Pocketbook Purges: Why Investors Everywhere Need to Understand CCP Politics  
By Matt Schrader

In the last issue of China Brief, this column examined the case of Huarong Asset Management, a major PRC financial firm, whose fortunes nose-dived after its chairman Lai Xiaomin 赖小民 was detained in a corruption probe. Most media coverage of Lai’s downfall speculated that he had been targeted because of the government’s campaign against excessive leverage in the economy (Huarong’s debt load had climbed significantly on Lai’s watch).

However, in the PRC, where the chief executives of many banks and large financial institutions serve at the Party’s pleasure, it is unlikely that regulators would take such drastic action for purely technocratic reasons, particularly since the leaders of Huarong’s peer institutions—many of whom have debt problems that are as bad or worse than Huarong’s—were left untouched. It is therefore reasonable to wonder whether Lai was removed from power for political, rather than financial reasons.

If this were the case, it would have ramifications far beyond a single company: As PRC regulators move to rein in leverage, which companies win and which lose across the broad sweep of the PRC economy may be determined not by how efficiently they use capital, but whether they have the political connections necessary to remain afloat. And as it may be time to begin using the tools traditionally used to analyze PRC elite politics to better understand business outcomes. In Huarong’s case, three such factors present themselves: two factional, and one personal.
Factional Factors: The Shanghai Connection

It might seem strange to talk about ‘factions’ in CCP politics in an era where CCP General Secretary Xi Jinping appears to rule unchallenged. But it is unlikely that Xi’s dominance has put a complete end to jockeying between political ‘factions’ centered around individuals, geographical regions, or interest groups. Analysis of these factions may offer several clues to Huarong’s downfall.

For example, for the past two decades one of the touchstones of PRC elite political analysis has been the existence of a “Shanghai faction” (上海帮) centered around former CCP General Secretary Jiang Zemin (China Brief, November 10 2017). Both Xi and his predecessor Hu Jintao have had to contend—with varying degrees of success—with roadblocks thrown up by the Shanghai faction.

The Shanghai connection is relevant in this case because of Huarong's institutional pedigree. Huarong was created to manage the bad debts of Industrial and Commercial Bank of China (ICBC; 工商银行), China’s largest bank. Huarong was seeded at birth with ICBC’s personnel and business culture (including ICBC’s reputation as the best run of China’s four largest banks) [1].

Although, like China’s other largest state-run banks, ICBC is headquartered in Beijing, the company is known as a redoubt of the Shanghai faction. This is reflected in the background of its top personnel. From 2005 to 2016, ICBC was headed by Jiang Jianqing (姜建清; no relation to the former general secretary), an unusually long tenure for the head of a major Chinese bank. Jiang was educated at Shanghai Jiaotong University—Jiang Zemin’s alma mater—and spent his entire career prior to 1999 in Shanghai (China Vitae). It is unusual for someone of such a geographically uniform background to reach such a senior rank in China’s party-state bureaucracy. Both Jiang’s successor as chairman and the bank’s current second-in-command also have very strong links to Shanghai and its immediate vicinity, and, similar to Jiang’s unusual trajectory, have spent their entire careers with ICBC [2].

Publicly available documents do not detail the extent to which Huarong's ties to ICBC persist in the form of cross-held assets or liabilities. But there have been public reports indicating that a large part of the ICBC debt Huarong was created to retire is, in fact, still held on its books. ICBC was one of the first places new Huarong CEO Wang Zhanfeng visited upon taking over from Lai. (Sina, May 7). A strike upon Huarong might be, in at least a peripheral way, a strike upon the Shanghai faction via its central financial institution.

Factional Factors: Wang Qishan and Guangdong

Another factor worth considering is the background of the individuals chosen to replace Lai Xiaomin and his top lieutenants. Li Yupin, who was head of Huarong’s internal discipline committee under Lai, was removed from his post 11 days after Lai’s resignation (HKExNews, August 31). In PRC state-led corporations, the internal discipline committee has two main jobs: combatting graft and ensuring political discipline, making it an important political post.

Lai Xiaomin and Li Yupin’s replacements—Wang Zhanfeng and Wu Jinglong, respectively—were both drawn from the Guangdong branch of the China Banking and Insurance Regulatory Commission (CBIRC), China’s top banking regulator (Caixin, May 31). Among parts of China’s financial professional community, the Guangdong branch of the CBIRC is known as a stronghold of Wang Qishan, who currently serves as PRC vice president. Wang cut his professional teeth in financial roles, gaining a reputation as one of the CCP’s most talented financial troubleshooters. In 1998 Wang was made vice-governor of Guangdong Province and tasked with overseeing a cleanup of the province’s financial sector in the wake of the Asian Financial Crisis (Brookings).
When Xi Jinping launched his ferocious anti-corruption campaign in 2012, he turned to Wang Qishan as his enforcer, later elevating Wang to the VP slot. Wang’s clout in the financial and discipline bureaucracies make him the most powerful person in the PRC outside of Xi himself. Were the move against Lai an attempt to diminish the influence of the Shanghai faction, elevating personnel from an institution under Wang’s control would be a logical follow-on step.

The Personal Factor: A Ten-Year Grudge

Unconfirmed reports in PRC media after Lai’s downfall hinted at another possible cause. One article detailed the circumstances behind Lai’s arrival at Huarong, saying that he had been transferred there from a post at CBIRC headquarters in Beijing after getting on the wrong side of a “leader’s secretary” (360doc7.net, April 20). It is reasonable to assume that the leader in question was Liu Mingkang, the head of the CBIRC at the time; secretaries of lower-level leaders would not have had the power to effect a transfer a senior employee. The report contains the additional corroborating detail that the secretary then took the position Lai had previously held as the CBIRC’s official spokesperson.

This description appears to match the career path of an official named Liao Min (廖岷), who did indeed move from the role of secretary to spokesperson in early 2009, soon after Lai Xiaomin departed for Huarong (Biike). Liao Min’s career progress stalled afterwards, but his fortunes turned around in 2016 when Liu He—Xi Jinping’s economic czar and current pointman on Sino-US trade negotiations—tapped the Oxford-educated Liao to run a sub-office in the Office of the Central Leading Group for Financial and Economic Affairs, one of the PRC’s most powerful economic policymaking bodies. In May 2018, one month after Lai’s downfall, Liao’s star rose even further, when he was promoted to Deputy Director of the General Office of the Central Financial and Economic Affairs Commission, and made a Vice Minister of the PRC Finance Ministry. If Liao had indeed continued to hold a grudge towards Lai Xiaomin, he would have been well-placed to act upon it.

Conclusion

The above factors are admittedly speculative, and difficult to definitively prove. Individuals like Lai Xiaomin lead complex lives, and run even more complex institutions. Any number of unseen factors could have combined to bring him low. Such is the difficulty of political analysis in an opaque system like the PRC’s.

The economic effects of Lai’s downfall, on the other hands, have been far from opaque. As of this writing, Huarong’s share price was down almost sixty percent from the day the CCP investigation into Lai was announced, representing a shareholder’s equity loss of approximately $14 billion, a significant portion of which has been borne by foreign investors. Huarong Asset Management’s largest non-state shareholder, for example, is not a Chinese company; it is the prominent American private equity firm Warburg Pincus (Huarong Annual Report, 2017). Also, up until very recently, Huarong was included on MSCI’s China Index, an index of PRC firms listed on foreign exchanges widely used in investment decisions by asset managers, pension funds, and other institutional investors in the United States and other industrialized democracies. Anyone invested in Huarong through MSCI-based indices would have taken significant haircuts on their investments.

Huarong’s case demonstrates that at least attempting to understand the intricacies of PRC politics will become increasingly important to people far removed from the narrow specialization of CCP elite politics. Rarely will surface-level due diligence reveal the most important parts of the story. China’s financial institutions remain under strict Party control, and, as China’s capital markets become more intertwined with the rest of the world’s, foreign investors who do not educate themselves about how CCP politics can affect business outcomes may find themselves more and more likely, as in the case of Huarong Asset Management, to be left holding the bag.
Vatican Agreement Latest Front in Xi’s Widening Religious Clampdown

By Willy Lam

A new agreement between the PRC and the Vatican on the joint appointment of bishops demonstrates that the administration of CCP General Secretary Xi Jinping appears to have won a modicum of international approval for its domestic religious policy. The deal went forward despite substantial criticism of Pope Francis, based on the CCP’s abysmal—and worsening—track record in protecting freedom of belief. In recent years, Xi has doubled down on his policy of “Sinicizing” foreign religions such as Islam and Christianity, code for, rendering them compatible with core CCP values, including unreserved loyalty to the Party. The Sinicization campaign has resulted in campaigns of religious persecution, targeting both Muslims and Christians, of an intensity unheard of since the Cultural Revolution.

“They Will Suffer”

The provisional agreement between the Vatican and the Party—whose contents have remained under wraps—does not mean Beijing will improve its treatment of Catholics in both official and “underground” churches. (China’s estimated 12 million Catholics are divided between those who attend churches run by officially sanctioned, CCP-led Chinese Catholic Patriotic Association [CCPA], and those who remain underground. The latter insist on professing loyalty to the Holy See rather than the CCP; Radio Free Asia, September 24; South China Morning Post, September 22).

In a late September interview with media from around the world, Pope Francis acknowledged that affiliates of the unofficial church might be left worse off by the deal. “It’s true, they will suffer,” the pontiff said, referring to the plight of underground Catholics (Associated Press, September 26). While the pope insisted that the agreement would give the Vatican veto power over the appointment of bishops within the PRC, there is no guarantee that CCPA-affiliated or unauthorized churches would be spared the tight grip that the party-state apparatus exercises over both Catholics and Protestants. It is perhaps for this reason that Cardinal Joseph Zen of Hong Kong, a longtime critic of the Beijing regime, called the preliminary agreement “a betrayal.” “The Chinese government will succeed in eliminating the underground church with the help of the Vatican,” Zen said in Hong Kong (Ucanews, September 28; Apple Daily [Hong Kong], September 23).

It is possible that the “provisional agreement,” which the Pope characterized as “not political but pastoral,” will undergo further revision. It could also be a prelude for the Vatican to switch diplomatic recognition from Taiwan to the PRC. Regardless, it remains painfully obvious to the nation’s estimated 67 million Christians that the Xi administration has, in tandem with its stranglehold over ideology and propaganda, continued to tighten already-stringent control over Christianity in China [1]. Even many “official churches” have found little protection, despite their being directly under the supervision of the Communist Party’s ascendant United Front Department.

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**Notes**

[1] Sources are the author’s conversations with PRC financial industry professionals.

[2] For more detail, see the backgrounds of Yi Huiman and Gu Shu (ICBC’s current chairman and president, respectively).

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Since the spring, well-established Protestant house churches in big cities ranging from Beijing to Chengdu have been forcibly closed by police (Voanews.com; September 26; Christiantoday.com, September 10). A member of the Beijing-based Zion Church said that believers are no longer allowed to worship in premises they had used for years. Many worshippers were subject to interrogation by police—and threatened with harm to themselves and their family if they continued to attend services [2]. Since last year, both official and house churches have been forced to install 24-hour video surveillance systems connected to police computer systems. Many churches are now guarded day and night by police or members of neighborhood vigilante groups (Christiantoday.com, April 11, 2017; Premierchristianradio.com, April 3, 2017).

Putting “Sinicization” into Practice

The legal basis for this, the most severe suppression of religion since the Cultural Revolution, are the recently revised Regulations for Religious Affairs, which came into effect in early 2018. The regulations stipulate that worship and missionary activities must take place “in registered sites” approved by the police. Church organizations must secure “registration certificates for sites for religious activities” from the authorities. This amounted to a further blow to the legal status of house churches, exposing their personnel as never before to harassment and imprisonment. Churches have to accept regular “supervision and inspection” of their religious and accounting practices by government religious bodies. Financial and other contributions from overseas organizations are forbidden. Most significant is the stipulation that religious activities “must not endanger state security, damage social order … or hurt national interests.” Nor are religious organizations and individual believers allowed to “damage national unity, split up the nation or perpetrate terrorist activities” (Ucanews.com, February 8, 2018; Gov.cn, September 7, 2017).

Xi’s plan for religion—and in particular Christianity—is “Sinicization” (中国化), a concept found in nowhere in the country’s statue books. The term implies that key Christian teachings of the church must be rendered compatible with “socialism with Chinese characteristics”, and that all churches must follow the leadership of the CCP and its “leadership core,” meaning Xi himself. Sinicization became policy when Xi cited it in his “Political Report to the 19th Party Congress” last October, wherein he noted that the party must “fully implement the basic goals of the party’s religious work, uphold the Sinicization of religion, and enthusiastically provide guidance to religion so that it can be compatible with the socialist society” (Gov.cn, October 27, 2017). Xi first mooted Sinicization in a United Front Work meeting in 2015, when he laid down his “four must-dos” policy: “We must uphold the direction of Sinicization; we must uphold the legal level of religious work; we must dialectically view the social function of religion; we must put emphasis on developing the [political] functions of members of religious circles” (Zhejiang Daily, July 6, 2015; Xinhua, May 20, 2015).

With Sinicization, Xi has departed sharply from the relatively tolerant religious policies of his two predecessors, former CCP general secretaries Jiang Zemin and Hu Jintao. “The principle under which we handle relations with our religious friends is unity and cooperation in politics and mutual respect in the areas of thoughts and beliefs,” Jiang said in 1991. He added that the party and religious groups “respect each other in terms of ideas and beliefs. And this will never change” (People’s Daily, January 13, 1991). The former party chief also warned against using “leftist”—meaning ultra-conservative—tactics against religions. “We should not use a ‘leftist’ attitude toward religious beliefs just because Communists are atheists,” he said in 1990. “We cannot indiscriminately interfere with the beliefs of non-party members” [3].

Hu Jintao, who ruled from 2002 to 2012, was notoriously harsh toward Tibetans during his term as party secretary of the Tibet Autonomous Region from 1988 to 1992. After 2002, however, he repeatedly urged party cadres to “comprehensively and correctly implement the party’s policy regarding the freedom of religion, insist upon unity and cooperation in political [issues] and mutual respect in terms of beliefs” (China.com.cn, December 30, 2015).
Overall, Hu maintained Jiang’s key religious dictum, including Christianity: “seeking unity and cooperation in politics, and [maintaining] mutual respect regarding beliefs” (CPPCC Net, February 26, 2014; Gov.cn, December 19, 2007).

“Scorched Earth” Policy towards Uighur Muslims

Xi’s measures toward Muslim Uighurs in Xinjiang, however, are more than simply a departure from his predecessors’ edicts; they have taken on the characteristics of a scorched-earth policy, one verging upon cultural and ethnic cleansing. In this, Xi’s goal appears to be less an attempt to render Islam compatible with socialist values, than brutal suppression of the religious practices and ethnocultural identity of Xinjiang’s estimated nine million Uighurs. Reports by Western news agencies and international human right watchdogs say that as many as 1 million Uighurs, mostly male, are locked up in institutions similar to WWII internment camps.

While the PRC government claims the camps are re-education facilities geared toward “curing” Uighurs of their separatist and terrorist proclivities, the reality is much more horrific. Inmates guilty of no specific crimes are separated from their families and subjected to bodily and mental torture. Only the small minority who convince their Chinese guards that they have forswned Islam and embraced CCP teachings are released. “The human rights violations in Xinjiang today are of a scope and scale not seen in China since the 1966-1976 Cultural Revolution,” said Human Rights Watch in a report on Xinjiang. “The establishment and expansion of political education camps and other abusive practices suggest that Beijing’s commitment to transforming Xinjiang in its own image is long-term” (Human Rights Watch, September 9; Amnesty International, September 2018; BBC, August 30).

It is a tribute to China’s successful global soft-power projection that, while human rights NGOs have highlighted the deepening plight of Christians and Uighurs, few governments and parliamentary bodies have taken the Xi administration to task. Yet the enormity of the suffering and injustice in Xinjiang has finally been taken up by several Western governments. In late August, seventeen members of the US Congress wrote the State and Treasury departments, asking them to consider sanctioning Xinjiang Party Secretary Chen Quanguo and other cadres under the Global Magnitsky Act. The Magnitsky Act was originally designed to target Russian officials, but it has been expanded to allow sanctions for abuses anywhere in the world.

The Congressional letter said Uighurs were “subjected to arbitrary detention, torture, egregious restrictions on religious practice and culture, and a digitized surveillance system so pervasive that every aspect of daily life is monitored” (Reuters, August 30). In reaction to a UN report on the mass internment of Uighurs, Secretary of State Mike Pompeo on September 21 criticized Beijing for holding “hundreds of thousands and possibly millions of Uighurs... in so-called reeducation camps where they’re forced to endure severe political indoctrination and other awful abuses” (Hong Kong Free Press, September 25; Radio Free Europe, September 22). While it is not known whether—and when—Washington may announce sanctions against Chinese officials, the near-universal condemnation of Beijing’s draconian religious policy has made a big dent Xi’s claim that Beijing is forging a worldwide “community of common destiny.”

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[2] Author’s interview with a member of the Zion congregation, September 2018.


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Hu the Uniter: Hu Lianhe and the Radical Turn in China’s Xinjiang Policy

By James Leibold

An August 31 hearing of the United Nations Committee on the Elimination of Racial Discrimination (CERD) marked the first appearance of Hu Lianhe (胡联合; literally, “Hu the Uniter”) on the global stage. Until recently Hu, one of the leading figures of a new generation of PRC ethnic policymakers, was little known both domestically and internationally.

At the CERD meeting, Hu Lianhe responded to claims that millions of Uyghurs and other Turkic Muslim minorities are being subjected to extrajudicial detention for political indoctrination (CERD, 13 August). Reading intently from a prepared statement, Hu denied the existence of “re-education camps” (再教育中心), asserting instead that China is “a victim of terrorism,” and that the XUAR has initiated a “special campaign to crack down on violent terrorist activities according to law.” This included the trial and imprisonment of “a number of criminals,” and the assigning of people guilty of minor offenses “to vocational education and employment training centers…to assist with their rehabilitation and reintegration” [1]. Hu’s public defense of Xinjiang’s “anti-extremism” strategy suggests his close involvement in the policy’s design and implementation.

Recent analysis of the shift in CCP policy toward Xinjiang has tended to focus on the role of regional Party boss Chen Quanguo, who has overseen the dramatic securitization of China’s far western region (China Brief, 21 Sept 2017). Yet ethnic and frontier governance is a multi-ring circus in China, with a competing matrix of functional bureaucracies and policy options [2]. While it is difficult, if not impossible, to tease out every factor affecting policy, the emergence of Hu Lianhe portends a significant shift in both the institutional and policy direction emanating out of Beijing, and suggests that what is happening in Xinjiang is the leading edge of a new, more coercive ethnic policy under Xi Jinping’s “New Era” (新时代) of Chinese power, one that seeks to accelerate the political and cultural transformation of non-Han ethnic minorities.
The Rise of Hu the Uniter

Hu Lianhe was listed as an official with the CCP's secretive United Front Work Department (UFWD) at the CERD hearing in Geneva. Like many UFWD operatives, Hu's identity and background are opaque, and he lacks a formal Party vitae. Yet through his prolific academic writing, we are able to piece together a fairly comprehensive biographical narrative [3]. He was born in Shaoyang, Hunan in 1968 and earned a bachelor's degree in agriculture, a master's in sociology, and a PhD in legal studies from the CCP's Central Party School in Beijing, where he received a national merit prize for his PhD thesis on terrorism.

By 1999 Hu Lianhe was listed as a researcher at the powerful Central Political and Legal Affairs Committee (中央政法委, CPLC) in Beijing, the CCP organ overseeing China's massive domestic security and judicial apparatuses. He retained this position throughout most of the 2000s, but was also seconded, first to the Counter Terrorism Research Center at the China Institute for International Strategic Studies—a military intelligence think tank—and then in 2004 to the Center for China Studies (国情研究中心) at Tsinghua University under the directorship of well-known scholar Hu Angang, with whom he would co-author over a dozen papers.

Hu Lianhe’s academic research is preoccupied with the question of social stability. He helped pioneer the study of terrorism and counter-terrorism in China, publishing three influential books on the topic, where he analyzes much of the Western literature and discussion about terrorism following the 9/11 attacks. He then widened the scope of his research to explore other sources of instability, such as economic inequality, religious belief, criminality, corruption and mass incidents.

He claims to have developed a scientific and comprehensive “theory of stability.” For Hu, the maintenance of stability requires a broader focus than material and economic development, one that incorporates the ways political, cultural, spiritual, and ideological issues also affect stability. Ultimately, stability requires the “standardizing of human behaviour” (规范人的行为) in order to achieve the perfect state of harmony (Beijing Ribao, 13 July 2010). When viewed as a “comprehensive systems engineering project” (全面的系统工程), stability can be literally manufactured through the right blend of governance tools, with rule by law (法治) being the most important instrument.

By his own account, Hu Lianhe help write numerous government white papers and laws. We know he played a key role in drafting the terrorism offenses that were added to the Criminal Code in 2001, and he likely also contributed to China’s 2015 National Anti-Terrorism Law as well as the XUAR’s local Counter-Terrorism Law (2016) and Anti-Extremism Regulation (2017).

Through his study of instability, Hu developed an interest in the “ethnic question” (民族问题) and the challenge of maintaining stability in “terrorist-prone” regions like Xinjiang and Tibet, where “hostile foreign forces seek to split China.” With co-author Hu Angang, he wrote a number of controversial articles beginning in late 2011 calling for a major rethink of ethnic policy in China, what they labelled a “second generation of ethnic policies” (Aisixiang, 20 October 2011).

Invoking the specter of national collapse in the former USSR and Yugoslavia, they warned of the twin dangers of “regional ethnic elites” and “regional ethnic interest,” arguing that failure to reign in narrow ethnic consciousness in frontier regions like Tibet and Xinjiang had increased the threat of ethnic separatism. If China hoped to survive, it needed to urgently abandon its “hors d’œuvres style” ethnic policies and embrace the “melting pot,” where different ethnic groups could blend together in forming a cohesive “state-race” (国族) (China Brief, 6 July 2012).
Reflecting his security background, Hu Lianhe frequently warns against complacency, and calls on Party officials to “wake-up” (清醒), increase their “worrying mentality” (忧患意识), and blaze new policy trails. In his writing, sources of potential instability are everywhere. Yet, with their unique geographic, religious, and ethnic profiles, frontier regions like Tibet and Xinjiang are particularly venerable, and a “grave and present danger” to national security and the realization of the “China Dream.”

As the more senior and influential author of their joint papers, Hu Angang (b. 1953) has attracted the lion’s share of the attention. We are now in a better position, however, to appreciate the importance of Hu Lianhe and how his obsession with stability helped to not only influence the senior Hu but also shaped the direction of ethnic policies in China. While Hu Angang’s influence might be waning (Duowei, 6 August), Hu Lianhe currently holds a number of important positions that make him arguably the most important Party official overseeing day-to-day Xinjiang work in Beijing, a fact reflected by his public appearance in Geneva.

**Shifting Ethnic Policy Priorities**

The rise of Hu Lianhe signifies two important shifts in ethnic policy in China: first, the strengthening of the CPLC and the UFWD in policy design, implementation and supervision; and second, the tacit acceptance of key elements of the second generation agenda, especially in the two key battle zones of Xinjiang and Tibet.

In the past, the State Ethnic Affairs Commission (SEAC) and State Administration for Religious Affairs (SARA) were responsible for overseeing and implementing ethnic and religious policy. These two functional bureaucracies under the State Council operate a network of local offices, known as “ethnic and religious affairs committees” (民宗委), and coordinate a hierarchy of educational institutes aimed at generating ethnic cadres and knowledge (China Brief, 19 October 2015). To reemphasize, they are both government, not Party bodies.

Under Xi Jinping, the authority of the state has eroded significantly, with the motto “the Party leads everything” (党是领导一切的) emerging as a defining characteristic of the New Era. Earlier this year, SEAC and SARA were formerly placed under the direct supervision of the UFWD, with SARA completely absorbed (Xinhua, 21 March). Shortly after this restructuring, the UFWD announced the creation of a new office for Xinjiang work, with Hu Lianhe named the Deputy Director of the so-called Ninth Office (中央统战部九局), a position from which he appears to wield more power than its obscure and similarly-aged Director Yang Bingjian (Duowei, 14 July 2017).

The Party’s CPLC has long played a key role in Tibet and Xinjiang policymaking through its control over the security apparatuses operating in the region. The ongoing securitization of China’s western borderlands has increased the CPLC’s importance, despite the fact that the current head Guo Shengkun does not hold a position on the Politburo Standing Committee. Hu Lianhe is currently the Deputy Head of the CPLC’s Secretariat for Coordinating Xinjiang Work (中央政法委新疆工作协调领导小组办公室) (Anhui Yuanjiang wang, 6 April 2013), and since at least late 2012, he has also been listed as one of the deputy heads of the Secretariat for the Central Party Leading Small Group on Xinjiang Work (中央新疆工作协调小组办公室) (Pengpai, 19 September 2014).

Following the 2008-9 ethnic riots in Lhasa and Urumqi, two new frontier strategies emerged alongside the continued emphasis on “leap frog-style” economic development. At the 2010 Central Tibet and Xinjiang Work Forums held in Beijing (Xinhua, 23 January 2010; Xinhua, 19 May 2010), Hu Jintao spoke about the importance of interethnic “mingling” (交融, jiaorong) and “stability maintenance” (维稳, weiwén) in ethnic work. In order to attenuate ethnic consciousness and forge a new sense of shared national belonging, top Party leaders called for a strengthening of interethnic mingling, which many defenders of the ethnic status quo immediately labelled a euphemism for ethnic “fusion” (融合) or even “Hanification” (汉化) (China Brief, 19 June 2014). In his academic
writing, Hu Lianhe was an early and vocal champion of ethnic mingling, asserting its centrality to progress and the upholding of social stability.

Alongside this concept of mingling, Hu Jintao also stated, for the first time, “what is beneficial for national unity and social stability is an important criterion for evaluating the effectiveness of ethnic work.” This focus on security opened the door for increased investments in policing and other security and surveillance methods in Xinjiang and Tibet (China Brief, 14 March 2017). Upholding ethnic unity and stability is now the single most important performance indicator for cadre promotion in these two regions [4].

The concepts of jiaorong and weiwen appear to have emanated with Jia Qingjin and Zhou Yongkang (Mengqu xinwen, 21 September, 2013), who at the time headed the UFWD and CPLC, respectively. However, Xi Jinping not only endorsed these concepts at the 2014 Central Ethnic Work Forum (China Brief, 7 November 2014), but has also transformed them into the driving logic of ethnic policy in the New Era, with hundreds of academic articles and policy documents exploring the centrality of these two policy “formulations” (提法).

The Cost of Stability

In his remarks at the CERD hearing, Hu Lianhe claimed Xinjiang has been plagued by the “three evil forces” of terrorism, extremism and separatism since the 1990s, and the Party’s efforts to shore up social stability “have won great support of people of all ethnic groups” (CERD, 13 August). “Xinjiang has been salvaged from the verge of massive turmoil,” Chinese state media wrote in defense, preventing it from becoming “China’s Syria or China’s Libya” (Global Times, 12 August). Security is simply the cost of stability for Hu and other Party leaders, and must be “shouldered by people of all ethnicities in Xinjiang.”

The radical shift in ethnic policy, however, exhibits an odd mix of hubris, paranoia, and frustration on behalf of top Party officials. Irritated by the slow pace of integration and violent acts of resistance in Xinjiang and Tibet, policy reformers like Hu Lianhe seek to supercharge nation-building through the adoption of more forceful yet blunt forms of mingling and securitization. “Stability is about liberating man, standardizing man, developing man,” Hu Lianhe wrote in 2010, “and establishing the desired working social order” (Beijing Ribao, 13 July 2010).

Yet securitization and interethnic mingling are deeply incommensurate, with pre-emptive surveillance and coercive re-engineering eroding the trust and sociability required for genuine social cohesion and nation-building. Rather, the political re-education camps and classes in Xinjiang are signs of a regime that is losing patience, and seeks to use its newfound power to “mingle” and “standardize” the non-Han minorities out of existence. In deeply divided societies like Xinjiang and Tibet, force begets instability, which in turn justifies more security. In the process, the stability that Hu Lianhe desires becomes increasingly elusive.

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Notes

[1] In the written English transcript of Hu’s statement, he denies the existence of both “re-education centers” and “counter-extremism training centres,” but the second term was omitted from his oral statement.

Grasping Power with Both Hands: Social Credit, the Mass Line, and Party Control

By Samantha Hoffman

The Chinese Communist Party (CCP) has long claimed that only it can lead the Chinese people to prosperity. This claim underlies Deng Xiaoping’s famous saying that China must “grab with both hands, grasping firmly with both” (两手抓, 两手都要硬). Implied in Deng’s message is that the CCP’s political control must be made inseparable from China’s social and economic development [1].

Throughout its history, the CCP has used concepts like the “Mass Line” and “social management” to put this idea into practice, efforts which have carried over into attempts to build a “spiritual civilization” and a more “service-oriented” government. The Party’s goal is to embed “correct” ideological and moral behavior into individuals and institutions, so they will automatically make choices that uphold Party power. According to the CCP, this requires the establishment of a socialist system of ideology and morality, as well as a socialist legal system, all of which must be compatible with the PRC’s socialist market economic system (Ex: NPC.gov, April 7, 2004).

Although these efforts are designed to foster a more prosperous, better-functioning economy, they cannot be separated from the Party’s overriding political objectives. The CCP’s development of the ‘social credit’ system is, in this sense, another step in the Party’s long exploration of ways to fuse political control and economic prosperity. The expanding global reach of China’s economy means that the fusion of social and political control social credit represents will be used to bend entities outside China’s borders towards the Party’s political objectives, as dozens of international airlines, including four US airlines, recently discovered.

Social Credit and Civil Aviation

On April 25, the Civil Aviation Administration of China (CAAC), the PRC’s civilian airline regulator, sent dozens of international airlines letters demanding that their websites be changed to show Taiwan as a part of the People’s Republic of China (SCMP, April 25).

The letter the CAAC sent to United Airlines was made public. In it, the CAAC said “our bureau will take further measures according to regulations, including on the basis of Article 8, Section 11 of the ‘Civil Aviation Industry Credit Management Measures (Trial Measures)’, and make a record of your company’s serious dishonesty and take disciplinary actions against your company in accordance with Chapter 3 of the Measures.”

Unlike the majority of international airlines, four US carriers—with United Airlines among them—delayed implementing the changes until late July. A ‘compromise’ the US airlines arrived at saw them remove references to Taiwan as a separate country, without adding “People’s Republic of China/China” after the names of Taiwanese destination cities (The Washington Post, July 26). According to a knowledgeable source, this compromise was
reached only after Chinese authorities rejected other efforts, including a proposal for the airlines to create separate, PRC-specific websites. Only submission on a global scale, even for airline websites facing markets having nothing to do with the PRC, would satisfy the CAAC.

The CAAC used the trial version of the Civil Aviation Industry Credit Measures (民航空行业信用管理办法 (试行))—written expressly to support the construction of the China’s social credit system—to force foreign airlines to comply with its political demands [2]. Airlines that failed to comply would see their “act of serious dishonesty” recorded on their credit records. Chapter 3 of the Measures, cited in the United letter, describes how an act of “serious dishonesty” can result in more frequent inspections of the concerned individuals/parties, and states that they should be penalized as severely as possible.

Chapter 3 also stipulates that any “serious dishonesty” will be recorded on an aviation industry credit platform, and shared with other credit platforms, including “Credit China”, “Credit Transportation” and the “National Enterprise Credit Information Publicity System”. This suggests that the aviation credit platform is supposed to automatically feed into national-level credit platforms, an assumption that makes sense, considering that Chapter 3 also stipulates that numerous other PRC government agencies should be informed of any “serious” dishonesty, and seek to implement joint disciplinary measures.

**A Mass Line for the 21st Century**

The CAAC’s choice to use the civil aviation credit measures to force airlines to comply with its political demands are especially significant when viewed in light of the Party’s larger “social governance” goals.

As the Party defines it, social credit is meant to support “social governance” in addition to economic development ([Gov.cn](http://www.gov.cn), June 27, 2014). Social governance (also called “social management” in the CCP’s parlance) is the process of automating “public participation” and “self-management” ([MERICS](https://www.merics.org), December 12, 2017). Through “self-management”, Party leaders seek to solidify their control by inducing the “masses”—consisting of both society and the Party rank-and-file—to participate in their own management ([China Brief](https://www.chinabrief.net), August 17, 2017).

Although the term “public participation” might carry democratic connotations for western ears, the process is not remotely democratic. “Public participation” as the Party understands it today is, by and large, an updated version of the Maoist organizational concept of the “Mass Line”. The Mass Line was the term used in Maoist-era China to describe the Party leadership’s process for shaping, managing and responding to society’s demands, in the service of their primary objective: protecting and expanding the Party’s power. In Mao’s China, the Mass Line relied on ideological mass mobilization, using Mao Zedong’s personal charisma, to force participation.

After Mao passed from the scene and Deng launched Reform and Opening, ideology did not become irrelevant, but ideological mobilization could no longer be the primary tool of the Mass Line process. Instead, the CCP was forced to reinvent its tactics for fusing political control with economic and social development, finding new ways to keep the Party in power as central planning was rolled back and the PRC economy took off. “Public participation” and “self-management” in the reform era had to be re-defined as collective adherence to the unified moral and spiritual Party guidance underlying the pursuit of CCP-defined social and economic development goals ([Ex: People’s Daily [Archive]](https://www.peoplesdaily.cn), May 20, 1991; [People’s Daily [Archive]](https://www.peoplesdaily.cn) December 19, 2002).

**Service-Oriented Management**

Operationalizing the Mass Line in the reform era required that the Party to improve its capacity to solve problems and deliver social services. This is often described as a “service oriented” government ([Ex: People’s Daily [Archive]](https://www.peoplesdaily.cn),
March 11, 2005). The social credit system’s efforts to unify data, monitoring, and record-keeping across disparate government platforms is a direct descendant of service-oriented government.

Better intra-government coordination is integral to social management. According to one 2016 Xinhua article on the subject, the goal is that “each member of society as being integrated into the social management process.” As a result, it elaborated, “society’s self-management ability will not only improve, but [it will] also force greater professionalization of institutions,” where ‘professionalization of institutions’ refers to a better-coordinated, better functioning government (Xinhua, January 26, 2016).

Social credit is the culmination of a drive for technical coordination that began, perhaps somewhat appropriately, in 1984. Between 1984 and 1990, the State Council approved plans to develop national information systems in about a dozen areas, including the economy, banking, electrical power, civil aviation, statistics, taxation, customs, meteorology and disaster mitigation [3]. By 1993, these early e-government plans turned into projects initially known as the “Three Golden” projects. These were: “Golden Bridge”, a national information network and communications project; “Golden Gate” a customs informatization project; and “Golden Card”, related to credit card and electronic banking development [4]. Gradually the initiative expanded to about a dozen projects between 1995-1999, among them the famous “Golden Shield” project (China Brief, August 17, 2017).

The Golden Projects were the starting point for “unified planning”, “unified standards”, “unified coordination” and “unified deployment”, of policies driving informatization of government departments across the country [5]. More than data integration, cross-agency coordination also requires streamlining administrative procedure. In his report to the 15th Party Congress in 1997, for example, then-CCP General Secretary Jiang Zemin noted that a bloated, inefficient bureaucracy hampers economic development, and the Party’s ability to manage both itself and its relationship with society. His prescription was the establishment of a “highly efficient, well-coordinated and standardized administrative system” [6]. Streamlining administration does more than improve the government’s capacity to provide advertised administrative services; it also unifies processes and removes the obstacles required for systems like social credit to function as intended.

Future Outlook

There are those who argue that the transparency and interpersonal trust social credit will help engender make it a natural expression of the PRC government’s healthy desire to better administer its enormous, chaotic country. But if social credit remains true to the spirit of its Mass Line and “service oriented government” forerunners, it will be an inherently problematic initiative.

Jiang Zemin’s efforts at administrative coherence and efficiently were intimately connected with his desire to build a cohesive ideological and moral system, summed up in the second of his “Three Represents” maxim on the “orientation of China’s advanced culture”. As one contemporary article explained:

*We must better persist [in upholding] the directive to "grab with both hands, grasping firmly with both", and promote the progress of society as a whole…Every year, various bills and articles have been raised on this issue, [including] ... how to reinforce and maintain the guiding position of Marxism, [and] how to establish an ideological and moral system that can adapt to the market economy …. At bottom, this is a question of how to address the [future] direction of advanced culture. The ‘Three Represents’ have taken a novel approach to offering guidance on the construction of [this] culture.”* (People’s Daily, March 5, 2002)

These systems of ideology and morality are the tools the Party leans on to justify the systematic persecution of groups and individuals that challenge its control. For example, Jiang Zemin used the Three Represents as a
justification for the persecution of Falun Gong from 1999 onward, framing it as a question of correct ideology and morality (Guangming Daily, March 20, 2001).

Falun Gong posed an especially serious threat, since its 1999 sit-in demonstration in front of Zhongnanhai was organized, in part, by Party members, including senior PLA, PAP, and MSS members, using Party technological resources associated with e-governance projects [7]. But threats to the Party’s ability to “manage society” are not geographically contained. International events like the “Color Revolutions” of the early 2000s demonstrated that a breakdown in narrative control can be the starting point of a “peaceful evolution”, and can be driven, in the Party’s view, by the interference of “hostile foreign forces” [8].

As the CAAC’s demand of foreign airlines demonstrated, the social credit system may provide a useful, administratively unified platform for addressing these threats, at home and abroad, in ways unattainable by previous systems of social management.

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Notes

[1] For more information on the connotations of Deng’s phrase, see for instance: Fengcheng Yang, “‘两手抓’的源起、内涵与演变 (Origins, Connotations and Evolution of "Grabbing with Both Hands"). Guangming Daily, 23 February 2011.

[2] The Civil Aviation Industry Credit Measures were written to implement the spirit of two key plans related to social credit, according to the first paragraph of the measures: the “Social Credit System Construction Planning Outline (2014-2020)” and the “Guiding Opinion from the State Council Relating to the Construction and Perfection of the System for Collective Encouragement of Honesty and Collective Punishment of Dishonesty, in order to Accelerate the Construction of Social Trust”.


A Look at the PLA Air Force and Navy Air Force’s Youth Aviation Programs

By Aaron Jensen

As the People’s Liberation Army Air Force (PLAAF) and the People’s Liberation Army Navy Air Force (PLANAF) prepare for more challenging missions and continue to integrate more advanced aviation platforms into their inventory, their need for talented and experienced pilots and aviators is increasing. To help meet this need, the PLAAF and PLANAF have developed a number of youth aviation schools (青少年航空学校) to provide flight training to select high school students [1]. The aim of this program is to help supply the Air Force Aviation University (空军航空大学), the Naval Aviation University (海军航空大学) and other military colleges and civilian aviation universities with talented students who have been both carefully vetted for suitability and interest in aviation, and provided with basic aviation instruction.

The PRC’s interests are becoming increasingly global, confronting the PLAAF and PLA Navy (PLAN) are facing new tasks and challenges. The PLAAF is seeking to become a “strategic air force” (战略空军), which includes the ability to protect China’s national interests at home and abroad, and attaining capabilities on par with major powers (China Brief, October 2, 2015). The development of aircraft carriers has also created huge demand for well trained fighter pilots within the PLANAF (ChinaMilitary, September 19).

But aviator quality and capability continues to be a major limiting factor for the PLA. According to a recent study on pilot training, PLAAF pilots are struggling to adjust to concepts and tasks related to new training missions. The study found that PLAAF pilots often lack the necessary tactical skills to perform exercises, and frequently still rely heavily on ground control for their maneuvers, which limits pilot autonomy. Pilots also frequently display lax discipline, have trouble coordinating with other PLAAF branches, and are unable to adapt to in-flight changes, which leads to mission failure (The National Interest, October 27, 2016). Faced with these challenges, the PLAAF and PLAN view youth aviation schools as a means to help improve the quality and quantity of their pilots and aviators, starting at a very young age.

In 2011 the PLAAF initiated an experimental youth aviation program at two high schools in Wuhan and Changchun. In 2014, this program produced 96 graduates, 40% of whom were accepted into university aviation programs, including the joint programs between the Air Force Aviation University and Beijing University, Tsinghua University and the Beijing University of Aeronautics and Astronautics (PLA Daily, September 3). The PLAAF expanded and institutionalized the youth aviation program in 2015, when the former General Political Department of the PLA, along with the Ministry of Education and the Ministry of Public Security, issued the “Implementation Measures for the Construction of Air Force Youth Aviation Schools” (空军青少年航空学校建设实施办法) and established 16 air force youth aviation schools at provincial-level, demonstration high schools (示范高中) in 11 provinces (PRC Ministry of National Defense, November 7, 2017). In 2015 the PLANAF established its own
experimental aviation programs in two high schools, expanding to nine schools in 2017. It plans to open six more in the future (www.sdclyz.cn, October 31, 2015; People’s Daily, July 19).

Youth aviation schools are viewed as a key factor in the development of top aviation talent. According to a researcher at the PLAAF Aviator Recruitment Bureau (空军招飞局), early flight training experience was a key factor in the successful combat performance of many of the most successful military aviators in history (ChinaNews, March 25, 2015). The PRC has previous experience with youth aviation programs and has used flying programs to expose young people to aviation. In 1955 China established 77 gliding schools for junior high school students. By 1979, the program had produced 12,000 flight students, many of whom became aviators and senior leaders (PLA Daily, September 3).

Admission to the youth aviation programs is very selective; students are recruited from among the top junior high school graduates. Applicants must be between the ages of 14 to 16, have academic scores in the top 15% of their class, be in excellent health, meet height and weight requirements, and have excellent eyesight. Candidates go through a detailed and comprehensive physical and psychological examination; the medical portion alone includes 240 separate examination items. In addition to physical and academic requirements, applicants must also have proper political qualifications (China Military, May 23, 2017).

Interest on the part of young people in the youth aviation schools appears high. In 2017, there were 10,473 applicants from the three provinces of Liaoning, Jilin and Heilongjiang alone (China Military, May 23, 2017). The PLAAF seeks to recruit about 1,000 students into its program each year (China Military, November 17, 2107), while PLANAF will likely seek a similar number when it expands its program from the current nine schools, to fifteen schools.

Youth aviation schools are paired with high quality provincial-level high schools, which are funded by the provincial government, and recruit students from the entire province. Students in the youth aviation programs take normal high school courses in addition to their aviation classes and training. The actual aviation training program consists of three years of classes in national defense education, military fitness, aviation knowledge, and flight training (ChinaMilitary, May 3, 2017). In their first year, students receive instruction in basic aviation topics such as aviation theory, navigation, meteorology, and aviation rescue. Students are introduced to flight simulators during their second year. At the end of the second year, students spend half a month during the summer in flight training.

In previous years, flight training was contracted out to local civilian flight schools, but in 2018 the PLAAF took over this responsibility and began to train students according to Air Force Aviation University training methods. 800 students from youth aviation schools were sent to flight training at the Air Force Aviation University’s six affiliated training locations. Students receive flight instruction in the CJ-6, the PLAAF’s basic trainer for all aircraft, and take five orientation flights during the summer training session. Students also make visits to nearby military installations to receive lectures from senior aviators (PLA Daily, September 3). During this period of training, students are evaluated by a team of cadres from the Air Force Aviation University (Apple News, July 24, 2018), graded on their performance, with the points accrued added to the students’ college entrance exam to form a combined score (Ministry of National Defense, November 7, 2017).

In contrast to the PLAAF, the PLANAF continues to utilize civilian flight schools to train students. Students are taught basic theory and undergo simulator training. Students receive about ten total hours of flight training in a Cessna 172, during which they are accompanied by a senior instructor. The navy sends aviators from the Naval Aviation College and local navy units to oversee the quality and safety of the training, during which students are evaluated and graded by PLAN cadre (China Military Network, July 18).

Students in youth aviation schools are provided with free tuition and receive a stipend for food and living expenses. They live in separate dormitories and receive several sets of uniforms. The air force offers 10,000 RMB ($1,470) a
year for food, and a monthly allowance of 400 RMB ($60). High-performing students can also receive a yearly scholarship of up to 3,000 RMB ($440) ([ThePaper](https://www.sdclyz.cn), August 2). Students in the PLAN youth aviation program receive a monthly living stipend of 500 RMB ($73) ([www.sdclyz.cn](https://www.sdclyz.cn), April 26, 2017). Once in the program, students must maintain excellent health and fitness standards and are given a routine physical examination every month, as well as a comprehensive physical examination every semester ([www.sdclyz.cn](https://www.sdclyz.cn), April 26, 2017).

At the end of their third year, students in the youth aviation programs participate in an aviator selection process. Qualified students are admitted to the Air Force Aviation University and the Naval Aviation Academy ([www.sdclyz.cn](https://www.sdclyz.cn), October 31, 2015; [PRC Ministry of National Defense](https://www.sdclyz.cn), November 7, 2017). Students in the air force youth aviation program can also apply for the dual enrollment program, which allows students to attend Beijing University, Tsinghua University, or the Beijing Aeronautics and Astronautics University (北京航空航天大学) while also receiving aviation training at the Air Force Aviation University, ultimately earning a degree from both institutions ([Xinhua](https://www.sdclyz.cn), September 28, 2017). Students in the air force youth aviation program can receive up to 60 extra points for admission to this program, depending on their performance in the summer aviation training session. Those who fail to gain acceptance at an aviation-related university can still gain admission into other military colleges and universities ([PRC Ministry of National Defense](https://www.sdclyz.cn), November 7, 2017). Students in the navy’s program can also receive a sixty point bonus on admission to Tsinghua University or the Beijing Aeronautics and Astronautics University ([www.sdclyz.cn](https://www.sdclyz.cn), April 26, 2017). Students who fail to be admitted to the Naval Aviation Academy can apply to other naval colleges ([www.sdclyz.cn](https://www.sdclyz.cn), October 31).

**Conclusion**

This year marks the first graduating class of the PLAAF Youth Aviation Program. A total of 379 students have been accepted to the Air Force Aviation University, a number which is considered to be successful ([PLA Daily](https://www.sdclyz.cn), September 3). Additionally, an unknown number of graduates have entered other university aviation programs or other military colleges. In one high school, 20 of the youth aviation program graduates entered other military colleges and 49 students were accepted into the Air Force Aviation University ([The_Paper](https://www.sdclyz.cn), August 2). With improvements to the quality of education, student training and the management system, The PLAAF now feels that its youth aviation program is complete, and a new track for early aviation training has emerged ([PLA Daily](https://www.sdclyz.cn), September 3). Once the PLANAF expands its youth aviation program to 15 schools, it will likely achieve the same success. The youth aviation programs are now beginning to play a foundational role in the development of China’s future air force and naval aviation talent.

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**Notes**

[1] Translation note: The PLAAF uses the English name, “Teenagers Aviation School of Air Force.” However, the Chinese term “青少年” is usually translated as “youth.”