



In This Issue:

IN A FORTNIGHT
 By Peter Mattis.....1

CENTRALIZED POWER KEY TO REALIZING XI'S "CHINA DREAM"
 By Willy Lam.....3

POLICY REFORM MEASURES HIGHLIGHT POTENTIAL FOR TRANSFORMATION
 By Bruce Gilley.....5

TAMING THE FIVE DRAGONS? CHINA CONSOLIDATES ITS MARITIME LAW
 ENFORCEMENT AGENCIES
 By Lyle J. Morris.....8

THE SECOND ARTILLERY FORCE IN THE XI JINPING ERA
 By Michael S. Chase.....10



President Xi Jinping Lecturing on the "China Dream"

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 Peter Mattis.

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 mattis@jamestown.org

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

Copyright © 2011

In a Fortnight

By Peter Mattis

SOUTH SEA FLEET EXERCISES SHINE SPOTLIGHT ON TENSIONS

Tensions in the South China Sea once again appear to be on the rise as recent Chinese naval activity has attracted the attention of regional actors. On March 26, Hanoi publicly complained that a People's Liberation Army (PLA) Navy vessel had set a Vietnamese fishing vessel on fire. Beijing denied the accusation, countering that the PLA Navy (PLAN) ship had fired two signal flares as a warning near a Vietnamese fishing vessel that was operating illegally in Chinese territorial waters (Xinhua, March 27; People's Daily Online, March 26). At the same time, the PLAN's South Sea Fleet—one of the three major naval commands—has conducted a series of exercises that assert Chinese sovereignty and fulfill the "preparations for actual combat" requirements that President Xi Jinping has called for in military training (Xinhua, March 19; *PLA Daily*, January 13; December 12, 2012).

This month, the South Sea Fleet exercised its amphibious, naval and aviation assets to prepare for the range of conceivable South China Sea conflict scenarios. The latest training exercise involves a four-ship flotilla including the PLAN's most advanced amphibious assault ship, a guided-missile destroyer and two guided-missile frigates (China Military Online, March 20). The flotilla has conducted a range of exercises, including amphibious and airborne assault on an atoll as well as a combined arms exercise involving the ships and shore-based early warning aircraft, fighter and fighter-bombers (*PLA Daily*, March 25; China Military Online, March 25; People's Daily Online, March 22). This follows other exercises earlier in

March when a South Sea Fleet fighter regiment flying the Su-30MKK2 fighter-bomber conducted strike training over the South China Sea. Other local PLAN Air Force elements also conducted flight training exercises with now-standard emphasis on “actual combat” preparation (People’s Daily Online, March 5; March 4).

Once again, Beijing’s efforts to reassure neighboring countries that this level of activity is only routine and lacking ulterior motives seem to be falling on deaf ears (“Soothing Tones on China’s Rise Strike Dissonance,” *China Brief*, January 4). In an effort to explain the exercises, Xinhua noted the training is a “regular arrangement in line with the navy’s annual training plan,” adding that the PLAN conducted seven similar training exercises last year (Xinhua, March 19). Elsewhere, Chinese naval experts add that exercises accord “with all international laws and common practice,” highlighting that South Sea Fleet exercises are unexceptional compared to other international navies (Xinhua, March 25). The path of the flotilla, however, has taken it close to disputed territory where Malaysia maintains offshore oil rigs and, en route to the Western Pacific, the four PLAN ships will skirt the Philippines’ western maritime boundaries. The exercise itself may be only routine and in line with a responsible military’s training for the possible contingencies it might face. These training missions, however, have the side effect of demonstrating China’s ability to deliver military power, including amphibious troops, across its entire claim in the South China Sea—as Xinhua rather ostentatiously announced when the flotilla reached southernmost claim (Xinhua, March 26).

More importantly, Chinese reassurances about the South Sea Fleet’s exercises also highlight a contradiction in how Beijing applies the principle of freedom of navigation to its own and foreign military behavior. Official press stated the training exercises are “routine military training which is in conformity with international laws and international common practice.” Accordingly, the PLAN ships should be allowed freedom to navigate international waters without harassment, regardless of whether some of those waters may qualify as disputed or as another country’s exclusive economic zone (Xinhua, March 25). The drills however are to be conducted in line with “the requirements of actual combat,” making these maneuvers a military mission (Xinhua, March 19). One of the reasons Beijing has rejected U.S. calls for freedom of navigation

in China’s maritime periphery and the South China Sea is that Beijing believes the principle is different for civilian and military vessels, especially if the latter have a military mission. Chinese harassment of the USNS *Impeccable* was justified in exactly this way, because Beijing rejected U.S. protestations that a military-owned vessel could operate with peaceful intentions (*Guangzhou Daily*, July 17, 2012; Xinhua, July 11, 2012; Xinhua, March 10–11, 2009).

The overall direction of Chinese military modernization supports Beijing’s protestations of innocence that it has any ulterior motive in these exercises. In addition to wanting to achieve major progress on military modernization by 2020, Chinese leaders increasingly have discussed the idea of China becoming a “maritime power” over the last two years—most notably at the National People’s Congress meeting two years ago (“Military Delegates Call for National Maritime Strategy to Protect Expanding Interests,” *China Brief*, March 10, 2011). In most respects, the recent South Sea Fleet training exercises are normal and in line with stated Chinese intentions.

The atmospherics surrounding these exercises, however, suggest Beijing is using routine activities to frame the status quo in the South China Sea in its favor. Publicizing PLAN sailors’ pledge to safeguard Chinese sovereignty through national-level propaganda organs was unnecessary, reinforcing the idea Beijing maintains its firm, non-negotiable stance on China’s maritime boundaries. The quantity and quality of the PLAN equipment, including some of its most advanced aircraft and ships, already ensured special attention would be paid without alarming statements about how the PLAN exercised at the furthest reach of Chinese territory (Xinhua, March 26; *South China Morning Post*, March 26). As normal as the exercises might seem, even the usually quiet Malaysians—who rarely publicize such concerns—have expressed concern about the path of a PLAN flotilla conducting drills at the south end of the South China Sea (*Wall Street Journal*, March 27). The explicit contradictions between China’s statements, actions and principles, thus, are lowering regional expectations that the country’s “peaceful development” is anything other than convenient rhetoric.

Peter Mattis is Editor of China Brief at The Jamestown Foundation.

Centralized Power Key to Realizing Xi's "China Dream"

By Willy Lam

Immediately after Xi Jinping was elected state president at the just-ended First Session of the 12th National People's Congress (NPC), he revisited his idea about fulfilling the "China dream." Xi, who is also general secretary of the Chinese Communist Party (CCP) and commander-in-chief, cited three prerequisites for bringing about the "renaissance of the Chinese race:" following the "Chinese road," "developing the China spirit" and "concentrating and crystallizing China's strength" (Xinhua, March 17). The last imperative about the concentration of powers has been reflected by the fact that a number of key party and state organs have been strengthened considerably. As Xi has reiterated since the 18th Party Congress last November, a crucial challenge of the new leadership is that it must "ensure that [Beijing's] policies and directives are smoothly followed" by the entire nation (CNTV.cn, February 6; China.com.cn, January 8).

Within the CCP's higher echelons, more power has been given the party's Secretariat, which is the "work organ" of the supreme seven-member Politburo Standing Committee (PBSC) (*People's Daily*, June 1, 2011). The Secretariat under Xi consists of seven members—one more than that of the previous Hu Jintao administration. For the first time in party history, the State Council secretary general has been inducted into the CCP Secretariat. This means that Yang Jing (age 59), who was appointed to this post at the NPC, has to report to both Premier Li Keqiang and Liu Yunshan, who is the PBSC member in charge of the Secretariat. Since the office of the State Council secretary general is considered the nerve center of the entire central government, both Liu and Xi—who exercises overall control over party affairs—can exert substantial influence on the operations of the government (*Ta Kung Pao* [Hong Kong], March 17; Sina.com [Beijing], March 17). Moreover, the ranking and authority of individual Secretariat members have been elevated. For example, Li Zhanshu concurrently serves as director of the Central Committee's General Office. Li, who is Xi's premier troubleshooter, was inducted into the Politburo last November. By contrast, Li's predecessors, who include Wen Jiabao, Zeng Qinghong, Wang Gang

and Ling Jihua, were merely Central Committee members when they were occupying that post (Sina.com, March 24; *Ta Kung Pao*, November 15, 2012).

Apart from Liu Yunshan, Li and Yang, other members of the Secretariat are in charge of hefty portfolios that embrace most of party and government procedures. Liu Qibao (age 60), a Politburo member who doubles as director of the party's Propaganda Department, handles issues ranging from ideology to propaganda. Politburo member Zhao Leji (age 56), who is also director of the Organization Department, looks after personnel issues affecting not only party and government positions but also senior slots in state-owned enterprises (SOEs). Du Qinglin (age 66), who doubles as vice chairman of the Chinese People's Political Consultative Conference (CPPCC), runs the party and state's united front apparatus. Finally, Zhao Hongzhu (age 65), who is executive vice secretary of the Central Discipline Inspection Commission (CDIC), is in charge of China's highest-level anti-corruption agency (*Beijing News*, March 17; *People's Daily*, March 12). The fact that Li, Zhao Leji and Zhao Hongzhu are deemed Xi protégés testifies to the fact that compared to the initial phases of the tenures of predecessors Jiang Zemin and Hu Jintao, Xi has been more successful in consolidating his power base ("All the General Secretary's Men: Xi Jinping's Inner Circle Revealed," *China Brief*, February 15).

In his first international press conference at the end of the NPC, Premier Li pointed out that his team will focus on "simplifying administrative [measures] and devolving powers to the regions." He said "We must change the nature of the government's function...Whatever can be done by society should be handled by society" (CCTV News, March 17; China News Service, March 17). The much-anticipated program of streamlining State Council departments, however, has proven to be a disappointment. Only two of the central government's 27 commissions and ministries have been slashed. ("National People's Congress Marks Sharp Turn Toward Conservatism," *China Brief*, March 16).

More significant is the fact that two major units of the State Council have assumed unprecedented clout. The first is the National Development and Reform Commission, which is often nicknamed the "Miniature State Council," because it is entrusted with the task of

“macro-level adjustment and control” (*hongguan tiaokong*) for most aspects of the economy. The post-NPC lineup of the NDRC leadership comprises four full Central Committee members: new NDRC Minister Xu Shaoshi (age 61), Executive Vice Minister Jie Zhenhua (age 63) and two newly-appointed vice ministers, Liu He (age 61) and Wu Xinxiong (age 63). By contrast, there is only one Central Committee member—usually the minister—in most ministerial-level units of the State Council. Under Premier Li, the NDRC has been given additional responsibilities, including overseeing the electricity-generation sector and engaging in long-time planning regarding population growth and urbanization (China Review News [Hong Kong] March 20; China News Service, March 13).

Given the top priority that the Xi-Li administration has given to preserving stability (*weiwen*), it is perhaps not surprising that the power of the Ministry of Public Security, or police, has been enhanced. The post-18th Party Congress MPS boasts three full members of the Central Committee. Apart from State Councilor and Minister Guo Shengkun (age 58), both Executive Vice Minister Yang Huanning (age 55) and Vice Minister Li Dongsheng (age 57) are Central Committee members. Like his predecessor Meng Jianzhu, who was last November promoted Politburo member and Secretary of the Central Political-Legal Commission (CPLC), Guo is not a career policeman. A former head of SOEs in the metallurgical sector, Guo was party secretary of Guangxi Province when he was named the nation’s top cop last December. Li Dongsheng, who had an illustrious career in state television and the CCP Propaganda Department, was appointed MPS vice minister in 2009. By contrast, Yang, who holds a doctorate in criminal law from Peking University, is a veteran police officer who specializes in detective work (CNTV.cn, March 7; Sina.com, March 4).

That the police apparatus has gained more clout and responsibilities may have to do with the fact that President Xi is the PBSC member with direct oversight over the political-legal (*zhengfa*) hierarchy (*Liberty Times* [Taipei], February 3; *Ming Pao* [Hong Kong] January 31). Moreover, a number of cadres with experience in police and *zhengfa* work have been promoted in a post-NPC regional reshuffle that has affected up to 10 provinces. For example, CPLC Secretary General Zhou Benshun (age 60), a former police chief of Hunan Province, was

appointed party secretary of Hebei Province. Wei Qiang (age 60), a former head of the political-legal department of the Beijing municipal party committee, was named party secretary of Jiangxi. In the same vein, Du Jiahao (age 57), a former *zhengfa* secretary of Heilongjiang Province, became deputy party secretary and governor-designate of Hunan Province. Finally, Hao Peng (age 58), the former political-legal boss and deputy party secretary of Tibet, became deputy party secretary and governor-designate of Qinghai Province (People’s Daily Online, March 21; China News Service, March 21; Xinhua, March 20).

Yet another significant phenomenon in the recent spate of personnel changes is the rise of the influence of the so-called Tibet Faction, a reference to cadres who have served in senior positions in the restive region. Two veterans of the Tibet Autonomous Region (TAR), Guo Jinlong (age 65) and Hu Chunhua (age 49) were inducted into the Politburo at the 18th Party Congress. A former Tibet party secretary, Guo was appointed Beijing party secretary last year. Hu, a former Tibet deputy party secretary, was named Guangdong party secretary last November. At the just-finished CPPCC plenary session held in March, Zhang Qingli (age 62), who was Tibet party boss from 2005 to 2011, was promoted to vice chairman and secretary-general of the CPPCC, a united-front organ. Yang Chuantang (age 58), another former Tibet party secretary, became minister of the expanded Ministry of Transport at this NPC. Moreover, former-TAR Vice Chairman Qin Yizhi (age 47) recently was named first secretary of the Communist Youth League. A key factor behind the fast-track promotion of these cadres seems to be that their Tibet experience has testified to their ability to implement Beijing’s directives under extremely tough conditions (China.com, March 19; *People’s Daily*, March 15; Ifeng.com [Beijing], March 13).

Structural changes in the party-state apparatus as well as personnel movements the past several months have demonstrated the premium that the Xi-Li leadership has put on concentration of powers as well as upholding socio-political stability. These developments also mark a departure from the dictums of late patriarch Deng Xiaoping about the devolution of powers and in particular, the separation of party and government, which was written into the Political Report to the 13th Party Congress of 1987. President Xi, however, obviously favors a different approach to governance. As Zhang Ping,

the just-retired NDRC minister, put it during the NPC session, “China’s best advantage is that [the authorities] can concentrate the nation’s resources and efforts to do big things” (People’s Daily Online, March 6; Sohu.com [Beijing], March 6). For President Xi, it is apparent that the Leninist doctrine of “democratic centralism” is the best way of realizing the China dream.

Willy Wo-Lap Lam, Ph.D., is a Senior Fellow at The Jamestown Foundation. He has worked in senior editorial positions in international media including Asiaweek newsmagazine, South China Morning Post and the Asia-Pacific Headquarters of CNN. He is the author of five books on China, including Chinese Politics in the Hu Jintao Era: New Leaders, New Challenges. Lam is an Adjunct Professor at the History Department and the Center for China Studies of the Chinese University of Hong Kong.

Policy Reform Measures Highlight Potential for Transformation

By Bruce Gilley

In the next five years, China will implement a series of transformative public sector reforms due to the convergence of several factors over the past year that have made China ripe for change. Most obvious among them is the fact that the party leadership chosen in 2012 is unusually united around Xi Jinping, in stark contrast to the factional divisions that characterized the previous leadership (“China’s New Leaders to Strengthen the Party-State,” *China Brief*, November 30, 2012). Moreover, since Xi and premier Li Keqiang have sat on the Politburo for only five years, they are less encrusted in *guanxi* than previous leaders. Another factor is that in recent years, distinctive advocacy coalitions have arisen in the country among public policy experts that are unusually vocal and well-informed. Finally, China is in a stage of development where it “enjoys” a constant stream of focusing events—the Bo Xilai scandal, elite corruption, the Beijing air pollution crisis and the Wenzhou high-speed rail crash stand out as a notable few. The Chinese Communist Party’s (CCP) unfulfilled 2004 promise to transform itself from a ruling party to a governing party in order to restore

its legitimacy requires an effective government that can analyze, formulate, enact, implement, monitor and revise new public policies. In short, the policy gridlock of the 2002 to 2012 period should be disappearing in favor of an emergent period of substantive reform.

The National People’s Congress of 2013 provided a first glimpse of the sort of public sector reforms that might emerge in the next ten years. Two clear themes emerged: building “top-level design” institutions in Beijing to oversee macro-level governance; and igniting local government initiative through fiscal and regulatory reforms.

Top-Level Design

The notion of “top-level design” (*dingceng sheji*) to manage reforms is an idea that migrated from the systems engineering and military sectors in the early 2000s to more general public sector reform discussions in the late 2000s. During retrospective analyses of 30 years of reform in 2008, the term was first used as a template for the next 30 years of reforms (*Outlook Weekly*, November 1, 2010). The party then espoused the term in the communiqué from its 2010 plenum. The 12th Five Year Plan announced in 2011 promised to “pay more attention to the reform of top-level design and overall planning, make clear reform priorities and key tasks, and deepen experiments in comprehensive integrated reforms” [1].

Put simply, it meant that incremental reforms and bargaining over implementation were out. There would be less micromanaging and more macro-managing (*jian weiguan, zhong hongguan*). China would seek to overcome the “fragmented authoritarianism” that characterized policymaking since reforms began in favor of a more centralized developmental state. New integrated ministries will deliver national templates to create a coherent public policies. This means a premium will be placed on creating bureaucracies with a high degree of professionalism and vision.

One of the first initiatives of this new drive was the creation of several new bureaucratic organizations during the 2013 NPC (The number of cabinet-level ministries and commissions is now half of what it was in 1982 as a result of government efforts to streamline policymaking). The most anticipated change was the folding of the

regulatory arm of the Ministry of Railways into the Ministry of Transportation and the creation of a new commercial entity, the China Railway Corporation, to run the country's 98,000 kilometer-long rail system. China's railways had become an independent kingdom of power and corruption in Chinese politics, leading to the sacking of railways minister Liu Zhijun for corruption in 2011.

The creation of the new company will end that kingdom. It also presages a long battle over financing. The new company was put under the ownership of the Ministry of Finance, suggesting it will not be expected to make money anytime soon. To become a viable commercial entity, it will have to raise ticket prices. The new company's deputy chief engineer caused a stir by saying rail tickets eventually would cost more than plane tickets on many routes (*Global Times*, March 20). The experiences of other developing countries suggest that debates on eliminating subsidies for cheap commodities—bread, fuel, electricity or train tickets—often cause social unrest. At least now, however, there are the makings of a rationally-run national rail network.

The need for “top-level design” also has been increasingly apparent in China's numerous territorial disputes in the East and South China Seas, where four different agencies in addition to the navy carry out various types of official maritime enforcement duties. The new National Oceanic Administration brings those four agencies under one roof. This will not only lead to “top-level design” in Beijing's foreign policy, but also the potential for its application to China's policy toward the East Asian region. The creation of a single counterpart agency with which regional governments can discuss codes of conduct gives foreign governments a clear interlocutor, probably militating the frictions caused by uncoordinated Chinese actions and (“Taming the Five Dragons?” *China Brief*, March 28).

The one new agency that did not come off well was the new super-agency for media management, the State General Administration of Press, Publications, Radio, Film and Television. The initial announcement gave the agency a 14-character long name in Chinese, which attracted widespread criticism on the internet because it symbolized the inability of the various interests to agree on a shortened form as well as policy more broadly (*Xinhua*, March 11). A 10-character alternative was hastily rolled out, which only weakened any belief that

“top-level design” would be forthcoming in the media field. Given the close horizontal linkages between these interests and party propaganda organs, the reform here is likely to be slower.

The threats to top-level design posed by such institutional interests was noted explicitly by Wang Yang, the innovative former party secretary of Guangdong province who was elevated to vice premier after being passed over for Politburo Standing Committee seat last year. Putting such a heavy hitter in a vice premierships suggests a belief that the government is becoming more important compared to the Party, at least in day-to-day governance decisions. Overcoming “institutional obstacles” to development would be his main focus, he said “If the reforms 30 years ago solved the issue of ideology, now we have come to the issue of interests. Reform is like cutting one's own flesh, so we need great determination” (*Xinhua*, March 17).

New Premier Li Keqiang also promised a “self-imposed revolution” of government reform, continuing a regulatory streamlining process begun in 2001 and carried out largely under his predecessor, Wen Jiabao. China is not ready for the mandatory sun-setting of regulations adopted by many OECD countries, but it recognizes that red tape has become a source of rent-seeking and property rights infringements throughout the country.

Alongside this came promises of a new nationally-streamlined system of financial and real asset registration that would bolster both tax and regulatory compliance as well as anti-corruption efforts (*Xinhua*, March 15). In both these respects, the Xi Jinping leadership is responding to increasingly vocal constituencies within the business community who find themselves at a competitive disadvantage when they try to navigate and comply with the country's patchwork of financial and tax regulations (*Workers' Daily*, January 27).

Fiscal and Regulatory Reform

Fiscal and regulatory reforms adopted at the NPC also gave insights into emerging public policy issues that will be key in the next ten years. The abolition of the State Family Planning Commission was announced in Stalin-esque style with the proclamation that it had overseen triumphantly the abortion of 336 million fetuses since

1971. This dispassionate declaration was the most elegant reminder of the need for new management. The new National Health and Family Planning Commission will integrate family planning into healthcare, while the National Development and Reform Commission (NDRC) will work on macro-level issues.

The abolition of the “one-child policy” agency was closely linked to another reform touted at the NPC: new local powers of taxation—something outgoing premier Wen suggested in his government work report. A month before the NPC convened, the International Monetary Fund issued a report predicting that China would reach the “Lewis Turning Point” sometime between 2020 and 2050, wherein the migration of surplus agricultural labor into industry and services ends and economic growth slows. Coupled with declining fertility in the cities and a rapidly aging population, China’s ratio of working to non-working people would rise quickly [2]. One of the obvious policy implications is that local governments will be faced with mounting costs of old age care just as economic growth slows, raising the specter of local fiscal crises.

Broaching the question of local taxation powers always has been politically risky in China, because of the unitary nature of the state and its ideology. Local governments receive fixed allotments of tax-sharing revenues but these lag far behind their responsibilities. In 2011, local governments accounted for 85 percent of government spending in China but received only 52 percent of tax revenues. The gap is accounted for through a variety of means: “special transfers” that local governments bargain for from Beijing; off-budget borrowing through local investment companies—as one State Council researcher put it, “most of the debt exists in a covert state”—and land sales (*China Daily*, March 13; “Local Government Financing Growing Increasingly Precarious,” *China Brief*, May 11, 2012).

The system basically has given local governments an incentive to do everything except improve their local revenue raising capacity, according to a study commissioned by the China Academy of Public Finance and Public Policy [3]. New taxes like environmental taxes and resource taxes are being considered, alongside a larger share of income and business taxes and a share in property transfer taxes. The new finance minister, Lou

Jiwei, played an instrumental role in shaping the 1994 tax reform that introduced formal tax-sharing between the central and local governments.

The second aspect of rebuilding governance at the local level will be a comprehensive urbanization plan due to be rolled out by the NDRC in the second half of 2013. While China always has had urban planning, this will be the first time that the national household registration (*hukou*) system that ties rural-dwellers to their land will be integrated into a broader national development strategy. With surplus labor in the countryside disappearing, the *hukou* system makes little sense other than as a means of social control. Local governments will need more urban residents to bolster tax revenues.

The NDRC itself probably emerged as the biggest winner from the various changes announced at the NPC. In addition to gaining control over population and urban planning portfolios, it also took over a new national energy administration. The NDRC is emerging as China’s Ministry of International Trade and Industry (MITI) and with obvious hopes that it can create a national development miracle as did MITI in Japan [4]. The term now being used officially is the “China Dream”. Whatever its nationalist overtones, making the dream come true will depend mainly on prudent public policy and public sector reforms over the next ten years.

Bruce Gilley (Ph.D. 2008, Princeton University) is an Associate Professor of Political Science. His research centers on democracy, legitimacy and global politics, and he is a specialist on the comparative politics of China and Asia. He is the author of four university-press books, including The Right to Rule: How States Win and Lose Legitimacy (2009) and China’s Democratic Future (2004) in addition to Tiger on the Brink: Jiang Zemin and China’s New Elite (1998).

Notes:

1. Twelfth Five-Year Plan (in Chinese), available online <<http://news.sina.com.cn/c/2011-03-17/055622129864.shtml>>.
2. Mitali Das and Papa N’Diaye, “Chronicle of a Decline Foretold: Has China Reached the Lewis Turning Point?” *IMF Working Papers*, No. 13/26, January 29, 2013.
3. Liu Yongzheng and Zhao Jianmei,

“Intergovernmental Fiscal Transfers and Local Tax Efforts: Evidence from Provinces in China,” *Journal of Economic Policy Reform*, Vol. 14, No. 4, 2011, pp. 295–300.

4. The Japanese Ministry of International Trade and Industry (MITI)—best-known for engineering Japan’s rise to economic superpower—was a ministry responsible for setting international trade policy by seeking input from a variety of stakeholders.

Taming the Five Dragons? China Consolidates its Maritime Law Enforcement Agencies

By Lyle J. Morris

China’s new leadership recently announced its intention to reorganize its separate maritime law enforcement agencies under one governing body. State Council Secretary General Ma Kai announced the changes on March 10 at the 12th National People’s Congress as part of broad institutional reforms involving the Ministry of Railways, Ministry of Health and the Food and Drug Supervision Administration among others. Ma’s justification for the move was “to solve problems related to inefficient maritime law enforcement, improving the protection and utilization of oceanic resources and better safeguarding the country’s maritime rights and interests” (Xinhua, March 12). The restructure signals intent of the part of China’s leaders to create a unified Chinese coast guard by aligning an under-coordinated civilian maritime law enforcement bureaucracy whose vessels are increasingly on the front lines of clashes between China and regional actors in the East and South China Seas.

SOA Takes the Lead, But Who’s in Charge?

Under the plan, the State Oceanic Administration (SOA) (*guojia haiyang ju*), which already manages the China Marine Surveillance (CMS) (*zhongguo haijian*), will take overall control of the following organizations:

- Maritime Police and Border Control (BCD) (*gong’an bianfang haijing bumen*), previously administered by the Ministry of Public Security (MPS);
- Fisheries Law Enforcement Command (FLEC) (*zhongguo haiqiang*), previously administered by the Ministry of Agriculture (MOA);
- Maritime Anti-smuggling Police (*baishang xisi jingcha bumen*), previously administered by the General Administration of Customs (GAC).

No mention was made of whether the Maritime Safety Administration (MSA) (*haisi ju*), under the Ministry of Transportation, would be folded into the restructure plan.

Most importantly, the SOA will carry out its maritime law enforcement duties under a new agency called the “China Maritime Police Bureau (MPB)” (*zhongguo haijing ju*). The wording in Chinese has two important implications [1]. First, this is considered to be a renewal project, rather than a replacement, and secondly the focus of the organizations’ duties will be defending maritime rights, which implies territorial protection. In other words, the newly-formed MPB seems to be Beijing’s answer to building a unified Chinese coast guard, albeit with a heavy emphasis on protecting Chinese territory.

The Ministry of Land and Resources (MLR) will administer SOA, yet Chinese reporting indicates that the SOA will be responsible for enforcing maritime rights and laws under the “operational direction” of the MPS (Xinhua, March 12). Although the overall authority of MLR and MPS in fashioning SOA policy and strategy is unclear, the SOA’s leadership arrangement suggests strong MPS influence. For example, Meng Hongwei, an MPS vice minister since 2004, was named as the MPB chief and an SOA deputy director in addition to continuing his duties at the MPS. Liu Cigui was named director and party secretary of the SOA as well as political commissar of the MPB (Ministry of Land and Resources, March 19).

The Impetus Behind the Restructure

China’s current maritime patrol bodies—of which there are five in total—have evolved from regionally-based maritime agencies to nationally-funded and nationally-controlled organizations. These agencies report to different ministries and have different, sometimes

overlapping, missions. Dual responsibilities and turf battles sparked infighting among the rival agencies for funding and relevancy, sometimes manifested in competition for which agency would be the most aggressive in asserting China's maritime rights in the East and South China Sea. Two recent reports—one by the Naval War College's China Maritime Studies Institute and another by the International Crisis Group—found that operational ambiguity and duplication of function among the various agencies led to an inefficient maritime law enforcement policy. The Crisis Group report concluded that the current bureaucracy had the potential to stoke tensions and make China's territorial settlements with neighboring countries more difficult to achieve [2].

During a press conference with *Xinhua*, a State Council representative seemed to acknowledge these shortcomings when he said “These [law enforcement] teams each have a unique role. When illicit activity outside of their jurisdiction is encountered during enforcement, there is no way for it to be properly handled, which influences enforcements effectiveness. Each team has set up its own piers, vessels, communications and support systems, creating duplicated construction and wasting resources. Furthermore, each team has duplicate licensing and evaluation. With high costs and low effectiveness, this has increased the burden on enterprises and the masses” (State Oceanic Administration, March 11, 2013). Thus, the move reflects a recognition on the part of Chinese authorities that such a poorly coordinated system was unsustainable and undermining a coherent Chinese maritime strategy.

The Advent of a “State Oceanic Commission”

The restructure plan also calls for establishing a State Oceanic Commission (SOC) (*guojia haiyang weiyuanhui*), conceived as a high-level consultation and coordinating body on maritime operations. The SOA will “carry out” the Commission's “specific tasks” (*Xinhua*, March 12). Despite this civilian orientation, some in the Chinese media and People's Liberation Army (PLA) have suggested that the military may play an active role in the SOC. Yin Zhuo, a navy rear admiral who frequently comments on maritime issues in the Chinese media, suggested in a March 12 article that a state councilor or vice premier would head the SOC and that the Ministry of Defense and/or the PLA Navy also might participate (*Nanfang*

Dushi Bao, March 12). In an interview on CCTV's *Focus Today* the following day, Yin surmised that the revamped agency would expand the number of armed fleets of law enforcement ships, which would signal a break from the current status of mostly unarmed civilian patrol vessels (CCTV, March 13). Increased numbers of armed ships, even if not military, would have operational implications for the PLA. Issues of rules of engagement would take on added significance due to the potential for military escalation, which would underscore the need for a civil-military coordination body.

This interagency feel lends credence to some commentators' suggestions that the SOC would ultimately supersede the SOA in importance. One PRC scholar at the CASS National Institute of International Strategy argued that the SOC would play a more important role in China's maritime strategy than the SOA by virtue of its “executive authority.” He suggested the SOC could become the “real control center” (*zhenzheng zhongxin*) coordinating China's maritime policy and strategy responsible for safeguarding China's maritime rights and interests (*People's Daily*, March 12). Finally, one PLA delegate to the NPC suggested the SOC would be “directly under the leadership of the CPC Central Committee, State Council and CMC” (*Wen Wei Po*, March 9). Thus, while different in form, the SOC might be similar in function to Leading Small Groups (LSGs), intended to facilitate cross-agency coordination of foreign affairs and national security policy across China's civilian and military bureaucracies.

The Japanese Radar Incident Highlights China's Maritime Coordination Issues

On March 17, *Kyodo News* reported that “senior Chinese military officials” had admitted to reports that a Chinese naval vessel locked its fire control radar on Japanese destroyer. Assuming the sources to be accurate, the report revealed several interesting facts about the incident. The first was that the Chinese naval vessel undertook the radar lock-on action unilaterally without obtaining prior approval from the fleet command or navy headquarters. This highlights a worrisome trend in the command and control structure of China's navy and gives pause to many in the region who question China's ability to manage escalation.

More related to China's maritime agency coordination, however, was the revelation that the January 10 penetration of Japanese airspace by a SOA aircraft was allegedly "planned by the staff section of the National Land and Sea Border Defense Committee." This committee reportedly facilitates coordination between the military, the SOA and the FLEC. The Chinese officials admitted that the intrusion was part of a military action plan to escalate the conflict, but added they "did not intend to aggravate the situation and do not intend to do so in the future" (*Kyodo News*, March 17).

The admission, if true, gives outside observers rare insight into the strategy of China's military and civilian coordination in responding to maritime territorial disputes. Not only does it confirm the fact that China places the execution of its military action plan primarily in the hands of its civilian maritime bodies, but it reveals the existence of an executive national committee, the National Land and Sea Border Defense Committee (NLSBDC), as the oversight authority of the operation.

With the establishment of the SOC, it is likely that its mission during future conflicts would include oversight, or even replacement, of such committees as the NLSBDC. It is reasonable to assume that the real possibility of inadvertent conflict provided Beijing sufficient impetus for the creation of a supra-bureaucracy body with military and civilian coordination. The radar incident involving Chinese military and civilian vessels with a foreign vessel compounded revelations of loose command and control between local and central actors. Recent clashes between Chinese maritime vessels and other countries' military and fishing vessels—such as during the 2012 Scarborough Shoal and 2009 Impeccable incidents—only have reinforced the need for increased operational and cross-agency cohesion. If properly implemented, the SOC may be a positive step in enhancing control over escalation during future maritime conflicts.

Conclusion

The restructure represents an important effort by Chinese authorities to streamline a poorly-managed maritime law enforcement bureaucracy increasingly involved in China's maritime territorial disputes. The new measures should enhance the overall efficiency of the maritime law enforcement agencies by reducing redundancy,

improving response time, strengthening communications and bolstering overall command and control mechanisms. The plan might even help strengthen China's ability at controlling escalation, should deliberate incidents occur at sea, by consolidating bureaucratic control. Questions remain, however, over the precise authority of the revamped SOA versus the SOC in coordinating Chinese maritime policy and strategy. The role of the Chinese military in influencing SOA policy and coordination also remains unclear.

Lyle J. Morris is a research assistant at The RAND Corporation. From 2010–11, he was a Next Generation Fellow at The National Bureau of Asian Research (NBR).

Notes:

1. The exact wording in Chinese is "chongxin zujian guojia haiyang ju yi zhongguo haijing de mingyi kaizhan haishang weiquan zhifa gongzuo."
2. Lyle J. Goldstein, "Five Dragons Stirring Up the Sea: Challenge and Opportunity in China's Improving Maritime Enforcement Capabilities," *U.S. Naval War College, China Maritime Studies Institute*, No. 5, April 2010; "Stirring Up the South China Sea (I)," *International Crisis Group, Asia Report No. 223*, April 23, 2012, see "Executive Summary."

The Second Artillery Force in the Xi Jinping Era

By Michael S. Chase

New Chinese Communist Party (CCP) General Secretary, Central Military Commission (CMC) Chairman and PRC President Xi Jinping's early interactions with the PLA Second Artillery Force (PLASAF) have sparked a considerable amount of speculation about the future of China's strategic missile force under his leadership. Late last month, acting in his role as chairman of the CMC, China's top military decision-making body, Xi signed an order awarding a merit citation to a PLASAF brigade to recognize its

outstanding performance. Among the unidentified brigade's accomplishments since its establishment about twenty years ago, it has participated in two National Day military parades and successfully launched more than 100 missiles—the most of any PLASAF brigade—according to official media reports (Xinhua, February 25). Xi's recognition seems another sign that the Second Artillery's star will continue on its rise.

In late November, international media reports also highlighted Xi's promotion of newly-appointed Second Artillery Commander Wei Fenghe to the rank of full general in a special ceremony. Some observers speculated that the promotion, the first over which Xi presided as the new CMC Chairman, was intended to signal the growing importance of the strategic missile force, help Xi consolidate his political power and allow him to build a loyal support base within the top ranks of the PLA (The Diplomat, December 11, 2012). Notwithstanding the tone of some Western media coverage, Wei's promotion to full general was actually quite widely expected among PLA-watchers, as it was required following his November 2012 appointment as a member of the CMC (*South China Morning Post*, November 24, 2012; Xinhua, November 23, 2012)[1]. The timing and process—promotion of the lone lieutenant general to full general about one week after the Communist Party Congress—mirrored the 2007 promotion of Chang Wanquan to full general after he was elevated to the CMC as Director of the General Armament Department (GAD) (*South China Morning Post*, November 3, 2007; Xinhua, November 2, 2007).

Similarly, Xi Jinping's remarks at a December 2012 meeting with delegates to Second Artillery's 8th Party Congress were also widely reported in international media (*New York Times*, December 5, 2012). At the meeting, Xi described PLASAF as “the core strength of China's strategic deterrence, the strategic support for the country's status as a major power and an important cornerstone safeguarding national security” (*People's Daily*, December 13, 2012; Xinhua, December 5, 2012;). Beyond Xi's exhortation to build a powerful and technologically advanced missile force, however, little has been revealed about the specifics of his views on the future development of PLASAF's nuclear and conventional missile capabilities. China's limited transparency further complicates efforts to predict future missile force developments, but trends during the Hu Jintao era and

the comments of senior missile force officers probably offer a reasonable guide to understanding PLASAF's likely direction under Xi's leadership. According to former Second Artillery Commander Jing Zhiyuan, who was replaced by new PLASAF Commander Wei Fenghe during the CCP and military leadership turnover last year, future developments across the missile force will include improvements in intelligence, surveillance and reconnaissance (ISR) capabilities, ability to penetrate missile defenses, destructiveness, survivability and protection of the missile force, precision strike and rapid reaction capabilities [2]. It is also possible to predict some more specific developments in PLASAF's nuclear and conventional missile force capabilities and its training.

Nuclear Missile Force Developments

As for future nuclear missile force developments, China is all but certain to deploy the forces it perceives as required to ensure it will have a credible assured retaliation capability. Jing writes China's “limited development” of nuclear weapons “will not compete in quantity” with the nuclear superpowers. Instead, he writes, Beijing intends to maintain the “lowest level” of nuclear weapons that is sufficient to safeguard its national security. Nonetheless, this is likely to entail considerable further growth in the size of China's nuclear missile force. According to the U.S. Defense Intelligence Agency (DIA), “China's strategic missile force...currently has fewer than 50 Intercontinental Ballistic Missiles (ICBMs) that can strike the continental United States, but it probably will more than double that number by 2025” [3].

According to the 2010 edition of the Department of Defense's annual report on Chinese military and security developments, China may be working on a new road mobile ICBM, “possibly capable of carrying a multiple independently targeted re-entry vehicles (MIRVs)” [4]. This statement followed many years of speculation about possible Chinese follow-on ICBM systems. Indeed, rumors about a possible DF-41 ICBM program have been in circulation for well over a decade (*Hong Kong Standard*, October 15, 1999). More recently, photos of a large, eight axle transporter-erector-launcher (TEL) that appeared on the Internet in 2007 have contributed to renewed discussion about new road mobile ICBMs (*Janes Missiles and Rockets*, May 16, 2007).

Conventional Missile Force Developments

With regard to the continued modernization of the conventional missile force, PLASAF appears poised to continue extending the power and reach of its conventional precision strike capabilities. According to Mark Stokes of the Project 2049 Institute, after the deployment of the DF-21D, the logical next step for China would be to develop a longer-range ASBM, capable of threatening U.S. aircraft carriers out to a distance of at least 3,000 kilometers, possibly by the end of the 12th Five Year Plan in 2015 [5]. Another possibility is that Beijing might choose to pursue new longer-range conventional land-attack missions and capabilities for Second Artillery [6]. Specifically, future developments may include further expansion of PLASAF's conventional Medium-Range Ballistic Missile (MRBM) force and possibly development of conventional Intermediate-Range Ballistic Missiles (IRBMs). According to the 2011 DoD report on Chinese military developments, "China's ballistic missile force is acquiring conventional medium-range and intermediate-range ballistic missiles that extend the distance at which it can threaten other countries with conventional precision or near-precision strikes" [7]. Moreover, according to a Chinese media report, China is developing an intermediate-range conventional missile with a range of about 4,000 kilometers. The missile, which is reportedly scheduled for deployment in 2015, would enable Second Artillery to launch conventional strikes against targets as far away as Guam. Indeed, the report quoted an unnamed military source as stating that the project "extends the range of China's missiles and will therefore greatly enhance the national defense capabilities" (*Global Times*, February 18, 2011).

Developments in Second Artillery Training

The PLA has focused on improving training and Second Artillery has been no exception. Indeed, its top leaders have frequently emphasized the importance of training. In January 2011, for example, then-PLASAF Commander Jing Zhiyuan and Political Commissar Zhang Haiyang issued an order emphasizing the central role of training in further enhancing the combat capabilities of the missile force. Reflecting this strong emphasis on the importance of training, Jing and Zhang called on PLASAF to "uphold military training as a key focus in expanding and

deepening preparation for military struggle, the basic way to generate, consolidate and enhance combat power, and regular, core work in the development of [missile force] units" (*Rocket Force News*, January 1, 2011).

Chinese military media reports suggest that PLASAF training increased in realism and complexity during the Hu Jintao era, but PLA and Second Artillery reporting on training and exercises continues to highlight deficiencies in certain areas and underscore the need for further improvements. Nonetheless, PLASAF's own self-assessments suggest that overall they made major strides in training and exercises during the Hu years. As Jing and Peng Xiaofeng put it, "The degree of actual combat lifelikeness has been constantly enhanced for military training." Moreover, they state "...Second Artillery has perfectly completed a number of major exercises and combat-readiness-related tasks assigned by the Central Military Commission. In particular, in the past few years, during major live campaign exercises based on complex electromagnetic scenarios, missile brigades participating in the exercises used various types of missiles to deliver precision fire strikes on a variety of targets in several rounds, accurately hitting all the targets" [8].

Similarly, Wei Fenghe, now PLASAF Commander, has highlighted the importance of "tempering the troops" through rigorous training and emphasized the importance of achievements in training and exercises, including live missile launches, during the Hu years [9]. In addition, one recent *PLA Daily* report depicted summer 2012 training involving several PLASAF missile brigades as reflecting a "historic leap" in the core military capabilities of China's strategic missile force, especially its ability to conduct long distance mobile combat operations and its growing precision strike capability (*PLA Daily*, August 27, 2012). More recent reports on Second Artillery training have highlighted informatization, new command systems and "information system-based system of systems operations" training, suggesting these will be among the key themes in PLASAF training under Xi's leadership (*PLA Daily*, February 1).

Unanswered Questions

In the Hu Jintao era, the Second Artillery made impressive strides in the development of its nuclear deterrence and conventional strike capabilities. The deployment of

substantial numbers of road mobile ICBMs is giving China the assured retaliation capability it has long sought for its growing, but still relatively small nuclear missile force. The expansion and diversification of PLASAF's conventional missile force has greatly enhanced China's conventional deterrence, coercive diplomacy and regional precision strike capabilities. Furthermore, Second Artillery's institutional stature appears to have increased along with these force modernization developments. This is reflected by the central role PLASAF has been assigned in PLA joint campaigns and the elevation of Second Artillery's Commander to membership in the CMC.

Under Xi Jinping's leadership over the next ten years, China can be expected to continue to strengthen PLASAF's nuclear missile force, which will remain the most important element of China's nuclear deterrent posture even after the anticipated introduction of Type 094 nuclear-powered ballistic missile submarines and JL-2 Submarine Launched Ballistic Missiles (SLBMs) into the PLA Navy's inventory. Perhaps the most important development in this regard could be the deployment of MIRVed road-mobile ICBMs. The trend will be toward a more survivable strategic nuclear missile force. China also can be expected to further enhance PLASAF's conventional precision strike capabilities with upgraded SRBMs, MRBMs and IRBMs. Adding longer-range conventional missile systems to its inventory would expand China's ability to strike regional targets.

Although it is possible to sketch the outlines of some potential developments over the next decade, a number of important questions about Second Artillery's future remain unanswered:

- What new nuclear and conventional missile capabilities will Second Artillery deploy during the Xi Jinping era?
- Will China's leaders assign the Second Artillery any new missions, such as offensive counter-space or cyber warfare operations?
- If so, how will such missions fit in with PLASAF's responsibilities for nuclear and conventional missile strike operations?
- How will missile force strategy and doctrine evolve as PLASAF capabilities continue to improve and the missile force potentially takes on

new responsibilities?

Michael S. Chase is an Associate Professor and Director of the Mahan Research Group at the U.S. Naval War College in Newport, Rhode Island. The views presented in this article are those of the author and do not necessarily represent the views of the Naval War College, Department of the Navy or Department of Defense.

Notes:

1. Wei had received his second star in late December 2010, upon his appointment as one of the five Deputy Chiefs of the General Staff (DCOGS). He was the first Second Artillery officer to serve as a deputy in any of the four General Departments and probably was placed there at least in part so he could have the grade of military region leader in order to be able to move up to the CMC member grade once he became commander of PLASAF. Of note, no Second Artillery officer replaced Wei as a DCOGS.
2. Jing Zhiyuan, "Jianshe jinggan youxiao zhanlue daodan jundui wei weihu shijie he anquan zuochu gongxian liliang" ("Creating a Lean and Effective Strategic Missile Troop Contributing to International Nuclear Security"), *Zhongguo Jundui (China Armed Forces)*, No. 6, 2010, pp. 4–5 (Chinese), 6–7 (English).
3. Lieutenant General Ronald L. Burgess, Jr., "Annual Threat Assessment," Statement Before the Senate Armed Services Committee, United States Senate, February 16, 2012, available online <<http://www.dia.mil/public-affairs/testimonies/2012-02-16.html>>.
4. Department of Defense, *Military and Security Developments Involving the People's Republic of China 2010*, Washington, DC: Department of Defense, 2010, p. 2.
5. Mark Stokes, *China Evolving Conventional Strategic Strike Capability: The Anti-Ship Ballistic Missile Challenge to U.S. Maritime Operations in the Western Pacific and Beyond*, Project 2049 Institute, September 14, 2009, p. 2.
6. James C. Mulvenon, Murray Scot Tanner, Michael S. Chase, David Frelinger, David C. Gompert, Martin C. Libicki and Kevin L. Pollpeter, *Chinese Responses to U.S. Military Transformation*

and Implications for the Department of Defense, Santa Monica, CA: RAND, 2006, p. 95. See also Mark Stokes, *China Evolving Conventional Strategic Strike Capability: The Anti-Ship Ballistic Missile Challenge to U.S. Maritime Operations in the Western Pacific and Beyond*, Project 2049 Institute, September 14, 2009.

7. Department of Defense, *Military and Security Developments Involving the People's Republic of China, 2011*, Washington, DC: Department of Defense, 2011, p. 33.
8. Jing Zhiyuan and Peng Xiaofeng, “Pinghuli jianzhu huihang” (“Riding on the Tide, Sharpening the Sword and Creating Glory”), in Huihang Niandai: Huigu zai gaige kaifang zhong fazhan qianjin de dier paobing [Glorious Era: Looking Back on Second Artillery's Development and Advances in the Period of Reform and Opening], Beijing: Zhongyang Wenxian Publishing, 2008, pp. 1–22.
9. Wei Fenghe, “Shiming zhongyu Taishan” (“Our Mission is Weightier than Tai Shan”), in *Glorious Era*, pp. 493–500.
