Chapter 3

China: Quest for a Great-Power Role

Masayuki Masuda
During 2016, China sought to expand its global footprint in particular by promoting “One Belt, One Road” (OBOR) projects. The OBOR initiative is an economic and diplomatic strategy of the People’s Republic of China (PRC) in a stage of a “new normal.” It is also designed to serve Chinese diplomatic strategy by contributing to reform in global governance. In addition, China conspicuously sought to promote its comprehensive ties to other countries during 2016 through summit diplomacy that included provision of infrastructure and financing. The China-led Asian Infrastructure Investment Bank (AIIB) opened for business in January of the same year.

China’s positions elsewhere in the Asia-Pacific region clearly display its resistance to Japanese and US roles in the South China Sea, as suggested by its reaction to the award handed down on July 12 by an arbitral tribunal based on an appeal by the Philippines. The tribunal made its award in the Philippines’ favor regarding artificial islands being built by China in the South China Sea, but Beijing announced its intention to proceed according to schedule with the construction. It also carried out large military exercises in the South China Sea while offering its domestic audience the justification of US (military) pressure regarding maritime issues there. Japan has also received new attention, as a Chinese Navy combat vessel entered Japan’s contiguous waters surrounding the Senkaku Islands for the first time in June; in August China suddenly increased the number of China Coast Guard vessels entering Japanese territorial and contiguous waters around the Senkakus.

At the same time, China also emphasized greater practical economic cooperation with the members of the Association of Southeast Asian Nations (ASEAN) and disputants in the South China Sea, seeking to bring greater stability to relations with these countries. China promised during an October summit conference with the Philippines to provide a large economic gift, and at China-Vietnam summit talks in September the two sides agreed to seek out an all-round strategic partnership of cooperation to cover the full range of concerns, including infrastructure construction and development of bilateral trade.

During 2016, the People’s Liberation Army (PLA) saw dramatic restructuring of the former four General Departments and seven Military Regions (MRs). The four dismantled General Departments were reorganized into fifteen functional sections that were folded into the new Central Military Commission (CMC) and given the clear responsibility of carrying out the decisions of the Central
Committee of the Communist Party of China (CPC), the CMC, and the CMC Chairman Xi Jinping. In addition, Chairman Xi was also given the new position of “commander-in-chief” of joint operations. These changes represented progress toward a system where the CMC chairman played a much broader role in setting China’s military and national defense policies. Efforts to reform the Joint Command and Control System have begun in the five Theater Commands (TCs) that were set up to replace the former MRs, but some matters, such as personnel development and the limitations placed on authority by the reforms, are still to be resolved, so the reforms so far have not gone beyond their initial stages.

1. Global Diplomacy

(1) “One Belt, One Road” Diplomacy

At the end of September 2016, the CPC’s Politburo held a study session on reform in global governance. CPC General Secretary Xi Jinping (also PRC president and CMC chairman), chairing the session, said that as the international balance of power has shifted and global challenges are increasing, systemic reform of global governance has emerged as a trend of the times. China must push forward, he stressed, to take this as an opportunity, as a tide which China should not attempt to buck, seeking development of the international order in fairer and more reasonable directions. The first approach that Xi proposed to respond to such challenges was to advocate and advance the OBOR initiative.

Indeed, China’s recent diplomacy and its summit diplomacy in particular seem designed to turn this OBOR initiative into reality. For instance, in January 2016, President Xi chose to make his first overseas trip of the year to Saudi Arabia, Egypt, and Iran. This trip was viewed as a means of filling in gaps in summit diplomacy regarding global governance, and in such a context China also drew domestic attention to the strategic importance of the Middle East. The following March, Xi visited the Czech Republic and in June, Serbia, Poland, and Uzbekistan, with the goal explained as raising the level of “strategic cooperation.” Here we should note that during each of these visits, Xi raised the OBOR initiative. In Uzbekistan, for example, while addressing the national legislature, Xi described how the initial steps in planning and carrying out the OBOR initiative had already been completed.

The OBOR initiative, by the way, was an amalgam of the Silk Road Economic
Belt which President Xi announced in Astana, Kazakhstan, in September 2013 while on tour of Central Asia and the Twenty-first Century Maritime Silk Road which he described while visiting Indonesia the following month. The Chinese government announced the “Vision and Actions” on building the two Silk Roads in March 2015. The OBOR initiative, according to the Vision and Actions, aims to connect Asian, European and African countries more closely and promote mutually beneficial cooperation to a new high and in new forms. Many have interpreted this OBOR initiative as simply an economic development strategy to counteract the slowing of the Chinese economy, but it is essential to recognize its more expansive aims. It would thus seem useful to review current Chinese foreign relations in light of the OBOR initiative.

(2) Multiple Dimensions of China’s OBOR
First would be recognizing China’s economic development strategy as part of OBOR. The Chinese government has dubbed the slowing of the Chinese economy that has taken root in recent years as the “new normal” and is setting and applying its economic policies with that in mind. At the Fourth Session of the Twelfth National People’s Congress (NPC) held in March 2016, Premier Li Keqiang announced the target for 2016 growth in gross domestic product (GDP) at 6.5 to 7 percent. The target for the previous year, 2015, had been set around 7.5 percent, lower than in preceding years, with the goal for 2016 reduced even further. Estimates of growth in the Thirteenth Five-Year Plan (2016–2020), which forms the basis for economic policy during that period, also foresaw the GDP potential growth rate at a low annual average of 6.2 percent. The lack of progress in adjusting excess domestic production capacity was viewed as a particular problem for the Chinese economy. Despite government efforts to adjust supply-side production, production instead increased for industries such as iron and steel, cement, and nonferrous metals. China’s economic experts insist promoting OBOR could produce adjustments in excess production capacity. Thus, speaking at a forum to promote the OBOR projects in August 2016, Xi Jinping said that the export of China’s enormous production and construction capacity could help participating countries push forward with industrialization and would help stabilize the world economy.

Second, OBOR also exhibits aspects of a Chinese regional development strategy. At the December 2014 Central Economic Work Conference, OBOR was
pictured as one of the three major strategies for regional development, along with the Beijing-Tianjin-Hebei coordinated development plan and the development plan for the Yangtze River Economic Belt, and was also incorporated into the Thirteenth Five-Year Plan. In addition, China appeared fully ready to use the process of setting up OBOR to strengthen a broad range of connectivity with the adjoining countries and regions. In the March 2015 Vision and Actions, strengthening the connectivity of infrastructure was a priority concern in the construction of OBOR. Actually, in the draft proposal for the Vision and Actions, roads were the sole target for strengthening connectivity, but eventually the aim was expanded into comprehensive connectivity throughout the infrastructure including not only roads and traffic but communications and energy as well. Strengthening connectivity was not limited to infrastructure, however, and financial integration was cited as one of the major points for cooperation, although in the draft proposal this was limited to mutual circulation of money. As a result of further consideration, the target was expanded into strengthening a multifaceted financial network including not only currency but also loans, investment, and financing.

If China aimed to strengthen connectivity with the countries and regions neighboring OBOR, then it was essential that China itself be able to offer integrated network infrastructure and efficient system design since these would become a core element in connectivity. In particular, progress on constructing the land-based segments of the Silk Road Economic Belt required progress in putting infrastructure in place in China’s interior and western reaches. Indeed, at the August 2016 OBOR forum, Xi Jinping stressed that OBOR should be integrated with the Beijing-Tianjin-Hebei coordinated development plan and the Yangtze River Economic Zone development plan. He highlighted the need to couple these with less advanced regional development strategies, such as development of China’s west, revitalization of its northeast region, advancing the central portion of the country, and taking the initiative in developing China’s eastern region, as well as the development and opening up of its coastal areas. In such ways, Xi sought to advance the approaches by which China could become increasingly open in all respects and the eastern, central, and western regions could develop jointly.

The OBOR initiative is composed of three aspects, one of which is foreign policy. It is said that both the land-based Silk Road Economic Belt and the maritime Silk Road were originally discussed within China’s Ministry of Foreign
Affairs (MFA). From early in the 2000s, the MFA’s Department of European-Central Asian Affairs is said to have discussed creating an initiative which was the basis for today’s land-based Silk Road, whereby China and its neighbors would use the Shanghai Cooperation Organization (SCO) as a platform for joint development. During this same period, China and ASEAN were developing their cooperative relationship, and the MFA’s Department of Asian Affairs envisioned structures such as a China-ASEAN Community of Common Destiny or a Twenty-first Century Maritime Silk Road. Such MFA concepts were embraced by the Chinese leadership, and in 2013, the two Silk Road concepts were presented to international society. Later, in October of that year, all seven members of the CPC Central Committee Politburo Standing Committee took part in a work forum on Chinese diplomacy toward the periphery, and late in November 2014 at the Central Conference on Work Relating to Foreign Affairs, the first such foreign affairs conference under the Xi Jinping administration, Xi proposed working actively to build the two Silk Roads, thus making OBOR a formal diplomatic goal for China.

(3) Connecting China and the World
Since 2014, China’s leadership and its diplomatic establishment have been engaged in steadily building consensus on the OBOR concept among its neighbors and beyond. In November 2014, the Chinese government invited the heads of Southeast and Central Asian countries to Beijing for a “partnership dialogue” aimed at promoting connectivity and improving cooperation. At this meeting President Xi Jinping noted that OBOR had already progressed to working level cooperation, and he made five proposals to further reinforce such progress: (a) China was ready to provide more international public goods through connectivity development to its Asian neighbors; (b) economic cooperation would be provided to both land and maritime projects; (c) cooperation would be promoted regarding transport infrastructure development; (d) China would commit $40 billion to establish a Silk Road Fund; and (e) people-to-people exchanges would be promoted through cultural exchanges and visits by personnel. Foreign Minister Wang Yi also stated that during 2015, Chinese diplomacy planned to give full support to promoting OBOR and would carry out those plans.

According to Zhao Lei, professor at the CPC Central Committee Party School, 2016 was a year for clarification of the main elements of OBOR. During his visits to Eastern Europe and Central Asia, President Xi Jinping had raised one of
those elements. These regions, Zhao pointed out, were geographically important to China’s ties to the more economically advanced regions of Western Europe. At the same time, these regions already offer multilateral institutions playing a role in their relations with China. Examples of such mechanisms would include the SCO, established in Central Asia in 2001 under Chinese leadership, and the “16+1” framework of China and sixteen Central and Eastern European (CEE) countries initiated by China. Starting in 2012 with the first 16+1 meeting in Warsaw, China has promoted its investment in the CEE countries as well as Europe. More recently, it has developed more infrastructure construction and trade promotion aspects, with the result that China looks to 16+1 as a practical model for OBOR construction. In June President Xi visited Hungary, a relatively large country in this cooperation structure and the only country in its region to take part in the Beijing-proposed Asia Infrastructure Investment Bank (AIIB).

The various activities that are being carried out on behalf of OBOR can likely be looked at as follows: (a) China, as a means to adjust the excess production capacity that is an important issue for its domestic economic policy, is seeking to expand both export markets for manufactured goods and demand for the infrastructure forming the channel for exports. (b) At the same time, it is seeking to use promotion of financial networks and human interchanges to create more comprehensive relationships and strengthen the connectivity with the countries concerned. (c) China is seeking to use the existing institutions to the greatest extent possible for negotiations and coordination for the above purpose. (d) China’s targets for strengthening its relationship go beyond those countries and regions sharing a common border, seeking global expansion of its relationships.

China has already started to see the results of creating OBOR, and it recognizes how OBOR is contributing to development of cooperation with a variety of regions. According to Chinese sources, as of June 2016, over seventy countries and international organizations were participating in the OBOR initiative, and China had signed agreements related to OBOR with more than thirty countries. Further, agreements have already been concluded with twenty countries regarding production capacity, and forty-six overseas cooperation zones have already been created in coordination with seventeen countries along OBOR’s route. More specifically, Chinese enterprises have made direct investments of over $14 billion in total, and the cumulative total of bilateral trade between China and the countries participating in OBOR surpasses the $1 trillion mark, representing 25 percent of
China’s total trade. Investment in China by countries taking part in OBOR now stands at $8.2 billion.\(^{18}\)

What is worthy of note here is the function of the AIIB, originally established at Chinese initiative. As part of his explanation of OBOR in Uzbekistan in June 2016, President Xi Jinping noted the development of greater cooperation in international financing, citing the AIIB and the Silk Road Fund as examples. After its startup in December 2015, the AIIB Board of Directors decided at its June 2016 meeting on four projects in Asia as the institution’s first investments and provided a total of $590 million to finance these projects.\(^{19}\) We should note that with the exception of the project in Bangladesh to improve and expand the power transmission network, the other projects are co-financed with the Asian Development Bank (ADB), the World Bank, or other international financial institutions. Again at the end of September, the AIIB decided to finance two other projects at $32 billion, through co-financing in each case.\(^{20}\) In other words, at its inception the AIIB decided on an approach which would coordinate with existing international financial mechanisms. It is unclear just how far the AIIB will go in offering direct support to OBOR construction projects, but at the bank’s first Board of Directors meeting held in January 2016, the position was advanced that AIIB’s role was to provide financing for infrastructure construction and thereby support China’s OBOR initiative.\(^{21}\) This is an example of how China is using AIIB operations in conjunction with OBOR to make its presence ever more greatly felt in international financing circles.

China is seeking a leading role for itself in the strengthening and reform of global governance, and in this respect we should note China’s stance at the Group of 20 (G20) Summit meeting in Hangzhou in September. China has been trying to augment its role and its voice as representative of the newly rising and developing nations, including itself, in the process of reforming global governance, and it has consistently viewed the G20 as an important framework in this respect.\(^{22}\) Based on its past achievements, and while recognizing that there were downside risks involved in the outlook for the global economy, China approached the Hangzhou G20 Summit to seek consensus in two important respects, growth of the global economy and reform of the global governance structure.

Regarding the global economy, the G20 Summit reached agreement that all available policy tools would be used, both individually and collectively, to carry out monetary and fiscal policies and reform their policy structure, and the summit
adopted the Hangzhou Action Plan which incorporated the latest in macroeconomic policies and structural policies. In addition, the summit also adopted the G20 Blueprint on Innovative Growth dealing not only with structural reform but with such topics as innovation, the new industrial revolution, and the digital economy. As for reform to the global governance structure, President Xi sought G20 consensus on the fact that the G20 must convert itself into a mechanism for long-term governance.

It appears, however, that the Chinese leadership was not satisfied in particular with the results on reform of the global governance structure. At the end of September, after the G20 Summit, the CPC Politburo held a study session on reform in global governance. There, Xi Jinping noted that the G20 Summit had achieved outcomes which were innovative, effective at spurring results, and mechanism-oriented, but he also had comments on reform of global governance:23) The global governance structure depends on the international balance of power and reforms hinge on a change in the balance. China, Xi said, must focus on economic development, muster its powers and do for itself what it can do, and seek to elevate its ability to speak and act internationally. Xi’s statements clearly convey his recognition that China has not yet secured for itself a leading role in global governance reform in terms of rule-making, agenda setting, and international coordination.

2. Asia-Pacific Diplomacy

(1) Heavy-handed Approach toward the United States

One eye-catching development in Chinese diplomacy in the Asia-Pacific area during 2016 would be the award made by an arbitral tribunal on July 12 in response to an appeal by the Philippines.

In its response to the South China Sea arbitration ruling, Beijing reacted most strongly not toward the Philippines but toward the United States. The tribunal
invalidated China’s “nine-dash line” and denied any claims to “historic rights” in the South China Sea. Beijing’s reaction was strident, using formal statements and white papers to declare that it would neither accept nor recognize the ruling. What is interesting in a Sino-US context is a July 12 statement from the minister of foreign affairs that “the South China Sea arbitration is completely a political farce staged under legal pretext.” The statement went on to say that “Plotted and manipulated by certain forces outside the region, the former government of the Philippines unilaterally initiated the arbitration with no consent of the other party.” State Councilor Yang Jiechi presented a similar interpretation in a July 14 interview on China Central Television (CCTV). “Certain countries outside the region have attempted to deny China’s sovereign rights and interests in the South China Sea through the arbitration. They have even brought other countries into the scheme to isolate and discredit China in the international community with a view to holding back China’s peaceful development.” Such statements did not specify which particular country was being cited, but it was clear that the reference was mainly to the United States.

The reason Beijing directed its criticism at the United States was, first, its sensitivity to domestic opinion regarding the United States. The Chinese population was strongly interested in South China Sea issues, and according to a poll taken by Global Poll Center, a subsidiary of the Global Times, almost 90 percent of the respondents indicated interest in that topic. Over 60 percent of the respondents indicated they believed that “the US is pulling strings behind the arbitration and poses a threat to regional peace and stability” and that the arbitration was “a violation of China’s territorial sovereignty and maritime rights.

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<th>Table 3.1. Poll of Chinese opinion on South China Sea issues</th>
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<td>Why does the US continue to pressure China on South China Sea problems?</td>
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<tr>
<td>It’s still seeking hegemony.</td>
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<td>To prevent China’s peaceful rise.</td>
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<td>As an excuse for its “rebalance” toward the Asia-Pacific region.</td>
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<td>Because some individual ASEAN countries are seeking US support to counterbalance China.</td>
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Source: “Jin Jiucheng Shoufang Minzhong Zhichi Zhengfu Zhongcaian Licheng” [Nearly 90 percent of population interviewed supports government position toward the arbitration], Huanqiu Shibao [Global Times], July 11, 2016.
and interests.” A full 88.1 percent stated they supported the Chinese government’s position of not participating, not accepting, and not recognizing the arbitration.

The second reason, which will be examined below, is rather paradoxical: that even before the ruling Beijing had been seeking to stabilize its relations with two of the countries involved, Vietnam and the Philippines. Following the July 12 ruling, China put priority on stabilizing its relations with the two and refrained from increasing its criticism of or direct pressure on the Philippines, doing no more than pointing out in white papers and similar documents that the Philippines itself had complicated the confrontation which it had itself instigated. In other words, it would seem that China resorted to a heavy-handed approach toward the United States to keep controversy with the other involved countries out of the limelight.

Indeed, at a July 18 meeting in Beijing with Adm. John Richardson, US chief of naval operations, Commander of the PLA Navy (PLAN) Wu Shengli commented on Chinese construction of artificial islands in the South China Sea, stating “China will not recede over territorial sovereignty or fear any military provocation.” He stressed that no matter what pressure was applied, China would complete construction as planned, and that the extent of the construction would be determined by the level of threat directed at China.

Immediately before the arbitration ruling China carried out battle exercises in the South China Sea using its South Sea, East Sea, and North Sea fleets in the waters and air near the Paracel Islands. These exercises were depicted as part of the regular annual exercises, but PLAN Commander Wu described them as “important exercises, given that they are being conducted under the current special situation in the South China Sea.” In addition, Zhang Junshe, a senior researcher at the PLA Naval Military Studies Research Institute, observed that the exercises would probably constitute a menace to outside forces seeking to violate China’s sovereignty and security. Part of the Chinese media rated such statements both as military preparations for a game among the major powers regarding the South China Sea and as a form of expression of China’s strong determination. These moves give the impression that China is increasing its wariness over US intervention in territorial questions in the South China Sea and emphasizing the elements of conflict between the two.

(2) Increasing Pressure on Japan in the East China Sea
The South China Sea issue remained a problem in Japan-China relations. Against
China

a background of serious Japanese concern over China’s activities in the South China Sea and East China Sea, Tokyo proactively worked to develop international consensus to oppose unilateral changes to the status quo through force and seek peaceful resolution of conflicts.32)

The meeting of foreign ministers during the Group of Seven (G7) session in Hiroshima in April 2016 issued a statement on maritime security.33) “We are concerned about the situation in the East and South China Seas, and emphasize the fundamental importance of peaceful management and settlement of disputes,” it stated, going on to allude to Chinese maritime actions: “We express our strong opposition to any intimidating, coercive or provocative unilateral actions that could alter the status quo and increase tensions, and urge all states to refrain from such actions as land reclamations including large scale ones, building of outposts, as well as their use for military purposes and to act in accordance with international law including the principles of freedoms of navigation and overflight.”

At the G7 Summit in Ise-shima in May as well, attention was turned to maritime security in the region. After reaffirming “the importance of states’ making and clarifying their claims based on international law, refraining from unilateral actions which could increase tensions and not using force or coercion in trying to drive their claims, and seeking to settle disputes by peaceful means including through juridical procedures including arbitration,” the statement adopted at the Summit stressed that the leaders were “concerned about the situation in the East and South China Seas, and emphasize[d] the fundamental importance of peaceful management and settlement of disputes.”34)

China was highly critical of such moves, where Japan played a central role. In particular, Chinese MFA spokespersons made daily comments throughout the G7 Summit. At the regular press conference on May 27, MFA spokesperson Hua Chunying said that Japan, host for the G7 Summit, was fanning the flames on the South China Sea issue, overstating its position on an already tense situation. She characterized this as unhelpful to stability in the South China Sea and expressed China’s strong dissatisfaction.35)

How do PRC strategists explain Japan’s motive for making frequent statements about South China Sea issues? They have repeatedly explained to their domestic audience that Japan is “linking the two seas,” that is, the East and South China Seas, as part of its response to South China Sea problems. For example, a commentary contributed by a military researcher to the China Youth Daily (May
19, 2016) pointed out that Japan’s goal is to ameliorate the pressure China is exerting in the East China Sea. That is, it had become the “new normal” for China Coast Guard vessels to operate within twelve nautical miles of the Senkaku Islands and for the PLAN to pass beyond the first island chain; as a result, the commentary said, Japan’s advantageous military and diplomatic position there has been undercut. According to the commentary’s analysis, Japan, urged on by certain other countries, was thus putting pressure on China regarding the South China Sea in an attempt to reduce pressure from China in the East China Sea.36) Gao Hong, head of the Institute of Japanese Studies at the Chinese Academy of Social Sciences (CASS), discusses Chinese reaction to Japan from the standpoint of “linking the two seas.” The point, he explains, is that if temperatures go up in the South China Sea, they also go up in the East China Sea.37) In short, if Japan increases its pressure on China over the South China Sea problems, then China also increases its pressure on Japan in the East China Sea. This is in part because it is hard to make concessions on problems involving sovereignty, and also because, for historical reasons, China holds particularly negative feelings toward Japan. There is no knowing how thoroughly such a view has taken root among China’s leadership and policymakers. Still, in view of the South China Sea arbitration ruling and China’s actions there, we cannot deny the possibility that such arguments play a role to some degree in policy-making toward Japan.

The Chinese reaction was not limited to words, and there were also new developments in Chinese actions around Japan. At midnight on June 9, a PLAN Jiangkai-I class frigate (Type 054) entered waters contiguous to the northeast side of Kubajima Island in the Senkaku Islands and navigated for over two hours in those waters.38) This was the first confirmed entry of a Chinese naval combat vessel into the contiguous waters of the Senkakus. On the 15th, a Dongdiao-class intelligence gathering ship entered Japanese territorial waters near Kuchinoerabu Island and Yakushima Island, before passing through waters contiguous to Kitadaito Island and making east-west passages outside the contiguous waters to the south of the Senkakus.39) This was the first time since 2004 that a Chinese nuclear submarine entered Japanese territorial waters around Ishigaki Island.

In August, there was a sharp increase in the number of Chinese government vessels entering Japan’s contiguous waters or territorial waters around the Senkakus. On the 8th, a new record number of fifteen Chinese government cutters are known to have penetrated the contiguous waters at the same time, and for the
month of August alone, a total of 147 government vessels entered such waters. Over three consecutive days, August 7-9, Chinese government vessels entered Japanese territorial waters a total of 25 times, with a total of 23 vessels intruding into Japanese territorial waters during August alone.\(^{40}\) During the same period, it is said that some 300 Chinese fishing vessels operated in the contiguous zone of the Senkaku Islands. Whether the intrusions are by warships or by Coast Guard vessels, China has been acting at unprecedented levels.

Developments have appeared on China’s domestic scene as well. On August 2, the Supreme People’s Court (SPC) issued a regulation on judicial interpretation to clarify China’s jurisdiction over its territorial and jurisdictional seas.\(^ {41}\) This provides new legal interpretations on pursuing criminal liability in case of intrusions into Chinese territorial waters or illegal acts in China’s “jurisdictional seas” (inland waters, territorial seas, contiguous zones, continental shelves, etc.). Referring to the new regulations, an SPC official stated, “People’s courts’ jurisdiction over the Diaoyu [Japan’s Senkakus], Huangyan [Scarborough Shoal] and Xisha [Paracel] Islands and their adjacent sea areas has never stopped.”\(^ {42}\)

There is a strong possibility that China’s in-your-face dealings with Japan are linked to its approach in dealing with the United States over the South China Sea as mentioned above. Still, there is also the possibility that much of China’s action is related to the combination of reinforcing its past claims of sovereignty over the Senkakus and a new phase of seeking to demonstrate its “effective control” over the islands.

(3) Economic Diplomacy in Southeast Asia
While on one hand pushing a hard line toward the United States and Japan, China on the other hand has been emphasizing deepening pragmatic cooperation and strengthened economic ties in dealing with Southeast Asian countries. Through promotion of the OBOR concept which it announced in March 2015, Beijing made clear its intention to promote economic development over a Twenty-first Century Maritime Silk Road (the “One Road” in OBOR) which started in its
coastal regions and passed through the South China Sea and the Indian Ocean to tie all to Europe, as well as over a route from its coastal provinces through the South China Sea to the South Pacific. Both the South China Sea and Southeast Asia are geographically important to each of these routes, and China sought to make active use not only of the various bilateral relationships but of ASEAN-China meetings, the Greater Mekong Sub-region (GMS), and any other existing multilateral frameworks.

In March 2016, China took advantage of a meeting of the Boao Forum for Asia on Hainan Island to convene its first summit conference with the leaders of the five Southeast Asian countries fed by the Mekong River—Thailand, Cambodia, Laos, Myanmar, and Vietnam. The summit meeting concluded with release of a joint communiqué covering 26 topics under the three headings of political and security issues, economic and sustainable development, and social and people-to-people exchanges. The communiqué confirmed their intention to advance ties between China and ASEAN through finding practical means for cooperation within the sub-region. China was to play a very large role in the efforts of the Lancang-Mekong Cooperation (LMC) group. ("Lancang" is the name given to the upper reaches of the Mekong River within Chinese territory.) At the summit conference, Chinese Premier Li Keqiang announced financing for regional development on the order of $10 billion and also noted that other support for infrastructure development in the Mekong sub-region would also be available through, for example, the AIIB and the Silk Road Fund. Premier Li also announced that to reduce poverty, Mekong region countries would be given priority by the South-South Cooperation Fund which China had established in 2015 and that China would set up a new fund specifically for cooperation in the Mekong sub-region, pledging $300 million over the next five years for small and medium-scale projects.

China is very likely expecting diplomatic results on a number of levels from such sub-regional cooperation. First, moving forward with practical cooperation and providing specific forms of support to economic development in the sub-region should further development of the overall China-ASEAN relationship. Second, with greater development of relations with ASEAN, problems in the South China Sea could be linked and shifted to problems primarily involving the China-ASEAN relationship. Needless to say, there is no direct link between cooperation with the individual sub-regions, for example the LMC, and problems in the South China Sea. Still, an abundant number of PRC strategists and media
China maintain that promoting sub-regional cooperation and functional cooperation can influence relations of trust involving political and security affairs and a strengthening of cooperation, which in the long term can be beneficial in solving South China Sea problems.44)

Beijing has worked to achieve greater stability in its relations with the disputant countries. In the Philippines, new president Rodrigo Duterte took office in June 2016, and immediately after his election, China sent him a message seeking to improve relations. On May 10, a Chinese Foreign Ministry spokesperson stated that China hoped the new Philippine government would move forward along the same path as China, deal with the two countries’ differences, and return the bilateral relationship to a course toward healthy development.45) President Xi Jinping sent Duterte congratulatory telegrams twice, once on May 30 to celebrate his election and again on June 30 on Duterte’s inauguration as president.

As the outcome to the Philippines’ January 2013 appeal to the arbitral tribunal drew closer, the Chinese MFA in June issued a statement which defined the Chinese government’s position, reiterating that China was “resolutely opposed to the Philippines’ unilateral action and would neither accept nor participate in the tribunal.”46) The statement, however, also dealt with Chinese readiness “to work through bilateral discussion to solve the two parties’ dispute in the South China Sea,” somewhat ameliorating the critical tone of the statement. In August, one month after the July 12 ruling, Fu Ying, chairperson of the NPC Foreign Affairs Committee, met in Hong Kong with former Philippine president Fidel Ramos. This meeting was in a personal rather than official capacity for Chairperson Fu, but it is reported that she responded to Ramos’ mention of wanting to visit Beijing as special representative of President Duterte with assurances that he would be welcomed.47)

In October, President Duterte visited Beijing and conferred with President Xi Jinping, also meeting separately with Premier Li Keqiang, Chairman of the NPC Standing Committee Zhang Dejiang, and Vice Premier Zhang Gaoli.48) The South China Sea problem was not raised as a major topic at any of these meetings, and everyone was in accord that the two countries should seek an appropriate resolution to questions of territorial sovereignty through bilateral consultation.49) In addition, President Xi spoke of a need to promote practical bilateral cooperation, saying that the two countries must thoroughly coordinate their development strategies and expressing hopes for greater cooperation with the Philippines within the framework of OBOR. Following their talks, the two national leaders
released a joint communiqué which laid out areas for comprehensive cooperation and signed memorandums of cooperation in thirteen areas including economics and trade, investment, financing, and construction of infrastructure.\(^{50}\) It is believed the total amount of economic cooperation involved in the agreed-upon areas was $13.5 billion,\(^{51}\) of which $9 billion was allotted to finance infrastructure construction in the Philippines.\(^{52}\)

Earlier, in January 2016, Vietnam had installed new leadership. China sought greater development of its relationship with Vietnam with emphasis cooperation between their Communist Parties, economic cooperation, and appropriate handling of their differences, including territorial problems.\(^{53}\) Plans for inter-party cooperation already exist through 2020. Exchanges of personnel during 2016 not only included exchanges between the two Parties but also extended to active exchanges of government and military personnel. In September, Vietnam’s new prime minister, Nguyen Xuan Phuc, visited Beijing and met with Premier Li Keqiang. The two leaders discussed further strengthening the two countries’ comprehensive strategic cooperative partnership and reached consensus not only on trade and infrastructure construction but on continuing to strengthen exchange and cooperation in such areas as diplomacy, national defense, security, and law enforcement. Talks also touched on a Code of Conduct (COC) in the South China Sea, with both sides agreeing to continue to work toward the comprehensive and effective application of the Declaration on the Conduct of Parties in the South China Sea (DOC), seeking early agreement on a COC based on agreement reached through consultations. The joint communiqué resulting from the talks also took note of effectively managing and controlling differences regarding maritime affairs so as to avoid actions which complicated the situation and broadened the conflicts and to foster peace and stability in the South China Sea.\(^{54}\)

As described, China is engaged in diplomacy aimed at stabilizing the situation with countries strategically located for a role in OBOR, which would seem a rational way for China to build on the leading role it has secured for itself by seeking economic benefits as well. But while engaged in such regional diplomacy aimed at stabilizing relationships, China has also permitted the PLA to perpetuate tensions in the South China Sea. In July, Gen. Fang Changlong, vice-chairman of the CMC, inspected units stationed in the Southern Theater Command, and he is reported by Chinese media to have stated, “We must be deeply aware that our country faces a complicated and demanding security situation, and we must push further forward
with our ability to fight and our preparations for military struggle, so that if the order is received to engage, we can take to the battlefield and win the fight."

As already mentioned, the July 12 ruling passed down by the arbitral tribunal was preceded by Chinese war games near the Paracel Islands in the South China Sea conducted among PLAN’s South, East and North Fleets. Shortly after the ruling, China and Russia conducted joint exercises, dubbed “Joint Sea 2016,” during September in waters to the east of Zhanjiang, Guangdong Province. As its main force in the exercises, China brought in ten vessels from the three fleets, including Luyang I-class destroyers and Luyang II-class destroyers, as well as nineteen Navy aircraft such as J-11B fighters, JH-7 fighter-bombers, and early warning and control aircraft. A point which drew special attention was that both navies provided marine detachments equipped for amphibious actions which took part in island recapture exercises. A spokesperson for the PLAN stressed that the drill would feature the highest-ever level of standardization, combat and digitalization in recent China-Russia drills. In short, these drills, in the unshared scenario, engaged Chinese and Russian naval forces in high-level battle exercises focused on improving real combat abilities.

Even though China is seeking to stabilize and develop its relations with Southeast Asian countries using economic cooperation as a lever, it has shown no change in its readiness to resort to military engagement as the ultimate safeguard of its sovereignty and interests. In addition, China would seem to be using more realistic military combat exercises to display its strong determination to protect Chinese sovereignty and interests.

3. Structural Reform of the Party’s Army

(1) Empowered Central Military Commission
Starting in autumn of 2015, Beijing has announced a series of structural reforms for the PLA. The reforms are focused on two particular areas: reform of the leadership and management system, with the CMC at the core; and reform of the joint command and control system. At present, 2020 has been set as the goal for reconstructing a military which can win an informationized war. Both reforms hinge on improving the functions of the CMC, with the aim being creation of a new leadership management system (CMC—service headquarters—troops) and a new command and control system (CMC—theater commands—troops).
During 2016, the first year of the reforms, the CMC displayed some progress in strengthening its functionality. First, the basic structure of the PLA itself went under the knife, as the four General Departments (General Staff Department, General Political Department, General Logistics Department, and General Armaments Department) which had served as the command structure for the entire military were dismantled and the seven military regions which provided regional command were abolished.\textsuperscript{58}

The general departments were replaced by a new CMC structure composed of fifteen subsidiary organs. The new structure now consisted of one general office (General Office), six departments (Joint Staff Department, Political Work Department, Logistics Support Department, Equipment Development Department, Training Management Department, and National Defense Mobilization Department), three commissions (Discipline Inspection Commission, Political and Legal Affairs Commission, and Science and Technology Commission), and five offices or bureaus (Strategic Planning Office, Reform and Organization Office, International Military Cooperation Office, Audit Bureau, and Organizational Affairs General Management Bureau).

The introduction of this new CMC structure has dispersed the functions and authority that had expanded in the four General Headquarters, particularly in the former General Staff and General Political Departments. It was made clear within the military that the new Joint Staff Department was not just a rehashing of the old General Staff Department.\textsuperscript{59} After the reforms, a number of functions which had been addressed within the old General Staff Department were pulled out and set up in new forms, for example, the old General Staff Department’s Military Training Office becoming the CMC Training Management Department, the old General Staff Department’s Strategic Planning unit becoming the CMC Strategic Planning Office, the General Staff Department’s Mobilization Office turning into the CMC National Defense Mobilization Department, and the General Staff Department’s Foreign Affairs Office being recast as the CMC International Military Cooperation Office. As a result, the functions of the new CMC Joint Staff Department were considerably narrowed mainly to cover joint operations.

The old General Political Department also had its functions and authority reduced. For instance, the military discipline commission which had operated under the old General Political Department was now clearly placed under direct CMC oversight, giving the new CMC Discipline Inspection Commission greater...
independence and greater functionality in examining discipline within Chinese military units. In May 2016, for the first time it dispatched inspection teams to all CMC departments and theater commands, the stated goal being "improving the Party’s work style and building clean government" along with fighting corruption.\textsuperscript{60} This is taken as confirmation that the new discipline inspection system for the military is up and running.\textsuperscript{61}

The Political and Legal Affairs Commission has been placed directly under the CMC, enhancing its independence from the old Political Work Department. While it is true that before the reforms, legal oversight in the military was provided by a military political and legal affairs commission under supervision of the CMC, the secretary of that commission also served as a deputy director of the General Political Department, with the commission’s actual operations falling under the General Political Department.\textsuperscript{62} After the reforms, the position of secretary of the CMC Political and Legal Affairs Commission was given to Lt. Gen. Li Xiaofeng, former chief procurator in the PLA Military Procuratorate. He does not share duties with the Political Work Department or the Discipline Inspection Commission. Such reforms are designed to address the issue of whether discipline inspection and oversight of political and legal affairs in the military could exercise sufficient independence and authority. The result is that the primary duties of the slimmed down CMC Political Work Department are the development and management of human resources and other macro-management issues.\textsuperscript{63}

In the background to these structural reforms was a strong awareness of the abuses committed by the former general departments. The \textit{Liberation Army Daily} (PLA Daily) castigated the four general department system, pointing out that as a result of the overconcentration of authority in the general departments, they had taken over many of the CMC’s functions and handicapped “centralized, unified leadership” by the CMC.\textsuperscript{64} The fifteen departments in the new CMC are all functional units. The \textit{PLA Daily} for October 4, 2016, stressed strongly that the fifteen new departments did not have the function of exercising “leadership” as did the old General Departments. The concept of providing “leadership” (\textit{lingdao}) is nowhere to be found in the list of the various departments’ responsibilities; instead, the departments’ working responsibility is to provide “guidance” (\textit{zhidao}), “undertake” (\textit{dandang}) and/or “regulate and perform.”\textsuperscript{65} These fifteen CMC subsidiary organs are not systems for providing mandatory leadership and decisions, and it has been made plain that they exist to carry out the matters that
have been decided by the CPC Central Committee, the CMC, and CMC Chairman Xi Jinping.

It is appropriate to interpret that the design of this new system is linked to efforts to increase the power of the CMC and its chairman, Xi Jinping, to control China’s military. Chinese politics introduces the “CMC Chairman Responsibility System,” which gives the CMC chairman authority to make decisions for the military. Since 1993 a “three in one” system also came into effect, with the CPC general secretary also serving as both the president of the PRC and the CMC chairman in the effort to ensure that the CPC had absolute control over the military.

CMC Chairman Xi Jinping promoted planning as part of the military and national defense reforms so that the CMC’s role would be made clear along with greater authority for its chairman. Immediately after Xi’s installation as CMC chairman in 2012, he launched a review of the Working Rules of the CMC. During the review process, the CMC issued such documents as the “Opinion on a Working Mechanism for Thoroughly Instituting and Maintaining a System for the Responsibility of the Chairman of the Central Military Commission” in April 2014 and the “Decision on Strictly Governing the Armed Forces by the Rule of Law in New Circumstances” in February 2015. These were designed to describe a policy for establishing mechanisms to ensure that the CMC chairman had a timely understanding of situations involving building up national defense and the military and also to ensure that the chairman could command major military activities, as well as ensuring transmission of the chairman’s reports and instructions and information from the military. In short, such measures aimed to promote a system for the CMC chairman to provide broader and more specific leadership to military affairs and national defense policy.

Such activities became more specific during 2016. In April, Xi Jinping inspected the CMC Joint Battle Command Center. After his visit, a new title used for Xi was unveiled in Chinese news media: “Commander in Chief” of the Joint Battle Command Center. Qiushi (Seeking Truth), the official magazine of the CPC Central Committee, carried a commentary from the CMC Joint Staff Department which depicted the visit by Chairman Xi in his persona as commander in chief to inspect the new facility and deliver a major speech as “of significance as an important milestone” in the history of building up China’s military. While that significance could take a variety of forms, in its discussion of actually putting into practice the system and mechanisms for the CMC chairman responsibility system,
Figure 3.1. PLA structure after reform

Central Military Commission

1 General Office, 6 Departments
- General Office
- Joint Staff Department
- Political Work Department
- Logistic Support Department
- Equipment Development Department
- Training Management Department
- National Defense Mobilization Department

3 Commissions
- Discipline Inspection Commission
- Political and Legal Affairs Commission
- Science and Technology Commission

5 Subsidiary Offices
- Strategic Planning Office
- Reform and Organization Office
- International Military Cooperation Office
- Audit Bureau
- Organizational Affairs General Management Bureau

Command

Theater Commands (TC)
- Central TC
- Southern TC
- Northern TC
- Western TC
- Eastern TC

Administration

Military Service
- Army
- Navy
- Air Force
- Rocket Force
- Strategic Support Force

Source: Prepared by the author.
the commentary stressed that what was important here was not just resolutely protecting Chairman Xi’s authority but rather following his command absolutely.68)

(2) Incomplete Joint Battle Command System Reform
Reform of the joint battle command system is another significant part of Xi Jinping’s military reform agenda.69) During his inspection of the CMC Joint Battle Command Center, Xi noted that improving the center is a significant part of deepening the reform on national defense and the military as well as a key measure to strengthen the CMC’s strategic command function. Building on that achievement, Xi laid out six points for attention in building a joint battle command system which could win an informationized war:70) (a) conquering any conflicts or problems limiting the PLA’s joint battle command, measured by the standard of being able to fight and win wars; (b) establishing operating mechanisms for joint battle command; (c) putting to use a variety of approaches to develop human resources for joint battle command; (d) developing and applying advanced military technologies to make the means of command more sophisticated and effective; (e) strengthening research on how to win informationized wars and the mechanism of modern battle command so as to build an advanced theoretic system for battle; and (f) establishing a set of joint battle regulations in line with the military reform.

According to the CMC Joint Staff Department, strengthening the CMC’s strategic command function is a vital element to improve joint command operations at the newly created theater command level. A new joint battle command system is being placed in each of the five theater commands which have replaced the seven previously existing military regions. In the previous military regions, the administration and command systems were not managed separately, meaning that unclear functions and ineffective joint command systems stood as institutional barriers to winning informationized wars.71) The new theater commands are operational formations each having a joint operational command structure. A PLA Daily commentary
noted there would be a structure where the armed forces are always ready for war, even in times of peace, and a theater’s joint battle command center that is constantly in operation would have no need to shift from a peace-time to a war-time footing.\(^{72}\)

At present, however, all these are still far from working smoothly. First and foremost, the PLA is facing a shortage in human resources for joint battle command. As already noted, Xi Jinping has sought to encourage development of the personnel needed for joint battle command and has stressed that “a major breakthrough should be achieved as soon as possible.”\(^{73}\) On January 1, 2016, the CMC released its “Opinions on Deepening National Defense and Military Reforms” to all of the armed forces, setting “cultivation of a new-type military talent” as an important goal of the reforms. The Opinion calls for establishing new personnel training structures for joint battle command in its military education institutions, centering on the PLA National Defense University.

In June 2016, the officials and officers from the CMC Organizational Affairs General Management Bureau, the theater commands, all the military service components, and twenty-four military education institutions gathered in Beijing to prepare for emergency establishment of training courses for joint battle commanders to begin in September.\(^{74}\) This was followed in July by the CMC Political Work Department and CMC Training Management Department jointly presenting all relevant military institutions with “New Measures for Fostering Exceptional Personnel for Joint Battle Command,” with the goal of eliciting proposals for developing talent and reforming professional military education (PME).\(^{75}\)

Each of the theater commands has been moving ahead quickly with developing talent. For example, in the Northern Theater Command, a one-month course for all of the personnel at its Joint Battle Command Center began on January 29, before the inauguration of the new theater command. Studies were directed at training in responding to contingencies, and certificates of qualification to serve at the center were issued.\(^{76}\) In the second month a course was conducted to create a model of joint battle command, working through research and practice aimed at trial operation of the joint battle command center. Based on the above, commanders gathered during the third month for theoretical research, functional training in command, and specific command training exercises.

In March, tests were given in the Southern and Western Theater Commands for development of joint battle talent. Following such tentative approaches, each of
the theater commands prepared individual proposals for fostering joint battle command talent.77) One thing that can be said from the above, however, is that as of the February 1 establishment of the new theater commands, none of the commands had a joint battle command center ready for operation as the core of the command’s joint battle command system.

Another problem involving the theater commands is that much has yet to be determined regarding the professional responsibilities of the new post-reform institutions and the relationship among them. First, it would seem that the various theater commands, called the highest-level joint battle command structure in each of the strategic directions, have not yet adequately prepared for the command sub-units within each theater command. For example, according to a PLA Daily commentary on joint battle construction in the Northern Theater Command, its Party Committee is currently giving emphasis to research on topics such as overall command in relation to sub-regional command, command at each organizational level or that crosses levels, and the authority and responsibility for command during peacetime and during time of war.78)

Second, work still needs to be done on the relationship between the theater command and the various military services. The current reforms have meant that the theater command has responsibility for command and control over the individual troop units, while each military service pursues its own construction and administration of its own troops. Services’ subordinate organs (the Army, Navy and Air Force) have been formed within the theater commands. The theater command’s service organs, under the guidance of their service headquarters, are expected to be responsible for the administration of the troops as well as providing support to joint operations and training conducted by the theater commands.79) In other words, each troop is under dual leadership of the theater command and its own service headquarters. A PLA Daily commentary pointed out that the relevant military rules and regulations must be provided in order to clarify the current vague relationship and responsibility of each unit in joint training.80) In addition, in remarks on military information systems, Gen. Liu Yuejun, commander of the Eastern Theater Command, displayed awareness of a need to improve the flow of information, so that instead of just flowing vertically from the theater command to the units in the field, information also flows horizontally and connects the theater command to the military services as well as the theater command to the individual units.81)
The structural reform of the PLA is of an extremely fundamental nature, except for the empowered CMC, and it appears that reform of the joint battle command structure, one of the major parts of Xi’s military reform, is still in its initial stages. The leadership is now facing a number of challenging problems including the lack of human resources to engage in joint battle command and the restructuring of authority and responsibility relationships that must accompany structural reform. Accordingly, it seems that both new and old mechanisms are still in use at the same time.

The Y-20: China’s First Domestically Developed Strategic Transport Aircraft

In July 2016, the PLA Air Force (PLAAF) inducted Y-20 transport aircraft into service. The Y-20 went into development around 2007, made its first successful flight in January 2013, and was first introduced to the world at the November 2014 Zhuhai air show. China has not yet officially disclosed the transport capabilities of the new aircraft, but judging from available public sources, the Y-20 has a payload capacity of 66 tons and a maximum range of 7,800 km. Its payload capacity is shy of the US C-17’s 77.5 tons, but larger than the Russian IL-76’s 48 tons. Looking at its range, the Y-20 is capable of direct nonstop flight through all the regions around China and as far as Djibouti and other locations on Africa’s east coast.

China has mainly flown the IL-76 imported from Russia, and it has the Y-7 and Y-8 transport aircraft, but all of these are limited in payload capacity and range. When the Y-20 is deployed for actual service, China will increasingly acquire power projection capabilities. The maximum payload capacity and flight range of these other transports are 48 tons and 4,400 km for the IL-76, 4.7 tons and 2,400 km for the Y-7, and 20 tons and 5,600 km for the Y-8.

While China holds that the Y-7 and Y-8 transports are made domestically, they are manufactured in China as copies of the Soviet An-24 and An-12 and cannot be called purely “made in China.” The Y-20, however, has an exterior that resembles the IL-76 and the C-17, but except for the jet engines, the great majority of the plane itself has been developed and manufactured in China.

The Y-20 is expected to enter full-scale production in the 2020s. If this happens, it will likely be applied to troop and equipment transport for all varieties of military training as well as for participation in joint overseas exercises, and it should also be put to such uses as transporting replacement troops for Chinese units taking part in the UN peacekeeping mission in South Sudan.

Meanwhile, the Chinese KJ-2000 airborne early warning and control system (AEW&CS) is being manufactured based on an IL-76 airframe, and the AEW&CS aircraft KJ-500 and other special operation aircraft are built on the airframes for the Y-8 and the Y-9, a stretched version of the Y-8. In the future if the Y-20 serves as the airframe, it should be possible to produce varieties of high-performance
special operation aircraft that take advantage of the Y-20’s greater payload and range capabilities. According to a PRC military expert, if AEW&CS is developed on the Y-20 airframe, China would be able to keep abreast of trends in other countries’ similar systems (Renminwang, October 1, 2016).

The PLAAF will celebrate its seventieth anniversary in 2019. One of the developments the Air Force will likely undertake with that anniversary in mind is deployment of the J-20 and the J-31, fifth-generation fighter jets, but attention should also be given to how the PLAAF goes about improving its transport capability through development and deployment of the Y-20 and similar special operation aircraft.

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Chapter 3 author: Masayuki Masuda