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**Domestic Criticism May Signal Shrunk Belt and Road Ambitions**

*By Matt Schrader*

In the past two weeks, obvious signs of discontent with CCP General Secretary Xi Jinping's ambitious policy agenda have emerged into public view. (Willy Lam explores these signs and their policy implications in "[Xi's Grip on Authority Loosens Amid Trade War Policy Paralysis](#)", also in this issue.) Intellectuals have launched brave attacks on Xi on a number of fronts, from his unprecedented assault on intellectual freedom, to his decision to name himself president for life by amending the PRC constitution to remove presidential term limits ([China Brief](#), March 5).

One of these criticisms is Xi's excessive 'foreign aid' to countries in Africa and elsewhere. This is an obvious reference to Xi Jinping's ambitious, globe-spanning Belt and Road Initiative (BRI). The BRI is the hallmark of Xi Jinping's foreign policy—indeed, as the scope of the BRI has expanded, the two have become increasingly difficult to distinguish.

Although a Western observer might dismiss a few professors' unhappiness with the BRI as ivory tower grumbling, PRC academic critiques are worth noting, since outspoken academics are often the channel through which other PRC societal elites communicate their dissatisfaction with the CCP. In the past, these channels have also served to telegraph important shifts in CCP policy. The public airing of such criticisms could indicate the existence of an emerging consensus that Beijing should scale back its BRI ambitions. And in fact, BRI investment has already begun to shrink,

decreasingly dramatically since 2016. Were it to decrease further, it would have important strategic repercussions throughout the Eurasian landmass and Africa.

### “Flashy” Spending Abroad

On July 20, Sun Wenguang, a retired professor of physics at Shandong University, penned an open letter criticizing China for “offering almost CNY 400 billion in aid to 166 countries, and sending 600,000 aid workers” ([Canyuwang](#), July 20). On August 1, as he expanded on his concerns in an interview with the US-based Voice of America, police forced their way into Sun’s apartment. As he was taken away, Sun could be heard saying, “Listen to what I say, is it wrong? Regular people are poor, let’s not throw our money away in Africa ... throwing money around like this doesn’t do any good for our country or our society.” ([VOA Youtube](#), August 2)

Although Sun has long been a government gadfly, he is also long retired, and resides far from the center of power in Beijing. But similar criticisms have found voice much closer to the corridors of power. On July 24, Xu Zhangrun (许章润), a professor at Beijing’s elite Tsinghua University, published an extraordinary essay entitled “Imminent Fears, Imminent Hopes” (我们当下的恐惧与期待). Among many other criticisms, Xu excoriates Xi’s government for its profligacy abroad, saying:

*At the recent China-Arab States Cooperation Forum [on 10 July 2018], [Xi Jinping] announced that twenty billion US dollars would be made available for ‘Dedicated Reconstruction Projects’ in the Arab world, adding that [China] will investigate offering a further one billion yuan to support social stability efforts in the [Persian Gulf]. Everyone knows full well that the Gulf States are literally oozing with wealth. Why is China, a country with over one hundred million people who are still living below the poverty line, playing at being the flashy big-spender? ([China Heritage](#), August 1)*

Observers steeped in Western coverage of Belt and Road might find these criticisms surprising. Western press outlets have tended to cover the BRI as a triumphant PRC bid to remake global trade in its image. Only very recently has Western coverage turned skeptical. But the political sensitivity of the BRI means that information related to it is tightly controlled inside China; as a result, Western analysis of BRI is largely irrelevant to the debate inside China. Domestic criticism of Belt and Road is drawn from a very different, distinctly Chinese context.

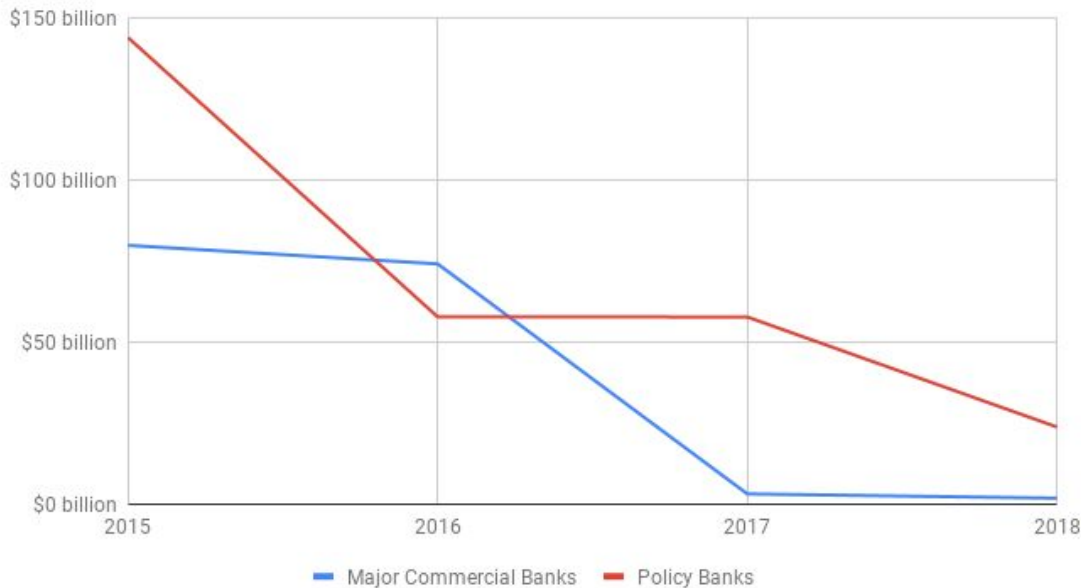
In the BRI, domestic critics see an extension of the CCP’s predilection for grand spending that disproportionately benefits connected insiders. As they see it, these loss-making “face projects” (面子工程) are conducted with limited transparency and oversight, and are primarily meant to reflect glory upon one’s superiors (and help underlings curry favor). The braver of Xi’s critics have thus taken to describing his foreign policy as *dasabi* (大撒币), or “throwing money around” ([China Digital Times](#)). The phrase, which censors have largely erased from China’s internet, is also a homonym for an extremely vulgar term used to insult someone’s intelligence.

### Criticism vs. Reality

This jaundiced view of official spending may be why domestic critics of BRI sometimes categorize BRI investment—which is supposed to be primarily of a commercial nature—as “foreign aid” (对外援助). In reality, the “dedicated reconstruction projects” Xu Zhangrun referenced in his diatribe are not aid; they will be probably be financed by concessional loans meant to “drive economies by reviving industry” (以产业振兴带动经济; [FinanceWorld](#), July 11). BRI loans are intended to be paid back, and despite numerous articles in Western publications about BRI-induced ‘debt traps’, analysts who track the initiative’s progress have found that only about 14% of BRI projects to date have run into problems ([RWR Advisory](#), July 9).

This is not a point that domestic critics of BRI typically cite. Censorship may again be the culprit. Although an 86% success rate for BRI projects is certainly better than some Western observers might guess, the PRC government may not eager for it to be widely known at home that China's banks have tens of billions of dollars tied up in problematic projects abroad. Indeed, the PRC's policymaking apparatus appears to have already responded to concerns of BRI overreach by adjusting the scale of lending to limit possible financial risk. BRI lending by major PRC banks has dropped by 89% since 2015, and lending by commercial banks—who are dealing with their own financial issues domestically—has ceased almost entirely. Policy banks have also scaled back, despite their status as arms of PRC government policy.

BRI Lending: Policy Banks vs. Major Commercial Banks



Source: RWR Consulting [1]

Criticism has still emerged despite the government's attempts to scale back risk. In this sense, the PRC government appears to be fighting the information and trust deficits engendered by its own censorship apparatus among intellectuals and other critics. Fed a steady diet of information trumpeting BRI moving from triumph to triumph, leery intellectuals remain skeptical.

### A Less Ambitious BRI?

A sustained downturn in BRI lending at the same time that domestic criticism of the initiative emerges into China's tightly controlled public discourse may indicate the existence of an emerging—and potentially enduring—consensus that Beijing should keep its overseas lending ambitions modest. In Beijing's chilly intellectual climate, an academic brave enough to plainly state their criticisms typically speaks for many others. In pondering the future of the BRI, it might be instructive to recall a 2012 essay by Deng Yuwen (邓聿文), a commentary writer and deputy editor of the Central Party School's journal, enumerating the ten biggest problems of the Hu Jintao-Wen Jiabao administration [2].

Although Deng was fired, many of his criticisms—including a lack of vision in PRC diplomacy, and the government's failure to build an effective and convincing system of shared values—read like direct inspirations for Xi-era policymaking initiatives. Xu Zhangrun no doubt hopes his essay can serve as a similar catalyst, regardless of whatever fate may befall him individually.

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[1] The author would like to thank RWR Consulting for use of their proprietary database of Belt and Road Initiative projects.

[2] The author is indebted to Jeremy Goldkorn, editor of the SupChina.com newsletter, for pointing out the congruencies between Deng's and Xu's essays.

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## **Xi's Grip on Authority Loosens Amid Trade War Policy Paralysis**

*By Willy Lam*

A spate of unusual reports in Hong Kong and overseas Chinese-language media lend credence to the idea that, while Xi Jinping remains China's undisputed paramount, his authority seems somewhat diminished. A moratorium of sorts appears to have been called on the relentless personality cult constructed around Xi, while signs have emerged that China's economic policymaking apparatus has been hamstrung by disagreements between Xi and his top economic policymaker over how to handle a deepening trade war with the United States. While the trade war appears to have applied enough pressure to China's political system to open space for criticism of Xi's leadership style and tactics, it is unlikely that Xi's position atop China's political hierarchy is in any serious danger.

### **Signs of Dissent**

Beginning in July, various cities throughout China have mothballed portraits and display photos of Xi (such public displays of fealty are key elements of the gathering cult of personality). The Shaanxi Academy of Social Sciences suddenly ended its research into "The Great Wisdom of Liang Jiahe," (梁家河大学问), a reference to Xi's innovative ideas and exploits while serving as a student in the village of Liangjiahe in Shaanxi during the Cultural Revolution. Most inexplicably, Xinhua News Agency on July 11 ran an article criticizing Hua Guofeng—Mao's designated successor, who was eventually outmaneuvered and removed from power by Deng Xiaoping—for cultivating a cult of personality. This could, potentially, be seen as an indirect attack on Xi, whose personality cult has begun to resemble that constructed around Mao Zedong ([Voice of America](#), July 16; [Ming Pao \(Hong Kong\)](#), July 16; [Radio Free Asia](#), July 12).

Reports have also surfaced that two of Xi's closest advisers, Wang Huning and Liu He, have at least temporarily been sidelined. Wang, who is Politburo Standing Committee (PBSC) member in charge of ideology and propaganda, has apparently taken the rap for the personality cult around Xi. Liu, the Politburo member in charge of economics and commercial relations with the US, has been widely criticized for Beijing's failure to negotiate a trade war ceasefire with the US ([Ming Pao](#), July 23; [Apple Daily \(Hong Kong\)](#), July 20).

Stories about political troubles befalling Xi could be exaggerated. Xi recently completed a 10-day trip to Africa and the Middle East; it is unlikely he would have left the country for so long if his position were in imminent danger. Further mitigating against the idea of political instability, coup d'etats within the CCP—such as the arrest of the ultra-leftist Gang of Four in 1976, or the failed coup against Mao led by Marshal Lin Biao in 1971—were carried out by figures who commanded the allegiance of at least a faction of the People's Liberation Army (PLA). The PLA is unlikely to move against Xi after a massive reshuffle of its command-and-control apparatus in late 2015 and early 2016 that saw Xi install protégés in most of the PLA's senior roles. ([China Brief](#), October 20, 2017). Moreover, prior to Xi's departure for

the United Arab Emirates on July 19, National People's Congress Chairman Li Zhanshu, a long-standing Xi confidante, coined a new way to eulogize Xi, referring to him as the "eternal core" of the party leadership. Li, also a PBSC member, urged all cadres and party members to do their utmost to "ensure that party central authorities, with comrade Xi Jinping as their core, will have the power to *yichuidingyin* [call the final shots] and to *dingyuyizun* [settle differences with utmost authority]." Four months ago, Li was also instrumental in firming up Xi's Mao-like status by eulogizing him as "leadership core of the party, military commander, the people's leader, the country's helmsman and the pathfinder of the people" ([Xinhua](#) July 17; [China.com.cn](#), March 21).

### Casualties of a Trade War?

While Xi's status as top leader likely remains unchallenged, his authority—including his ability to make decisions on major political, economic and foreign-policy issues—seems impaired in recent weeks. Xi is widely seen as failing to thwart what the Chinese Foreign Ministry calls Trump's "hegemonic" and *lingba* ("bullying") tactics. The paramount leader has, for the most part, struck back only with rhetoric, warning the Trump administration of the dire consequences of challenging China. In a meeting with CEOs of multinational corporations in late June, Xi noted that China followed the ethos of "a tooth for a tooth", and that it would certainly "punch back" against unreasonable American demands ([Radio French International](#), June 27; [CNBC.com](#), June 25). And while touring South Africa in late July, Xi even invoked Mao's famous line about China's enemies—in this case the US—"lifting a boulder only to smash their own feet" ([Xinhua](#) July 26, [Ming Pao](#), July 26).

Yet since Trump made it known that he might slap tariffs on all \$550 billion worth of Chinese imports to the US, the response by CCP senior cadres and official mouthpieces has largely been one of paralysis ([South China Morning Post](#), July 22). Indeed, from June onwards, the response of the party-state apparatus has been cautious to a fault. First Beijing ordered a halt to all media references to "Made in China 2025", a central government plan to nurture national champions in cutting-edge technologies that has been seized upon by American officials as evidence of heavy state interference in the Chinese marketplace ([Radio Free Asia](#), June 27; [New York Times Chinese Edition](#), June 27). And in mid-July, the CCP Propaganda Department banned media use of the phrase "trade war", in an apparent effort to divert the public's attention from the fact that Beijing lacks the wherewithal to respond in kind to Trump's threats ([South China Morning Post](#), July 14).

While Xi has arrogated decision making authority on all major economic questions, the supreme leader seems to lack the professional knowledge and expertise to function as economic czar. Reports have had him clashing with his principal economics adviser, Vice-Premier Liu He, about how to deal with the Americans. While speaking at a conference in the US, White House chief economist Larry Kudlow claimed that the hawkish Xi was preventing doves such as Liu He and other State Council bureaucrats from engaging in give-and-take with the Americans. "I think Xi is holding the game up," Kudlow said. "I think Liu He and others would like to move but haven't" ([Voice of America Chinese](#), July 18; [Businessinsider.com](#), July 18). Since Liu returned from two rounds of talks in Washington in May empty-handed, his status as "Chinese leader in Sino-US comprehensive economic dialogue" (中美全面经济对话中方牵头人) has effectively come to an end. Liu did not accompany Xi on his tour of Africa and the Middle East, and has apparently been given the new responsibility of looking after China's unwieldy state-owned business conglomerates ([Caixingglobal.com](#), July 27; [South China Morning Post](#), July 26).

Perhaps due to Xi's truncated authority—and the temporary sidelining of his economic point man—there seems to be no authority forceful enough to stop internecine bickering among government departments overseeing the economy. Both Hong Kong and Western media have reported on open warfare among State Council debating how to manage an incipient economic downturn, including how to lend a hand to companies affected by the trade war ([Reuters](#), July 18; [Sinoinsider.com](#), July 17). A particular bone of contention is whether monetary and fiscal policies should be further loosened to avert an economic slowdown. On July 13, Xu Zhong, the Director of the Research Bureau of the People's

Bank of China, published an article slamming the Finance Ministry for its apparent “dearth of effective fiscal policies” to help sectors hurt by the on-going Sino-US dispute. Xu even complained that the Finance Ministry had “low transparency” and that it was “behaving like a hoodlum” ([Finance.sina.com](http://Finance.sina.com), July 16; [Wallstreetcn.com](http://Wallstreetcn.com), July 13). Such open conflict among departments or officials is rare in the traditionally button-down party-state apparatus.

### **Official Silence, Intellectual Dissent**

A dearth of provincial and municipal leaders openly singing Xi’s praises also gives cause to doubt his once-overwhelming grip over the loyalty of regional cadres. *Biaotai* (表态)—or ritualistic declarations of loyalty by prominent regional supporters—is a well-worn party tradition employed when a top leader wants more power or requires additional support. In the past 12 months, most regional party secretaries, governors or mayors enthusiastically took part in *biaotai* activities as Xi moved to assume the status of *hexin* (核心) or “core of the leadership”, and enthusiastically signaled their approval when Xi changed the PRC Constitution in March to remove term limits for the post of state president. This time, however, almost no regional heavyweights have come to Xi’s support. After Li Zhanshu raised the banners of *yichuidingyin* and *dingyuyizun*, provincial or mayoral leaders have seemed reluctant to demonstrate their support through *biaotai*. Even well-known Xi sycophants Li Hongzhong, Chen Min’er and Cai Qi, the party secretaries of Tianjin, Chongqing, and Beijing, respectively, have not said anything to burnish Xi’s authority. The only exception is Jiangxi Party Secretary Liu Qi, who vowed to uphold Xi’s authority to *yichuidingyin* and *dingyuyizun*. Liu’s *biaotai*, however, came after a five-day visit to Jiangxi by none other than PBSC member Li Zhanshu ([Jiangxi Daily](http://Jiangxi Daily), July 24).

While Xi’s regional protégés have surprisingly kept mum, a bevy of liberal intellectuals have taken a big risk by laying into Xi for turning back the clock on political reform. In a late July article entitled “Our Hopes and Fears,” Tsinghua University law professor Xu Zhangrun accused Xi—without directly naming him—of dismantling Deng Xiaoping’s reforms and reviving Mao-style dictatorship. Xu cited this popular sentiment among fellow intellectuals: “After forty years of reform, overnight we’re back to the *ancien régime*.” Xu added that “the comprehensive resuscitation of totalitarian politics” had aroused fears and indignations among academics and intellectuals ([Apple Daily](http://Apple Daily), July 30; [Theinitium.com](http://Theinitium.com), July 24), calling outright for the restoration of presidential term limits and the political rehabilitation of those affected by the crackdown following the 1989 Tiananmen Square Massacre, both stunningly bold repudiations of Xi’s retrogressive political agenda by an intellectual employed at one of China’s top universities. Similarly, Zi Zhongyun, a veteran scholar of international politics, blamed the impasse in trade negotiations on the Xi administration’s failure to reform. Zi attributed the weakness of the Chinese economy to the party elite’s “monopoly over resources”, even expressing the hope that Chinese officials should follow Trump’s advice in institute market-oriented reforms ([Chinainperspective.com](http://Chinainperspective.com), June 21).

Meanwhile, the economic contention between China and the US has metamorphosed into a full scale showdown between Western liberal capitalistic values and Xi’s hard-authoritarian China model. White House economist Kudlow expressed his hope that, “the US and EU will be allied in the fight against China, which has broken the world trading system, in effect.” The White House advisor also indicated that other countries fearful of the “China threat,” which range from India and Japan to Australia and New Zealand, were forming an anti-China alliance ([Reuters](http://Reuters), July 27; [Fox News](http://Fox News), July 16). Whether Xi can come up with effective measures to handle the multi-pronged fusillades coming from the White House depends partly on whether he can shore up his threatened authority within the party. For the moment, however, it is difficult not to credit speculation that the so-called “leader for life” is facing his most severe challenge since coming to office less than six years ago.

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## China's New Missile Force: New Ambitions, New Challenges (Part 1)

By Adam Ni and Bates Gill

At the end of 2015 the missile branch of the People's Liberation Army (PLA), the Second Artillery Force (第二炮兵部队), was formally elevated to a full service arm and renamed the Rocket Force (火箭军; PLARF) part of a sweeping drive to improve the PLA's joint operations, command and control, and combat effectiveness.

The establishment of the PLARF signals the increasing importance of conventional and nuclear missiles to PLA warfighting and deterrence capabilities. It also foreshadows continued, substantial investment in missile force modernization at both tactical and strategic levels in the years ahead.

Since its creation, the PLARF has made notable progress in upgrading missile capabilities, reorganizing command and control systems, developing realistic combat training for its troops, and growing its pool of talent. However, deep-seated challenges remain in all these areas. This two-part series will examine the rationale for the PLARF's creation, its mission, and the challenges that stand in its way. The challenges are real, and could frustrate the PLARF's aspiration of becoming a world-class missile force if not addressed effectively.

### Drivers and Motivations

There are three key drivers behind the creation of the PLARF. One important driver is bureaucratic. The Second Artillery Force has for decades operated in a role similar to the three traditional PLA services (Army, Navy and Air Force) in organizing, equipping and controlling the forces under its command. The creation of the PLARF and the designation of it as a full service arm should be seen as the formalization of *de facto* arrangements, responsibilities and relations [1].

Another driver was the need to recognise the increasing importance of missile forces for China's military strategy and national security. On a conventional level, China's rapidly developing missile capabilities are giving the PLA more options in planning for regional scenarios, such as those involving Taiwan, the South China Sea, the East China Sea, and the Korean Peninsula. On the strategic level, China's rapid modernizing nuclear forces have substantially increased the credibility of its nuclear deterrent. Seen in this light, the creation of the PLARF both recognizes the progress of China's missile capabilities and signals its continued importance going forward.

A final driver behind the creation of the PLARF may be the need to formalize the responsibilities of the Second Artillery Force so that it is aligned with the comprehensive overhaul of the PLA command structure that was initiated in late 2015. Under this set of reforms, the PLA formalized and redefined the roles of the service arms such that they would focus on force development instead of commanding operations. Formalization of the roles and responsibilities of the PLARF was particularly important, given its growing role as part of the overall PLA force posture.

### New Status, Old Grade

Unlike the Second Artillery Force, which was designated as a *budui* (部队 or force), the PLARF is now considered a fully fledged service arm, along with the Army, Navy and the Air Force, and has therefore received the common designation *jun* (军 or service).

This change of status is reflected in the way that official Chinese sources refer to the PLARF. The term used when the Second Artillery Force was included along with the three traditional services was "services and branches" (军兵种),

indicating that the missile force was a branch of the PLA instead of a full service arm. Today, the PLARF is directly referred to as a “service arm” (军种), both when it is referred to individually and in the company of the other three services ([China Military Online](#), May 17, 2017). In addition, the PLARF acquired its own uniform design and flag shortly after it was elevated to a service arm, indicating its new status, distinct from the former Second Artillery Force which used PLA Army uniforms and a generic PLA flag ([Ministry of National Defense](#), June 30, 2016; [China Military Online](#), August 18, 2016).

The change in designation, however, does not denote a rise in the bureaucratic status (referred to as “grade”) of the organization within the PLA hierarchy. In fact, even before it became the PLARF, the Second Artillery Force was at the same bureaucratic grade as the three traditional service arms. Just as before, the PLARF has the highest grade within the PLA organization beneath the supreme Central Military Commission (CMC). It is currently a Military Theater Leader-grade (正战区级) organization ([Weibo](#), June 15, 2017).

### **New Tip, Same Spear**

The PLARF is a critical element of China’s military power. At the inauguration ceremony for the PLARF on December 31, 2015, CCP General Secretary and CMC Chairman Xi Jinping described it as China’s “core force of strategic deterrence (战略威慑的核心力量); a strategic support (战略支撑) for China’s great power status; and an important cornerstone (重要基石) of its national security” ([Xinhua](#), January 1, 2016). The strategic requirement for the new force is to be prepared to carry out “comprehensive deterrence and warfighting” (全域慑战) operations with “both nuclear and conventional” (核常兼备) capabilities. In order to achieve this, Xi ordered the PLARF to enhance “credible and reliable nuclear deterrence and counterstrike capabilities” (可信可靠的核威慑和核反击能力); “medium and long range precision strike capabilities” (中远程精确打击力量); and the ability to contribute to “strategic balance” (战略制衡) between China and its main strategic competitors.

In many ways, as the successor organization of the Second Artillery Force, the PLARF represents continuity as much as change. There is clear continuity in terms of core mission (strategic deterrence, nuclear counterattack and precision strike), capabilities requirements (both nuclear and conventional missiles) and future aspirations [2].

However, the elevation of PLA’s missile forces has created a more expansive role for PLARF than its predecessor. Organizational reform and technological progress have made what were mere aspirations for the Second Artillery Force into key requirements for the PLARF. The PLARF is expected to prepare for, and carry out if necessary, a diverse range of warfighting and deterrence operations, either independently or as part of a joint effort. According to one PLA source, “[the establishment of the PLARF] will certainly put forward higher requirements with respect to the construction of [China’s] strategic missile forces” ([China Military Online](#), January 2, 2016).

### **PLARF Missions**

The PLARF has two key missions: strategic deterrence and conventional warfighting. In terms of strategic deterrence, the PLARF is responsible for deterring nuclear attacks or coercion against China by signalling a credible nuclear second-strike capability. This signalling can be delivered through a variety of means, including military exercises, media campaigns, military parades, and force deployments. If strategic deterrence fails and China comes under nuclear attack, the PLARF is responsible for carrying out nuclear counterattack “either independently or together with the nuclear forces of other [PLA] services” ([State Council Information Office](#), January 2009).

In its conventional warfighting role, the PLARF is responsible for “conducting medium- and long-range precision strikes” with land-based missiles against “key strategic and operational targets of the enemy” ([State Council Information Office](#), January 2009). PLA missile strategy specifies that its conventional missile force is to be used against high-threat and



high-value enemy targets, such as reconnaissance, intelligence, command and control electronic warfare, anti-air, and logistics systems [3].

The strategic requirement for the PLARF to be ready for “comprehensive deterrence and warfighting” operations suggests that the PLARF will have to develop a full spectrum of missile capabilities. This would require advanced missile technologies, appropriate doctrines and key supporting systems, such as command and control, communications, intelligence, reconnaissance, targeting, and tracking platforms.

### **Nuclear Modernization**

The PLARF's establishment marks a milestone in China's nuclear modernization drive, which has made significant progress since the early 2000s. China continues to develop its nuclear forces both in terms of size and quality. However, despite an estimated doubling of its number of nuclear warheads, from around 145 in 2006 to 270 in 2017, China's nuclear arsenal is still dwarfed by the United States' arsenal of 6,800 warheads [4]. The slow but steady growth in the size of China's nuclear arsenal has been accompanied by a rapid modernization of its nuclear delivery capabilities, which are becoming increasingly diversified, mobile and resilient.

To raise the credibility of China's land-based nuclear deterrent, the PLARF has deployed mobile, solid-fuelled missile systems to increase the mobility and survivability of its nuclear forces. The most notable recent additions in this regard include the dual-capable DF-26 intermediate-range ballistic missiles (IRBMs), the off-road-capable DF-31AG intercontinental ballistic missiles (ICBMs) ([Sina](#), July 24, 2017), and the powerful next generation DF-41 ICBMs ([People's Daily](#), November 28, 2017).

The solid-fuelled DF-26 is designed to perform both nuclear and conventional missions against land and sea targets, including large ships ([Ministry of National Defense](#), April 28). Its deployment highlights the PLARF's growing regional strategic deterrence and conventional precision strike capabilities and options. Both DF-31AG and DF-41 ICBMs are highly mobile and survivable, and are capable of carrying multiple warheads including independently targetable vehicles (MIRVs).

In addition to land-based nuclear missiles, the PLA is also working to develop sea- and air-based nuclear deterrent as part of an emerging nuclear triad consisting of land-based nuclear missile systems, nuclear ballistic missile submarines (SSBNs), and strategic bombers [5].

### **Conclusion**

The creation of the PLARF signals the increasing maturity and importance of China's conventional and nuclear missile forces for the PLA's warfighting and strategic deterrence capabilities. It also signals that going forward China will continue to invest heavily in its missile forces and capabilities on both tactical and strategic levels.

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**Notes**

[1] A day after the creation of the PLARF, Ministry of National Defense spokesperson Senior Colonel Yang Yujun explained that the name change and elevation of China's missile forces to a full service branch was because "the Second Artillery Force had in reality shouldered the functional tasks of a service branch." See [Ministry of National Defense](#), January 1, 2016.

[2] For official characterizations of the Second Artillery Force's mission, strategic requirements and development aspirations, see State Council Information Office, [China's Military Strategy](#) (Beijing, May 2015), section IV; and [The Diversified Employment of China's Armed Forces](#) (Beijing: April 2013), section II.

[3] See Military Strategy Research Department, PLA Academy of Military Science, [Science of Military Strategy](#) (Beijing: Military Science Press, 2013, 236.

[4] See Hans M. Kristensen, Robert S. Norris, and Matthew G. McKinzie, [Chinese Nuclear Forces and U.S. Nuclear War Planning](#) (Washington, DC: Federation of American Scientists and Natural Resources Defense Council, November 2006), 42, 43, 145; and [Global nuclear weapons: Modernization remains the priority](#), [Stockholm International Peace Research Institute \(SIPRI\)](#), July 3, 2017.

[5] For more on China's SSBN program, see Renny Babiarz, [China's Nuclear Submarine Force](#), [China Brief](#) (Vol 17, Issue 10), July 21, 2017. For a detailed discussion of the motivations and challenges of China's nuclear-armed submarine program, see Tong Zhao, [China's Sea-Based Nuclear Deterrent](#) (Washington, D.C.: Carnegie Endowment for International Peace, June 30, 2016). On the H-20 strategic bomber, see Andreas Rupprecht, [The PLA Air Force's "Silver-Bullet" Bomber Force](#), [China Brief](#) (Vol 17, Issue 10), July 21, 2017.

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## **A Reappraisal of China-Iran Ties After US JCPOA Withdrawal**

*By Roie Yellinek*

On May 8, after weeks of negotiations with European leaders, US President Donald Trump withdrew the US from the Joint Comprehensive Plan of Action (JCPOA), the nuclear deal signed between Iran and several other world powers, citing concerns that the JCPOA had failed to constrain Iran's progress in nuclear weapons development.

Not all world leaders shared Trump's approach. Apart from Iran's leaders, who, naturally, objected to the imposition of renewed sanctions on their country, European and Chinese leaders both expressed discontent, and have since worked with Iran to preserve elements of the existing deal ([Anadolu Agency](#), May 16). While Britain, Germany and France might find themselves adversely affected by US withdrawal, China and, to a certain extent, Russia, might gain. The reactions of each of the world powers following Trump's announcement reflect this understanding.

Several days after the announcement of the US withdrawal, Germany's second-largest bank, DZ, announced it would freeze all Iran-related financial transfers starting from July, pending clarification of the situation. ([Reuters](#), May 18) US withdrawal also seems to have endangered Iran's planned purchases of passenger planes from France, the US, and Italy ([The National](#), May 9).

**Business As Usual for China**

China, however, has continued efforts to build ties, which it initiated after sanctions were lifted ([Al Jazeera](#), January 24 2016). Within two days after US announced its withdrawal, China inaugurated a new railroad connecting Bayannur, in Inner Mongolia, to Tehran. The railroad was planned beforehand and its construction begun several years before, but the timing of the inauguration was not coincidental; rather, it was meant to convey a message of partnership to the Iranian people ([Xinhua](#), May 10). Additionally, a few days later, PRC Foreign Minister Wang Yi, hosted his Iranian counterpart, Mohammad Javad Zarif, for the first meeting in a series meant to save the nuclear deal ([SCMP](#), May 13). China also invited Iranian President Hassan Rouhani to the Shanghai Cooperation Organization (SCO) summit on June 9-10, in order to express their support, and discuss with the other members of the conference the best ways to maintain stability. Rouhani welcomed the efforts by Russia and China in maintaining the JCPOA, and detailed the global and regional challenges. The main challenges according to him are: "terrorism, extremism, separatism and drugs". He offered to use Iran virtues to promote "original international economic cooperation". ([Tehran Times](#), June 10).

Differing Chinese and European reactions derive from the profound differences in their business environments. European multinational companies typically maintain extensive ties to the US economy. Contravening US sanctions might place their US market share at risk, or, worse, could place them at risk of fines or prosecution by US authorities. Since European companies are private businesses, management would have to explain the losses to angry shareholders.

On the other hand, Chinese companies operating in Iran maintain close ties with the Communist regime and the Communist Party and thank to this fact they are protected. This protection comes from "Beijing's careful strategy of keeping their key economic assets isolated from wider global market transactions" ([The Washington Times](#), June 7, 2018). The new situation could be even better than in the past for Chinese companies: "By driving away American, European and Japanese companies, the sanctions could increase opportunities for Chinese businesses," according to Hu Xingdou, an economist at the Beijing Institute of Technology ([SCMP](#), May 18). Less stringent enforcement by Chinese authorities also means that that a Chinese company, unlike its European counterpart, can more easily set up front companies, to obscure from the United States the parent company's relationship with Iran.

These and other factors have helped drive forward Chinese business in Iran: in May, Sinopec, the Chinese oil giant, signed a \$3 billion deal to develop the Yadavaran oil field in southwest Iran, replacing the British-Dutch oil giant, Royal Dutch Shell, which concluded operations in Iran were too risky. China National Petroleum Corporation (CNPC) is also hoping to acquire the French oil company Total's share in the development of the South Pars gas field. The French company withdrew from the project after US withdrawal from the JCPOA ([The Middle East Monitor](#), May 30).

Indeed, the previous round of sanctions did not deter deep Chinese involvement in Iran, and following the partial lifting of sanctions in 2015, the PRC's presence in Iran strengthened even further; China is now Iran's largest trading partner, and trade between the two has continued to grow. During the past year Iranian exports to China increased by about 25 percent, while China's exports to Iran increased by about 20 percent ([Financial Tribune](#), February 6). Apart from the aforementioned deals by PRC petroleum majors, large PRC infrastructure projects in Iran have gone forward, including agreements to supply the Tehran subway, and the operation of a railway connecting Tehran with the Chinese trade hub of Yiwu ([Xinhua](#), September 12 2016; [The Diplomat](#), March 20 2016).

Statements made by Chinese officials confirm that China will step up its cooperation with Iran. For example, during a press briefing, Chinese Foreign Ministry spokesman Geng Shuang said that Iran and China would "maintain normal economic ties and trade", adding, "I want to stress that the Chinese government is opposed to the imposition of unilateral sanctions and the so-called long-arm jurisprudence by any country in accordance with its domestic laws ([PRC Foreign Ministry](#), May 9)."

### The View from Iran

Analysis of the Iranian attitude toward closer relations, on the other hand, should be divided between the regime and its citizens. The regime is maneuvering to preserve a *status quo* in which the US alone is boycotting Iran, while Europe and members of the SCO maintain normal ties ([Press TV](#), June 10). In the service of this objective, regime-linked media has sought to portray Donald Trump as an irresponsible enemy of the world order, in contrast with European and Chinese leaders' concern with maintaining stability ([Tehran Times](#), May 8).

The regime cooperates with China for several reasons, foremost among which is China's use of its permanent seat on the UN Security Council to shield Iran from sanctions, on the grounds that they would be "counterproductive" ([Tehran Times](#), September 7, 2006). Another is Iran's wish to expand its links with the SCO in order to find new partners for trade and cooperation, as a way to diminish American influence in Asia. The most fundamental reason, however, is because the regime requires buyers for its oil; its nightmare scenario is losing control of the country because of a lack of financial resources ([Times of Israel](#), June 30, 2018).

Both regimes make reference to their long heritage and shared history of trade and cultural exchange, presenting the ties between them as strong and understandable. They contrast this with the US's involvement in a region where it has neither heritage nor history, portraying themselves as brothers suffering from boycotts and sanctions imposed by an arrogant West ([People's Daily](#), January 12).

The attitude of Iranian citizens towards their country's ties with China are more complicated than that of the regime. Many Iranian citizens see China not as an ally, but as an opportunist taking advantage of Iran's situation. In an interview, an international relations specialist working for a local government in Iran said, "Iranian's attitude toward China is similar [to the rest] of the world, a country [that makes junk] and cannot be reliable beyond its own interests, with or without sanctions." However, PRC efforts to shape Iranian perceptions may be gaining traction. For example, the Chinese government has invested significant resources in providing Iranian students with scholarships to study in China. Raza, an Iranian student living in China while pursuing his MA, confirms that he went to China thanks to a generous Chinese government scholarship. "This scholarship", he says, "is much higher than my salary in former city, Shiraz".

The attitudes of Iran's citizenry towards China may be tied up in their feelings towards their government's spending habits. After the signing of JCPOA in 2015, many Iranians expressed discontent that funds released by the deal did not reach the public, but rather were directed towards the Syrian regime, the Houthis movement in Yemen, and Hezbollah and Hamas. The public was not supportive of the regime's use of the new resources to support its expansionist ambitions, and saw little change after Chinese companies began to displace their European and American counterparts. For example, the Chinese automotive brand Geely, which set up factories in Iran to replace departed European companies, came in for a great deal of criticism for its quality from Iranian consumers. "It's an appalling car manufacturer, and yet another one floating Iran with cars made on old platforms." ([The Guardian](#), February 20 2013).

The renewal of US sanctions, with Europe perhaps soon to follow, has the potential to bring the Iranian people out on the streets to demand a government that seeks cooperation with the West, rather than supporting regional terror. To forestall such instability, the Iranian regime may seek to rely on China for economic and political assistance. China's global ambitions may lead it to accede to such a request. As a result, Sino-Iranian ties may be on the brink of a new era, one that may disproportionately benefit China, which will enjoy a market with very little competition and huge energy reserves.

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**Notes**

[1] Author's interview, August 6 2018.

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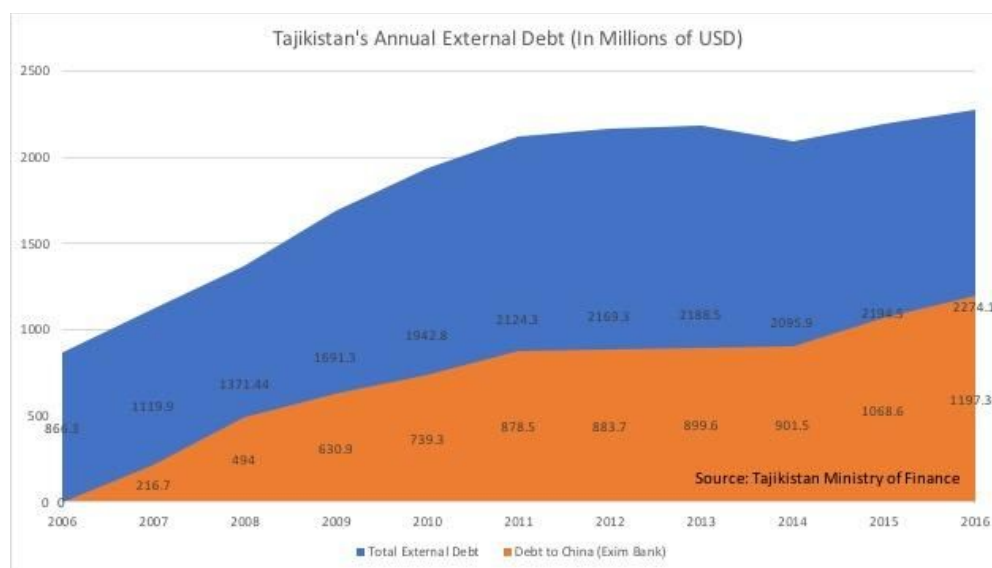
**Risky Business: A Case Study of PRC Investment in Tajikistan and Kyrgyzstan**

*By Danny Anderson*

China's "New Silk Road" or "Belt and Road Initiative" (BRI) has reached Central Asia in resounding fashion. As a result, the republics of Tajikistan and Kyrgyzstan have seen large increases in Chinese presence and investment. Although both countries have overlapping needs, the degree and character of PRC involvement in each has differed. PRC investment in Tajikistan is characterized by expensive loans on infrastructure investment and energy projects that the country may be unable to repay ([Avesta.tj](http://Avesta.tj), December 25, 2017). Kyrgyzstan, while having hosted similar projects, is also attempting to move the country into the twenty-first century by improving its transportation and digital infrastructure ([Tazakoom.kg](http://Tazakoom.kg)). Development experts classify both countries as "high-risk" for debt distress given public debt projections ([cgdev.org](http://cgdev.org)). However, despite the risk of such an outcome, both countries appear inclined to welcome PRC investment with open arms, as a way of funding needed investment like power generation and logistical links with the outside world.

**Tajikistan**

Tajikistan is one of the poorest countries in Asia, with an annual GDP per capita of \$848, in a region where the current average is \$6,200 ([IMF](http://IMF)). The country's heavy borrowing reflects its diminished economic status. China is currently the country's largest external creditor, with over \$1 billion owed to China's Export-Import Bank as of 2016 ([minfin.tj](http://minfin.tj)). According to the Finance Minister, the 2016 amounts have gone up slightly. The World Bank and the Asian Development Bank are the two largest creditors behind China with \$318 million and \$217 million in debt ownership, respectively with the (most recent assessment) total external debt coming in at \$2.9bn ([Eurasia Daily](http://Eurasia Daily), February 16).



While a large share of the approximately \$1 billion in loans from China Export–Import bank to Tajikistan has gone to road projects, including a major highway between the two countries, most funding has gone to tackling Tajikistan’s energy crisis ([The Diplomat](#), November 23, 2016). As recently as 2013, 70% of Tajiks experience extended power outages in the winter because of the country’s dependence on hydropower, the yields from which drop precipitously during the winter ([World Bank](#), 2013).

Today the situation is not as dire; heavy PRC investment into the energy sector—primarily coal power plants—significantly improved Tajikistan’s power production picture. The 400 megawatt (MW) Dushanbe–2 plant, which was opened in 2012 and reached full generation capacity in 2016, helps keep the lights on in the capital. The plant’s construction was funded through \$331 million in Chinese loans, paired with \$17 million in funding from Tajikistan ([bankwatch.org](#)). TBEA, the Chinese company that built the plant, received the rights to and profits from multiple gold mines in the north of the country to offset the cost of Dushanbe–2 ([News.tj](#), May 1).

Proposed and/or completed power projects discussed between the Tajik and Chinese governments (including Dushanbe–2) total 1,300 MW of potential power, from Dushanbe to the isolated Isfara District in the north ([Avesta.tj](#), December 25, 2017). 1,300 MW can power approximately 850,000 to 1,000,000 homes, making China’s footprint in Tajikistan’s power sector impossible to ignore in a nation whose total population is 8.7 million. While the exact amount of PRC investment is not currently known, each of the new power plants will likely cost approximately \$400 million ([Avesta.tj](#), December 25, 2017).

Another noteworthy aspect of China’s likely future involvement in Tajikistan’s power sector: supplying coal. Right now Tajikistan imports its coal from other Central Asian countries, like neighboring Kyrgyzstan and Uzbekistan. In 2016 alone Tajikistan imported 1.6 million tons of coal from those two countries, but their new projects will require around 500 million tons of coal ([News.tj](#), February 20, 2017; [Avesta.tj](#), December 25, 2017). While the country has three coal mines that can help pitch in, Tajikistan will likely have to purchase Chinese coal meet the new demand.

There are also geopolitical considerations to China’s investments. PRC investment is pushing into Russia’s near abroad, offsetting some of the financial load Russia used to shoulder. Russia’s financial role in Tajikistan has shrunk while its political involvement has grown. As recently as 2004, Russia wrote off \$300 million in loans to Tajikistan for a military base south of Dushanbe (that has since been extended until the year 2042) and for a space surveillance complex ([WPS.ru](#), October 22, 2004; [TV Zvezda](#), April 26). According to the Russian Embassy in Tajikistan, the space

surveillance system *Okno* (Window) is designed to be apart of an international framework to monitor the ecology of space and space junk, specifically ([dushanbe.mid.ru](http://dushanbe.mid.ru)). However, in recent years the Russian-influenced Eurasian Stabilization fund, which is part of the Eurasian Economic Union (EEU), has provided only \$161.4 million to Tajikistan, mostly for social and political reforms ([eabr.org](http://eabr.org)).

## Kyrgyzstan

Tajikistan is not the only Central Asian country where China is leaving its mark; the PRC has also invested significant capital in BRI projects in neighboring Kyrgyzstan. BRI investment in Kyrgyzstan resembles that of Tajikistan in important ways. Lending from China has climbed sharply, to the point where \$1.7 billion of Kyrgyzstan's \$3.8 billion in external debt is owed to China ([24.kg](http://24.kg), April 10). Like Tajikistan, Kyrgyzstan's debt to China is substantial; unlike Tajikistan, it is seeking to use PRC lending to invest in technological and transportation infrastructure.

Kyrgyzstan's "Taza Koom" or "Smart Nation" program seeks to launch the Kyrgyz Republic into twenty-first century relevance with modern technological infrastructure, from faster internet connections to increased surveillance and security systems ([Tazakoom.kg](http://Tazakoom.kg)). As part of Kyrgyzstan's ambitions to become a "digital hub" for China's New Silk Road, PRC firms such as Huawei and China Telecom have partnered with the Taza Koom project ([kabar.kg](http://kabar.kg), December 12, 2017). Huawei has stated its intention to help convert two of Kyrgyzstan's largest cities into so-called "smart cities": the capital of Bishkek and Osh to the south ([Azernews](http://Azernews), January 12). Smart cities allow municipal authorities to better monitor and manage their cities' resources, and may improve traffic flow and emergency response times, among other benefits. However, they also bring with them the potential to enable more effective state surveillance, and to provide PRC intelligence services with electronic backdoors into target countries' systems ([China Brief](http://China Brief), June 19). This may be, in part, an intended outcome; Kyrgyzstan and China have agreed to share intelligence and cooperate on security issues in some areas, including along Kyrgyzstan's border with China's restless Xinjiang region.

Where energy projects seemed to take precedence in Tajikistan, transportation projects have taken precedence in Kyrgyzstan, with a large sum of that going to the proposed railroad via Bishkek to Samarkand, Uzbekistan and beyond ([Sputnik](http://Sputnik), March 20), as part of China's planned New Silk Road rail corridor. Kyrgyzstan will likely cede access to some of its natural resources to China to offset some of the railway's proposed \$2 billion construction costs ([Radio Azattyk](http://Radio Azattyk), December 29, 2017).

Like in Tajikistan, geopolitics play a role in PRC investment in Kyrgyzstan, extending beyond infrastructure to integrated technical structures and intelligence sharing. During a state visit to China ahead of the SCO Summit in June, Kyrgyz President Sooronbay Jeenbekov and Chinese President Xi Jinping agreed to establish a comprehensive partnership that would promote further cooperation in trade and economic issues, and contained a pledge not to join any organizations to undermine the other ([Xinhua](http://Xinhua), June 7). As part of the agreement, Kyrgyzstan also reaffirmed its acceptance of the PRC's One-China policy.

As in Tajikistan, Russia's involvement looks increasingly narrow when compared with that of the PRC. In Kyrgyzstan, it is largely focused on countering other regional powers. Kyrgyzstan only owes Russia \$240 million, a payment plan for which was ratified in the Russian parliament earlier this year ([TASS](http://TASS), February 1). The Russian military has a base in the country, and is exploring the possibility of to add another (See [EDM](http://EDM), May 24). This is largely seen as a way to counter Chinese influence and have a more prime position to respond to and monitor threats coming from Afghanistan.

## Weighted Down or Ready for Takeoff?

Even though Tajikistan and Kyrgyzstan are heavily in debt to China and will remain so for many years, both seem inclined to welcome the Belt and Road Initiative as a way to bolster their regional standing and fund needed

infrastructure investment in a number of sectors. Many Tajiks will no longer have to deal with winters without power and heat, while Kyrgyz citizens will be more technologically integrated and have a stronger transit connection to the outside world via a new transcontinental railroad. With Russia constrained in its ability to match the PRC's financial firepower, the close attention paid both these republics by China's signature foreign policy initiative may help cement PRC influence in this corner of Eurasia for years to come.

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