



**In This Issue:**

**IN A FORTNIGHT**  
Brief by David Cohen ..... 1

**XINJIANG WORK FORUM MARKS NEW POLICY OF 'ETHNIC MINGLING'**  
By James Leibold ..... 3

**BUSINESS AND POLITICS IN THE SOUTH CHINA SEA:  
EXPLAINING HYSY 981'S FORAY INTO DISPUTED WATERS**  
By Erica Downs ..... 6

**CHINESE ANALYSTS INTERPRET MODI'S NEW INDIA**  
By Jonathan Ward ..... 8

**ASIAN ECONOMIC INTEGRATION FUELS PRC FRUSTRATION WITH U.S. ALLIANCES**  
By Timothy R. Heath ..... 11



Indian Prime Minister Narendra Modi's visit to Arunachal Pradesh has China asking if he is 'India's Shinzo Abe' or 'India's Nixon' (Photo: Pakistan Today)

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**In a Fortnight**

**LEGAL REFORM AND THE MASS LINE: THE 'SOCIALIST' RULE OF LAW WITH A HUMAN FACE?**

By David Cohen

On Monday, June 16, Chinese state media announced plans to launch pilot judicial reform programs in six provinces, experimenting with changes that will centralize control of the judiciary at the provincial level. According to an interview with a “responsible official” from the Central Judicial Reform Leading Small Group Office, these reforms will separate the judiciary from administrative authorities, improve judicial accountability, protect the job security of judicial officers and “promote the unified management of sub-provincial court finances.” This means removing two key levers of power over the courts—personnel decisions and budgeting—from local control. These reforms are thus intended to prevent interference in the judicial process by local officials. These “blows against the law’s chronic diseases,” as they were described in Xinhua, will be tested in Shanghai, Guangdong, Jilin, Hubei, Hainan and Qinghai ([Xinhua](#), June 16).

These reforms, which have not yet been described in detail, are clearly not aimed at promoting, in a Western sense, the rule of law. For much of the past year, both top leaders and Party media have repeatedly condemned Western-inspired ideas about the rule of law and “constitutional government,” and a crackdown on advocacy outside the Party has sent dozens of independent lawyers to prison ([China Digital Times](#), May 19). Meanwhile, reports from the National People’s Congress have emphasized the importance of constructing a “socialist rule of law” ([Xinhua](#), March 16). The pilot reforms are

nonetheless important as a component of a wide-ranging campaign by the Communist Party of China (CCP) to fight corruption and promote ethics in local government. The reforms described aim to address a key weakness of oversight in the Chinese system: Rather than having an independent court system, courts at every administrative level answer to political authorities. It is, therefore, impossible for courts to provide accountability—to the extent that judges have been known to advise plaintiffs to appeal their rulings in order to escape local political interference (see [China Brief](#), March 20).

To understand why judicial reform is important, it is worth considering it as part of a broader campaign to impose discipline on the Party. This includes political campaigns like President Xi Jinping's effort to promote the "mass line" and Maoist-style self-criticism sessions, and purge against corruption led by the Central Commission for Discipline Inspection (CCDI). Legal reform appears to be an effort to make institutional changes that will reinforce and sustain cadres' good behavior. As Xi wrote in a 2006 essay, "establishing the rule of law absolutely does not weaken the Party's leadership." Rather, it will "uphold the Party's leadership by improving it" (collected in Xi Jinping, *Zhijiang Xinyu [New Thoughts from the Yangtze]*, Zhejiang People's Publishing House 2007).

These programs will create opportunities for provincial leaders: First, by moving more control to the provincial level, it could strengthen their offices and give them a relatively independent tool to oversee subordinates. Second, implementing a reform program will give provincial chiefs a chance to advance their own careers by demonstrating creativity and leadership abilities. Guangdong Party Secretary and Hu Jintao protégé Hu Chunhua appears already to have begun using legal reform to brand his administration, promising in May to build a "public legal service system with Guangdong characteristics" ([Legal Daily](#), May 26). Guangdong, which also experimented with legal reform under the previous leadership of current Vice Premier Wang Yang, was singled out in the article introducing the pilot program as "walking at the forefront of legal reform, just as it led the vanguard of reform and opening" ([Xinhua](#), June 16).

Abuses of power and resistance to reforms by local officials emerged during the Hu era as a major challenge for the CCP. Outrageous behavior such as land seizures, and local cover-ups in cases such as the powdered milk scandal of 2008, have undermined Party legitimacy. At the same time, local autonomy and conservatism has stymied reform initiatives and undermined the power of the leadership as local governments have ignored laws intended to mitigate pollution or provide compensation for property owners after demolitions. In the half year since the publication of the Third Plenum reform

agenda, commentaries in Party media have repeatedly complained that officials are taking a "wait and see attitude" rather than implementing reform (for an example on legal reform, [Beijing Times](#), June 17; more generally, [Seeking Truth](#), December 21, 2013).

Many of Xi's highest-profile initiatives have targeted the issue of Party discipline: The educational campaigns on topics like the "mass line" and the "four bad styles" have told officials that they are out of touch with the people, and sought to eliminate arrogant behavior—"formalism, bureaucratism, hedonism and extravagance"—while the invigorated Party discipline commission has launched a massive anti-corruption campaign under Wang Qishan. Xi has also modeled good behavior, eating only "three dishes and a soup" at formal dinners and deploying down-to-earth charm in surprise appearances at local restaurants and Beijing streets. In the midst of campaigns limiting gift-giving, luxury goods consumption and the use of official cars by cadres, Xi's populist image is likely intended to provide a template. Indeed, a recent article in a magazine published by the Central Party School highlighted "being in touch with the people" as a key element of his leadership style, noting that Xi's common touch had won him approval on Chinese social media ([Chinese Cadres Tribune](#), 2014 No. 6). The *New York Times* has also reported that Xi's family has shed hundreds of millions of dollars in investments—while not publicized in China, this divestment may also be intended to set an example for China's elite ([New York Times](#), June 17).

In this context, limited legal reforms have a clear role to play in the overall project of rebuilding Party legitimacy by creating accountability within the Party. While political campaigns and crackdowns can produce dramatic results, they are likely to prove temporary. In order to promote lasting change, reform will have to reshape cadres' calculations of their personal interests. While there is no guarantee that these reforms will create a professional judiciary loyal to provincial and central leadership, there is no doubt that this kind of centralization is their purpose.

*David Cohen is the editor of China Brief.*

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## Xinjiang Work Forum Marks New Policy of ‘Ethnic Mingling’

By James Leibold

The recently concluded Central Work Forum on Xinjiang (*zhongyang Xinjiang gongzuo zuotanhui*) marked a subtle yet significant departure in the Chinese Communist Party’s approach to ethnic policy. Economic development remains a top priority; yet the new generation of Party leaders understands that money alone will not mollify ethnic and religious tensions in Tibet and Xinjiang. Instead, Chinese President Xi Jinping is seeking a more comprehensive solution to the problems confronting these long-restive frontier regions.

The official Xinhua summary of the Forum’s proceedings outlined a number of priority areas for Xinjiang ([Xinhua](#), May 30):

- Boosting employment and income levels among Uighurs in Southern Xinjiang through a new round of fiscal transfers and investment.
- More urbanization and interregional migration aimed at expanding the contact and cooperation between different ethnic groups.
- Fortifying Party organs and personnel at the grassroots level in order to eliminate the “three evil forces”: splittism, extremism and terrorism) and shore up social stability.
- Strengthening state education and bilingual instruction so that all minority youth are conversant in the national language and culture.

None of these proposals are particularly new. Yet, the Forum frames them around a new strategic intent: the erosion of ethnic differences, the removal of obstacles to the free “mingling” (*jiaorong*) of Chinese citizens and the forging of a shared national identity.

For over a decade now, a group of intellectuals and party officials have called for “adjustments” to current ethnic policies, some even speak of the need for a “second generation of ethnic policies” that would eliminate ethnic-based rights and autonomy ([China Brief](#), July 6, 2012). The Xinjiang Work Forum reveals their burgeoning influence on top Party leaders; yet it remains unclear how far the new Chinese administration is willing or able to pursue this contentions agenda.

### New Policies for New Conditions

The Second Xinjiang Work Forum, attended by the entire Politburo and over three hundred top Party officials in Beijing from 28–29 May, came a mere four years after the first gathering in 2010. Unlike the Central Work Forum on Tibet, which has been held five times (each roughly a decade apart) since the 1980s, Xinjiang is a far more recent, and now more pressing, concern for the post-Mao Party-state.

Since the 18th Party Congress in November 2012, Xi Jinping has chaired seven Politburo meetings on Xinjiang, while issuing over thirty directives on Xinjiang work ([Xinjingbao](#), May 30; [Xinhua](#), May 3). In April, he personally toured the region. Fellow Politburo Standing Committee member Yu Zhengsheng, who is the Party’s point man on ethnic and religious issues, has made four official visits to Xinjiang, compared to only one to the Tibetan Autonomous Region.

Several times over the last couple of months, Xi Jinping has stressed that: “Xinjiang work possesses a position of special strategic significance in the work of the Party and the state” and “the long-term stability of the autonomous region is vital to the whole country’s reform, development and stability, as well as to national unity, ethnic harmony and national security” ([Xinhua](#), May 26; [Xinhua](#), May 1).

It is easy to see why. China has witnessed an ugly spate of ethnic and religious violence since Xi came to power, leaving well over 200 people dead and hundreds more injured. Most of these incidents pit China’s embattled Uighur Muslim minority against a steadily encroaching Chinese state and its Han majority. Even more worrying for the Party-state is the spread of this violence out of Southern Xinjiang, where eighty percent of China’s 10 million Uighurs live, into the regional capital of Urumqi and inland cities like Changsha, Guangzhou and Beijing. The savage March 1 knife-attack on travelers at the Kunming Railway Station shocked the nation, with several commentators dubbing it China’s 9/11.

The official Xinhua News Agency summary of the Work Forum contains many of the usual statements: “The Party’s strategy on Xinjiang has been proven correct and must be continued in the long run” ([Xinhua](#), May 30). Yet, beneath the boilerplate, the language and policy direction outlined in the Forum statement marks a significant departure. Since the 18th Party Congress, Party officials have stressed that “new conditions” (*xin xingshi*) in Xinjiang create “new requirements” (*xin yaoqiu*).

Like the initial Work Forum, economic development is identified as an important agenda item, and we are likely to

see a raft of new initiatives and money aimed at boosting Uighur skills, employment and living conditions over the coming months. Yet, the Xinhua statement leads with ethnic and religious issues rather than economic ones, and the First Work Forum's key phrase, "leapfrog-style development" (*kenayueshi fazhan*), is mentioned only once. Rather the Forum stressed the complex and protracted nature of the "Xinjiang problem," subtly recalibrating the "general goal" of Xinjiang work towards "safeguarding social stability and achieving an enduring peace."

In contrast to previous assurances that trouble in Xinjiang is not linked to ethnic and religious issues, the Forum unambiguously asserts: "Xinjiang's most sustained problem is the problem of ethnic unity," and Xi Jinping is quoted as urging "all ethnic groups to show mutual understanding, respect, tolerance and appreciation, and to learn and help each other, so they are tightly bound together like the seeds of a pomegranate."

### New Focus on Common Identity

Since coming to power, Xi Jinping has repeatedly stressed the importance of forging a shared national identity. The "China dream," he contends, is foremost about the great revival of the "Chinese nation" or "Chinese race" (*Zhonghua minzu*), a term first coined by Liang Qichao in 1902 and employed by Chinese leaders from Chiang Kai-shek and Mao Zedong to Deng Xiaoping and Jiang Zemin in order to stress the conjoined history, fate and consanguinity of the Chinese people.

In a speech at the Central Party School on the importance of studying history then Vice President Xi Jinping praised the "all-under-heaven grand union" (*tianxia datong*) tenet, which he maintains bound together the Chinese nation/race for centuries (*Phoenix*, September 5, 2011). "In the course of the great family of the *Zhonghua minzu*'s formation, there was more exchange and fusion than contradiction and conflict among different ethnic groups, so that relations became more intimate through this conflict and fusion and became the main current of ethnic relations...thousands of years of exchange and fusion caused all the ethnic groups to be inextricably linked together, and in the end, took shape in the linked blood relations, common fate, and joint advancement of the great family of the *Zhonghua minzu* that is collectively formed by 56 ethnic groups."

When he visited Inner Mongolia in early 2014 (*Xinhua*, January 29), Xi spoke about the need to "bind the people of each ethnic group into a single strand of rope." On several occasions, Xi Jinping and Yu Zhengsheng have stressed the importance of the "four identifications" (*sige rentong*): identification with the motherland, with the Chinese nation/race, with Chinese

culture and with the socialist road with Chinese characteristics. The aphorism was first employed in the early 2000s, but seldom appeared in Hu Jintao's official speeches.

Xi Jinping's new language bears the distinct influence of Zhu Weiqun, the former Executive Director of the Party's United Front Works Department (UFWD) who moved across to the Chinese People's Political Consultative Conference (CPPCC) at the 18th Party Congress, and now works under Yu Zhengsheng as the Director of the CPPCC's Ethnic and Religious Affairs Committee. In the past, Zhu has echoed Peking University Professor Ma Rong in declaring that ethnic "blending and mingling is not 'Hanification,'" but rather the natural course of Chinese history (*Study Times*, February 15, 2012).

Despite his less prominent position today, Zhu Weiqun's public and media profile remains high, far greater than his successor at the UFWD Zhang Yijiong. In recent months, for example, he delivered an important speech on urbanization in frontier regions at the CPPCC (*Xinhua*, March 9), gave a wide-ranging and widely circulated interview with Hong Kong-based Phoenix media (*Phoenix*, April 2), and led an inspection tour of grassroots religious management in Southern Xinjiang (*Xinjiang Daily*, May 7).

In the Xinjiang Work Forum summary there is repeated talk about the need to remove ethnic barriers and forge collective identity. The statement includes the controversial phrase "strengthen interethnic contact, exchange and mingling" (*jiaqiang minzu jiaowang jiaolin jiaorong*), which the influential Qinghua University economist Hu Angang declared a "new policy orientation" when he outlined his contentious proposal for a "second generation of ethnic policies" in late 2011 (*Aisixiang*, March 31, 2012).

In his interview with Phoenix, Zhu Weiqun admits the concept of interethnic "mingling" elicited a strong response following its inclusion in Hu Jintao's remarks at the Fifth Tibet Work Forum in January 2010. This was due to fears that, in his words, "this would mingle the ethnic minorities out of existence," and thus the phrase was subsequently left out of the official statement that concluded the First Xinjiang Work Forum.

However, Zhu argues: "In adjusting to the general trend of today's socialist market economy, we must place more emphasis on the common ground and communality of the *Zhonghua minzu*, minimizing and getting rid of those things that set apart different ethnic groups and ethnic autonomous regions from non ethnic autonomous regions" (*Phoenix*, April 2).

The sort of "melting pot" Zhu and other ethnic policy reforms believe is in keeping with both Chinese tradition and global

norms. Yet there remains hefty opposition to these proposals in the Chinese bureaucracy and other parts of society, not to mention concerns about the implications of any radical shift in the status quo. If Xi Jinping sympathizes with these reformers, as his public statements seem to suggest, it is still unclear whether he possesses either the political capital or the desire to pursue this sort of agenda to its full conclusion.

### Policy Implications

This new focus on interethnic fusion will see the Party-state pursue two potentially contradictory courses in Xinjiang over the coming year. First, it seeks to build a more ethnically integrated labor market by allowing minorities like the Uighurs to migrate into both regional cities like Urumqi as well as coastal centers like Shanghai and Beijing. Second, it will redouble its hold over Xinjiang through a deeper penetration into the daily lives of Xinjiang residents by the Party and its security apparatuses.

By calling for “the establishment of a mutually embedded social structure and social environment,” the Xinjiang Work Forum signaled a new intention to break down barriers to interethnic migration. The Forum’s concluding statement calls for “orderly expanding the number of Xinjiang minorities who receive education, find employment and live in the interior,” and “orderly guiding the masses of each ethnic group in entering cities for employment.” The building of a “silk road economic belt,” which would link Central Asia with China proper via a network of infrastructure and human flows running through Xinjiang, is also mentioned.

At present, over 63,000 Xinjiang students (mainly Uighurs from Southern Xinjiang) are studying at inland schools as a part of a dislocated schooling program started in 2000 (*Xinjiang Daily*, February 20). There have been similar “export labor” schemes that send unemployed Uighur men and women to work in factories along the Chinese coast. Yet, the scope of these programs is small compared to the size of the idle work force in Southern Xinjiang.

Going forward, we can expect these programs to be ramped up, as will the number of Uighur migrants in Xinjiang cities. The regional government has ambitious plans to double the number of urbanites in Xinjiang by 2030 from 9 million at present to 20 million (*Xinjiang Academy of Social Sciences*, June 4, 2012). Han inward migration is not mentioned, but the Forum did call for the expansion of the Bingtuan, the paramilitary Xinjiang Production and Construction Corps, which is nearly ninety percent Han.

Increased interethnic mobility necessitates new social

management tools. In order to counter any instability, the Forum stressed the need to beef-up early warning and mass prevention controls, with Xi Jinping quoted as calling for “nets in the sky and traps on the ground” aimed at curbing ethnic and religious violence. Since 2009, the official public security budget for Xinjiang has quadrupled and now amounts to nearly \$1 billion per year (*Ministry of Finance*, February). Money is being spent not only on new equipment and personnel but also new methods of social monitoring.

Early this year, the regional government announced it would dispatch 200,000 high level Party cadres to live and work in grassroot communities for a year at a time (*Xinjiang Daily*, February 15). They are tasked with not only assisting and consoling the masses, but also gathering intelligence in order to nip any potential problems in the bud. In urban areas, Xinjiang is following other cities in building a “grid-style” (*wangge hua*) social management system. The technique divides communities into geometric zones and then assigns personal responsibility for social stability to a team of party members who are equipped (in theory at least) with the latest computer-enhanced technologies for near total surveillance (*Yaxin*, January 24, 2012). “In order to achieve complete grassroots coverage,” Xinjiang Party boss Zhang Chunxian recently stressed, “[we must] thoroughly enter and garrison [Xinjiang society] in order that no blank spaces are left behind” (*Xinjiang Daily*, March 5).

### The Rocky Road Ahead

The Forum’s full set of recommendations has yet to be made public, and any new initiatives will face serious implementation challenges on the ground. In the past, vested interests and poor governance have blocked reform efforts, with, for example, the current *hukou* (household registration) system hindering large-scale interethnic migration. In addition, there are at least two blind spots in the Party’s optics on Xinjiang, important obscurations that portend more trouble ahead.

First, increased interethnic contact will intensify labor competition as Uighur and Han workers more directly contend for limited resources and opportunities in shared urban settings. There is ample social scientific evidence demonstrating how ethnic competition fortifies ethnic boundaries and, under the right circumstances, increases ethnic conflict and violence.

The Party, for example, recently announced new hiring quotas mandating that state-owned enterprises in Xinjiang employ seventy percent of their new staff locally, including twenty-five percent from ethnic minorities (*South China Morning Post*, June 1). Yet, the Party-state’s “two hands,” the invisible hand of the market and the visible hand of state power, often work at cross-

purposes ([Foreign Affairs](#), June 3). The size of Xinjiang's state-owned sector is shrinking, and thus undermines hiring quotas; and the rumored opening of the massive petrochemical sector to private investment will only make matters worse. China's current political and legal environment lacks the necessary safeguards to ensure that reforms benefit Xinjiang's ethnic communities equally.

Second, Xi's new approach fails to address the underlying yet chronic racism in Chinese society. Despite lofty statements about a unified, inclusive, and harmonious nation-state, most Uighurs feel unwelcome and unwanted in China. Their language, religion and cultural traditions are alien to mainstream Chinese society, and despite efforts to create multicultural spaces, Party-defined pluralism is colorful yet largely hollow. Uighurs, in the eyes of most Han, are dangerous criminals and thieves to be avoided; the Han, for most Uighurs, are dirty and infidel invaders who cannot be trusted. Faced with these mutual suspicions, neither community is likely to welcome the other to live side-by-side in the same community, let alone "fuse" through increased contact, cooperation and intermarriage.

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## Business and Politics in the South China Sea: Explaining HYSY 981's Foray into Disputed Waters

By Erica Downs

At 9:00 A.M. on May 9, 2012, Chinese executives and government officials gathered at the headquarters of China National Offshore Oil Corporation (CNOOC) to celebrate the commencement of drilling by HYSY981, the country's first home-grown deepwater semisubmersible drilling platform. The guests included representatives of the China Shipbuilding Corporation, Shanghai Waiqiao Shipbuilding Corporation, Ministry of Land and Resources, Ministry of Transport, State Administration of Work Safety, State Oceanic Administration, Ministry of Public Security (MPS), Ministry of Finance, Ministry of Agriculture, General Administration of Customs, State Administration of Taxation, National Energy Administration and armed forces. A deputy director of the State-owned Assets Supervision and Administration Commission of the State Council read a congratulatory message from then-vice premier Li Keqiang ([China Offshore Oil News](#), May 11, 2012).

The presence of so many government officials to mark HYSY 981's maiden voyage two years ago highlighted the rig's political importance. HYSY 981 was part of China's 863 Program, an initiative launched in March, 1986 to narrow the technological gap between China and the world's most advanced economies ([Ministry of Science and Technology](#), September 21, 2010). Government agencies including the Ministry of Science and Technology and the National Development and Reform Commission provided strong support for the rig's development ([China Radio Network Online](#), February 26, 2010). The rig also provides China with the independent ability to drill for oil and natural gas in disputed parts of the South China Sea (SCS) in which foreign companies may be unwilling to operate. This technological advance prompted outside observers to ask whether HYSY 981 would become a geopolitical weapon as well as a business venture (for example, [Reuters](#), June 21, 2012; [Bloomberg](#), May 10, 2012).

Two years later, we appear to have an answer. On May 2, HYSY 981 began operating about 17 nautical miles south of Triton Island, the southwestern-most land feature of the Paracel Islands, and 120 nautical miles off the coast of Vietnam. This location falls within a 200-nautical mile exclusive economic zone (EEZ) drawn from Vietnam's coastline and a 200-nautical mile EEZ drawn from the Paracel Islands, which China controls but are also claimed by Vietnam and Taiwan. Analysts have almost universally interpreted HYSY 981's activities in a contested part of the SCS as a move the territorial contest between China and its neighbor. Indeed, HYSY 981's location clearly supports current Chinese efforts to assert *de facto* control of the area.

However, the relation between business and foreign policy is likely a two-way street, and the move is also consistent with the longstanding business objectives of China's NOCs. It is not clear which Chinese national oil company (NOC) HYSY 981 was drilling for and what role that company played in the decision to operate disputed waters. The rig is owned by CNOOC and operated by its subsidiary, China Oilfield Services Limited (COSL), whose clients also include other Chinese oil companies. Even if the relevant NOC was pressured to act enlisted as an instrument of state policy, its CEO probably had corporate and personal reasons to embrace the move as an opportunity.

### Clear Geopolitical Motives

Several pieces of information support the contention that politics explain HYSY 981's location. First, it is consistent with a series of actions Chinese actors have taken in recent years to assert China's jurisdiction over disputed parts of the SCS. These steps include:

- A Chinese marine surveillance vessel's severing the cable of a Petrovietnam seismic vessel (May 2011);
- Chinese vessels gaining control of Scarborough Shoal, an uninhabited piece of land claimed by China and the Philippines after a standoff between a Philippine warship and Chinese commercial fishing boats (April 2012);
- CNOOC's invitation to foreign oil companies to bid for blocks in waters also claimed by Vietnam (June 2012);
- The People's Liberation Army's establishment of the Sansha Garrison in the Paracels (July 2012);
- Chinese diplomats preventing ASEAN from issuing a joint statement for the first time in the organization's 45-year history due to differences between members over whether to mention incidents in the SCS (July 2012);
- Hainan Province's approval of new regulations establishing a legal basis for provincial public security units to board, detain or expel foreign vessels in waters around islands or land features that China occupies or claims (November 2012);
- The MPS's issuance of passports with maps depicting the Spratly and Parcel Islands as Chinese territory (November 2012);
- Chinese ships patrolling around Thomas Shoal, which the Philippines claims is part of its continental shelf (since May 2013);
- Hainan Province's issuance of updated fishing rules which claim seas under its administration include more than half of the SCS (November 2013).

Second, it is consistent with the rhetoric of HYSY 981's owner and builder about the rig as a political instrument. CNOOC Chairman Wang Yilin famously described HYSY 981 as "mobile national territory" and a "strategic weapon" to promote the development of China's offshore oil industry (*Securities Times*, May 9, 2012). His remarks echoed those of his predecessor Fu Chengyu (currently the chairman of Sinopec), who earlier described deepwater equipment as "mobile national territory" in 2010 (*Xinhua*, May 11, 2010). Similarly, Shanghai Waigaoqiao stated that HYSY 981 has strategic importance for improving China's position in maritime disputes (*Economic Observer*, June 4, 2011).

Third, arguably the only way to monetize a large natural gas discovery in the disputed waters where HYSY 981 is operating would be to pipe the gas to Hainan, which probably would be highly provocative. While Beijing could claim such an endeavor was a normal commercial activity, it would result in the construction of considerable Chinese infrastructure in the SCS, which is consistent with the efforts described above to incrementally strengthen China's jurisdiction over disputed

parts of the SCS. (In theory, building a pipeline to Vietnam is also an option, but it is probably safe to assume that the Vietnamese would refuse to purchase natural gas pumped by a Chinese firm in waters the Vietnamese claim as their own).

Fourth, the Chinese government undoubtedly supported the rig's deployment. China's NOCs require the permission of the Ministry of Foreign Affairs (MFA)—and most likely China's top leaders—to operate in disputed waters (Interview, Washington, DC, June 5). Two recent media reports assert that Beijing was involved in decisions about where HYSY 981 would operate. The Japanese newspaper *Asahi* stated "China's top leaders decided earlier this year to go ahead with oil drilling in the South China Sea, despite being aware of potential diplomatic ramifications, according to sources" (*Asahi*, May 30). Meanwhile, the *International Oil Daily* reported that a senior CNOOC official had said "Beijing ordered [HYSY]981 to be moved to an area claimed by Vietnam to drill for CNPC [China National Petroleum Corporation]" (*International Oil Daily*, June 2).

#### Probable Corporate Incentives

While a strong case can be made that HYSY 981's location in disputed waters had the backing of Beijing, it is less clear which Chinese NOC hired COSL to drill there and where the impetus for this action came from. It seems unlikely that decisions about HYSY 981's deployment were made exclusively by government officials. The relevant CEO may have had corporate and personal reasons for steering his company into disputed waters. Neither China's government nor its oil industry have publicly stated which NOC hired HYSY 981 to drill near the Paracels. Many analysts assumed it was CNOOC because it owns the rig and a majority stake in its operator. However, the CNOOC official's statement that HYSY 981 was drilling for CNPC is plausible: CNPC's internationally-listed subsidiary, PetroChina, has exploration licenses covering 42 million acres in the SCS, where it has been exploring since around 2010 (PetroChina, Form 20-F, April 26, 2013, June 25, 2010 and May 26, 2009).

Both companies probably had several motivations to move into disputed waters. First, CNOOC, which has dominated China's offshore oil production for over thirty years, has longstanding ambitions to independently drill in deepwater areas of the SCS. The discovery of the Liwan 3-1 natural gas field in 2006 by CNOOC's internationally-listed subsidiary, CNOOC Ltd., and Husky Energy launched CNOOC's deepwater exploration program (*Beijing News*, October 29, 2012). This find coincided with—and undoubtedly reinforced—CNOOC's plans to acquire deepwater vessels, including HYSY 981 (*Beijing News*, October 29, 2012). An added incentive was the global shortage of deepwater rigs at that time (*Shenzhen Daily*, July 7, 2006). Despite some disappointing results from recent deepwater

exploration, CNOOC Ltd. regards deepwater SCS as an important source of future growth (CNOOC Ltd., Annual Report 2012, p. 8). Similarly, PetroChina's interest in the SCS dates to at least 2004, when the company applied to the Ministry of Land and Resources for exploration and production licenses covering the southern part of the SCS. (PetroChina, Form 20-F, June 28, 2004). Second, China's NOCs appear to have been more interested than the Chinese government in operating in disputed waters. For example, China's MFA denied CNOOC's request to conduct geophysical work in deepwater SCS in the 1990s (Energy of China, September 2012). Beijing also reportedly pressured PetroChina to cancel its plans to explore in disputed waters around the Spratly Islands to avoid a diplomatic incident before the Beijing Olympics (*International Oil Daily*, May 9; *Economic Observer*, June 4, 2011); PetroChina had signed an agreement with Transocean to hire one of its deepwater rigs for drilling from April through June 2008 (*Bloomberg*, June 6, 2007; *Upstream Online*, April 4, 2007).

Third, the relevant CEO may have calculated that drilling in disputed waters would bolster his political fortunes. His career, like that of the chairmen of 52 of the 108 other state-owned enterprises (SOEs) under the central government, is in the hands of the Chinese Communist Party's Organization Department (Kjeld Erik Brødsgaard, "Politics and Business Group Formation in China: The Party in Control?" *China Quarterly*, September 2012). Consequently, some Chinese CEOs attempt to use their positions as springboards to higher positions in the party-state. Some of those who have successfully made the leap have done so by advancing national interests in tandem with corporate ones. The CEO of the company that hired COSL to operate in contested waters may have concluded that the use of HYSY 981 to assert jurisdiction over a disputed part of the SCS would increase his chances for promotion. Indeed, the incentive to demonstrate how corporate activities serve national interests may also explain Wang Yilin's characterization of HYSY 981 as an instrument of statecraft.

### Conclusion

How did HYSY 981 come to operate in disputed waters? We know that the rig's deployment has the support of the Chinese government. The company that owns the wells being drilled undoubtedly has the blessing of at least the MFA and probably senior leaders to operate in waters also claimed by Vietnam. No oil executive would undertake such a high-profile activity with obvious consequences for China's foreign policy without first obtaining Beijing's backing. The government's approval of exploration in contested waters marks a change from the past two decades, when it reportedly stifled initiatives from the NOCs to do so. This apparent shift in attitude is consistent with a series of moves by Chinese actors in recent years to assert Chinese jurisdiction over disputed parts of the SCS.

However, we do not know what role the NOC for which HYSY 981 is drilling played in the decision-making. Is this an example of a company eager to explore near the Paracels taking advantage of rising tensions between China and other claimants to finally secure permission to operate in disputed waters? Or is it a case of Beijing pressing a NOC to help China assert jurisdiction over contested waters and the company selecting what it assessed to be the most promising location? In either situation, the NOC's CEO would recognize the political imperative to support Beijing's territorial ambitions.

The placement of HYSY 981 in disputed waters is consistent with the longstanding interest of China's NOCs in expanding operations in the SCS and is likely a political victory for the responsible CEO. However, the perception that the rig's current operations are politically motivated undermines the attempts of China's NOCs to claim they are relatively autonomous, profit-driven actors to facilitate their expansion abroad, especially in the United States and Canada, where concerns about whether the investments of China's NOCs are motivated by economics or politics loom large. Indeed, HYSY 981's foray into contested waters appears to be a striking example of a NOC serving as an instrument of statecraft to advance a national objective other than energy security. In past analyses of the interactions between China's NOCs and government (especially in cross-border investments), it has often seemed more likely that it is the company that champions a particular project to advance specific corporate interests and wins support from the government by explaining how the project will enhance China's energy security (see *S AIS Review*, 2012 No. 2 (PDF); also chapter 7 of Edward Steinfeld, *Playing Our Game*, OUP 2012 and *China Brief*, February 1, 2013). But not enough information is publicly available to draw a similar conclusion for HYSY 981's current operations.

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## Chinese Analysts Interpret Modi's New India

By Jonathan Ward

The landslide victory by Narendra Modi in India's national elections has raised questions throughout Asia about India's role in the region. Chinese experts have watched the transition with great interest, many seeking historical analogies to explain the new leader. One of the most optimistic is the idea that Modi could be "India's Nixon," a concept which originated in The Shanghai Institute for International Practices, and which forecasts an "opening to China akin to

the U.S. President's. This optimistic analysis also suggests that, given his focus on the Indian economy, Modi could choose to emulate the PRC's model for economic growth, and thus draw inspiration from Deng Xiaoping. Others have expressed the fear that he might prove to be an "Indian Shinzo Abe," playing to nationalism and intensifying a border dispute with China.

While the China-India border has been stable and largely quiet in the decades since the Sino-Indian Border War in 1962, last year's standoff at Dalit Beg Oldi fed suspicion in New Delhi, especially as it came just ahead of Premier Li Keqiang's visit to India and the PRC claimed not to have made any wrongful incursion. Chinese analysts fear a Japanese effort to build a democratic coalition in Asia. A contest between two security visions, one implicit in the United States "pivot" and alliance system, and the other set out by Chinese President Xi Jinping during Shanghai's CICA Summit, could shape the larger environment in which the BJP makes its foreign policy. Echoing Xi's ideas, Chinese experts suggest that Beijing may be able to leverage Modi's development ambitions to enmesh Delhi in a Chinese version of regional order.

### **Strategic Competition and the Status Quo: Chinese Concerns About India**

India's relationship with China has been fraught with distrust since the collapse of the historic friendship attempted under Nehru and Mao, and the Sino-Indian Border War which followed in 1962. Just this past year, despite a goodwill visit by Chinese Premier Li Keqiang, the Indian government announced its approval of the Himalayan "mountain strike force" which would allow India to move troops into Chinese territory for the first time. Approval of the long-debated "strike force" was likely influenced by the Himalayan standoff that preceded the visit of "the smiling Chinese Premier," as Li was described by an Indian newspaper (*Indian Express*, May 22, 2013).

The government of Manmohan Singh ushered in new levels of India-American cooperation. This concerns Chinese foreign policy thinkers who believe that India could become part of an American "containment" policy. In April 2012 India tested the Agni-5 ICBM, expanding the scope of India's nuclear deterrent, and bringing the whole of China in range for the first time. "India's border patrol policy is only one small part of its military readiness against China," wrote Palash Ghosh in the *International Business Times*, also quoting Kapil Patil, from the Pugwash Society, a New Delhi-based military research group: "India's overall land warfare strategy vis-à-vis China is determined by its deterrence posture, layered at both conventional and nuclear levels. Maintaining credible nuclear and conventional capabilities is therefore essential, not only

for deterring the Chinese military threat but also for improving India's overall bargaining position in border settlement talks with China" (*International Business Times*, April 9).

Narendra Modi was vocal about the territorial dispute during his campaign, famously stating this year at a campaign rally in Arunachal Pradesh, a *de facto* province of India which China claims as its own territory, that "The world does not welcome the mindset of expansion in today's times. China will also have to leave behind its mindset of expansion" (South China Morning Post, February 22). His words at an Ex-Servicemen's Rally in Rewari in September 2013 were even more direct: "Everyday, we are surrounded by dangers..China keeps threatening us often, it intrudes our land [sic]. Not only this, it is trying to bar down the waters of Brahmaputra, to capture Arunachal Pradesh from us" ([www.narendramodi.in](http://www.narendramodi.in)).

Chinese foreign policy experts have suggested that this is merely campaign trail rhetoric. The Sino-Indian border has remained largely stable in decades since the Sino-Indian Border War of 1962. However, the intensification of China's territorial disputes with Japan, Vietnam and the Philippines could offer an Indian prime minister an opportunity to work with other regional powers against China in pursuit of its territorial claims.

Chinese analysts have closely watched India's, and Modi's, interest in strong relations with Japan, which would likely complicate China-India relations on any level that is not purely economic. Though a scholar of China-India relations, Professor Wang Dehua, President of the Special Commission for South-Asian Studies, Shanghai Association for International Studies, and Vice President of Shanghai Institute for International Strategic Studies, is thinking about Japan. "They are trying to establish an Asian NATO; they call it the Democratic League. Japan, Korea, India, Taiwan, Australia, Philippines and Singapore, under the United States. Do you think that the Democratic League in Asia could be formed?" he asked with concern (Author's Interview, Shanghai, May 23).

The United States is expected to remain in the background of China-India relations, both as an active player in Asia, and also as a power which China can use as a foil to promote its own approaches to India and the world. Chinese popular media has spoken of the notion of India as a major player in a world in which "the small clique of America, Old Europe and Japan is the competitive opponent of the BRICS [Brazil, Russia, India, China and South Africa]," "the American people have started to become sick of taking on the burdens of global responsibility," and "China's defense budget continues to grow by double digits while actual American military budgets ceaselessly slide" (*Youth Reference*, in *Xin Chuanqi*, No. 17).

Some Chinese experts are hopeful that the Modi government, due in part to the new Prime Minister's past personal troubles with the United States—he was denied a U.S. visa for years due to his alleged involvement in the Gujarat riots of 2002—will lead India to move away from the pro-U.S. policies of Congress and Manmohan Singh.

### Modi's Choice: Two Visions of an Asian Order?

Chinese scholars see international summits as a place for promoting China-India “strategic partnership,” including forums such as the CICA Summit held in Shanghai, during which President Xi Jinping and Russian Prime Minister Vladimir Putin signed a \$400 billion natural gas deal and kicked off a week of Russia-China naval exercises in the East China Sea. Professor Wang said that China “will promote India's participation in the G20, CICA, SCO and BRICS. In these formations we can promote China-India cooperation.”

“When Xi Jinping came to power, he emphasized neighborly diplomacy,” says a Chinese scholar at a prestigious institute of Indian studies, set up by Zhou Enlai following the Sino-Indian Border War in 1962, and who wishes to remain anonymous (Author's Interview, May). “India now plays a very important role in our external framework. From an official level, India will be as important as the United States, EU and Russia—on a first-tier level. China wants to establish a peaceful and stable environment for development. For this, we need India. You see how many India centers have been established in China. For us, India is a rising power.”

At CICA, delivering the keynote address before leaders of Middle Eastern, East, South and Central Asian nations, including the Foreign Minister of India, Chinese President Xi Jinping set out his vision of an Asia in which the principles of “respect for sovereignty, independence, territorial integrity and mutual non-interference in internal affairs” would govern international relations, noting also that “strengthening military alliances aimed at third parties does not benefit the preservation of a common security region” (China News Online, May 24).

Xi noted that “For Asian countries, development is the greatest form of security,” summing up a Chinese vision of “soft power” for use not only in Asia but around the world. Lieutenant General Wang Guanzhong echoed this vision at this year's Shangri-La Dialogue in what became a notorious verbal standoff between Wang and delegates of the United States.

“The strategic aspect cannot change too much. For India, first there are India-U.S. relations, and second, there are India-China relations,” said an expert who wishes to remain anonymous.

“We think there will be some argument in the new government about the two bilateral relations. Some people think Modi will go closer to the U.S. Others think that Modi won't be held back by the historic burden [of China-India relations, including the Border War]. So we are very eager to see what will happen” (Author's Interview, May 2014).

“He won't be soft on some disputed issues like the border issues, water issues and maritime issues. [But] my personal view is that there will be some contradictions between the U.S. and India. India doesn't want to take some burdens from the U.S. because it doesn't have the ability, and doesn't want to be a pioneer of U.S. strategy in this region. India wants to develop, wants to solve domestic problems—doesn't want to become a part of U.S. strategy.”

### China's Hope: Modi the Economic Reformer

Chinese experts and policy makers see a way out of any “India-driven” strategic emphasis—rather than confronting China, some believe that Modi will seek to learn from Chinese growth and will focus on integrating the two economies. “Modi will have a major impact on China-India relations,” says Wang Dehua. “For China, it will be good news—because he will put the focus on economic relations.”

Modi's economic stewardship of Gujarat, which grew rapidly during his tenure, was widely cited in Chinese coverage of the Indian election, and the concept of Gujarat as India's “Guangdong” province—referring to the southern province in which economic reforms were tested under Deng Xiaoping—has been circulated alongside the idea that Modi's India will chose the “Chinese Model” for growth. Comparisons with China are frequent in India, and the Modi election has revealed a deep thirst for India to act upon what many see as its untapped economic potential.

New Delhi was the first visit that Premier Li Keqiang made overseas, in a symbolic gesture to open a new era of “strategic partnership” and it is said that Xi Jinping will visit New Delhi for the first time this year. In 2013, Li offered a “handshake across the Himalayas” in the editorial pages of *The Hindu* ahead of his visit and the two countries have set a goal of increasing bilateral trade to \$100 billion by 2015, up from \$66.5 billion in 2012 (*The Indian Express*, October 23, 2013).

China's key economic and energy security initiative, the “New Silk Road,” is another initiative in which China sees the opportunity to engage with India. The “New Silk Road” follows, as in its ancient and medieval history, two routes west from China—the first is through Central Asia, and the second, “The Southern Silk Road” passes from Yunnan, through

Burma and into the Bay of Bengal and Indian Ocean. “When Premier Li visited India last year, his ambition was to connect with India’s “Look East” policy,” says Professor Wang. “We are looking west. We can connect. When Modi visited China [in 2011], he was eager to attract investment from China, and to learn from Shanghai, Guangdong and China’s experience of opening to the outside world. Some ask whether the cabinet will have to be reshuffled, because they have been focused on politics and security—and now [they will be] focused on economics.”

## Conclusion

While Xi and Li may do their best to shift the focus of the relationship, fundamental challenges will endure. To give an example: “There is a very strong fear in India about China’s intentions in the Indian Ocean,” says Professor Zhang Li, who directs security and diplomatic studies at Sichuan University’s Institute of South Asian Studies. However, good relations with India will remain a key feature of Chinese strategic vision. Professor Li believes that the Indian Ocean will be the most important conduit in Chinese geopolitics—the place through which the majority of China’s energy supplies transit for “the next forty years” (Author’s Interview, May 2014). Whether economic-driven relations or a CICA-like security framework will appeal to the Modi government remains to be seen.

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## Asian Economic Integration Fuels PRC Frustration With U.S. Alliances

By Timothy R. Heath

*PRC leaders and media commentary have stepped up criticism of U.S. efforts to strengthen its alliances as counter-productive for the region’s long term security. Deep structural drivers related to China’s pursuit of economic growth underpin these views, making it unlikely Beijing will be easily dissuaded from its efforts to shape the current order. Creative policy making will be needed to address the roots of PRC anxieties in a manner that maintains the interests of China, the United States and its Allies and upholds regional stability and peace.*

While the back and forth between the Chinese and U.S. and Japanese speakers at the Shangri-La Dialogue has gained considerable attention, less scrutiny has been paid to the comments by General Wang Guanzhong advocating a “new Asian security concept.” His comments echoed those of Xi Jinping, who outlined a vision of an Asian security order managed by Asian countries at the Conference on Interaction and Confidence Building Measures (CICA) held on 20-21 May in Shanghai.

In many ways, advocacy of a revised security order to better accord with Chinese preferences is not new. PRC officials first introduced the principles of the new security concept in 1997. Around 2005, Chinese leaders introduced a series of major concepts, including “Harmonious World,” and its derivative, “Harmonious Asia,” to provide a clearer vision of how China hoped to shape the global and regional order to accommodate the country’s rise. The Asian new security concept introduced by Xi at the CICA summit, like the ideas promoted by preceding leaders, proposes the development of political and security relationships, institutions and structures to complement China’s growing economic clout and to replace the U.S.-led system of alliances as the basis of the region’s security architecture.

The sources of China’s growing dissatisfaction with the U.S. alliance system are deep and structural. They have little to do with the personal preferences of PRC leaders. Nor do they stem from reactions to statements by individual leaders or U.S. policies, such as the Rebalance, although these may aggravate Chinese frustrations. Criticism of U.S. “hegemonism” and “Cold War mentality” has a long history, but for years these have been aimed at specific policies, such as arms sales to Taiwan. The latest round of criticism, by contrast, is more generally aimed at structural obstacles to China’s pursuit of economic growth and security. In the eyes of PRC leaders, the U.S.-led system of security alliances and partnerships in Asia is one of the most important of these obstacles.

To be clear, Chinese leaders have not designated the United States an enemy. On the contrary, the urgency behind China’s advocacy of the “new type great power relationship”—a policy ideal of close cooperation between relative peer powers to co-manage contentious issues—demonstrates the extent to which China, as a rising power, has hoped to avoid the onset of a classic security dilemma with United States, the status quo power. China continues to require regional stability to maintain its focus on national development. However, a powerful and regionally integrated China is increasingly finding its security and development needs at odds with the current security order.

## Regional Integration Increasingly Key to PRC Growth

The view that China's growth hinges on its ability to promote regional economic integration is critical to understanding the roots of China's frustration with the U.S. alliance system. Directives in high level strategy documents such as the 18th Party Congress report and Third Plenum decision, and the establishment of central leading groups focused on systemic reform, underscore the urgency with which PRC leaders continue to regard structural reform as crucial for enabling sustainable economic growth.

At one of the first meetings of the recently formed National Security Commission (NSC), Xi stated, "Development is the foundation of security. Security is the condition of development. We stress our own but also common security [with other countries]." Through the NSC and other newly formed small leading groups, China's leaders have sought to enact systemic and structural changes that can facilitate the country's comprehensive development and improve security both internally and externally (Xinhua, April 15).

As an export-oriented economy, China's growth increasingly rests on its ability to leverage the rapidly growing markets and abundant resources of Asia through economic integration. By some estimates, one third of Asia's trade may be intra-regional by 2020 (*Business World Online*, May 22). China seeks to deepen Asia's regional economic integration to realize this potential. Reflecting the importance of this issue, the Third Plenum of the 18th Party Congress directed officials in 2013 to "accelerate" the establishment of a "free trade area" with the "periphery region as the basis" (*People's Daily*, May 29). At last fall's Central Work Forum on Diplomacy to the Periphery, Chinese officials designated the periphery a "priority direction" for the nation's diplomacy (*China Brief*, November 7, 2013). The directive adds impetus to regional trade and economic cooperation initiatives such as the Bangladesh-India-Myanmar-China economic corridor, the China-Pakistan economic corridor, the Silk Road Economic Belt, the 21st century maritime Silk Road, China-ASEAN free trade area and the Regional Comprehensive Economic Partnership (on the Silk Roads, see *China Brief*, June 4).

## Realigning Regional Security with the New Economic Reality

To realize its economic potential, Asia requires stability and security. "Security," stated Xi at the CICA summit, is the "precondition for development." PRC media articles point out that without security, Asia "cannot maintain its role as the engine of the world's economic growth" (Xinhua, May 20). Chinese leaders have similarly premised the realization of the

country's economic potential on security provided by a stable domestic and international order.

PRC leaders view the development of a security and political architecture centered on Chinese power as a natural complement to the country's dominance of the regional economy and the most lasting way to realize Asia's growth potential. In his speech to the CICA Summit, Xi noted that Asia had "come to a crucial stage in security cooperation." He criticized "outdated thinking from the Cold War" and instead advocated for the need to "innovate our security concept" and "establish a new security cooperation architecture." Beijing argues in increasingly explicit terms that its size and economic dominance should give it the right to determine the main features of the region's security architecture. In his speech at the Shangri-La Dialogue, Wang stated, "major countries should shoulder major responsibilities for maintaining security and stability," while conceding that "medium and smaller countries can also play a role." He stated China, as a "responsible major country," intended to do its part to promote security for Asia.

Chinese theorists argue that the contradiction between China's economic dominance and U.S. military superiority lies at the heart of many security issues in Asia. One typical article argued that the "root cause" of all kinds of security problems in Asia lies "partly in the eastward shift and decentralization of power as a result of globalization." Asia's inability to be "self-reliant" encourages many countries to rely on the United States for security (*People's Daily*, May 24).

To resolve this issue, PRC leaders advocate the development of an alternative set of structures and mechanisms to better accord with China's regional economic dominance. A Xinhua article explained that the "Asian new security concept" seeks to establish "new mechanisms" to enable "Asians to manage security issues." It explained that building such a system is "more in line with the interests of Asian countries" (Xinhua, May 21). Examples cited include the various institutions, dialogues, and other mechanisms related to the Six Party Talks, Shanghai Cooperation Organization and CICA. Xi also highlighted the formulation of a "code of conduct for regional security," and the establishment of an Asian law enforcement and Asian security emergency center among other measures at the CICA summit (Xinhua, May 21).

## U.S. Alliances: Obstacle to Regional Integration?

PRC criticism increasingly depicts the entire system of alliances as counterproductive to the region's long term security. At the CICA summit, Xi stated that "It is disadvantageous to the common security of the region if military alliances with third parties are strengthened." Official commentary has been

blunter. The strengthening of alliances, noted a representative article, has “sharpened regional contradictions and created tension and antagonism.” This has “interfered with and retarded the Asian regional economic and trade integration process” (*People’s Daily*, May 11). Some of this concern draws on fears of U.S. containment, as seen in a Xinhua article that stated, “We cannot just have security for one or a few countries while leaving the rest insecure” (Xinhua, May 21). A typical *People’s Daily* commentary similarly explained that the U.S. effort to enhance its security presence in Asia “binds military allies and partner countries to U.S. strategic interests.” It also “pushes them into the frontline of containing China” and exploits the maritime disputes to “sow discord between China and the countries on its periphery” (*People’s Daily*, May 5).

China also regards U.S. alliances as a source of threat to stability and security. Commentators frequently blame the United States for encouraging its allies and partners to provoke China over territorial disputes. This is especially true of U.S. alliances with countries that have antagonistic relations with China. Beijing finds the U.S. alliance with Japan more problematic than it does the U.S. alliance with countries like Thailand, with which China enjoys far more stable relations. In China’s eyes, an alliance with the United States emboldens countries to provoke Beijing on sovereignty disputes, threatening instability and potentially conflict. Antagonism with neighboring powers like Japan and the Philippines also threatens to escalate into a war that could draw in the United States, a disastrous possibility Beijing dreads. Reflecting these frustrations, one Xinhua commentary article bitterly noted that “the United States has not taken any concrete measures to check its defiant allies from confronting China” (Xinhua, April 26). U.S. efforts to reassure its allies through the Rebalance intensify these anxieties. The same article claimed that strengthening U.S. alliances can “achieve nothing other than buttressing an unstable status quo.”

Chinese critics also contend that the U.S. system of alliances and partnerships is too limited in capacity and narrow in its focus to adequately address the range and complexity of security issues in Asia. PRC media routinely criticize as destabilizing U.S. efforts to deter North Korea through military exercises and presence, advocating instead a reliance on dialogue through the Six Party Talks (Xinhua, March 25). Articles also question the ability of the United States and its allies to manage non-traditional threats. Regarding transnational crime, terrorism and other threats, a recent Xinhua article claimed that the United States had “failed to win confidence that its power could, or at least is willing to, protect the interests of Asians from disaster” (Xinhua, April 26).

All of these grievances lead to a larger point. In Beijing’s eyes, the U.S.-led security architecture is outliving the usefulness it

formerly provided by ensuring regional stability. Instead, China views the alliance system as increasingly incapable of providing lasting security and itself a potential source of threat. In the words of one Xinhua commentary, the “rhetoric of a peaceful Asia will be empty as long as the Cold War security structure remains” (Xinhua, May 21).

The deep sources of opposition explain in part why U.S. leaders encounter such difficulty in trying to reassure Beijing that a strengthening of the U.S. security architecture need not pose a threat. As an example, Chinese commentators linked Secretary Hagel’s comments at the Shangri-La Dialogue on US contributions to regional security to his criticism of Chinese actions. A typical Xinhua piece criticized Hagel’s promotion of “freedom of navigation and respect for international law” as “rhetoric” which concealed a “unilateral approach that is in line with the U.S. security philosophy.” The same article concluded that the security approach advocated by the U.S. and its allies “bring risks to the region” and “drives discord among Asian nations” (Xinhua, May 31).

### Conclusion: Creative Policy-Making Required

To date, most observers have interpreted Xi’s pursuit of structural and systemic change in terms of domestic policy. The CICA speech and General Wang’s message at the Shangri-La Dialogue confirm that the same directives carry profound implications for China’s foreign policy as well.

Chinese leaders seek structural reform to both the domestic and international order. Because these reforms are viewed as necessary for the country’s continued development and survival, Beijing is unlikely to abandon these demands. On the contrary, the imperative to sustain development will likely add pressure to realize these changes over time. For these reasons, China can be expected to deepen efforts to build an alternative set of institutions, mechanisms and structures that better suit its strategic needs, while supporting elements of the current order that do not threaten PRC interests and avoiding confrontation with the United States. The PRC hope is that the new order, more strongly rooted in the source of Asia’s economic power, will demonstrate superior vitality and over time render a U.S. role superfluous. As a hedge, China also continues to develop powerful counter intervention capabilities should efforts to peacefully resolve this issue of strategic divergence fail.

The United States is thus likely to find its system of alliances and partnerships in Asia an increasing source of contention with China. Senior U.S. policy makers have made clear that the United States has legitimate and important strategic interests in Asia. Moreover, the United States retains considerable strength as the dominant power in the region, even if some of

its relative advantages have declined in recent years. This leaves China, the United States and its allies with increasingly complex and difficult decisions. Reassuring Beijing requires the U.S. to either weaken or redefine its alliance system to accommodate China's security preferences. Reassuring allies requires a greater U.S. willingness to confront China in sovereignty disputes and other issues. Fortunately, all countries recognize the stakes of mishandling this critical question and the importance of cooperation to address these difficult issues. Nevertheless, China and the United States and its allies will need to step up creative policy making to balance these competing concerns and ensuring lasting peace and stability for the region.

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