

China Analysis

Les Nouvelles de Chine

No. 13 March-April 2007

INTRODUCTION	1
DOMESTIC POLITICS	1
1. Commemorating Deng and criticising the “left”	2
2. Peasants rights, the key to developing the countryside	3
3. Institutional culture according to Wen Jiabao.....	5
4. Huang Ju makes headlines once more	6
THE ECONOMY	9
5. Employment: Priority and a Challenge for the government.....	9
6. Can the Gini Coefficient reflect Chinese realities?	10
7. Who’s afraid of the Stock Market Crash?	12
FOREIGN POLICY	15
8. Why United States caved in on North Korea.....	15
9. Russia in the eye of the West.....	16
10. The Path of a Power"	18
FROM & ABOUT TAIWAN	20
11. An active policy of “desinicisation”	20
12. The War of the Princes Back On: the Spectre of Division Haunts the Kuomintang	24

E-bulletin by Asia Centre – Centre études Asie on China, **China Analysis – Les Nouvelles de Chine** is co-edited by François Godement and Michal Meidan and comments Chinese current affairs on political, economic and social issues as well as strategic and international affairs. The analyses and commentaries presented in **China Analysis – Les Nouvelles de Chine** are based on the press in Chinese and aim to present the PRC’s views on developments in the World and Greater China

www.centreasia.org



Asia Centre
Centre études Asie

INTRODUCTION

On June 4th 2007, the events of Tian'anmen Square, fifteen years on, are very much present in the minds of the Chinese leaders, despite this still being a taboo subject. Preparations for the 17th CC, slated to take place in October 2007, are being accompanied by articles and analyses in the press which present Hu Jintao and Wen Jiabao as the heirs to Deng Xiaoping's economic and political heritage. The Hu-Wen duo is, in its undoubted desire to see a correction to the negative effects of accelerated growth, also concerned with ensuring the internal status quo, thereby giving Zeng Qinghong, associated with the "Shanghai faction", a fundamental role in preparations for the 17th Congress. However, the death of Huang Ju, a member of the politburo and another ally of Jiang Zemin, on June 2nd could provide Hu Jintao with the opportunity to appoint a close ally and faithful supporter to the highest rungs of political power.

In this context, changes to personnel brought about by Hu Jintao in the Ministeries of Foreign Affairs, Science and Technology and Water Resources six months before the Party Congress, the traditional date of personnel changes, raise some questions. But the interplay of factions and ideologies does not undermine the frequently expressed recognition of the need to unify the country around its political leadership and the promise of reform.

One item on the agenda is the fight against corruption and a leadership more in tune with the wishes of the people, particularly in the countryside. Nevertheless, the leaders seem to be having some trouble regaining the upper hand. Demonstrations are occurring with increasing frequency, such as in response to the application of the one-child policy in Bobai in Guangxi Province or in protest against the construction of a chemical plant in Xiamen.

Internationally, China's importance is making itself felt, bringing with it a growing number of challenges: whilst the mini-crash of the stock market has placed China fairly and squarely within the orbit of world financial fluctuations and is proof of the country's growing influence, this influence is also becoming the subject of international scrutiny. This is directed as much at Beijing's position on the genocide in the Sudan as it is at China's contribution to greenhouse gas emissions. Caught between its diplomatic and economic objectives, China sees itself being forced to make concessions, at least rhetorically, with the despatch of troops to the Sudan and the announcement of a "plan of action" to combat global warming in the run up to the G8 Summit. This increasing assumption of responsibility by the Chinese giant is even more clearly manifested in its role in the six-party talks on North Korea, but its image as a responsible power, and the attitude to be adopted in the face of international criticism, remain the subject of internal debate.

François Godement and Michal Meidan

1. Commemorating Deng and criticising the “left”

Summary of:

- Yuan Weishi,¹ “Seize the historical opportunities; arm oneself with courage and ingenuity, promote the reform process”, Nanfang dushi bao [Southern Metropolis News], 29 January 2007, editorial page.
- Unattributed article, “China remains on the road of reform and opening”, Xinhua, 19 February 2007
with comments by Michal Meidan

Two memorials dates were highlighted in January and February 2007: the first commemorated the death of Deng Xiaoping on 19 February 1997, the second commemorated his famous “southern tour”, which relaunched the economic opening after the Tiananmen incident.

In a turbulent political context leading up to the 17th Congress of the Chinese Communist Party (CCP) this autumn, the political and economic legacy of Deng Xiaoping is being invoked by the partisans of a vigorous pursuit of reforms in reaction to certain “leftist elements” in the government. Hu Jintao and Wen Jiabao have clearly positioned themselves as “Dengist” reformers. A series of articles that have appeared in the official media identify this pair in the continuing line of a liberal legacy, both economic and political, by proclaiming a desire to rectify the problems, primarily the growing income gap that is the most significant unintended consequence of Deng Xiaoping’s programme.

The official media hails praise of the economic gains resulting from Deng’s reforms but broaches the subject of political reform more circumspectly. It nevertheless also pays attention to its successes, in particular the stable and successful political

¹. A history professor at Sun Yatsen University in Guangzhou, Yuan Weishi is the author of an article that was published on 24 January 2006 in the magazine *Freezing Point (Bingdian)*, a supplement of the *China Youth Daily*, that openly criticised the CCP for its presentation of the Boxer Rebellion in history textbooks. The magazine was shut down as a result of the article.

transition between the third and fourth generations, the promulgation of laws and new regulations and, above all, the fight against corruption.

Yuan Weishi goes further in his analysis. His eulogy of Deng Xiaoping is no less glowing than that of the official press agency, *Xinhua*, but it is used here as an argument to plead against a turn to the left.

The controversial author makes use of Deng’s legacy, with manifold quotations from his works, to make the case for the pursuit of economic reforms, participation in the WTO and China’s integration in the process of globalisation: “no economic solution requires abandoning this path”. According to him, the fear of globalisation and increased liberalisation of the markets emanates from the feeling that these may endanger national security or lead to a recolonisation of China, this time by foreign capital. The response, argues the author, does not need to take “non-peaceful” paths; indeed, the pursuit of China’s integration in the global trends would render these fears trivial.

The world today, argues the author, is built on economic foundations and on the maximisation of profits, but the tradition of struggle [a reference to the Maoist notion according to which all progress stems from a process of struggle] and the feeling that China has been a victim of imperial powers can no longer guide the country. Certainly, some states intervene in the economic life of their country, but that does not change the fundamentally commercial character of international relations.

Secondly, some people in China are incapable of breaking free from the soviet model, which “was a political, economic, cultural and ideological tragedy”. It leads these people to favour economic planning to the detriment of the markets, as well as direct control of enterprises and a monopoly of the markets. What’s more, “[these people] despoil academic work and [undermine] freedom of thought and expression”.

The author similarly denounces the intervention of politics in economic choices: China, according to him, has missed too many historical opportunities; it is essential not to let others slip past, he warns, thus echoing the words of premier Wen Jiabao.²

². See “Institutional culture according to Wen Jiabao” in the same edition of *China Analysis*.

But the biggest challenge to be faced, in his view, remains that of the rule of law. Corruption, an anarchic market, the gap between rich and poor and a weak capacity for innovation, these are the four big questions that will determine China's future. He thus calls for the constitutional reform of the country to be pursued. The principles of the rule of law have been incorporated in the country's constitution, and the leaders have openly talked about the importance of this reform. For all that, however, its implementation is slow, even if the "citizens" are increasingly aware of their rights and freedoms³ and increasingly seeking the support of lawyers and the media. "The civil organisations are developing and giving a voice to the victims of injustices", but the system has to integrate the protection of these rights, failing which it will remain impotent.

The targets of the editorial by Yuan Weishi, one year after *Bingdian* was shut down, are primarily the propaganda departments which were responsible for the closing of the newspaper's supplement and for the banning of the publication of eight works⁴ that reviewed the historical and social events of China's modern history. The author's criticism stays, prudently, within the limits of the themes of the debates that make the front pages of the Chinese press in a more consensual way. His remarks are nevertheless made in a context of political transformation and debate within China concerning the limits of the reforms to be followed.

Despite this critical editorial and a tendency to claim a growing liberalisation, Hu Jintao seems to be pursuing a line of gradual and, above all, consensual reform.⁵ The recent promotions of provincial leaders and new ministerial posts translate the balance that Hu strives for with the other political factions. Yuan Weishi's article, albeit

³. See the recent work by Kevin O'Brien and Lianjiang Li, *Rightful resistance in rural China*, Cambridge University Press, 2006.

⁴. "Eight books banned in crackdown on dissent", *South China Morning Post*, 19 January 2007

⁵. Willy Wo-Lap Lam, "Striving for Balance: Assessing Recent Municipal and Provincial Leadership Changes", *China Brief*, vol. 7, no. 2, 18 April 2007

critical, employs for this purpose a politically correct terminology, but is still a patent manifestation of the debates that are preoccupying the Chinese intelligentsia.

2. Peasants rights, the key to developing the countryside

There is no longer any doubt that the issue of the peasant's situation is on the top of the political agenda in China. The urgent nature of the situation recalls the need felt at the time of the launch of the Reform and Opening up to reinvigorate the rural areas, which had been neglected in favour of the urban sector. However, the past three issues of *China Analysis* have followed the debates raised by this question, on the one hand over the growing number of challenges, political, legal and macroeconomic, and on the other over the means to a solution to the problem. The question arises as to whether these difficulties are due to the social and political representation of the peasants, to the shortcomings of the legal system or to the system of subsidies.

These questions are, admittedly, closely inter-connected, but the various explanations offered by analysts for the problem and ways of solving it, and the relative freedom of expression surrounding it, translate the Government's perplexity in the face of this situation.

Summary and commentary by Valérie Demeure-Vallée, based on:
– Qiu Feng, "A key component in the development of the countryside is the protection of civil rights", *21 Shiji Jingji Baodao*, 27 March 2007.

On January 29th 2007, the Chinese government published its Document n° 1 for 2007 on the theme of "the three rural questions" (三农 *san nong*)⁶. At the press conference that followed, Chen Xiwen, in charge of the working group on rural areas within the Central Committee, talked about the protest movements in the countryside, mainly in connection with the problems of

⁶. The countryside, peasant farmers and agriculture.

land requisition (土地征占问题 *tudi zhengzhan wenti*). For the journalist Qiu Feng, this situation shows that there cannot be a successful development of the countryside without a real guarantee of peasants' rights.

Chen Xiwen acknowledges that the requisition of land is very commonly behind the petitions (上访 *shangfang*), in which the peasants express their grievances, as well as incidents by groups in the countryside, which have been on the rise since the mid-1990s. According to him, local governments are directly responsible for this situation. They behave like veritable landowners and make no bones about using their power of constraint (强制性的权 *qiangzhixing de quanli*) to proceed with land requisitions, in order to attract industrial investors and to develop the cities. Renting out land to industries enables them to become rich, since they levy industrial taxes as well as land taxes. Accordingly, no distinction is made between land used for public purposes and land for commercial use when they proceed with expropriations⁷.

The government has adopted various political measures to improve the situation. In 2004, the State Council published its Document n° 28, which provides for the upward reevaluation of the standard procedures for compensating peasants in cases of expropriation, providing them with a range of services and, in particular, training for "landless peasant farmers" (失土农民 *shitu nongmin*), so that they can move into a new branch of employment, and enable them to benefit from the social welfare system, normally reserved for farmers working the land.

The State Council furthermore published Document n° 31, in August 2006, whereby all cash income stemming from the sale of land (土地出让金的收入 *tudichurangjin de shouru*) must be held in reserve and incorporated into the budgets and finances of the local authorities, in order to guarantee compensation, training and social security expenses incurred by landless peasants. This document also indicates that the lands used by industries must not be sold off cheaply, but should be subject to a tender process (招拍挂制度 *zhaopaigua zhidu*).

⁷. On this point, see also F. Gipouloux, *La Chine du 21^e siècle, une nouvelle superpuissance ?*, [China in the 21st century: A New Superpower?]. Armand Colin, p. 65

In practice, however, these protective policies are barely applied, given the shortcomings in the current institutional and legal system.

Institutionally, although villages are in theory "autonomous organisations", townships and the governments of district municipalities (县市 *xianshi*) intervene as they please in the collective affairs of the village, including in terms of expropriation. Moreover, rural collectives (农民集体 *nongmin jiti*), which are theoretically the sole owners of rural lands, have in reality no legal or administrative right of recourse for the recognition of their rights to the land.

Finally, the rights of peasants to the land are incomplete, for whilst they have the right to use it or sub-let it, they do not have the right to dispose of it⁸.

Accordingly, the governments of district municipalities impose their own rules of expulsion and compensation on landless peasants, the latter have no recourse other than to make petitions, for want of any legal or administrative avenue available.

In such a tense, social context, the journalist Qiu Feng is sorry that the measures adopted by the government are limited to compensation (补救 *bujiu*). He deplores the fact that these measures do not settle the heart of the problem, what is more, these measures are not even being applied systematically. In his view, the government must reform the present system, define and guarantee the rights of peasant farmers, particularly their rights over land, and reconcile two different logics, that of "well-being", (福利逻辑 *fuli luoji*), and that of "rights" (权利逻辑 *quanli luoji*). The protection of peasant rights must, according to him, be a pre-condition of any consideration of well-being and development.

A better protection of their private rights would be beneficial, if it were to sanction the local authorities in case of the illegal disposal of arable lands (sales, requisitions, etc.) as well as in the case of non-payment or under-evaluation of financial compensation granted to peasants whose lands are being occupied. Such sanctions would also constrain local governments to better respect the peasants and would allow a fortiori the easing of social tensions in the countryside.

⁸. Ibid.

3. Institutional culture according to Wen Jiabao

Summary and commentary by Michal Meidan, based on:

- Wen Jiabao, "Some questions pertaining to the historical tasks in the initial stages of socialism and some international issues", *The People's Daily*, 27 February 2007, p. 2.
- Yang Peng, "Developing China through culture, using culture to inform the world", *Nanfang Zhoumuo*, 1st March 2007.

A few days before the opening of the annual session of the National People's Congress, Wen Jiabao published an article in *The People's Daily* in which he offered his vision for the future of the Chinese reforms, both in economic and, especially, political terms.

The article entitled "Some questions pertaining to the historical tasks in the initial stages of socialism and some international issues"⁹ briefly describes the gains made by the economic reform of the country, the rise in living standards and the partial eradication of poverty, but deals more particularly with the announcement of challenges as well as the question of the pursuit of the political reform process. The article set the tone for the press conference called at the close of the session of the National People's Congress. The Prime Minister displayed his concern by the economic situation which he described as being "imbalanced, uncoordinated, unstable and unsustainable".

In preparation for his next term as Prime Minister, Wen gave only a brief overview of his government's achievements so far, and chose to centre his comments on the programme for the next five years, setting out his objectives for the country's economic and political life, with his message being aimed at the Chinese people as much as at the Party's cadres.

The press took up the issues raised in this article, drawing special attention to the development of the economic work

9. This article was not translated into English or picked up by the English versions of *Xinhua*, *China Daily*, etc. However, at the press conference held at the close of the NPC, the Prime Minister was asked a question on the subject by the *Le Monde* correspondent, Josephine Ma, "Wen's view suggests no early plans for change", *South China Morning Post*, 17 March 2007.

programme¹⁰, as well as to the ongoing concertation with various groups (academic experts and cadres not from the ranks of the Party) and the importance of making the general population aware of this programme: "If the masses do not feel concerned by the government's report to the National People's Congress, and if they do not wish to discuss it or offer their opinion or ideas, then the report will be a failure."

Although the "social productive forces" are more developed than in the past, China remains a highly populous country, with structural imbalances between urban and rural areas, and between provinces. The fundamental structure of the "under-developed productive forces" has not been resolved. Whilst there are still some achievements to be made in the economic sphere, this structural reform needs to be accompanied by political reform. This is, however, where Wen Jiabao nuances his discourse, both for the Party cadres and for the reformers in academic and political circles¹¹, since his article goes on to spell out the success of the political and legal reforms, whilst maintaining that, in China, the "structure of the socialist market economy is imperfect, democracy and the legal system do not have a sufficiently strong basis. Problems remain in the area of social injustice, corruption and a socialist system that is not yet mature enough". For these reasons, the Prime Minister concludes, "China has not yet emerged from the initial stages of socialism and remains a developing country".

Given the growing number of intellectuals calling for political reform, Wen Jiabao takes a cautious line. In attributing the cases of social injustice and corruption to "the imperfection and the immaturity" of the current socialist system, he assures the conservatives that the Party is not abandoning the socialist path, while warning the reformers that only moderate progress can be made through political reforms.

This, for Wen, does not exclude continuing along the path of political reforms. In his view, international power is not measured solely by military force, but also by the "cultural level", which is assessed through "institutional culture" (制度文明). This term remains vague,

10. See also the preceding issues of *China Analysis*.

11. See the article by Yuan Weishi, in this issue.

but could include "democracy, the legal system, freedom and human rights", which are not "the monopoly of capitalism". It seems to mean essentially, for China, becoming "a democracy governed by the rule of law within a socialist system".

4. Huang Ju makes headlines once more

Speculation over the changes in the ruling team, and their implications for the Shanghai faction, continue to abound. Huang Ju's absence from the session of the National People's Congress was noticed in the press, fuelling speculation that he was one of the targets of the anti-corruption campaign and that he was heavily implicated in the Chen Liangyu affair (see the previous issues of *China Analysis*).

Recent publications have talked about his deteriorating state of health (together with an announcement of his death at the end of May which was immediately denied by the Chinese government), maintaining that this is the only reason for his disappearance from the public stage, an assessment shared by the following article. The purges of Jia Qinglin and Huang Ju are not therefore thought to have occurred after all, but their departure is said to be expected at the time of the 17th CC.

Meanwhile, Wu Yi is said to have taken on the functions of Huang Ju as executive Vice-President (replacing the President during his trips abroad). As for financial matters, whose management by Huang Ju are rumored to have implicated him in corrupt dealings, they have been entrusted to Prime Minister Wen.

Thus, Hu Jintao is unlikely to risk a political fight over the destiny of Huang Ju, but is, however, thought to be already in the process of consolidating his alliances through the personnel changes at the head of the government, with the replacement of the Ministers of Foreign Affairs, Science and Technology and Water Resources. We will have to wait until October for reshuffles to take place in the Party.

- Ding Wang, "Huang Ju to Step Down in Due Course Due to Age Limit", *Hsin Pao (Hong Kong Economic Journal)*, 18 April 2007

The Chen Liangyu case is still under investigation. Rumours have been raging about its "domino effect." According to these rumours, Huang Ju and Jia Qinglin are being investigated and will soon be "ousted." Foreign media have given prominent coverage to reports by so-called authoritative sources in Zhongnanhai, claiming that these two people will certainly be ousted. There is nothing authoritative about this kind of insider information, just as there was nothing authoritative about claims back in the winter of 2002 about the "arrival of the Hu Jintao era."

There are no signs in the political circles in Peking that Jia Qinglin, a member of the standing committee of the Politburo under the CCP Central Committee (and chairman of the CPPCC) and Huang Ju, another member of the standing committee of the Politburo, will be removed from office. They are still going about their normal activities. Huang Ju has been undergoing treatment for cancer and has cut back on his schedule of public meetings. Nevertheless, the official media continue to publish his speeches and instructions regularly in an attempt to dispel rumours that his ouster is imminent.

Judging from the power structure at the top echelons in Peking, from the age limit for the transfer of power, from the rules of the game for the 17th CCP National Congress, and from the anti-corruption strategy of Hu Jintao and Wen Jiabao, Hu Jintao and Wen Jiabao will not make Huang Ju and Jia Qinglin the targets of their anti-corruption drive at the present stage. It is not likely that Huang Ju and Jia Qinglin will get embroiled in the Chen Liangyu case (in the case of Huang Ju) or the Yuan Hua case (Jia Qinglin).

In the winter of 2002, Huang Ju became a member of the standing committee of the 16th Politburo under the CCP Central Committee, behind Hu Jintao, Wu Bangguo, Wen Jiabao, Jia Qinglin, and Zeng Qinghong but ahead of Wu Guanzheng, Li Changchun, and Luo Gan. In March 2003 he was named executive vice-premier. Previously he was a long-time official in Shanghai, having served as secretary of the Shanghai Municipal CCP Committee (from 1994 to 2002) and as mayor (1991 to 1994). He earned the nickname "Jiang Zemin's confidante," with whom he has closer political ties than with Chen Liangyu.

Huang Ju held positions in Shanghai continuously for almost four decades. He is a representative of the new Shanghai faction, along with Wu Bangguo, Zeng Qinghong, Chen Zhili, and Chen Liangyu. The new Shanghai faction refers to those among General Secretary Jiang Zemin's confidantes who have a strong Shanghai background and were promoted by him during his mayoral era in the mid and late 1980s. The old Shanghai faction refers to those who ran Shanghai in the late 1970s and early 1980s and revolved around Chen Guodong, Wu Lijiao, and Wang Daohan. Although Zhu Rongji had served as the Shanghai Municipal CCP Committee, he has his own thinking and style that set him apart. There was a saying in the political circles that Zhu Rongji and Jiang Zemin do not belong in the same school, which is why this column does not treat Zhu Rongji and his confidantes such as Xu Kuangdi, Lou Jiwei, and Zhou Ruiquan as part of the new Shanghai faction.

Huang Ju boasts a wealth of Shanghai experiences, including experiences in managing an industry and running a large city. He came from a prestigious university (Qinghua), is highly trained in a profession, and has impeccable Shanghai credentials. However, he lacks experience outside of Shanghai and has never held a ministerial position or vice-premiership. The changing of the guard at the State Council in 2003 catapulted him all the way to the executive vice-premiership, which stirred up a controversy in the political community. Consequently, he obtained the second smallest number of votes during NPC balloting, topping only Chen Zhili.

As a matter of convention, you have to be a vice-premier first before you can become executive vice-premier. This is true for Huang Ju's predecessors including Li Lanqing, Zhu Rongji, Yao Yilin, and Wan Li. Thanks to his good connections, Huang Ju ascended to the executive vice-premiership in one leap. In the State Council, Huang Ju was in charge of industry, transportation, state-owned enterprises, labour and insurance, finance, production safety, and computerisation. The first four portfolios fell within the turf of his predecessor Wu Bangguo, while finance used to be part of the jurisdiction of Wen Jiabao.

Not Making Too Many Enemies

There has been a rash of coal-mine accidents and large transportation incidents in recent years. Corruption has been rampant and corrupt officials have caused the loss of a huge amount of state-owned assets. There have been several major corruption cases involving the banks. From the administrative accountability perspective, Huang Ju's performance as supervisor and manager has been called into question.

The afore-mentioned "controversies" are realities in Peking's political circles, not an opinion being advanced by this column. The conclusion of our research is that although there is much whispering going on about Huang Ju, he will step down in due course during the great power reshuffle that will take place at the 17th CCP National Congress to be held in the coming winter, instead of being "ousted." (...)

Huang Ju has been stricken with an incurable disease for years and may not necessarily survive. For humanitarian reasons, it is unlikely that Hu Jintao would go after Huang Ju as part of the investigation into the Chen Liangyu and Zhou Zhengyi cases just as Huang Ju is battling a terminable disease. Besides, Huang Ju is not necessarily directly involved in the cases. Should Hu Jintao make a move now, just when Huang Ju is hanging on to life by a thread, he would come across as a cold hearted person, which was exactly what Mao Zedong did in his old age when he tormented the ailing Zhou Enlai. (...)

Hu Jintao is absolutely not as naive as the rumours make him out to be. If his series of speeches and his vision of building a harmonious society are any guide, he will probably let Huang Ju remain in his position until the 17th CCP National Congress, thus heading off any direct conflict. This is the best option, free from any risk or political cost. Hu Jintao likely has the political wisdom to wait it out for another six months.

Judging from the present power structure, Hu Jintao and Wen Jiabao do not really have things their way all the time. Sometimes they can be as helpless as ordinary mortals. To quote the Book of Odes, "One would like to set out early, unfortunately there is too much dew, making the trip difficult."

The helplessness of Hu Jintao and Wen Jiabao springs from the lingering phenomenon of wielding power from behind

the scenes. Their hands are tied in many ways and it is difficult for them to make a move. They launched the Shanghai campaign to investigate Chen Liangyu only after they had gathered full evidence, won the support of the standing committee of the Politburo, and obtained the blessing of the former top leaders. After the Shanghai campaign, they continue to frequently invoke Jiang Zemin's name to lend legitimacy to their actions. It is almost as if they were treading on thin ice.

In a situation like this, it is natural for a politician to behave with restraint. There is a popular saying in Peking: "Reduce the scope of the attack." This saying is the strategy of Hu Jintao, Wen Jiabao, and Wu Guanzheng as they battle corruption.

Wen Jiabao has an acute sense of crisis. Hu Jintao has a knack for minimizing the risk by using a combination of the carrot and the stick. The book Zuo Zhuan makes references to "acting without thinking" and "hitting out without assessing one's own strength." That will not happen.

5. Employment: Priority and a Challenge for the government

Summary and commentary by Valérie Demeure-Vallée, based on:

- Xiao Ming, "Ten million people affected by the gap between supply and demand for labour. There is hope for the creation of a committee for promoting employment", *21 Shiji Jingji Baodao*, 27 March 2007.
- Li Shi, "Warning against brutal redeployments of the workforce", *Caijing*, 19 February 2007.
- Cha Fang, "The challenge of Lewis's turning point", *Caijing*, 4 March 2007.

On 26 February, the permanent members of the National People's Congress examined the draft "law on the promotion of employment" (*jiuye zujinfa* 就业促进法). Together with the issue of the peasantry, employment has now become a priority for the Chinese government. The latter is now facing a structural change in the market, which is translated socially by a massive increase in unemployment¹² and management problems in the workforce over the long term.

According to official figures, the rate of urban unemployment for 2006 was 4.1%. Unemployment was due especially to the closures of state-owned enterprises, the demobilisation of soldiers, the resignation of skilled workers unhappy with their working conditions, the expropriations of peasants and the arrival of young university graduates on the job market. The situation is likely to get even worse in the years ahead, according to Tian Chenping, the Minister for Labour and Social Security.

Indeed, at the presentation of the draft bill on the promotion of employment, Tian Chenping estimated that by 2010 only 40 million jobs would need filling in the great urban centres, whereas the available workforce is estimated to be about 50 million for the same period.

¹² On this point, see also Frédérique Zingaro, « La Chine en proie à un chômage grandissant » [China subject to growing unemployment], www.aujourd'hui.lachine.com, 28 February 2007 et « La situation de l'emploi reste grave » [The unemployment situation remains serious] (*People's Daily*), www.frenchpeopledaily.com.cn, 2 March 2007.

This means therefore that a further 10 million people will join the ranks of the unemployed by 2010. Added to that are structural problems: the poorly performing traditional enterprises are laying off significant numbers of people, while the labour supply is outstripping demand in the new spheres of activity (technology and innovation). These sectors do not have the same requirements, as they are looking for qualified people with technical skills.

In this difficult environment, the current draft bill provides for the banning of discriminatory practices in the hiring of workers based on ethnicity, religion, sex or age. The local governments at the higher district levels will set up a warning and prevention system (*yujing zhidu* 预警制度), in order to anticipate regulation and contain mass unemployment. The bill also stipulates that the collective structures for servicing employment (*gonggong jiuye fuwu jigou* 公共就业服务机构) set up by the government have to provide their service free to workers. Finally, the draft bill looks to the construction of an employment system with equal opportunities for all, both for workers from the city and those from the countryside.

On the other hand, however, the bill does not actually deal with labour management. At the present time, there is an excess of Chinese labour force which comes primarily from the countryside. In line with the theories of the economist Arthur Lewis¹³, as China is still a developing country, the surplus labour stemming from the so-called "traditional" sectors of the economy (like agriculture) serves as a reservoir for industry. Nonetheless, this trend will start to become less pronounced until, over time, it is reversed. The oversupply of labour is undergoing a fall, something which, for Cha Fang, a Professor at the Institute for Industrial Commercial and Economic Management at the Teacher Training University of Peking, means that China is showing the first signs of "the Lewis turning point".

Professor Cha explains that China's growth has until now been underpinned but high savings rates and especially by a plentiful

¹³ Experts in development economics, Arthur Lewis and Theodore W. Schultz received the Nobel Prize for economics in 1979. The article by Arthur Lewis, written in 1954, is one of the foundation texts of development economics.

supply of cheap labour which has enabled enterprises to get rich. However, it is in the process of becoming a developed economy and by 2013 will experience an ageing of its population that will also affect its working population, as well as a drop in the birth rate (1.7% at present). Once it becomes a developed country, China will have to juggle variables other than those currently supporting its growth, which will then have to be sustained essentially through productivity.

Professor Cha advocates that, in order to change the growth model, investors and enterprises have to create an environment in which the factors of production will be at full capacity and asks the authorities not to distort the costs of production factors.

He also hopes to eliminate the obstacles facing the workforce in order to defer the advent of the job shortage. According to him, in the towns and cities, policies have to be adopted to favour the creation of enterprises, to improve the employment situation and strengthen the protection for workers without papers. In the countryside, he recommends a progressive reform of the *hukou* system; relaxing the "household responsibility system" in order to allow rural residents greater mobility; a better basic education; and better training to the members of the workforce leaving to work outside. He also advocates containing the excessively rapid salary increases so as to maintain the relative superiority of labour intensive industries.

Finally, more generally, the creation of a workforce for the coming years can be done through adjusting policies on birth rates and retirement age.

In the move from full employment to rampant unemployment, from an oversupply of labour to a lack thereof, from development to a market economy, significant challenges lie ahead for China to reconcile economic growth and social stability.

6. Can the Gini Coefficient reflect Chinese realities?

Summary and commentary by Thibaud Voïta, based on:
– He Ya: "The Gini index. A history and explanation of the history of cities and rural areas", *Zhongguo Guoqing Guoli*, April 2007.

In China in 2000, the Gini index¹⁴ crossed what is regarded as the critical threshold of 0.4 of a point and has not dropped below it since. In 2006, experts estimated that the index had reached 0.46, which means that the gap between rich and poor was widening. The lowest 20% of Chinese salaries thus receive only 4.66 % of the total of national salaries, with the lowest 40% receiving only 13.6%.

Admittedly, China's growth has amazed the rest of the world, but this is only measured in monetary terms: if one looks at education, family health issues, environmental protection, food and hygiene, important disparities between the wealthiest and the poorest regions and populations are observable.

Tracking the Gini factor in China since the Opening up

He Ya divides the history of inequalities in China into four periods, since the end of the 1970s.

1. 1978-1984: the beginning of the reform process, an increase in income in the countryside.

In 1978, after twelve years of the Cultural Revolution, the authorities decided to launch reforms in the countryside. Accordingly, they set about dismantling the collective system and implementing a system of making people responsible, leaving the rural populations with the possibility of selling their surplus. This brought about a rapid increase in production. The costs of manure, medicines sold in the countryside and machines dropped, thus enabling profits to soar. In addition, brigade and commune enterprises (社队企业) emerged. Due to the 1984 Decree n° 4, these were to become the celebrated TVE (*Township and village enterprises*, 乡镇企业), regarded by many as responsible for China's growth in the 1980s. During this period, regulated urban salaries increased by 6.6%, the salaries of rural workers by 16%.

2. 1985-1994: relaunch of the reforms and acceleration in the cities.

14. The Gini factor is one of the international norms used to measure inequalities. It ranges from 0 (complete equality) to 1 (complete inequality: where one person possesses all the wealth). It is 0.6 in Brazil; 0.35 in the United States; 0.3 in France; 0.252 in Sweden, etc.

By 1984, there were only 125 million poor people in rural areas, as compared with 250 million in 1978.

But rural production did not stop increasing during this period, which brought about a fall in prices. At the same time, the fiscal burden rose constantly. After a golden age that lasted until 1988, the situation began to deteriorate. Competition intensified and the market became increasingly regulated, the consequence of which was a differential in prices and available products between the rural areas and the cities. Moreover, TVE were poorly managed, putting a halt to their development. Imbalances in supply and demand and problems of inflation began to appear. The government reacted by adopting measures to improve the governance of enterprises, which once again slowed down the development of the TVE. The upshot of all this was that non-agricultural jobs became increasingly difficult to find.

Conversely, the cities underwent expansion and attracted investments, and the economy and non state-sector jobs were developed. Salaries continued to rise in the towns and cities. In the countryside, not only did incomes struggle to keep apace, but the workforce, production and investments also drifted towards the cities. Reforms to education, social security and the health system did not provide any benefit to the rural sector, which, furthermore, found itself weighed down with all kinds of taxes.

In 1994, the Gini index exceeded the mark of 0.4 for the first time, reaching 0.4008.

3. 1995-1999: the reform process was gradually implemented and agriculture picked up.

In 1994 and in 1995, prices for the sale of agricultural goods increased by 39.9% and 19.9%, respectively, and agricultural production was stimulated by several consecutive years of good harvests. The regulation of movement between the country and the city was relaxed, labour-intensive industries in the south-east and along the coast were developed, attracting the excess rural workforce: this was the "wave of the *mingong*" (民工潮) or "the tidal wave of small jobs" (打工潮). In 1996, 130.27 million rural workers were engaged in non-agricultural activities. The salaries of non-agricultural activities represented 34.2% of agricultural income.

At the same time, in the cities, the reform of the *State Owned Enterprises* (SOE), continued to gain pace, leaving many people

without employment (the phenomenon of the 下岗职工). But most urban salaries increased steadily, from 28% to 68%, depending on the sector.

Whilst the authorities concentrated efforts on the problem of the rural areas, the fact remained that the cities experienced a more rapid growth than did the countryside, and the differential between salaries increased. Over the same period the Gini index fell, at its weakest point being 0.3706 (1997); in 1999, it was at 0.3892.

4. 2000-2005: as the reforms gather momentum, inequalities increase.

In 2000, the index crossed the 0.4 threshold. True, the salaries of rural workers continued to increase, but very slowly. In addition, the mechanisation of agriculture represented an important cost for those in the countryside. Lastly, agricultural prices were highly volatile. Since 2000, the government has taken several steps aimed, among other things, at speeding up the urbanisation of the country and reducing the fiscal burden of rural workers. However, as He Ya observes, this will not enable any increase in income.

One of the main difficulties is still the fact that while salaries are increasing, sundry costs (education, health – the rural areas suffer from the lack of a social welfare system) are more significant in the countryside than in the cities. Managing the "three rural problems" (*sannong*, 三农, that is, social, political and economic issues) remains difficult.

It is worth noting that the author does not refer to the program of building up the socialist rural areas.

Table 1. Ratio urban population/ rural population (1978-2005).

Year	Ratio urban population /rural population	Year	Ratio urban population /rural population
1978	0.1792	1994	0.2851
	0.8208		0.7149
1980	0.1939	1995	0.2904
	0.8061		0.7096
1982	0.2110	1996	0.3048
	0.7890		0.6952
1985	0.2371	1997	0.3191
	0.7629		0.6809
1986	0.2452	1998	0.3335
	0.7548		0.6665
1987	0.2532	1999	0.3478
	0.7468		0.6522

1988	0.2581	2000	0.3622
	0.7419		0.6378
1989	0.2621	2001	0.3766
	0.7379		0.6234
1990	0.2641	2002	0.3909
	0.7359		0.6091
1991	0.2694	2003	0.4053
	0.7306		0.5947
1992	0.2746	2004	0.4176
	0.7254		0.5824
1993	0.2799	2005	0.4300
	0.7201		0.5700

Table 2. The Gini index in China (1997-2005).

Year	Gini index	Year	Gini index
1997	0.3706	2002	0.4326
1998	0.3784	2003	0.4386
1999	0.3892	2004	0.4387
2000	0.4089	2005 ¹⁵	0.4494
2001	0.4031	2006	0.4601

Are there grounds for concern?

However, according to He Ya, these developments are not of concern, quite the opposite.

First of all, the Chinese people paradoxically do not perceive society to be inegalitarian. The Gini index, when applied to the rural areas, remains weak, as does the one of the urban zones. At the outside, they feel that there are limits to their possibilities for social advancement.

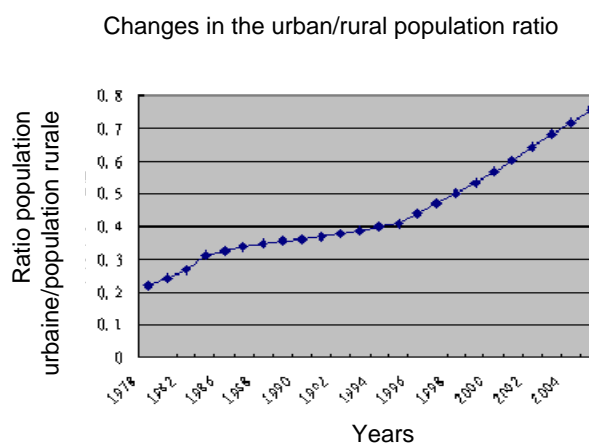
He Ya cites the catastrophic scenario laid out by certain economists. That is what she calls "the alarm bell" (红灯, literally "red light") approach. Growth and development are uneven, wealth is concentrated in the hands of a minority alongside the pursuit of urbanisation. This means that the poor are beginning to gather in the towns and cities, unemployment is on the rise, growth and development are stagnant, social problems are worsening, differences in salary are widening, to the point where a social and economic crisis could break out.

It would appear, however, that these concerns are unjustified. A vicious cycle is unlikely to occur, as on the contrary a

15. Estimates for 2005 and 2006.

virtuous cycle has been set up in China. For twenty years now, the country has sustained ever increasing growth. Consequently, the standard of living of the population has continued to rise, the economic system is constantly being reformed and urbanisation, social stability and the job market have all experienced satisfactory development.

The Gini index therefore seems to be insufficient in accounting for the social changes in the countryside. The ratio between the rural and urban populations went from 0.1792/0.8208 in 1978 to 0.4300/0.5700 in 2005. In other words, the urban population is rising significantly. This movement is, according to her, beneficial for the rural areas, since the Gini index in the countryside was 0.3751 in 2005, which means that it was below the 0.4 point barrier.



He Ya therefore writes of a "socialisation of the rural areas" (完成了由“农业人”向“社会人”的转变). As she sees it, talk of a growing gap between rural and urban areas masks a complex social dynamics at work. This has in large part been brought about under the impulse of the authorities. Without them, the situation would be much worse at the present time.

Lastly, these figures are said to reflect the current state of reforms that have not yet been fully implemented. The Chinese countryside do not yet benefit from the justice and equity (公平、公正) of the reforms.

7. Who's afraid of the Stock Market Crash?

Summary and commentary by Thibaud Voïta, based on:

- Xiao Yujun, "The outcome of the irrational nature of mass behaviours is an increase in the fluctuations of stocks and shares",

Zhongguo Guoqing Guoli, January 2007, pp. 20-23

- Various articles from the *Nangfang Daily* of 28 February 2007

- Liu Yi "What attraction do 'grey' public shares still hold?" and Hua Guanfa, "The new logic of the post-reform period for shares", *21 Century Herald*, 1st March 2007

- Hong Xuqing, Shi Hua, Long Changwang, Huang Cheng, Ren Jianmin, Liu Yupeng, Wang Yifeng, "The broadening influence of the Chinese economy. The reasons for the stock market fluctuations are varied and confused", *Huanqiu Shibao*, 2 March 2007

- "A discussion of the influence of globalisation on the A market", *Zhongguo Jingji Zhoukan*, 12 March 2007.

On 27 February last, "Black Tuesday", the two mainland Stock Exchanges which trade in stocks and shares, the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) experienced historic falls of 8.84% and 9.29% respectively.

The Chinese Stock Exchanges were at their lowest since 2001, yet they bounced back, following a 2005 reform. Growth was such that in recent weeks the authorities were talking more and more of a speculative bubble and of the need to calm things down. The fall at the end of February was China's most significant since the death of Deng Xiaoping (1997). Even the rare blue-chip shares fell, as shown by the steel, car manufacturing, finance and oil sectors, as well the major enterprises such as China Petroleum, Minsheng, Baogang and Changjiang.

The movement in the Stock Market indices on 27 February 2007

SSE :

- Index on opening: 3043.83 points
- highest point: 3049.77 points
- lowest point: 2763.40 points
- on closing: 2771.79 points
- a fall of 268,81 points, that is, 8.84 %
- total trading 131.63 billion yuans

SZSE :

- index on opening: 8620.86 points
- highest point: 8631.97 points
- lowest point: 7790.82 points
- on closing: 7790.82 points
- a fall of 797.88 points, that is, 9.29 %
- total trading 68.71 billion yuans

Furthermore, and this is undoubtedly the most important point, for the **first time in its history, the fall in stocks and shares in**

mainland China brought in its wake a fall on the other Asian Stock Markets.

At the time, these markets seemed even to have been more seriously affected than China's¹⁶.

However, Chinese shareholders started buying shares again as early as the next day, 28 February¹⁷.

Since then, the Chinese Stock Market has resumed its bullish trend: the SSE and SZSE had experienced a boom on March 6 and 7 and the SSE index was hoping to pass the symbolic 3000-point barrier again, as compared with the 2700-odd points to which it had dropped on Black Tuesday¹⁸. Then, quite recently, the market dropped back again, following fiscal measures introduced by the government aimed at reducing speculation¹⁹.

This analysis is mainly based on three series of articles: the first is from *Zhongguo Guoqing Guoli* that were published prior to the crash. It already stigmatised the behaviour of shareholders as irrational and dangerous. The second series, which appeared in the *Nafang Daily*, is an on-the-spot analysis of the crash, with attempts to provide explanations. Finally, the third series, which appeared later, assesses the impact of the reforms (according to the *21 Century Business Herald*) and the impact, especially of globalisation, on the operation of the Chinese stock markets.

The causes of the crash

On the day following the crash, the *Nanfang Daily* reported several possible interpretations for this fall, based on interviews with market experts.

- One analyst from Xingyue Securities put forward the theory of an "accident" (偶发事件). For him, the accumulation of profits ended up being too great, bringing the market down with it (利空).

- For other analysts, it is all about a **natural phenomenon** (自然现象). The stock markets experienced good growth in 2006, and it can be expected that such growth should slow down today. The respective drops in the Hong Kong, Singapore and Taiwan exchanges are symptoms of this.

¹⁶ *International Herald Tribune*, 5 March 2007.

¹⁷ *Ibid*, 28 February 2007.

¹⁸ *Nanfang Daily*, 9 March 2007.

¹⁹ *Le Monde*, 05 June 07.

- Another related interpretation is that of a **correction** (正常调整): as the SSE went past the 3000 point mark, the pressure on profits began to be too great, and confidence in even higher future profits led to a necessary correction. According to this logic, as the SSE should vary between 2500 and 3000 points, the market should have dropped again (instead of going back up, as it did since publication of the article being analysed here).
- Other analysts believe that the reason for the 27 February crash is to be found in the excessive profits expected by the various investors. They define this crash as merely a **normal consequence of the bullish market** (牛市常态).
- Finally, there is the interpretation which consists in seeing in the crash a willingness on the part of the government to slow down a growth that had got out of hand, in order to build up a healthy stock market. This is the theory of a **deliberate slowing down** (调低预期). Worth noting is the fact that one of the causes often put forward to explain the fall is the rumour about government action to reduce the amount of trading on the stock market. To illustrate this theory, one could cite the most recent fiscal measures aimed at reducing market speculation.

A market that is still immature

However, one article by Xiao Jun published a few weeks before the crash (in January) seems to give *ex ante* other reasons for the crisis.

It is based on academic literature dealing with the behaviour of investors to explain the workings of the Chinese Stock Market. Among the works used (and very roughly quoted) are those by Bikhchandani and Sharma (2000), Lakoshinok, Shleifer and Vishny (1992)²⁰, Scharfstein and Stein (1990). Xiao Jun refers to them to insist on

²⁰ Bikhchandani and Sharma (2000) « Herd Behaviour in Financial Markets: a Review », *IMF Working Paper* n° 00/48 March; Lakoshinok, Shleifer and Vishny (1992) « The Impact of Institutional Trading on Stock Prices », *Journal of Financial Economics*, vol. 32, August, pp. 23-43, Scharfstein and Stein (1990), « Herd Behavior and Investment », *The American Economic Review*, June.

the dangers of the mass behaviour pattern (here called "羊群行为", a sort of sheep herd behaviour) of Chinese shareholders. Such behaviour has two characteristics. It is driven by information (one would be tempted to say rumour, but the term is not used), without paying any attention to its quality (and therefore to its true value). As the shareholders cannot verify the information, they adopt a mimetic pattern of behaviour, acting in the same way as other investors. The investment funds are therefore driven by a search for short-term profit and move only en masse. Admittedly, this behaviour pattern enables the Stock Market to generate profits more quickly, but it also leads to the creation of a bubble effect²¹.

Another problem is that investment funds have a virtual monopoly over the Chinese Stock Market. Witness the six enterprises Boshi, Southern Securities, Huaxia, Jiashi, Hu'an and Yifangda which alone have 40% of the shares held by funds.

The problem therefore remains that, in spite of the reforms of the past few months, the market is not yet mature. It remains encumbered by a still insufficient liquidity, policies that lack coherence, listed companies that are often mediocre, insider trading that is still all too common, a weak return on investment ...

Is this a market tied in with the rest of the world?

Beyond the Chinese Stock Market's lack of maturity, the thing that undoubtedly struck many Chinese is the international nature of the 27 February crash. This was the first time that a Chinese-based Stock Market shake-up had spread to financial markets elsewhere.

However, on the Chinese side, what the press picked up on was not the fact that the fall started in markets on the Mainland, but rather its international character. In other words, in what is a turnabout, some people seem almost to accuse the rest of the world for being responsible for the Chinese crash. Even the governor of the central bank, the reformer Zhou Xiaochuan, was also of this opinion, when he stated that globalisation was the cause of the crisis (全球化致)²². For his

²¹ An article by David Barboz, which appeared in the 27 February 2007 edition of the *International Herald Tribune* quotes several examples of such irrational behaviour. See the case of enterprises whose share prices continue to rise, despite the arrest of their bosses for fraud.

²² In the *Nanfang dushibao* of 13/03/07. We should, however, make it clear that China's entry

part, the highly respected Shi Yinong, of the People's University (interviewed by *Huangqiu Shibao*), points out that the world is closely watching China's growth, which creates a strong interdependence. As for He Maochun of Tsinghua University, he regards China as an engine powering the world economy. The only ones to emphasise the disproportionate nature of this interdependence are researchers from the Chinese Academy of Social Sciences. They remind us that the value of the Chinese stock market is 1,000 billion dollars, that is, about 50% of GDP. Conversely, the US Stock Market represents 130% of its GDP. The Stock Markets in Japan, India and South Korea each represent 100% of their country's GDP. This ratio drops to 70-80% for South-East Asia. Hence, in their view, one must see China's influence in relative terms.

What is in store for tomorrow?

There is one question that remains in abeyance in these various articles. The prevailing idea is that the Chinese Stock Market is still immature, and that the 27 February crash was therefore a desirable correction. Some go as far as to suspect that the government was behind it.

Yet, the very next day investors started buying shares again, as if nothing had happened. The subtext of this was the idea that the authorities would not let a stock market crisis tarnish the 2008 Olympic Games²³. At the present time, the Chinese stock market remains hard to predict...

into globalisation seems to be used as a pretext by the governor to push the reforms through. He is of the idea that as the Chinese markets are increasingly sensitive to shake-ups in the world financial markets, modernising the system needs to be speeded up.

²³ In the words of one investor, as reported in the *IHT*, 28 February 2007.

FOREIGN POLICY

8. Why United States caved in on North Korea

Summary and commentary by Michal Meidan based on:
- Yan Xuetong, "Why the United States had to make concessions on the North Korean question", *21 shiji jingji baodao*, February 27th 2007]

Yan Xuetong is a well known international relations analyst who is frequently quoted in the Chinese press. Here he puts forth his analysis of the reported progress of the six party talks in February 2007, and the prospects for normalising relations between the United States and North Korea.

Chinese analysts of North Korean affairs are often guarded in their views²⁴, and rarely deviate from the official line. For the same reasons, the comments from Professor Yang of Qinghua University are a vulgarised version of the official line, since the last critical analysis of the situation led to the closure of the liberal magazine *Zhanlue yu Guanli* (Strategy and Management).

Yan Xuetong does not focus on the contentious question of North Korea's motives or the position taken by Beijing, but restricts himself to explaining the factors which made the February 13th agreement possible, especially the moderation of the US position and the role played by China. In effect he attributes the agreement to "the sincere wish of the two sides to resolve the problem by making concessions" and to the framework provided by the six-party talks.

Professor Yan views the February 13th agreements from a particular angle, considering them as a victory of the Chinese model, by which he means the resort to diplomacy rather than military means, showing that progressive action was made possible by the mutual agreement of the two parties concerned (in this instance, the United States and North Korea). For him this agreement was not the outcome of a trial of strength but of co-operation, confirming once

²⁴ See François Godement, "Ce que la Chine chuchote à propos de la Corée du Nord" (*What China whispers about North Korea*), *China Analysis* no. 9, October 2006.

again the basis of the "win-win" approach adopted by the Chinese diplomacy. The United States made a bigger concession than North Korea by accepting direct discussions with Pyongyang, and by linking negotiations over lifting the embargo with the denuclearisation of North Korea. This was made possible by Chinese diplomatic manoeuvres as well as by American pragmatism, since the quagmire in Iraq, the problems with Iran, and the mid-term US elections all put pressure on the American President to seek progress on the North Korean issue.

Nonetheless, Yan argues, China's role has been insufficiently appreciated: "China supported American policy, and Sino-American co-operation in re-starting the six party negotiations began on China's initiative" but, he goes on "there is a basic failure to recognise China's role in initiating the dialogue and its direct contribution to the resolution of the issues". As though in reply to alternative hypotheses advanced by other Chinese experts on international relations, he insists almost aggressively on China's major contribution, arguing that in any case, even if the six party talks had not led to any agreement, it could not have "damaged our country's image". And, more or less contradicting himself, he states that such a negative outcome was improbable, given the coalescence of the interests of the United States and China on this issue. What is more, both countries retain "considerable room for manoeuvre in conducting their bilateral co-operation" in this diplomatic field.

Yan Xuetong goes on to review the prospects for development in the Korean peninsula following this agreement. He believes that it will have a short term stabilising effect, but he does not expect to see a correspondingly swift normalisation of relations between the United States and North Korea. Since the agreement suffers potentially from the same problems as the Geneva Accords of 1994, the proof will lie in their implementation. It is therefore too soon to speak of a historic agreement in the history of the peninsula, especially since its implementation is likely to be held up by the Democrat majority in the US Congress. The speech from the American ambassador to the UN, John Bolton (subsequently replaced), which voiced his distrust of North Korea and its willingness to give up its nuclear programme, is a sign of the doubts within the United States about the sincerity of Pyongyang. So, as long as there

are no clear signs that North Korea is abandoning its nuclear programme, the military threat will persist and normalisation between the two countries will remain problematic.

The creation of new regional security guarantees also continues to depend on the implementation of the agreements, for the best solution for carrying out the objectives of complete denuclearisation can only be decided after the first steps in that direction have already been taken. In any event, Yan believes that a great deal depends upon the United States and China, since the major difference between the 1994 accords and the current ones is China's involvement in the latter.

Yan Xuetong's article is therefore mostly devoted to eulogising China's role and to insisting, sometimes rather defensively, on Beijing's positive contribution. Nevertheless, when it comes to stating his view of the North Korean position and the influence which Beijing might bring to bear on Pyongyang, his analysis of the situation remains somewhat vague.

9. Russia in the eye of the West

Summary and analysis by Michail Andrei based on:
- Chang Zhe, Ou Hong²⁵, and Li Yongqun²⁶, "The theory of the Russian menace raises its head again in the West", *Huanqiu Shibao*, February 9th 2007]

This article was jointly written by three journalists working for *Huanqiu Shibao*. In line with its eye-catching title²⁷, it gives a comprehensive list of the images of Russia to be found in the Western press²⁸, and their recent pejorative trend. However simplistic their approach may appear, being limited to a summary list without any details, it actually goes beyond mere juxtaposition and shows

²⁵ Special correspondent in the United States

²⁶ Special correspondent in Belgium

²⁷ Since it obviously draws on the "Chinese peril" theory hotly and regularly denounced by the Chinese media as the expression of neoconservative circles in Washington. It should be stressed that every reference to this theory, however slight, is always put into scare quotes, but these will be omitted in the present summary.

²⁸ Mainly the *Times*, *News Weekly*, the *Financial Times*, the *New York Times*, the *BBC*, *Russkaya Gazeta*, *Die Welt*, *Der Tagespiel*.

how the Western media both reflect and respond to Russian diplomacy. So the question naturally arises as to which elements could be transferred to the similar "China Threat Theory".

Russia and the West

The lack of sympathy which Russia is "again" experiencing from the countries of the West is presented as a struggle between the media on the two sides of the divide. The article's essential preoccupation with this aspect is emphasised by its terminology ("illusion", "image", and even a reference to "the Western subconscious"). The appearance of this idea of a Russian menace is as precisely dated ("since 2006") as it is imprecisely characterised (it takes "numerous and different forms"). Moreover, it would seem that for these three writers, its imaginary character spares them the need to draw up a complete list, so its mutating incarnations are just scattered throughout the article. To be brief, these Western "assumptions"²⁹ represent the Russians as "agents of the Kremlin", "upstart bandits", and "racists and xenophobes" living under "a tyrant's yoke" who stifles human rights. Subject to the temptations of fascism, and backed up by their oil weapon and their military might, they are capable of exercising "a potentially despotic influence in the field of European politics". In short, Russia is a corrupt totalitarian State, shot through with ferocious imperialist ambitions.

The reappearance of these standard Cold War figures is dated explicitly from last year, after the fading of the illusions arising from the fall of the Berlin wall when Westerners "imagined that Russia, by rejoining the democratic States, would cease to threaten them"³⁰. It is therefore "the economic take-off" which, "by transforming Russia overnight from being the sick man of Europe to being its strong man", has brought about a revival of the theory of the Russian threat in a Europe which likes nothing better than a weak Russia kept in its place.

²⁹ The term was translated here as "assumption", can also mean "prejudice". It seems to be systematically linked to the "[Russian] Threat theory" and emphasises its subjective aspect. It could be opposed to the concept of "a concern with security".

³⁰ It is not quite clear whether these three writers believe that the West was deceived by its hopes in 1991 or by its current loss of hope.

But the three writers then depart from this logic of mirroring, which constrains the Russian media to oppose the negative image marketed by the West point by point, and here their rhetoric takes a remarkable turn.³¹ They argue that this image, however "unacceptable" it may be, provides a helpful mirror to the politicians who, by means of "overt diplomatic reactions" to it, may be able to rectify it. In their view, that is what the Russian government does, by "giving the lie" to these distortions, by "showing themselves capable of improving their international image", by using such "non-coercive weapons" as the "common history and culture" which it shares with its neighbours, in order to regain its lost influence. For example, the Russian President himself has no hesitation in entering the fray by responding to questions from the Western press, or in publishing a signed article in the *Financial Times*. Reading the words of these three journalists soon makes you wonder which takes precedence over the other in their minds, diplomacy or image presentation.

What about China?

Naturally, the question of the conclusions to be drawn by China is quietly addressed throughout the article, owing to the parallelism between its title and the "China Threat Theory". Indeed the three writers are not content with providing a simple account of Western mistrust. After all, China would have good grounds for welcoming a distraction of attention towards Russia, which would favour its own peaceful development.

The studied prudence which the writers show in choosing examples which are not applicable to China (such as the oil weapon, or the Litvinenko affair) is therefore not quite sufficient to dispel the reader's temptation to make the comparison. Because of some of the issues which they associate with the "Russian Threat Theory" (such as the human rights' issue, or relations with rogue states), it comes quite close to that of the "China Threat". It is likewise difficult to resist making

³¹ This is the only occasion when the expression *theory of the Russian menace* appears without scare quotes, when they write "To a certain extent, the theory of the Russian menace gives Russia a reflected image to which it can adapt" as though, suddenly falling away from its extra-textual category, it finally meant something real. These words, from the mouth of a "Russian friend", together with another viewpoint on the "émigré lobbies" to be examined later, are the only sources not attributed to the media.

the comparison between the two when one reads that Russia, "if it wishes to use the rebirth of its power to the best ends, must properly manage the strategic difficulties facing it".

Seen in this light, the insistence on Russia's active response to Western media attacks, whether the facts were "properly established or not", cannot fail to call to mind such examples as the unpleasant aftertaste left by the official Chinese communiqués referring to the anti-satellite rocket test on January 11th this year.³² Finally, the sense that there is a link between the stigmatisation of the West and their own "prejudices" (to use their own term) in favour of Russia, is supported by some of their own supplementary remarks:

- The Europeans appear to them motivated by evil intentions insofar as they have apprehensions about the Russian president, and "set traps"³³ for him.

- Picking up on the language used by another anonymous source, the writers explain that "Russian émigré lobbies" play a "controlling role" in the Western media, lumping the USSR and present-day Russia together in the same onslaught³⁴.

- And finally, there is a sting in the tail: in the concluding lines, responsibility for Russia's threatening attitude is partly laid at the door of the United States since "to a certain extent, it draws inspiration from American diplomatic strategy, which proceeds through aggression to consolidate its sphere of influence".

Could this be the first step in a collaborative "American Threat Theory?"

10. The Path of a Power"

Summary and analysis by Michal Meidan based on:

³² When this information appeared in the Western press one week after the test firing, two ministers at first denied it, before admitting their ignorance and acknowledging, three days later, that it had in fact taken place, but asking everyone not to draw negative conclusions about the purely peaceful intentions of this development by China.

³³ This specifically refers to an agreement between European community member States before negotiations with Russia, which actually seems quite normal. Their expression for this calls to mind China's mistrust of bilateral relations with any regional organisation, as has already been seen in the case of ASEAN.

³⁴ But their own loose thinking which identifies the former dissidents with the present-day critics, seems hardly any better than the alleged confusion of the two Russias.

- Kong Hangbin³⁵, "It is not a bad thing for the world to be afraid of China", *Huanqiu Shibao*, March 16th 2007.

In this article, Kong Hangbin, lecturer at the prestigious Beijing University, draws our attention to the country's image and to the importance of such perceptions for a country's development. In words that are a good deal more moderate than his title would suggest, he echoes the opinions of Wen Jibao³⁶, and refers to a number of published articles on "international culture", the role of China on the international scene, and the image of the country as a factor of its power.³⁷

There is no doubt that China's economic growth is attracting increasing interest, and that China's emergence as a major power is causing fears of expansion abroad; its economic development is causing anxieties over unemployment in the developed countries, and its growing military budget is giving rise to fears for world peace. For some observers, anything that China does causes anxiety. But the writer considers that attracting such attention is not necessarily a bad thing, since it means that the status and influence of China also rise. So he states the need to analyse the situation so as to react "correctly" to it. The apprehension of others may provide the positive means of raising the status of the country and increasing its influence. Despite the tone of this introduction, he directs his observations to the situation within the country and offers a fairly liberal view of the interactions between China and the rest of the world.

In his view, China ought to ask itself how it could effectively appease the fears raised by its growth, and in order to achieve this, it would be necessary to understand why they have arisen. Are they the outcome of ill intent or a misunderstanding of the real situation? Why does China provoke such mistrust? Here, most unusually for this kind of article, the author sets out what he considers to be those of China's weaknesses which need particular attention:

³⁵ Lecturer in international relations at Beijing University

³⁶ Also analysed in this issue.

³⁷ See the preceding issues of *China Analysis*, as well as Zhang Wu, "The debate over the role of China in the global economy", *Guoji Wenti yanjiu*, February 2007.

In the first place, there is the contradictory nature of China's development, and especially the disparity between the regions, between the urban and rural sectors, and between the economic and the political reforms. There is a significant gap between the national GDP and the *per capita* GDP, just as the riches of certain urban centres are in marked contrast with the poverty of remote villages; finally, particular attention should be paid to the gaps between the political leadership working tirelessly for the good of the people and the "arrogant and greedy" local officials. The same applies to the gap "between the rhetoric and the harsh reality".

In the second place, as a true Confucian, the writer praises the relative success in achieving certain general and rather vague objectives, such as "social harmony" and "harmonious relations", but he denounces the failures at the level of small details and minor mundane affairs: the chaos on the roads, disrespectful driving and behaviour, the resolution of issues without true commitment, the low quality of Chinese products, and the prevailing fraudulence. If one only considered the ultimate balance between positive and negative, or between macro and micro matters, the little worldly details might appear to be of minor, secondary significance, but to an outside observer these minor negative issues may well convey a quite different set of meanings, thus affecting his esteem for

the whole country. So some of the international fears with regard to China may be due either to the uncertainties related to its developmental problems or "to some Chinese people's misunderstanding of the importance of details".

What is the appropriate reaction? The author recommends "a calm and moderate approach", because the outsider's point of view on the imbalances in China's growth may serve as "a useful mirror placed before China, or even as a doctor's diagnosis". Looked at in this way, the apprehension expressed abroad "may be very useful, and we should not blame those who hold up the mirror before us for the image we see in it", particularly when China's development still displays marked failures in certain respects. "In its diagnostic aspect" the outside view should not be shunned either, for it may serve as a warning as well as a therapy for some of our ills. Certainly, there are some "ill-intentioned doctors" with "poisoned medicine", but it is in China's interest to listen to all advice before deciding whether it wishes to accept the recommendations on offer. In this respect, the misgivings of others may be of benefit to China.

Nonetheless, China ought to try to calm this foreign fear. But how? In the first place, the author goes on to argue, by continuing "boldly and without hesitation along the path of Reforms and Opening Up. Admittedly, China's development will involve encounters with disquieting problems requiring resolution along the way, but as time goes by the uncertainties and fears will decline". Throughout the reform process, observers have forecast the break-up of China, leading to chaos and loss of control, but in the face of these predictions "China has shown itself to be very capable of managing its development, thus calming the anxieties of the rest of the world".

However, some of the social disparities in China will be difficult to eradicate in the short term, and there will need to be concerted action to fight against certain contradictions ("such as the contrast between rhetoric and reality, or between the need for hard work and the prevalence of unearned privileges"). "Sometimes", he adds, "outside observers have a particular viewpoint which lets them see more clearly than the Chinese".

Finally, "the moral standards of the population need to be nurtured", for if China

is indeed catching up with the developed countries in terms of its GDP and urban growth, in terms of "respect for others" and moral values, the gap is growing ever wider. And "in the eyes of outside observers, that influences the image of the entire country".

He concludes that, in order to calm the apprehensions of other countries, China ought to "look closely at itself" and do its work well, for "that is the true way of a power".

11. An active policy of "desinicisation"

Summary of:

"The new version of the history textbooks allows us to rediscover the true face of the history of Taiwan", editorial, Ziyou Shibao (Liberty Times), 1 February 2007.

Chang Ching-wei, "The revised versions of the high school history textbooks abandon a myth in a neutral manner", Xin Taiwan Xinwen Zhoukan, no. 567, 1 February 2007.

Wang Yi-feng, "National identity: the seeds have to be sown in academic textbooks", Xin Taiwan Xinwen Zhoukan, no. 567, 1 February 2007.

"Legalist independence hits a wall, psychological independence is inflamed", editorial, Lienhebao, 2 February 2007.

Philip Yang Yung-ming, "Changing names at any price means playing on the heartstrings", Lienhebao, 11 February 2007, p. 15.

*Lin Huo-wang, "Chen Shu-bian is changing names to save his skin after 2006", Lienhebao, 12 February 2007, p. 15.
with comments by Mathieu Duchâtel*

Since the beginning of 2007, three issues have dominated domestic Taiwanese politics: the corruption cases, the selection by the political parties of their candidates for the 2008 presidential elections, and the desinicisation campaign (去中國化) orchestrated by the island's authorities. This last issue is shaped by strategic and ideological dimensions. Since the foundation of the DPP, desinicisation has represented one of the principal demands of the more independence-minded wing of the party. For its defenders, it represents the result of a legitimate effort to refocus the regime of the People's Republic of China on Taiwan. It aims to correct the forced sinicisation of the Taiwanese by the Kuomintang and to liberate a national identity suffocated by an authoritarian regime devoted to the Greater China myth. For its detractors, on the other hand, this desinicisation effort is based on populist calculations and on an underlying independence ideology. It will end up impoverishing Taiwanese culture by cutting it off from its Chinese roots. Some critics even go so far as to affirm that complete desinicisation would result in a total cultural void. In this context of a profound division among the elite, the reform of history textbooks announced in January 2007 by the

minister of education, Tu Cheng-sheng,³⁸ has provoked, as on every political initiative of the DPP government, a hue and cry from the opposition and a volley of applause from the “pro-Taiwanese” political forces. This stormy debate intensified even more when the government announced at the beginning of February the resumption of its campaign to “rectify names”(正名) for state-owned enterprises, which consists in replacing the reference to China in their names by a reference to Taiwan. In its English appellation, the Chinese Petroleum Corporation (CPC) has become CPC Taiwan. From now on, the China Shipbuilding Corporation will be called CSBC Taiwan. The Chunghwa Post Corporation (*Chunghwa* means “China”) has been renamed the Taiwan Post Corporation.³⁹ In the Chinese-language versions, the use of the word *China* has been completely abandoned in favour of *Taiwan*.⁴⁰ At the end of February, the authorities discussed the practical forms for renaming the Chiang Kai-shek Memorial Hall, one of the major tourist attractions in Taipei, the Taiwan Democracy Memorial Hall.⁴¹

This summary is based first of all on the commentaries by the island’s pro-independence press to take stock of the nation-building movement orchestrated by the DPP government and the logic that rules it. Nation-building is distinct from “state building”. While seeking to maintain stability in the Taiwan Strait, Chen Shui-bian and his successive governments have been extremely prudent as far as state building is

concerned, while devoting considerable energy to “Taiwanize” Taiwanese society, considering that it was necessary to “desinify” it for that. This analysis then sets out to take stock of the criticisms scourging this desinicisation policy, based on an editorial and two opinion articles published by renowned academics in the opposition’s daily newspaper *Lienhebao*. Interestingly, if the three texts selected are not totally devoid of cynicism or blistering barbs against Chen Shui-bian, they seem to forearm themselves against any accusation of being anti-independence and are keen to provide reminders of their commitment to the independence of the Republic of China on Taiwan. Faced with “two Chinas” or “one China, one Taiwan”, the principle of one China preached by Beijing is attractive to no more than a silent majority in Taiwan.

The new history textbooks used in high schools from the beginning of the second term in the 2006-2007 school year have gone through the grinder of the name-change campaign, one of the hobby-horses of the more independence-minded wing of the DPP. Thus Sun Yat-sen will no longer be called the “Father of the Nation” (國父), but Sun Yat-sen, which, the political opposition says, boils down to delegitimising the Republic of China. Moreover, all the qualifiers traditionally used in the Republic of China to designate mainland China, such as “the Chinese communists” (中共), “our country” (本國), or even “the mainland” (大陸), will be replaced by “China”. The founding events that led to the overthrow of the Qing dynasty and to the establishment of the Republic of China are similarly targeted, such as those at Wuchang, which will no longer be termed the “Wuchang rebellion” (起義), but the “Wuchang insurrection” (起事), a term voluntarily more neutral that no longer seeks, in contrast to the previous expression, to confer a moral justification on the revolution against the Qing dynasty. On the other hand, the episode in which the emperor Qin Shihuang united the Warring States in 221 BC will no longer be taught. The period of the Japanese occupation (1895-1945) will also see a change in description, with the abandonment of the term “occupation” (日據), judged too negative, and its replacement by the wording “Japanese administration” (日治). Finally, the number of lessons dedicated to Chinese history will once again be reduced. In reality, this “rectification of names” in the history textbooks is an amplification of a reform of

³⁸. Born in 1948, the Minister of Education is a historian by training, specialising in the history of Ancient China. A research fellow at the Academia Sinica until 2000, he became an advisor to the Ministry of Education in 1994. He drafted several speeches for Lee Teng-hui, in particular those relating to the events of 28 February 1947. In 2000, he was appointed by Chen Shui-bian to head up the National Palace Museum, a position with a ministerial rank, when he stated that he was committed to the “depoliticisation” of the collections of the Chinese empire. He was appointed Minister of Education in 2004.

³⁹. “State run firms begin name change”, *Taipei Times*, 10 February 2007.

⁴⁰. “Half-Baked Name Change, Taiwan”, *Taipei Times*, 11 February 2007.

⁴¹. “Chang Kai-shek Memorial Hall Must Go: Chen”, *China Post*, 27 February 2007. The Ministry of Defence has been engaged in removing the statues of Chang Kai-shek from military buildings. In September 2006, Taiwan’s international airport, the Chang Kai-shek airport, was renamed “Taoyuan Airport”.

greater scope that, starting in 2004, has definitively integrated a dividing line between the history of Taiwan and the history of China.

The editorialist of the *Liberty Times* accepts the criticism of an opposition legislator, according to whom this reform can be compared to a “cultural revolution”. In his view, however, this is a cultural revolution based on democratic values and on a “Taiwanese”, and is intended to return to the Taiwanese their right to see the world from Taiwan, rather than through the prism of a Chinese nationalism imposed by force on the Taiwanese by the Kuomintang. For this editorialist, who picks up on a key argument of the Taiwanese independentists, Taiwanese society has experienced several invasions: the Dutch, the Spanish, the Ming loyalists of Zeng Chenggong (Koxinga), the Chinese empire during the Qing dynasty, the Japanese and, finally, the nationalists of Chiang Kai-shek. According to this argument, each invader brought with them a set of practices that contributed to the formation of a specific Taiwanese culture. From this point of view, Chinese culture is only one component among several others making up Taiwanese culture. But under the authoritarian regime of the Kuomintang, all the resources of the one-party state were employed to “brainwash” the Taiwanese by imposing a Chinese identity on them, by crushing any specific characteristics of Taiwanese culture and by suffocating its diversity. Thus the teaching of history under the Kuomintang not only reflected the cultural imperialism of the Chinese, that “power derived from the outside” (外來政權), it personalised the dictatorial nature of the occupying regime. In contrast, the reform of the history programmes adopted by the DPP government is part and parcel of the democratisation of the island. Now, according to the *Liberty Times* editorialist, Chen Shui-bian has a mandate to implement this reform. His victory in the presidential elections of 2000 and his re-election in 2004 have committed him to consolidate the “Taiwanisation” undertaking and to reinforce the “Taiwanese subjectivity”. Chen is president of the Taiwanese. Given that, it is normal that he should enshrine their right to perceive history from their own point of view.

The *Xin Taiwan Xinwen Zhoukan* sets out to respond to the criticisms which state that the history textbooks merely reflect an ideological project and the intrusion of politics in

education. It bases its argument on a quotation from Tu Cheng-sheng, who accurately grasps the dominant mood in Taiwanese society: “Those who think that my reform is borne by ideology are judging it from the viewpoint of their own subjective ideology”. The thesis of the pro-independence weekly newspaper is based on the argument which reasons that the change of names should not be read through the prism of the independence/ unification debate, as it only represents a justifiable effort to demolish the legacy of the Kuomintang. For the weekly, this reform is moderate, and it is even questionable that the history of China takes up more space in Taiwan's school textbooks than the history of Japan, Korea, Vietnam or the other nations who occupy Taiwan's regional space...

For the editorialist of *Lienhebao*, Chen Shui-bian, while promising – during his two inaugural addresses in 2000 and 2004 – not to declare independence, has already renounced the construction of an independent Republic of Taiwan and admitted that that was an unrealisable goal. Since then, he has abandoned the state-building project and renounced (*de jure* 法理台獨) independence. But on the cultural, social and education fronts, Chen is raising high the green flag of what the *Lienhebao* calls “psychological independence” (心理台獨). His goal, says the editorialist, is to play on the heartstrings while leading people to believe, and pretending himself to believe, that a declaration of independence is still possible. Chen's strategy consists in triggering a shockwave through Taiwanese society and taking advantage of the uproar that it unleashes in order to conceal the absence of concrete results and to garner the citizens' votes while they are in a state of shock.

For the editorialist, there are two senses to the idea of Taiwan's independence. The first consists in opposing the People's Republic of China. The second describes the effort to overthrow the People's Republic of China. If the issue is to refuse annexation by the communist regime, the policy of desinicisation is meaningless. In its resolution on the future of Taiwan, passed by the executive committee of the DPP in 1999 before the presidential elections, the party revised its historical project of building a republic of Taiwan, by declaring that “Taiwan is already an independent and sovereign state, its name is the Republic of China”. By

recognising the legitimacy of the Republic of China, the DPP became an independence party in the primary sense of the term. And according to the *Lienhebao*, it has espoused the majority opinion of the Taiwanese population, the opinion that admits the existence of a sovereign state on either side of the Taiwan Strait. But if the DPP returns to its state-building project and to its ideal of destroying the People's Republic of China, the most probable scenario is that, without the shell of the Republic of China, Taiwan will be at the mercy of the People's Republic of China. According to the *Lienhebao*, the desinicisation movement is first and foremost orchestrated against the Republic of China; it leads the Taiwanese to look down on their own state and divides society by treating those who still identify with the Republic of China as "Chinese swine" (中國豬). Thus, by deploying such energy against the Republic of China, the only effect obtained by the DPP is to weaken still further Taiwan's position in relation to China, by confronting it with a divided society, and, in the final analysis, relaying Beijing's efforts to accelerate the elimination of the People's Republic of China.

Philip Yang notes that the wave of name changes of state-owned enterprises has provoked an unusual reaction from the State Department in the USA, which has declared that it does not support "the administrative measures taken by the Taiwanese authorities that could give the impression of unilaterally changing the status of Taiwan or of setting course for independence".⁴² For this academic, this new initiative of the DPP is far less ideological than strategic. It aims to create the conditions necessary for a good showing in the legislative elections in December, then in the presidential elections in 2008, by a tactic of divide and conquer and by erasing any memory of the total absence of results from public action since the re-election of Chen Shui-bian in 2004. But in this perspective, the DPP is forgetting that desinicisation could trigger a new crisis in the Taiwan Strait. It is from this viewpoint that Philip Yang puts forward an analysis of how the security triangle will work based on the case of the desinicisation measures. For him, the trend towards the stabilisation of relations across the Strait over the last two years can be explained as much by the new strategy of

⁴² "US Criticizes Changes in Names of Taiwan's state companies", *AFP*, 10 February 2007.

Hu Jintao⁴³ as by the role played by Washington of double dissuasion and maintenance of the political and military status quo.⁴⁴ The American statements, motivated by the desire to maintain stability in cross-Strait relations, have sought to forestall a direction reaction from China against the desinicisation on Taiwan. For recent history has shown that any explosion of verbal violence on the part of China against Taiwan has been counter-productive. On the other hand, faced with the American reprimands, Cho Jung-tai, secretary general of the presidential office, could only attempt to close this chapter by declaring that Taiwan objected to any interference in its domestic affairs.⁴⁵

A third critical viewpoint is that of Lin Huo-wang, who begins his analysis by denouncing the absence of social dialogue and the expeditious methods of the government. The changes of name will cause the state-owned enterprises in question to lose tens of millions of Taiwanese dollars.⁴⁶ Could this public money not have been better spent on improving the economic environment or on social services? The DPP's approach is clear and nothing new: from the beginning of 2007, the party has wanted to take the initiative and define the theme on which the next elections will be played out. In the past, the DPP has used this strategy repeatedly, with effectiveness far superior to that of its political opponents, who have always failed to place the question of economic growth at the heart of the election debate. The new wave of desinicisation suggests that the DPP will again seek to place the question of national identity at the heart of the next electoral jousts. However, with the change of names of the state-owned enterprises, the DPP has chosen an issue where, according to all the surveys, a majority of the island's population disapprove of the government's action. For

⁴³ "Les relations entre les deux rives, bilan en 2006 et perspectives", *China Analysis*, no. 11/12, January 2007.

⁴⁴ Philip Yang, "Doubly Dualistic Dilemma: US Strategy Towards China and Taiwan", *International Relations of the Asia-Pacific*, vol. 6, no. 2, August 2006.

⁴⁵ "Government Brushes off US Criticism", *Taipei Times*, 11 February 2007.

⁴⁶ For example, the estimated cost of changing the name of the Post is in excess of 1.5 million euro, but Chen Shui-bian has justified his action by reckoning that the enterprises would gain in competitiveness in the medium term thanks to a better visibility, and that it was normal to "spend a modest sum for future generations".

Lin Huo-wang, this can be explained by the fact that the real motivation of Chen Shui-bian is to consolidate the dependence of the candidate who will represent the DPP in the presidential elections in 2008 on him and his political line. In these circumstances, the principal preoccupation would be to avoid his name being sullied by the corruption case that, for the moment, only affects his wife, as the Constitution of the Republic of China provides for criminal immunity of the president during his mandate. Wu Shu-chen has refused six times, for health reasons, to appear before the court. According to Lin Huo-wang, the presidential couple is seeking to gain time. Given that, Chen Shui-bian wants to impose himself as the person who will "make" the next president of Taiwan in order to benefit from the protection of the next head of state... A line of reasoning that has the merit of revealing the distrust of some members of the island's elite in judicial independence...

12. The War of the Princes Back On: the Spectre of Division Haunts the Kuomintang

Summary and analysis by Hubert Kilian of the following publications:

- Lu Hui-zhen: "Ma Ying-jeou hardens and Wang Jyn-ping pushes forward", *Xin-xin Wen* (The Journalist), no. 1044, March 8th-14th 2007.
- Shu Zi-jiao: "Faced with Lien Chan's inability to win their co-operation, will Ma and Wang split the Party?", *Xin Taiwan xinwen zhoukan* (New Taiwan weekly) no. 572, March 9th-15th 2007.
- Qing Pei-jan, "Wang and Ma declare war, and Lien Chan is drawn in despite himself", *Taiwan News*, no. 279, March 1st 2007.

The judicial enquiry in February 2007 into Ma Ying-jeou's involvement in the fraudulent use of the Taipei city hall's special funds⁴⁷ has revived the internal dissensions within the Kuomintang. The façade of harmonious unity constructed around Ma, who felt politically secure, has been shattered to be replaced by what now appears to be the second act of the war of the chieftains into which Ma and his rival Wang Jyn-ping had hurled themselves in

⁴⁷ Ma Ying-jeou is suspected of defrauding a total of 11 million Taiwan dollars (US\$333,000), and is being investigated for corruption.

July 2005, at the time of the primary elections for Party leader.⁴⁸ A month ago, Ma Ying-jeou was obliged to relinquish leadership of the Party, and in a highly calculated move at the same press conference he declared that he would stand as an independent candidate for the presidential elections in 2008.⁴⁹ This was an act which started the war with Wang Jyn-ping, who still nurtures presidential ambitions. The Taiwan press has given wide coverage to the prospect of a split in the Kuomintang, the bitter remnants left by the Ma Ying-jeou affair, and the attempts by the honorary leader Lien Chan to intercede between the two rivals to save party unity. The three articles examined below cover in a more or less partisan manner the respective strategies of Ma Ying-jeou and Wang Jyn-ping. They examine their relative strength, and consider the possibility of a split.

The article in *Xinxin Wen*, which is traditionally close to the Kuomintang, is relatively uncritical of Ma Ying-jeou, and it considers that the latter's strategy is clearly a response to a carefully contrived plan of battle. According to Ma's campaign group quoted in the article, his ultimate aim is the return of the Kuomintang to power in 2008. In their view, Ma must forestall the dissident candidates who would repeat the same divisive scenario which led to defeat in 2000, and he must present himself as the natural leader of the opposition. To achieve this, three lines of attack have been opened up by his support teams. The first covers the legal ground, and aims at better handling of the issue of the Taipei city hall's special funds, in order to persuade public opinion that Ma has been the victim of a system determined to get rid of him (*zhidu sharen*). The second line of attack deals with the Kuomintang. Despite Ma Ying-jeou's dismissal from the leadership of the Party, he is still perceived as being in charge of its minor and major events and will occupy the same platform as the Party's candidates for the elections to the Legislature at the end of 2007. This is a situation which would oblige him to co-operate with the Party for his own political benefit, while he can no longer actually benefit from the resources of the Party. The third line of attack handles public opinion, in which Ma must continue to build up his profile as a Head of State by taking a stand on the questions of integration

⁴⁸ See "La prise de pouvoir de Ma Ying-jeou au Kuomintang, un destin présientiel?", *China Analysis*, no. 1, September-October 2005.

⁴⁹ "Ma Starts 2008 Bid After Indictment", *Taipei Times*, February 13th 2007.

between the two sides of the Taiwan straits and of economic growth.

For *Xin Taiwan xinwen zhoukan* and the *Taiwan News*, Ma Ying-jeou is showing himself capable of a political aggressiveness which is the source of the reopened hostilities within the Party. This is the point of view, albeit less critically worded, of the *Xinxin Wen* which maintains that his abrupt announcement of his candidature has upset the presidential ambitions of Wang Jyn-ping, who had been discreetly fielding support teams since December, both within the Party and in the provincial areas. For the *Xin Taiwan xinwen zhoukan*, Ma would not hesitate to use any means to push aside anyone standing in his way to the presidency of the Republic, and the city hall special funds scandal has strengthened his willingness to tread this road alone, even at the cost of his relations with Wang Jyn-ping. In its support, the article points to Lien Chan's stupefaction in the face of Ma's precipitate and violent behaviour. The article also argues that although the confrontation between Ma and Wang may at first have been organised around a strategy of "war to enforce a peace" (*yi zhan bi he*) it is developing on Ma's initiative towards a strategy of "war to enforce a retreat" (*yi zhan bi tui*). Again according to this article, this analysis is supported by the fact that Ma announced his resignation from the leadership of the Party at the same time as his candidature for the Presidency. Finally, as the ultimate object of contention, Ma Ying-jeou, is said to be attempting, with the aid of the Party's general secretary Wu Den-yih⁵⁰, to mobilise the Kuomintang for the 2008 presidential elections, to the disadvantage of Wang Jyn-ping, while Wu Deng-yi is said to be nurturing ambitions to take over the presidency of the Parliament. The *Xin Taiwan xinwen zhoukan* adds that in this situation, an open confrontation between Wang and Ma is becoming increasingly likely, while Lien

⁵⁰"New KMT Secretary-General not to Everyone's Taste", *Taipei Times*, January 14th 2003. Wu Den-yih started his political career in 1973 as deputy to the Taipei city council. He was then elected as district leader of Nantou in 1981, before becoming leader of the KMT's Taipei municipal committee from 1989 to 1990. Appointed as mayor of Kaohsiung in 1990, he was elected for a second term in 1994. He became a deputy in 2002, and was appointed by Ma Ying-jeou to the position of general secretary of the KMT on January 5th 2007. His main task is to improve relations between the deputies and the Party.

Chan's ability to play a mediating role is diminishing accordingly.

The three articles differ in their assessment of Wang Jyn-ping's room for manoeuvre. The *Taiwan News* believes that war between Ma and Wang is inevitable, and that Wang has created such a polarised situation with the sole intention of drawing Lien Chan back into the game. The *Xinxin Wen* states that Wang is actively working for the return of Lien Chan in order to recapture the initiative. This is a strategy which would allow him to reposition himself effectively while also setting up a confrontation whose later development he would be able to control. This would mean that Wang had given up the race for the leadership of the Party. This decision could be explained by the prospects for the December 2007 elections to the Legislature, taking into account the tradition in Taiwan which demands that the leader of the Party should take responsibility for both victories and defeats. This is a heavy burden which is likely to cost him dear in the light of the presidential elections of 2008⁵¹, according to his private secretary. The same journal also maintains that Wang's second calculation that this high office, well above Party posts, would enable him to intimidate Ma, by showing him that there are other tendencies within the Party which are not necessarily favourable to the former mayor. But an even more decisive factor for Wang would be that, through the tri-partite negotiations, he could achieve a clarification of the rules of the game with regard to the leadership elections. This would allow him to avoid falling into the trap of the primaries based on opinion polls which had allowed Ma to become Party leader in July 2005. Wang Jyn-ping's team are thought to have reached the conclusion that the feeling that "Ma Ying-jeou is the only one to represent the Kuomintang" is beginning to crumble, while the prospect of his receiving a prison sentence of over 10 years would make him ineligible under the electoral laws. The *Xin Taiwan xinwen zhoukan*, for its part, calls Wang's position a political dilemma. In their view, collaboration offers the less unfavourable alternative. Facing a situation in which Ma would continue to be in control, Wang cannot take the risk of assuming the role of the one who would have split the Party by refusing to work

⁵¹ Handling the selection of candidates to become deputies is a delicate task, in which the possibility of making enemies is far greater than that of building support.

with his opponent. In the event of open conflict between the two men, Wang actually has no escape route, unlike Ma who has not excluded presenting himself as an independent candidate.

The three articles go on to deal with the role of Lien Chan, and his room for manoeuvre. The *Xinxin Wen* agrees with the *Taiwan News* that Lien Chan is aware of the influence that he can exercise to bring about collaboration between the two men and preserve the unity of the Party. This already happened at the beginning of the year, with the meeting between the three of them and the consensus that they managed to put together⁵². Although this meeting produced no positive results, nonetheless Lien Chan managed to put forward the idea of the need for unity and support for the candidate most likely to win in 2008. But if Wang Jyn-ping calls for the return of Lien Chan, while others in the Party are willing to support Lien Chan in the primary elections for the Party leadership, the supporters of the two men will dig in for their trench warfare with its risks of escalation, and Lien Chan's response will certainly be to withdraw. The key point, then, is how Ma Ying-jeou will react to the prospect of seeing Lien Chan become Party leader. The latter's primary task will be to assess Ma's sincerity in the face of the prospect of his own return to leadership of the Party, and secondly, to gauge how much room he has to play a mediating role. Lien Chan is therefore calculating on being able to retain a measure of flexibility in order not to lose his role as mediator, and also not to be the cause of provoking the break-up. The city hall special funds scandal has created an area of uncertainty in which no-one can predict the outcome. Lien Chan's response is to opt for a strategy of silence rather than action. For the same reasons, both the *Xin Taiwan xinwen zhoukan* and the *Taiwan Times* see a problem in Lien Chan's strategy which is aimed at restoring peace within the Party and using the conflict with Ma to force him to withdraw. The article in question sees this strategy as clumsy, pointing to the meeting between the two men on March 5th whose outcome was Ma's declaration that there were two points of agreement between himself and Lien Chan: the need for a choice of candidate in order to preserve unity, and the need for a single candidate to emerge. But Lien Chan's preferred option then had

been to get Ma to accept a "single ticket" (*yi zhu*) rather than a "single person" (*yi wei*). Unlike the *Xinxin Wen*, which maintains a discreet silence on the issue, the *Xin Taiwan xinwen Zhoukan* and the *Taiwan News* both conclude that there is a logic at work which is heading towards a split in the Kuomintang, unless one of the two men gives ground. The *Taiwan News* concludes by predicting a crisis in the form of the primary electoral contest between Ma and Wang, superintended by Lien Chan. This outcome would have a close resemblance to a replay of the primary elections of July 2005.

⁵² "Ma and Lien Decide to Ditch Presidential Joint Ticket Strategy", *Taipei Times*, March 5th 2007.

This issue is based on the following publications:

<ul style="list-style-type: none">❑ <i>Caijing</i> (Finance and Economy): a bimonthly economic and financial review, based in Beijing.❑ - <i>21 shiji jingji baodao</i>: a publication with a distribution of 380,000 copies put out by the <i>Nanfang Ribao</i> group.❑ - <i>Guoji Wenti Yanjiu</i> (Study of international questions): a bimonthly review published by the Chinese Institute of International Studies (CIIS), Beijing.❑ - <i>Huanqiu shibao</i> (Global Times): a newspaper covering international affairs, on public sale every Monday, Wednesday, and Friday, published by the official <i>People's Daily</i> group.❑ - <i>Lianhebao</i>: a leading daily newspaper in Taiwan, nationalist in allegiance, and belonging to the powerful United Daily News group.❑ - <i>People's Daily</i>: the English version of the official organ of the Central	<p>Committee of the Communist Party of China; it occasionally publishes articles which do not appear in the Mandarin version.</p> <ul style="list-style-type: none">❑ - <i>Ta Kung Pao</i> (formerly <i>The Impartial</i>): a Hong Kong daily close to the Chinese Communist Party.❑ - <i>Wen Wei Po</i>: a leading Chinese-language Hong Kong daily, close to the Communist Party.❑ - <i>Xiandai guoji guanxi</i> (Contemporary international relations): A monthly review published by the CICIR (Chinese Institute of Contemporary International Relations), Beijing.❑ - <i>Xin Xinwen</i> (The Journalist): a Taipei weekly, published in Chinese.❑ - <i>Zhongguo Shipao</i> (China Times): one of the three leading newspapers in Taiwan; its political affiliations are ambiguous but tending towards the nationalists.
--	---

The China Analysis Team

<ul style="list-style-type: none">❑ Editors: François Godement and Michal Meidan❑ Regular Contributors: Michaïl Andrei, Mathieu Duchâtel, François Godement, Hubert Kilian, Michal Meidan, Thibaud Voïta, Joris Zylberman.❑ Additional Contributors: Florence Biot, Camille Bondonis, Cécile Cavoizy, Christine Chaigne, Valérie Demeure-Vallée, Chloé Froissart (CEFC), Gilles Guiheux (CEFC), Églantine Jastrabsky, Aurore Merle (CEFC), Candice Tran-Dai, Jean-Louis Rocca, Ilias Sarsembaev, Émilie Tran (CEFC)❑ Special Thanks:<ul style="list-style-type: none">❑ CEFC Hong Kong, Françoise Nicolas.
