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In a Fortnight

HOW TO WATCH THE THIRD PLENUM: POLITICAL ISSUES

By David Cohen

On Saturday, November 9, China will begin a major meeting on economic policy, expected to produce major statements of intent for reform. The outcomes of this meeting will be mainly economic policies, but as a headline statement about the direction of China under the Fifth-Generation Leadership, it will have major implications for the structure of the Chinese state and its evaluations of its interests in dealing with the outside world.

While the policies slated to appear at the three-day meeting are not known, official media have been actively stoking expectations for major reforms: indeed, they have in recent months frequently reported that “Reform hopes mount as third plenum nears” (*Global Times*, October 29). It is, therefore, a safe prediction that the Third Plenum will produce something that the Party can display as reform. However, the track record of major planning meetings shows that they are intended to establish priorities and goals rather than specific policies. The Plenum will almost certainly leave open major questions about how and when reforms will be implemented—and whether they will succeed.

President Xi Jinping and Premier Li Keqiang have both given their last major speeches before the plenum: Xi in rural Hunan and Li in a meeting with a group

of economic experts. Xi's speech—bracketed by a folksy incident in which an old woman politely asked him his name—was an evident return to the populist tone of his first weeks in office (People's Daily Online, November 3). In his first months as chairman of the Party, Xi made a number of appearances speaking in clear language directed at a popular audience (a sharp contrast to the opaque, jargon-laden speeches of his predecessor), before devoting himself almost entirely to the high-profile party discipline campaign that has occupied most of his time since the spring. Li's speech was an overview of China's macroeconomic situation and the need for reform, most notable for establishing a benchmark level for annual GDP growth needed to maintain an acceptable level of employment: 7.2%, below the official annual target of 7.5% and the year-to-date rate of 7.8% (People's Daily Online, November 5). Li emphasized, as he has done on several occasions, that the economy is on an even keel, with no room for stimulus but no need for tightening.

As analysts work through the policy statement that emerges on November 12, those interested in political and foreign relations should watch the following issues:

Leadership politics and party management

In addition to an economic planning session, the Third Plenum is a test of the new administration's power. Xi and Li have been quite clear about what they want in the report, and failure to deliver on some of these issues—especially a national social welfare plan and restructuring of state-owned companies and local governments—will suggest that they have not been able to overcome the Party's powerful economic interest groups. It will also be worth watching for codification of the new administration's key slogans, especially the “China Dream” and the “mass line” discipline campaign.

A major question to follow is whether the mass line campaign is supplemented with efforts to develop institutionalized systems of oversight and control. While a high-profile political campaign may create the pressure necessary to drive reforms through a calcified system, implementation will require regular and extended oversight.

External Relations

Li has made “opening” (*kaijiang*) China's economy a key theme of his speeches over the last few months, including his pre-plenum macroeconomic overview. While this entails domestic reforms, he also highlighted China's efforts to forge new free trade agreements and to fight what he described as “protectionism” abroad, citing the resolution of the China-EU photovoltaic industry trade dispute as a victory. While the overall goals he describes aim to transform the basis of China's growth model from exports to domestic consumption, this suggests that he views continued export growth as a *sine qua non* for overcoming the dislocations of a vast economic transition (for more on Li's view of growth and reform, see *China Brief*, Vol. 13, Issue 19).

If opening foreign markets in this sense is written into the plenum report, it will suggest that China's recent batch of trading deals are viewed as economic necessities. This should incline explanations for the recent push on “peripheral diplomacy” (see “Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order” in this issue) toward domestic drivers, away from purely geo-strategic interpretations. It will also reinforce China's concern with what it views as discrimination against Chinese investment in the United States.

Legitimacy

Finally, China's leaders will be trying to sell their reform agenda to the public, an effort which may see Xi spending more time meeting farmers rather than overseeing Party study sessions. An issue to watch here is occupational safety—while it has been little discussed during the long build-up to the Plenum, it has been mentioned by several top leaders in the past week, including both Xi and Li in their pre-Plenum speeches, and State Councilor Wang Yong in a speech in Wuhan citing the end of a little-reported national three-month campaign on the issue (Xinhua, November 5). The issue could be one on which the leadership sees potential for immediate results, demonstrating their ability to improve life in China before harder reforms go into effect.

Foreign businesses with Chinese employees or suppliers will need to pay close attention—multi-national corporations have been the first to be hit in a wave of

recent crackdowns on business malpractice, and are likely to face close scrutiny if workplace safety becomes a policy priority (See “Hunting Season for Multinationals in China?”, in this issue).

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CHINA-JAPAN RELATIONS WORSEN AS CHINESE AIR FORCE FLIES THROUGH “FIRST ISLAND CHAIN”

By Peter Wood

China’s relationship with Japan took a turn for the worse this past week, with a number of incidents and statements increasing tensions over the disputed Diaoyu/Senkaku islands. On October 27th, a formation of H-6 bombers and Y-8 surveillance aircraft passed the disputed area on their way through the Miyako Strait to the Pacific Ocean (Kyodo News, October 27). Similar flights followed for the next two days. This was the largest-ever formation of Chinese military aircraft to transit the area, and the first to be repeated on successive days.

Over the past two months, flights by Chinese surveillance aircraft, drones and bombers through the Miyako Strait, a gap in Japanese airspace and territorial waters in the Ryukyu Island Chain, have prompted frequent scrambles of Japanese Air Self-Defense Force (JASDF) jets. Though these sorts of flights (and interceptions) have happened regularly since September, the series of flights ending on October 29th was noteworthy in the number of aircraft, and duration (three consecutive days).

A translation of a question and answer session with the Japanese Minister of Defense posted on the MOD’s website quoted him as saying “I interpret this behavior as an example of China’s aggressive expansion of its active range that includes the ocean” (Japanese Ministry of Defense, October 29). Previously, unaccompanied Chinese bombers had only transited this area on two occasions, in late July and early September (*Asahi Shimbun*, September 9). Additionally, China’s Coast Guard frequently patrols the area close to the Diaoyu/Senkaku Islands (Kyodo News, October 28).

This follows on strident policy statements from the Abe administration in response to China’s use of drones to survey disputed areas. It has been widely reported that a

plan drawn up by Mr. Abe would have Japanese defense forces shoot down drones that violated Japanese airspace. In response, Chinese defense ministry spokesperson Geng Yansheng responded that it would view such action as “a severe provocation” and tantamount to a declaration of war (Xinhua, October 27; *Global Times*, October 27). China continues to insist that the territory in dispute is its own, and that the Coast Guard vessels and military aircraft are merely carrying out police duties.

While tensions have been rising with Japan, China has been pursuing a campaign to bolster “peripheral diplomacy,” strengthening ties with other neighboring countries, and threatening Japan with regional isolation (for more this effort, see “Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order,” in this issue).

The United States will also soon be flying drones from Japan, including the long-range “Global Hawk,” in addition to conventional maritime surveillance aircraft (WantChinaTimes, October 4). Beyond tensions over the Diaoyu/Senkaku Islands, these surveillance aircraft, manned and unmanned, are being tasked with monitoring an area of great strategic significance.

Although China’s bombers are passing through international airspace, their route is an important one to Chinese military strategy. The Miyako Strait is a key international bottleneck for China, being its primary exit from eastern China to the Pacific Ocean, and the only sea or air route that does require passing through Japanese or disputed territory. In recent years China has sent more and more ships through this area to conduct naval exercises in international waters. The Strait, which goes between two islands of the Ryukyu Chain, has Okinawa on one side and Miyako Island on the other, both with large populations.

The strait is thus of huge significance to the Chinese navy and particularly its goal of exerting influence past the so-called “First Island Chain,” which includes Okinawa and the Ryukyus. The ability to project power beyond this area is key to China being able to overcome what some have labeled the “C-shaped Containment strategy”—a notional arc of nations allied with the United States stretching from northern Japan down through the Philippines and beyond (See “C-Shaped Containment”

[*C Xing Bao Wei*], by the military commentator and PLA Air Force Senior Colonel Dai Xu).

The Miyako Strait (as well as both Okinawa and Mikayo Island) is only a little over 500 miles to the southeast of Shanghai. It is even closer to Ningbo, the home of China's East Fleet. Using available estimates of the H-6's range, a bomber flying from Benniu Airbase (PLA Navy Air Force) could make a round trip through the Strait more than half-way to the Second Island Chain, which includes U.S. territories Guam and the Marianas Islands, using only accepted international airspace. Flying close to the Diaoyu/Senkaku decreases this figure somewhat, making these flights strategically important as well as symbolic. As China is showing the flag to Japan, exercising its rights to transit international airspace, it is also conspicuously demonstrating force projection capabilities.

Its audience likely includes the United States, with its second island chain presence, as well as Japan. Perhaps in response, the United States has recently committed to building a second airbase on Saipan to complement Anderson Airbase on Guam (WantChina Times, September 30).

At the same time as it has expanded patrols of disputed areas, China has been showcasing its nuclear submarine force. Long regarded as a non-threat due to technical issues and small size, China, in a series of articles and programs on official television programs, has revealed details about its submarine force to the public (*People's Daily*, October 28). According to an article in *Seeking Truth*, the revelations are meant to reassure the public of the efficacy of China's nuclear deterrent, and also to signal to other states that China has a reliable nuclear deterrent with full second strike ability. Such a signal could also be directed at Japan and the United States, with the goal of minimizing their response to Chinese assertiveness.

China has thus far been able to avoid escalation after a series of incidents, from painting Japanese ships with fire-control radar to frequent patrols near disputed areas with its Coast Guard. Whether Japan will continue to exercise restraint remains to be seen.

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TIANANMEN ATTACK: GLOBAL, LOCAL OR BOTH?

By Jacob Zenn

On October 23, in Beijing, a driver crashed his Jeep into a gate in Tiananmen Square, setting off an explosion that killed two foreign tourists, the driver and his two passengers, who were his wife and mother. It also injured 40 other people. Within one week, Chinese police announced that the driver and his family were Uighurs from Xinjiang Province and that the "suicide attack" was "carefully planned, organized and premeditated" (*South China Morning Post* [SCMP], October 31). The police also reported that five suspects, who were all Uighurs from Xinjiang's Hotan Prefecture, had confessed to plotting the "suicide attack" and that "jihad banners" and long knives were found in residence of one of the suspects (AFP, October 31). On November 2, Meng Jianzhu, the head of the Communist Party's Central Politics and Law Commission, added from the sidelines of a Shanghai Cooperation Organization (SCO) meeting in Uzbekistan that "the group behind [the attack] was the East Turkestan Islamic Movement [ETIM], which is entrenched in central and western Asia" (SCMP, November 2).

China's initial censorship of news coverage of the incident and details about the incident led Uighur organizations in the United States, Turkey and elsewhere to question the government's narrative. These organizations pointed out the unusual circumstance of a mother and wife taking part in what Beijing described as a "jihadist" attack. The World Uyghur Congress also warned that "Uighurs in East Turkestan and across China are about to enter into a period of unprecedented repression in the wake of the car crash" (World Uyghur Congress press release, November 1).

Circumstantial evidence suggests the attack was likely a suicide operation. The explosion that detonated after the car rammed into the gate, for example, was large enough to kill all three passengers. It appears that the driver rammed into the gate in a deliberate attack at a chosen symbolic location, and is reported to have had "devices filled with gasoline" in his car (CCTV News, November 1). The layout of Tiananmen Square would also have prevented the driver from gaining enough momentum to kill himself and the two passengers solely on impact.

Suicide operations are also not unprecedented for Uighur militants or Uighurs with local grievances who have carried out attacks in Xinjiang. In 2011, two Uighurs in Aksu, Xinjiang, drove an explosive-laden electric tricycle cart into a crowd of policemen who worked at a station that had a reputation for providing “political education” to Uighurs with long beards and women with headscarves (Reuters, August 25, 2012; al-Jazeera, August 20, 2010). The blast killed eight and wounded 15 others. In addition, the 300–500-member Turkistan Islamic Party (TIP), a Uighur-led militant group based in Pakistan, claimed responsibility for a motorcycle-borne suicide attack in Yecheng, Xinjiang, near the Pakistani border, which killed 21 border guards on October 1, 2012 (Islamic Turkistan, March; Radio Free Asia, October 12, 2012).

If the Uighurs who carried out the attack in Beijing intended to avenge what some Uighurs consider to be Chinese “occupation” of Xinjiang, then the question arises whether the driver and his family were connected to the TIP (which the Chinese often refers to as “ETIM”). The TIP has verifiably claimed only one attack in Xinjiang, which was on July 30, 2011, when a car bomb detonated on a pedestrian street frequented by Han Chinese in Kashgar. Shortly after, two Uighur men who hijacked a truck and killed its driver rammed the vehicle into a group of pedestrians and stabbed them, killing about ten people. In August 2011, the TIP showed one of the attackers, who was killed by Xinjiang police in a corn field days after the attack, training at a camp in Pakistan with other fighters (*Times of India*, September 8, 2011).

Yet, most violence between Uighurs and Han Chinese—or Uighurs and Uighur policemen who work for the government—is not claimed by the TIP, nor have they been proven to have any connection with outside militant groups, despite Chinese claims. Chinese officials attribute violence in Xinjiang to outside interference, such as Uighur militants in Pakistan, Turkey and Syria. While outside groups have not been clearly linked to specific attacks, Xinjiang today is more connected to the outside world than ever before, as a result of expanded trade routes from the region into Pakistan, Afghanistan and Central Asia. It is likely that Uighurs with grievances like those articulated by the TIP may learn methods from international jihadists to draw attention to the situation in Xinjiang.

Similarly, the TIP may increasingly be claiming or praising attacks that international jihadists inspire, but do not command. For example, TIP leader Abdullah Mansur praised an April 23 incident in Kashgar, in which 21 people were killed after police uncovered a group of Uighurs making explosives and who were in possession of “jihadist propaganda” (*China Daily*, April 30). Mansour said in a Uighur-language video statement that “the jihad operation” was a response to “Chinese Communists” killing and imprisoning Islamic teachers and scholars, the “domination” of Uighurs by Chinese culture, and the banning of Islamic headscarves for women and beards for men (Sawt al-Islam, June 27).

An early assessment of the attack in Beijing suggests that it may have been a “glocal attack”—inspired by local grievances but employing methods of violence that come from abroad. The attack is significant because it is the first time Uighur militants—whether internationally connected or not—have carried out an attack outside of Xinjiang, and in the heart of the Chinese government. The attack will increase the mistrust felt by majority Han Chinese toward Uighurs, regardless the facts of the case, as news of the official storyline spreads in social networks and government media. A likely tightening of Chinese policies in Xinjiang, which some Uighurs reject and the Han increasingly support, will likely lead to a continued cycle of violence that reflects both local grievances and international trends in militancy.

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Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order

By Timothy R. Heath

At its first-ever work forum on diplomacy to China's periphery, the Xi administration outlined strategic guidance to strengthen PRC leadership of the region as part of its overall strategy to realize the nation's rejuvenation. While it stressed the need for economic integration and building friendly relations with neighboring countries, it also validated recent efforts to challenge Japan's and the Philippines' control of disputed maritime sovereignty claims. This suggests a China that is in coming years more selective about confrontation with fellow claims disputants, but no less determined. The work forum guidance also suggests that the U.S.-China relationship will grow more complicated. An increasingly confident Beijing appears poised to step up a competition for influence even as it increases efforts to improve cooperative, stable relations with the United States.

On 24–25 October, the Chinese Communist Party (CCP) Central Committee held a work forum on diplomacy to the periphery (*zheboubian*), i.e., the land and maritime regions adjacent to China. Central authorities last held a similar event in 2006, when then-CCP General Secretary Hu Jintao presided over a diplomacy work meeting. In the taxonomy of CCP official gatherings, work forums (*zuotan*) differ from work meetings (*huiyi*) in that the former tend to be smaller in attendance, shorter in duration, less structured events focused on a more specialized topic. This forum followed a number of important Politburo study sessions aimed at refining China's diplomatic strategy. In January, the Politburo held a study session on China's overall diplomacy (Xinhua, January 29). In July, the Politburo held a study session on maritime strategy topics (Xinhua, July 31).

PRC recognition of key long-term changes in the global economy and the international security environment, as well as of the region's growing strategic importance, underpin the rationale for holding the work forum. As many analysts have noted, Asia is expected to expand its share of global GDP for years to come. Many economists predict that China's economy will become the world's largest in coming decades. Asia's intraregional trade is also expected to continue to grow at a relatively high

rate. Reflecting these developments, China and ASEAN recently announced that both hope to double this year's trade volume to US \$1 trillion by 2020 (Xinhua, October 9). At the periphery diplomacy forum, Xi hinted at such “great changes” when describing regional trends. He also cited geographic proximity, natural environment, political relations, and robust economic and trade as reasons for the “extreme strategic importance” of China's periphery.

PRC leaders have explained that consolidation of China's influence throughout Asia is essential for the country's rise as a great power. Xi noted that the “strategic objective” of diplomatic ties to the periphery is intended to “serve and support” the CCP desired end state of “national rejuvenation” by mid-century. This requires developing “comprehensive relations” with regional powers and “consolidating friendly relations.” This guidance builds on the 18th Party Congress Work Report, which similarly called for efforts to “consolidate” (*gonggu*) relations with the periphery (See *China Brief*, Vol. 12, Issue 23). As a consequence, Beijing appears to have elevated the importance of diplomatic relations with the region. Foreign Minister Wang Yi explained that relations with countries on China's periphery had become the “priority direction” (*youxian fangxiang*) for foreign policy (*People's Daily*, September 10).

The periphery diplomacy forum illustrates that the Xi administration has adopted a more detailed approach to strategic planning than was the case of the previous administration. PRC officials and commentators point out that this is the first diplomatic work meeting to feature the concept of “top level design” (*dingceng sheji*). Top level design is a concept borrowed from systems engineering, which first appeared in an authoritative document in the 12th Five Year Program. The idea focuses on planning policies and reforms in a “scientific,” top-down, comprehensive manner, informed by an understanding of the broader strategic picture. Closely associated with the “scientific development concept” pioneered by Hu Jintao, the concept featured prominently in the 18th Party Congress Work Report and has commonly appeared in many high level strategy and policy documents and speeches under Xi. The concept of top level design can be seen in the *closer alignment of diplomatic work with broader strategic objectives*, in efforts to *incrementally enforce sovereignty claims*, and in the focus on a *more active approach to shaping the regional order*.

Aligning diplomacy with strategic objectives

Compared with its predecessor, the Xi administration has shown a stronger focus on ensuring that diplomatic activities closely support longstanding PRC strategic objectives. Xinhua reported that the work forum aimed to establish the “strategic objectives, basic principles, and overall setup of the diplomatic work to the periphery in the next five to ten years” and to define the “line of thinking on work and the implementation plans for resolving major issues facing diplomacy to the periphery” (Xinhua, October 26). The focus on timelines, strategic objectives, and implementation plans stands in sharp contrast to the traditional focus on broad principles and guidance seen at the previous conference under the Hu administration (Xinhua, August 24, 2006).

Xi is the first General Secretary to publicly hint at foreign policy benchmarks to support broader strategic objectives set for 2021 (centenary of the Chinese Communist Party’s founding), and 2049 (centenary of the founding of the PRC), although Xinhua reported that the forum focused primarily on planning for the next five to ten years. Xinhua reporting did not provide details on the timeline policy benchmarks, but writings by high level experts potentially offer some insight. Chen Xiangyang, a top expert at the Ministry of State Security-run China Institute of Contemporary International Relations (CICIR), outlined a three stage approach in keeping with the timelines mentioned by Xi. Chen described short term objectives, leading up to 2016, as focused on creating an “overall quiet and beneficial Asia Pacific environment for the smooth implementation of China’s 12th Five Year Program, preventing loss of control in Asia Pacific regional flashpoints, and strengthening crisis management and flashpoint control capabilities.” This suggests that in the near term, China will focus on simply managing, and not solving, its various claims disputes, as it maintains its focus on building national power.

Concurrently, Chen outlined mid-term objectives over the next ten years through 2021. In this period, he noted guidance to extend the “period of major strategic opportunity” by deepening economic ties with Asia. This period, stated Chen, should offer more promising conditions to “appropriately solve territorial disputes with neighboring countries.” This suggests that Beijing could be looking to resolve at least some of its disputes

five to ten years from now after it has gained sufficient leverage.

For the long term (2020–2050), Chen noted guidance to create a beneficial environment for “realizing the mighty resurgence of the Chinese people,” the “complete unification of the country,” the “complete rise of China,” and to “become a defender of a Harmonious Asia-Pacific.” [1] This suggests PRC leaders view Taiwan unification and leadership in Asia as long term goals.

Guidance announced by Xi at the event supports this interpretation. Xi discussed strategic objectives which may be grouped in three broad categories: First, Xi discussed objectives that pointed to *the creation of a stable and beneficial environment to enable China’s rise*. Xi called for “comprehensively developing relations with countries on the periphery; consolidating good neighborly relations; deepening mutually beneficial cooperation; and maintaining and using well the important period of strategic opportunity for our country’s development.” Second, Xi emphasized *the consolidation of control over China’s core interests*. Xi called this “safeguarding the nation’s sovereignty, security, and developmental interests. Third, Xi provided guidance on *strengthening China’s leadership role in Asia*. Xi outlined objectives to “make the political relations between China and countries on the periphery even better, the economic links with our country even more solid, the security cooperation even deeper, and the people-to-people ties even closer.”

To realize these objectives, Xi provided policy guidance that spanned all elements of national power. These consisted of guidance to: 1) enhance political good will; 2) deepen regional economic integration; 3) increase China’s cultural influence; and 4) improve regional security cooperation. The guidance adds impetus to many policies already under execution:

Political

At the forum, Xi called for policies that increase China’s influence in the region by cultivating good will. He outlined guidance to do more things that “warm the hearts of others so that neighboring countries will become even friendlier.” In so doing, Xi expressed a hope that the region would “identify more with us” and “render more support.” An example may perhaps be seen in Xi

Jinping's trip to Thailand in October 2013. During the trip, Xi pledged to buy 1 million tons of rice and 200,000 tons of rubber annually, a major increase which Thailand Prime Minister Yingluck Shinawatra praised as an "act of goodwill" (Xinhua, October 14; see also *China Brief*, Vol. 13, Issue 21).

Economic

Xi also called for policies which provide material aid and also deepen the region's integration with China's economy. He called for "rendering mutual aid and assistance" and "weaving an even closer network of common interests." Xi outlined a vision in which Chinese money, technology, and resources lead the integration of the region. Xi identified a need for China and the region to "accelerate the pace of infrastructure and connectivity construction," and build the "Silk Road Economic Belt" in Central Asia and the "21st Century Maritime Silk Road" in Southeast Asia. Xi also called for accelerating the pace of implementing the "free trade zone strategy, expanding trade and investment cooperation, and establishing a new setup for regional economic integration." Trends in intra-regional trade provide a foundation for such policies. Chinese officials predict that PRC trade with ASEAN will surpass PRC trade with the United States within five years. [2]

Culture

Xi also charged the culture apparatus with enhancing publicity work to "expand the social and popular foundation for long term development of our country's relations with peripheral regions." The key, noted Xi, lay in the "popular will" of populations. He called for promoting "tourism, science and education, regional cooperation, and other areas in order to make friends with as many people as possible, and build up extensive ties." The CCP's Sixth Plenum directed major investments in cultural products to increase China's regional and international influence (Xinhua, October 18, 2011).

Security: Xi called on the region to adopt a new approach to security along the lines of Chinese norms and ideals. He highlighted in particular the "new security concept" of "mutual trust, benefit, equality and cooperation" and called for China to "voluntarily take part in regional and sub-regional security cooperation" to "deepen strategic

mutual trust." China's advocacy of the Shanghai Cooperation Organization (SCO) and acceptance of an invitation to take part in the US led Rim of the Pacific (RIMPAC) exercise may be seen as examples of this approach (Xinhua, June 9).

Enforcement of sovereignty claims

While many of the objectives cited to enhance PRC influence, Xi also directed efforts to socialize the region to accept China's view of its "core interests" and validated efforts to enforce PRC sovereignty and territorial claims against rival disputants. According to PRC theorists, China's core interests are those collective national material and spiritual demands which are most vital to the nation's development and survival and typically fall under three broad categories of sovereignty, security, and developmental interests.

Since taking office, Xi has stressed the importance of core interests. In a January Politburo study session, Xi emphasized that China will "stick to the road of peaceful development," but that that it will "never sacrifice our national core interests" (Xinhua, January 29). The idea that China has set regional acceptance of PRC core interests as a condition for peace and stability forms the essence of the "principled bottom line" (*yuanze dixian*) concept raised by Xi and other senior leaders in various venues. In the words of one *People's Daily* article, China's peaceful development "has a clear bottom line: it will not give up striving for its proper rights and interests, and still less will it sacrifice its core interests" (February 1).

The principled bottom line concept validates recent PRC efforts to enforce its sovereignty claims against rival claimants. PRC leaders appear to regard as successful efforts to apply whole of government pressure against neighboring powers who challenge PRC core interests, while controlling the risks of military escalation. One foreign ministry policy advisor praised China's management of the Senkaku Islands dispute as an example, stating that "strong countermeasures" "broke" Japan's actual control over the Senkakus while "not causing the entire situation to go out of control." The official also praised China's management of the Scarborough Reef dispute, concluding that China had "ended the history of the Philippines' illegal harassment, inspections, and impounding of Chinese fishermen's

boats” while avoiding military conflict. [3]

Guidance to actively shape regional order

PRC leaders recognize the challenge of persuading the region of China’s peaceful intentions while simultaneously demanding the region accommodate an expanding definition of PRC national interests. To resolve this contradiction, Xi has directed a more active approach to shaping regional relations. At the forum, he highlighted an incentive based approach to enhance China’s moral authority and the appeal of cooperative relations. China’s leaders have also validated approaches to incrementally enforce PRC sovereignty and territorial claims against rival claimants in a manner that controls the risk of escalation.

Xi and his colleagues have proposed a “righteousness and profit concept” (*liyi guan*) to bolster Chinese moral credibility and attractiveness as a regional leader. Xi explained that this concept advocates “friendship,” emphasizes “justice,” and advocates assistance to developing countries. Xi also advocated values of “inclusiveness,” “common development,” and “regional cooperation.” He called on China to put these ideas into practice so that they become “common ideals” and “codes of conduct” for the countries in the region to “follow and abide by.”

State Councilor Yang Jiechi has similarly advocated the balancing of “justice” and “interests” as a way to encourage countries to support the exercise of PRC power. Yang explained that this includes both political and economic measures. Politically, the concept upholds “justice and fairness” and places “morals above all else.” Economically, it upholds “mutual benefit” and “common development.” Yang added that China will accommodate the interests of neighboring and developing countries that have been “long-term friends of China” (*Qinshi*, August 16).

Chinese scholars point out the concept includes a “disincentive” aspect not mentioned by the senior leaders. One prominent expert explained that the new policy guidance requires China to be “kind to friendly neighbors” but to also be “hard on bad neighbors,” a view commonly observed in such commentaries. [4]

Implications for the United States

The elevation of periphery diplomacy in priority carries important implications for the United States. The PRC’s clearer articulation of its vision, values, and principles by which it hopes to eventually lead Asia in some ways presents a clearer PRC agenda with which US authorities can engage. However, the same development suggests that PRC officials are growing increasingly confident in their views, and that they may be less amenable to change. The “principled bottom line” concept is an illustration of how China is setting a new baseline of acceptable options in its foreign policy approach.

The strategic guidance outlined at the work forum also shows why PRC relations with the United States will likely grow even more complicated. Both countries support many of the basic features of the current order and both acknowledge many points of convergence, among the most important of which is the necessity of stable ties to ensure the smooth operation of the global economy. Yet even as China steps up cooperation with the United States, it is positioning itself to compete more effectively for influence throughout the Asia Pacific region and the world. Xi’s exploitation of US domestic political difficulties to enhance China’s standing in Southeast Asia could be the first look at what will likely be an intensifying contest. As the struggle for influence grants as its prize the power to shape the evolution of the regional and global order, US-PRC competition will become increasingly inseparable from cooperation.

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Notes:

1. Chen Xiangyang, “Hurry and Draw up Plans for China’s Asia-Pacific Strategy,” *Liaowang*, January 7, 2013.
2. “ASEAN to Overtake US as Trade Partner,” *Business Times*, September 23, 2013.
3. Qu Xing, “The Top Level Design and Bottom Line

Thinking of Chinese Diplomacy,” Guoji Xianqu Daobao, September 16, 2013.

4. Chen. See also Ye Hailin, “Establish a New Coordinate System in China’s Periphery,” Guoji Xianqu Daobao, November 18, 2011.

Hunting Season for Multinationals in China?

By Peter Martin

There is a widespread perception among the foreign business community in China that there has been a concerted crackdown on multinational companies since China’s new government took power in March. There have been many headline-grabbing cases in which multi-national corporations (MNCs) faced legal or regulatory problems in China over the previous months, and the sense of uncertainty among the foreign business community is palpable. To view this trend as a crackdown on multinationals alone, however, misses the broader context in which these cases have taken place: the government of Xi Jinping and Li Keqiang is the most activist that China has seen in decades. The intense policy activity it has generated over the past few months is upsetting the status quo for interest groups—both foreign and domestic—in a broad range of areas.

There is no question that multinationals from a wide range of sectors have found themselves under deeper regulatory scrutiny, subject to government investigations or the threat of such action. One major group of investigations links to charges of corruption, the most high-profile of which is the investigation into the British pharmaceutical giant, GlaxoSmithKline (GSK) for allegations of “serious economic crimes” including bribery and corruption (Xinhua, July 11); this was followed by a series of follow-up investigations into other leading pharmaceutical companies (People’s Daily Online, July 24).

Price-fixing and unfair competition have also been strong focusses of a dramatically ramped up effort at enforcing China’s anti-monopoly law (AML). Indeed, this summer has seen the National Development and Reform Commission (NDRC) launch investigations into

eight dairy companies (including Abbott Laboratories, Mead Johnson Nutrition and Danone) for price-fixing in infant formula (Xinhua, July 31), following cases earlier in the year where six South Korean and Taiwanese LCD-makers (including Samsung and LG) were fined for price-fixing (Xinhua, January 4). The State Administration for Industry and Commerce (SAIC) also launched a high-profile investigation into the Swedish food packaging giant Tetra Pak for “abusing” its dominant market role (Xinhua, July 5). Rumors continued throughout the summer about which sector and foreign companies regulators would target next; Xinhua, reported on July 28, for example, that foreign luxury car companies would be next (Xinhua, July 28). China’s state-run media has also jumped on the bandwagon the previous months, launching its own investigations into foreign companies’ pricing practices, most recently in the case of CCTV’s October investigation into Starbucks’s prices in China (CCTV, October 20). Foreign recycling companies have also found themselves targeted in a joint campaign by China Customs and the Ministry of Environmental Protection to limit the importation of “Western trash” (*yang laji*), raw materials exported for recycling in China, under the government’s “Operation Green Fence” (*lv li xing dong*) initiative. The initiative was launched in February and received increasingly prominent coverage in the national and local media over the summer (Xinhua, May 24). Foreign IT giants such as Cisco have also come under increased scrutiny in the wake of Edward Snowden’s revelations about US espionage practices; indeed, the China Economic Weekly described eight leading IT companies as “eight guardian warriors” whose influence over the Chinese economy should be curbed as a matter of urgency (China Economic Weekly, June 24).

Is this part of a concerted attack on foreign capital in China? Probably not. For a start, numerous Chinese companies have also been investigated. In terms of price-fixing, several large Chinese firms—such as Kweichow Moutai, Wuliangye, and Biostime—have been targeted, even if the ability of anti-monopoly regulators to go after large central state-owned enterprises is far more open to question. Far more dramatic, however, is the wide-ranging corruption investigation into state-owned oil giant CNPC. Rumors are rife in Beijing about the next anti-corruption targets in China’s state-owned sector.

Secondly, most of these cases link to broader themes

being pursued by the Xi-Li government which are not specifically aimed at foreign companies. The GSK investigation links clearly with the government's broad anti-corruption campaign, the early stage of which focused on domestic political players, but—as noted above—has recently widened to include both foreign and domestic companies. Similarly, China's recent spate of anti-trust enforcement cases is part of a broader effort to boost the profile and impact of the country's five-year-old anti-monopoly law. Many of the measures are also populist enforcement efforts aimed at demonstrating the government's responsiveness to consumer concerns such as medical corruption, the high prices of food and beverage products, and concerns over environmental protection. Indeed, government officials and the Chinese state media have repeatedly emphasized that industries where public complains are most vocal have been put to the front of the list for investigations (*Global Times*, October 20). Indeed, in the words of Xu Kunlin of the NDRC's Anti-Monopoly Bureau, “in a situation where we're short of staff, industries where public complaints are deepest and which are easiest to process will be prioritized” (TenCent Finance, August 22).

All of this should be seen in the broader context of new Party and government leadership which is keen to establish its authority and legitimacy in the eyes of the Chinese public. As the new administration has sought to demonstrate action in all of these areas, foreign companies have been caught up in the cross-fire. In general, they have had a worse time of things than their Chinese counterparts because they are less politically connected than many Chinese companies, especially state-owned enterprises (SOEs), and are therefore more vulnerable. Many Chinese companies also enjoy legal protections that multinationals don't enjoy: Article 7 of the anti-monopoly law, for example, explicitly protects the “lawful business operations” of SOEs in strategic sectors. Indeed, noting the upsurge in AML enforcement over the summer, the economically liberal *Caijing* magazine commented that “for the law to be credible, it must be equal. Thus, the regulator must confront the biggest monopolists in the country—state-owned enterprises” (*Caijing*, August 28).

Some analysts believe that recent corruption investigations in China's state-owned sector may indeed be a precursor to the new leadership pursuing broader reforms of the state-owned sector at the Third Plenum

from 9 to 12 November. In fact, it is possible to argue that much of what has been involved in the recent flurry of government activity is actually necessary preparation for any comprehensive effort at economic liberalization. Anti-corruption measures are certainly important to the smooth functioning of a market economy. In fact, the *People's Daily* has presented anti-corruption measures in this very light, commenting that investigations into “commercial bribery by multinationals is of deep importance to safeguarding the order of the market economy” (*People's Daily*, July 17).

Similarly, a functioning anti-monopoly law, together with experienced enforcement agencies is vital to ensuring meaningful market competition. Demonstrating that the AML can be wielded against foreign companies is also a means of reassuring domestic actors that the liberalization of new sectors of the economy won't necessarily result in foreign domination. China's official media has also gone to great lengths to emphasize this point. Xinhua, for example, stated that, “in parallel with the pricing regulatory measures, China is continuing efforts to further open up to foreign business... all in all, the changes in the Chinese market are in the interests of foreign companies” (Xinhua, August 22).

The new regime has certainly been big on the rhetoric of economic reform and liberalization. Xi Jinping began his administration with a visit to Shenzhen, evoking the symbolism of Deng Xiaoping's “Southern Tour,” which re-launched economic reforms in the early 1990s. Both Xi and Li have made bold and direct public statements about the importance of continued reform and their first major policy initiative—the Shanghai Free Trade Zone—was clearly designed to replicate the Special Economic Zones which galvanized economic reforms in the 1980s. The Zone also introduces a “negative list” approach to foreign investment, bringing China into line with international standards, setting a precedent for the use of a negative list across China for future Bilateral Investment Treaty negotiations with the United States, and perhaps even acting as a testing ground for China's eventual involvement in the Trans-Pacific Partnership, the Obama administration's flagship “next generation trade agreement” (*Caixin*, October 21). All of these signals, in theory, are good news for multinational corporations' businesses in China.

There are increasing doubts, however, about what this reformist rhetoric will mean for foreign companies in practice. Indeed, despite the hype surrounding the launch of the Shanghai Free Trade Zone, most analysts—foreign and domestic—have been disappointed by its substance. Caixin magazine, for example, noted to the fact that the Zone’s negative list “hardly reflects any improvement on existing foreign investment restrictions” (Caixin, October 18). Many have also been dismayed by the political and ideological priorities of the Xi-Li administration so far, including a description of “Western forces hostile to China” in the now notorious Document No. 9, circulated within the Communist Party. These doubts are compounded by the already jaded attitudes of much of China’s foreign business community which has grown increasingly frustrated with the gap between the reformist promises of individuals such as Wen Jiabao over the last decade and what it sees as flagrantly discriminatory policies against MNCs in China.

The new administration’s willingness and ability to deliver on substantive economic reform will become clearer after the upcoming Third Plenum, but whatever the new government’s commitment to and ability to implement economic reform, there is no doubt that the working style of China’s new government is fundamentally different to that of the Hu-Wen administration. This in itself helps to explain the number of foreign companies that have found themselves in trouble over the past months. The level of policy activity—from anti-corruption to anti-trust—in the first months of the government easily makes the Xi-Li administration the most activist government China has seen in decades. Government officials themselves have noted a significant change in governing style between the two administrations, noting the rapid pace of decision-making under the new government. As one official noted, “this government makes decisions really quickly. Problems that previously waited a decade have been solved overnight.” Foreign companies are being caught in the tailwinds of this activist government, but so too are many domestic institutions and interest groups.

The fact that the past months have not seen a crackdown on foreign capital per se, however, will act as a source of little comfort for foreign companies doing business in China who continue to face huge uncertainty about the business environment.

More importantly, even if the new government can deliver on a program of economic reform, this new era of reform and opening will take place in a profoundly different context for foreign corporations in China than previous reform efforts. China’s reforms in the 1990s were aimed to a large extent at attracting foreign investment and technology from a position of relative weakness. China today is different. It is the second largest economy in the world and is seen as a second home market for many of the world’s largest corporations; at a time of economic stagnation in the West, most Western companies need China more than it needs them.

As a result, the balance of power between the Chinese state and multinational corporations has shifted dramatically and irreversibly. The government is in a stronger bargaining position with foreign companies than ever before and it is not afraid to use this position to its advantage. In emphasizing the permanence of this changed environment, Xinhua commented that “facing a diligent watchdog and a better-regulated market here, foreign firms now need to do some homework and adapt to the new environment (Xinhua, August 22).

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Moscow Talks Business, Beijing Answers with Geo-strategy

By Stephen Blank

Russian Prime Minister Dmitry Medvedev visited Beijing on October 22 and 23, as Russia signed large energy, trade and investment deals with the Chinese government. Rosneft signed a Memorandum of Understanding (MoU) with CNPC to form a joint venture to explore several fields in eastern Siberia for oil and gas, with Rosneft taking a 51% share. The oil produced would satisfy local Russian demand for energy, with the rest going to China and other Asia-Pacific consumers (Xinhua, October 18). Rosneft also reached an \$85 billion deal with Sinopec. This deal envisions an initial advance or down payment of 20-30% of the total, in addition to

the \$60 billion cited above from CNPC. At the same time, Russia's Foreign Trade Bank, Vnesheconobank, signed several agreements totaling \$1.9 Billion with the China Development Bank for the construction of important infrastructure projects in Russia (Kommersant Online, October 23).

These deals built on the earlier agreements signed by China and Rosneft in March 2013 about joint exploration in the Arctic (See *Eurasia Daily Monitor*, March 13). In that deal, Rosneft agreed to supply the China National Petroleum Corporation (CNPC) with 365 million tons of oil for 25 years, worth \$270 Billion. In return, CNPC has apparently made a pre-payment to Rosneft of \$60-70 Billion. This amounts to 15 million metric tons of crude oil annually for 25 years, at just over \$10 billion per year. This oil will probably flow through the existing East Siberia Pacific Ocean (ESPO) pipeline to Daqing, China. Novatek, an independent gas producer, also granted CNPC a 20% stake in a liquid natural gas project on the Yamal Peninsula in the Arctic. CNPC will become an "anchor customer" and import 3 million tons of natural gas annually (Novatek press release, June 21; Upstream Online, June 21; Interfax, June 21).

While those deals are obviously motivated by energy and economic considerations, Chinese press reports also highlighted their geopolitical significance. From the Chinese side, it seems clear that the visit's purpose was to strengthen not only economic cooperation, but to enhance thereby overall geopolitical cooperation with Russia. As noted below, Russia does not appear to understand the relationship in the same way. The Medvedev visit built on the meeting between Chinese President Xi Jinping and Russian President Vladimir Putin at the annual APEC summit in Bali on October 7–8. At that meeting Xi said that "China and Russia had extensive common interests in the Asia-Pacific region. The Chinese side is willing to enhance coordination and cooperation with the Russian side and jointly help maintain security, stability, development, and prosperity in the Asia-Pacific region" (Xinhua, October 7).

The agreements with Medvedev were framed in the same way. Indeed, to hear Chinese Prime Minister Li Keqiang's public statements, it would appear that China is seriously trying to go beyond the previous boundaries of its strategic partnership with Russia. He told Medvedev:

The Chinese side is willing to work with the Russian side to bring into full play the top-level design of the Sino-Russian premiers meeting mechanism and its role in overall planning and guidance coordination, firmly support each other on issues involving each other's core interests and major concerns, and go all out to step up cooperation in major strategic projects so as to bring the Sino-Russian comprehensive strategic cooperative partnership up to a new level (Xinhua, October 22).

The concept of "top-level design" was not applied to international relations until the recent work forum on peripheral diplomacy (see "Diplomacy Work Forum: Xi Steps Up Efforts to Shape a China-Centered Regional Order," in this issue). Introduced to the Chinese political lexicon by former President Hu Jintao, it is a concept borrowed from engineering, a kind of planning that "describes the major components and how they interact with one another to fulfill each requirement" ("Modeling the Architecture of a Software System," Microsoft.com). As such, it appears to call for subordinating elements of the relationship, such as trading deals, to an overall plan. It is by no means clear that Russia has consented to—or even been informed—of this plan.

In this context it is noteworthy that Chinese press commentary on the Medvedev visit emphasized the geopolitical context within which it took place, comparing the meeting to recent visits by Indian Prime Minister Manmohan Singh and Mongolian Prime Minister Noron Aktanhuyag. The three Prime Ministerial visits have been cast in a single geopolitical context. So while the issues on the agendas of these visits were primary economic, taken in toto, these visits represent a continuation and acceleration of China's diplomatic and peripheral strategy of alleviating tensions on its periphery to concentrate on domestic development and reduce threats by pulling these three states further into China's orbit (People's Daily Online, October 25).

These visits also signify China's continuing, if not growing economic attractiveness to these governments as partners of China, at least in economic and trade issues. China is now the largest trading partner of all three of these countries, and thus the terms of trade with them are asymmetrically skewed in China's favor. This economic power not only allows China to proclaim

new initiatives like the Silk Road Economic Belt, that run contrary to their interests, but simultaneously offers China new opportunities to expand its relationship with them—allegedly on the basis of mutual benefit. Thus “Generally, China and the other three countries have chosen to seek common ground while reserving their position on any differences. The consensus on all sides favors enhancing strategic mutual trust and strengthening pragmatic cooperation” (People’s Daily Online, October 25).

Other commentaries observed that these ministerial visits display an enhanced peripheral diplomacy and are counters to the US rebalancing, or pivot, to Asia (*Global Times*, October 23). Thus, the commentaries observe, the enhancement of ties with these countries will reduce US influence, discouraging India from joining an anti-China balancing coalition, and inducing Russia to cooperate against such a group. The economic terms of the trade, investment, and energy deals are all quite large, but they fell short of Russia’s hopes, as it yet again failed to obtain the major natural gas deal it has sought for years. Despite Russian concerns about China’s dominant position as the largest single investor in the Russian Far East, Medvedev had to reiterate his and Putin’s previous statements that Russia welcomes more Chinese investment in the Russian Far East. Chinese investment in the Russian Far East is a source of major concern to Russian elites, who fear a risk of becoming excessively dependent upon that China and becoming a “raw materials appendage” (Bloomberg, October 13; Xinhua, October 23). As Dmitri Trenin, Director of the Carnegie Endowment’s Moscow office notes, “About 90 percent of Russian exports [to China] are hydrocarbons, while machinery accounts for less than 1 percent. Despite the Russian government’s professed desire to diversify the country’s exports, the energy element has only grown in the past few years. Russia has become one of China’s energy bases” (*China Daily*, October 25).

Indeed, we can get a sense of China’s geoeconomic and hence geopolitical objectives from the deals made with Medvedev and the agreements reached with India and Mongolia. It would appear that China is in some way perhaps rebalancing to Inner Asia, i.e. westward, and pursuing with redoubled vigor the goal of creating a huge continental economic bloc throughout Eurasia, thereby reducing Russian and Indian potential leverage

and access to those countries and their resources, while attempting to draw them closer to Beijing diplomatically. Thus *China Daily* observed that these visits have yielded numerous bilateral agreements: “The significance of these visits will extend far beyond, especially when there is further progress on the proposed Bangladesh-China-India-Myanmar Economic Corridor and the Silk Road Economic Belt” (*China Daily*, October 23).

As the foregoing analysis suggests, China is trying to bring Russia into a closer partnership, but both sides are also determined to maintain a free hand on those issues that divide them. Nevertheless, there are many signs that Russian companies like Rosneft are losing their leverage vis-à-vis China as they take on huge amounts of debt from Chinese banks and companies. Meanwhile, the Russian Far East may be in danger of becoming wholly dependent on Chinese investment. On those issues where China is prepared to make deals with Russia or to gain further leverage, e.g. upon Rosneft, progress will occur, but Russia will remain decidedly the junior partner in these deals even as China rhetorically emphasizes Russia’s great power status.

Russian sources observed that the main goal of Medvedev’s visit was to promote an energy alliance with China (*Kommersant*, October 23). But while it is easy to see how both sides benefit in the short term from such an alliance, the geopolitical consequences of these deals appear to shift the balance of leverage toward China. Thus for the first time Russia has not only relented on giving China equity stakes in its oil fields as well as taking on huge loans that Rosneft must pay back. China has also gained large equity stakes in other important industrial sectors like potash by virtue of its being able to exploit Russian weakness caused by Moscow’s quarrel with the Belarusian government in Minsk (See *Eurasia Daily Monitor*, November 6). Clearly these deals’ economic terms translate into strategic and geopolitical leverage. Whatever the short-term economic benefit to Russia, it seems pretty clear that the lasting geopolitical advantage and initiative remain with China and that it, perhaps unlike Russia, knows what it wants and how to get it.

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Mixed Views of China's "One Size Fits All" Trade Diplomacy in Central Asia

By Baktybek Beshimov and Ryskeldi Satke

President Xi Jinping's latest, highly ambitious tour through the Central Asian republics took regional political circles by surprise. From the points of view of Central Asian capitals, it seems clear that Beijing is marching through Moscow's turf in Central Asia, forging close ties by offering more money and less meddling compared with the Kremlin's often troublesome integration schemes. However, the cordial ties between Beijing and Central Asian regimes stand in sharp contrast to popular attitudes to China. Local media, opposition groups and popular opinion are often skeptical of China's rising presence in Central Asia. While there is variation among the region's post-Soviet republics, certain themes reappear—concern about the inflow of Chinese labor, disputes about land and territory and skepticism about the management of commercial deals.

The people of these countries experience opportunities merged with anxiety and antagonism. Reactions also vary between states, as variations between governments and policies produce different levels of engagement with China, and thus different experiences and attitudes among populations at large. This article illustrates how elites and people in the region configure their views and attitudes toward China's economic clout, as well as why and how that is happening in each state and in the whole region.

Nascent anti-Chinese sentiments have turned violent in some countries in the last few years, most often via hostility toward Chinese migrants. The popular movement "Protect Kyrgyzstan" in the Kyrgyz Republic, founded by a former speaker of the parliament, aimed to halt illegal migration of workers from China and to confront "ravenous" Chinese business practices,

the subject of which flared into a public campaign in Kyrgyzstan organized by the "Free People" faction with the support of the Kyrgyz language media (Gezitter, July 10; 24kg, February 21). Similar discontent exists in neighboring Tajikistan, where The Islamic Renaissance Party and the "Homeland" popular movement oppose China's influence in the country (Ariana.su, March 23, 2012).

Domestic authorities, however, have welcomed China as a rising economic superpower in Central Asia. Clearly, it has much to offer them, both economically and as an alternative to what regimes view as political meddling by more established regional powers—the United States and Russia. As Uzbek President Islam Karimov has happily remarked, "In 22 years of bilateral relations between Uzbekistan and China, the latter has never set any political demands" (Asia Times, September 24).

Presidents and ruling elites see Beijing as offering a lifeline for their political survival against domestic rivals and external threats. For these elites, Chinese cash inflow and massive development projects help to solidify an image of capable leadership and sound economic management. (Liter, June 13; Centrasia.ru, January 24, 2008). Central Asian regimes also see China as a wall against Western demands for human rights and democracy. The essentially China-led Shanghai Cooperation Organization (SCO) legitimizes and protects authoritarian regimes on the world stage as following a "distinctive way of development" (Kremlin.ru, July 5, 2005). The SCO's struggle against the "three evils" of terrorism, separatism and extremism, suits the primary interests of the Central Asian regimes by creating space to neutralize domestic opponents.

China also offers a welcome alternative to Russia's paternalism. As Russia's integration plans in post-Soviet Eurasia have provoked a sense of anxiety in the region (see *Eurasia Daily Monitor*, June 5 and 12; November 6), Chinese President Xi Jinping has repeatedly stressed China's respect for Central Asian sovereignty (Xinhua, September 13). China's hunger for energy deals, and its willingness to put them ahead of political questions, has undermined Russia's ability to use economic coercion.

Regimes cannot afford to antagonize Russia, but they have on several occasions turned to China for support against its demands, especially in disputes over energy.

For example, Turkmen authorities have been successful in developing energy projects with China, freeing it from pressure from GazProm. Turkmenistan has favored a Chinese-sponsored gas pipeline from Turkmenistan's Galkynysh gas reserve through Uzbekistan, Tajikistan and Kyrgyzstan, integrating Central Asian states (*Platts Oilgram*, September 4). Likewise, former Kyrgyz President Kurmanbek Bakiyev, prior to his overthrow, responded to Russian meddling in Kyrgyz affairs by offering Kyrgyz-Russian joint infrastructure projects to Chinese businesses (*Vesti.kz*, January 14, 2010).

Nevertheless, regional elites retain strong cultural and political ties with Moscow. Kazakhstan, Kyrgyzstan and Tajikistan have joined Moscow's Collective Security Treaty Organization, and have moved toward its proposed customs bloc and Eurasian Union. Cooperation with China is also limited by popular discomfort about China's power, economic influence and physical presence via infrastructure projects and migrant labor.

Domestic poll results about attitudes to China's presence in the region vary between countries, and appear to be heavily influenced by the relative presence or absence of free speech, political pluralism and independent media. Polls in the relatively free societies of Kyrgyzstan, Kazakhstan and Tajikistan reveal conflicting public opinions about China's emergence in the region (*Pravda.ru*, August 15). The political opposition in these republics often use criticism of "Chinese expansion" to challenge regimes. In relatively authoritarian Uzbekistan and Turkmenistan there is no reliable public opinion polling, making it hard to comment on popular attitudes.

The largest source of domestic opposition in Kyrgyzstan, Uzbekistan and Tajikistan is the inflow of the Chinese labor. In Kyrgyzstan and Tajikistan, an upsurge of Chinese laborers has escalated competition with local communities for jobs in mining, agriculture, construction, trade and transportation. Consistent increase in the number of Chinese small and medium businesses in both states is breeding anger among Kyrgyz, Uzbek and Tajik commercial associations and local communities (*Fergana.ru*, November 30, 2007). Uniquely, Uzbekistan has set up a strict visa regime to limit migration while welcoming Chinese investment. In wealthier Kazakhstan and Turkmenistan, where Beijing is heavily involved in

energy sectors, migrant labor has not been a major issue.

There is no records of violence against Chinese companies or their employees in Uzbekistan and Turkmenistan, where authoritarian regimes may have simply suppressed hostility, while President Nursultan Nazarbayev's regime in Kazakhstan tolerates anti-Chinese sentiments by applying preventive measures to stem off aggressive behavior. In the weaker states of Kyrgyzstan and Tajikistan, violent skirmishes with Chinese workers, attacks on Chinese companies and assassinations of Chinese businessmen occur frequently.

Sporadic clashes between Chinese workers and local residents have been on the rise in Tajikistan over the last five years, driven both by migration and Chinese acquisition of land in the country (*Institute For War and Peace Reporting*, November 28, 2007). The Tajikistani labor migration service's statistics have reported increasing flows of Chinese workers since 2007. By 2010, their estimated population in Tajikistan had reached 82,000. Tajik communities were enraged in 2011, when the government leased 2,000 hectares of farmland to China, a week after a decision to cede 1,100 square kilometers of disputed land along the Chinese border (*Radio Free Europe/Radio Liberty [RFE/RL]*, January 28, 2011).

There is a widespread perception in Central Asia that China encourages migration in order to reduce the pressure of overpopulation, and to settle groups of Chinese nationals who can influence the politics of Central Asian countries. Tajikistani expert Rustam Haidarov asserted that "It is China's strategy to resettle its people in different countries. It's China's policy. They occupy slowly, cautiously. They realize their own goals in Tajikistan and affect our economic policy. In time this will lead to influence in politics" (*RFE/RL*, January 28, 2011). Muhtar Auezov, the former Kazakhstani ambassador to China, has described the "massive presence" of Chinese nationals in Kazakhstan as a result of its "fundamental issue of overpopulation" (*Megapolis.kz*, August 5).

Trade and infrastructure agreements also generate skepticism and resentment in Central Asian countries, as opposition groups question the ability of governments to negotiate and manage deals in the national interest. Kazakhstan's relations with Beijing are a case in point: Astana has most succeeded in allaying popular concerns

about dependence on China, but has done so by promising to limit China's involvement in the country's energy sector. Kazakhstan's minister of oil and gas promised in September that China's share of the domestic oil and natural gas production will drop from 24 percent to 7-8 percent (Kapital, November 6). Independent industry experts predict that China will keep its stake in the republic's oil and gas sector between the ranges of 20 to 30 percent—and \$5 billion June deal in which CNPC took over an 8.7% share of Kazakhstan's largest oil field, Kashagan, from ConocoPhillips strongly suggests that China's energy presence in the country is still growing (Kapital, November 6; Bloomberg, June 28). This assessment suggests the likelihood of tensions as China continues to press for more energy deals with the nation.

In Kyrgyzstan, nationalist factions, youth organizations and opposition groups claim that the Chinese foothold in the country is an imminent threat to national interests. A series of high-publicized corruption scandals implicating Chinese businessmen in organized crime have fed public sensitivity over business dealings with China (24kg, May 7; 24kg, July 3; Eurasianet, October 31, 2012). While many Kyrgyz political analysts and economic experts have positive views of Chinese energy and infrastructure investment overall, they have been frequently critical of the government's management. For example, the Bishkek-based 24kg news agency's examination of the terms of the commercial contract between Chinese power transmission manufacturer Tebian Electric Apparatus and the Kyrgyz government concluded that it had violated procurement laws (24kg, November 7). Other experts, such as public adviser Azamat Akeleyev, caution that Kyrgyzstan is taking on large debts from China that will have to be repaid soon (24kg, September 13).

More generally, critics of the Kazakstani government describe it as naive and subject to manipulation by Chinese diplomats. Former ambassador to China Muhtar Auezov says that Kazakhstan lacks experts on Chinese internal and external politics, leaving Astana clueless over Beijing's long term stratagem in the country and Central Asia. He is also skeptical of the current ability of the Kazakh foreign intelligence services to analyze Chinese intentions toward Kazakhstan across the board, stressing Astana's ongoing disadvantage on critical issues as trans-

boundary water resources, currently efficiently exploited by Chinese leadership. (Megapolis.kz, August 5) Similar viewpoints are often expressed by Kazakh liberals and nationalists (Tengrinews, May 24, 2011).

As Deirdre Tynan of the International Crisis Group observes, "Central Asian governments see China as a wealthy and willing partner, but on the ground little is being done to ease tensions between Chinese workers and their host communities" (*The Economist*, September 14). The authoritarian politics of the region, as well as China's preference for focusing its diplomacy on small groups of elites, combine to create neglect of local public outreach programs, creating controversies that may limit further economic integration. In spite of these challenges, President Xi Jinping's visit demonstrated Beijing's determination to improve public relations efforts in the region and to expand positive perceptions of China. More importantly, dynamic trade with China and Chinese business advancements in Central Asia have boosted domestic economies, and over the long term this may help to resolve local skepticism and pave the way for deeper economic integration.

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