

China Analysis

Les Nouvelles de Chine

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INTRODUCTION

*This autumn issue of **China Analysis** comes one month before the opening of the 17th Congress of the Chinese Communist Party. This event is however ritualized and fades in comparison with the whirlwind of the Chinese economy which is experiencing an annual growth rate of over 11% and will undoubtedly leave China with a trade surplus of more than \$300 billion in 2007. Nonetheless, it is giving rise not only to speculation but also, through positions taken, sheds light on the debates and the issues of concern to the Chinese leadership. It is fascinating to see how every hesitation points to a reminder that the final decision is in the hands of Hu Jintao. Thus, the man who restored the principle of collective leadership, and who set up, nominally at least, a system of transparency is more than ever the yibashou, or Number One, and a veritable black box when it comes to assessing Chinese intentions.*

*This issue of **China Analysis** focuses on several aspects related to the restrained but centrally important debate over political democracy. As we go to press, Xuexi (Study) published more praise for democratic change - an unavoidable complement to the market economy, Red Flag stated its opposition to the matter, and the People's Daily sounded a note of caution. Admittedly there is still a considerable gap between the reactivity and accountability championed by the Hu-Wen team and democratic institutions. Corruption, as well as the highly publicized scandals, works just as much to justify the Party's authority and need for control as it does to support the reformists' demands for a greater balance of powers. The mere publication of the list of delegates to the 17th Party Congress months before the event is a quite considerable feat for those concerned, as the risks of denunciation and public condemnation are great. Fortresses can fall: after the Shanghai Party it was the turn of Sinopec, currently one of the ten leading global corporations, whose powerful boss was nonetheless dumped in a few days, along with the Finance Minister who had rubbed shoulders with leading world financiers. Hu Jintao's grip is impressive in combining stability with decisive moves.*

The current issue also deals with the question of central authority in several different aspects. Why must the management of social security funds be centralized? Why is the army not to be liberalized in the name of its ongoing modernization? How are Chinese brand names to be promoted?

*The other China - Taiwan - has not been overlooked. **China Analysis** has not commented on the two proposals for a referendum on UN membership (now that President Chen Shui-bian and the Kuomintang each have one). The sharply worded opinion recently expressed by the former President Lee Teng-hui, to the effect that it is shattering the island's political life, is itself comment enough. We have chosen instead to examine the constantly diminishing international space accorded to Taiwan, while also considering the possibility of de facto association of Taiwan in the alliances being forged by Japan in the Asia-Pacific, as well as in regional integration mechanisms.*

*Finally, this issue marks the arrival of Mathieu Duchâtel to the editorial board. As a doctoral candidate in Chinese international and strategic questions, he has been a regular contributor to **China Analysis** since our first issue.*

François Godement et Michal Meidan

1. The Democratic Debate No Longer Silenced

Commented summary by Michal Meidan based on:

- Xie Tao¹, "The socialist democratic model and the future of China", *Yanhuang Chunqiu*, no. 2, February 2007
- Wu Min, "Without democracy, there can be no Communist Party" *Yanhuang Chunqiu*, no. 3, March 2007
- Jiang Xun, "Democracy advances slowly, but is taking its first steps in China", June 10th, *Yazhou Zhoukan*
- Shen Baoxiang, "Socialism with Chinese characteristics is emblazoned on our banner", *Xuexi Shibao* (Study Times), July 18th 2007

In March and April 2007, *Yanhuang Chunqiu* (China throughout the ages) published a series of articles calling for democratic reforms and freedom of the press. The journal, founded in 1993, is supported by Party elders, who use it to express somewhat reformist positions, albeit having spent their professional careers in the official press organs.

This series of articles provoked a heated debate in leading political circles², without, however, raising any official reaction or condemnation against the writers or the journal, at least according to the chief editor, Du Daozheng. Nevertheless, the February issue was notable for its absence from the journal's website...

By calling for the introduction of a form of democratic socialism in China along the lines of the political systems of Northern Europe, Xie Tao's article took the boldest position: "The reform of the political system can no longer be put off", he writes; "only a constitutional democracy can resolve the problems of corruption that are weighing down the leading party, and only democratic socialism can save China". He goes on to argue that the history of the 21st century has been characterised by a coalescence of three political systems: capitalism, communism, and the Swedish form of democratic socialism. In his view the latter has proved to be the best. Moreover it has transformed the

¹ Xie Tao was vice-chancellor of the prestigious Beijing People's University.

² See "Democracy? Hu Needs It", *The Economist*, June 28th 2007.

nature of both communism and capitalism. To continue with economic reform under a Maoist system can only lead China into a disastrous bureaucratic capitalism, of the sort which failed in the Kuomintang era on the mainland and subsequently in Chang Kai-shek's Republic of China.

In addition to this, Xie Tao goes on to state that, Marx and Engels, towards the end of their lives, supported the idea of democratic socialism, abandoning the kind of violent revolution set out in their *Communist Manifesto*.

In this context, the recommendations in Wu Min's article are less audacious. Despite the provocative wording of his title, his actual arguments quickly turn out to be more politically correct. Although he believes that the Communist Party cannot last without democracy, he argues that it has lasted up to the present mainly because it contains fundamentally democratic notions and embodies the people's aspiration to become their own masters. He traces the presence of this democratic notion in the CCP back to Mao Zedong's speeches in the 1940s and to the documents relating to the foundation of the People's Republic. He adds that the creation of a communist party would not have been possible without the existence of a democratic discourse in China at the time, or without the heated intellectual discussions of the concept of democracy.

By way of contrast, the Soviet Communist Party failed precisely because of its inability to include the goals of freedom and democracy into its rhetoric or its acts. Hence; the goal of the Chinese Communist Party is to lead the Chinese people and support its efforts to become "an association of free individuals", masters of their country and society. Thus, only internal Party democracy can guarantee its integrity and vitality. And only the internal democracy promulgated by the 16th Congress can maintain the link between the Party and the masses, overcoming, and even eradicating, the corruption "which originates in society and reaches into the ranks of the Party".

This article by Wu Min is one of a whole series published in recent months. Another particularly noteworthy article was published by the prominent Party analyst Yu Keping, which appeared in the Party mouthpiece *Xuexi Shibao* (Study Times) under the title

"Democracy is a Good Thing"³. These articles stress the importance of democracy (but always in very vague terms) while warning against its dangers, particularly in view of the immaturity of the Chinese political system (Yu Keping). So, although the democratic debate is not stifled, some versions of democracy are more tolerated than others.⁴

The positions advocated by Xie Tao obviously went too far. Without taking a clear position in favour of a multiparty electoral system, his praise of the Swedish-style social democracy, coupled with his criticism of a "utopian" communist ideal, provoked a subtle reaction in Chinese intellectual circles. The *People's Daily*, along the lines of Wen Jibao's speech (in which he declared that a Western style democratic system would be a dead end for China), published some analyses assessing that European social democratic systems were incompatible with Chinese national characteristics. An economic journal, the *Jingji yanjiu cankao* (Review of Economic Research) also came out with a special issue on political reform including policy recommendations which consisted of the need to maintain the Party's monopoly on power.

This debate led to questions being raised in the Hong Kong press: is the Beijing leadership preparing a new political programme to be unveiled in the Autumn? Are they only tolerating such pronouncements to avoid souring the political climate in the run up to the Party's 17th Congress? Some commentators believe that behind closed doors these ideas are being heavily criticised, but that the leaders are avoiding any reaction which might appear too conservative.

Until the Central Committee in Beijing on October 15th, Hu Jintao appears to have given a partial response to these questions. In a speech on June 25th, the General Secretary expounded the official party line on the democratic debate. He repeated the fundamental role of the Party in leading the country, in order to ensure that the reforms should follow "the correct political direction". A parliamentary democratic system is therefore ruled out, but "political participation"

³ It was also published on the *People's Daily* website:
<http://theory.people.com.cn/GB/49150/49152/5224247.html>

⁴ For another official version, see the previous issue of *China Analysis*.

must be expanded in an "orderly" manner. Analysing this speech in the official journal *Xuexi shibao*, Shen Baoxiang emphasised socialism with Chinese characteristics: "In China we cannot take the capitalist road. In the contemporary world there are several kinds of socialism which we must study and evaluate in a calm and objective way. Whenever it is suitable we can draw lessons from others, but we cannot adopt any other kind of socialism".

2. Towards a "Guided" Public Opinion in China

Commented summary by Michal Meidan based on:

- Hu Shuli, "The rights of the individual and the duty to know and report the facts", *Caijing*, August 23rd 2007

- Yuan Zhifa⁵ "Getting to know and control the information flows", *Guangming Ribao*, August 22nd 2007

- Anonymous article, "China passes an emergency situations law", *People's Daily*, August 30th 2007

On August 13th 2007, the collapse of a bridge in the tourist village of Fenghuang, in Western Hunan, left 64 dead and 22 injured. The accident raised widespread media interest and drew reporters to the site. However, five Chinese journalists, from the *People's Daily*, the *Xinhua* press agency, the *Youth Daily*, the *Nanfang Dushibao*, and the *Economic Observer*, were beaten up while conducting interviews with the families of the injured in a nearby hotel. Their attackers appear to have been local government employees.

News of the event spread rapidly via the internet, and the local propaganda outlets sent their apologies, but only to *Xinhua* and the *People's Daily*, since the other journalists "had conducted interviews without permission".

This incident provoked a lively debate in the Chinese press over a topic which is still largely taboo in China, namely the rights and duties of journalists and the media. Hu Shuli, the editor of the liberal Beijing magazine

⁵ A member of the Chinese People's Political Consultative Committee, he has been chief editor of the *Guangming Ribao* and head of media studies at Qingdao Science and Technology University.

Caijing and Yuan Zhifa, a veteran of the press establishment, took up opposing points of view. In her article, Hu Shuli argues in support of press freedom and journalists' right to investigate, as long as they obey the law. Quoting the words of Li Yizhong, the Minister from the state office for work safety who declared that the causes of the accident should be uncovered, she added that "if the government is really concerned about the lives of its citizens and wishes to ensure that such accidents do not occur again, the public must know the circumstances of the tragedy and be informed about the developments in the enquiry. That is why journalists are struggling to defend the public's right to be informed."

The official organs of the Chinese press and propaganda apparatus do not share this opinion. In a speech by Yuan Zhifa, reprinted in all the Chinese publications, the former chief editor of *Guangming ribao* insisted on the media's role in guiding public opinion. Unlike Hu Shuli, Yuan sees the press as a tool of the Party, and consequently considers it impossible for there to be any divergences between the people and the Party, except for those arising from the presses shortcoming. The media are there to guide public opinion in the "correct" manner, so as to ensure "the prosperity of the people and the Party". The author cites two occasions when the press gave bad guidance to public opinion, provoking real political disasters. His first example was the handling of the events in Tian'anmen Square,⁶ and the second was the fall of the Soviet Union. By encouraging "openness" and press freedom, Gorbachev paved the way to widespread criticisms of Lenin⁷, after which the history of the Communist Party of the USSR to be called into question. The result was that "the Leaders of the Communist Party were discredited everywhere, and as soon as the achievements of the Party were denied, the people lost their ideological bearings and chaos quickly took hold of the country, leading to its break-up."

In order to represent public opinion correctly, he writes, the contents of the press must

⁶ It should be noted that, following the events in Tian'anmen Square, the idea of "guiding public opinion" was picked up in official pronouncements on the role of the press, particularly in order to criticise Zhao Ziyang for not having given correct guidance to public opinion.

⁷ Something that had, actually; already been done in the late 1950s by Khrushchev...

reflect the mainstream opinion among the masses, always keeping in mind the press' role as their guide. Although he pays no attention to the different, sometimes contradictory tendencies (for example, between different social groups, or between society and the government or the Party), he makes a distinction between "public opinion in the press" and "public opinion in society". He does not go into this difference in detail but believes that they are both closely linked "because the press bears considerable political responsibility and should exercise it cautiously".

Finally, Yuan Zhifa adds a warning about "information and freedom". In the West, he says, "the media are said to be a tool of the people" enabling them to be critical of the government. But in fact that is not the case. Taking the example of the United States, and the *Washington Daily News* in particular, he explains that the daily itself proclaims that its freedom is subordinate to national interests and national security. It has declared that it will not publish either sensitive information or anything which might be harmful to national security. From this, Yuan Zhifa deduces that the American press is subordinate to the State, and that its famous independence has definite limits. He cites other examples, like the dismissal of the Head of the Pashtun service at *Voice of America* for airing a controversial interview with Mullah Omar on September 25th 2001⁸, or the fact that any foreign journalist wishing to cover the Iraq war could only have access to information through American army spokesmen.

In spite of this argument, in an editorial on the following day Hu Shuli called for the protection of journalists' right to investigate, without making any direct reference to Yuan Zhifa's statements. On several occasions in the past there had been physical attacks against journalists, she said, in which the journalists were sometimes badly injured, but the local authorities protected the suspects. In her opinion that was because local officials were afraid of the insights opened up by the media, but also because of their insufficient

⁸In reference to the case of Spozhmai Maiwandi who broadcasted an interview with Mullah Omar despite the objections of the State Department. She was later promoted, but this promotion was also controversial because, although her terms of employment were improved, her responsibilities were more on the administrative side. She said that she had been distanced from her listeners, but nonetheless she was not sacked.

awareness of the law. If journalists have the responsibility of serving the public, they ought also to have the right to know and to conduct interviews, which is a right extended to all citizens: "To protect the rights of journalists is to protect society and each of its citizens".

Referring to the lengthy debates on the Emergency Response Law⁹, Hu Shuli argues that the personal security of journalists is a necessary condition if the country is to confront emergencies "in a mature and professional manner". The Emergency Response Law, passed on August 30th, demands more transparency from local governments, and lays down penalties for spreading "false or fabricated information".

But in a context where the role, and the rights and duties of the press are given such widely divergent interpretations, deciding what might constitute "false or fabricated" information may become a real challenge.

3. Reshuffles at the Top Ahead of the 17th Party Congress

At the end of the summer, there were numerous changes at the top of the Party and the central government. Particularly noteworthy were: the appointment of Meng Xuenong, the deposed mayor of Beijing and ally of Jiang Zemin and Zeng Qinghong to the post of Deputy Party Secretary in Shanxi province, a move that supposedly allows the Party Secretary Yu Youjun to return to Beijing and assume ministerial functions, after having, apparently; survived the recent scandals in the province; the retirement of the Finance Minister, Jin Renqing who is said to have been involved in corruption scandals (according to the Hong Kong press, linked to the departure of Chen Tonghai from Sinopec); the appointment of He Ping, an ally of President Hu, to head the *Xinhua* press agency, the regime's main propaganda organ; the replacement of Zhang Qinwei by Zhang Bolin as Minister of Personnel, and of Zhang Yunchuan by Zhang Qinwei at the head of the Committee of Science, Technology, and Industry of Defence. These ministerial changes may seem to come at a surprising moment, two months before the new appointments to the 17th Central Committee of the Chinese

⁹ See previous issues of *China Analysis*, particularly regarding the pollution of the Songhua river.

Communist Party are due to be announced. However, the Party Congress will announce only promotions to key posts in the Party hierarchy (the final makeup of the Politburo will only be made known at the end of the Congress), whereas ministerial changes are announced (and approved) by the National People's Assembly.

The fate of Zeng Qinghong is the object of much speculation. Will he retain his position on the standing committee of the Politburo? Will he replace Jia Qinglin as leader of the Chinese People's Consultative Committee? In any events, it seems quite obvious that by the end of the Congress, Hu Jintao's hold on power will have been strengthened.

Michal Meidan

- Benjamin Kang Lim, "Allies tapped as Hu builds on strength", *The Standard*, 1 septembre, 2007

One of President Hu Jintao's closest aides is tipped for promotion, while an ally who was sacked as Beijing mayor during the 2003 SARS crisis has made a political comeback, signs of the leader's growing strength. The changes were part of a reshuffle ahead of the party's 17th congress, which opens on October 15 with Hu expected to promote more of his men to key posts and further consolidate power.

Ling Jihua, 50, deputy director of the General Office of the Communist Party's Central Committee, is expected to replace Wang Gang, 64, as director in the near future, two sources with ties to the leadership said.

"It's a very important job," one source said, adding it was an indication Hu was politically stronger.

The general office is the party's nerve center, handling classified documents and administrative and logistical affairs of the party's 23-member, decision-making Politburo.

Previous directors of the general office were concurrently alternate members of the Politburo, including Wen Jiabao, who is now premier, and Zeng Qinghong, the vice president.

State media said former Beijing mayor Meng Xuenong, 58, had been appointed deputy party boss of the coal-rich northern province of Shanxi.

"Hu does not have a lot of people he can trust," a second source said, referring to Meng's comeback.

On Thursday, parliament approved the appointments of new ministers of state security, personnel and supervision.

Analysts said the changes meant more emphasis on Hu's policy of "scientific development" to correct China's path from that of the previous administration, which featured growth at the expense of the environment.

Meng is expected eventually to replace Yu Youjun, 54, as Shanxi governor after the provincial people's congress rubber-stamps his promotion.

A vice minister of the party's organizational department, which is responsible for personnel appointments, said Yu would be given an unspecified "important" job because the party "approves of and trusts" him.

Yu would be named a Cabinet minister, the sources said.

Months after Hu took the top job in the Communist Party in November 2002, China was gripped by SARS, which swept through Guangdong and Hong Kong before spreading globally in 2003. It infected some 8,000 people and killed around 800.

Hu sacked Meng, an ally of Hu's predecessor Jiang Zemin, from the posts of Beijing mayor and health minister for a cover-up and ordered the government to come clean on the epidemic.

Meng was a one-time Beijing deputy secretary of the Communist Youth League, which is Hu's power base and is known as the Communist Party's "helping hand and reserve army" and boasts 71.9 million members.

After his stint as Beijing mayor, Meng was appointed deputy head of a multibillion-dollar project to divert water from China's flood-prone south to its parched north.

4. Local Prefectures: the "Mother-in-Law" no One Can Get Rid of

Commented summary by Thibaud Voïta of the following:

- Wang Hongru *et al.*, "The provinces manage the districts': a new sharing of rights at the local level"
- Xu Antuo, "The management of districts by the provinces is necessary for the market economy", *Zhongguo Jingji Zhoukan*, June 11th 2007, 22nd week¹⁰

According to Article 30 of the Constitution of the PRC, the administration of the national territory is divided into three levels:

- Provinces, (including autonomous regions and special municipalities)
- Districts, (including autonomous districts, autonomous regions, and municipalities)
- Villages, (including minority villages and townships)

In addition to this division, administrative practice has added a fourth level, positioned between the Districts and the Provinces, namely the Prefectures¹¹. Originally these were in charge of the Districts. But they acquired great importance in the period of central planning. They enabled the central government to collect taxes due to it, and they ensured the implementation of Beijing's economic and political directives at the District level. In addition, the Prefectures' administrative functions operated to extend the economic area under the influence of the towns, the development of the regions, and to ensure political stability.

Yet today this administrative level has lost its use. Xu Antuo points out to its numerous ills. Its very existence engenders a

¹⁰ We should note that Xu Antuo has a high position in the Chinese Ministry of Finance. The other article seems to have been written in close collaboration with his colleagues and with research workers from the Chinese Academy of Social Sciences. Consequently, the views put forward here are mainly those of the Ministry of Finance. We have no information on the views of the local governments or of the National Committee for Reform Development.

¹¹ This denomination is problematic. The character 市, is used to designate the Prefectures but also the Municipalities (at the District level of the administration). The same character is to be found in 直辖市, which is used to designate the Special Municipalities, which are ranked at the Provincial level.

compartmentalisation of the territory and an overlapping of administrative activities, which hinder the work of the lower levels of government. The Prefectures have become synonymous with administrative expense and complexity. They obstruct innovations and development at the lower levels, and they increase the chances of corruption and embezzlement. In addition, he believes that as an administrative level, they lead to increases in inequality. In his article Xu takes a liberal stand, calling for a smaller local government apparatus in order to free the energies and abilities of the different local entities.

The fiscal reforms of the 1990s were a first step towards a weakening of the Prefectures. They consisted of a downwards redistribution of certain financial responsibilities from the Provinces to the Prefectures, namely the transfer of payments, budget management, the distribution of funds, the management of debts etc.

The movement from "District management in the hands of the Prefectures" to "District management in the hands of the Provinces" should allow for further steps to be taken. The first phase consists of two sorts of transfer from the Prefectures to the Provinces: 1) the transfer of responsibility for finances and 2) the transfer of purely administrative powers (manpower resources, assessment of cadres ...). This project is outlined in the Fifteenth 5 Year plan. The government expects this reform to be part of the solution to the *sannong* problem¹², by rationalising the fiscal burdens weighing on the peasants. The spirit and the motivation for setting up these measures were summarized by Wen Jiabao in June 2005, at the meeting of a working group on the national reform of peasant finances: "We must reform the management model for public finance, and adapt ourselves to local conditions; then we will be able to try out reforms for the management of the Districts by the Provinces".

Zhejiang Province played a pioneering role since it launched an experimental reform in 13 Districts in 1992. Zhejiang's success allowed the measures to be widely adopted. Currently, 16 Provinces and the four special Municipalities have put them into effect (See

¹² The *sannong* (or three agricultural problems) concern the peasantry, the villages, and agriculture. According to official thinking, solving these would deal with the ills plaguing the Chinese countryside.

Insert), which means that the reform has been implemented across two thirds of the country. It should be noted that in the Autonomous Provinces (the article only mentions Xinjiang, Inner Mongolia, and Ningxia) this measure contradicts the law guaranteeing the autonomy of regions inhabited by the ethnic minorities. This is also the case for certain Districts, for example in Sichuan. This explains why these Provinces cannot implement the reform.

Provinces which have experimented with direct management of their Districts (according to the Ministry of Finance)

Hebei, Shanxi, Hainan, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan; and the four special municipalities: Beijing, Shanghai, Tianjin, Chongqing.

However the measures already in place are insufficient for dealing with the abovementioned problems. This is because the reforms are not implemented in a uniform manner throughout the country. The main obstacles are ingrained bureaucratic habits, as the administrators at the prefectural level are refusing to give up their former functions. Only Zhejiang has implemented the measures to the point where the Prefectures no longer have anything to do with managing the Districts. Anhui has also reached quite an advanced stage in which it manages its Districts' public funds. On the other hand, in some Provinces (not mentioned by name in the article) the reforms only exist on paper, particularly in the matter of payment transfers.

As the upper administrative apparatuses in the hierarchy are commonly known as "mothers-in-law", the Districts have to support two of them, in a situation commonly called "the 'two mothers-in-law' problem", referring to the Prefecture and the Province. In the long run, this situation cannot be sustained.

The reforms will probably create new problems. Firstly, the Provinces are going to have to manage numerous Districts. Consequently they may have to review their own management mechanisms. Further reforms would need to be considered. In addition, the functions of the provincial services are not always clear. New shifts in fields of competence must be expected, and these will create new dead spots in the provincial administrations. There is a further risk that removing managerial responsibility

from the Provinces might lead to growing inequality. It is going to be difficult to push the reforms forward in the more remote regions: the reform of the administrative system as a whole is at stake. Finally, effective controls over the Districts by the Provinces will have to be set up.

5. Social Security and Pension Plans: the State Stays in Control

Commented summary by Thibaud Voïta of the following:

- Xiang Huaicheng¹³, "The Retirement Pensions System with Chinese Characteristics and the Social Security Fund", *Zhongguo Guoqing Guoli*, no. 173, June 2007, pp. 44-6.

China's social security and pensions systems underwent changes with the reform of the State enterprises. Until then, the latter had been responsible for the social costs and retirement benefits of their employees. The progressive abandonment of that system left a gap, which led the government to explore the possibility of adopting a capitalisation system. As is often the case, they opted for a compromise, allowing them to try out the advantages of capitalisation while retaining overall control.

The country's problems in providing social security coverage and retirement benefits have been exacerbated by the consequences of the family planning measures introduced in the 1970s. There are large numbers of elderly people, and their proportion in the population is increasing. The effects of this phenomenon are further amplified by the longer life expectancy and improvements in living conditions and hygiene¹⁴. Moreover the ageing process will have occurred before the country's economic growth will have enabled them to be wealthy. So the typical family tends to comprise **4 elderly people, 2 young people, and 1 child (giving a 4 + 2 + 1 structure)**, and it is the child who will have to support the rest of the family in the long run¹⁵.

The reforms which have been introduced so far are insufficient to solve this thorny problem. Currently certain fringe elements of the population slip through the social security net, particularly in the countryside. This

¹³ Formerly the Minister of Finance (1998-2003), since 2003 he has been President of the Chinese Social Security Fund

¹⁴ The Chinese Population Studies Centre calculates that by 2050 there will be 450 million people over 60, which will represent 32.7% of the population.

¹⁵ This point has been argued by Xiang Huaicheng himself, in a speech available at <http://www.ssf.gov.cn/enweb/Column.asp?ColumnId=59>

question of the ageing population and the lack of social security protection is of great concern to the central government. The problem has reached such alarming dimensions that the authorities do not rule out the possibility of it provoking a crisis which could destabilise the country's social and economic order.

The refusal to capitalise completely

Xiang comes back to the choices for the present system. He explains that the country still does not have the means to adopt a system of complete capitalisation. There are many reasons for this:

1. **The Chinese capital market is still too underdeveloped**, the financial institutions required to underly the process are too scarce, and the control mechanisms too weak.

2. Currently a total capitalisation system **would not benefit the Chinese economy**. Such a system favours savings and growth, and is suitable for an economy with low savings and poorly allocated resources. That is not the case in China. On the contrary, the country is presently engaged in redirecting savings towards consumer spending. Moreover, seeing as Beijing is confronted with a situation of haphazard investments (related to the overheating since 2004), adopting such a system would only further increase wastage and excess capacity.

3. **This system contains financial risks**, as is shown by the difficulties plaguing pension funds in recent years, due to a lack of transparency.

Gradualism is the catchphrase for the reform process

At present, apart from the Social Security Fund, social security measures rely on two supporting measures: firstly contributions from the enterprises, and secondly individual accounts operating on capitalisation principles. This is what is known as a **system of partial capitalisation**. How did this system develop? Xiang compares the reform of social security with that of the Chinese economy as a whole: gradualism has been the rule. The reforms began modestly with the development of a system of contributions from the enterprises on a "pay as you go" basis. Xiang considers that to be "socialising the system", an expression which accurately reflects the ambiguity of the arrangement.

Thus, a system of individual accounts was introduced in 1993, paving the way towards partial capitalisation. Following this measure, the different localities progressively unified their social security systems in a process which ended in 1997. In 2000 a new system was tried with the adoption of individual contributions for actual physical individuals. So the system did evolve, but slowly, especially since it was at first restricted to urban State enterprises, before being extended to the private sector. Then, in 2000, the National Social Security Fund was set up. It should also be noted that the government injected funds to support the system (in 2004 these amounted to 20 billion yuan), and adjusted the central government and local authority budgets in order to increase the funds earmarked for social security.

From now on the goal is to make the provision of social security from public funds generally available throughout the whole of China. But that is by no means easy; this programme is all the more sensitive because it has political, as well as social and economic aspects. Certain regions, for example, are unable to implement this reform since they lack the requisite means.

It has to be admitted that the reform process appears rather more sketchy than gradual, and is struggling to extend itself over the whole country.

The Chinese Social Security Fund

Nonetheless, the establishment of the National Social Security Fund in the early 1990s represented a great step forward. Before setting it up, the government looked into the experience of various national pension funds (those of Norway, France, Canada, Switzerland, Ireland, and New Zealand). It is one of the main elements in the system of partial capitalisation.

By managing personal accounts, the fund must guarantee the holder a part of his pension plan, of accident and sickness insurance, unemployment, and birth insurance. These services would represent about 40% of their wages if they were deducted at the source.

The fund was established in 2000 and has grown constantly since then. Its initial value amounted to 20 billion yuan, and it now stands at 200 billion. From 2001 to 2005 its rate of return rose to 15.66%, or 9 points

above the rate of inflation over the same period. Its investments are in shares, bonds, fixed holdings, shares in unlisted companies, and asset-backed securities. It is also able to invest in overseas stock and money markets (United States or Europe) as well as in Hong Kong.

One of the main contributions of this fund consists in its "**empty accounts**", which allow it to provide for the needs for those unable to contribute: the retired and "intermediary individuals", defined as those who no longer work but have still not retired. One part of the individual accounts of "new people" who have a job, is redirected to those without wages.

But this system is still in its initial stages and the fund is still not large enough to meet the needs of the whole Chinese population. Moreover, its effectiveness depends to a large extent on inflation trends, and it is exposed to considerable financial risk.

What direction should it take?

It is generally admitted that, in the future, the management of personal accounts may take one of three different forms: 1) a public investment institution along the Singaporean model; 2) a private institution along the Chilean model, or 3) a semi-private, semi-public institution.

There are many who believe that the private model is the best, being more competitive and able to generate greater profits. But Xiang takes a more moderate view, stressing the problems which have arisen in this type of institutions in recent years. In fact there is an inequality gap in access to information between the institution and the contributor. In cases of financial loss, the State has often had to rush to the aid of the contributors, which only increases the financial pressures on it.

Consequently, he favours **the idea of an institution which remains in the hands of the State authorities**. The individual accounts are still in a period of transition. It is quite important for them to remain in the hands of the State for various reasons: the investments are protected, which reduces the need for management controls; hostile competition is reduced, as are costs; the confidence of the contributors is more easily won and, in return, they are encouraged to contribute more; and finally it is by no means

proven that State institutions are less profitable than their private counterparts. Moreover, remaining under the care of the State may allow a further injection of State resources.

The upshot is the Xiang proposes the compulsory creation of a **national institution to administer all the social security and retirement systems in the country**. That would make long term management easier, it would reduce the risks, it would forestall discrepancies between the different strategies of the various local governments, and it would enable costs to be reduced. It is difficult to say whether Xiang is simply trying to promote this project, or whether he is using his article to announce its imminent implementation. The forthcoming Congress of the Communist Party of China will certainly shed light on these matters.

Meanwhile, this article makes one thing certain: Xiang is determined not to allow the government to lose control over the system of retirement provision. That would imply a liberalisation of the financial system which the authorities are not willing to undertake at the moment.

6. How Can Chinese Brands Go Global?

Commented summary by Thibaud Voïta based on:
-Huang Yuezhen, "China has no solid brand name"
- Wang Hongru, "Does China really have no solid brand name?", *Zhongguo Jingji Zhoukan*, June 4th 2007, 21st week

The elevation to public acclaim of national champions able to compete with the large multinationals is now at the centre of Chinese preoccupations. Chinese firms are an established presence in foreign markets, but they suffer from a major obstacle to their success: they are not yet recognised. The label *Made in China* still signifies cheap but low quality products. Chinese companies do not yet enjoy sufficient public recognition to establish them as a benchmark among foreign consumers.

These articles from *Zhongguo Jingji Zhoukan* seek to explain this phenomenon. The first one picks up on the comment made by Al Ries, the international marketing expert. In the second article, this analysis is set against

the points of view of various Chinese experts on the issue.

Al Ries: Chinese firms ought to concentrate on their reputation and develop their own particular speciality

Al Ries' observation is categorical: "As far as I know, there is no solid Chinese brand name on the world market". Even if a Chinese brand achieves good results in the domestic market, that does not mean that it will make it on the other world markets. Al Ries gives the example of a brand well known in China - Lenovo, which in his view sounds like "the name of an Italian pastry". His diagnosis is that China is currently faced with a choice: either it continues to manufacture products or it decides to manufacture brands. The solution is that Chinese businessmen and managers need to decide to spend time and energy in creating big brand names, and they should understand that the essential thing is not the production of low-cost merchandise. This is all the more so since the latest report from the United Nations shows that China is the third largest producer, after the United States and Japan. According to the same report, production costs are likely to rise with increasing wages, and that consequently the country must become more competitive.

In order to keep its competitive edge, China needs to move from being "**a manufacturer of products to being a manufacturer of brands**". At the present time, again according to Al Ries, Germany is the country with the highest production costs, and yet the Germans are very competitive in terms of brand names, as is proven by the reputation of companies like Mercedes or BMW. The German example illustrates Al Ries' reflections: a country's capacity for growth does not arise from its capacity to produce but from its capacity to manufacture brands.

Another problem is that so far China has not managed to get the name of one of its companies firmly linked to a particular product, like Dell, Intel, or Microsoft. Consequently, it is threatened by the "Japanese disease": a firm manufactures products for different sectors, and therefore cannot acquire a speciality in any particular line. The diversity at the production level stands in the way of establishing the brand internationally.

Al Ries has made the following recommendations to Lenovo: the company

should bring its production lines together. Next, it should find a name for its exports which will sound agreeable to European and American markets, which already have successful brand names, like ThinkPad, for example. Finally, they need to link a particular quality to the brand name. The models here would be Volvo, with its reputation for reliability, or Mercedes, with its social cachet. If Lenovo laptop computers were able to last eight hours without recharging, it is this quality that should remain in the minds of potential customers.

Is China really lagging behind?

The Chinese are pondering on Ries' point of view. Some experts believe that there is no need to worry, that the development of a brand's reputation is a process which takes time. It is enough to look at the example of Korea. A few years ago that country's products were internationally known as cheap and of inferior quality. Nowadays some Korean multinationals have managed to get themselves recognised as solid brand names. In the same way, the main characteristic of Chinese products is their low price. But strategies evolve, and in future low costs will no longer be the main characteristic of Chinese goods.

Moreover, this trend has already started. China cannot yet boast any famous brands but the successes of **Haier, Lenovo, or even Mengniu** are proof of Chinese determination, confidence, and ability. These firms show, above all, that China is only at the first stage in launching her brand names. Jin Zhanming, from Tsinghua University, goes further in arguing that right now China already has internationally recognised brands, such as China International Containers (a world leader in that sector), Tsinghua Tongfang, Huawei, ZTE, as well as Lenovo.

However, China is currently going through a risky phase; production costs are continually rising while the returns are not very large. The Chinese are putting their trust in long term improvements.

Meanwhile, they must take advantage of present opportunities. They need to launch an initiative aimed at getting recognition for the "Brand By China" instead of the "OEM" label (i.e. the "Original Equipment Manufacturer" which identifies them as manufacturers for other companies). China must become a "country of origin" and a

"strategic base". In addition they need to make plans for product innovations. They should also seize the opportunity presented by the Beijing Olympics to promote Chinese products.

Environmental improvements as the way to gain recognition

However some experts (including Zai Tingquan, deputy director of the committee of engineers in Chinese economic and social sciences) believe that China is lagging behind because of certain structural factors.

They believe that there are two problems facing the companies:

1. Their average life is two or three years, but in order to become famous, a company must last much longer;

2. They need to make long-term investments if they wish to become famous brand names.

In addition China needs better market conditions for successfully promoting Chinese brands. Moreover, Chinese brands will suffer if domestic consumption remains weak, as this will tend to block the companies' development.

Finally, another factor should be noted. Leading Chinese brands are facing large setbacks from the many scandals that have broken out recently, particularly in the United States. These brands are not helped by the sight of the thousands of dead cats and dogs last March, followed by the scandal of the Chinese anti-gel toothpaste. A company in the state of Utah even went so far as to advertise its produce as "China Free"... Negative events such as these can only undermine popular acceptance of Chinese brands overseas.

7. Against the Peaceful Change in the Military

Commented summary by Mathieu Duchâtel based on:

- Luo Bing, "Hu Jintao asks the army to guard against the eight big dangers", *Zhengming*, no. 356, August 2007, p. 6.

- Luo Bing, "The Communist Party sends five messages to mobilise the army against changes", *Zhengming*, no. 356, August 2007, pp. 8-9.

Is the "scientific development"¹⁶ which is guiding the modernisation of the People's Liberation Army (PLA) compatible with the army's loyalty to the Chinese Communist Party? There are signs that the Chinese government is anxious about its ability to retain the army as the armed wing of the Communist Party rather than of the State. And indeed the wave of more liberal thinking which is affecting Chinese society has also affected the officers and the better educated and more informed from the lower ranks. Is Hu Jintao making use of this disquiet to consolidate his power within the PLA, or is he really alarmed at the appearance of splits between the Party and the State?

On July 15th and 16th, the Central Military Commission (CMC) held an enlarged meeting, attended by the directors of the four general departments¹⁷, the army leaders and political commissars from the seven military regions, the directors of the leading establishments directly responsible to the CMC, and their political commissars. In total more than eighty leading figures attended the meeting, including nineteen generals who were former members of the two previous Central Military Commissions.

On this occasion, Hu Jintao, as chairman of the CMC, gave a speech entitled "On strengthening and improving political instruction, organisation, discipline, and

modern technology in the army". The vice-chairman of the Commission, Guo Boxiong followed up this address with a contribution entitled "Let us maintain the absolute control of the Communist Party over the army; let us strengthen the armed forces' *esprit de corps*; and let us speed up the modernisation programmes". These two speeches reflect Hu Jintao's determination to reinforce his power within the army. At the same time they show a real anxiety over the "liberalising" trends in the thinking of the military. These are felt to be a negative phenomenon since in the medium term they could discredit the idea that the army belongs to the Communist Party in favour of seeing it as belonging to the nation. The theme of the need to reinforce army discipline was particularly emphasised. This had already been the theme of Hu Jintao's address to the military delegates attending the session of the National People Congress in March 2007. At that time, his insistence had been interpreted as a wish to clarify his categorical opposition to the views of certain younger officers who wanted the PLA to become a professional army with its allegiance to the State, and not to the Party¹⁸.

In his speech, Hu Jintao stated that in this period of peace the army faced eight challenges, going even so far as to say that the PLA was experiencing a crisis. 1) The troops' consciousness of their mission is weaker and less clear. 2) The political consciousness of the army and its organisation of the troops is in disarray. 3) The principle of absolute Party control over the army being more and more frequently questioned. 4) The PLA's ability to resist Western influence, corruption, and division is being undermined. 5) Internal discipline leaves much to be desired. 6) Relations between officers and other ranks are deteriorating¹⁹. 7) There is no guarantee that the army would be victorious in a hi-tech war. 8) The relations between the army and local administrations and populations are getting worse.

In view of all this, Guo Boxing insisted on the need to strengthen the work of political education in the PLA, with the following four

¹⁶ "Scientific development" has been presented as one of Hu Jintao's main contributions to the ideology of the Chinese Communist Party since its 16th Congress in October 2002. It implies decisions being made on the basis of rational and pragmatic calculations, free from ideological constraints.

¹⁷ The General Staff Department (which includes the high command of the ground forces), General Political Department, General Logistics Department and General Equipment Department..

¹⁸ "A mystery in Beijing: Who Runs the Military?", *International Herald Tribune*, June 22nd 2007.

¹⁹ According to *Zhengming*, internal reports from the general political department identify nearly 200 incidents concerning economic interests and political rivalries in the army. Some of these incidents led to violent deaths.

priorities: 1) Reinforce the awareness of the need to fight against tendencies towards westernisation and splitting the army 2) Firmly reject anything which weakens the control of the Party over the army ... in favour of national control, and at undermining its political education 3) Prevent the army from being "contaminated" by all the sorts of negative thinking which are already pervasive in Chinese society 4) Work to improve the army's sense of its mission and responsibilities.

Two weeks later, on August 1st, the People's Liberation Army celebrated its 80th anniversary. But, according to Luo Bing, 2007 is already a time of transition in which Hu Jintao is struggling to strengthen his power within the armed forces. His principal weapons are the fight against corruption, the strengthening of political education, and the tactics of appointing and promoting personnel, and restructuring units²⁰. This wish to increase control over the forces is the main factor behind the unusual number of letters carrying instructions sent to different sections of the government and the PLA shortly before the 80th anniversary celebrations. Hu Jintao also ordered 80 teams of inspectors to be sent to oversee the operations of the military regions, army groups, and various units.

The first letter was addressed to the State Council and the Central Military Commission. It deals with strengthening the Party's control over the army, which must be absolute. It calls for the links between the Party and the PLA to be made more visible, to retain at all costs the Party's role in initiating all political activities and in selecting the composition of army units, and to actively oppose any trend capable of damaging the leadership of the Party.

The second letter is addressed to the disciplinary inspectorate of the PLA and to the general political department. It is aimed at speeding up the implementation of the disciplinary committee's directive entitled "Some rules concerning the formal prohibition

of the abuse of position in order to gain illegal advantages". It gives corrupt officers one month to denounce themselves and write a precise account of their illegal gains in exchange for lighter penalties. It calls upon the political commissars and party cells in the army to inform the army and the armed police about these measures, and to warn them that heavy sentence will be handed down by the inspection teams when the grace period is over, after August 20th.

The third letter is addressed to the four general departments, enjoining them to see to strengthening discipline among the troops. The fourth, addressed to the State Council and CMC, calls for better control over the PLA to prevent it from engaging secretly in lucrative economic and financial activities. Despite the prohibition issued to the army in 1998 against investing in the economic life of the country, following a survey conducted in 2000, the government believes that its assets amount to over 160 billion yuan (15.5 billion euros) managed indirectly through various civil organisations, often local governments, which funnel back its returns.

In order to restore army discipline, from the moment he became head of the Central Military Committee, from September 2004 until August 2007, Hu Jintao reorganised the composition of numerous military units. Seventeen of these were from those directly dependent on the military regions, nine from the army groups, fifty-five from those under the direct authority of the four general departments and the headquarters of the navy, air force, and second artillery group. In addition, under Hu Jintao troop numbers were reduced by 30,000, out of which 28,000 were forced into early retirement, and 1830 into a change in specialisation. According to statistics from *Chengming*, 80% of these measures were taken for economic infractions and 16% for exploiting their position to obtain various advantages. They form part of Hu Jintao's consistent efforts to display the central government's struggle against corruption and to gain greater legitimacy in the eyes of the population.

But the problems of discipline cannot be reduced to the question of material corruption. The Chinese leadership openly expresses its anxiety over changes in the army's mental attitudes and is seeking ways of forestalling the kind of spiritual corruption which would strike at the link between the Party and the army. In the past, most Chinese soldiers

²⁰ Willy Lam has counted three main strategies through which Hu Jintao builds up his power in the army: increasing budgets (particularly for those things which affect the soldiers' daily lives, like food rations and uniforms); the promotion and staff appointments for officers who support his policies; the mobilisation of PLA propaganda services to foster a personality cult among the troops. See "Power Pact: Hu's Symbiotic Relations with the PLA", *China Brief*, vol. 7, no. 15, July 26th 2007.

were recruited in the countryside, and the officers themselves were of peasant origin. They had risen up through the different ranks from the bottom. This sociological makeup worked in favour of discipline and unflinching loyalty to the Party and the hierarchy. Nowadays, when the army is introducing a modernisation process "in order to win conflicts in the context of high technology", it is recruiting from different social strata, urbanised and better educated. It is forced to put in place various projects aimed at improving the levels of technical training given to these recruits in the army's specialised institutions²¹. These recruits, and the new generation of officers, have mastered information technology, and it is difficult to conceal from them that having the armed forces in the service of the nation is the guarantee of their professionalism, and agency of their progress in the most modern societies. As Hu Jintao himself put it, the army would appear to be "destroying its great wall of iron and steel", referring to Deng Xiaoping's observation that the PLA was the wall of iron and steel which protected the Party. Accordingly, urgent action is needed to snuff out a tendency which step by step could favour "peaceful change", the time-honoured Party term for the slow democratisation of the political system through pervasive Western influences.

This theme of the struggle against "peaceful change" is at the heart of the fifth letter from Hu Jintao to the PLA disciplinary inspectorate and the general political department. It emphasises the need to fight against trends favouring the Westernisation, liberalisation, and nationalisation (subordination of the army to the state) of the PLA, by reaffirming constantly the leadership of the Party. It spells out twelve prohibitions for the military, including use of the internet, membership of religious organisations or associations, reading foreign publications with subversive contents which might demoralise the troops etc. According to Luo Bing, this is the most significant of these communications. In his view it reveals less a will to exercise political control over the military than a genuine anxiety over the changing attitudes in the PLA... but this will no doubt be utilised in order to reassert the control of Hu Jintao and

²¹ "China Wants Brightest People for its Army", *AFP*, May 1st 2007. In April the general personnel department announced an in-depth reform of military training, to educate officers "able to build up armed forces fully acquainted with information technologies".

of the Party at large over the army at the time of the 17th Congress.

8. The Pentagon's Annual Report: A Debate on Intentions and Means

Commented summary by Michail Andrei based on:

- Li Laiwang, "A report to deceive international opinion", *Renmin Ribao*, May 27th 2007;
- Cao Yunwu, "The American 'open hand' ", *Nanfang Zhoumo*, May 31st 2007.

The annual report to Congress on the state of China's armed forces, which the Pentagon has been compiling since 2000, has become an institution by now, and only provokes ritual protests in coded language on the part of Beijing. This recapitulates the necessary comparisons of Chinese and American military expenditure, and the protestations of China's will to live in peace, but it never fails to highlight certain new factors for the year²², even sharpening them for effect.

Of the two articles analysed here, the first follows this tradition and accuses the authors of the report of exaggeration, formulaic repetitions, distortions, and arbitrary conclusions. The second shows a more innovative approach, turning against the United States what it clearly considers to be the central principal of the Pentagon report, i.e. a biased interpretation of China's visible activities on the basis of the hidden motives attributed to her.

As both writers consider that the report is aimed at a far wider public than Congress itself, they emphasise the damage that it causes in public opinion, both in America and overseas. But they differ in their assessment of current Sino-American relations. Xi Laiwan, not without a certain rhetorical flourish, considers that the document flies in the face of current trends which are tending to bring the two States and their armies together. For his part, Cao Yunwu portrays current Sino-American relations in more mistrustful terms, which after all is consistent with his

²² This year, now that the formula has a certain notoriety, it presents China as "the country with the greatest potential to achieve strategic parity with the United States.

preconceptions over an American hidden agenda.

Xi Laiwang's short article arouses little more interest than a reiteration of the usual counter-arguments to the effect that although the United States is the leading world power, it still does not feel sufficiently secure and therefore intends to achieve a position of absolute military supremacy. Referring to the speech by Admiral Pace, the writer actually fails to mention its manifest and revealing illogicality²³. He accuses the report of straying beyond its remit when it reproaches China for her relations with Russia or African countries and ignoring "international human rights" for reasons which actually have to do with energy supplies.

In contrast with this, Cao Yunwu mounts his opposition to the Pentagon's views with more interesting and probably more effective arguments. He deploys a range of rhetorical effects in which irony²⁴ alternates with hyperbole²⁵, enumeration²⁶, insinuation²⁷, suggestions of doubt²⁸, outrage²⁹, and sheer sensationalism³⁰. He emphasises with maximum effect the contrast between the denials of the United States that it wishes to contain China (or at least their ambivalence

²³ At the press conference organised by the Pentagon to launch the report, the head of the Joint Chiefs of Staff, Admiral Pace, explained that a military threat could take two forms; it could either consist of the forces available to it or it could consist of its intentions. But it would seem clear that, in order to constitute a threat it would have to combine (however asymmetrically) means with intentions.

²⁴ "It [mutual mistrust between States] may perhaps be the general rule; in that case the report is fulfilling its proper role".

²⁵ "... the mysterious invisible B-2 strategic bomber"

²⁶ The list of vessels and equipment deployed in the Pacific area are rapidly linked together: *Virginia, Tomahawk, Los Angeles, Kitty Hawk, George Washington*.

²⁷ "And even if the American army is *really* pleased with the "emergence of China".

²⁸ "General Mosley's *personal* explanation of this point..."

²⁹ To stress the superiority of the American F-22s Cao Yunwu reports that their pilots call their aerial defence missions "duck shooting".

³⁰ Cao Yunwu sets out the list of firsts involved in the new US military deployment: the first F-22s to be stationed overseas are in Asia, the first deployment of a new nuclear-armed submarine in Asia, and the long term stationing of a nuclear-powered aircraft carrier at a Western Pacific outpost.

on this subject) and the exposition of known and revealing facts.

As he expatiates on the two wings of American strategy (in the Pacific and in Central Asia) aimed jointly at the containment of China, he shows above all the increased US presence in the Pacific, and the "push towards the East" which constitutes the underlying tendency of US policy. In the enumeration which deals exclusively with the naval dimension, he uses all the key terms which express Chinese security concerns in the face of the American use of the first chain of islands to put a blockade around China, and the undoubted increasing regional pressure which they bring to bear: the deployment in 2010 of six out of the eleven aircraft carriers "which will make the Pacific the area of the heaviest concentration [of carrier groups] in the world at any single time", four additional *Ohio* class submarines in the Pacific tips the balance to nine against five in the Atlantic. On this same topic of submarines, Cao Yunwu also quotes an American admiral announcing his country's closer co-ordination with its allies in the Asian Pacific region "in order to improve their ability to confront States with lurking submarines"³¹

It even sometimes happens that the American leaders are quite frank in their views on China. Cao Yunwu gives pride of place to a speech by Donald Rumsfeld for whom "the current growth of China's armed forces represents an important area of concern when we come to define America's defence strategy".

The American presence in Central Asia flows from its desire to control a pivotal area where several zones intersect. The writer returns to his same rhetorical technique of accumulating signs of this increased presence: the building of thirteen bases in the nine countries of Central Asia, the deployment of 36 fighter aircraft, the installation of numerous military airports or bases. Finally the planned creation in the area around Manas of a communications centre to gather information from Afghanistan, Pakistan, and the whole of Central Asia, demonstrates the centrality of the zone in an

³¹ This allusion to the Chinese *Song* which recently surfaced in close proximity to an American aircraft carrier underlines the extent to which submarines, which would be key weapons in any interdiction strategy in the Taiwan straits, are considered to be essential by both sides, and could give rise to misunderstandings.

American strategy which goes far beyond the simple containment of China. According to this writer, American progress in the control of Central Asia is one aspect of a far-reaching plan for global omnipresence. He emphasises that his views are shared by "public opinion" which sees in it an "historical break-through" in US global military strategy. Furthermore, this desire to penetrate Central Asia goes far beyond current operations, even if the ending of the latter operations means the withdrawal of American troops from certain states. In effect, apart from allowing the US to "contain the old Russian adversary, it may also prove effective against the East or the South". But this linkage of the two geographical directions in fact serves to emphasise the contrast in the US treatment of China and of India. With regard to the latter, "the United States is making every effort to build an opening", and here Cao leaves verifiable facts behind to observe that the Americans "would even be interested in Indian participation in developing the fourth generation F-35 fighter aircraft". Moreover, in the confrontation with China (and Russia), US presence in this zone allows it to control "the question of energy supplies".

Somewhat bizarrely, the US-Australia alliance is also brought up in the chapter on Central Asia, perhaps through the associated idea that the possession of bases gives strategic flexibility, since the island continent, in the author's view, "could provide [to American forces] a secure point for launching an attack and for a withdrawal"³².

To contain is not to provoke

In conclusion, Cao Yunwu suggests that American military deployment has without a doubt the sole object of "dissuasion and containment", projected from the "dominant points" in Central Asia and the points of encirclement in the Pacific. It is certainly not a preparation for a war, which would inflict damage on all sides. At the same time, this policy can intensify the arms race³³: "After the F-22s were based in Japan, the American journal *Defense & Technology* revealed that before considering this deployment the US

³² Judging by recent comments from Australia, which are less favourable to China and considered by Beijing as reassurances to the Americans and the Japanese, Cao Yunwu's views may be shared by others.

³³ This is certainly the reply to the Pentagon report's accusation that China's military modernisation is destabilising the region.

Department of Defence had undertaken careful research on Chinese ground-to-air defences. In support of this statement, the journal had published a confidential report which calculated that if China wished to provide itself with an aerial defence network capable of combating the F-22s, that would cost it 300 billion dollars".

Without losing sight of his underlying criticism of the Pentagon report, Cao Yunwu ends by emphasising that the redeployment "and the over-estimation of Chinese military power" feeds the suspicion that China wishes to "initiate a war against Taiwan", which in turn encourages China's suspicion of the intentions of the United States, Japan³⁴, and Taiwan.

9. Provocative Putin

In the context of rising tensions between the United Kingdom, the European Union, and the United States on the one hand, and Russia on the other, Russian military manoeuvres frequently make the headlines. These include Russian penetration of British air space, military exercises with China, the Shanghai Cooperation Organisation, and the arms sales agreements with Indonesia. These developments have been followed and commented on by a Chinese analyst from the Institute of strategic studies at the National Defense University, writing for one of the most widely read publications in the country. In his analysis, published in July, of the Russian decision to withdraw from the Treaty on Conventional Armed Forces in Europe (CFE), Wang Baofu accounted for the Russian reaction in terms of her strategic weakness. In a further article published in late August, his view of Russia seems to have changed. While predicting that this reaction will be moderated, thanks to the influence of international structures, Wang expresses his view that Russia is stronger, more self-confident, and more provocative.

Michal Meidan

³⁴ In this final sentence, Japan is not just considered as a launch pad for American deployment but as a country with its own strategic aims, even if they are identical with those of the Americans.

- Wang Baofu³⁵, "Russia no longer shows forbearance: Comment", *Quotidien du Peuple*, 17 juillet 2007

It is only a matter of two weeks after US President George W. Bush entertained his Russian counterpart Vladimir V. Putin on his family farm at the Bush estate in Kennebunkport, Maine. With the fall of the curtain for the "Lobster Summit" between the U.S. and Russian leaders, however, the Russian side announced that President Putin had signed a decree to suspend its participation in the Treaty on Conventional Armed forces in Europe (CFE) in the latest development in a long-simmering dispute with the West. And this move has evoked violent responses in the United States and Europe.

Setting against a background of inclining to head for relaxation between the East and West in the late 80s of the 20th century, two major military blocs then, the North Atlantic Treaty Organization (NATO) and the Warsaw Pact (or Treaty) Organization, held about two years of heated, arduous negotiations on how to reduce conventional weapons in the European region, and finally reached CFE. It is the first ever post-war conventional arms reduction treaty reached between the East and the West, and so it has been regarded for years as an important outcome for international disarmament and arms control. On 11 November 1999, the parties of the CFE Treaty met in Istanbul to finalize the Adaptation Agreement, and they signed the Agreement on Adaptation of the Conventional Armed Forces in Europe Treaty on 19 November 1999. Afterwards, Russia's legislative body, or the State Duma, ratified the treaty in 2004. But, as a matter of fact, not a single NATO nation has so far ratified it.

For Russia, the decision on suspension of its participation in CFE should be ascribed to the outcome of contradictions and struggles between the U.S. and the European Union on one hand and Russia on the other for so many years. In April this year, Putin had made it clear in his annual address to the

nation that Russia would prepare to suspend the implementation of the AFE till all NATO nations ratified the treaty. At the spur of the Russian side, an emergency meeting of the concerned parties of CFE was convened in Vienna, Austria in mid June this year and, what is regrettable is that the stance and concerns of Russia failed to draw due attention from the meeting participants, and the meeting ended without any substantial outcome.

On the eve of his US trip, Russian President Putin remained hopeful for some compromise to be made on the issue concerning the US deployment of anti-nuclear missile system in the Eastern Europe during his talks with President Bush, but no breakthrough was scored, as had been expected. It is due to such circumstances that Russia categorically announced its suspension of its obligation to the CFE. This decision of Russia's constitutes not only a response to the failure of the related parties of CFE to ratify the treaty after so much delay but an counter-sanction to the U.S.' adherence to the deployment of its anti-missile system in Eastern Europe.

This move of Russia's indicates firstly its reluctance to make any additional unilateral comprises on the major issue of national security in the wake of the increase of its overall national strength, and secondly its unwillingness to sit idle and remain indifferent as the U.S. is attempting to deploy an anti-missile system in the Eastern Europe in a bid to seriously affect the Russia-US strategic balance since the military might represents a core pillar for Russia to prop itself up as a major global power.

The relationships between the U.S. and EU and Russia is a vital, crucial factor that has a bearing on peace and stability in Europe. Russia's suspension of its obligation to the implementation of CFE not only implies that another arms control and disarmament accord has gone astray to a dead end of history and meted out a telling blow to the security of Europe, but also cast a shadow to the suspicious the U.S.-EU-Russian ties. Since Russia is obviously in a weak position strategically, its security concerns will naturally multiply, and this fact should be understood fully. With a grave disequilibrium of its strategic striking contrast of strength with the U.S., which has bent on seizing or using Europe to beef up its strategic superiority over Russia. Hence, it stands to

³⁵ Wang Baofu is vice Director of the Institute of Strategic Studies at the National Defense University, affiliated to the PLA.

reason that Russia has responded excessively.

Russia suspends its obligation under the Conventional Forces in Europe Treaty, and this act has posed a thorny issue for the international community, namely, on how to ensure or guarantee the global strategic stability and regional security. Although all the existing international arms control and disarmament treaties were concluded in the cold war era, most of them still have a positive role to play in safeguarding international security. Therefore, to imbue these international treaties with vitality, the fundamental way out is to increase the strategic mutual trust between nations, completely renounce the cold-war thinking and accomplish common security.

- Wang Baofu, "Why has Russia "un-sheathed swords" repeatedly?", *Quotidien du Peuple*, 21 août 2007

On August 17, 14 strategic bombers took to the air from seven airfields simultaneously across Russia. The planes that had scrambled were in the air for 20 hours with support, refueling and in interaction with the navy. President Vladimir Putin promptly announced that his country permanently resumed last Friday (Aug. 17) long-distance patrol flights of strategic bombers, which had been suspended in 1992 after the disintegration of the former Soviet Union. He also appealed to other countries for their understanding.

In fact, the distance patrol flight of strategic bombers of the Russian air force began much earlier. When the Russian-British ties reached an impasse in mid July owing to a spy incident, two Russian TU95 Bear bombers were detected overnight July 19 in an international airspace between Stavanger, southern Norway, and the Scottish town of Aberdeen, and two British fighters then took off immediately to intercept them.

In early August, long-range Russian bombers with cruise missiles were flying more often and close to US territory, including the Alaska region, for training sessions; two weeks ago, Russian bombers were reported to have buzzed an American military base for the first time since the Cold War when they flew over the Pacific island of Guam, and pilots of the two countries "exchanged smiles" during the course of their "confrontation" in the skies.

Such a "cat-rat game", which used to be a common occurrence during the past cold war era, was replayed after an elapse of 15 full years, and its connotation and strategic background was indeed intriguing and worth mulling over.

The resumption of Russia's distance bomber patrol has shown to some extent that US-Russian relations have ebbed to the lowest point after the end of the Cold War. In recent years, bilateral ties between the two nations have fluctuated with ups and downs. Particularly on the issue of an anti-missile defense system, which involved the core interests of Russia, President Putin waged tit-for-tat struggles with the U.S. On the eve of his US trip, he made a range of proposals, to which the US side remained indifferent.

In fact, Russia is very clear in mind about the true strategic intention of the US side in deploying a missile defense system in Eastern Europe. And the only thing Russia can do, however, is to take practical measures in active response to it, apart from severe criticism it lashed out to lambaste its policies.

For this reason, Russia openly said it would target its nuclear weapons at the sites of the US missile defense system in Eastern Europe on June 15 and, in July, it announced the suspension of Russia's participation in the Treaty on Conventional Forces in Europe (CFE). The serial measures with regard to strategic means Russia has resorted to recently is precisely a strong response to the strategic pressures imposed by the U.S. on the Russian side.

Out of its considerations to the internal and external security situation, Russia made up its mind to resist strategic squeezing by the West, and turns to revitalizing its military might as the most crucial option. Back early this year, President Putin signed a decree on the plan to revamp all the military equipment for the Russian armed forces at an expense of 200 billion US dollars, including developing the new-generation strategic bombers and new aircraft carriers and purchasing new-generation strategic missiles.

The recovery of economy with a gathering momentum has paved way for Russia to resume its military might. As the second largest oil producer in the world, it now enjoys a crucial position on the global oil market. Its economy has been rapidly rehabilitating

along with a sustained international oil price rise. At a time when Western nations are worried about their future oil supplies, the "energy card" in its hands has not only added a weight in its opposition to Western nations but a fresh spurt of energy to resume its military strength in an all-round way.

At present, it is not difficult for people to feel a "chill or nip" in the Russian-U.S. relations as Russia has taken a hard stance militarily. Yet it is still too early to conclude that a preface to the "new cold war" has commenced. Nevertheless, it is doubtless to say that confrontation and friction are on rise. As a matter of fact, with the dialogue and consultations remaining the mainstream, it is impossible for the current Russian-US ties to return to those of the cold war era and the international situation cannot also be put on the same par as before.

10. Is there any possible flexibility in the policy of suppressing Taiwan's international space?

Critical summary by Mathieu Duchâtel of the following:

- Lin Chia-ch'ing, "The Office of Taiwanese Affairs does not approve of the diplomatic offensive against Taiwan: Following the establishment of relations with Costa Rica opinions are divided in China", *Xin Xinwen* (The Journalist), no. 1058, June 13th 2007, pp. 62-64.

- Editorial, "Is Costa Rica the first domino?", *Lienhebao*, June 8th 2007, p.2.

Who can save Taiwan from total eclipse on the international scene? Like a shrinking fortune, the island's international space is steadily narrowing. Following after Senegal in October 2005, and Chad in August 2007,³⁶ on June 7th 2007 it was the turn of Costa Rica to announce the establishment of diplomatic relations with the PRC³⁷. The re-establishment of diplomatic relations between Taiwan and Saint-Lucia at the end of April, ten years after they were severed, was not enough to restore Chen Shui-bian's foreign policy balance sheet. The Republic of China in Taiwan is now only recognized by 24 states, and all observers agree that this number will grow smaller as time goes by. Little by little, the idea is gaining ground that only a *modus vivendi* with Beijing will allow Taiwan to retain its diplomatic allies. This idea (which is a part of the Kuomintang's political program), namely the need to negotiate with Beijing over Taiwan's diplomatic representation in the world stage, rests on the proposition that the confrontational policies of Chen Shui-bian's government can only speed up Taiwan's loss of diplomatic allies.

The loss of Costa Rica represents a turning point in the highly unequal competition between China and Taiwan on the international scene. Costa Rica, the richest and most stable state in Central America, is the first in that region to break off relations with Taiwan. Taipei fears that it will cause a domino effect. Rumours of a break with

Panama have resurfaced after the Panamanian delegate to the World Health Organisation broke ranks with Taiwan by abstaining from the vote to admit Taiwan to the Assembly. Similarly, relations with Nicaragua have become fragile with the election of Daniel Ortega, who may choose to recognize the PRC. According to *Lienhebao*, part of the reason why the whole of Central America has not swung towards China is that Beijing is afraid of ruining its relations with the United States if it bursts too crudely into its backyard. The establishment of diplomatic relations with the allies of Taiwan is never without consequences. There is a heavy price to pay, in terms of joint projects, investments and loans at preferential rates, so it is immediately accompanied by a strong Chinese presence in the country concerned. Looking beyond the straightforward competition between Taiwan and China in a region of vital interest to Taiwan, *Lienhebao* raises a delicate question: has the US been covertly helping Taiwan to keep its diplomatic partners in the US backyard? But in that case, how is Costa Rica's decision to be explained?

For Taiwan the most recent reversal is doubly cruel because the Costa Rican president, Oscar Arias Sánchez, won the Nobel Peace Prize in 1987 for his actions in support of peace in Central America. In this context, the moral rhetoric which links the appeal for democratic solidarity with denunciations of the injustice of the international system, which is the basis of Taiwan's foreign policy, is once again discredited. According to *Lienhebao*, President Chen bears the responsibility for this setback. He has been unable to adapt Taiwan's diplomatic strategies to the new international situation in which China, thanks to its growing wealth and skilful foreign policy, now plays a far larger role than it did seven years ago, when Chen came to power. Pursuing his "warlike" diplomacy, seeking confrontation with China on the international scene, and using his diplomatic setbacks to arouse sympathy and mobilize his compatriots behind his nationalist banner, Chen is failing to provide adequate defense of Taiwan's diplomatic interests. Echoing the sentiments of the opposition camp on Taiwan, *Lienhebao* is particularly critical of the President for his demand that Taiwan should become a member of the WHO under the separate name of "Taiwan". In previous years, Taiwan had set its sights lower, being content with an

³⁶ See Mathieu Duchâtel, "Interrogations taiwanaises après la 'perte' du Tchad", *China Analysis*, nos. 6-7, July-August 2006.

³⁷ "Costa Rica Breaks Relations with Taiwan", *AP*, June 7th 2007.

application to be given observer status³⁸. This approach had enjoyed a measure of success, since the United States and Japan had voted in favour of the request, introduced by Taiwan's diplomatic allies. By abandoning it for domestic political reasons (the strengthening of his pro-independence base), the President undermined efforts that were beginning to bear fruit.

It seems inevitable that Taiwan's survival (or not) as a member of the international community, will depend increasingly on decisions to be taken in Beijing. In this regard, *Xin Xinwen* has revealed a debate within leading circles in China over the best approach to this issue. In the Taiwan Affairs Office of the State Council (TAO), certain high officials do not hesitate to say openly that the systematic destruction of Taiwan's presence on the international scene is in contradiction with Hu Jintao's political strategy for unification, which aims at winning the hearts and minds of the Taiwanese. It would appear that the TAO has grasped the negative effects of this ongoing encirclement on the Taiwanese people's image of China. If that is the case, it would point to a new degree of flexibility in relations with the island. But according to *Xin Xinwen*, this more moderate approach is in marked contrast with the inflexibility of the Ministry of Foreign Affairs, which wishes to get the principle of a single China accepted by the international community and to settle the *de facto* division of Chinese sovereignty as an external issue. Unfortunately, these two government administrations scarcely talk to each other. The Ministry of Foreign Affairs considers the Taiwan issue to be a matter of China's domestic policy, and it therefore does not invite any member of the Office of Taiwan Affairs to the inter-ministerial meeting for the co-ordination of China's foreign policy. For the same reason, it only sends low-ranking officials to attend the meeting of the TAO. Chad's establishment of diplomatic relations with China provides a revealing episode in the tale of coup and counter-coup accompanying China's diplomatic victories over Taiwan. As a reprisal, Taiwan refused to receive Chen Yunlin, the director of the Office of Taiwan Affairs, who was due to travel for the first time to the island to mark the opening of a forum on agricultural co-operation between the two sides of the Straits.

³⁸ "WHO members reject Taiwan's Bid to Join", *AP*, May 15th 2007.

Within the Chinese state apparatus, the destruction of Taiwan's international situation used to be seen as an object of general consensus. The awareness of its counter-productive effects will perhaps grow further. It nonetheless remains true that every foreign policy decision involves a number of conjoined factors, particularly those which affect domestic policy. In all probability the proximity of the 17th Congress will rule out any further flexibility or movement towards moderation in China's policy towards Taiwan.

11. The Japanese – Australian Joint Declaration: Good News for Taiwan?

Commented summary by Hubert Kilian based on:

- Yang Yong-ming, "Japan-Australia security agreements: anxieties over being drawn into the unstable situation in the Taiwan Straits", *United Daily News, Lienhebao*, March 25th 2007, editorial

- Lu Yi-zheng, "The Japan-Australia Joint Declaration on Security: still quite far from a pact", *Zongguo shipao*, March 29th 2007, international section.

- Chen Yi-hsin, "The impact of the Japan-Australia declaration on security arrangements in the Asia-Pacific region", *Zhanwang yu Tansuo* (Prospect and Exploration), vol. 5, no. 4, April 2007.

On March 23rd 2007, one year after the opening of the strategic trilateral talks between the United States, Japan, and Australia, the Japanese Prime Minister Shinzo Abe and his Australian counterpart John Howard met in Tokyo to sign the Japan-Australia Joint Declaration on Security Cooperation. This was the first agreement of its type to be signed by Tokyo since the strengthening of its alliance with the United States. It seems to be the outcome of a shared willingness to maintain special bilateral relations on security matters within the framework of a global comprehensive strategic relationship³⁹.

The announcement of this declaration drew particular attention from the media and academics in Taiwan. Their analyses were dominated by two questions: Is this joint

³⁹ Shinichi Hosono, "Towards a comprehensive strategic partnership between Australia and Japan: Japan's perspective", *Australian Journal of International Affairs*, Vol. 60, no. 4, pp. 590-597, December 2006.

declaration intended to lead to security measures to contain China's expansion? Does it enable the reinforcement of Taiwan's security?

The terms of the declaration are that Japan and Australia will strengthen their co-operation over reforming the United Nations, fighting international terrorism and crime, and over military and defence issues. The text itself is divided into three parts. The preamble calls attention to their shared strategic interests, creating the need for a strategic partnership (*zhanlue huoban guanxi*), and in the first chapter, entitled "Reinforcing Co-operation", Australia declares her support for Japan's position in confronting North Korea (including the question of the Japanese abductees), for Japan's candidacy for a permanent seat on the UN Security Council, and for closer co-operation between their two Defence Ministries. In the chapter dealing with co-operation, the document lays out nine areas in which there will be an exchange of personnel and the organisation of joint exercises and manoeuvres. And the document also provides for a "strategic dialogue" to be held every year by the two Ministries of Defence and Foreign Affairs, with the aim of developing a "plan of action" along the lines of the Japanese-American Treaty.

The three writers agree that this is only a joint declaration and not a security pact, which puts a limit on its strategic importance. They are also unanimous in their view that this rapprochement between Japan and Australia is the outcome of American influence.

For Yu Li-zheng, scrutiny of the terms of the declaration leads to the conclusion that there is a deliberate vagueness aimed at reassuring China over the intentions of Japan and Australia, while it is obvious that the US is behind the initiative in its desire to build a defensive line from Japan to Okinawa, Australia, New Zealand, and the Philippines in order to contain China. Yang Yong-ming sees in it the emergence of a trilateral military alliance between the United States, Japan, and Australia. This means that American strategy in the region will be the key to future developments in the co-operation between Japan and Australia. According to him, taking into account the current direction being taken by Sino-US relations, Washington's priority is to preserve the *status quo* in Northeast Asia and to avoid being sidelined by any increase in regional integration brought about by

China's economic growth. That is why Washington asked Australia, New Zealand, and India to join APEC before encouraging Japan and Australia to sign their joint declaration.

In this way the United States is seeking to preserve its hegemony in the Pacific, in both economic and security terms. Chen Yi-hsin also considers it obvious that the declaration is underpinned by the US-Japanese alliance and by the trilateral security forum held in 2006, whose purpose was to give better co-ordination to Japanese responses and to organise its increase in regional power so as to match the modernisation of the PLA.

But Chen also insists on the moderate degree of importance which the other Asian countries give to this strengthening of security relations, being perfectly aware of the relationship of military co-operation which the US is developing with China, like the other States in the region. This point leads Chen to believe that this declaration is the kind of flexible alliance that the democratic states have developed in order to fight terrorism. Consequently this is not a return to the classical American policy of encirclement which was deployed in the cold war. On this point Philip Yang seems to agree with Chen Yi-hsin, seeing in the joint declaration, supported by the US-Japanese alliance, an American admission of the importance of the security of Japan and Northeast Asia, and its willingness to give firm reassurances to the region, backed up by the US-Japan alliance and the Australia-Japan agreement.

Yang Yong-ming and Chen Yi-hsin both consider that it is in Japan's interest to strengthen such co-operation. Chen believes that Japan has a primary interest in developing a security posture modelled on that of the United States. Moreover, he thinks that Shinzo Abe's policies and the decisions taken over the past two years by the American and Japanese governments with regard to military co-operation, show that the two governments are pursuing a course towards rapprochement.

Yang Yong-ming believes that the joint declaration is of greater benefit to Japan than to Australia, since it allows Tokyo to deepen its security strategy in the Asia-Pacific region, drawing from it greater stability while strengthening the security arrangements with the United States. But Chen Yi-hsin is less positive than Philip Yang, giving

consideration to a certain amount of opposition to US security policies in Japanese political circles, particularly since Washington tried to negotiate with North Korea on its own.

Chen Yi-hsin believes that in the long run Japan will wish to rid herself of American influence in order to act for herself in the region's diplomatic and military affairs. Fifty years of the security alliance have led to a degeneration in a relationship that is not as close as it may appear (*shen he shen li*). In his view such a development would give Australia food for thought about the future structures required by this military co-operation.

As for the Australian point of view, the three writers agree in emphasising that there are quite a lot of Australian politicians and specialists who are opposed to the declaration and question its usefulness to Canberra, with regard to the security issues in Northeast Asia. Moreover, in their view Australia will pay a considerable price for its co-operation with Japan in security matters, giving up some of its freedom of action and jeopardising its economic relations with its primary trading partner, China.

China's reaction is also considered by the three writers, who agree in detecting a new Chinese diplomatic style, which they call "cold management" (*leng chuli*). According to Yang Yong-ming, Beijing is not bothered by Australia's security measures, but it is eager to see the emergence of a tripartite alliance in Northeast Asia and to build up its influence over security matters, including the question of Taiwan, thus adjusting its moves and its strategies by relying alternately on coercion or counter measures. Chen Yi-hsin takes the opposite view, believing that Beijing is not so eager, given the inability of the Liberal Democrats in Japan to revise the pacifist constitution without the support of the

opposition, and the degree of Australian opposition to American security policies in the region. But he gives a determining influence to Beijing's reliance on soft power, built on the basis of prospering economic relations and mutual benefits, and on the peaceful emergence of the Chinese presence in the world. In his view, these are all factors which have persuaded China to react positively to the joint declaration. For his part, Yang Yong-ming believes that Beijing will nonetheless attach increasing importance to economic interaction with Japan and Australia. This attitude will make them avoid any deterioration in such relations, whether for security reasons or for antiquated polemical reasons, and not to be the cause of a possible scenario in which Canberra and Tokyo would have reasons to oppose Beijing jointly.

Turning to Taiwan's point of view, the three writers all agree that, although the strengthened relations between Canberra and Tokyo are beneficial for Taiwan, the declaration itself will have very little impact on the island's security. Using the rhetoric of the Kuomintang, they say that this development ought to make Taiwan take a more responsible attitude, and to stop playing the role of a "trouble-maker" (*mafan zhuangshizhe*). Yang Yong-ming makes a more carefully worded appeal to Taiwan to rely on regional interdependence and co-operation in order to get involved in the region's development and economic integration. He notes that opposition in Australia to the joint declaration is partly linked to Taiwan's handling of its relations with China, and partly to the considerable development of Chinese military capabilities. He considers that this is yet another reason why Taiwan should reflect on the best ways of building up structures for peaceful interaction and behaving as a responsible partner in Northeast Asia.

This issue is based on the following publications:

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| <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. |
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The China Analysis Team

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| <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. |
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