



VOLUME 20 • ISSUE 3 • FEBRUARY 13, 2020

IN THIS ISSUE:

**The CCP’s New Leading Small Group for Countering the Coronavirus Epidemic—
and the Mysterious Absence of Xi Jinping**

By John Dotson.....pp. 1-9

How the Wuhan Epidemic Has Dented Xi Jinping’s Authority and Prestige

By Willy Lam.....pp. 10-14

**The Future of Chinese Foreign Economic Policy Will Challenge U.S. Interests,
Part 2: Renminbi Internationalization and International Economic Institutions**

By Sagatom Saha.....pp. 15-21

**Sino-Indian Cooperation on Counter-Terrorism:
Not Truly “Hand-in-Hand” At All**

By Sudha Ramachandran.....pp. 22-28

**The CCP’s New Leading Small Group for Countering the Coronavirus Epidemic—
and the Mysterious Absence of Xi Jinping**

By John Dotson

Editor’s Note: Recent issues of China Brief have presented two articles that analyzed aspects of the Chinese government’s response to the outbreak of a previously unknown coronavirus in the central Chinese city of Wuhan ([The State Response to a Mystery Viral Outbreak in Central China](#), January 17; and [The CCP Response to the Wuhan Coronavirus: A Preliminary Assessment](#), January 29). As this crisis situation has continued to rapidly unfold, new developments in late January and early February have further illuminated aspects of the state’s policy responses—in terms of both the medical and logistical relief effort, as well as the propaganda campaign to portray the ruling Communist Party as capable, decisive, and concerned for the welfare of China’s citizens. This article, the latest addition to our analysis of the political aspects of the

ongoing crisis, examines a new “leading small group” created for coordinating epidemic response policies at the upper leadership echelons of the party-state.

Addendum: This article was first published as a Jamestown “Early Warning Brief” on February 5; it has since been updated for re-publication.

Introduction

The “2019-nCov” virus epidemic that first appeared in December in the central Chinese city of Wuhan continues to sweep throughout the country: as of February 11, there were over 43,000 official reported cases of persons who had fallen ill from the virus, and over 1,000 reported deaths ([Johns-Hopkins CSSE](#), February 11). Aside from the human toll, the epidemic has resulted in large regions of Hebei Province being placed under quarantine, which is placing a severe strain on the Chinese economy. The crisis is also presenting a severe test of governance for the ruling Chinese Communist Party (CCP)—which, after being caught flat-footed in December and early January, is scrambling to stop the spread of the disease and to mount an effective medical response for those already affected.

The second half of January saw a dramatic change in the posture of the People’s Republic of China (PRC) central government towards the epidemic. For the first three weeks of January, PRC state media organs downplayed the seriousness of the 2019-nCov outbreak, while emphasizing a steady stream of positive news stories: such as the successful achievement of government goals for poverty reduction, preparations for Lunar New Year celebrations, and the exalted status of CCP General Secretary Xi Jinping as “People’s Leader” (人民领袖, *renmin lingxiu*) ([China Media Project](#), January 30). This changed around January 20-21, when Xinhua outlets shifted to coverage of the epidemic by reporting on Xi’s “important directions” (重要指示, *zhongyao zhishi*) for responding to the viral outbreak ([Xinhua](#), January 20). This was followed in turn by the announcement of special meetings focused on the crisis: State Council meetings on January 20 chaired by PRC Premier Li Keqiang, and on January 23-24 by Vice-Premier Sun Chunlan ([PRC Government](#), January 20; [PRC Government](#), January 24); and a Politburo Standing Committee (PBSC) meeting on January 25 chaired by Xi Jinping ([PRC Government](#), January 25).

Then, on January 26 state media unveiled a newly-formed policy-making and coordination body at the top echelon of the CCP: the “Central Leading Small Group for Work to Counter the New Coronavirus Infection Pneumonia Epidemic” (中央应对新型冠状病毒感染肺炎疫情工作领导小组, *Zhongyang Yingdui Xin Guanzhuang Bingdu Ganran Feiyan Yiqing Gongzuo Lingdao Xiaozu*) (hereafter, “Coronavirus Leading Small Group,” or CLSG). In an unusual move for such a high-profile policy issue, Xi Jinping did not take direct *ex officio* control of the CLSG—instead delegating the chairmanship to the nominal #2 figure in the party-state hierarchy, State Council Premier Li Keqiang (李克强). Per commentary in state media, the purpose of the new body is to operate “under the leadership of the Politburo Standing Committee, strengthening unified leadership and unified direction for prevention and control of the national epidemic” ([Xinhua](#), January 26).



*Image: A publicity photo of the January 26 inaugural meeting of the “Central Leading Small Group for Work to Counter the New Coronavirus Infection Pneumonia Epidemic,” chaired by PRC Premier Li Keqiang.
(Source: [Xinhua](#), January 26)*

The Role of Leading Small Groups in CCP Policy-Making

Leading small groups (领导小组, *lingdao xiaozu*) (LSGs) are the primary policy-deciding bodies within the CCP. Composed primarily of members of the Politburo or Central Committee—and usually chaired by a member of the Politburo Standing Committee (PBSC)—the leading groups operate outside of (and above) the formal structures of both the party and state. Clustered at the top echelon of the party, LSGs determine policy guidance for the subordinate bureaucratic channels (系统, *xitong*) of the government. [1] The role of LSGs has expanded under Xi, who has used them as mechanisms for both the further centralization of power at the top echelons of the party, as well as for the concentration of his own personal power. Under Hu Jintao, the chairmanships of LSGs were more broadly distributed among senior CCP officials, but they have become far more centralized under Xi, who personally chairs at least half of the currently operating major committees. [2]

Many of the LSGs for core policy areas have been in operation for many years, and operate on more or less a permanent basis. Under Xi, some of these core LSGs have been redesignated as “central commissions” (中央委员会, *zhongyang weiyuanhui*), in an apparent upgrade of their bureaucratic status. [3] However, as LSGs are not strictly statutory bodies, both their number and areas of policy focus may shift over time. LSGs have sometimes been formed on an *ad hoc* basis for high-profile or crisis events—as now appears to be the case with the new Coronavirus LSG.

Membership of the Coronavirus Leading Small Group

LSGs normally operate out of public view, but this new LSG has been given a much more public face. State media has identified the formal members of the CLSG, sparing the need for the painstaking analysis (and sometimes guesswork) required to assemble a picture of the composition of a given CCP leading group. This somewhat unusual step indicates that the party leadership wishes to publicize the meetings and actions of the CLSG, as part of a larger narrative depicting an energetic response to the epidemic on the part of the central authorities. In addition to Li Keqiang, eight other members of the CLSG have been identified in state press, all of them members of either the Politburo or the CCP Central Committee. The full membership of the new CLSG is as follows:

Membership of the Chinese Communist Party “Central Leading Small Group for Work to Counter the New Coronavirus Infection Pneumonia Epidemic” [4]			
Member (Romanized Name)	Chinese Name	State / Party Position	CCP Leadership Echelon
Li Keqiang <i>(chair)</i>	李克强	PRC Premier	Politburo Standing Committee
Wang Huning <i>(vice-chair)</i>	王沪宁	CCP policy czar for ideology & propaganda; senior member of the CCP Secretariat	Politburo Standing Committee
Ding Xueliang	丁薛祥	Director of the CCP Central Office	Politburo
Sun Chunlan	孙春兰	PRC Vice-Premier (portfolio for public health, education, and culture); former director of the CCP United Front Work Department	Politburo
Huang Kunming	黄坤明	Director of the CCP Central Propaganda Department	Politburo
Cai Qi	蔡奇	Beijing CCP Secretary	Politburo
Wang Yi	王毅	PRC Foreign Minister	Central Committee
Xiao Jie	肖捷	PRC State Council Secretary-General	Central Committee
Zhao Kezhi	赵克志	PRC Minister of Public Security	Central Committee

A few points stand out regarding the composition of the new CLSG. The first point is that at least three of the CLSG members hold important positions in terms of inter-agency (or inter-*xitong*) policy implementation. The designated vice-chair is Wang Huning (王沪宁), who serves as the senior member of the CCP Central

Secretariat (中共中央书记处, *Gongchandang Zhongyang Shujichu*), which communicates senior-level policy directives from the Politburo to subordinate CCP departments (Propaganda, Organization, United Front Work, *et al*). Ding Xueliang (丁薛祥), as Director of the CCP Central Office, is responsible for managing the key administrative hub servicing the CCP Central Committee. Finally, Xiao Jie (肖捷), as Secretary-General of the State Council, bears responsibility for overseeing policy coordination amongst the various state bureaucracies.

The second is the prominence given to senior officials in the party propaganda apparatus. In addition to his role in the CCP Secretariat, Wang Huning holds the PBSC policy portfolio for ideology and propaganda. A former academic, Wang has been a senior behind-the-scenes figure in developing the party's official ideological formulations over the past two decades. Another member of the CLSG, Politburo member Huang Kunming (黄坤明), has served successively as the Deputy Director (2013-2017) and then Director (2017-present) of the CCP Central Propaganda Department. The appointment of these two men to the CLSG suggests a high level of concern on the part of the party leadership regarding the information and narratives presented to the public about the government's handling of the crisis.

The third point is the absence of any military representative on the LSG—despite the prominent crisis response role assigned to the People's Liberation Army (PLA) in statements by Xi and other senior leaders, and the largest mobilization of PLA medical resources since the 2008 Sichuan earthquake ([China Military Online](#), January 27; [China Daily](#), January 30). [5] This makes the lack of any PLA representation a notable omission. However, channels for senior-level leadership communication exist via other institutions (e.g., the CCP Central Military Commission, and the PLA Central Theater Command), and in terms of day-to-day coordination these channels are likely of greater practical value than a seat on the CLSG.

The first of these three points suggests a substantive role for the CLSG in managing the government's response; but the second and third points suggest otherwise, pointing towards a primary public relations role for the CLSG. Other central leadership actions in late January and early February provide further indications in regards to this question.

CLSG Activities in Late January and Early February

The inaugural meeting of the CLSG was followed by further publicity given to inspection tours on the part of CLSG members, who traveled to hospitals and other relevant work sites to signal the leadership's attention to the spreading viral epidemic. Immediately after the first CLSG meeting, Li Keqiang conducted a trip to Wuhan on January 26-27 to "inspect and give guidance" to local officials, medical personnel, and workers at the site of a new hospital under construction (*see accompanying images*).



Images: (image left) During a January 27 visit to "inspect and give guidance to epidemic control work" in Wuhan, PRC Premier Li Keqiang meets with medical personnel at the Wuhan Jinyintan Hospital; and (image right) speaks to construction workers at the building site of the Wuhan Huoshenshan Hospital, rapidly constructed in 10 days for use by PLA medical personnel. (Source: [CCP Central Party School](#), January 28)



Image left: PRC Vice-Premier Sun Chunlan (second from upper right) meets with local officials during a January 27 visit to Wuhan. Image right: During a follow-on February 4 visit to Wuhan as the leader of a CCP "central guidance group," Sun meets personnel treating patients at a Wuhan hotel requisitioned as a temporary medical facility. (Source: [CCTV](#))

An even more active travel and publicity schedule has been maintained by Sun Chunlan (孙春兰), a PRC Vice-Premier and the sole woman in the Politburo. Sun holds the State Council policy portfolio for public health; this, as well as her long experience in the CCP United Front Work Department (which seeks to mobilize social groups outside the CCP in pursuit of party goals), makes her a natural choice to act as a point person for the leadership response to the 2019-nCov crisis. Sun has been the most prominent CLSG figure in conducting on-the-ground visits to the epicenter of the epidemic, making five separate trips to Wuhan since late January: on January 22, 27, and 30; and February 3 and 8-9.

Her activities on these trips included visits to local hospitals, the Hubei Provincial Center for Disease Control and Prevention, and inspection check points at the Wuhan International Airport. On at least the two most recent of these five trips, Sun was designated as the leader of a "central [authorities] guidance group" (中央指导组, *zhongyang zhidao zu*) charged with communicating CCP leadership directives to local officials and workers (Xinhua, [January 23](#), [January 29](#), [January 31](#), [February 3](#), [February 8](#), [February 10](#)).

A Less Public Posture by Xi Jinping

Throughout late January and early February, PRC state press has pulled back somewhat from its usual slavish dedication to Xi Jinping's cult of personality, while giving more coverage to other senior CCP officials and their roles in responding to the epidemic. Coverage of the CLSG has taken pains to emphasize that its members are acting at the direction of Xi Jinping ([Xinhua](#), January 26), and state media has described Xi as "commanding China's fight" against the epidemic ([Xinhua](#), February 2). However, Xi himself has displayed a lower public profile, and the usually peripatetic CCP Chairman has not traveled to the outbreak epicenter in Hubei Province. For nearly three weeks after January 21, Xi's only notable public appearances were both in Beijing with visiting dignitaries: meeting with World Health Organization Director-General Tedros Adhanom Ghebreyesus on January 28 ([Xinhua](#), January 28), and with Cambodian Prime Minister Hun Sen on February 5 ([CCTV](#), February 5). On February 10, Xi made his first round of grassroots appearances by visiting a residential community and disease control center in the capital's Chaoyang District, as well as Beijing Ditan Hospital, where he "checked the treatment of hospitalized patients at the monitoring center and talked to medical staff on duty via a video link" ([Xinhua](#), February 11).

The reasons for Xi's more reserved posture are not entirely clear, but there are a few plausible explanations:

- Xi is now firmly established as the indispensable "core" (核心, *hexin*) leader of the party, with power centralized in his hands. Although he has cultivated an image of being "close to the people," Xi may be avoiding public appearances for the simple reason of sheltering himself from potential exposure to the virus.
- The situation surrounding the epidemic is rapidly unfolding and unpredictable, and therefore subject to surprise developments. Xi's public image has been carefully stage-managed, and he and his media handlers may wish to avoid any situations that present the prospect for surprises that might tarnish his image.
- Xi Jinping may be reluctant to have too close an "on-the-ground" identification with relief efforts, lest he become subject to public anger for an inadequate response to the crisis. Further, Li Keqiang and Sun Chunlan owe their positions not to close ties with Xi, but rather to patronage ties with former CCP General Secretary Hu Jintao ([Nikkei](#), March 2019). From Xi's perspective, Li and Sun would therefore be expendable figures in the event that public anger shifted from local officials to the central leadership.

Any one of these explanations, or some combination of all of them, could be true. However, this is speculative, and the precise reasons for Xi's recent lower public profile are unknown.

Conclusion

Multiple indications exist that the CCP central leadership has been caught off-guard by the virus epidemic, and that it has been far more rattled than its confident pronouncements would seem to admit:

- The downplaying of the epidemic's seriousness in the first three weeks of January (up to around January 20) suggests either a reluctance by top leaders to accept the seriousness of the situation, or bureaucratic paralysis regarding the policy and public relations responses.
- Xi's relative absence from public view (since January 21) suggests central leadership uncertainty regarding the best posture for Xi to adopt in terms of his public image—and possibly, a willingness on the part of Xi to allow other (potentially expendable) political figures to act as the public face of the state's relief efforts.
- The previous factor reflects a reflexive tendency—deeply ingrained in elite CCP leadership echelons—to “hunker down” when faced with an unpredicted crisis that does not have a pre-determined response, and which could cause a loss of face for the leadership (e.g., the 1999 Belgrade embassy bombing, the 2001 EP-3 crash on Hainan Island, and SARS in 2002-2003).
- Commentary about the epidemic from state media and senior leaders has largely consisted of time-worn platitudes about service to the people, exhortations for workers to make ever-greater exertions, and the need to adhere loyally to “guidance” and “direction” from the CCP central leadership. The propaganda system has operated largely on auto-pilot, suggesting the lack of a clear behind-the-scenes consensus for substantive messages from the central leadership.

The formation of an *ad hoc* policy LSG for the 2019-nCov epidemic is intended to signal serious central government focus on the crisis, while simultaneously reinforcing the leadership role of the CCP. In this sense, the new LSG is likely intended to serve a primary public relations role—and it is uncertain to what extent it will actually play a meaningful role in coordinating information and policy decisions across state ministries and party bureaucratic channels. One plausible possibility is that Xi Jinping has decided, at least in regards to the virus outbreak, to let others act as the public face of the CCP—while he continues to monitor the situation and issue decisions from behind the scenes. Whether the functions of the new CLSG will adhere more to style or substance remains to be seen.

John Dotson is the editor of China Brief. For any comments, queries, or submissions, feel free to reach out to him at: cbeditor@jamestown.org.

Notes

[1] For discussion on the role of CCP leading small groups, see: John Dotson, “The Chinese Communist Party and Its Emerging Next-Generation Leaders,” U.S.-China Economic and Security Review Commission, March 23, 2012 (pp. 15-16),

[https://www.uscc.gov/sites/default/files/Research/USCC_Staff_Report_Rising_Leadersinthe_CCP_\(March%202012\).pdf](https://www.uscc.gov/sites/default/files/Research/USCC_Staff_Report_Rising_Leadersinthe_CCP_(March%202012).pdf); and Cary Huang, “How Leading Small Groups Help Xi Jinping and Other Party Leaders Exert Power,” South China Morning Post, Jan. 20, 2014, <https://www.scmp.com/news/china/article/1409118/how-leading-small-groups-help-xi-jinping-and-other-party-leaders-exert>.

[2] Xi Jinping personally holds the chair of at least 11 of the CCP’s 20 major policy LSGs. See: Nis Grünberg, “The CCP’s Nerve Center,” Mercator Institute for China Studies, Oct. 30, 2019, <https://www.merics.org/en/china-mapping/the-ccps-nerve-center>.

[3] Examples of this include the Central Commission on Foreign Affairs Work (中央外事工作委员会, Zhongyang Waishi Gongzuo Weiyuanhui), the Central Commission on Finance and the Economy (中央财经委员会, Zhongyang Caijing Weiyuanhui), and the Central Commission on National Security (中央国家安全委员会, Zhongyang Guojia Anquan Weiyuanhui).

[4] The list of committee members, and summary information on their current positions, obtained from: “Li Keqiang Convened and Directed a Meeting of the Central Leading Small Group for Work to Counter the New Coronavirus Infection Pneumonia Epidemic” [李克强主持召开中央应对新型冠状病毒感染肺炎疫情工作领导小组会议], Xinhua (Jan. 26, 2020), http://www.xinhuanet.com/politics/2020-01/26/c_1125504004.htm; and individual profiles on the website China Vitae, <http://www.chinavitae.com/index.php>.

[5] The Huoshenshan Hospital in Wuhan—whose breakneck construction was a centerpiece of state propaganda in late January—was turned over to the PLA to commence operations on February 3, to be staffed from a reported contingent of 1,400 PLA medical personnel dispatched to Wuhan. The PLA has also organized ground and aviation logistical support for the response effort: on February 2, state media reported the arrival in Wuhan of eight PLA Air Force heavy transport aircraft carrying 795 PLA medical personnel and 58 metric tons of equipment and materials ([China Daily](#), February 3) ([China Daily](#), February 3).

How the Wuhan Epidemic Has Dented Xi Jinping's Authority and Prestige

By Willy Lam

Introduction

In his telephone conversation with President Trump on February 6, Chinese Communist Party (CCP) General Secretary Xi Jinping expressed confidence that Beijing can beat the coronavirus outbreak, and asserted that “the fact that China’s economy will be better in the long run will not change.” But at a meeting of the Politburo Standing Committee (PBSC) a few days earlier, Xi expressed fears about the adverse impact that the Wuhan pneumonia epidemic could have on China’s reform and open door policy ([RTHK.hk](#), February 7; [HK01.com](#), February 6; [Ming Pao](#), February 4). Of even greater concern to the CCP leadership, however, is the sustainability of state power and Beijing’s ability to “uphold stability” (维稳, *weiwen*) in Chinese society. Much of this hinges on the performance of Xi—who is also state president, commander-in-chief of the armed forces, and the “life-long core” of the party leadership. That Beijing has failed to contain the alarming spread of the virus, however, demonstrates that Xi is facing the gravest crisis since he came to power in late 2012.



Image: CCP General Secretary Xi Jinping visiting a community center in the Chaoyang District of Beijing on February 10. This visit, Xi’s first street-level public appearance in three weeks, accompanied a new messaging campaign asserting Xi’s call for a “people’s war” against the coronavirus epidemic. (Source: [Xinhua](#), February 11)

It is clear that Xi is still in solid control of the People’s Liberation Army (PLA), the People’s Armed Police (PAP), the regular police, and the police state surveillance apparatus. Both central CCP officials and supportive foreign dignitaries are projecting confidence. While visiting Beijing in late January, Director-General of the World Health Organization (WHO) Dr. Tedros Adhanom Ghebreyesus praised

China's efforts against the coronavirus disaster, saying that Chinese authorities had displayed "Chinese speed and Chinese efficiency" ([People's Daily](#), January 29). After an unusual period of public absence in late January and early February, Xi has reappeared to assert his leadership and to declare a "people's war" against the epidemic ([Xinhua](#), February 11).

Cracks in the CCP Governance Model

Despite such statements, the overwhelming response from officials and commentators around the world is that China's party-state apparatus seems to lack efficacious means to contain the virus. As a result, Xi's authority and prestige have taken a body blow. Medicines and medical equipment are in short supply in Hubei and other regions. As of the end of the first week of February, the number of infected patients and deaths had already exceeded those caused by SARS in 2003: by February 11, official figures indicated 42,644 confirmed cases in China and 1,016 fatalities, with most of these occurring in the epidemic's epicenter of Hubei Province and its capital Wuhan ([Radio French International](#), February 11).

Beijing has not absorbed the lessons of the SARS outbreak in 2003: both Wuhan and Hubei officials, as well as the central CCP authorities, have been accused of understating and misreporting statistics about the number of afflicted persons and fatalities, as well as downplaying the general severity of the situation. For example, a team led by researchers at the University of Hong Kong wrote in the February 1 issue of the British journal *Lancet* that there were an estimated 75,000 coronavirus victims in Wuhan, a figure much larger than the national toll admitted by Beijing as of early February ([South China Morning Post](#), February 1; [Radio French International](#), February 1; [Chinapeace.gov.cn](#), January 24).

Apart from apparently not divulging the truth to the public and the international community, Xi has allowed traditional factional politics to adversely affect efforts to counter what many have called the first great plague of 21st century. It was not until after Lunar New Year Day (January 25) that Xi set up the Central Leading Small Group to Counter the Coronavirus Epidemic (中央应对新型冠状病毒感染肺炎疫情工作领导小组, *Zhongyang Yingdui Xin Guanzhuang Bingdu Ganran Feiyan Yiqing Gongzuo Lingdao Xiaozu*) (CLSGCCE). It was announced a day later that Premier Li Keqiang, not Xi, would head up the group ([China Brief](#), February 5).

It seems obvious that if progress is made in containing the SARS-like outbreak, Xi will take credit; however, if the epidemic remains out of control, the responsibility will lie with Li—a long-time political foe of the supreme leader. Moreover, Vice-Premier Sun Chunlan, a Xi protégé, has been dispatched multiple times to Hubei and Wuhan to oversee ground-level operations in her capacity as the leader of a "central government guidance group" (中央指導組, *zhongyang zhidao zu*) for epidemic control work ([Businessinsider.sg](#), February 8; [Xinhua](#), February 6; [CNTV News](#), January 31; [CCTV.com](#), January 27).

The Personal Position of Xi Jinping

In any event, Xi has made it clear that he alone has the power to oversee the national mobilization against the coronavirus crisis. It was Xi, and not Li Keqiang, who met with visiting WHO Director-General Ghebreyesus in late January. Xi told Ghebreyesus that he had “always been personally in command” and always “personally organizing deployments” in China's effort to contain the Wuhan disaster ([Xinhua](#), January 28). In a speech given at a PBSC meeting on February 3, Xi praised the work of both Li and Sun—with Sun apparently getting more credit. Thus, Li's CLSGCCE was cited for “organizing many meetings to study how to deploy work on controlling the epidemic” (多次開會研究部署疫情防控工作, *duoci kaihui yanjiu bushu yiqing fangkong gongzuo*), while Sun was eulogized for “enthusiastically going about work” (積極開展工作, *jiji kaizhan gongzuo*) in stemming the outbreak ([CNTV Net](#), February 5; [Ming Pao](#), February 5).

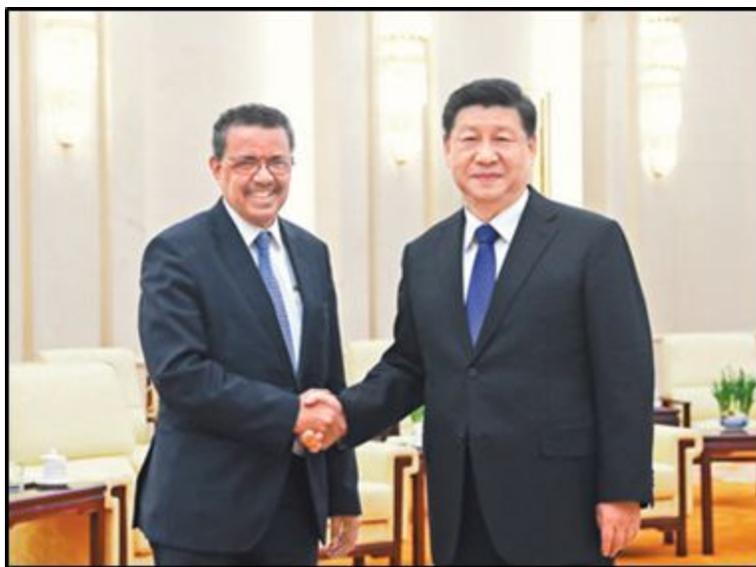


Image: CCP General Secretary Xi Jinping meeting with World Health Organization Director-General Dr. Tedros Adhanom Ghebreyesus in Beijing, January 28. Xi used the occasion to tell Ghebreyesus that he had “always been personally in command” of efforts to combat the ongoing 2019-nCov virus epidemic. (Source: [CCP News](#), January 29)

Hubei authorities have seemed to give top priority to following the orders of Xi and Sun. Thus, in a provincial party committee meeting, Hubei Party Secretary Jiang Chaoliang said he and his colleagues would “deeply substantiate and materialize” the spirit of Xi's talks on the epidemic, as well as the “demands made by Vice-Premier Sun Chunlun” while she was inspecting different units in the province. The lack of any mention of Li, who paid a visit to Wuhan in late January, has remained puzzling ([Ming Pao](#), February 6; [Xiaoxiang Morning Paper](#), February 4).

There is also evidence that Xi is taking advantage of national mobilization efforts to double down on the imperative for all aspects of Chinese society to adhere to the *zhongyang* (中央), or central party authorities—as well as to the position of Xi himself as the “core” (核心, *hexin*) of that leadership. In the early February PBSC meeting, Xi underscored the imperative of the *zhongyang*’s “unified directives, unified coordination and unified deployment.” Xi also raised the spirit of the “fourfold consciousness” (四个意识, *sige yishi*) which includes consciousness of seeing eye to eye with the party’s core. Emphasis was also given to “the twofold safeguard” (两个维护, *liangge weihu*), which is a reference to safeguarding the authority of the *zhongyang* and its core ([Xinhua](#), February 4). [1] It is ironic, however, that as of this writing, Xi has not gone on a single inspection trip to disaster zones such as Hubei, Guangdong and Zhejiang Province. The only epidemic-related visit he has made was to the Chaoyang District in the capital (*see accompanying image*).

The PLA and the People’s Armed Police have played a pivotal role in fighting the epidemic—for example, by distributing medical supplies and even building a brand-new hospital in Wuhan ([Xinhua](#), February 3). These activities illustrate that only one man, Chairman of the Central Military Commission and commander-in-chief Xi Jinping, has the ability to call the shots among the men and women in uniform. In an order to the PLA and PAP on January 29, Xi asked the forces to “take action according to instructions, be brave in taking heavy burden and be daring in fighting the harsh battle.” PLA and PAP forces are instrumental in carrying out the quarantine of Wuhan and other cities. It is also believed that PAP units in particular have been reinforced to “protect” the *zhongyang* in key cities such as Beijing and Shanghai ([Apple Daily](#), February 6; [People’s Daily](#), January 30; [HK01.com](#), January 29).

Impacts of the Epidemic Crisis on CCP Policy Goals

The epidemic has threatened to dent the ambitions of Xi to secure a legacy as the second-most powerful figure in Chinese Communist Party history. Internally, the Xi administration has boasted about a steady economic growth of at least 6 percent, which it achieved in 2019. The International Monetary Fund (IMF) has indicated that it is too early to assess the exact damage that the epidemic will inflict on China’s GDP this year ([Straits Times](#), January 31). The official *New Beijing Post* cited Xu Gao, a top economist at the Bank of China, as saying that if the epidemic showed signs of receding by February, the crisis would shave merely 0.1 percent to 0.2 percent off this year’s GDP ([New Beijing Post](#), January 30).

However, it seems that Beijing’s financial authorities are less sanguine than official and pro-government economists. The People’s Bank of China (PBOC) has injected liquidity into the market to help both giant state-owned enterprise (SOE) conglomerates and small-and medium-sized enterprises. The PBOC said in a public note on February 1 that “a number of policy tools would be used to ensure liquidity in financial markets and prevent volatility in money markets.” Individual banks and financial institutions were encouraged to boost lending to support the real economy, the note added ([Deutsche Welle Chinese Service](#), February 3; [South](#)

[China Morning Post](#), February 1). In general, the optimistic spirit emanating from the Phase One trade agreement with the U.S. on January 15 has been all but dissipated by this plague of the new century.

Xi has also repeatedly made pledges to boost the “patriotic” feelings of Taiwanese and Hong Kong compatriots towards the People’s Republic of China (PRC). However, the results of Taiwan’s January elections ([China Brief](#), January 17) and the anti-Extradition Bill movement in Hong Kong ([China Brief](#), June 26, 2019) have both demonstrated that the majority of Taiwanese and Hong Kong residents resent PRC rule (or the prospect of future rule). Animosity toward time-tested CCP tactics such as suppressing the truth—as demonstrated by the Wunan coronavirus case—has further alienated China from ordinary citizens of Taiwan and the Hong Kong Special Administrative Region ([Theinitium.com \[Hong Kong\]](#), February 10; [HK01.com](#), January 21).

Conclusion

The Wuhan 2019-nCov virus epidemic, which has hit some 30 countries and regions, has dealt the most severe blow to China’s soft power since the beginning of the Reform and Open Door Policy more than 40 years ago. Through generous loans offered via the Belt and Road Initiative—as well as donations to politicians and academics in wealthy countries—Beijing has bought itself a share of international goodwill over the past several years. However, the coronavirus threat has brought back the specter of the “yellow peril” and the “China threat” ([Radio French International Chinese Service](#), February 5; [BBC News Chinese Service](#), January 30), damaging the PRC’s foreign relations. The potentially precipitous fall in China’s ability to do business with the outside world—coupled with at least short-term cessation of high-level academic and other research projects with leading Western nations—could in turn affect China’s hard power. Supreme leader Xi Jinping is facing his most momentous test since taking power nine years ago.

Dr. Willy Wo-Lap Lam is a Senior Fellow at The Jamestown Foundation and a regular contributor to China Brief. He is an Adjunct Professor at the Center for China Studies, the History Department, and the Master’s Program in Global Political Economy at the Chinese University of Hong Kong. He is the author of five books on China, including Chinese Politics in the Era of Xi Jinping (2015). His latest book, The Fight for China’s Future, was released by Routledge Publishing in July 2019.

Notes

[1] For a fuller explanation of these official ideological concepts, see: John Dotson, “The CCP’s Renewed Focus on Ideological Conditioning, Part 2: The New Five-Year Plan for Training Party Cadres,” *China Brief* (Dec. 31, 2019), endnote #4. <https://jamestown.org/program/the-ccps-renewed-focus-on-ideological-conditioning-part-2-the-new-five-year-plan-for-training-party-cadres/>.

**The Future of Chinese Foreign Economic Policy Will Challenge U.S. Interests,
Part 2: Renminbi Internationalization and International Economic Institutions**

By Sagatom Saha

Editor's Note: This is the second part of a two-part article that addresses the ways in which the evolution of China's internationally-focused economic policies are likely to impact—and in many instances, to clash with—the economic policies and interests of the United States. The first part, which appeared in our previous issue ([The Future of Chinese Foreign Economic Policy Will Challenge U.S. Interests, Part 1: The Belt-and-Road Initiative and the Middle Income Trap](#), January 29), discussed two primary issues: the policies surrounding the Belt and Road Initiative, China's worldwide program of infrastructure construction; and the policies that Chinese leaders are likely to adopt as they seek to avoid the “middle-income trap” of stagnating economic growth. This second part examines China's efforts to advance usage of the renminbi as an international currency, and to seek a greater role in economic institutions traditionally led by the United States and its European allies.

Introduction: China's Economic Progress—and Lack of International Influence

Complications surrounding the Belt and Road Initiative (BRI), and the dangers of the “middle-income trap,” are not the only factors impacting the international economic policies of the People's Republic of China (PRC). Furthermore, poor capital efficiency is not the only feature of the Chinese economy that frustrates the country's policymakers. China's gross domestic product (GDP) has roughly doubled in the last decade, but Beijing's pull in the international monetary and financial system remains lackluster. This lack of progress stems in part from the dollar's centrality around the world, as well as U.S. dominance in international economic institutions. Beijing's economic planners have long advocated against the dollar while attempting to increase the global role of the PRC's own *renminbi* (RMB) currency. While past efforts stumbled, RMB internationalization and increased Chinese influence will directly confront U.S. economic and geopolitical interests.

Renminbi Internationalization

First, Beijing intends to displace the dollar as the dominant international currency and inherit the longstanding advantages the United States has long enjoyed. The United States benefits from low borrowing costs because of high global dollar demand, and U.S. returns on overseas investments outpace interest on U.S. debt by roughly 1 percent annually.^[1] Further, internationalizing one's own currency makes trade cheaper by lowering hedging and transaction costs. In contrast, China's dollar-denominated contracts create exchange rate risk, which China manages at the expense of monetary policy autonomy. China is particularly exposed to exchange rate risk as the world's largest importer of oil, which is a dollar-denominated commodity ([EIA](#),

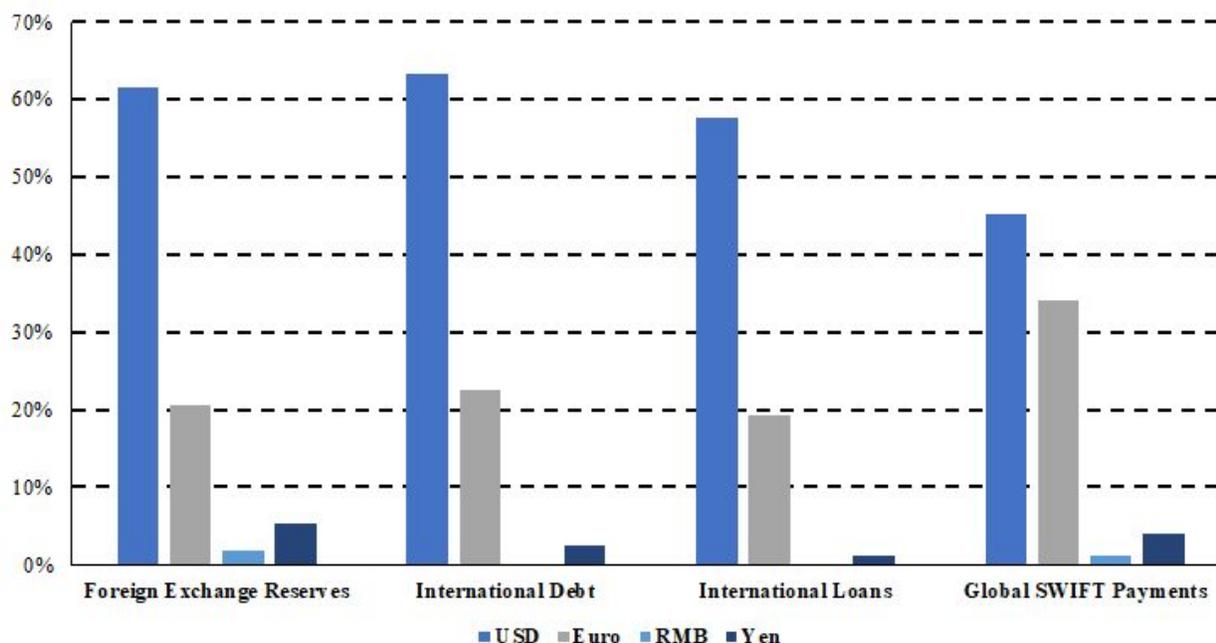
February 5, 2018). Most importantly, the dominant dollar confers influence in international institutions, which China lacks despite its economic size. [2] Further, Washington can enact potent sanctions because of the dollar's central role in the global banking system, and Beijing sees itself as a potential sanctions target (SCMP, April 16, 2018). Overall, internationalizing the RMB would increase Chinese capital efficiency by lowering RMB-associated costs and giving Beijing a powerful tool in the global monetary and financial system.



Image: A supertanker unloads oil at a terminal in Zhoushan (Zhejiang Province), February 2018. (Source: [Caixin Global](#)). China is the world's largest importer of oil, and it is therefore seeking closer relations with Gulf Region producers, including Iran. The fact that oil deals are usually denominated in dollars imposes additional transaction costs and exchange rate risks, providing another motivation for the PRC to seek greater internationalization of its own renminbi currency.

China has attempted to internationalize the RMB by gradually liberalizing its capital accounts, but to little avail. In 2016, China scored a long-desired win when the International Monetary Fund (IMF) included the RMB in its Special Drawing Rights (SDR)—an asset built from a basket of currencies, which is intended to help countries diversify their reserves (IMF, March 4, 2016). Nevertheless, even optimistic scenarios see the RMB making up no more than 4.5 percent of global reserves by 2025, below where the Japanese yen stands today (MarketWatch, January 17, 2018). No other currency, including the RMB, is close to the dollar's dominance in foreign exchange reserves, international lending, and global payments (see figure 1).

Figure 1. Snapshot of the International Financial and Monetary System



China still lacks free capital flows. Beijing has made some moves in the past to widen the band that the RMB floats in, to sell RMB-denominated offshore bonds, and to allow some cross-border trade in RMB. Despite these limited steps, the government still controls most cross-border capital flows, and the trade war has forced Beijing to tighten its grip. The issue of RMB internationalization did not feature in the 19th Party Congress, which in 2017 set the national political agenda for the next five years. Beijing instead shifted focus to preventing capital flight and bolstering currency stability, at the expense of RMB internationalization. [3] RMB internationalization has taken a backseat for the time being—but the trade war cannot last forever, especially if the United States and China finalize an interim trade deal.

Global confidence in the U.S. dollar is not guaranteed. The overuse of sanctions by the United States already irritates U.S. allies and adversaries alike. Continued heavy use of sanctions could push both groups together in questioning the wisdom of the dollar's centrality. In 2018 Russia, one of the world's largest holders of foreign exchange reserves, decided in the face of U.S. sanctions to dump \$100 billion worth of dollar-denominated reserves, replacing them with Euro and RMB ([Bloomberg](#), January 9, 2019). Sanctions have also unsettled some aspects of the transatlantic relationship: partially as a result of the U.S. sanctions regime against Iran, European central bankers in 2018 began replacing dollars with RMB in their reserves ([Quartz](#), January 16, 2018).

Moreover, the U.S. faces debt-ceiling crises that continually risk, at best, lapses in U.S. debt payments—and defaults, at worst. A U.S. default could result in a credit rating downgrade, which would push investors and central banks to search for new sources of stability. In 2016, President Trump even suggested that the United States should strategically default (before walking his comments back later). Congress in July 2019 lifted the

debt ceiling for two years, but the same underlying political dynamics remain. U.S. debt default is unlikely but certainly not impossible, and Beijing would benefit if it were to occur. [4]

China's trade surplus makes it difficult for Beijing to get large amounts of RMB into global circulation. However, that situation could change if the Chinese current account falls into deficit ([Morgan Stanley](#), March 13, 2019). BRI could also serve as a vehicle to circulate Chinese currency abroad with RMB-denominated loans. The dollar has never faced a challenger like the RMB before. Investors and central banks lost confidence in the Euro—the only serious competitor the dollar faced—after the Eurozone Crisis left them uncertain whether the currency would survive, let alone how many countries would continue using it. That uncertainty persists today. Yen internationalization faced resistance from Japanese financial institutions and its business community, which have profited from currency hedging and denominated sales in dollars, given that the United States remained Japan's premier export market ([Foreign Affairs](#), January 1, 2018). In contrast, Chairman Xi's brand of authoritarian capitalism is well-suited to avoid these issues.

The RMB faces a narrow path in displacing the dollar, but Beijing could find a way to loosen capital controls without foregoing state-managed capitalism and industrial policies, especially if nationalists advocating China's global prestige and financial reformers both rally around the project. Washington should expect Beijing to pivot back to RMB internationalization once trade matters are settled. An international RMB would directly supplant the benefits that the dominant dollar yields to the United States. U.S. officials would not take RMB internationalization lightly if it gained momentum.



Image: Zhou Xiaochuan, then-Governor of the People's Bank of China, holds a discussion with IMF Managing Director Christine LaGarde following a lecture that Zhou presented to the IMF, June 24, 2016.

(Source: [IMF](#))

International Institutions

RMB internationalization would also boost China's global economic influence—in a way that trade and foreign investment have not—by bolstering Beijing's case for greater sway at the World Bank and IMF. Chinese policymakers, such as former Governor of the People's Bank of China Zhou Xiaochuan (周小川), have long criticized the Fund and the Bank as crisis-prone because of their reliance on the dollar ([BIS](#), March 23, 2009). These Bretton-Woods institutions offer potent foreign policy tools to Washington, which Beijing hopes to inherit. The IMF allows its leaders to institutionalize desired financial and monetary policies, and to induce cash-strapped countries to adopt them. The World Bank similarly allows the United States to shape norms for global development assistance and prioritize certain projects. For example, World Bank loans disburse faster to countries that align closely with U.S. interests at the United Nations (UN). Even Japan, nearly one-third the economic size of China, has successfully leveraged leadership within multilateral institutions into strategic gains in ways that China has not. [5]

In contrast, China's status as the world's second-largest economy, and largest trading partner for much of the world, has not translated into influence within these institutions. China's vote shares stand at roughly one-third that of the United States within both institutions, lagging far behind its economic size ([IMF](#), February 7; [World Bank](#), undated). Beijing ironically has found it easier to gain influence at the World Trade Organization and the UN, in which economic power does not translate into direct control. In addition to sitting on the Security Council, Beijing benefits from the UN's "one country, one vote" system, which allows it to exchange foreign aid for support in its efforts to elect Chinese officials to the top posts within the UN's standards-setting specialized agencies ([Foreign Policy](#), September 24, 2019).

Similarly, the United States is bound to the same slow-moving arbitration system under the WTO as any other country, including China, even though it wins most of its cases ([PIIE](#), November 22, 2019). However, the IMF and World Bank function differently. The United States retains veto powers in both institutions, a benefit no other country enjoys ([World Bank](#), February 10, 2017; [Congressional Research Service](#), August 30, 2019). The PRC leadership has pushed the Asian Infrastructure Investment Bank and BRI as an alternative to the World Bank, but Beijing would undoubtedly prefer to influence the bank's loan disbursements and development standards. The IMF still faces little competition as a lender of last resort and standard-setter for global monetary policy, despite its unpopularity among developing countries.

Beijing gained some vote shares after the global financial crisis, but the increase was largely symbolic as it did not erode U.S. veto power. RMB internationalization strengthens Beijing's bid for increased influence at the Bretton-Woods institutions. Washington could encounter escalating pushback against its veto powers if the RMB displaced the dollar's dominance in global payments, lending, and reserves. While Beijing's abuse of WTO rules led to the current trade war, increased Chinese sway at the World Bank and IMF would be far more contrary to U.S. interests. Past negotiations suggest that Washington is unwilling to meaningfully reform the international monetary system. If RMB internationalization parlays into influence with global economic

institutions, it would threaten not only the direct benefits the United States enjoys (such as low borrowing costs), but also the ability to oversee multilateral development assistance and global monetary norms.

Conclusion: A Likely Future of Sharpened U.S.-China Economic Tensions

Few matters of foreign policy draw bipartisan consensus, but the need to forcefully tackle China is one exception. Ironically, the export-led model that until recently fueled Chinese economic growth was far more compatible with U.S. foreign policy: it facilitated cheap manufactured-goods imports and low U.S. borrowing costs through China's massive accumulation of dollars in its foreign reserves. Beijing's new foreign economic policies will entrench widespread opposition to China within U.S. policymaking circles. China need not fully transition to a market economy to avoid collision with the United States, but Beijing's current trajectory falls on the wrong side of U.S. interests. Beijing's charted path portends sustained U.S.-China tensions for the foreseeable future.

Sagatom Saha is an independent energy policy analyst based in Washington, D.C. His writing has appeared in Foreign Policy, Foreign Affairs, Defense One, Fortune, Scientific American, and other publications. He is on Twitter @sagatomsaha.

Notes

[1] William Cline, *The United States as a Debtor Nation*, Washington, D.C.: Peterson Institute for International Economics, 2005.

[2] Eswar Prasad, *Gaining Currency: The Rise of the Renminbi*, New York: Oxford University Press, 2017.

[3] For further discussion, see: "The internationalisation of China's currency has stalled," *The Economist*, October 14, 2017,

<https://www.economist.com/finance-and-economics/2017/10/14/the-internationalisation-of-chinas-currency-has-stalled>; and Tian Chen and Yinan Zhao, "China's Capital Controls Keep a Bad Year from Getting Worse,"

Bloomberg, November 21, 2018,

<https://www.bloomberg.com/news/articles/2018-11-21/china-s-capital-controls-keep-a-very-bad-year-from-getting-worse>.

[4] For discussion of some of the complex issues surrounding a theoretical U.S. debt default, see: Uri Dadush, "Global Aftershocks of a U.S. Debt Default," Council on Foreign Relations, July 28, 2011,

<https://www.cfr.org/interview/global-aftershocks-us-debt-default>; and David Harrison, "Donald Trump Says He Wouldn't Seek to Renegotiate U.S. Debt," *The Wall Street Journal*, May 9, 2016,

<https://www.wsj.com/articles/donald-trump-says-he-wouldnt-seek-to-renegotiate-u-s-debt-1462828948>; and Andrew Duehren, "Senate Passes Two-Year Spending Deal That Suspends Debt Ceiling," *The Wall Street Journal*, August 1, 2019,

<https://www.wsj.com/articles/senate-passes-two-year-spending-deal-that-suspends-debt-ceiling-1156467607>.

[5] For discussion of these two latter points, see: Erasmus K. Kersting and Christopher Kilby, "With a Little Help From My Friends: Global Electioneering and World Bank lending," *Journal of Development Economics*, Vol. 121, July 2016 (pp. 153-165); and Daniel Yew Mao Lim and James Raymond Vreeland, "Regional Organizations and International Politics: Japanese Influence over the Asian Development Bank and the UN Security Council," *World Politics*, Vol. 65, Issue 1, January 2013 (pp. 34-72).

Sino-Indian Cooperation on Counter-Terrorism: Not Truly “Hand-in-Hand” At All

By Sudha Ramachandran

Introduction

On December 7, 2019, infantry units of the Indian Army and the Chinese People’s Liberation Army (PLA) commenced the “Hand-in-Hand 2019” combined military exercise at Umroi in the northeastern Indian state of Meghalaya. The fortnight-long exercise ran through December 20, and focused on counter-terrorism operations in semi-urban terrain: to include training evolutions such as cross-training on small arms, hostage rescue, and recognizing improvised explosive device (IED) traps. Approximately 130 personnel from each country participated in the exercise, with the PLA contingent consisting of troops stationed in Tibet ([Indian Ministry of Defense](#), December 2, 2019; [Global Times](#), December 8, 2019; [China Military Online](#), December 23, 2019).

It was in January 2001 that the People’s Republic of China (PRC) first expressed interest in cooperating with India in combating terrorism ([The Hindu](#), January 14, 2001). Since then Beijing and New Delhi have taken several steps to facilitate such cooperation: the two sides have set up a Counter-Terrorism Dialogue Mechanism, a Joint Working Group on Counter-Terrorism, and a High-Level Dialogue on Counter-Terrorism and Security to facilitate such engagement. In addition to leadership-level discussions, officials are engaging in talks on a range of terrorism-related issues. In October 2018, the two sides signed an Internal Security Cooperation Agreement, which aims at strengthening cooperation in areas such as counter-terrorism, intelligence sharing, and narcotics control ([Business Standard](#), October 22, 2018).

The “Hand-in-Hand” exercises were first set in motion in 2007, and the December 2019 training in Meghalaya represented the eighth round of these counter-terrorism exercises. Such events—as well as the joint agreements between the two governments—present a picture of India and China as closely engaged on counter-terrorism issues. The truth is quite different, however—and the two sides are far from “hand-in-hand” in their understanding of terrorism.

The Common Challenge of Terrorism

The Indian and Chinese governments often describe terrorism as a “common challenge.” For example, at the informal October 2019 summit between Indian Prime Minister Narendra Modi and Chinese President Xi Jinping at Mamallapuram in India ([China Brief](#), November 1, 2019), the two sides described radicalization as “a matter of concern to both countries” on which they would “work together” ([Deccan Herald](#), October 12, 2019). They pledged mutual efforts on a “non-discriminatory basis” to deal with the “common threat” of terrorism ([China Daily](#), October 15, 2019). However, these words of solidarity on countering terrorism have

ChinaBrief • Volume 20 • Issue 3 • February 13, 2020

not been matched by similar unified action on the ground. This is despite the fact that both India and the PRC are at the receiving end of violence unleashed by terrorists based in the same country: Pakistan.



Image: Chinese and Indian troops line up in formation for the opening ceremony of the eighth annual China-India "Hand-in-Hand 2019" Counter-Terrorism Exercise, which was held December 7-20 in the northeastern Indian state of Meghalaya. (Source: [Renmin Wang](#))



Image: During the China-India "Hand-in-Hand 2019" counter-terrorism exercise, Chinese and Indian soldiers conduct a December 9 training evolution to recognize and disarm a simulated improvised explosive device (IED) trap. (Source: [PRC Ministry of Defense](#))

Several of the terrorist groups carrying out attacks in Kashmir and other parts of India are based in Pakistan. It is not just their operating out of Pakistan that bothers India. New Delhi alleges that the Pakistani state is providing groups like Jaish-e-Mohammed, Lashkar-e-Toiba, and the Hizbul Mujahideen with funds, weapons, training, and sanctuary to carry out attacks in India ([India Today](#), March 8, 2019). Indeed, India accuses Pakistan of using “terror as an instrument of its foreign and security policy” ([The Week](#), January 28, 2020).

Although anti-PRC terror groups may not receive the kind of systematic patronage that anti-India outfits have from the Pakistani state, organizations like the East Turkestan Islamic Movement (ETIM), a Uighur group that the United Nations Security Council (UNSC) declared a terrorist organization in 2002, have training camps in Pakistan’s North Waziristan region ([Dawn](#), March 15, 2014). ETIM has established close ties with the Tehreek-e-Taliban Pakistan, al-Qaeda, the Islamic State (IS) and other jihadist outfits in Pakistan. With their support, the threat posed by ETIM to China has grown ([Terrorism Monitor](#), May 17, 2019; [Indian Express](#), November 2, 2019).

Differing Approaches to Terrorism Originating in Pakistan

Despite their shared concern over terrorism emanating from Pakistan, India and China have taken very different approaches in demanding action from Islamabad. India has sought to rally the international community to pressure Pakistan to halt support to anti-Indian terrorist groups: since 2001, it has been at the forefront of efforts to get the UNSC and other international bodies to declare Jaish-e-Mohammed and Lashkar-e-Toiba (as well as its front organization, Jamaat-ud-Dawa) and their leaders as terrorists, in order for legal and administrative sanctions (such as the freezing of financial assets) to be applied. The PRC has not cooperated with India to get global bodies to censure Pakistan—on the contrary, it has actively undermined, and even blocked, India’s efforts to pressure Pakistan-based terror groups through international organizations.

Beijing has repeatedly placed “technical holds” to block UNSC resolutions to label these groups and their leaders as terrorists ([China Brief](#), April 9, 2019). This is happening also in the Financial Action Task Force (FATF), a global terror funding watchdog. At the FATF too, China has scuttled India’s efforts to get Pakistan blacklisted ([The Print](#), October 31, 2019). At the FATF Asia Pacific Joint Group meeting at Beijing in January, for instance, the PRC expressed strong support for Pakistan’s efforts to combat money laundering and terrorist financing. Beijing asserted that Pakistan has made “visible progress” in strengthening its counter-terrorism financing system ([Dawn](#), January 24). Indian officials believe that with China’s help Pakistan is likely to escape being blacklisted in the upcoming FATF meeting in Paris, thereby providing relief to terrorist groups acting under Islamabad’s patronage ([Economic Times](#), January 24).

Unlike India’s strategy of turning to international bodies to highlight Pakistan’s complicity in anti-India terrorism—and thereby to pressure Pakistan to dismantle the terror infrastructure on its soil—the PRC prefers to deal with the Pakistani government bilaterally. Beijing has quietly but firmly pressured Pakistan to shut

down ETIM camps on its soil, and to step up security to prevent terror attacks on Chinese nationals and infrastructure projects in Pakistan by groups such as the Baloch Liberation Army (BLA) ([China Brief](#), February 15, 2019). Unlike India's approach, the bilateral route has worked for China: under pressure from Beijing, Pakistan has cracked down on ETIM camps over the years, and has also handed over captured ETIM fighters to the Chinese government ([The News \(PK\)](#), April 3, 2018). The PRC has consistently heaped public praise on Pakistan's counter-terrorism efforts, asserting that Pakistan has made "huge sacrifices" and "important contribution[s] to the international fight against terrorism" ([China Daily](#), May 19, 2011).



Image: A file photo of Ma Zhaoxu, the PRC Ambassador to the United Nations. (Image source: [PRC Mission to the United Nations](#)) In spring 2019, Ambassador Ma was the PRC's lead representative for blocking multiple efforts within U.N. channels to have Masood Azhar, leader of the militant organization Jaish-e-Muhammad, formally designated as a terrorist. These efforts offered diplomatic cover to the PRC's ally Pakistan—but generated anger in India. ([China Brief](#), April 9, 2019)

Contrasting Indian and Chinese Interests vis-à-vis Pakistan

The difference in the approaches to terrorism emanating from Pakistan stems from the very different relations that the Indian and Chinese governments hold with Islamabad. India's ties with Pakistan have been acrimonious for decades, especially over Pakistan's support to anti-India terrorist groups. In contrast, Sino-Pakistani relations have been warm: the two countries describe their relationship as an "all-weather" friendship. Bilateral economic, strategic, defense, and nuclear cooperation is robust.

This co-operation has strengthened enormously since 2015, when Pakistan joined China's Belt and Road Initiative (BRI). As part of BRI, China has extended Pakistan loans worth \$62 billion towards projects of the China-Pakistan Economic Corridor (CPEC). At a time when global financial institutions and foreign governments have been reluctant to invest in Pakistan, Chinese investment there has come as a lifeline

([China Brief](#), January 5, 2019; [Business Recorder](#), January 16, 2019; [China Brief](#), January 17). This mounting economic dependence on China forces Pakistan to meet Beijing's demands, including those relating to the ETIM, BLA, and other anti-PRC militant groups.

As for China, CPEC is a flagship venture of the BRI. Since CPEC has immense economic and strategic value for China, its success is imperative for Beijing. China is apprehensive that a FATF blacklisting of Pakistan would increase Islamabad's international isolation and cripple its already weak economy, with adverse implications for Chinese investments in Pakistan ([The Hindu](#), June 10, 2019). Beijing is anxious as well that the ETIM and Baloch militant groups opposed to CPEC will target projects in Pakistan, endangering China's huge investments in that country ([Terrorism Monitor](#), February 8, 2018). The PRC is therefore keen to ensure that CPEC projects and Chinese nationals working in Pakistan are safe from attacks by anti-China and anti-CPEC groups, and for this it needs Pakistan's co-operation. Moreover, it is likely that Beijing is keen to avoid drawing the ire of groups like the Jaish-e-Mohammed and the Lashkar-e-Toiba; hence its reluctance to join hands with India on moves at global forums to censure Pakistan or blacklist anti-India terrorist groups.

Who or What is a Terrorist?

Importantly, India and China do not agree on whom they consider to be a terrorist. The PRC uses terms like “splittist” (分裂分子, *fenlie fenzi*), “separatist” (分离分子, *fenli fenzi*), “extremist” (极端分子, *jidian fenzi*), and “terrorist” (恐怖分子, *kongbu fenzi*) interchangeably. These terms are all used to refer to individuals and groups from the Tibet and Xinjiang Autonomous Regions who assert their distinct identities, air their grievances against Beijing's discriminatory policies, or articulate demands for greater autonomy—regardless of whether those aspirations are expressed violently or non-violently. By contrast, in India such grievances and demands—even if articulated through an armed struggle against the state—would generally be described as insurgencies. However, separatist sentiments in Kashmir that are expressed through violence, especially by groups that are based in and backed by Pakistan, are treated in India as terrorist in nature.

When PRC representatives talk with India about “terrorists,” they have in mind independence (or autonomy)-minded Tibetans and Uighurs. New Delhi, by contrast, is focused on Pakistan-backed violence in Kashmir when discussing with China its terrorism problem ([Outlook](#), November 21, 2007). The PRC's labeling of the Dalai Lama as “splittist” or “terrorist” (although it doesn't use the word “terrorist” to describe him, it considers these terms to be synonyms) is at odds with New Delhi's perception of the Dalai Lama as a Tibetan spiritual leader. Beijing, for its part, disagrees that there is a terrorism problem in Kashmir.

Indian analysts point out that scope for “meaningful cooperation” between India and China on counter-terrorism issues is limited, as the two countries have “divergent interests” ([Mint](#), October 30, 2018). China is more committed to maintaining strong relations with Pakistan than to India's concerns over cross-border terrorism, and Beijing is keen to avoid ruffling Pakistani feathers on the terrorism question. For instance, in 2014 China rejected the idea of holding the “Hand-in-Hand” exercise that year in Bhatinda in the

northern Indian state of Punjab: given Bhatinda's proximity to the border, China did not want to hold joint exercises with India that might send out wrong signals to Pakistan. If Chinese officials are this sensitive to Pakistani concerns regarding exercise locations, then the chances of the PRC engaging in operational cooperation with India in tackling a hostage or hijack situation linked to Pakistan would be remote ([China Brief](#), November 7, 2014).

Some Limited Common Ground

These factors have led many in India to argue that Sino-Indian counter-terrorism cooperation is an exercise in futility. However, there have been areas of common ground: for one, talks between Indian and Chinese officials on terrorism-related issues such as narcotics smuggling have been valuable. Furthermore, China has signaled some understanding for India's concerns over terrorist sanctuaries in Pakistan. On February 27, 2019, India carried out airstrikes on a Jaish-e-Mohammed training camp at Balakot in Pakistan. At the Russia-India-China (RIC) Foreign Ministers meeting that day at Wuzhen (China), Chinese Foreign Minister Wang Yi stood by Pakistan as in the past, saying that Islamabad "has always been opposed to terrorism." Although Wang made no reference to India's strikes on the Balakot terror camp, he implicitly endorsed India's action by saying that it is "especially important" to "eradicate the breeding grounds of terrorism and extremism." The PRC thus indicated that not only is it willing to do a balancing act between Pakistan and India on terrorism-related issues—rather than tilting towards Pakistan as it has in the past—but that it was also willing to empathize with Indian concerns if Pakistan is not publicly named and shamed ([The Hindu](#), February 27, 2019).

On the question of blacklisting Pakistan-backed terrorist leaders, there has been some progress over the past year. After repeatedly thwarting India's efforts to have Jaish-e-Mohammed chief Masood Azhar labeled a "global terrorist" by the UNSC (Beijing blocked his blacklisting in 2009, 2016, 2017 and March 2019), the PRC agreed in May 2019 to his name being included in the 1267 Sanctions List ([Institute for Defence Studies and Analyses](#), May 9, 2019). Beijing's shift in position on Azhar is said to have come as part of a deal under which Washington labeled the Baloch Liberation Army, a militant group that has attacked Chinese nationals and CPEC projects in Pakistan, as a terrorist organization in exchange for Beijing agreeing to Azhar's listing as a "global terrorist" ([Economic Times](#), July 9, 2019).

Conclusions

India and China have different political systems: India is a democracy, albeit a flawed one; while the PRC has a one-party authoritarian system, which uses repression and re-education camps to deal with dissent and alleged separatism ([Deccan Herald](#), October 25, 2019). Adopting China's policies to deal with terrorism would go against India's founding principles, producing a significant difference between the two states. Although the process of engaging China on counter-terrorism issues has been frustratingly slow and largely unproductive for India, it has brought some gains, thereby pointing to the need for India and China to continue such

ChinaBrief • Volume 20 • Issue 3 • February 13, 2020

cooperation. The gains that India has made underscore the fact that China is willing to empathize with Indian concerns over terror groups in Pakistan—if India refrains from publicly blaming Pakistan for its terrorism problems. India could find counterterrorism cooperation with China to be fruitful if it engages in quiet diplomacy rather than public finger-pointing.

Dr. Sudha Ramachandran is an independent researcher and journalist based in Bengaluru, India. She has written extensively on South Asian peace and conflict, political and security issues for The Diplomat, Asia Times, and the Jamestown Foundation's Terrorism Monitor and Militant Leadership Monitor.
