, China has recognized the need to develop "an elite and effective nuclear missile force that is on par with China's position as a major power" [8]. The SAC has clearly recognized that meeting this objective requires not only new hardware, but also improvements in training, institutional reforms that will provide the force with highly capable personnel, and advances in strategic and doctrinal concepts.

Chinese military media reports suggest that SAC training is also growing in realism and complexity. In particular, as part of the PLA's broader program of training reforms, the SAC is making progress in areas such as training under more realistic combat conditions, incorporating "blue forces," electronic warfare, nighttime training, air defense and counter-ISR tactics and more rigorous training evaluations. Building talent has been another key priority. The senior leadership of the SAC has consistently highlighted the importance of cultivating high quality officers, non-commissioned officers (NCOs), and technical personnel as the cornerstones of missile force modernization. One measure of its success is that 78.2 percent of cadres now hold a bachelor's degree or above [9].

Newly available materials have also revealed some of the SAC's key operational principles and the contemporary doctrinal concepts behind the accompanying transition to "effective deterrence." Among the key doctrinal concepts are the strategic-level emphasis on "gaining mastery by striking after the enemy has struck," and the campaign-level concepts of "self-protection," "key-point counterstrikes," and "counter nuclear deterrence." Overall, Chinese nuclear doctrine is increasingly focused on "sufficiency and effectiveness," meaning that China places a high priority on ensuring its forces are capable of fulfilling deterrence and counter-coercion missions. China's nuclear missile forces are "trying to catch up rapidly with an increasingly explicit strategy and doctrine premised on using nuclear weapons to deter nuclear aggression and to preclude nuclear coercion" [10].

Newly available Chinese language publications also appear to reflect ongoing debates about strategic and doctrinal issues. For example, recent articles in Chinese military journals have discussed the requirements associated with a wide variety of possible nuclear deterrence strategies

[11]. Newly published Chinese books that focus on missile force and deterrence issues also raise the issue of Chinese views on signaling and escalation control. In his recent and extensive treatment of the subject, Zhao Xijun, SAC commander from 1996 to 2003, states that the goal of China's deterrent missile force is to "shake the enemy psychologically, make the enemy's war volition waver, weaken the enemy commander's operational determination, disturb the enemy psyche and public psyche, and achieve [the objective of] 'conquering without fighting'" [12]. Additionally, however, Zhao states, "the goal of wartime deterrence is to prevent conventional war from escalating into nuclear war, and to prevent low-intensity nuclear war from further escalating" [13]. Thus conceived, deterrence imposes stringent requirements on the Chinese nuclear posture, including an adequate force size and composition, survivability, and highly reliable nuclear command and control. Moreover, Zhao states that a "flexible application" of deterrence across all levels of war, from the strategic down to the tactical, is "indispensable [for] effective and credible deterrence" [14].

Among the other issues reportedly under discussion are the merits of continuing to adhere to the "no first use" (NFU) policy. Some Chinese strategists appear to view the NFU policy as an unnecessary self-imposed strategic constraint. At least some analysts who influence the debate have already considered at least three scenarios under which Beijing would discard the traditional NFU policy. The first is retaliation for conventional strikes on strategic and/or nuclear targets and facilities. According to Zhao, "In a conventional war, when the enemy threatens to implement conventional strikes against one's major strategic targets, such as the nuclear facilities; in order to protect the nuclear facilities, prevent nuclear leakage, and to arrest the escalation of conventional war to nuclear war, one should employ nuclear weapons to initiate active nuclear deterrence against the enemy" [15].

The second possibility is a crisis-driven change in China's declaratory nuclear policy. Specifically, Chinese authors have suggested that Beijing could lower the nuclear threshold to deter intervention in a Taiwan crisis or conflict. According to Zhang Peimin's article in *Military Art*, a Chinese military journal, "When we are under the pressure of circumstances to use military force to reunify the motherland's territory, we may even lower the threshold of using nuclear weapons to deter intervention by external enemies" [16]. The third scenario is when Chinese leaders believe that territorial integrity is at stake. Some Chinese strategists seem to hint at the possibility of first use under particularly dire circumstances, such as a scenario in which the PLA is on the verge of suffering a politically catastrophic defeat in a conventional military conflict over Taiwan.

CONCLUSION

China's nuclear modernization is focused on improving the ability of its forces to survive an adversary's first strike and making its nuclear deterrence posture more credible, tasks that have taken on increased urgency as a result of growing concerns regarding U.S. nuclear preeminence, missile defense plans and conventional precision strike capabilities [17]. China is moving toward a much more survivable and thus more credible, strategic nuclear posture with the development of the road-mobile DF-31 and DF-31A ICBMs and the JL-2 SLBM. Beijing is also expanding its conventional missile capabilities, to include not only an increasingly potent SRBM force but also medium-range ballistic missiles (MRBMs) that could threaten U.S. aircraft carriers. According to General Jing Zhiyuan and General Peng Xiaofeng, the SAC has "achieved the great leap in development from a single core unit to a nuclear and conventional entity which gives equal attention to both" [18]. Further improvements are still required, according to General Jing and General Peng, but as a result of the advances that have already been made, China's "strategic deterrence and actual combat capabilities have been vastly improved" [19].

Indeed, the introduction of road-mobile strategic missiles and SSBNs will allow China to achieve a posture of "effective deterrence." The modernization of Chinese nuclear forces and the transition from silo-based to road-mobile nuclear missiles and SSBNs might thus enhance strategic deterrence stability. Indeed, deterrence theory suggests that a more secure second-strike capability should enhance stability by causing both the United States and China to behave much more cautiously.

There are a number of reasons, however, to be concerned that the transition to a more secure second strike capability will not necessarily translate immediately or automatically into greater strategic stability. Indeed, it is entirely possible that these developments could in fact decrease crisis stability under certain circumstances, particularly if China's growing nuclear and missile capability tempts Beijing to behave more assertively or planners and decision-makers in either country fail to consider the potential implications of certain actions. Instability may also result if the undersea environment becomes a place of uncomfortably close approach between U.S. attack submarines and Chinese SSBNs, changes in force posture or technological developments result in heightened insecurity, or the alerting and de-alerting of strategic forces creates a temporary state of increased vulnerability.

Consequently, as China continues to modernize its nuclear and missile forces, problems of strategic stability appear

poised to become much more important aspects of the U.S.-China security relationship in the coming years. Although China's nuclear and missile force modernization may contribute to greater strategic stability in the long run, neither China nor the United States should assume that this outcome will result automatically from China's deployment of a relatively secure second strike capability. Indeed, successfully managing what could become a potentially dangerous balancing act will require much of both parties. The United States will need to exercise considerable self-restraint given the asymmetries that will continue to characterize the U.S.-China nuclear balance despite China's recent enhancement of its nuclear and conventional missile capabilities. Planners and decision-makers in the United States will also need to have an in-depth understanding of Chinese views on strategic signaling, crisis management and escalation control, particularly in the context of a conflict over Taiwan. In addition, Chinese planners and decision-makers will need to have a similarly realistic understanding of U.S. views and motivations.

This emerging dynamic underscores the need for greater U.S.-China dialogue and engagement on strategic issues, which in turn will require Beijing to deal with a dilemma in which continued lack of Chinese transparency of nuclear weapons and missile developments may complicate China's own deterrence strategy. Indeed, as China continues to improve its conventional and nuclear missile capabilities, it will almost certainly need to become at least somewhat more transparent in order to help safeguard shared interests in regional security and strategic stability.

Michael S. Chase is an Assistant Professor in the Strategy and Policy Department at the U.S. Naval War College. Andrew S. Erickson is an Assistant Professor in the Strategic Research Department at the U.S. Naval War College. Christopher Yeaw is an Associate Professor in the Warfare Analysis and Research Department at the U.S. Naval War College. The views expressed in this paper are those of the authors alone. They do not necessarily reflect the views of the U.S. Naval War College, Department of the Navy, or Department of Defense.

NOTES

1. Office of the Secretary of Defense, *Annual Report to Congress, Military Power of the People's Republic of China 2008* (Washington, DC: U.S. Department of Defense, 2008).
2. "Seapower Questions on the Chinese Submarine Force," U.S. Navy, Office of Naval Intelligence, 20 December 2006, <http://www.fas.org/nuke/guide/china/ONI2006.pdf>.
3. Wang Zhongchun, "Nuclear Challenges and China's Choices," *China Security* (Winter 2007), p. 62.

4. John Wilson Lewis and Xue Litai, *China Builds the Bomb*, Stanford, CA: Stanford University Press, 1988.
5. Alistair Iain Johnston, "China's New 'Old Thinking': The Concept of Limited Deterrence," *International Security*, vol. 20, no. 3, winter 1995/96.
6. *Ibid.*, p. 6.
7. Bates Gill, James Mulvenon, and Mark Stokes, "The Chinese Second Artillery Corps: Transition to Credible Deterrence," in James C. Mulvenon and Andrew Yang, eds., *The People's Liberation Army as Organization*, Reference Volume v1.0 (Santa Monica, CA: RAND, 2002).
8. Jing Zhiyuan and Peng Xiaofeng, "Jianshe Zhongguo tese zhanlue daodan budui" (Building a Strategic Missile Force with Chinese Characteristics), *Qiushi* (Seeking Truth), no. 3, February 2009, <http://www.qsjournal.com.cn/qs/20090201/GB/qs^496^0^19.htm>.
9. *Ibid.*
10. Evan S. Medeiros, "'Minding the Gap': Assessing the Trajectory of the PLA's Second Artillery," in Roy Kamphausen and Andrew Scobell, ed., *Right-Sizing the People's Liberation Army: Exploring the Contours of China's Military*, Carlisle, PA: U.S. Army War College, Strategic Studies Institute, 2007, pp. 143-190.
11. See, for example, Lieutenant Colonel Li Shaohui and Major Tao Yongqiang, "The Force Foundations and Strategic Space of Nuclear Deterrence," *Junshi Xueshu* (Military Art), 2006, No. 6, pp. 55-57.
12. See, for example, Zhao Xijun, ed., *Coercive Deterrence Warfare: A Comprehensive Discussion on Missile Deterrence* (Beijing: National Defense University Press, May 2005), p. 47.
13. *Ibid.*, p. 47.
14. *Ibid.*, p. 78.
15. *Ibid.*, p. 173.
16. Zhang Peimin, "How to Develop the Means of Strategic Deterrence," *Junshi Xueshu* (Military Art), February 2004, p. 34.
17. Dennis C. Blair, Director of National Intelligence, "Annual Threat Assessment of the Intelligence Community for the Senate Select Committee on Intelligence," February 12, 2009, http://www.dni.gov/testimonies/20090212_testimony.pdf.
18. Jing and Peng, "Jianshe Zhongguo tese zhanlue daodan budui" (Building a Strategic Missile Force with Chinese Characteristics).
19. *Ibid.*

China's Palestine Policy

By Chris Zambelis

The geopolitics of China's rise and its implications for the Arab world and wider Middle East is a topic for serious debate. Currently, China's Middle East strategy revolves around shoring up its energy security and tapping consumer markets and investment opportunities for Chinese businesses. Given China's status as the world's fastest growing energy consumer and third-largest net importer of oil coupled with the global financial crisis, energy and commercial concerns will continue to dominate China's interaction with the Middle East in the foreseeable future [1]. Yet as China's economic clout grows, Beijing is also keen on leveraging its economic power to enhance its diplomatic influence on the international stage. To bolster its great-power aspirations and its position in the Middle East—a region where it played a peripheral role throughout the Cold War—Beijing's diplomacy is forging closer relations with key players in the region and, in doing so, is challenging the status quo.

China's efforts to engage the region in recent years have been welcomed with open arms on both the state and popular levels. Regional governments, for instance, look to China as a potential check on what they see as unrestrained American dominance in the region, a feeling shared by many staunch U.S. allies (*China Brief*, October 24, 2008; *China Brief*, May 24, 2006). Furthermore, public sentiment in the region tends to be harshly critical of many aspects of U.S. foreign policy in the Middle East. China's growing inroads into the Middle East, therefore, are also viewed in a positive light, as many Arabs and Muslims see China as a brotherly state (*China Brief*, May 18, 2007). Geopolitical considerations and cultural affinities, however, are not sufficient to explain the emerging China factor in Middle Eastern affairs. China's successful engagement strategy also derives from the general lack of enmity between China and Arab countries on key global issues and its effective use of soft power in its dealings with Arab partners (*China Brief*, May 18, 2007).

China's historic role in supporting Third World revolutionary movements and anti-colonial struggles in the Middle East and Africa, to include its advocacy on behalf of the Palestinians during the Cold War until the present, has also led many in the region to see China as a potential partner that can help further the Palestinian national cause [2]. It was not until 1992 that China and Israel established formal diplomatic ties, ties that have since flourished despite Beijing's previous characterization of Israel as an imperial aggressor acting at the behest of the United States [3]. Nevertheless, widespread popular opposition to U.S.

foreign policy in the Middle East coupled with feelings of nostalgia for a return of the revolutionary China of old, Arab and Muslim proponents of a greater role for China in Middle East politics see China's rise as a positive trend, especially as it relates to the question of Palestine [4].

CHINESE-PALESTINIAN DIPLOMACY

Chinese diplomacy in the Middle East is often imbued with a discourse that emphasizes themes of mutual respect and "South-South" cooperation and unity. As a developing country that has charted its own path toward progress and modernization and a country that is free of the colonial taint of competing powers in the region, China is quick to point out that it remains committed to championing the causes of the developing world, to include the struggle for Palestinian self-determination (*China Brief*, May 18, 2007). Chinese leaders, for instance, conduct official diplomatic visits to the "State of Palestine" as opposed to the "Palestinian Territories" or the "West Bank/Gaza," labels typically used by the United States and other countries in official venues. China's reference to "Palestine" is a symbolic but nevertheless important distinction; China's reference to "Palestine" acknowledges Palestinian national identity and, by extension, the territorial claims of the Palestinians (Xinhua News Agency, January 10).

While always taking into account the significance of public diplomacy and perceptions, Chinese leaders treat bilateral exchanges with their Palestinian counterparts as major diplomatic events on par with other high-level state-to-state visits. In November 2008, Chinese President Hu Jintao and Palestinian National Authority President Mahmoud Abbas exchanged warm congratulations to mark the occasion of the 20th anniversary of the formal establishment of diplomatic relations between China and the Palestinians. Hu mentioned that "China has always been a staunch supporter of the rightful cause of the Palestinians and the Mideast peace process;" Abbas reciprocated by thanking China for "being a supporter of the rightful cause of the Palestinians" (Xinhua News Agency, November 20, 2008). In a further attempt to showcase its image as an advocate for the Palestinian cause and its willingness to engage with Palestinians on its own terms, Beijing ignored U.S. and Israeli opposition and welcomed Mahmoud al-Zahar, a senior Hamas representative who served as Palestinian foreign minister, during the June 2006 China-Arab Cooperation Forum in Beijing (Xinhua News Agency, May 18, 2006). The United States and Israel consider Hamas to be a terrorist organization. In contrast, China acknowledged the legitimacy of Hamas' role as a legitimate representative of the Palestinian people following the group's victory in the January 2006 parliamentary elections. A statement by Chinese foreign ministry spokesman Liu Jianchao clarified

Beijing's position regarding Hamas in light of U.S. and Israeli opposition to China's dealings with the organization: "We believe that the Palestinian government is legally elected by the people there and it should be respected" (*China Daily*, June 2, 2006).

CHINA ON THE GAZA CRISIS

China's reaction to Israel's December 2008 invasion of Gaza and the resulting humanitarian crisis provides insight into some of the reasons underlying China's popularity in the Middle East when it comes to the question of Palestine. In a January 16 speech during an emergency meeting of the United Nations (UN) General Assembly, China's deputy permanent representative to the UN Liu Zhenmin stated:

"China is seriously concerned over the escalation of Israel-Palestine conflicts and is deeply worried about the worsening humanitarian situation" and that "China condemns any violence against civilians and is shocked and indignant at Israel's attacks on UN schools, rescue vehicles, and a UN compound. China demands that Israel ensure the safety of UN personnel and other rescue personnel, urges Israel to immediately stop its military operations and withdraw its troops, open all cross-border checkpoints into Gaza, and guarantee uninterrupted delivery of humanitarian aid into Gaza; Palestinian armed factions must immediately stop launching rockets" (Xinhua News Agency, January 16).

As a permanent member of the UN Security Council, China's harsh criticism of Israel's actions in Gaza, which occurred amid staunch American support for Israel's actions, is another example of why many Arabs and Muslims are optimistic about China's potential to challenge the United States, Israel's main benefactor, and stand by the Palestinians. In this regard, Arab and Muslim proponents of a greater role for China in the Middle East hope that China may one day use its influence at the UN and other international bodies to offset American and, by extension, Israeli influence in the region.

CHINA ON ISRAEL'S OCCUPATION AND SETTLEMENT POLICIES

China has been a harsh critic of Israel's continued occupation of Palestinian land, including Israel's policy of constructing settlements in the West Bank and East Jerusalem, essentially the land Palestinians and the international community envisage (along with Gaza) to serve as an independent homeland. China has also been a harsh critic of Israel's economic blockade of Gaza and the ensuing humanitarian costs since Hamas took control

of the territory in 2007. While calling on both Israelis and Palestinians to focus their efforts on forging a lasting peace through diplomacy and compromise, China's Ambassador to the United Nations Zhang Yesui stated, "China is deeply concerned at the grave security and humanitarian situation in Palestine and worried about the recent renewed eruption of violent conflicts in the Gaza Strip and the rapid deterioration of the humanitarian situation" (Xinhua News Agency, November 25, 2008). Ambassador Yesui also stated that the "continued construction of settlements by Israel on the West Bank is not only in violation of Israel's obligations under international law, but is also detrimental to guaranteeing Israel's own security" (Xinhua News Agency, November 25, 2008).

CHINA ON "THE WALL"

China regularly chastises Israel for its controversial construction of what Israel refers to as a "separation wall" or "security fence" and Palestinians brand as a "segregation wall" that traverses large swaths of the West Bank. Palestinians and international opponents of Israel's actions label the construction of the so-called "separation wall" as a ploy aimed at annexing more Palestinian territory prior to a final peace settlement under the guise of securing Israeli territory from attack (Xinhua News Agency, February 24, 2004). In a September 2006 statement during a UN Security Council meeting on the Middle East, China's foreign minister Li Zhaoxing called on Israel to "dismantle the separation wall," which China views as an obstacle to peace and stability (PRC Mission to the UN Statement, September 21, 2006). China's position on Israel's construction of its "separation wall" reflects the 2004 advisory opinion by the International Criminal Court of Justice (ICJ) that declared the wall to be illegal [5].

A BALANCING ACT

On the surface, Beijing's rhetoric concerning the most critical issues affecting the Palestinians suggests that it is positioning itself as a check on Israeli and, by extension, a check on American power in the Middle East. In reality, an assessment of Chinese behavior suggests that its Palestine policy is driven by pragmatic concerns that are very much in line with the international consensus on the Israeli-Palestinian conflict led by the United States. For instance, China supports the principles outlined in the various peace initiatives that have governed the Israeli-Palestinian peace process over the years, such as the 1991 Madrid Conference, 1993 Oslo Accords, 2002 "Road Map," 2007 Annapolis Conference, among others. China's vocal support for the Palestinian cause is also tempered with calls for Palestinian militants to renounce all forms of violence and terrorism, a far cry from the rhetoric and behavior

reminiscent of China's revolutionary days (*China Daily*, May 31, 2006). In this regard, China's approach to the question of Palestine is more complex and nuanced than its rhetoric would indicate.

SINO-ISRAELI TIES

China today places a high-premium on its relationship with Israel, a marked shift from the periods of hostility and suspicion that characterized Sino-Israeli ties during the Cold War. Israel also sees China as an important partner, especially in the economic arena: China is Israel's largest trading partner in Asia and the volume of trade between China and Israel represents the sixth largest in the world (Xinhua News Agency, November 8, 2006). China's vocal criticism of Israel with respect to the question of Palestine, the most recent criticism occurring during the latest conflict in Gaza, appears to have done little to scuttle one of the world's most robust trading relationships, and there are no indications that China (or Israel) is interested in seeing this dynamic change. Moreover, China's close relations with Iran, Syria, and other Israeli rivals in the region also seem to have had a negligible impact on the development of Sino-Israeli ties, especially in the economic realm (*China Brief*, October 24, 2008). During a September 2007 reception marking the 58th anniversary of the founding of the People's Republic of China (PRC) at the Chinese Embassy in Israel, Chinese Ambassador to Israel Zhao Jun underlined the central role of trade in cementing Sino-Israeli relations: "As has been shown, China's sound and steady economic growth has not only benefited its 1.3 billion people, but also offered enormous business opportunities to other countries, including and particularly Israel, whose economic structure complement that of China" (Xinhua News Agency, September 24, 2007).

China's quest for advanced technology, especially defense-related technology and weapons systems, and Israel's aggressive export efforts in these sectors, underlie Sino-Israeli economic relations. China has found a willing partner in Israel to help further its ambitious efforts to modernize its military and bolster its technological prowess. At the same time, the Sino-Israeli trade in advanced military-related technology and weapons systems has been fraught with controversy, contributing to severe strains in U.S.-Israel relations (*China Brief*, January 24, 2007) [6]. The United States worries that advanced defense technologies supplied by Israel to China may someday provide China with an advantage against its rivals in Asia, including U.S. allies such as Taiwan, thus further tipping the balance of power in Asia. Advanced technologies and weapons systems supplied by Israel to China also have the potential to be used by China against the United States in a future confrontation between Chinese and American

forces. China's record of proliferating arms and weapons systems also worries U.S. planners, since China may repackage advanced Israeli defense technologies for resale to America's rivals across the globe. Israel is reported to be China's second-largest arms supplier (with Russia being the first source). The controversy over Sino-Israeli defense ties is exacerbated considering that the United States remains Israel's largest supplier of arms (*Taipei Times*, December 30, 2008).

CONCLUSION

As China continues to spread its influence across the Middle East, there will be increasing calls among Arabs and Muslims for China to adopt a more assertive posture in its advocacy on behalf of the Palestinian national cause. Despite its revolutionary history and rhetoric, however, China's soft-power diplomacy and growing economic inroads into the Middle East suggest that it is likely to continue to maintain a balancing act when it comes to the question of Palestine, at least in the foreseeable future. China's approach in its relationship with Israel also suggests that the further development of Sino-Israeli ties remains a top priority in Beijing, a factor that will profoundly impact Chinese foreign policy in the region. At the same time, as a rising power on the international stage, a major shift in regional (or global) dynamics down the line may prompt China to change course with respect to the Palestine question and its overall approach to the Middle East.

Chris Zambelis is an associate with Helios Global, Inc., a risk analysis firm based in the Washington, DC area. He specializes in Middle East politics. He is a regular contributor to a number of publications, where he writes on Middle East politics, political Islam, international security, and related issues. The opinions expressed here are the author's alone and do not necessarily reflect the position of Helios Global, Inc.

NOTES

1. Xin Ma, "China's Energy Strategy in the Middle East," *Middle East Economic Survey*, Vol. LI, No. 23, June 9, 2008.
2. For a discussion of China's anti-imperialist revolutionary credentials with the respect to the Palestinian question, Arab nationalism, and Israel more generally, see John K. Cooley, "China and the Palestinians," *Journal of Palestine Studies*, Vol. 1, No. 2, (Winter 1972), pp. 19-34.
3. For a discussion on the evolution of Israel-China relations, see E. Zev Sufott, "The Crucial Year 1991," in Jonathan Goldstein, *China and Israel, 1948-1998: A Fifty Year Retrospective* (Westport: Praeger, 1999), pp. 107-126.

4. Popular opposition to U.S. foreign policy in the Middle East is also apparent among Muslims outside of the Middle East. See WorldPublicOpinion.org, "Public Opinion in the Islamic World on Terrorism, al Qaeda, and US Policies," The Program on International Policy Attitudes, University of Maryland, February 25, 2009, http://www.worldpublicopinion.org/pipa/pdf/feb09/STARTII_Feb09_rpt.pdf. For more recent polling data indicating favorable Arab perceptions of China versus unfavorable opinions of the United States, see "2008 Annual Arab Public Opinion Poll," Survey of the Anwar Sadat Chair for Peace and Development at the University of Maryland (with Zogby International), March 2008, <http://sadat.umd.edu/surveys/2008%20Arab%20Public%20Opinion%20Survey.ppt#1>.
5. International Court of Justice, "Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory," Press Release, 2004/28, July 9, 2004, <http://www.icj-cij.org/docket/index.php?pr=71&code=mwp&p1=3&p2=4&p3=6&case=131&k=5a>.
6. Also see P.R. Kumaraswamy, "Israel-China Relations and the Falcon Controversy," *Middle East Policy*, Vol. 12, Iss. 2, (Summer 2005), pp. 93-103; Nuclear Threat Initiative, "China's Missile Imports and Assistance from Israel," March 28, 2003, <http://www.nti.org/db/china/imisr.htm>.

New Directions in China's Health Sector Reform

By Qingyue Meng

The State Council of the People's Republic of China (PRC) approved a proposal for a new round of health sector reforms (HSRs) on January 21. The policy paper, "Guiding opinions for further reforming medical and pharmaceutical system," is the blueprint for Beijing's renewed efforts toward providing universal coverage of basic health care for all its citizens by 2020. This policy paper is scheduled for official release after the National People's Congress, which will conclude on March 12, yet the major backbones of the reforms have been underlined in the meeting minutes of the State Council's meeting. This is the second time that the central government issued a policy paper on HSRs. Twelve years ago, Beijing launched "The decisions on health reforms and development," this round of reforms is intended to direct the development of China's health systems over the next decade.

HEALTH SECTOR REFORMS-1997

The market-oriented economic reforms in China that began in the 1970s significantly shaped Beijing's policies toward

the development of the country's health sector. Between the mid-1980s and mid-1990s, China's health sector experienced a rapid expansion that was largely financed by the boom in private capital. While its expansion helped address the chronic shortage of health resources in terms of finance, infrastructure and pharmaceutical, the intensive use of high technologies and concentration of health resources in urban and tertiary hospitals made health care unaffordable and inaccessible for the masses [1]. During this time period, changes in China's health policies were tailored to accommodate economic reforms targeting growth without a long-term vision for developing the health system.

The first HSR proposal in 1997, which was initiated at a health conference chaired by the Communist Party Committee and the State Council, is the central government's first attempt to direct health sector development from 1997 to 2010.

The 1997 HSR proposal specifically targeted the problems of rising medical cost, inefficient and inequitable health resource distribution and the low coverage of the "social health security system" (*shehui yiliao baozhang tixi*). Proposed policy actions include the expansion of urban employee-based health insurance; introduction of regional health resource planning; strengthening of primary health care system; and the expansion of rural "cooperative medical scheme" (CMS). These actions were designed to reconcile the "contradictions" that Chinese analysts say resulted from China's market-oriented health care development. For instance, regional health resource planning was intended to improve the availability of health resources for primary health facilities and rural area by re-directing lopsided resource distribution; and the expansion of social health insurance schemes could have protected the people from the financial risks of illness.

Yet, the 1997 HSR proposal was not effectively implemented in practice. Except urban health insurance reform, the other intended actions did not achieve the stated objectives. Instead disparities in health resource distribution between provinces, regions and types of health care providers continue to widen, CMS did not benefit the rural population as expected, primary health facilities are still struggling to remain solvent, and the user fee continued to overwhelm individual financing for health care. The failure in implementation of the 1997 HSR proposal could be attributed to two key factors: the lack of political will and financial support.

HEALTH SECTOR REFORMS-2009

The 2009 HSR proposal's main objective is to provide

universal coverage of basic health care by the end of 2020. The new policy proposes major reforms in four areas: 1) public health system, 2) medical care delivery system, 3) health security system, and 4) pharmaceutical system.

Under the new policy, the central government will completely subsidize the delivery of an "essential public health package" (*jiben gonggong weisheng fuwu*) that includes core public health services. The package will be standardized for all citizens across the country but local governments can add public health services to this package based on the local economic situation. In clinical delivery system, while the role of state-owned hospitals will be strengthened by increasing government support, expansion of the non-state hospital sector will be encouraged to enter the market. Under the new policy the central government will continue to expand "social health insurances" (*shehui yiliao baoxian*) with the aim of 90 percent coverage of rural and urban residents, respectively, by the end of 2011. Rural migrants and other vulnerable or "at risk" population will be the target of the government's coverage expansion. The establishment of an "essential medicine system" (*jiben yaowu zhidu*) hinges on reforms in the pharmaceutical system. The central government has even proposed to formulate an essential drug list and the production and utilization of essential drugs will be insured by the government's financial support. Primary health providers will not be allowed to prescribe drugs outside the essential drug list.

There are eight strategies on the table to support these proposed reforms in the health system. These strategies include a public-dominated financing mechanism for public health care, clearly defined responsibilities of central and local governments for supporting medical care delivery system, provider performance-based payment systems, capacity-building of human resources, and priorities for public funding. Those strategies cover the five key areas of the health system: health financing, health care delivery, human resources and governance.

SHORT-TERM ACTIONS AND FINANCIAL SUPPORTS

There are five key areas of reforms over the next three years. Those five areas include: 1) improving the social health security system for urban employee and resident health insurance schemes, rural CMS, and medical assistance programs; 2) establishing an essential medicines system; 3) strengthening capacities of primary health care facilities; 4) increasing provisions of public health care to reduce the gaps in coverage of public health services between regions and population groups; and 5) reforming financing mechanism of public hospitals by reducing the hospital's dependence on drug revenues.

The reform proposal is underlined by two basic principles for allocating the health budget: equity and efficiency. To ensure equity in budget allocation, the government's health budget will be directed to public health care, poor area and vulnerable population. To ensure efficiency in budget allocation, performance-based payment systems will be introduced to guarantee that the money can be used for health care provision and health improvement.

A total of 850 billion RMB (\$125 billion) is budgeted from central and local governments over the next three years for supporting the five reforms. Even though the precise targets for the investments and how the budget will be allocated needs to be further developed, from the central government's plans in building rural CMS and urban resident-based health insurance scheme, the government will increase subsidies to premiums from 80 RMB (\$12) per insured in 2009 to 120 RMB (\$18) per insured in 2010 (*People's Daily*, January 22). This budget will need a total of 104 billion RMB (\$15.3 billion) for the 850 million population covered by the two schemes in 2010, accounting for 36.8 percent of the total government budget allocated for 2010, if the 850 billion RMB will be equally allocated throughout the three years [2]. The remaining budget, about 179 billion RMB (\$26.3 billion) a year, will be used for other reform activities including investments in infrastructures of primary health facilities, delivery of essential public health services, and support for manufacturing and distributing essential drugs. Up to now, a detailed plan for allocating the budget on the aforementioned activities has not been made.

OPPORTUNITIES AND CHALLENGES TO SUCCESS

HSRs require strong political, institutional and financial support, especially in China where the government owns the resources to direct change. The 1997 HSR was not carried out as expected mainly due to the absence of political, institutional and financial support. A growing awareness of the importance of health care for socio-economic development by the political leaders in Beijing, concerns about access to health care by the general public, and an increasing capacity for financing health services are the main driving forces behind the increased support for HSRs over the years.

In terms of political support, health care is stated in the reform proposal as a fundamental factor in determining the quality of life, building of a fair society, and realization of a people-centered development model for the country. Another measure of its political support is reflected in the statement that all level of political leadership should put health care as a priority on the party's agenda. The Chinese government completed the restructuring of its

agencies in mid-2008. The authority of the food and drug administration has been merged into the Ministry of Health in order to improve coordination between relevant agencies. Further institutional arrangements were proposed in the 2009 HSRs, including the establishment of a leadership committee within the State of Council for coordinating actions between HSR-related ministries, including Ministries of Health and Finance and the National Development and Reform Commission.

There is cause for optimism about the potential success of these new reforms. Yet the process is far from simple. Even though political support is promised, there is always the danger that political leaders will not put health care as a major agenda item. China's GDP-centered development model will not disappear overnight, particularly when a new system for evaluating the performance of political leaders is not yet available. The type of reforms that are needed will require a re-alignment of vested interests, which will challenge the embedded institutional arrangements within the system. The potential losers in this set of reforms, for instance some tertiary hospitals and pharmaceutical manufacturers, will undauntedly try to foil any reduction in the government's budget toward their projects. It may be difficult for Ministries of Health and Finance, representing different interest groups, to reach an agreement on specific reforms. In addition, the promise of increasing the government's health budget will be affected by the China's economic condition.

There are a number of operational challenges to the proposed reforms. The first challenge lies in the complexity of developing a national package of public health services. While local governments in wealthy areas can add public health services into the national package, the poor areas cannot, thus making the provisions of equal access to public health care between regions and provinces problematic. Another operational challenge facing these reforms are found in the formulation of an "essential medicine system." Since the new system will cause a redistribution of benefits between interest groups, including different types of pharmaceutical manufacturers and health providers, there will be many challenges in the process of developing an essential drug list.

CONCLUSIONS

The 2009 HSR opens the door for the development of a new health system in China by focusing on equity improvements, increasing government leadership and financing, establishing a universal health insurance scheme, and ensuring the provision of public health services. Implementations of the reforms need to address a number of challenges existing in the political, institutional,

financial and operational aspects of HSRs. Even if the promised resources are made available to undertake the reforms, how the resources are reasonably allocated and executed is critical for the reforms success.

The current economic crisis can have both positive and negative impacts on the new HSR initiative. The government may see HSRs as conducive for supporting economic recovery and invest more in the health sector. On the other hand, there is a risk that the government will not be able to mobilize adequate finances for the HSRs under the current economic crisis, because most of the budget for the reforms will come from the government's revenues. Moreover, if the central government determines that investments in the health sector would yield less return for economic recovery than other programs, then the promised budgets could be reduced and HSRs could once again fall on the policy back burner.

Qingyue Meng, MD, Ph.D., is a professor of Health Economics at the Center for Health Management and Policy, Shandong University, China. He is also a member of the Ministry of Health's "Experts Committee on Policy and Management" as well as "Advisory Committee on Tuberculosis Control."

NOTES

1 Center for Health Statistics and Information, Ministry of Health. Report on the National Health Services Survey of China, 2003. Beijing: Union Medical University, 2004

2. This is estimated by the author according to the State Council's budget plan for HSR.
