



In This Issue:

**IN A FORTNIGHT**

By Nathan Beauchamp-Mustafaga ..... 1

**THE WOLVES OF ZHURIHE: CHINA'S OPFOR COMES OF AGE**

By Gary Li ..... 3

**“SERVE IN A COMPANY” AND “SWITCH POSTS”: MIX OF OLD AND NEW IN RECENT PLA PERSONNEL POLICIES**

By Cristina Garafola ..... 7

**WITHOUT LIPS TEETH FEEL THE COLD? CHINESE SUPPORT FOR RUSSIA IN THE UKRAINE CRISIS**

By Clark Edward Barrett ..... 9

**“HOPE” VERSUS “HYPE”: REFORMS IN CHINA'S FREE TRADE ZONES**

By Priyanka Pandit ..... 13



Major General Ji Mingkui, the most prolific PLA writer on the New Silk Road.

(Credit: Xinhua)

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## In a Fortnight

### DISPATCH FROM BEIJING: PLA WRITINGS ON THE NEW SILK ROAD

By Nathan Beauchamp-Mustafaga

Chinese President Xi Jinping’s “New Silk Road” has become a signature policy initiative, with over 50 countries participating and a new \$40 billion Silk Road Fund to ensure its success (see [China Brief](#), December 19, 2014; [Xinhua](#), February 5). First espoused in 2013 by President Xi, the Silk Road Economic Belt and the 21st Century Maritime Silk Road, also known as “one belt, one road,” places China’s growing economy at the center of a global trading network. While there is no public military component to the New Silk Road, the People’s Liberation Army (PLA) has become an active participant in China’s internal debate over its future shape and implications.

By far the most prolific PLA author on the New Silk Road is Major General Ji Mingkui, a professor at China’s National Defense University (NDU). Ji’s writings see the New Silk Road as an economic panacea to the vast majority of China’s diplomatic and security problems with its neighbors, and also carry an underlying current of strategic competition for influence with the United States and Japan. Ji claims that the “Maritime Silk Road will promote regional security

and cooperation, cool the South China Sea issue and be beneficial to realizing the Asian Dream” ([China.org](#), November 19, 2014). Reflecting the role the New Silk Road plays in Ji’s version of U.S.-China competition, he notes that increasing Chinese investment in the region will be good for “creating a new image of China,” and that as the U.S. Rebalance to Asia “loses energy, Beijing is winning influence in Asia, and Beijing is already the main economic driving force in the region.” Ji later wrote that the China-Thailand railway project functions as a “bridge” between the land and maritime silk roads, and since Thailand is the transpiration hub of Indochina, all other high-speed rail projects must comply with this railroad building standard. This, argues Ji, will “restrain Japanese influence in Indochina—if Japan wants to strengthen cooperation with Vietnam, it will be forced to consider cooperation with China to join the standard” ([China.org](#), December 12, 2014; [China.org](#), December 24, 2014). In order to overcome geopolitical risks and historical or cultural issues that might impact its success, Ji suggests that China “should mobilize the forces of overseas Chinese in countries along the route and encourage them” to use their “social resources to promote official and personal multi-level international cooperation” ([China.org](#), December 1, 2014).

Following President Xi’s visit to the Maldives and Sri Lanka, Ji wrote that the trip “built the foundation for the Silk Road Economic Belt,” while also saying China and India can turn the New Silk Road into the “Community of Common Destiny Road” ([China.org](#), September 19, 2014). Turning to Central Asia, Ji contends the Silk Road Economic Belt provides new momentum for the Shanghai Cooperation Organization’s (SCO) development and that the recent 2014 heads of government meeting “started the process of Silk Road Economic Belt security building” ([China.org](#), December 16, 2014). Reflecting this linking of economic and security issues, Ji added that the Silk Road provides an opportunity for the SCO to expand from the security field to economic development and realize the benefits of both.

Other PLA experts often follow Ji’s implicit but clear link between the New Silk Road, security cooperation and countering U.S. influence. Colonel Bao Shixiu, a Senior Research Fellow at the Academy of Military Science (AMS), couched the New Silk Road as part of an arrangement between China and its neighbors for

Beijing to provide economic opportunities in return for security cooperation ([YouTube](#), June 15, 2014). Colonel Bao said China is “ready to share its [economic] opportunities with [its] neighbors” through the New Silk Road, but “at the same time, it needs their cooperation in addressing problems such as terrorism, cross-border crime and drug trafficking.” He then quoted President Xi’s speech at the Conference on Interaction and Confidence Building Measures in Asia (CICA) in May 2014—“security problems in Asia should be solved by Asians themselves”—and added that “outsiders should consciously exit the game” (see [China Brief](#), May 23; [Ministry of Foreign Affairs](#), May 21). Ji also wrote that the “one belt, one road” initiative “will create new growth and new space for cooperation; the mainland’s concept of pursuing development through cooperation and interconnection is directly changing people’s security perception, breaking the hegemon’s dominance and monopoly” ([China.org](#), June 23, 2014).

PLA experts also often seek to demonstrate China’s history of pacifism and allay fears that the New Silk Road will be used to promote China’s growing military power by citing Chinese Ming dynasty explorer Zheng He’s voyages along the ancient Silk Road, echoing a common Chinese refrain. Most prominently, Sun Sijing, a member of the Central Military Commission, used the ancient Silk Road to contrast Chinese exploration against Western colonization. He said China “brought the world culture, friendship and wealth; not war, killing and enslavement.” Sun added that Zheng He “did not seize one inch of land, and did not seek maritime hegemony,” but instead “sowed seeds of peace and civilization” ([Academy of Military Science](#), November 2, 2014). Zhou Bo, an honorary fellow at the AMS, sought to dispel a link between the “String of Pearls” theory and the Maritime Silk Road ([China-US Focus](#), February 11, 2014). Zhou argued that China is not pursuing the “String of Pearls” because Beijing can accomplish its goals of economic gains and secure sea lines of communication (SLOCs) through trade and international anti-piracy missions, respectively. Zhou believes that the New Silk Road, among other major initiatives, will “fundamentally change the political and economic landscape of the Indian Ocean and benefit all countries in the region” and “help to mitigate security concerns.” Mirroring Sun, Zhou wrote that Zheng He’s “voyages were not aimed for conquest of peoples or of territory” and he “didn’t venture to establish bases

either.”

This ties into a discussion of how the New Silk Road supports China’s peaceful development. Writing in the *People’s Daily*, two scholars at NDU assert that China has “broken with the old historical logic of ‘a strong country must be a hegemon,’ ” stating that “ ‘one belt, one road’ is a road of peace” and “brings the China Dream and the world’s dream closer together” (*People’s Daily*, December 24, 2014). They argue that “building ‘one belt, one road’ helps relevant countries promote joint security through cooperation, effectively manage differences and disputes, advance every country’s coordination and harmony, and makes countries along the route walk the road of peaceful development.” They also contend that “at the same time, [the New Silk Road] has important significance for guaranteeing China’s strategic security; expanding its strategic space, stable energy supplies and guaranteeing its economic security; and breaking through the strategic encirclement and containment of China.” Likewise, Ji argues that the New Silk Road is “a new model of international cooperation and standards that breaks from the model of Cold War thinking” and “can reduce differences and unhealthy competition” ([China.org](#), December 1, 2014).

PLA experts have also been involved in conferences on the New Silk Road to promote their ideas on the topic, inside and outside of China. Scholars from the AMS participated in a discussion on the Maritime Silk Road in Fujian province ([CASS](#), September 16, 2014). Colonel Bao Shixiu, quoted above, spoke at the Schiller Institute in New York on the “New Silk Road and New Asian Security Architecture for Asia” ([YouTube](#), June 15, 2014). Zhu Chenghu, a professor at NDU, participated in a conference on U.S.-China relations and the New Silk Road in Xi’an ([Xi’an Jiaotong University](#), January 16, 2015). Zhang Xiaotian, a Ph.D. at NDU, spoke on the challenges to “one belt, one road” at Tsinghua University ([Tsinghua University](#), 2014).

The PLA’s evident interest in the New Silk Road does not necessarily suggest there is an unspoken military component to President Xi’s initiative, but rather that analysts should also be conscious of the PLA’s thinking on the issue and how the military’s outsize influence in decision-making may affect policy going forward.

*Nathan Beauchamp-Mustafaga is the editor of China Brief.*

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## The Wolves of Zhurihe: China’s OPFOR Comes of Age

By Gary Li

Between May 31 and July 28, 2014, the Chinese People’s Liberation Army (PLA) began the annual large-scale exercise codenamed “Stride 2014.” The Stride exercises have been a regular occurrence, focusing largely on the rapid deployment of large field formations into unfamiliar territory and conducting confrontation drills. The 2014 version, however, was different in its scale, unit composition, intensity and the nature of the opponent the units faced. No fewer than seven of the PLA’s top brigades from seven different group armies (GA) were deployed to the Zhurihe Training Base in Inner Mongolia, under the Beijing Military Region. During the six confrontation exercises that followed, only one resulted in a victory for the visiting “Red Forces” (REDFOR), and at heavy cost. The drubbing received by the REDFOR actually reflects a new age in PLA training that is closely linked with the unit that taught them the lesson, China’s first dedicated opposing forces brigade (OPFOR). [1]

The visiting forces were under simulated attacks from the moment they arrived at their marshalling areas, and then placed under continued nuclear, biological and chemical (NBC) as well as air attack throughout the exercises ([Xinhua Net](#), June 24, 2014). The OPFOR possessed total dominance in the air and artillery arenas as well as tactical advantage due to advanced reconnaissance being denied to the visiting units. Most of the units lost 30–50 percent of their forces by the time they came into contact with the OPFOR, and some lost up to 70 percent by the time their exercise segment ended. Never before has the PLA been given such a test by such an opponent, and the Zhurihe experiment sent shockwaves throughout the officer corps.

### The Birth of “Blue Force”

The Zhurihe Training Base in the Inner Mongolian desert has been an important training ground for China’s armored troops since 1957. However, it was only from 2007 that it evolved from a simple target range to a combined arms training center. This was a surprisingly long time coming

## “Stride 2014” Exercises Participants and Results [2]

Exercise Segment	Military Region (MR)	Army Unit	Result vs. OPFOR
A	Nanjing	12th Group Army (GA), 2nd Armored Brigade	Lost
B	Guangzhou	41st GA, 122nd Mechanized Brigade	Lost
C	Jinan	20th GA, 58th Light Mechanized Brigade	Lost
D	Shenyang	16th GA, 68th Mechanized Brigade	Win/Draw
E	Chengdu	14th GA, 18th Armored Brigade	Lost
F	Lanzhou	47th GA, 55th Motorized Brigade	Lost
n/a*	Beijing	27th Group Army (GA), 7th Armored Brigade	n/a

\*Did not participate in “Stride 2014,” but was possibly used as a test unit before the main exercises

as the PLA has been acutely aware of its backwardness since the 1991 Gulf War, after which the speed of military modernization increased drastically. Previous OPFOR units were largely on very short rotations and mimicked Soviet formations, which were the main land adversaries during the Cold War. Despite the disintegration of the Soviet Union in 1991, this remained largely unchanged until the 2000s. This transformation was given extra impetus since Chinese President and Commander-in-Chief Xi Jinping came to power in 2012, when he decided to implement reforms within the PLA in order to achieve a fighting force that “can fight and win battles” (*PLA Daily*, February 21, 2013).

The mysterious “Blue Force”—as the PLA terms its OPFOR—is actually the 195th armoured brigade from the 13th GA (formerly the 1st Armored Division, 65th GA, one of the early pioneering units in “informatized warfare”). This unit appears to have been retrained during 2013 and activated in January 2014. By March 2014, the Central Military Commission (CMC) under President Xi issued the directive “*Recommendations Concerning the Improvement to the Realism of Military Exercises*” (*Xinhua*, March 20, 2014), and the 195th was to be the “grindstone.” “Stride 2014,” therefore, was personally

approved by Xi according to the new “*2014 to 2017 Trans-Regional Base Located Training Regulations*” (*Liao Wang Dong Fang*, August 6, 2014).

Although the unit is equipped largely with obsolete equipment, such as Type 59 main battle tanks (MBT) and Type 63 armored personnel carriers (APC), its strengths are actually in its deep integration into combined arms. Also through the large-scale deployment of laser engagement systems similar to the Multiple Integrated Laser Engagement System (MILES) used by the U.S. military, the unit quite possibly simulated M1s and Bradley Infantry Fighting Vehicles. This is never implicitly acknowledged by official media but open source evidence seems to suggest that the unit sometimes utilizes doctrine similar to that of U.S. Brigade Combat Teams, meant the 195th proved to be a lethal opponent (*China Military Net*, June 16, 2014).

The 195th is commanded by Colonel Xia Minglong, who was the deputy chief of training for the Beijing MR until he was given command of the OPFOR brigade in January 2014 (*Ministry of National Defense*, February 4). According to media interviews, Xia was already aware that his new brigade would be taking on the best of the

PLA later on in the year. The brigade only completed its reorganization in April 2014, only 20 days before the first “Red Force” arrived at Zhurihe. Pointedly, he described previous types of training as “overly formal, with little achieved... even though many commanders want to put training on a more realistic basis, there was little in their minds as to how this should be achieved—largely due to a lack of combat experience over many years” ([Liao Wang Dong Fang](#), August 6, 2014).

Prior to the establishment of the OPFOR brigade, opposing forces were always made up of rotated units with little experience in the role. This is due to political as well as doctrinal issues. If an OPFOR unit defeats a high-profile visiting unit, then there is a chance that the senior generals of the latter will take offense, something that within a military such as the PLA—with its intricate web of patronage and personal allegiances—can prove disastrous to one’s career. Therefore, institutionally, there had been little incentive for OPFOR officers to try and defeat visiting forces ([Sina Military](#), August 8, 2014).

The composition of the visiting “Red Forces” was also different in 2014, with the focus on “combined brigades,” namely brigades with several other service arms attached. In essence the PLA was testing the effectiveness of the ‘brigadization’ reforms conducted in the early 2000s, when divisions were streamlined into highly mobile mechanized brigades. The results from “Stride 2014” seem to suggest that there is much improvement yet to be made.

The nature of the exercises was very different from previous brigade-sized maneuvers. These ranged from the doctrinal—no more scripted confrontations, to the mundane—no more large red banners and flags on the vehicles. Everything was done to create “realistic real-war conditions” ([PLA Daily](#), December 31, 2014). The most significant change, however, was in “allowing” the OPFOR to win. The role of previous, temporary OPFORs was to delay and obstruct the “Red Forces” but not to defeat them. Thus a Red brigade commander could previously issue commands that resulted in large losses without fearing defeat. However, the painful defeats inflicted on “Red Forces” in “Stride 2014” were not only highlighted as a major takeaway from the exercises, but also gleefully rammed home repeatedly by official PLA media coverage ([Xinhua](#), June 22, 2014).

## The Aftermath

The purpose of the “Stride 2014” exercises was significant. Strategically, they were designed to shake the PLA out of its sense of peacetime complacency and to face up to its primary responsibility of fighting and winning wars. Operationally, they removed the safety blanket of operating in familiar surroundings and forced the units to fight in locations not of their choosing against a foe that fought differently. Tactically, units discovered the difficulties of operating their equipment while under such constant attack and electronic interference, forcing officers at all levels to improvise their attacks. Politically, and arguably the most important objective, has been the removal of the risk aversion factor in the exercises. No recriminations against the OPFOR brigade were allowed, and reports of defeats were encouraged ([PLA Daily](#), November 11, 2014).

One of the other key issues identified during the exercises was the proper usage of new equipment. Several of the formations that were defeated by the OPFOR possessed the most advanced hardware within the PLA, including Type 99 and Type 96 MBTs as well as Type 04 IFVs. Nearly all the formations possessed highly mobile, organic, mechanized or truck mounted artillery. In essence, they represented the fruits of two decades of hardware upgrades for the ground forces aimed at fighting a fully mechanized war. However, these did not save them from defeat. The only unit that scored a win/draw was equipped with the most advanced Type 99 MBTs, but it was a scratch battalion led by a captain (the higher ranking commanders all having been ‘killed’) that “won” the fight ([Guancha](#), July 8, 2014).

The main organizer of “Stride 2014,” Senior Colonel Yang Baoyou, a professor at the Shijiazhuang Command College (the PLA equivalent of West Point), told Xinhua afterwards that the Zhurihe experiment was intended to expose the shortcomings of combat units at a fundamental level, some of which include “weak command abilities, inefficient collaboration between units, inability to utilize new equipment to their advantage,” among other issues. Yang points out that these are all largely due to a previous regime of “incomprehensive, low standard, and low objective training programs” ([Modern Express](#), August 8, 2014). It is clear that the reason for the choice of units—one brigade from each military region—was so the lessons learnt can be taken back to their respective regions and that no one can say that they could have done

better.

### The Future of Zhurihe OPFOR

It was not only the regular army units that would be pitched against the 195th in 2014. Over the course of the year, no fewer than 20 exercises were held at Zhurihe, including the annual Shanghai Corporation Organization (SCO) “Peace Mission 2014” in August, and even a visit from one of the two PLA Marine Brigades ([China Youth Daily](#), February 13, 2014). Traditionally based in the south, the brigade was thrown against the newly activated 195th in February 2014 and returned for a rematch in 2015 ([Guangcha](#), February 5). It is evident that the PLA is keen to test all of its formations outside their comfort zones. According to the PLA Daily’s Weibo account on February 5, 2015, ten brigades from all seven MRs will descent upon Zhurihe to take on the OPFOR for the 2015 “Stride” exercise. The difference this year will be that each battle will be broken down into three rounds, perhaps to allow the “Red Forces” time to assess their shortfalls and attempt to overcome them.

The commander of the OPFOR is not complacent about his brigade’s achievements in 2014 either, and highlighted his concerns of two main bottlenecks for the brigade’s continued development, namely personnel retention and advanced equipment. In terms of the former, Colonel Xia stated that it is difficult to find the right officers, who are versed in “foreign combat doctrine,” and to retain them. In terms of the latter, despite simulating the latest in western MBTs, the OPFOR brigade’s aged Type 59s will require replacements in the future ([Liao Wang Dong Fang](#), August 6, 2014).

It is highly unlikely that the PLA will let the OPFOR’s fighting qualities be eroded by the usual PLA issues of personnel retention and political backlashes. It is clear from “Stride 2014” that this formation has embodied everything that President Xi has called for under his tenure. However, this model will likely be permeated down to the MR level, and regional OPFORs will also be set up to train other local forces. Considering the size and distribution of the PLA, this localization of the “Zhurihe model” would go far in tempering the fighting qualities of the ground formations.

Yet, questions still remain on whether the new training regime, with all the emphasis on realism, reflects a broad enough spectrum for the kinds of threats the PLA might have to face in future. It is uncertain whether all future

engagements will involve large-scale NBC strikes, for example; and the lack of counter-insurgency training is also glaring. The OPFOR has demonstrated at Zhurihe that the age of large-scale mechanized war might be coming to an end, but what is to replace it still remains to be answered amongst the planners of the PLA.

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### Notes

1. OPFOR exercises are a common military practice around the world, including the United States. The REDFOR are the normal PLA units and the “Blue team” OPFOR are special units intended to act as enemy units for training purposes. For reference, the United States uses “Red Teams” as the enemy. The National Training Centre in Irwin, California, has been the home of the U.S. OPFOR since 1980, where units simulating a Soviet regiment were responsible for putting U.S. mechanized units through their paces during the Cold War. Nowadays, it also specializes in training units for counter-insurgency operations.
2. The specific units of GAs were identified through open source research.

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## “Serve in a Company” and “Switch Posts”: Mix of Old and New in Recent PLA Personnel Policies

By Cristina Garafola

On January 11, 2015, Xinhua reported that a directive issued by the People’s Liberation Army (PLA) General Political Department (GPD) and endorsed by Central Military Commission chairman Xi Jinping ordered military and political officers to rotate posts at the grassroots level (*jiceng*) ([Xinhua](#), January 11). In the PLA, “grassroots level” generally refers to subunits (*fendui*) at the battalion level and below. [1] Xinhua’s report stated that, as the GPD circular noted, the new policy is aimed

at helping “train quality grassroots officers who excel as military and political officers in charge.” The new policy also applies to the People’s Armed Police (PAP) and is being implemented after a pilot program was carried out at the battalion and company level in 2014 (*Beijing Youth Daily*, January 11; *Ministry of National Defense* [MND], January 12). The grassroots position rotation policy follows a separate GPD directive from April 2013 requiring senior field-grade officers to conduct short tours as a first-year enlisted soldier in a grassroots-level position (*Xinhua*, April 21, 2013). Both policies come at a time when the PLA is looking to fulfill the goal of achieving the “strong army dream” in the Xi Jinping era, while at the same time facing old problems such broad gaps in understanding between officers and grassroots soldiers. A mix of new and old grassroots personnel policies appear to target some of these problems while providing opportunities for the PLA’s political component under the GPD to shape the training of the next generation of PLA political and military leadership.

### Historical Continuity: The “Serve in a Company” Campaign

Although some of the recently proposed policy changes are new, grassroots personnel policies have strong historical roots within the PLA and can be placed in the broader context of its development. PLA leadership emphasizes the importance of the grassroots level for two reasons. First, because most soldiers in grassroots units are not Chinese Communist Party (CCP) members, political and ideological training of soldiers via Party grassroots organizations helps “ensure the Party’s absolute leadership over the military and earnestly grasp the military’s thinking, politics and organization [as well as] ensure the Party guidelines and policies [are] carried out and implemented among grassroots units” (*PLA Daily*, October 18, 2000). More recently, a “Military Grassroots Construction Outline” (*jundui jiceng jianshe gangyao*) released in February 2015 reiterated the importance of political thought work for grassroots troops (*PLA Daily*, February 4). Second, grassroots-level units are the ones largely carrying out military operations and, hence, are seen as the foundation upon which PLA combat power is based; a July 2014 *PLA Daily* article noted that “we must consistently do a good job in strengthening grassroots force building... and truly lay a strong and solid combat power groundwork for our armed forces as a whole”

(*PLA Daily*, July 4, 2014).

Correspondingly, a series of policies have targeted both a better understanding of grassroots personnel’s needs and improvements to grassroots leadership training throughout the PLA’s history. A Party-run magazine called *CCP History Extensive Reading* (*dangshi bolan*) ran an article in December 2013 that traced the history of the “serve in a company” (*xialian dangbing*) concept back to two Party-wide directives that the PLA studied and implemented beginning in 1958, with subsequent official documents proclaiming that hundreds of thousands of cadres had participated, including hundreds of generals (*Dangshi Bolan*, September 13, 2013). According to the article, the “serve in a company” campaign requirements began to loosen in 1963 as the PLA was needed to participate in the “Four Cleanups” Movement (*siqing yundong*), and the campaign was eventually subsumed into the Cultural Revolution as it began to take off in 1966. More recently, the “serve in a company” campaign regulations were modified in 2007 and discussed at a convention in 2010 (*People’s Daily*, 2011). In this context, the revamp of the “serve in the company” campaign is not unexpected.

Based on PLA and other Chinese state media reports, the recent grassroots policies announcements are the result of directives released since Xi Jinping assumed the chairmanship of the Central Military Commission (CMC) in November 2012. The first major directive, titled the “Provision Regarding Organizing Leaders and Administrative and Functional Cadres at the Regiment Level and Above to Serve in the Company and Live in the Squad” (*guanyu zuzhi tuan yishang lingdao he jiguan ganbu xialian dangbing, duanlian zhuban de guiding*), was issued by the GPD in April 2013 (*Xinhua*, April 21, 2013). The “Provision” appears to require that officers at the regiment level or above serve in grassroots units in order to better connect high-level officers to grassroots soldiers, while potentially also providing opportunities for grassroots soldiers to learn about a senior officer’s perspective. [2]

The primary candidates for the program include commanding officers or administrative and functional cadres under the age of 55, cadres who do not have experience holding a post at the grassroots level as well as some administrative and functional cadres at the

## Minimum Participation Requirements for the “Provision” Service Campaign

Unit Grade	Individuals Must Participate	Units Must Send a Participant
Brigade	Once every 3 years	At least once per quarter
Division	Once every 4 years	At least once per half year
General HQ/MR	Once every 5 years	At least once a year

company level or below ([Xinhua](#), April 21, 2013). This latter category could include certain junior-grade officers working in regimental-level headquarters or above, such as intelligence, armament or logistics specialists, whose specialties are not generally found at the grassroots levels—meaning that they did not have the opportunity to serve in grassroots leadership positions. For program participants, the term of “service” can last no fewer than 15 days and participants must serve again within a set number of years (see chart below). Presumably to minimize any exploitation of loopholes by reluctant units, the “Provision” also requires that at least one officer from a unit must participate in a given year or other timeframe (also see below). Officers who participate are also instructed to wear a private’s uniform ([MND](#), January 12).

The Ministry of National Defense’s website reported that “more than 86,000 leaders and cadres above the regimental level, including 810 leaders above the combined corps [Group Army] level” had participated in the campaign by the end of 2014 ([MND](#), January 12, 2014).

As the “Provision” service campaign was getting underway, Xi Jinping made a series of high-profile inspection tours to grassroots-level units in 2013 and 2014, including stops in Inner Mongolia and Kashgar (Xinjiang Autonomous Region) ([MND](#), December 22, 2015). Most recently, Xi reiterated the importance of grassroots development during a visit to the Chengdu Military Region’s 14th Group Army and an unspecified PLA Second Artillery (PLASAF) base (possibly 53 Base, which is located in the Kunming area) from January 19 to 21, 2015 ([Xinhua](#), January 22). [3]

Military media also began tying the new grassroots policies to broader military reform goals. For example, in December 2013 during a CCTV-7 “Military Report” (*junshi baodao*) series on a military-wide campaign for studying Xi Jinping’s remarks, a PLA reporter in uniform linked grassroots reform to broader policy objectives,

stating that the “main part, center, [and] vitality” of realizing the “strong army goal” involves expanding construction at the grassroots level (December 17, 2013). [4] The importance of grassroots changes for developing a “strong army” was echoed later during the news clip by a researcher at the Academy of Military Science named Wang Xingsheng.

### Post Rotations: A New Policy in a Party Army

The second major grassroots initiative in the Xi Jinping era is the post rotation program. *Xinhua* reported that during the 2014 pilot program, a brigade in the Beijing Military Region’s 27th Group Army tested switching political and military officers at the company level after they had held two years in office; battalion chiefs were also ordered to shift positions if they had not previously held the other role ([Xinhua](#), April 16, 2013; [Xinhua](#), January 11). The policy was sanctioned and later promulgated in January 2015 when the GPD issued a directive called the “Opinion Regarding Properly Enacting the Tempering Work of Switching the Posts of Grassroots Military and Political Officers in Charge” (“*guanyu zuobao jiceng junzheng zhuguan huan gangwei duanlian gongzuo de yijian*”) ([MND](#), January 10). According to an article on the MND website, this is the first time there has been “an all-round and systematic deployment” that promotes military and political officers rotating posts within both the PLA and the PAP ([MND](#), January 12).

Changes to grassroots-level military and political staffing are important because of the nature of the PLA’s dual political-military leadership structure, the roots of which go back to the early days of the Red Army during the Gutian Conference in 1929. [5] Unlike most militaries, the PLA also has a political track for officers in addition to a military/command track. This track is formalized with political officers placed in all units, beginning with political instructors (*zhidao yuan*) at the company level, political directors (*jiaodao yuan*) at the battalion level and political commissars (PCs or *zhengzhi weiyuan*) at



the regimental level and above. [6] Besides the GPD, the General Logistics Department, General Armament Department, Navy, Air Force, Second Artillery and the seven military region headquarters each have a PC. [7] Each of these political leaders has a PC background.

Military/command and political track officers generally have varying roles at the different levels of command, but China's 2002 *Defense White Paper* notes that both command track and political track officers "are the chief leaders of their units, assuming joint responsibility for all work in their units under the leadership of the Party committees (Party branches) at the same level." [8] As Kenneth Allen, Brian Chao and Ryan Kinsella note in their March 4, 2013 *China Brief* article, political officers are responsible for organizing the daily work of the unit's Party committee or branch and implementing its decisions (larger units have committees while smaller ones have branches), as well as political education, discipline among Party members and liaising with other facets of the political work system (see [China Brief](#), March 4, 2013). [9] In the case of personnel promotions, the political officer, as the direct link to other Party units and committees, has the final say over his or her military counterpart. [10]

In this dual-command system, the post rotation policy is significant because it helps remove cultural distance between different groups within the PLA by allowing both command track and political track officers to better understand each other's jobs. Through their rotations to political-track leadership positions, grassroots commanders gain a better understanding of grassroots political work, which is helpful as they move up the career ladder. From a top-down perspective, post rotations could double the number of leaders with experience with both political and military grassroots issues, possibly increasing the number of potential candidates for promotion to higher levels within the political commissar system. Likewise, the "serve in a company" program helps bring senior cadres, particularly those who have never interacted with enlisted soldiers, down to the grassroots level to understand the challenges faced by the "foundation" of the military's combat power.

In conclusion, both personnel policies appear to address perceived gaps within the PLA's personnel development today. The post rotation policy in particular could affect the early training of grassroots political and military

officers and potentially forecasts changes to current personnel grooming procedures at the higher levels of the PLA. Although it is highly unlikely that the PLA will make sweeping changes to its political commissar system in the near future, Western analysts should be on the lookout for further evidence of broader changes to the Communist Party's personnel management system within the "Party's army."

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## Notes

1. Dennis J. Blasko, *The Chinese Army Today* (New York: Routledge, 2012), p. 25.
2. It is worth noting that the term "cadres" (*ganbu*) used in the "Provision" and other policy announcements discussed in this article includes both officers (*junguan*) and non-ranking cadres who are uniformed PLA civilians (*wenzhiganbu*); this article uses the terms officer and cadre interchangeably.
3. Mark Stokes, *China's Strategic Modernization: Implications for the United States* (Honolulu: University Press of the Pacific, 2004), p. 95.
4. CCTV-7 Junshi baodao program, segment titled "Qiangjun mubiao: Xiang jiceng yanshen xiang jiceng kuozhan" ["Goal of Building a Mighty Army: Spreading It to the Grassroots, Expanding It to the Grassroots"] (December 17, 2013).
5. Larry Wortzel, "The General Political Department and the Evolution of the Political Commissar System," in James C. Mulvenon and Andrew N.D. Yang, eds., *PLA as Organization: Reference Volume 1.0* (Arlington: RAND Corporation, 2002), p. 225.

6. “China’s National Defense in 2002,” (Beijing: State Council Information Office, 2002). As of February 18, 2015: <http://www.china.org.cn/e-white/20021209/index.htm>
7. Although the General Staff Department does not have a PC, it has a second-level Political Department.
8. “China’s National Defense in 2002.”
9. See also “China’s National Defense in 2002” and “China’s National Defense in 2006,” (Beijing: State Council Information Office, 2006). As of February 18, 2015: <http://www.china.org.cn/english/features/book/194421.htm>
10. Wortzel, “The General Political Department and the Evolution of the Political Commissar System,” pp. 238, 243.

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## Without Lips Teeth Feel the Cold? Chinese Support for Russia in the Ukraine Crisis

By Clark Edward Barrett

Since the beginning of the Ukraine crisis, China has been remarkably forthright in its consistent opposition to the imposition of sanctions against Russia following the country’s annexation of Crimea in March 2014 and support for separatist movements in the Ukrainian regions of Donetsk and Luhansk. China, along with Brazil, India and South Africa, abstained from voting on United Nations (UN) General Assembly Resolution 68/262, which affirmed the UN’s commitment to recognize Crimea within Ukraine’s international borders. More recently, on February 2, in Beijing, the foreign ministers of China, Russia and India issued a joint statement condemning interference in the internal affairs of other nations through the use of United Nations General Assembly resolutions, attempts at regime change and the unilateral imposition of sanctions on the basis of domestic law alone in a clear rebuttal of the United

States and its sanctions against Russia ([Xinhua](#), February 2). These strong statements in favor of Russia, albeit without official statements of support for its actions in Ukraine, suggest that China is actively formulating trade and economic cooperation deals with Russia to circumvent Western sanctions and in extremis may consider providing emergency aid to Russia should it be requested by Vladimir Putin. Beijing’s support for Russia, evident in increased bilateral state-run investments, ministerial pronouncements and wide-ranging media coverage, appears to be motivated by economic concerns and a desire to preserve Russia as a bulwark against U.S. dominance in the international community.

### Sino-Russian Economic Cooperation

Following the imposition of Western sanctions on Russia, and especially as the Russian economy deteriorated in the second half of 2014, the Chinese government stepped in with numerous agreements for economic cooperation to support the Russian economy. Russia’s quest to alleviate its economic distress by finding alternative export markets and investments as well as using its foreign currency reserves to support the Ruble has likely motivated an upsurge in Sino-Russian diplomacy and trade in 2014. Prominent examples of recent Sino-Russian economic cooperation include 49 agreements signed by President Putin during his May 2014 visit to China, including two major deals for Russia to deliver a total of 68 billion cubic meters of natural gas annually to China beginning in 2018 (see [China Brief](#), January 23; [Xinhua](#), May 24, 2014). [Xinhua](#) explained that Russia is seeking to “look east” by strengthening its cooperation with China and other Asia-Pacific states in order to compensate for the departure of Western investors following the imposition of sanctions ([Xinhua](#), May 24, 2014).

During an October 2014 visit to Russia, Chinese Premier Li Keqiang signed 38 cooperation agreements in energy, trade and finance, including the opening of a new credit limit agreement between the Russian Foreign Trade Bank and China Export-Import Bank. Li also signed a currency exchange arrangement intended to promote the internationalization of the Renminbi, which would reduce Russia’s reliance on the dollar. Tellingly, the Chinese Ministry of Commerce reported the deals under an article entitled, “China Helps Russia Resist Western Sanctions,” which further detailed that between January

and September 2014, Chinese oil imports from Russia grew by 45 percent, in contrast to a 20-percent decline in Russian oil sales to Europe over the same period ([Ministry of Commerce](#), October 13, 2014).

Despite the accords signed between China and Russia over the summer of 2014, Russia's economic condition markedly deteriorated from September to December due to declining government oil revenues and the accelerating depreciation of the ruble against the U.S. dollar. By November, a number of Chinese state-run media outlets began to report that China was beginning to be affected by Russia's economic weakness. According to Zhang Jianping, director of the National Development and Reform Commission Research Unit on International Cooperation, the Ruble's rapid devaluation and the reduced spending power of Russia's population were having a detrimental impact on Russia-China trade. Zhang also stated that some cooperation agreements signed between Russian and Chinese companies had been discontinued due to the state of Russia's economy. He added that Western punishment of the country might have a negative effect on China's "one belt, one road" project (*yidaiyilu*), better known as the "New Silk Road," which is the focus of significant Chinese financial and diplomatic efforts in Asia (see [China Brief](#), December 19, 2014; [Xinhua](#), December 18, 2014).

Liu Huaqin, the deputy director of European Affairs at the Chinese Ministry of Commerce Research Institute, claimed that the ruble's instability presents significant risks to Chinese companies that invest in Russia, such as Fuyao Glass and automotive manufacturer Geely, and that as of December some Chinese companies were already suffering. Liu asserted that the ruble's devaluation and the fall of world oil prices is a deliberate part of the West's punishment of Russia and that the greater competitiveness of Russian exports to China resulting from ruble depreciation is insufficient to mitigate the damage caused by Western sanctions. Liu concluded that it "may be necessary to adopt appropriate measures such as helping Russia through the crisis" ([Xinhua](#), December 18, 2014).

### Beijing Debates a China-led SCO Bailout for Russia

Liu's statement presaged a more serious Chinese discussion of greater support for the Russian economy.

Although the underlying factors of Russia's economic problems in other countries have in the past been solved through a bailout by the International Monetary Fund (IMF), U.S. dominance over the institution suggests it would likely demand the cessation of Russian involvement in Ukraine and the restoration of the *status quo ante bellum* as a prerequisite of aid. This leaves the Chinese government as the remaining viable option for Russia should assistance be required.

On December 18, Foreign Ministry Spokesman Qin Gang, dismissed Western claims that Russia's economy was on the brink of collapse, adding that China believed Russia—with ample foreign currency reserves, a comparatively small debt-to-GDP ratio compared with most other G20 nations, a rich energy and good industrial base—had taken steps to stabilize its foreign currency market and would overcome its present crisis ([Xinhua](#), December 18, 2014). When asked whether China would support Russia through the Shanghai Cooperation Organization (SCO), Qin answered: "Presently the world economic recovery is slow and the SCO was not only intended to guarantee regional stability and security but also to provide a serious development platform for members...the SCO has a common wish, which is to strengthen pragmatic cooperation between members, commonly promoting the economic stability and growth of individual member states and the region at large" ([Xinhua](#), December 18, 2014). Chinese Foreign Minister Wang Yi late asserted that China has consistently offered mutual support and assistance to Russia, and if Russia were in need, "China will do everything in its power (*lisuo nengli*) to help and supply necessary aid" ([Phoenix](#), December 20, 2014).

Chinese solidarity with Russia was also expressed by Premier Li during a December 2014 SCO heads of government summit in Astana, Kazakhstan, where he met with Russian Prime Minister Dmitry Medvedev. According to Li, due to the perilous state of the world economic recovery, SCO members should "cross the river in the same boat" (*tongzhuogongyi*), a statement which Chinese newspaper *Guancha* interpreted as a signal that China was prepared to directly assist Russia ([Guancha](#), December 20, 2014). Li also expressed his wish that Russia would widen its cooperation with China in energy, industry, high-speed rail, finance and development of Russia's Far East ([People's Daily](#), December 16, 2014). Commenting on these developments, Cheng Yijun a

research fellow at the Development Research Center under the State Council, claimed that, “if the Kremlin decides to seek assistance from Beijing, it is very unlikely for the Xi leadership to turn it down... This would be a perfect opportunity to demonstrate China is a true friend, and also its great-power status” (*Guancha*, December 20, 2014).

Russia’s Ambassador to China, Andrey Denisov, thanked China for expressing its opposition to Western sanctions and stressed that Russia only desires support from China, not assistance. Denisov maintained that discussions about Russia’s economic situation should be centered not on aid but on mutual reciprocation and advantage, such as in trade and the settlement of contracts in local currencies (*Global Times*, December 30, 2014).

### Chinese Media Cynical About Goal of Western Sanctions

Besides Chinese ministerial pronouncements about assisting Russia, Chinese state media have also provided insights into China’s strategic calculations in relation to the Ukraine crisis. Following Vice-Premier Zhang Gaoli’s visit to Russia on September 1, 2014, the *People’s Daily* published an essay by the deputy Director of the China Institute of International Studies, Su Xiaohui, who claimed that the Sino-Russian energy relationship is not at all a stop-gap measure (*quanzhi zhiji*), and is instead based on mutual profit and advantage. Furthermore, China and Russia’s cooperation is beneficial in developing Russia’s Far Eastern region, which is relatively backward and will bring improved roads, power stations and general infrastructure in keeping with Russia’s national revitalization project. Su rebuked those in the West who might criticize China for supporting Russia during sanctions and argued that China has always opposed such measures and instead prefers diplomatic solutions to global disputes (*People’s Daily Overseas*, September 4, 2014). An editorial titled “China and Russia Have Already Joined Hands to Shape the New World Order,” published in *International Finance News* (a subsidiary of the *People’s Daily*) claimed that Russia’s actions in Ukraine are a reaction against U.S. and North Atlantic Treaty Organization (NATO) humiliation of the country following the Soviet Union’s collapse. Moreover, the editorial connects the Ukraine crisis with maritime disputes between China,

Japan and the Philippines, both of which, the newspaper asserts, were instigated by the United States as part of its pivot to Asia and attempts to encircle China (*International Finance News*, September 29, 2014).

However, some Chinese scholars do not agree that China should be prepared to offer loans to President Putin’s Russia. Wang Haiyun, the deputy director of the Sino-Russian Relations Research Group under the Ministry of Foreign Affairs, claimed that Chinese public opinion is evenly divided on the issue of Russian aid, with one group advocating support for Russia and the other contending that helping would only place a burden on China (*Global Times*, December 21, 2014). Wang maintains that both of these opinions are extreme since definitively backing Russia would accentuate U.S.-China conflict and draw fire onto China (*yinhuo shaoshen*), which would not be in China’s strategic interest. On the other hand, not concerning itself with Russia would constitute a lack of foresight, since a Russian economic collapse precipitated by sanctions would affect many countries (including China), and ultimately both China and Russia would face renewed U.S. strategic pressure. Criticism has also been leveled at Russia’s poor management of its economy, which has left it vulnerable to sanctions. Zheng Yu, a Russian specialist at the Chinese Academy of Social Sciences, censured Russia for failing to reform its economy noting that Western sanctions are merely exacerbating a deeper economic malaise caused by the preponderance of oil in Russia’s economy. The formation of energy oligopolies, have impeded the productivity of non-governmental industries and scientific progress making Russian non-oil products uncompetitive outside the Commonwealth of Independent States. Zheng contends that this situation, more serious to Russia than the global financial crisis in 2008, might be beneficial in the long-term by compelling the Russian leadership to embark on a comprehensive program of economic reforms (*Global Times*, October 23, 2014).

### Conclusion

Clearly, Chinese ministerial pronouncements and state-run articles indicate the variance of Chinese and Western views toward Russia’s actions in Ukraine and its place in the international community. Chinese media discussion of possible assistance for the Russian economy suggests

that Beijing clearly views maintaining a stable and capable Russia in China's long-term geopolitical and economic interests. Accordingly, the Chinese leadership has taken major steps to facilitate the expansion of Sino-Russian trade and investment, which are vital for Russia in its efforts to avert serious economic distress caused by sanctions and its near-total exclusion from Western capital markets. Moreover, indications exist that the Chinese leadership appears willing to provide emergency assistance to Russia should it be required and that Beijing is seriously contemplating the best way of administering any possible aid to protect Russian pride and help Putin save face in such an event. In addition to securing its northern neighbor against Western encroachment, China will also derive economic benefits from liberalizing investment opportunities in Russia's Far East while also gaining diplomatic capital in Moscow.

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## “Hope” versus “Hype”: Reforms in China's Free Trade Zones

By Priyanka Pandit

The Chinese government's decision to further liberalize its economy by establishing free trade zones (FTZ) has generated widespread optimism about the future of economic reform in China. The FTZ project, beginning with the creation of the Shanghai zone on September 29, 2013, is not only expected to carry forward the “Shenzhen spirit” but also spark wider and bolder economic reforms in China. Some of the new rules and regulations, launched for trial in the Shanghai FTZ, promise easier access to both foreign and domestic capital and the further opening up of the 18 service sectors in China. [1] The liberalizing measures for the financial sector, which is the most crucial of the reform initiatives, include free convertibility and overseas movement of the Renminbi, market determined interest rates and access for foreign finance institutions to

establish foreign, as well as joint venture banks in China ([China Free Trade Zone](#), September 18, 2013). As a means to encourage foreign investment, a new “negative list” approach has been adopted by the Shanghai FTZ to ease the process of investment approvals inside the zone ([China Daily](#), November 22, 2014). [2] In addition, to promote better investment, the National People's Congress has suspended three laws concerning foreign investment on a three-year trial basis and facilitated an installment mode to pay income tax for value-added assets in the Shanghai zone ([China Business Registration](#), September 6, 2013). Vital to the promotion of market reforms are administrative reforms and, therefore, a host of other sectors are under consideration for further opening up to international standards, namely shipping services, trade and commerce services, professional services, social services and cultural services ([Ministry of Commerce](#), January 10, 2014).

However, the significance of the Shanghai FTZ is not only limited to promoting regional trade and investment. Instead, the experiment represents a grander vision by Beijing to elevate China's status to a full market economy, one that has been long pending in the World Trade Organization (WTO) and become a pivotal decision maker in the world economy. Given the difficulties that China faces in dealing with its major trade partners in the WTO rounds, the Shanghai pilot project can be seen as an attempt to lend credibility to China's efforts to liberalize its economy in compliance with international standards and laws. Moreover, the purpose of establishing the Shanghai FTZ on a trial basis is to accumulate experience and extend the reform measures into other major port cities in order to drive further liberalization of the Chinese economy. Despite a high level of political support, uncertainty shrouds the future of the Shanghai pilot zone and there are real concerns as to whether the goals of the FTZ can be achieved as the Chinese state grapples with internal debates over the extent of relinquishing control of the economy to market forces.

### Background: Early Initiatives to Free Trade Zones

The early initiatives for FTZs can be traced back to the process of gradually expanding China's special economic zones into export processing zones, bonded zones and bonded port districts in the 1990s. These zones, which were “inside the territory but outside the customs,”

eventually expanded to many port cities in China. The Waigaoqiao Free Trade Zone was established in Shanghai in 1991; twelve other bonded zones along the Chinese coast were developed in 1992 (*China Daily*, May 29, 1993). As a means to further intensify the process of reform and opening up, Mr. Cheng Siwei, Vice Chairman of the Standing Committee of the National People's Congress, in 2003 proposed establishing FTZs in place of existing bonded zones (*Beijing Review*, September 03, 2013). Following the proposal, cities including Shanghai, Shenzhen and Tianjin filed applications to the State Council and its ministries for the establishment of FTZs.

Shanghai, often referred to as the “financial capital” of China, played a pivotal role in leading China through rapid economic growth and dynamism in the 21st century. As a result, the city has always enjoyed high levels of economic clout and political significance as compared to the other major port cities in China. To further underscore its importance in China's economy, the Chinese central government in 2009 approved the Shanghai Municipal Government's proposal to build the city into an international financial and shipping center by 2020 (*Xinhua*, April 24, 2009). This policy decision, motivated both by domestic economic and foreign policy concerns in the wake of the global financial crisis, was accompanied by a number of initiatives, including tax incentives, market liberalization measures and the gradual convertibility of the Chinese currency, in order to deepen its financial reform and transform its economic status to support China's rising ambitions in the world order. Yet, it was only in 2013 that the proposed FTZ started gaining traction in China's policy domain. In March 2013, Premier Li Keqiang visited the Waigaoqiao FTZ, and encouraged the local government to set up a pilot FTZ in Shanghai (*Caixin*, October 7, 2013). A mere five months later, the Shanghai FTZ was officially launched on a pilot basis, raising the curtain of transition in China on the post-liberalization era.

### The New FTZs

For an export-led and labor-intensive economy like China's, the effects of the 2008 global economic downturn were felt more strongly than is often realized. With its economic growth rate slowing, labor costs climbing and a rapid expansion of credit-to-GDP ratio, the need to

adopt a sustainable model of development has intensified over the last several years. This provided the stimulus to deepen financial reform and create an economic structure in China led by both internal and external demand, which would allow China to reap benefits from international businesses while cushioning it from the worst excesses of external shocks. In this light, the Chinese government's decision to build additional financial hubs after the Shanghai FTZ can be understood as a “finance-driven” reform approach to economic restructuring.

After a year of the Shanghai pilot FTZ, three new FTZs are now being established in the major sea-port cities of Guangdong, Tianjin and Fujian (*South China Morning Post*, December 13, 2014). Fujian is the closest mainland province to Taiwan, Tianjin specializes in international shipping and related sectors and Guangdong is adjacent to Hong Kong and Macao and is close to Southeast Asia. However, the troubles of the Shanghai FTZ—despite the personal high-level support of Premier Li—suggest that these new FTZs will face an uphill battle in expanding the grounds of economic liberalization in China.

### Most Promises Stand Unfulfilled

China's slowing growth has led many foreign companies to consider scaling back their expansion plans, and the Shanghai FTZ has failed to deliver on the promises of reform that appear necessary to justify foreign companies' high hopes for a better future business environment in China. The new policies and regulations designed for the FTZ lack clarity to infuse enough confidence among the foreign ventures to enhance investment in China. In reality, after a year since the creation of the first FTZ in Shanghai, many crucial reforms on core issues of concern to foreign companies have hardly been implemented. For example, although several foreign banks have opened branches in the FTZ, they are not allowed to maintain independent interest rates separate from the Chinese government's dictates and a key question remains whether any currency limit will be imposed while converting Renminbi in the FTZs.

Perhaps the biggest disappointment is the negative list, which has been revised to eliminate another 51 sectors (from 190 to 139). While the negative list has relaxed Chinese restrictions on foreign investment, mostly in manufacturing, transportation, real estate and wholesale

retail, there has been no opening in telecommunication and finance sectors ([China Pilot Free Trade Zone](#), July 16, 2014). Despite Premier Li's slogans of liberalization and bolder market reforms, new rules for the FTZs on value added telecommunication services (VATS) have failed to satisfy foreign companies ([Shanghai Daily](#), July 19, 2014). Except for combining the pre-approval and VATS Permit application procedures, the new measures are hardly a deviation from the standard requirements set up by China's Ministry of Industry and Information Technology for the rest of China. With respect to the foreign investment regime in China, although the potential policy impact of the suggested amendments in the Foreign Investment Enterprise laws (FIE) remain high, very little has been done in that direction ([Shanghai Daily](#), September 29, 2013).

The slow progress of the Shanghai FTZ is due in large part to Chinese domestic politics under Chinese President Xi Jinping. First, as the Chinese leadership proposes market reform initiatives, it faces strong opposition from state-owned enterprises, monopolies and private groups whose interests seem to be threatened at the hands of market forces. Second, there is tremendous pressure on both President Xi and Premier Li to balance between the ultra-leftists, who consider foreign firms and foreign investment to be corrupting forces, the reform minded liberals, who reject the outdated framework of a planned economy, and opportunists, who try to protect the interests of those they regulate. The leadership cannot afford a direct confrontation with any group. Therefore, it is becoming difficult to reach consensus on new policy initiatives and priorities, thus preventing effective policy implementation in the FTZs. Third, the anti-corruption drive of the new leadership has turned the local officials in charge of the FTZs risk-averse, and they are quite hesitant to pursue independent experiments to meet the growth targets issued by Beijing. They have become extra-cautious after the removal of Dai Haibo, deputy chief of the Shanghai FTZ managerial committee, on grounds of disciplinary violations ([Xinhua](#), September 16, 2014). Yet another challenge for the Shanghai FTZ is to garner enough consensus support to regain the independence necessary to successfully experiment with new policy initiatives.

## Conclusion

The new phase of economic reforms, tied to this slate of new FTZ initiatives, is based on the neoliberal promise that free markets and reduced bureaucracy will bring prosperity to China's stagnating economy. The Third Plenum of the 18th Party Congress, held in November 2013, endorsed this commitment to reform in the name of "comprehensive reform" to keep the economy growing. China's new FTZs are intended to promote higher levels of foreign trade and investment through preferential tax policies, deregulation and more sectors open to foreign companies. However, in reality, these FTZ reforms remain largely rhetorical, and foreign companies are waiting for Shanghai to live up to its promise.

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## Notes

1. Shenzhen was the first special economic zone established in the year 1980 as part of Deng Xiaoping's "opening up" strategy. In about 30 years, Shenzhen has transformed itself into the cradle of China's dramatic transformation into a world economic and trade juggernaut.
2. A "negative list" is a list of industries where foreign investment is restricted or prohibited. Foreign investors proposing to invest in industrial sectors identified on the negative list are subject to close scrutiny, and prior government approval would be required before any investment may take place. This is a change from China's traditional practice of screening all foreign investment.

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