

## Chapter 2

# China

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### The Start of Xi Jinping's Second Term

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At the 19th Party Congress of the Communist Party of China (CPC) held on October 18, 2017, Xi Jinping was reelected CPC General Secretary and Chairman of the Central Military Commission (CMC). The new CPC Constitution, that was unveiled after the 19th Party Congress, included “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” in the CPC guidelines for action, with equal weight given to it as Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the important thought of Three Represents, and the Scientific Outlook on Development.

As demonstrated from the Constitution’s incorporation of the guiding principles bearing the name of President Xi Jinping, it is said that Xi has succeeded in greatly enhancing his political authority and leadership at the 19th Party Congress. Meanwhile, it is also considered that Xi has yet to establish an absolute power base, given that he could not: (1) make his own governing philosophies such as “governance” part of the CPC’s action guidelines, (2) overcome the custom of applying the “seven up, eight down” principle of continuing to serve on the Politburo Standing Committee at age 67 but standing down at 68, and (3) restore the “party chairman system.”<sup>1</sup> 2018 marked the full-fledged start of Xi’s second term in this manner, and focus converged on the issue of what initiative Xi will take in such areas as domestic, foreign, and defense policies.

As regards domestic affairs, observers paid closest attention to how Xi will seek to further strengthen his power base. Xi aimed to boost his power base within the CPC through three channels: personnel appointments; institutional and organizational reforms of Party and State organs including constitutional amendments; and the fight against corruption. In diplomacy, Xi established a leadership structure that would allow him to take initiative. However, the US-China relationship, a top priority for Chinese diplomacy, deteriorated over the issues of Taiwan, the South China Sea, and economic friction. The Xi administration attempted to overcome this crisis situation by enhancing relations with neighboring countries including Japan and with developing countries, and expanding China’s diplomatic horizon. In defense policy, interest areas included advancing the national defense and military reform promoted by CMC Chairman Xi, proactive implementation of training based on actual combat scenarios under the new military training structure, and steady equipment modernization of the Rocket Force, Navy, and Air Force.

## 1. Strengthening of Xi Jinping's Authority Through Personnel Changes, Institutional and Organizational Reforms, and Anti-Corruption Campaign

### (1) Unprecedented Personnel Appointments in Line with Xi's Intentions

Xi Jinping was reelected President of the People's Republic of China (PRC) at the first session of the 13th National People's Congress (NPC) which opened on March 5, 2018. At the same time, Wang Qishan, regarded as Xi's close ally, was elected Vice President of the PRC despite being a rank-and-file Party member.<sup>2</sup> Vice President Wang was elected member of the CPC and the Secretary of the Central Commission for Discipline Inspection at the 18th Party Congress of the CPC in 2012, and acted with shrewdness in rooting out Party corruption under instructions from President Xi. Considered a trusted confidant of President Xi, it was suggested that Vice President Wang could overturn the "seven up, eight down" custom at the 19th Party Congress and continue to serve on the Politburo Standing Committee. Despite such indications, Wang, in accordance with custom, resigned as member of the Politburo Standing Committee and Secretary of the Central Commission for Discipline Inspection.<sup>3</sup> A non-CPC member or a rank-and-file Party member has been appointed Vice President in the past. However, this post was filled by a CPC Politburo Standing Committee member or Politburo member ever since Hu Jintao was appointed in 1998, and Wang's appointment was thus reported as unprecedented.<sup>4</sup>

Furthermore, at the first meeting of the Central Foreign Affairs Commission held in May 2018, it was confirmed that Vice President Wang was elected member of this Commission elevated from the Central Foreign Affairs Leading Group in March.<sup>5</sup> After assuming office, Vice President Wang met with Alan Peter S. Cayetano, Secretary of Foreign Affairs of the Philippines, and attended

President Xi Jinping's meeting with Kim Jong Un, Chairman of the Workers' Party of Korea, in March. He also gave an interview to a delegation led by Toshihiro Nikai, Secretary-General of the Liberal Democratic Party of Japan, in August. In this way, Vice President Wang has exhibited significant presence in Chinese diplomacy led by President Xi.<sup>6</sup>

## **(2) Institutional and Organizational Reforms of Party and State Organs Including Constitutional Amendments**

At the NPC in March, the Constitution of the People's Republic of China was amended for the first time in 14 years. In this connection, attention was particularly directed at the abolition of the two-term, ten-year term limits for the President and Vice President.<sup>7</sup> With regard to the abolition of the term limits, Wang Chen, Vice Chairman and Secretary-General of the NPC, noted that the CPC Constitution contains no provisions limiting the terms of the General Secretary and Chairman of the Central Military Commission of the CPC, and that the PRC Constitution also does not limit the term of the Chairman of the Central Military Commission of the State. Wang stated that the abolishment of the term limit for the President "is favorable for maintaining the authority and centralized, unified leadership of the CPC Central Committee with comrade Xi Jinping at the core, and is also favorable for strengthening the leadership structure of the State and making the structure complete."<sup>8</sup> As is evident from this remark, such institutional and organizational reforms were undertaken with the intention to strengthen President Xi Jinping's power base.

Under the constitutional amendment, a supervision commission was established as a State organ. Supervision commissions were set up at the national and regional levels, and Yang Xiaodu, a Politburo member considered highly trusted by Xi, was appointed to serve as the first Director of the National Supervision Commission of the PRC concurrently with the post of Deputy Secretary of the Central Commission for Discipline Inspection.<sup>9</sup>

President Xi Jinping decided on these amendments to the Constitution at a meeting of the Central Politburo on September 29, 2017, shortly before the 19th Party Congress opened. A group for drafting the constitutional amendments was then established led by NPC Chairman Zhang Dejiang as head and by Li Zhanshu and Wang Huning as deputies, comprised of representatives from relevant organizations such as the CPC Central Committee, NPC, State Council,

Supreme People's Court, and Supreme People's Procuratorate. In November 2017, the CPC Central Committee instructed each district and organization to consolidate Party opinions regarding the sections to be amended. The CPC Politburo Standing Committee and Politburo meeting then deliberated the draft constitutional amendments. In December, the draft was circulated to Party officials, including some senior members, and their opinions were requested. Also in December, Xi held a roundtable discussion and exchanged views with non-CPC delegates, consisting of Democratic Parties, the All-China Industry and Commerce Federation, and non-party affiliates. In January 2018, Chairman Zhang Dejiang held a roundtable discussion with heads of committees and groups of Party and government organs, think tanks and experts, and heads of regional people's congresses. The draft revised Constitution was proposed at the second plenary session of the 19th Party Central Committee of the CPC, and following its deliberation and approval, was submitted to the NPC Standing Committee.<sup>10</sup> In this manner, the constitutional amendments were made within an extremely short timeframe, all the while seeking opinions from within and outside the Party.

In addition to amending the Constitution, President Xi Jinping initiated institutional reforms of Party and State organizations, such as the State Council, and convened the third plenary session of the 19th Central Committee from February 26 to 28, 2018. Only a month or so had passed since the second plenary session, and it was unprecedented to hold a plenary session of the Central Committee twice before the opening of the NPC. The third plenary session deliberated and approved the “decision by the Communist Party of China Central Committee on deepening reform of Party and State institutions” and “plan about deepening reform for Party and State institutions.”<sup>11</sup> On March 22, 2018, the CPC Central Committee unveiled the latter plan.

As for Party organizations, the central leading groups—the Central Leading Group for Comprehensively Deepening Reforms, the Central Leading Group for Cybersecurity and Informatization, the Central Leading Group for Financial and Economic Affairs, and the Central Foreign Affairs Leading Group, which was headed by Xi—were reorganized into commissions, namely, the Central Comprehensively Deepening Reforms Commission, the Central Cyberspace Affairs Commission, the Central Financial and Economic Affairs Commission, and the Central Foreign Affairs Commission. Furthermore, the Central Committee Leading Small Group for Safeguarding Maritime Interests Work was abolished,

and the Central Foreign Affairs Commission took over its functions and power.<sup>12</sup> Some observers note that, following the inauguration of the Xi administration, President Xi has sought to enhance his power by serving as heads of many leading small groups that have both a large membership and jurisdiction.<sup>13</sup> It is said that the latest reorganization of leading small groups into commissions is not merely a change in name but also elevation of their responsibilities and functions,<sup>14</sup> and is believed to contribute to further strengthening Xi's power base.

Meanwhile, at the State level, the State Council underwent large-scale structural reforms. The new State Council is comprised of a total of 26 ministries and commissions as a result of the establishment of the Ministry of Veterans Affairs and Ministry of Emergency Management and the reorganization of existing agencies, namely, the Ministry of Natural Resources, Ministry of Ecology and Environment, Ministry of Agriculture and Rural Affairs, Ministry of Culture and Tourism, and National Health Commission.<sup>15</sup> Additionally, at the NPC, Li Keqiang was reelected Premier of the State Council, while Politburo Standing Committee member Han Zheng, Sun Chunlan, Hu Chunhua, and Liu He were elected Vice-Premiers of the State Council and Minister of National Defense Wei Fenghe, Wang Yong, Minister of Foreign Affairs Wang Yi, Secretary-General of the State Council Xiao Jie, and Minister of Public Security Zhao Kezhi were elected State Councilors.<sup>16</sup>

### **(3) Continuation of Anti-Corruption Campaign**

President Xi Jinping's anti-corruption campaign continued in 2018. On February 24, 2018, just before the NPC opened, Yang Jing, Secretary-General of the State Council and State Councilor, was dismissed for "severe disciplinary violations" and demoted to ministerial level. According to the announcement, Yang Jing was charged with "continuing to have long-term improper associations with illegal business owners, using his influence on the job to conduct illegal activities for the benefit of such business owners, and providing services in pursuit of self-interests in the form of vast profits, for which his relatives received money and goods from such business owners." However, because Yang Jing "acknowledged his fault during the investigation process and regretted his mistake," he received a relatively light penalty of one-year probation and demotion to ministerial level.<sup>17</sup> Yang Jing is an ethnic Mongolian from the Communist Youth League of China and is believed to have close ties with Premier Li Keqiang. As Yang Jing was

not elected Central Committee member at the 19th Party Congress, his downfall from power had been rumored from before, only to be announced immediately ahead of the NPC.<sup>18</sup>

In October 2018, the Chinese Ministry of Public Security announced that Meng Hongwei, President of the International Criminal Police Organization (ICPO) and Vice-Minister of Public Security of China, was detained by the National Supervision Commission on suspicion of bribe-taking. The Ministry noted that Meng's detainment was part of the anti-corruption campaign led by President Xi Jinping. Meng is thought to have had close relations with Zhou Yongkang, former member of the Politburo Standing Committee of the CPC who was sentenced to life in prison in 2015 for accepting bribes, abusing power, and leaking State secrets. The Ministry of Public Security noted that Meng was detained to wipe out the "influence of Zhou Yongkang's evils." Based on this incident, the Ministry called for absolute loyalty to the CPC Central Committee with President Xi Jinping at the core, stating that, "with respect to political position, political guidelines, political principles, and political roadmap, a high level of alignment must be maintained with the Central Committee with Comrade Xi Jinping at the core."<sup>19</sup> In view of the Ministry's announcement, it can be considered that Meng's detainment was part of the anti-corruption campaign for strengthening the power base of President Xi.

It appears that Xi is also continuing to combat corruption in the People's Liberation Army (PLA), a critical base for Xi's seizure of power. In August 2018, multiple Hong Kong media outlets reported that Wei Liang, Political Commissar of the Southern Theater Command, Yang Hui, Deputy Commander and Chief of Staff of the Eastern Theater Command, Xu Fenlin, former Deputy Chief of Joint Staff Department of the Central Military Commission, and others were subject to investigation on corruption charges.<sup>20</sup> While Chinese official media has yet to make an announcement, the arrests of Fang Fenghui, Chief of Joint Staff Department of the Central Military Commission, and Zhang Yang, Director of the Political Work Department of the Central Military Commission, in September 2017 were similarly reported by Hong Kong newspapers ahead of China's official announcement.<sup>21</sup> Considering this situation, it is validated that Hong Kong reports have reliable information sources regarding crackdown on corruption by senior military personnel to some extent.

Through these series of approaches, Xi has succeeded in strengthening his

power base in the CPC. On the same day that the “plan about deepening reform for Party and State institutions” was unveiled, it was announced that members of the Politburo meeting reported the matters under their jurisdiction to Xi. This report was made for the first time in accordance with the “rules on strengthening and maintaining centralized, unified leadership of the Central Committee of the CPC Politburo,” decided at a Politburo meeting in October 2017, and is to be made once a year. Xi examined the respective reports and made critical requests individually regarding execution of responsibilities, achievement of tasks, and improving work attitudes.<sup>22</sup> In this way, Xi has succeeded in securing power to make personnel evaluations of Politburo meeting members, including Politburo Standing Committee members, and is believed to have strengthened his power base. Meanwhile, ahead of the Beidaihe meeting in August 2018, some Japanese media reported that senior Party officials have stepped up criticisms against Xi for worsening the US-China economic friction, among other reasons.<sup>23</sup> However, criticisms of Xi have not been confirmed in Chinese official media reports, and his power base is seen as basically stable at this point in time.

## 2. The Geopolitics of Chinese Foreign Policy

### **(1) Xi Jinping's Reorientation of Foreign Policy Approach**

On May 15, 2018, Chinese President Xi Jinping presided over the first meeting of the Central Foreign Affairs Commission as head of the Commission. On this occasion, it was revealed that Premier Li Keqiang became deputy head and Vice President Wang Qishan became a member of the Commission.<sup>24</sup> While other members have not been announced, it has been confirmed that Yang Jiechi, CPC Politburo member, has been appointed director for the Office of the Commission.<sup>25</sup> At the meeting, President Xi emphasized the need to enhance centralized and unified leadership over foreign affairs of the CPC Central Committee, and sought to establish a foreign policy leadership structure which would enable him to take further initiative, with the Central Foreign Affairs Commission playing a focal role. In addition, Xi instructed that efforts be made to open up new dimensions of major-country diplomacy with Chinese characteristics, and underscored that the development of the Belt and Road Initiative (BRI) will serve as a key practical platform for building “a

community with a shared future for mankind.”

In June 2018, the Central Conference on Work Relating to Foreign Affairs was held for the first time in four years. The conference was attended by all members of the Politburo Standing Committee, including President Xi Jinping, as well as Vice President Wang Qishan and Politburo members including Yang Jiechi. Many other CPC senior officials from a range of fields were also in attendance, including the Central Committee, NPC, National Committee of the Chinese People's Political Consultative Conference, State Council, Supreme People's Court, Supreme People's Procuratorate, regional Party organizations and government departments, financial institutions, large state-owned enterprises, the PLA, and Chinese diplomats dispatched to various countries and international organizations.<sup>26</sup> It is believed that the participants were diverse in order to instill awareness of the foreign policy approach of Xi's second-term leadership in a variety of foreign policy actors in China.

At the conference, Xi stated that China would “take an active part in leading the reform of the global governance system,” and once again called for efforts to break new ground in major-country diplomacy with Chinese characteristics. He also expressed the view that China has been in the best period of development in modern times, while the world is undergoing the most profound and unprecedented changes in a century. On this basis, Xi urged participants to have a grasp of the overall trend of accelerating global multi-polarization and to attach importance to the fact that major-power relations are at a stage of undergoing significant adjustments. With regard to the future diplomatic approach, Xi instructed: “It is important to have well-planned relations with other major countries and build a framework for developing major-power relations in an overall stable and balanced way. China must steadily conduct diplomacy with neighboring countries and regions in order to ensure a friendlier and favorable surrounding environment. China must enhance its unity and cooperation with developing countries, advance hand in hand, and promote the creation of a new phrase of relations for joint development.” Furthermore, Xi stressed cooperation with developing countries, which he described as China's “natural allies” in its foreign affairs.<sup>27</sup>

## **(2) Deteriorating Sino-US Relations**

Meanwhile, China confronted the daunting situation of deteriorating US-China relations in 2018. The contentious bilateral relations became more acute over primarily three issues: South China Sea, Taiwan, and trade dispute.

In January 2018, the Ministries of Foreign Affairs and National Defense of China condemned that US Navy's Aegis destroyer USS Hopper sailed within 12 nautical miles of Scarborough Shoal (Huangyan Dao) in the South China Sea without permission from China. At the same time, Senior Colonel Ren Guoqiang, Spokesperson for the Chinese Ministry of National Defense, criticized that the National Defense Strategy (NDS) released by the US Department of Defense shortly before this incident "disregards the facts and plays up the so-called great power competition and 'Chinese military threat,'" emphasizing that China's development of military outposts in the South China Sea is "within its scope of sovereignty."<sup>28</sup>

In May 2018, Spokesperson Ren Guoqiang condemned the United States' cancellation of China's invitation to participate in the Rim of the Pacific (RIMPAC) Exercise on the grounds of militarization in the South China Sea.<sup>29</sup> However, it appears Beijing did not necessarily wish to make the South China Sea issue a point of contention between China and the United States. While Lu Kang, Foreign Ministry Spokesperson, expressed "strong dissatisfaction and firm opposition" over the Freedom of Navigation operations (FONOPs) that the United States carried out shortly afterwards, observers note that the word "protest" was not articulated.<sup>30</sup> Moreover, in June 2018, President Xi, CMC Vice Chairman Xu Qiliang, Politburo member Yang Jiechi, Minister of National Defense Wei Fenghe, and others held a meeting with James Mattis who was making the first visit to China by a US Secretary of Defense since Defense Secretary Chuck Hagel's visit four years earlier in 2014. The Chinese side announced that the two militaries shared the view that they need to manage risks to avoid clashes.<sup>31</sup>

Nonetheless, the South China Sea issue remained contentious between the two countries. In September 2018, a PLA Navy destroyer approached in an unsafe encounter the US guided-missile destroyer USS Decatur that was sailing in the high seas of the South China Sea.<sup>32</sup> In regard to this incident, the Spokespersons of the Ministries of Foreign Affairs and National Defense of China asserted that China's action was legitimate and condemned the US Navy's FONOPs.<sup>33</sup> Prior

to this, it was reported that China notified the United States of the postponement of Secretary Mattis' visit to China and the US-China Diplomatic and Security Dialogue (D&SD).<sup>34</sup> In response, the Chinese Foreign Ministry spokesperson expressed its strong dissatisfaction with such report, saying, "The fact is that the US side said to the Chinese side that they hope to put off the second D&SD."<sup>35</sup>

As to the Taiwan issue, differences in US-Chinese opinions became increasingly acute, prompted by President Donald Trump's signing of the Taiwan Travel Act in March 2018 which lifts the ban on reciprocal visits by US and Taiwanese senior officials. This Act allows "US officials at all levels to travel to Taiwan to meet their Taiwanese counterparts" and "high-level Taiwanese officials to enter the United States under respectful conditions and to meet with US officials, including officials from the Departments of State and Defense." It encourages Taiwanese organizations to conduct economic activities in the United States, including the Taipei Economic and Cultural Representative Office which serves as Taiwan's contact point in the United States, and also enables reciprocal visits by the US and Taiwanese leaders. The Act would have been enacted even without the President's signature, but it is said that President Trump chose to sign it, taking into consideration the strong calls from Congress to strengthen US-Taiwan relations. On the other hand, some observers opine that the Act does not mandate visits and meetings and that the situation of US-Taiwan exchanges is unchanged.<sup>36</sup> From early on China was wary of such moves in the United States. The Chinese Foreign Ministry Spokesperson repeatedly condemned US moves over this Act and lodged stern representations with the United States.<sup>37</sup> When President Trump signed the Act, the Spokespersons of the Chinese Foreign and National Defense Ministries once again lodged stern representations.<sup>38</sup>

In April 2018, Taiwanese media reported that the US government has authorized US companies to negotiate with Taiwanese counterparts on providing technical supports and parts for the submarine independently developed by Taiwan.<sup>39</sup> In response to the reports, the Spokespersons for the Chinese Foreign and National Defense Ministries requested the United States to abide by the "one China" principle and to stop all forms of military contacts between the United States and Taiwan as well as arms sales to Taiwan.<sup>40</sup> On June 14, 2018, Chinese President Xi Jinping met with US State Secretary Mike Pompeo during his visit to China and conveyed his hopes that the United States handle sensitive issues, such as the Taiwan issue and trade disputes, carefully and properly. In addition,

Politburo member Yang Jiechi once again conveyed China's principle position on the Taiwan issue.<sup>41</sup> Beijing also communicated its principle on the Taiwan issue during the June 2018 Defense Secretary Mattis's visit to China.<sup>42</sup>

In September 2018, the US government announced that it decided on selling fighter parts and other arms to Taiwan and that this was notified to Congress. The sale is equivalent to \$330 million in total, including repair/replacement of spare parts in support of the F-16, C-130 and other aircraft and aircraft system. The US Department of Defense positions Taiwan as "an important force for political stability, military balance, and economic progress in the region." It states that improving Taiwanese defense capabilities will contribute to US national interests, and explains that this sale "will not alter the basic military balance in the region."<sup>43</sup> The Spokespersons of Chinese Foreign and National Defense Ministries immediately condemned such US actions and requested the revocation of these series of measures.<sup>44</sup>

2018 was also a year which saw the US-China trade dispute intensify like never before. In March 2018, the US government released a report, stating that an investigation which began in August 2017 in accordance with Section 301 of the US Trade Act found China's policies and practices violating intellectual property rights, including forced technology transfer. President Trump then indicated that the US government would announce proposed tariffs on imports from China, initiate a case against China based on World Trade Organization (WTO) dispute settlement procedures, and propose measures that restrict Chinese investment in the United States. In response, while announcing an intention to take retaliatory measures, President Xi conveyed, in April 2018, at the Boao Forum for Asia, that China will make some concessions to the United States, including easing restrictions on foreign investment, strengthening protection of intellectual property rights, and increasing imports independently.<sup>45</sup>

This was followed by the May 2018 US-China Trade Consultations in Beijing and Washington, DC. China reportedly engaged in the consultations under the leadership of President Xi Jinping, with Vice President Wang Qishan and Vice-Premier Liu He playing central roles.<sup>46</sup> While no noticeable achievements were made at the first consultation in Beijing, a US-China Joint Statement was released after the second consultation in Washington, DC. The two countries agreed that China will meaningfully increase imports of goods and services from the United States and help promote US economic growth

and employment. Specifically, it was stated that: (1) both sides agreed on increases in US agriculture and energy exports, and to this end a US team will visit China to discuss the details, (2) China will advance amendments of its relevant laws and regulations to strengthen protection of intellectual property rights, including the Patent Law, and (3) both sides will encourage two-way investment and strive to create a fair business environment for competition.<sup>47</sup> Accordingly, the two countries confirmed that they will provisionally suspend additional tariff measures.<sup>48</sup> In this way, it seemed that US-China economic friction was avoided temporarily.

On May 29, 2018, however, US President Trump indicated that a final list of \$50 billion worth of Chinese items subject to tariffs will be announced by June 15, followed by swift imposition of sanctions against China. As a result, US-China economic friction resurfaced, and the third consultation in June ended without a joint statement being released. Subsequently, both countries imposed the first round of tariff measures in July 2018 without resuming the bilateral consultation.<sup>49</sup> Beijing and Washington also imposed second and third rounds of tariff measures in August and September.<sup>50</sup> Soon after China imposed the third round of tariff measures, the Chinese government released a whitepaper entitled, “The Facts and China’s Position on China-US Trade Friction,” which stresses the legitimacy of China’s policy on intellectual property rights protection. The whitepaper also strongly criticizes US trade sanctions on China, stating, “The recent steps taken by the US administration that are contrary and even destructive to the existing multilateral trade rules seriously undermine the current international economic order” and “Trade wars unilaterally initiated by the US administration will not only hurt other economies but also undermine US interests.”<sup>51</sup>

In the face of such worsening Sino-US relations over the issues of the South China Sea, Taiwan, and economic friction, US Vice President Mike Pence delivered an address at the Hudson Institute in October 2018. He criticized China, giving the examples of China’s unfair business practices, intellectual property theft, and unlawful interference in US elections. Vice President Pence also expressed concerns over China’s enhanced patrols around the Senkaku Islands and construction of military bases on artificial islands in the South China Sea, and stressed that the United States will not be intimidated by Chinese aggressive actions.<sup>52</sup> Hua Chunying, Spokesperson of the Ministry of Foreign

Affairs of China, refuted Pence's comments, stating that China upholds the principle of non-interference in internal affairs and has no interest in interfering in US domestic affairs. The Spokesperson also noted that China is always a builder of world peace, contributor to global development, and defender of the international order, and that China's approach is appreciated by the international community. On this basis, she reiterated China's position on the Taiwan, South China Sea, and human rights issues and condemned the US response.<sup>53</sup>

This was immediately followed by meetings between State Secretary Pompeo, who was visiting China, and Politburo member Yang Jiechi and Foreign Minister Wang Yi. Although he did not mention his name, Yang criticized Vice President Pence's remarks, all the while noting that China and the United States can have a win-win relationship by working together as major powers. Yang once again stated China's position on the Taiwan issue, the South China Sea issue, and trade dispute. Likewise, Foreign Minister Wang implicitly criticized Pence's remarks and explained China's principle position on economic friction, the Taiwan issue, and the South China Sea issue, while conveying China's intention to address the trade friction through talks with the United States, founded on equality, integrity, and solemnity.<sup>54</sup>

In November 2018, the second US-China D&SD was held in Washington, DC. State Secretary Pompeo and Defense Secretary Mattis attended from the United States, while Politburo member Yang Jiechi and Wei Fenghe, State Councilor and Minister of National Defense, attended from China. The United States and China failed to narrow their differences on the South China Sea issue even at this consultation. Meanwhile, the two countries sought to find solutions acceptable to both sides, including elimination of the economic friction, with Secretary Pompeo commenting "The United States is not pursuing a Cold War or containment policy with China" and Politburo member Yang stating "China will cooperate to produce a win-win outcome."<sup>55</sup> In addition, China reiterated its principle on the Taiwan issue on this occasion.<sup>56</sup>

On November 18, 2018, President Xi Jinping attended the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting. At the meeting, President Xi voiced criticisms of the United States while refraining from singling out the United States by condemning unilateralism and protectionism. In response, US Vice President Pence criticized China's forced technology transfer and theft by mentioning the country by name. As a result of such critical

responses, a leaders' declaration was not adopted for the first time since the APEC Economic Leaders' Meeting began.<sup>57</sup>

In December 2018, President Xi and President Trump held a summit on the margins of the G20 Summit in Buenos Aires, Argentina. At this meeting, it was decided that the two countries will avoid a breakdown in their relationship and comprehensively discuss the issues of tariff and intellectual property rights. It was also determined that the scheduled tariff increases will be postponed for 90 days during which the discussion will be held. At this time, China proposed concessions, stating that it will purchase a vast quantity of US industrial and agricultural products and agree to lower tariffs on US-made cars, a point of contention between the two countries. Furthermore, China noted that it stands ready to make improvements on intellectual property rights issues, including forced technology transfer.<sup>58</sup> Despite such Chinese compromises, however, the outstanding issues between the United States and China have not been fundamentally resolved, namely, the issues of the South China Sea, Taiwan, and economic friction, and China finds itself in a tough situation.

### **(3) Proactive Neighboring Diplomacy**

Against the backdrop of worsening Sino-US relations, China set out to strengthen its relations with neighboring countries. First, it embarked on improving its relationship with the Democratic People's Republic of Korea (DPRK). Following the March 2018 announcement regarding the holding of a US-North Korea Summit, General Secretary Xi Jinping held talks with Kim Jong Un, Chairman of the Workers' Party of Korea (WPK), during his visit to China in March and May, and reaffirmed their "traditional friendship." It is considered that China's moves were aimed at maintaining influence in the Korean Peninsula and securing the North Korea card in its dealings with Washington.<sup>59</sup>

A US-North Korea Summit was held in Singapore in June 2018. For this meeting, China provided an aircraft for Chairman Kim to travel to Singapore. Coupled with the fact that General Secretary Xi held a meeting with Chairman

Kim twice prior to the US-DPRK Summit, China through such actions is said to have fulfilled a “guarantor” role in the summit.<sup>60</sup> Right after it, Foreign Minister Wang stated that China hopes that the two countries (United States and the DPRK)’ highest leaders can dispel interference, establish mutual trust, overcome difficulties, and can reach a basic consensus on promoting and achieving the

denuclearization of the peninsula and promoting and establishing a peace mechanism for the peninsula.<sup>61</sup>

In June 2018, General Secretary Xi held a meeting in Beijing with Chairman Kim who visited China for the third time. During the meeting, Xi praised that a principled consensus was achieved at the US-DPRK Summit, regarding denuclearization of the Korean Peninsula and establishment of a long-term peace mechanism. Xi also commended Kim for visiting China immediately after the US-DPRK Summit. On this basis, Xi made known the achievements of China’s economic reform, said he was glad North Korea made a major decision to shift focus to economic development, and stated that China supports North Korea’s economic growth and improvement of people’s livelihood.<sup>62</sup>

Thereafter, no progress was observed in North Korea’s moves towards denuclearization. Nevertheless, China adhered to its approach of prioritizing relations with North Korea. In September 2018, China dispatched Li Zhanshu, NPC Chairman, as General Secretary and President Xi Jinping’s special envoy to a commemorative ceremony celebrating the 70th anniversary of the DPRK’s founding. Chairman Li held meetings in Pyongyang with WPK Chairman Kim Jong Un; Kim Yong Nam, President of the Presidium of the Supreme People’s Assembly; and others. Chairman Li handed over General Secretary Xi’s letter to WPK Chairman Kim, and conveyed that it is a never-changing policy of China’s Party and government to maintain, strengthen, and evolve China-DPRK relations. Additionally, Chairman Li commented that China always upholds the goal of denuclearizing the Korean Peninsula.<sup>63</sup>

China also explored enhancing its relations with India. In April 2018, President Xi Jinping held an informal meeting with Narendra Modi, Prime Minister of India, in Wuhan. In June 2018, Xi again held a meeting with Modi on the margins of the Shanghai Cooperation Organization (SCO) Qingdao Summit. Furthermore, in July 2018, President Xi met with Prime Minister Modi on the sidelines of the 10th BRICS Summit.<sup>64</sup> In this way, China seized various opportunities in its attempt to give the impression of friendly China-India relations to the international community.

China also demonstrated a positive posture towards improving its relations with Japan in 2018, which marked the 40th anniversary of the conclusion of the 1978 Treaty of Peace and Friendship between Japan and China. In May 2018, Premier Li Keqiang made the first visit to Japan in eight years by a Chinese Premier and held a Japan-China Summit with Prime Minister Shinzo Abe of Japan. At the meeting, Premier Li invited Prime Minister Abe to pay an official visit to China.<sup>65</sup> Coinciding with Premier Li's visit to Japan, the "Memorandum on Japan-China Business Cooperation in Third Countries between the Ministry of Foreign Affairs and Ministry of Economy, Trade and Industry of Japan and the National Development and Reform Commission and Ministry of Commerce of the People's Republic of China" was signed. The memorandum confirmed that Japan-China business cooperation in third countries would benefit not only the two countries but also beneficiary countries, and decided that the Committee for the Promotion of Japan-China Business Cooperation in Third Countries would be established to hold discussions across ministries and agencies with the private sector also involved.<sup>66</sup> The Committee held its first meeting in accordance with the Memorandum on September 25, 2018.<sup>67</sup>

At the press conference following the Japan-China Summit, Japanese Prime Minister Abe welcomed the fact that the Maritime and Aerial Communication Mechanism between the two countries' defense authorities had been concluded after ten years of consultations.<sup>68</sup> It was announced that the Japan-China Maritime and Aerial Communication Mechanism consists of three pillars: (i) annual senior and expert-level meetings between defense authorities; (ii) a hotline between Japan-China defense authorities; and (iii) safe communication between the vessels and aircraft of Japan's Self-Defense Forces (SDF) and China's PLA. The mechanism aimed at (1) strengthening defense exchange by deepening mutual understanding and trust between Japan and China, (2) avoiding unforeseen

circumstances, and (3) preventing unforeseen circumstances in waters and airspace from escalating into military dimensions and political and diplomatic issues.<sup>69</sup> The Mechanism launched operation on June 8, 2018.<sup>70</sup> Meanwhile, the hotline was not established at this stage.

In October 2018, a Japan-China defense ministers' meeting was held between Japan's Defense Minister Takeshi Iwaya and his counterpart Wei Fenghe, Chinese Minister of National Defense, on the margins of the fifth ASEAN Defense Ministers' Meeting-Plus (ADMM-Plus) held in Singapore. This was the first Japan-China defense ministers' meeting held in three years. The two sides agreed that it was important to materialize defense exchange programs amidst improvements in the bilateral relationship, and concurred on implementing high-level exchanges, policy dialogues and unit-to-unit exchanges, as well as exchanges in disaster management. In particular, Minister Iwaya wished to consider reciprocal visits by Japan's Chief of Staff and China's Chief of Joint Staff. Chinese National Defense Minister Wei Fenghe agreed to consider such visits in a forward-looking manner. Furthermore, Minister Iwaya welcomed China's proposal on a visit to Japan by a delegation of the PLA Eastern Theater Command, and both sides concurred that they would continue to coordinate with each other. With regard to the Maritime and Aerial Communication Mechanism, the two countries shared the view that it was important to operate the mechanism in a manner that contributes to building trust between the Japanese and Chinese defense authorities, and concurred on launching a hotline at an early timing.<sup>71</sup>

In other events, in April 2018, Japan-China officer-level exchanges hosted by the Sasakawa Peace Foundation resumed for the first time in five years, and a 25-member PLA delegation visited Japan.<sup>72</sup> In September, a delegation comprised of 13 SDF personnel headed by Rear Admiral Tomohiko Madono, Deputy Director General of the Defense Plans and Policy Department, Joint Staff, visited China.<sup>73</sup>

In October 2018, Prime Minister Abe visited China. This was the first visit to China by a Japanese Prime Minister in seven years. Prime Minister Abe held meetings with NPC Chairman Li Zhanshu, Premier Li Keqiang, and President Xi Jinping. During the meeting between Prime Minister Abe and Premier Li, the two sides concurred on holding the first annual meeting of the Maritime and Aerial Communication Mechanism between defense authorities agreed upon in May by the end of the year. Additionally, it was decided that they would

carry out reciprocal visits by their defense ministers, exchanges and dialogues between defense authorities including reciprocal visits by vessels, as well as exchanges between maritime law enforcement agencies. At the summit meeting with President Xi, Prime Minister Abe once again stated that he would welcome President Xi's visit to Japan in the following year, to which President Xi expressed appreciation and responded that he would give serious consideration.<sup>74</sup>

In November 2018, a delegation led by Air Force Lieutenant General Sun Herong, Deputy Commander of the PLA Eastern Theater Command, arrived in Japan. The delegation visited the Ichigaya Area of Japan's Ministry of Defense, Ground Self-Defense Force Camp Kengun, Air Self-Defense Force Kasuga Air Base, Maritime Self-Defense Force Yokosuka Base, among other areas.<sup>75</sup> In December 2018, the first annual meeting and experts' meeting of the Japan-China Maritime and Aerial Communication Mechanism were held in Beijing. Japan and China exchanged candid and in-depth views regarding maritime and aerial security policy, the operation status of the Maritime and Aerial Communication Mechanism, and future defense exchanges. They praised the mechanism and shared the view on continuing to operate it in a manner that contributes to deepening their bilateral relationship of trust. Furthermore, they agreed to accelerate coordination to swiftly launch a hotline, implement the mechanism more effectively, and promote even friendlier bilateral relations.<sup>76</sup>

### 3. Deepening National Defense and Military Reform and PLA's Modernization from the Perspective of Training and Equipment

#### (1) Progress in Military Reform at National People's Congress

In the Government Work Report to the 2018 NPC, Premier Li Keqiang commented on achievements made in the defense policy in the last five years. He stated that steady progress was made in the ““sixteen-character’ guideline” of “politically-constructed military, reformed strong military, science and technology-promoted military, and law-dependent military (building the military politically, carrying out reforms for a strong military, developing the military with science and technology, and governing the military under the law)” —a central concept of the Xi Jinping Military Thought, and that the task of reducing the PLA by 300,000 troops was basically completed. Furthermore, Premier Li raised that the PRC

should fully enforce the CMC Chairman responsibility system and continue military reform.<sup>77</sup> With respect to this military reform as reported at the NPC, the following three points are especially worthy of attention.

First, the report reiterated that China would implement the strategy for military-civilian integration and deepen reform of defense-related science, technology, and industry. The strengthening of military-civilian integration and defense industrial reforms have been mentioned ever since military reform was initiated in November 2013, and were also indicated in the political report of General Secretary Xi Jinping to the 19th Party Congress. On March 2, before the NPC, the 1st Plenary Session of the 19th Central Commission for Integrated Military and Civilian Development headed by General Secretary Xi was held, and the “Outline of the Strategy for Military-Civilian Integration” and other documents were adopted.<sup>78</sup> Furthermore, when Xi participated in the Plenary Session of the Representatives of the PLA at the NPC, he emphasized the need for drastically accelerating the development of a military-civilian integration structure and greatly improving independent innovation capabilities in defense science and technology. Military representatives at the NPC also repeatedly mentioned the importance of these instructions from Xi.<sup>79</sup> It is expected that China will further develop cooperative relationships between defense industries and the consumer products sector, based on the concept of dual use of items seen as key military technologies of the future, such as artificial intelligence (AI), robotics, laser weapons, cyber operations, and the electromagnetic spectrum. It is thought that such policies will make China’s defense spending even more non-transparent.

Second, the Ministry of Veterans Affairs was newly established as part of the proposed State Council organizational reforms. It was announced that the Ministry of Veterans Affairs would be responsible for the reemployment of veterans formerly under the jurisdiction of the Ministry of Civil Affairs, job transfers of the officer corps handled by the Ministry of Human Resources and Social Security, and related work of the Political Work Department and Logistics Support Department of the CMC.<sup>80</sup> Improving the treatment of veterans had already been mentioned at the time of the military reform’s announcement in November 2013. The CPC leadership led by Xi Jinping attaches importance to this matter, partially due to the 300,000 troop reduction under the military reform. Sun Chunlan, Vice-Premier, and Miao Hua, Director of the Political Work Department, attended the inauguration ceremony of the Ministry of

Veterans Affairs on April 16, 2018.<sup>81</sup> Chen Zhijian of the military-civilian integration department at China Ex-Military Capital Management Co., Ltd., a state-owned financial institution set up to provide services to veterans, has noted that veterans could facilitate the entry of commercial enterprises into the defense sector. It suggests that military-civilian integration is also closely related to the issue of veterans' reemployment.<sup>82</sup>

Third, a new three-tier maritime border security management structure was established: the CMC, the People's Armed Police Force (PAP), and the China Coast Guard. In January 2018, the chain of command and control was centralized, with the PAP, which had previously been under the dual command of the CMC and the State Council, now under the direct control of the CMC.<sup>83</sup> Moreover, as part of the reform of State institutions announced after the opening of the NPC, the China Coast Guard was placed under the command of the PAP.<sup>84</sup> These moves are in accordance with the policy of adjustment and streamlining of the sea and air border security management structure that was advocated at the time of the military reform's announcement in November 2013.

The meeting of the Party Central Politburo presided by General Secretary Xi on April 23, 2018 deliberated on "opinions regarding the party, government, military, police, and civilians working together to strengthen the border and solidify defense in the new era."<sup>85</sup> Such Chinese moves to build a new maritime border security structure could have impacts on issues such as the South China Sea and the Senkaku Islands.

## **(2) Strengthening of Training Structure and Implementation of Exercises**

Since his appointment as Chairman of the CMC in November 2012, General Secretary Xi has repeatedly advocated the importance of building a "military that is ready to fight and win wars" and continued to instruct the PLA to carry out practical combat training. In the series of military reforms, a variety of initiatives to strengthen the training structure in the PLA have been implemented, and these moves have gained greater momentum after the 19th Party Congress.

In late December 2017, General Secretary Xi signed the "China People's Liberation Army Regulations on the Military Training (Trial)," and these regulations entered into force on January 1, 2018. It was the first amendment of the Regulations on the Military Training in 17 years since the last amendment in

2002. The new regulations are comprised of 11 chapters and 77 articles. While their content has not been made public, it is considered that the regulations will likely develop a military training management model based on the principles of “overall control by the CMC, taking the theater commands for the main fighting, building based on the service branches (the CMC would provide general management, the Theater Commands would focus on operation, and the military services would focus on management for force building),” which are the organizational restructuring policies of the military reform. A senior officer of the Training and Management Department in the CMC mentioned in an interview with the *People’s Liberation Army Daily*, the official newspaper of the PLA, that these regulations are intended to thoroughly implement the Xi Jinping Thought on strengthening the military, and stated that their goal is to build world-class forces as instructed in the political report of the 19th Party Congress.<sup>86</sup>

On January 25, the CMC promulgated new Military Training Guidelines. The details of these Military Training Guidelines have not been made public. The *People’s Liberation Army Daily* has reported that the guidelines mainly focus on building training systems and related institutional mechanisms for practical combat, joint operation, scientization and normalization, in order to actively adapt to the advances in military reform. Furthermore, the *People’s Liberation Army Daily* has indicated that promulgation of the guidelines improves the level of the PLA’s readiness for practical combat and significantly helps enhance “joint operations based on the network information system” and “all-regions operations capabilities.” The senior officer of the Training and Management Department in the CMC, in the interview with the *People’s Liberation Army Daily*, also stated that the guidelines firmly maintain strengthening of joint operation training and that not only respective training by each military service but also joint operation training at the theater level would be implemented.<sup>87</sup>

Under this new military structure, the PLA continued to actively conduct exercises in 2018. On January 3, 2018, the CMC held the “2018 Mobilization Meeting for the Commencement of Training for the Whole Armed Forces.” Xi attended the meeting and instructed the whole armed forces to thoroughly implement the spirit of the 19th Party Congress and the Party’s vision of a strong military, strengthen all aspects of practical combat military training, and improve all capabilities for victories. At this time, Xi noted the importance of joint operation training, and exercises were conducted by each force, such as the

Ground Force, Navy, Air Force, Rocket Force, and Strategic Support Force.<sup>88</sup>

On April 12, 2018, in the presence of President Xi, the CMC held a fleet review ceremony in the South China Sea. Forty-eight vessels, including China's first aircraft carrier the *Liaoning*, 76 combat aircraft, including the 4.5 generation fighter Su-35 purchased from Russia, and approximately 10,000 troops participated in this exercise, referred to as the largest fleet review ceremony in the history of the PRC. At this time, Xi gave instructions to thoroughly implement the Party's vision of a strong military for a new era, firmly adhere to the "sixteen-character" guideline," and endeavor to build a world-class navy.<sup>89</sup> Furthermore, amid worsening US-China relations over the Taiwan issue, a naval task force centered around the *Liaoning*, which participated in the fleet review, conducted a comprehensive warfare exercise in the western Pacific near Taiwan, including anti-aircraft and anti-submarine training.<sup>90</sup>

The *People's Liberation Army Daily* and the *People's Daily* have published detailed reports regarding the PLA Air Force's encirclement exercise around Taiwan. The reports stated that fighters, such as the Su-35, J-11, and J-10, the H-6K bomber, and the KJ-2000 early warning and control aircraft participated in the trainings. In the series of trainings, the Air Force transmitted digital information in real time from naval vessels, coordinated with the Ground Force air unit, and received supports from radar, ground missile, and electronic combat units, creating a system of joint operations by the ground, naval and air forces, according to reports. With regard to the trainings, Shen Jinke, Spokesperson of the Air Force, commented that the Air Force has the resolve, confidence, and ability to safeguard national sovereignty and territorial integrity.<sup>91</sup> China then continued to carry out trainings near Taiwan, while urging Taiwan and the United States to refrain from conduct that interfere with China-Taiwan unity.<sup>92</sup> Furthermore, the PLA Air Force announced that it conducted the first airdrop training using the indigenous Y-20 large transport aircraft.<sup>93</sup>

In September 2018, the PLA participated for the first time in the Vostok 2018 exercise held in the Eastern Military District in Russia. The PLA dispatched 3,200 personnel, 900 vehicles, and 30 aircraft to the exercise. The Chinese and Russian militaries formed a strategic-level joint control center for the exercise comprised of personnel dispatched from the Joint Staff Department of the PLA CMC and the General Staff of the Armed Forces of the Russian Federation, as well as a joint operations command center comprised of personnel dispatched

from the Northern Theater Command of the PLA and the Eastern Military District of the Russian Armed Forces.<sup>94</sup> The commander of the Chinese side noted that this exercise enabled training against traditional security threats beyond previous trainings against non-traditional security threats under the SCO and other frameworks, such as counterterrorism exercise. The PLA underscored that, through this exercise, it was able to implement a joint operations command, a key objective of the military reform, and enhance its command and control capabilities.<sup>95</sup> Shao Yuanming, director of the Chinese side and Deputy Chief of the CMC Joint Staff Department, also noted that as an outcome of this exercise, the Chinese forces learned a lot about operations and training from the Russian forces which have considerable combat experience.<sup>96</sup> Given how President Xi has reiterated the importance of practical training, it can be said that the exercise was beneficial for the PLA.

### **(3) Advances in Arms Modernization**

On April 26, 2018, Wu Qian, Spokesperson of the Ministry of National Defense of China, announced that the DF-26 intermediate-range ballistic missile has been deployed to the Rocket Force. The Spokesperson noted that the DF-26 has the following characteristics: (1) it is an indigenous weapon developed by China, (2) it can carry both nuclear and conventional weapons, (3) it has precision strike capability against targets on land and at sea, and (4) it integrates many new technologies, which significantly increases the missile's utilization, integration, and informationization.<sup>97</sup> According to the US Department of Defense's annual report on military and security developments in China, the DF-26 has a maximum range of 4,000 km and is capable of striking land and sea bases of the US Forces all the way to Guam.<sup>98</sup>

On May 13, 2018, China's first indigenous aircraft carrier conducted a sea trial for the first time.<sup>99</sup> The US Department of Defense's annual report on China's military and security developments states that this indigenous aircraft carrier is a modified version of the *Liaoning* and will likely join the fleet by 2019. It noted that the carrier is limited in its capabilities due to its lack of catapult. Meanwhile, the report mentions that China is expected to begin construction of its first catapult-capable carrier in 2018, which will enable additional fighter aircraft, fixed-wing early-warning aircraft, and more rapid flight operations.<sup>100</sup>

Against this backdrop, in November 2018, China's state-run Xinhua News

Agency reported that a third aircraft carrier was being built. According to some reports, this third carrier will be equipped with an electromagnetic catapult system. On the other hand, there are reports that the building of a third carrier is delayed due to China's considerations towards the United States amid worsening US-China relations, budget cuts arising from the military reform, among other factors. Furthermore, there are reports that China is developing a new carrier-based aircraft to replace the J-15 carrier-based fighter, which has had a succession of mechanical failures and accidents.<sup>101</sup>

In August 2018, it was reported that the *Nanchang*, the first Type 055 guided-missile destroyer launched in June 2017, carried out a sea trial for the first time.<sup>102</sup> The US Department of Defense's annual report on Chinese military and security developments analyzes that Type 055 is a 10,000-ton design that can carry an array of long-range ASCMs and long-range SAMs, and will likely be able to launch ASBMs and LACMs once these weapons are available. It is reported that three more Type 055 guided-missile destroyers were launched in 2018.<sup>103</sup>

The Canadian military information magazine, *Kanwa Defense Review*, reported that China purchased the RVV-SD air-to-air missile from Russia. According to the magazine, the RVV-SD is an air-to-air missile launched in 2009, which China acquired at the same time as its purchase of the Su-35 fighter. The magazine also notes that China is expected to equip the Su-35 with indigenous missiles and that attention will thus be paid to China's moves going forward.<sup>104</sup>

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