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China held its first joint Cyber Counter-Terrorism Exercise, “Xiamen 2015” through the Shanghai Cooperation Organization (Source: Xiamen TV)

In a Fortnight

China Conducts Anti-Terror Cyber Operations With SCO partners

By Peter Wood

China has conducted its first joint Internet Anti-Terror Exercise (网络演习), “Xiamen 2015,” with the members of the Shanghai Cooperation Organization (SCO) ([Xinhua](#), October 14). Teams from all of the SCO's member states, China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, participated ([Xiamen TV](#), October 14). This follows a traditional joint counter terrorism exercise, “Counter-Terrorism in Central Asia-2015” held in Kyrgyzstan on September 16 ([Regional Anti-Terrorist Structure](#), September 19).

Though unconfirmed, the exercise's location in Xiamen, far from traditional SCO exercise areas in China's west, might reflect the involvement of the Chinese Military's General Staff Department (GSD)

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Third Department, responsible for electronic surveillance and data collection. The Third Department also plays a role in border security and counter-terrorism activities.

The Internet anti-terrorism exercise, which was decided upon in April, is meant to improve SCO member state authorities' ability to investigate and prevent the use of the Internet for promotion of the "three evils": terrorism, separatism and extremism. The exercise simulated a terrorist group's use of websites, forums and social media within SCO member nations to incite terrorist, separatist and extremist activity. A key focus of the exercise was improving SCO members' ability to coordinate and share information ([Xinhua](#), October 14).

Shanghai Cooperation Organization Regional Anti-Terror Structure (RATS) executive committee director Zhang Xinfeng directed the exercise. Reflecting the coordination with law enforcement authorities, Ministry of Public Security (MPS) deputy minister Chen Zhimin (陈智敏), as well as members of the local Fujian province Public Security Bureaus also attended.

The SCO initially set up an Internet expert group in September 2013 as part of the 2013–2015 outline of SCO Cooperation and began to strengthen Internet counter-terrorism law enforcement ([Xinhua](#), October 14; [Xinhua](#), September 14, 2013). The exercise, then, represents a further expansion of this cooperation. A key part of cross-border monitoring and information sharing will be enhanced ability to predict attacks and identify extremist networks.

Chen Zhimin, who is also a deputy director of the State Internet Information Office, has repeatedly emphasized the importance of improving China's Internet monitoring and early warning systems ([China Economic Net](#), January 23; [MPS Website](#), May 20). His speeches reportedly acknowledge vulnerabilities ("loopholes" or "backdoors," 漏洞, 隐患) within the system and call for improvements to the technology ([MPS Website](#), August 4).

The early warning capability in particular has become even more important in the wake of knife attacks in Xinjiang and bomb blasts in Guangxi province ([RFA](#), September 22; [Xinhua](#), October 2). SCO members are eager to improve their ability to monitor and predict extremists movements across their borders.

Increased cooperation in the arena of counter-terrorism also neatly dovetails with China's new Internet Security Draft Law, promulgated in July of this year ([National People's Congress Website](#), July 6). The first section of the Internet law calls for "vigorous development" of international exchanges and cooperation in pursuing and preventing cybercrime and terrorism.

The other dominant partner within the Shanghai Cooperation Organization, Russia, has also demonstrated considerable concern about the use of the Internet by terrorists. Last year, it began blocking a number of websites related to the Islamic State, and has been active in suppressing extremist presence on social media within Russia ([Eurasia Daily Monitor](#), September 11, 2014; [Eurasia Daily Monitor](#) October 31, 2014). Earlier this year Russia's Federal Security Service (FSB) highlighted the issue during a briefing for the United Nations Counter-Terrorism Committee by ([UN](#), February 13).

Russian and Chinese citizens have joined the Islamic State, and Internet monitoring—particularly of social networks—offers perhaps the best means of identifying these individuals, preventing them from going abroad and knowing if they plan to return ([Reference News](#), June 15; [Global Times](#), January 23). The return of these radicalized citizens to their home countries, perhaps presents the greatest threat.

Although the focus of "Xiamen 2015" and future SCO cyber exercises will be terrorism, China and Russia also share broader goals for the Internet. Both countries are increasingly focused on setting up "intranets," further limiting internet access beyond their borders. Political control is an integral part of China's cyber strategy ([China Brief](#), April 16). The "three evils" classification—and separatism and extremism in particular—are broad enough to include a large number of non-terrorism-related groups and activities that would nevertheless fall under Chinese cyber rules.

Xi Jinping's recent state visit to the United States offered some hope that the U.S. and China could resolve some of the issues regarding cybercrime. However, recent reports have indicated that Chinese cyber-espionage against targets in the United States are proceeding unabated. Still, there might be room to achieve a much more limited "consensus" between the two countries on cyber issues regarding the (much more limited) issue of terrorism

([State Council Information Office Website](#), September 25; [White House](#), September 25). For the members of the Shanghai Cooperation Organization, such information sharing could help better leverage their more limited policing resources to stop the flow of extremist ideas and volunteers from Eurasia to Syria and the Islamic State and back again.

A Tale of Two Documents: US and Chinese Summit Readouts

Bonnie S. Glaser and Hannah Hindel

At the beginning of his September official state visit to the United States, Chinese President Xi Jinping told a group of U.S. political figures that “China and the United States should join hands to solve problems they both face to make the world turn better and grow faster” ([China.org.cn](#), September 23). Xi’s optimistic outlook implies that there is substantial collaboration between the U.S. and China, and even a common perspective on key strategic issues. If that were true, one would expect the publication of a single joint statement by the two countries. Such a statement would simultaneously reassure Chinese and U.S. domestic audiences of sustained Sino-U.S. cooperation while demonstrating a united front to the rest of the world in addressing global challenges. During Xi’s September state visit, however, the two countries failed to issue a joint statement, save for a joint document focused on climate change. The Chinese domestic audience is likely unaware of the absence of a joint statement, since the format and language of China’s “summit outcomes” statement suggest that the U.S. and China negotiated and agreed upon every item. This insinuation fits with Chinese media coverage of the summit overall, which almost exclusively highlights common ground and cooperation.

Two Roads Diverged

Toward the end of President Barack Obama’s first term in office, when optimism about U.S.-China relations was still running high, Obama visited Beijing and the two nations issued a joint statement in which they lauded the “in-depth, productive and candid discussions” between their leaders and agreed “to advance U.S.-China relations in the new era” ([Whitehouse.gov](#), November 17, 2009). Despite growing friction in the relationship, the joint statement issued when Hu Jintao made a return visit to the U.S. in 2011 possessed a similarly glowing tone, celebrating the two countries’ “commitment to building a positive, cooperative, and comprehensive U.S.-China relationship for the 21st century” ([Whitehouse.gov](#), January 19, 2011). *China Daily* remarked that, through this joint statement, “China and the U.S. have set an example of positive relations between countries, despite different political systems, historical and cultural backgrounds, and levels of economic development” (*China Daily*, January 21, 2011). The failure to issue a joint statement during Xi’s September visit marks the second time in as many years that the two countries have not been able to reach a consensus. This begs the question, what accounts for the lack of agreement in the two countries’ interpretation of the summit and the overall U.S.-China relationship?

After the September summit, the U.S. and China issued separate statements reflecting on its achievements, highlighting notable gains in priority areas and subjects of interest for their individual countries. These documents were drafted and exchanged ahead of the summit. On economic and cyber-related issues, the language was negotiated line-by-line in the run-up to the visit (with a separate “U.S.-China Economic Relations” factsheet published by the White House). Shared language on cyber-related issues, feared to be a point of discord between the two leaders in the summit, reflects four days of intense discussions between the Secretary of China’s powerful Central Political and Legal Affairs Group Meng Jianzhu and senior American officials a

little more than a week before Xi's arrival in the United States (Whitehouse.gov, September 12).

On other strategic issues, however, there was no attempt to negotiate a joint statement. Instead, both sides agreed to have "unilateral but coordinated" statements, evidence that there was shared recognition that their differences on numerous strategic matters had become too great to develop common language. The Obama administration had publicly pledged that it would not paper over differences at this meeting, especially on security issues.

Given the high degree of cohesion in the two sides' documents on cyber, climate change and economic issues, the areas of variance on strategic issues deserve a closer look. Analysis of these differences provides insights into U.S. and Chinese respective priorities, as well as current American and Chinese perceptions of the U.S.-China relationship.

Introductory Statement

The White House "Fact Sheet" includes a dry preface with just three sentences (Whitehouse.gov, September 25). Crucially, U.S.-China tensions are placed front and center. The third sentence states that the two presidents "agreed to work together to constructively manage our differences" before introducing the various areas of cooperation. Here, the tough stance signaled by the Obama administration in the weeks before the summit shines through, setting the tone for the entire factsheet as a tempered acknowledgement of achievements without obscuring the problems in the bilateral relationship.

In juxtaposition, the introduction to the outcomes statement issued by the Chinese Ministry of Foreign Affairs contains multiple references that extol both the summit and the U.S.-China relationship. Echoing past joint statements, it notes that the two leaders "had in-depth, candid and constructive talks," reached "extensive consensus" and arrived at "a series of important outcomes" (FMPRC.gov.cn,

September 26). These phrases underscore China's broader goals for Xi's visit: to illustrate Obama's respect for China's leader as an equal; to demonstrate that the U.S.-China relationship is stable and positive; and to further consolidate Xi's concept of the "new model of China-U.S. major-country relations." In order to show that these goals were achieved, the outcomes document alludes to success early and often.

By design, the Chinese and U.S. statements are fundamentally different. Unlike the list of achievements publicized by the State Department following the 7th U.S.-China Strategic and Economic Dialogue (S&ED) in June, the U.S. summit factsheet is sparse. It highlights particularly successful, and mostly new, areas of bilateral cooperation, including peacekeeping, wildlife trafficking, protection of the oceans and development. Almost every line of the main body of the U.S. factsheet is replicated in the Chinese outcomes document, with minor wording differences that are insubstantial. However, the Chinese outcomes statement augments nearly every common section with additional description, context and examples of further cooperation. The list of progress areas in the relationship is much longer, and it imparts the impression that the U.S. and China are working together effectively, in both bilateral channels and multilateral venues. This in turn inflates the robustness of the U.S.-China relationship for the Chinese domestic audience, suggesting that the U.S. and China share common perspectives and are collaborating more widely than is actually the case.

The language used in China's outcomes document also appeals to a larger audience in the areas where U.S.-China language diverges, particularly with regard to China's neighbors in the Asia-Pacific region. In a separate section on Asia-Pacific Affairs, China stresses the "in-depth discussions on Asia-Pacific affairs" held by the two sides regarding their "broad common interests" and "common challenges." China observes:

"The two sides agreed to deepen dialogue on Asia-Pacific affairs at various levels,

endeavor to build a relationship of positive interaction and inclusive cooperation in the Asia-Pacific, and work with other countries in the region to promote peace, prosperity and stability in the Asia-Pacific.”

The Asia-Pacific Affairs section is notably short, with only one paragraph on Afghanistan, which implicitly reveals the challenges of U.S.-China cooperation in the Asia-Pacific region. Although Chinese Foreign Minister Wang Yi forecast that Xi and Obama would “step up cooperation in regional security issues, including the Korean Peninsula nuclear issue” prior to Xi’s visit, North Korea goes unmentioned in either the U.S. or Chinese document (Lanting Forum, [Xinhua](#), September 16; [The Beijing News](#), September 20). Nevertheless, Chinese media reports of the summit laud progress on security issues, with Xinhua declaring that, “all stakeholders in the China-U.S. relationship can be assured that the two sides have genuinely started taking concrete steps to tackle some of the hot-button issues that have strained their ties, such as cyber security and the South China Sea dispute” ([Xinhua](#), September 26).

Coding for a Domestic Audience

China’s outcomes document highlights Xi Jinping’s slogan for the U.S.-China relationship, the New Model of Major Country Relations, which Xi cited as the priority of Chinese foreign policy at a welcome banquet upon arriving in Seattle on September 22 ([Xinhua](#), September 23). China’s claim that the two leaders agreed again at this year’s summit to build a new model of major country relationship is notably absent from the U.S. factsheet. The U.S. position on the concept has evolved since its introduction by then-Vice President Xi during a state visit in 2012. The concept initially gained limited support from Obama administration officials, including former Secretary of State Hillary Clinton who stressed the importance of avoiding the “Thucydides Trap” (a theory that poses the inevitability of conflict between emerging and established powers) as China emerges as a great

power ([Xinhua](#), January 15, 2011). But in recent years, China’s repeated emphasis on “mutual respect for core interests” and its efforts to portray the U.S. as having accepted China’s new model has soured the Obama administration on the concept.

China’s document appeals to its domestic audience by indicating progress on some highly-charged issues, including the Xi administration’s anti-corruption campaign. Leading up to the visit, Chinese officials and reporters urged Obama to remember the importance of aiding China’s effort to repatriate fugitives; one reporter observed that by doing so, “Obama would render valuable help essential for Xi to complete the most important task on his agenda” ([China Daily](#), September 8). The U.S. factsheet mentions corruption only once, while the Chinese document devotes two full paragraphs to corruption (garnering eight mentions). This includes partnerships between law enforcement agencies, support for the China-U.S. Joint Liaison Group (JLG), cooperation on the subject during China’s G20 presidency, and enhancing practical cooperation.

Interestingly, China couches corruption and other domestic issues, such as law enforcement and counter-terrorism, in an international context. Its outcomes drives home China’s collaborative efforts within regional and international institutions, citing the “multilateral frameworks of the UNCAC, G20 and APEC.” The document also underscores Chinese resolve to cooperate on “further implementation of APEC’s Beijing Declaration on Fighting Corruption.” Here, Beijing seeks to accentuate its willingness to work with the U.S. to address regional and global problems.

China’s fact sheet also highlights U.S. support for China’s rise: “The United States welcomes a strong, prosperous and stable China that plays a greater role in international and regional affairs.” However, the U.S. document makes no mention of such a consensus. At the joint press conference, Obama did welcome “the rise of a China that is peaceful, stable, prosperous, and a responsible player in global affairs.” He did not, however, use the term “strong.”

For their part, Chinese leaders, avoided using the terms “responsible” and “peaceful.” The difference in terminology reflects persisting mistrust. U.S. support for a strong China is conditional on Chinese power being used to strengthen the prevailing international system and advance objectives that are consistent with American interests. China is loath to embrace an American definition of what is responsible behavior. The Chinese remain committed to a “peaceful rise” in principle, but will not forswear use of non-peaceful means if Chinese interests are threatened.

The in-depth, comprehensive detailing of a wide array of efforts and agreements listed by China but not by the U.S. is intended to create two impressions. First, the summit should be seen as an extremely productive and successful. Second, Beijing’s relations with Washington are primarily positive and cooperative. Some experts in China (and the U.S.) have argued that the bilateral relationship is now dominated by strategic competition and that the two nations may even come to blows. Such a judgment would require concluding that China’s period of strategic opportunity is over. Xi seeks to quash these doomsayers and persuade his domestic audience that the U.S. and China can avoid the “Thucydides trap” of great power conflict.

Significance of the Diverging Approaches

The U.S.-China relationship has changed fundamentally since the early years of the Obama administration. Common wording can be developed on specific bilateral, regional and global issues where U.S. and Chinese interests converge. An overall joint statement that includes broader strategic issues proved too difficult to negotiate at this juncture.

As evidenced by the U.S. fact sheet, Washington is increasingly focused on addressing concrete problems in the U.S.-China bilateral relationship. It has long since given up on forging a broad global partnership with China, an aspiration that was held when Obama first took office.

By stressing consistency and collaboration with the U.S., as well as its legitimate and peaceful role in the global arena, China has utilized its outcomes document as a display of both power and prudence. This combination is geared toward a Chinese public desirous of respect, U.S. business leaders and investors looking for a conducive environment for operations, and the greater international community that seeks reassurances that the U.S. and China will settle their differences peacefully.

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China’s Ethnic Policy Under Xi Jinping

James Leibold

Since assuming power in November 2012, Chinese Communist Party (CCP) Secretary General Xi Jinping has sought to put his imprimatur on the contentious realm of ethnic policy. As with other agenda items, Xi has sought to concentrate power around his own person, believing this to be the only way to push forward reform against vested interest groups, including in the realm of inter-ethnic relations. Yet the *minzu* (民族) or “ethnic” lobby is a powerful and deeply entrenched part of the political machine in the People’s Republic of China (PRC).

State-run media frequently lauds Xi for his intimate knowledge and personal interest in the nearly 120 million Chinese citizens who belong to an ethnic minority, and especially the troubled regions of Tibet

and Xinjiang. His inspection tours of minority regions are front-page news, as are his important speeches on ethnic work. Most recently, his image and words featured prominently at the official celebrations of the 50th anniversary of the Tibetan Autonomous Region and the 60th anniversary of the Xinjiang Uyghur Autonomous Region ([Xinhua](#), September 8; [Xinhua](#), October 1).

Yet, Xi Jinping's intervention has failed to end the long-running and deeply acrimonious debate over the future direction of ethnic policies in the PRC. Xi lacks both the authority and the political capital to push ethnic policy in the more assimilationist direction he desires. Rather, he is hamstrung by the liberal legacy of his father Xi Zhongxun and the continued influence of former Secretary General Hu Jintao, two powerful sources of support for the ethnic lobby and its defense of ethnic pluralism. The end result is policy paralysis, leaving local officials to interpret the contradictory messages emanating from Beijing while increasing the importance of stability maintenance (维稳) work as the only agreed method for dealing with a complex set of ethnic contradictions.

The Ethnic Policy Debate

Since the establishment of the PRC in 1949, ethnic policy has been in a state of constant flux, swinging (often dramatically) between the accommodation and protection of ethnic differences and centralizing, integrationist tendencies. The sudden collapse of the Soviet Union in 1991 provided yet another jolt. Nationalists warned the liberal policies ushered in by former party secretary Hu Yaobang during the 1980s placed China in a precarious position not that dissimilar to the Soviet Union under Mikhail Gorbachev.

Peking University Professor Ma Rong has long argued that China shares the same preconditions for national fracturing as the Soviet Union, while the influential policy scholar and Tsinghua University Professor Hu Angang has called for a "second generation of ethnic policies" on the eve of Xi

Jinping's elevation as party secretary (see [China Brief](#), July 6, 2012). Current policies, these would-be reformers argue, place too much emphasis on ethnic identities while creating institutional barriers (administrative autonomy, ethnic classification, ethnic-based preferences) that hinder the natural fusion of different groups and the forging of a strong, shared national identity. In short, Ma, Hu and other reformers advocate a *minzu*-blind politic, one that would naturalize and eventually eliminate policymaking based on ethnic differences.

Opponents like Minzu University Professor Yang Shengmin argue any rethink of ethnic theory and policy would lead to "ideological chaos" (思想混乱) and political and social upheaval ([CUAES](#), February 23, 2012; [Phoenix News](#), March 30, 2014). Open the *minzu* box, they assert, and you will unleash a Pandora-like set of contradictions that will undermine the cooperation, solidarity, and trust central to solving social problems in a multiethnic country such as China. The sheer size of the *minzu* establishment ensures vocal opposition to any shift in the status quo, with a complex network of "ethnic and religious affairs committee" (民宗委) employing millions of officials at every level of the bureaucracy, while overseeing the distribution of billions of dollars in state revenue each year.

There are reasons to believe that Xi Jinping is highly sympathetic to the integrationist agenda. He has consistently stressed the importance of national unity in the context of his "China dream," while remaining largely silent on the place of ethnic autonomy, languages and cultures. He has resurrected and promoted the "four identifications" (四个认同), which stresses the affinity of minorities with the motherland, the Chinese nation/race, Chinese culture and the socialist road with Chinese characteristics, while promoting a sense of collective belonging through Mandarin-language instruction and patriotic education in frontier regions. [1] Xi has also stressed the "equality of everyone before the law" (法律面前人人平等), rather than the group-differentiated rights enshrined in the Chinese Constitution ([People's Daily](#), November 21, 2014; [Xinhua](#), August 28).

The controversial theme of “ethnic mingling” (民族交融) is now one of the “guiding principles” (提法) of ethnic work under Xi Jinping’s government. Rather than promoting ethnic diversity, the Party Center stresses residential integration, joint schooling, and increased interethnic migration and mobility. The concept of ethnic mingling is closely associated with another leading ethnic policy reformer, the former Executive Director of the United Front Work Department (UFWD), Zhu Weiqun, who believes mingling is an inevitable social and historical trend that cannot be resisted ([China Brief](#), June 19, 2014).

Xi’s Failed Intervention

At the Central Ethnic Work Forum in September 2014, Xi Jinping sought to “consolidate thinking” and draw the ethnic policy debate to a close (see [China Brief](#), November 7, 2014). In his speech, he called for confidence in the CCP’s current approach and the need to “unflinchingly walk the correct road of China’s unique solution to the ethnic question.” Xi was critical of those, like Ma Rong and Hu Angang, who praise foreign models, such as an idealized version of the American “melting pot,” and rather dramatically pleaded: “There are people who say that we do not need the system of regional ethnic autonomy, and we should implement the same system as we have in other provinces. This view is incorrect, and politically pernicious. I want to again state clearly to everyone, we must stop suggesting that the system of ethnic autonomy should be abolished!” ([China Ethnic Daily](#), November 15, 2014). Yet, in his speech, Xi also made reference to the four identifications and the centrality of ethnic mingling, leaving some to believe that he still desires to move ethnic policy in a new direction.

Xi Jinping’s mediation did little to end the debate. In fact, under his leadership, the divisions within the ethnic policy community have sharpened, becoming more public and personal. Both sides have declared victory in the media, highlighting those parts of Xi’s undisclosed speech that support their viewpoint. Ma

Rong, for example, wrote a long essay arguing the meeting signaled “an important readjustment” in thinking, shattering the “dual structure” that divides Chinese society into two unequal halves: the Han majority and the ethnic minorities. [2] In reply, his academic rival Hao Shiyuan countered with his own article, asserting that Xi’s speech reaffirmed the centrality of ethnic autonomy and current policies, and must put an end to the confused and erroneous viewpoints that have reigned in recent years. [3]

Wang Zhengwei, director of the powerful State Ethnic Affairs Commission (SEAC) (and himself a member of the Hui minority), issued his own summary of the meeting, claiming Xi’s speech amounted to “the final word” on the ethnic policy debate ([Qiushi](#), October 16, 2014). Yet, a month later, one of his deputies at the SEAC, the Tibetan official Danzhu’angben, provided far more extensive excerpts from Xi’s speech, making it clear that the new Party boss favors some gradual adjustments to concrete policies like family planning and educational preferences for minorities, as well as an end to the creation of new ethnic groups and autonomous regions. “Fifty-six *minzu* is fifty-six *minzu*,” Danzhu’angben quotes Xi, “we do not want to divide any further” ([China Ethnic Daily](#), November 15, 2014).

Hu Jintao’s Continued Influence

Despite the growing clamor for ethnic policy reform, the *minzu* establishment remains a powerful interest group, and it has a formidable ally in the former Secretary General Hu Jintao. Many of Hu’s people remain in key positions of authority when it comes to ethnic policy, and according to Willy Lam, Hu’s Communist Youth League (CYL) Faction (*tuanpai*, 团派) “is the only party clique that can pose some kind of challenge to Xi and his powerful allies.” [4]

Despite persistent rumors that an ally of Xi Jinping would replace Xinjiang party secretary Zhang Chunxian, he remains in his post in spite of recent violence and reputed ties to the purged former security chief Zhou Yongkang ([Duowei](#), September

27). Tibet has long been a stronghold of Hu Jintao, where he served as party secretary between 1988 and 1992. Following his promotion to the Politburo, a succession of Hu allies has ruled over Tibet. In fact, frontier regions like Tibet, Xinjiang, Qinghai and Inner Mongolia have served as important proving grounds for *tuanpai* officials, including the leading candidate to replace Xi Jinping at the 20th Party Congress in 2022, Hu Chunhua, who spent nearly twenty years in Tibet and eventually served as deputy party secretary of Tibet from 2003 to 2006, before becoming the party secretary of the Inner Mongolian Autonomous Region in 2009.

The stocks of another Hu Jintao ally, SEAC director Wang Zhengwei are also on the rise. In April of this year, he was appointed Deputy Head of the United Front Work Department. Wang now holds three key national leadership positions with the Chinese People's Political Consultative Conference (CPPCC), State Ethnic Affairs Commission and the United Front Work Department. He is widely tipped to enter the Politburo at the 19th Party Congress and might even take over the leadership of the UFWD (*Dagongbao*, April 15). If this occurs, he will be the first leader since Li Weihan (1949–1954) to simultaneously hold the top Party and State posts related to ethnic policy, and the first ethnic minority to do so.

The new institutional powerbase of the ethnic policy reformers is the far less powerful Ethnic and Religious Affairs Commission of the CPPCC, where Zhu Weiqun is the director after retiring from the UFWD. Far from receding into the background, Zhu has become increasing strident on the need for ethnic reform. In May 2015, for example, a dialogue between himself and the Tibetan writer Alai went viral due to its unusually frank criticism of the current approach to ethnic issues (*Phoenix News*, May 31). Yet, he will be forced to retire at the 19th Party Congress, and at present, there does not seem to be anyone with sufficient political clout to take up his cause on retirement.

The Father's Long Shadow

Xi Jinping's desire to break down the ethnic policy establishment is not only stymied by his political predecessor but also by his father's extensive legacy of ethnic policy work. The elder Xi was known as a leading expert on minority issues, serving first in the Northwest during the 1940s and 1950s and then in Beijing as Vice-Premier in charge of ethnic, religious and united front work during the 1980s. Xi Zhongxun consistently warned against "leftist deviation" in ethnic work, and stressed the need for careful consideration of minority cultures, languages and identities when implementing national policies. During the 1980s, he worked closely with Hu Yaobang to readjust ethnic policies after the Cultural Revolution, resulting in the passage of the 1984 Law on Regional Ethnic Autonomy and a raft of new minority preferences that the ethnic policy reformers rail against today (*Phoenix News*, October 21, 2014).

Xi senior was particularly close to the 10th Panchen Lama, and was also said to have kept a watch that the 14th Dalai Lama gave him, in 1954. On the sudden death of the Panchen Lama in 1989, Xi Zhongxun published a long memorial essay in the *People's Daily* praising the patriotism and devotion of his "close friend," while lamenting leftist errors in Tibet policy in the past. After the death of Mao Zedong, Xi Zhongxun worked closely with the Panchen Lama to implement a series of significant policy reforms in Tibet and other ethnic regions, creating today's ethnic establishment.

Unlike his father, Xi Jinping has had little direct experience with ethnic issues, spending his entire career in coastal provinces like Hebei, Fujian and Zhejiang. A 5,000-character section of his 1992 book *Casting Off Poverty* (摆脱贫困) is held up as his primary contribution to ethnic work (*CPC News*, November 2, 2014). In fact, there is not a single essay on ethnic policy in Xi Jinping's most recent book, *On Governance* (谈治国理政), with only two fleeting references in the entire book. In sharp contrast, Xi Zhongxun's contribution to ethnic and religious work was highlighted in the essays, books and even TV series commemorating the centenary of his birth in 2013. "Ethnic work was an indissoluble thread

throughout Comrade Xi Zhongxun's life," Wang Zhengwei wrote, "where he made a major contribution to solving our country's ethnic problems" (*China Ethnic Daily*, October 15, 2013).

In short, any move by Xi Jinping to scale back ethnic minority rights and autonomy would be viewed as a direct repudiation of his father's legacy, something he is frequently reminded of through the citation of his father's speeches by those who seek to defend the status quo.

Conclusion: Security Reigns Supreme

With the lack of consensus at the top, local officials are left without clear guidance as how to balance ethnic autonomy with interethnic mingling. Unsure how to proceed, most stress the importance of stability above all else, employing their considerable security and social welfare funds to inhibit ethnic contradictions. In fact, policy paralysis and continued ethnic unrest actually lends a freer hand to security officials while the underlying sources of interethnic tension go unaddressed.

As chairman of the newly created National Security Commission, Xi Jinping has considerable influence over the security agenda, with its forces emerging as one of his most important power bases. In his speeches thus far, Xi has consistently stressed the importance of stability maintenance—a common theme over the last two decades but one that has come to define Xi's approach to ethnic problems.

In the name of combatting the "three evils" (separatism, extremism and terrorism), security officials have not only garrisoned frontier regions like Xinjiang and Tibet but are increasingly adopting similar methods of militarized policing across the country. Yet, the securitization of Chinese society fails to address any of the core issues at stake in the ethnic policy debate.

In sum, while the security apparatuses have proven themselves largely effective in snuffing out the spate of Tibetan self-immolations and Uyghur-linked

terror attacks, ethnic antagonism has sharpened in parts of Chinese society as they are pushed deeper underground by the now ubiquitous social monitoring. Without efforts to deal with these underlining tensions, any stable and harmonious pluralism will continue to elude Chinese policymakers.

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Notes

1. In fact, at the 6th Tibetan Work Forum, Xi added a fifth identification, the Chinese Communist Party, thereby making the term his own (see *People's Daily*, August 26).
2. Ma Rong, "旗帜不变, 稳住阵脚, 调整思想, 务实改革: 对中央民族工作会议的解读" (Fixing the flag, holding one's ground, readjusting one's thinking, and pragmatically reforming: Deciphering the Central Ethnic Work Conference), *民族社会学研究通讯*, 172 (2014): pp. 1–10.
3. Hao Shiyuan, "民族区域自治: 中央民族工作会议讲了什么?" (Regional ethnic autonomy: What was said at the Central Ethnic Work Conference?), *中央民族大学学报*, 219 (2015): pp. 5–12.
4. Willy Wo-Lap Lam, *Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, or Retrogression?* (London: Routledge, 2015): p. 5.

Next Focal Point of China's Stock Market: Earnings—But Can We Trust the Numbers?

Shaomin Li and Seung Ho Park

The recent stock market turmoil and the economic slowdown in China have kept analysts busy projecting where the economy is going and what the government will do. The Chinese government has also issued a number of reforms of state-owned enterprises and other aspects of the economy. However, these reforms and increased scrutiny by both regulators and investors will be futile unless larger problems with market fundamentals in Chinese companies are addressed.

While the world's attention has been fixed on what the Chinese government is going to do next, there has been a tendency to neglect market fundamentals and to forget about the very reason why people invest (or speculate, more appropriately in this case) in the stock market in the first place: the stocks we buy give us shares of ownership of a company that creates value for the owners by making products or services that people or companies want. And from selling these products/services the company we bought into will generate earnings, which, ultimately, will go to us the investors. This is why the ratio of a stock's price to its earnings, or the P/E ratio, is one of the most important vital statistics of a stock market. At the end of September this year, the average P/E of stock markets worldwide was 17.7, while the P/E of the Shenzhen Stock Exchange was about 39, already substantially down from 69 in June. If the P/E is too high, which is the case of the Chinese stock markets, then people will not buy stocks because of their earnings, but because they think they can sell them with higher prices to the next buyer, which is speculation and creates bubbles in the market.

In order to attract investors who invest in the fundamentals of the companies listed in China's stock market rather than the ones who speculate at this high valuation level, the listed companies must substantially increase their earnings. Recently, the Chinese

government rolled out its much anticipated plan to revamp the problem-ridden state-owned enterprises by releasing several important documents, with the first being "Directives of Deepening Reform of State-Owned Enterprises" (深化国有企业改革的指导意见) in which the party calls on the SOEs to "increase return on investment" ([Xinhua Online](#), September 13).

Businesses in China follow the government's orders closely. Most likely, if they cannot increase profits, they will show on paper that they have, which involving what accountants call "earnings management"—an act by the management of a company to manipulate earnings information to make it appear higher or lower, depending on the purpose.

A study of earnings manipulation across countries, with special attention to companies in China, shows that the overall level of earnings manipulation is high among the Chinese companies, and the highest as compared to companies in the U.S. and other developing countries. [1]

The following table presents the reported profit margins of listed and unlisted firms in the above countries. In general, unlisted firms should have a higher rate of return because it is more difficult to invest in them and they lack liquidity. Everything else being equal, investors of unlisted firms, who make the effort to overcome the difficulty of starting or investing in the firm, expect to earn a higher rate of return than simply buying stocks of listed firms in the secondary market. In other words, if listed firms have a higher return, all investors would just buy stocks instead of taking all the trouble and risk to invest directly in and run business. However, firms of most BRIC countries in the table defy the general belief and economic logic: unlisted firms in three BRIC countries reported lower profits than the listed firms—investing in the stock market appeared to be far more profitable than directly investing in and running an unlisted firm. [2] The gap between listed and unlisted is especially large for China: listed firms' average reported profit is three times of that of unlisted firms. Something is not right in these figures. Additional research reveals that in China listed firms tend to use earnings manipulation to make earnings appear higher in order to attract investors and pump up the stock prices, and unlisted firms have an incentive to underreport earnings to reduce their tax payments.

Table 1: Profits of listed and unlisted firms from the BRIC countries and the U.S. in 2009

| | Listed firms | | Unlisted firms | | |
|---------------|-----------------|---|-----------------|---|--|
| | number of firms | average profit margin reported by firms | number of firms | average profit margin reported by firms | Profit gap between listed and unlisted firms (%) |
| Brazil | 340 | 11.90% | 4890 | 10.78% | 10% |
| China | 2,301 | 12.06% | 178832 | 3.79% | 218% |
| India | 3,589 | 8.61% | 8062 | 14.90% | -42% |
| Russia | 1,117 | 4.02% | 404771 | 2.90% | 39% |
| U.S. | 4,703 | -0.35% | 28938 | 5.52% | -106% |

This phenomenon, observed during our study a few years ago, remains a major concern for investors in China. A useful way to assess profit misreporting is to plot a company's reported profit against its cash flow. Generally, the amount of profits and the amount of cash flow a firm has should be closely correlated and should be close to equal—provided that the firm accurately reports profits. Another interesting and revealing feature is that while profit is a reported figure on paper and thus can be easily altered, stated cash flow, on the other hand, must have actual cash in the firm's bank account (or its safe) to back it up and therefore is less easy to fake.

Under normal circumstances we expect the two variables to be highly correlated and the scatter plot of the variables to fall near the 45-degree line. As can be seen from the figure, the distribution of the U.S. firms (black dots) falls near the 45-degree line, whereas the distribution of the firms in China (gray dots) shows that profit (return on assets, or ROA) clusters around zero (mostly above zero) irrespective of the value of their corresponding cash flow. In other words, there is little correlation between the ROA and cash flow for the firms in China, once again suggesting evidence of profit manipulation.

Scatterplot of ROA vs Cash Flow for Chinese and US Firms

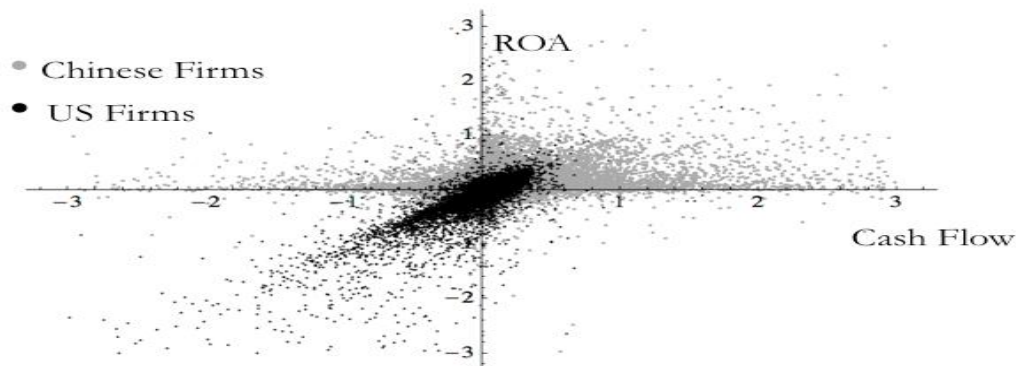


Fig. 1. Cash Flow (CF) versus Return on Assets (ROA), China and U.S. This figure represents the relationship between Return on Assets (ROA) (profit/assets) and Cash Flow (CF) (cash flow/assets) for Chinese and U.S. firms.

Why do firms in China hide profits and losses and tend to cluster at the breakeven point by showing a tiny profit? After some research and interviewing business people and accountants in China, we found that the reason is essentially a desire to avoid scrutiny by government officials. The evidence and interview responses we got can be summarized as: *do not show high profits, because it will attract envy and unwanted attention. Do not show big losses either, for this also could trigger an audit.* While hiding profit is more common everywhere, hiding losses may be particularly common in China. A Taiwanese businessman managing a company in China told us that the local tax officers simply did not believe that firms could have several years of losses: “if your firm keeps losing money, why keep operating it?” So firms adopt a strategy of not revealing much of anything. As the former Chinese President Jiang Zemin inadvertently revealed in a famous Hong Kong news conference: “Keep silent, make money” (闷声大发财, [Wenxue City](#), December 23, 2013; [YouTube](#)).

The conclusion based on these simple statistics is that the quality of financial reporting by Chinese firms is low. As we know, trustworthy and accurate reporting of financial data is vital to the survival and growth of a stock market. So before the Chinese government orders the firms to increase their profit, the first and the most imperative effort it should make is to improve corporate governance and the quality of financial reporting of firms. This is a prerequisite for developing a healthy, sustainable stock market.

Although new Party directives on deepening reform of state-owned enterprises (SOEs) mention the need to further disclose firm operating and financial information, this section not given high priority, being buried as the 22nd article of a 23-article section on reforms. The remainder of the document rather emphasizes the importance of strengthening party rule in SOEs ([Xinhua](#), August 24). Emphasizing the prioritization of control over transparency, the Chinese government also issued a subsequent document entitled “Directives on the Upholding Party’s Leadership and Strengthening the Party’s Establishment during Deepening Reform of State-Owned Enterprises” (关于在深化国有企业改革中坚持党的领导加强党的建设的若干意见) ([People’s Daily](#), September 21).

Unfortunately, those who do report economic facts are frequently persecuted for it. Strengthening the Party’s control of SOEs will not particularly help these firms improve information disclosure and reduce profit misreporting. Our findings on the patterns of rampant profit misreporting in China have several implications for policy makers as well as for investors and managers conducting business in China.

Manipulating profit biases the information transmitted by reported earnings, often leading investors to misallocate capital. Persistent and widespread profit misreporting in an economy may cause investors to lose confidence in corporate reports and ultimately in the local securities markets themselves. This could create a “lemons market” that not only misallocates society’s resources, but also creates a reluctance to invest in China’s capital markets. The Chinese government should make creditable efforts to improve the institutional environment. Specifically, the state should reform the incentive mechanisms for senior managers in the state-owned firms. Truthful reporting requires decreasing the motivation to manipulate earnings. This can be partly accomplished by clarifying the accounting standards and improving the enforcement of the tax laws. Secondly, the ongoing rule of law campaign should be used to promote more clear rules and reduce the fear factor. If executives hide profits and losses to avoid public attention for fear that they may be investigated for putatively illegal business activities, then the government should consider making policies that reduce the uncertainty regarding the legal environment. Decision-makers prefer bright lines and stability when it comes to legal issues. This will also level the playing field and decrease the need for firms to manipulate earnings in order to compete. Uncertainty increases the risk of business decisions, misallocates resources, discourages investment, and drives information underground.

Conclusion

While government reforms of state-owned enterprises certainly represent a step in the right direction, they are unlikely to change the culture of “transparency avoidance.” For investors, this analysis implies that first, they should be more cautious in basing their investment decisions on reported income when investing in Chinese

firms, especially state-related firms. Second, as a practical matter, one should give more weight to cash flows than to earnings, since cash flows are harder to manipulate and easier to verify than profits. Third, investors should be cautious when forming joint ventures with local firms in China. Going into the market alone (i.e., establishing a wholly owned subsidiary) can substantially reduce the risk of local partners providing inaccurate financial information.

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Notes

1. Shaomin Li, Seung Ho Park, and Rosey Shuji Bao, “How Much Can We Trust the Financial Report? Earnings Management in Emerging Economies.” *International Journal of Emerging Markets*, 2014, 9 (1), pp. 33–53. Shaomin Li, David Selover, and Michael Stein, “‘Keep Silent, Make Money’: The institutional pattern of earnings manipulation in China.” *Journal of Asian Economics*, 2011, 22, pp. 369–382.
2. We realize that there is conjecture that the higher profits of listed firms may be due to the state policies that give preferential treatment to firms that perform better or are in the state-controlled industries. However, evidence from research and stock market performance data does not consistently support the conjecture.

The Belt, the Road and the PLA

Andrea Ghiselli

During his speech addressing the United Nations General Assembly in late September, Chinese President Xi Jinping announced that China will take the lead in the creation of an 8,000-strong standby force for peacekeeping operations ([FMPRC](#), September 29). Such a commitment will help cement

Chinese military involvement in Military Operations Other Than War (MOOTW).

These missions and other similar operations are what Sun Degang, Deputy Director of the Shanghai International Studies University’s Middle East Studies Institute, has called a “soft military presence” (柔性军事存在), meaning a limited deployment of People’s Liberation Army (PLA) units abroad, and mainly for peacekeeping and antipiracy operations. [1] Strongly echoing the interpretation of MOOTW provided by Chinese military academic texts, the goal of Sun’s “soft military presence” is to both defend China’s overseas interests and provide public goods to the international community. [2] Such operations and, importantly, presence, may pave the way for the PLA’s involvement in one of the biggest economic and political policies of Xi Jinping’s administration: the One Belt One Road (OBOR) initiative.

Four professors at China’s National Defense University (NDU) have laid out the case for Chinese military involvement in the OBOR. The first is the PLA Air Force Major General Qiao Liang ([China.com](#), May 7), already famous for his unconventional arguments in the book *Unrestricted Warfare* (超限战争). [3] The second is the PLA Major General Zhu Chenghu, who has also declared that China should be aware that the OBOR has raised concerns in both the United States and Russia ([Takungpao](#), May 13; [Takungbao](#), May 24). The third is PLA Major General Ji Minkui that in his declarations usually places great emphasis on the importance for China to be more self-confident and whose position can be considered as moderate ([China.com](#), October 4). The fourth is PLA Navy Colonel Liang Fang, generally considered a hardliner, who is known for pushing for China to become a stronger sea power ([National Defense Reference](#), February 11; [National Defense Reference](#), March 10). However, it should be acknowledged that there are limitations on what can be gained from such commentators, given that most of them are trained to speak in accordance with propaganda/policy imperatives ([China Brief](#), July 25, 2013). This is particularly the case with General Qiao. Discussions

of OBOR differ from those related more directly to challenges that China faces in Asia or territorial disputes, avoiding much of the inflammatory and heavily politicized rhetoric that characterizes commentary on these issues.

By contrast, when it comes to extra-Asian issues, such as the One Belt One Road initiative, the views expressed by Chinese military and non-military commentators are usually much more cautious and objective. Moreover, it is interesting to see that, despite starting from the same basic assumption—the PLA should have a role in guaranteeing the protection of the OBOR—these professors reach a large variety of conclusions by exploring different issues. They touch on issues such as the PLA's image abroad and apparent inconsistency between the capabilities the PLA has and the threats it has to deal with. Such heterogeneity is further indicative that their declarations are not likely to be part of the propaganda machine work; rather, they offer insights into the debate within the Chinese military about the future development of the PLA.

Can the PLA Protect the OBOR?

Though these four scholars support the idea that the PLA should protect Chinese interests along the One Belt and One Road, they disagree about whether the PLA is capable of doing so. While Qiao argues that the PLA does not have the necessary capabilities, on both land and sea, to defend Chinese overseas interests, Ji and Fang generally stress the importance of strengthening the PLA's fighting capabilities. Zhu, alone argues that the PLA already has all the necessary capabilities to go abroad and protect the OBOR, but that diplomatic constraints related to the creation of military bases abroad prevent the Chinese armed forces from going global. In a major departure from his colleagues, he mentions the use of private military companies as a potential solution. Nevertheless, he himself admits that Chinese laws do not allow private citizens to buy and carry guns and that in some countries foreigners are not allowed to do so as well. Zhu's words are mirrored on the ground by the arrangement found by Chinese oil

companies in Iraq which hire a mix of Western, local and Chinese guards and assign them different tasks according to their capabilities ([Global Times](#), June 23, 2014).

Land Power or Sea Power?

Regarding the question of how the PLA should allocate resources, Fang and Qiao offer insight into the debate between sea and land power advocates. The fact that Fang is a Naval officer is likely to be a major determinant in Fang's decision to focus on the development of the PLA Navy ([China Brief](#), March 19). Indeed, she calls for a stronger Navy able to protect the sea lines of communication, national sovereignty and China's maritime interests. According to Liang, the future PLA Navy should be actively involved in military diplomacy with other countries to increase China's diplomatic clout and should boast one or more aircraft carriers supported by a network of bases overseas.

Qiao Liang argues that the Chinese Navy, whose ability to project power in the Pacific and beyond is limited by the dominance of the United States Navy. China must instead look to developing its land power. He levels harsh criticism against those, like Liang, who want the PLA sailing aircraft carriers in the Pacific Ocean and ignore the fact that the PLA Navy cannot realistically prevent the U.S. Navy from blockading China. Qiao argues that the Silk Road Economic Belt, rather than the Maritime Silk Road is where the PLA should be present, either to support a friendly governments to restore stability or to directly protect Chinese citizens and assets. With the seas dominated by the U.S. Navy, he argues, this is the moment to improve the PLA land forces' airlift capabilities and step up interservice cooperation with the Air Force ([CASS](#), April 11). Moreover, his comments suggest that the Chinese armed forces should become more agile and more mobile by following the example of Western militaries that no longer emphasize the use of heavy tanks.

Supplementing these arguments, Ji Minkui has argued that the countries of the Shanghai Cooperation Organization (SCO) should have a larger role in the

implementation of the OBOR as a platform for security and economic cooperation ([China.org](#), December 16, 2014). In this sense, the numerous and various joint military exercises held by China, Russia and the other SCO members in recent years show a growing degree of coordination and interoperability especially between the Chinese and Russian armed forces ([China Brief](#), February 20).

Does China Need Overseas Military Bases?

There is a general consensus that China has to develop a network of places where Chinese armed forces can rely on to extend their operational range. However, there is a certain degree of disagreement about how to build such a network in the face of different kinds of constraints and for different uses.

Liang and Zhu clearly state that overseas bases are essential to the future development of the PLA and protection of Chinese interests abroad. However, Zhu goes straight to the core of the problem by pointing out that two main elements still impede such a development. First, other countries do not see the PLA operating abroad positively. An example of the kind of alarmist kind of reaction that the association of the PLA with the OBOR might create can be found in the comment of an Indian scholar that, rather emphatically, stated that China is planning to cover its “iron fist” with a “silk glove” ([Project Syndicate](#), March 4). Another PLA Officer, Liu Nanfei, however has argued that operations such as the evacuation of Chinese and foreign nationals from Yemen are extremely beneficial for the image of the PLA abroad ([China National Defense News](#), April 14). Since it is expected that the number of Chinese citizens and companies abroad will grow along the implementation of the OBOR, the PLA will consequently have more opportunities to present itself as a force for the good. Second, Zhu argues that even if China succeeded in signing an agreement with a friendly foreign government, there is the risk that after new elections a new head of state might decide to break the contract. Both concerns are not new and Zhu’s words simply describe them through the lens of the PLA. Still, while the problem about the spread of the “China threat theory” has been debated for

decades within Chinese foreign policy circles, the political risks associated to the investments that China has been making and is going to make are a newer issue more closely related to the OBOR itself. The doubts about the success of Chinese investments in Colombo’s logistic infrastructures—one of the places where it has been speculated for many years that China was going to establish an informal foothold for its Navy—are revealing in this regard.

Qiao’s argument implicitly suggests that some kind of logistic arrangement with other countries would be needed by the PLA in the case of operations abroad. However, transporting troops by air, as he suggests, would be much easier and cheaper in economic and diplomatic terms compared to the creation of outposts for the Navy. Indeed, during the evacuation of Chinese citizens from Libya in 2011 four PLAAF Ilyushin II-76 flew from Diwopu International Airport in Urumqi off to Libya stopping in Khartoum and Karachi ([The China Post](#), March 1, 2011). [4]

What Kind of Threats Must the PLA Defend the OBOR from?

Ji Mengkui has stated that that the PLA should possess the capabilities to win wars under the conditions of informatization and to address non-traditional security threat. Qiao Liang does not specify what kind of enemy the PLA should deal with, but counterinsurgency and peacekeeping are clearly among the increasingly important tasks of the PLA. Indeed, his words about either supporting friendly government or direct intervention imply that instability is the main threat to Chinese citizens and assets abroad. Moreover, his criticism of the development of heavy battle tanks, by mentioning the Soviet loss of many tanks during the war in Afghanistan, reveals the fact that he does not see the PLA fighting against other conventional armed forces in the future. Rather, against non-conventional forces. Liang’s emphasis on sea lines of communication and the whole logic of her piece mirror Chinese anxiety about the possible intervention of the U.S. Navy and, secondarily, about the threats of piracy. The importance attached by the National Defense

University scholars to addressing non-traditional security threats as the PLA goes global confirms the findings of recent studies done by some Western experts, such as Oriana S. Mastro, Jonas Parello-Plesner and Mathieu Duchâtel. [5] They argue the Chinese armed forces are expanding their projection capabilities at the global level mainly to protect Chinese citizens and assets from natural disasters and political instability, and provide a limited amount of public goods through peacekeeping and disaster relief operations.

Conclusion

Overall, it is evident that the PLA pays great attention to the One Belt One Road. This is particularly true with regards to the balance between sea and land power, between traditional and non-traditional security issues, and the conditions under which the PLA is allowed to operate abroad. More research is needed in each of these areas. Still, in light of the aforementioned debate among PLA affiliated scholars, it is possible to see that the relationship between the protection of Chinese overseas interests and the use of the PLA in time of peace is growing stronger. For example, Qiao clearly states that the PLA operations abroad will not be aggressive and, implicitly, will require the consent of the host country. However, there are several challenges that must be overcome first. The growth of overseas deployments has led to several improvements in the PLA, from better equipment for the soldiers, to a growing focus on airlift and stronger logistic backup for the PLA Navy ([PRC Ministry of Defense](#), January 4; [China Brief](#), October 2). Nevertheless, past negative assessments made by the PLA Daily concerning the PLA's power projection capabilities still holds true ([PLA Daily](#), April 13, 2006).

Additionally, Zhu's concern about how to ensure that changes in the political landscape in a foreign country will not affect the stability of a potential PLA base overseas is just the tip of the iceberg. Other military scholars and commentators have indeed made clear that more work is necessary to establish

a clear legal framework for the PLA operations abroad ([PLA Daily](#), March 10). [6] Finally, the most interesting element that emerges from the virtual discussion presented here is the mix of simultaneous interservice cooperation and competition that is at the foundation of the future development of the Chinese armed forces. Colonel Liang, a Navy officer, naturally argues in favor of a stronger PLA Navy and her position reflects the fact that it seems that the Navy has gained the upper hand over the Air Force and the Army in terms of influence in the Chinese foreign policy-making process and budget allocation. However, the "struggle" is clearly not over and the implementation of the OBOR initiative will likely push for deeper reforms in all the PLA services.

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Notes

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5. Oriana S. Mastro, [The National Interest](#), December 18, 2014; Parello-Plesner J. and Duchâtel M., *China's Strong Arm: Protecting Citizens and Assets Abroad*, (New York: Routledge, 2015).
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