

CHAPTER 9

China's Mounting Domestic and International Challenges in 2017

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Introduction

China's deeply-seated security worries have been mounting in the last few years as the US' pivot continued to squeeze China's strategic space in Asia. In addition, the lingering regional flash points, such as maritime sovereignty disputes and Korean instability, have created greater inter-connected security pressure on Beijing - a phenomenon that some analysts define as "the four-seas interaction against China – 四海联动". This year, three security challenges will be selected to assess China's threat perception: 1) the sweeping organizational reforms of the PLA since 2016, 2) President-elect Trump's new China policy and the future orientation of Washington/Beijing relations, and 3) the increasing security challenges of the Korean conflict to China following the DPRK's 5th nuclear test and the forthcoming deployment of THAAD in the South. All of these issues are highly strategic in terms of China's domestic politics, especially to its regime security. Internationally, the Chinese countermeasures will exert a great impact on the defense sector in the region.

The Latest Round of PLA Reforms

In November 2015 Xi Jinping announced a new five-year plan of reform for the People's Liberation Army (PLA). Once fully implemented in 2020, the PLA will take on a completely new look. This paper will analyze two major aspects of this round of deep transformation: 1) the politics of PLA reform in the context of Xi's political leadership, and 2) the organizational restructuring assessed from the military perspective. As with all major reforms, this round of PLA reforms will generate a significant level of political and organizational uncertainties regarding the PLA's overall transformation. Visible transitional dislocations will occur as a result of the existing command chains being overhauled, adversely affecting the PLA's administration and operations. More importantly, it will impact China's civil-military relations in a sensitive year for the Party's National Congress.

Politics in command of CMC reforms

The latest round of PLA reform is comprehensive but is centered politically on four major agendas:

- Overhauling the PLA's chain of command and control, especially at the apex of power - the Central Military Commission (CMC) - with creation of a supreme joint command headed by Xi himself
- Changing the balance between the civilian control of commander-in-chief over professional soldiers and the latter's autonomy in PLA administration and operations, in favor of the former
- Instituting a new cadre of senior commanders based on force restructuring in order to pave the way for a Politburo/CMC leadership reshuffle in the forthcoming 19th National Congress of the CCP
- Initiating structured factions for Xi's political leadership in the PLA and beyond.

Now the new CMC system has been institutionalized with a new personnel lineup, managerial structure, and command procedures in place to implement Xi's orders. New matching reforms continue to be announced, including: creation of new services, a troop reduction of 300,000 men, elimination of all PLA commercial interests, revised national mobilization mechanisms, placing the PLA legal/disciple organs under direct CMC control, improved strategic and combat logistical bases, an overhaul of the old Group Army (GA) structure, reducing the number of the GAs from 18 to 13, and further integration of national defense and civilian industries.

The People's Armed Police (PAP) will also undergo sweeping reforms to assume more internal state security missions in order to relieve the standing army, which will be reoriented more towards external threats. This represents a major change for civil-military relations, the central thrust of which is to place PAP command more tightly under the CMC rather than the State Council. As a result, the PLA's political influence embedded in its special relations with the commander-in-chief (General Party Secretary) will be boosted amidst intensified internal security challenges.

The newly established CMC Supreme Joint Command follows Xi's conceptual guidance for the reform: the CMC is in charge of unifying the PLA's operational and administrative command. Thus, CMC authority in daily management of PLA affairs has been enhanced to an unprecedented level, as has Xi's. Behind this change

is Xi's politically-motivated strategic intention to centralize CMC control over the whole of the armed forces. Until recently the PLA had utilized a combined CMC/Headquarters command system. Although the CMC was the ultimate decision locus, the Headquarters was also entrusted with major decision-making power over PLA affairs. They routinely issued policies and orders to PLA units in the CMC's name and on the CMC's behalf. Under a weak CMC chair, the CMC's control over policy initiatives and processes could have been circumvented. Now the role of Headquarters is rendered to be functional only. This one stone kills two birds: First, PLA power agencies below the CMC are stripped of authority to make strategic decisions, and second, the CMC chair's control is more direct and detailed, as it is easier for him to control a relatively small body of the CMC both institutionally and personally than to control four giant PLA Headquarters.

The key to realizing effective control, however, is to reiterate the supreme authority of the CMC chair. Institutionally this is about reinforcing the personalized power of the CMC chair in the CMC Chair Responsibility System in running PLA affairs as guaranteed by the PRC Constitution and CCP/PLA norms and traditions. This authority was visibly eroded by Hu Jintao's hands-off chairmanship that enabled top soldiers to abuse power without fear of punishment. Now the inviolability of the CMC Chair Responsibility System is equated to the Party's absolute control of the PLA.

Enhancing CMC Chair's Responsibility System has always been a political act, and it was emphasized each time Mao and Deng perceived an internal challenge to their rule. Clearly Xi's current reiteration is more political than military/managerial in that such an endeavor is meant to accord absolute personal power to the CMC chair. In turn, this power can be extended to control of the Party agenda and elite factional activities, especially when there is major elite disagreement on CCP political lines, personnel decisions (i.e., choice of a successor), and strategic policies.

One specific move to personalize Xi's exclusive power is to let him take practical charge of PLA operational command, which is the ultimate personal authority any leader can get. With his personal signature, the CMC chair can declare war, deploy troops, and press the nuclear button. By directly controlling military operations, his commander-in-chief position has been further established. In the meantime, the Headquarters' status in military operations has been downgraded - yet another move

to highlight the CMC chair responsibility system and CMC chair's personal control of strategic PLA activities.

PLA reforms analyzed in the angle of the national defense

The overall guidance for the reform is to highlight the need for war planning, aligning it with Xi's shift of emphasis to the actual conduct of war, and not solely on the preparation for war, as was favored by his predecessor. Organizationally, the following are the highlights of the reforms:

- Replacing the military region system with a war-zone system consisting of three levels of operational command (reduced from the previous system's five levels), for the sake of streamlining the tiers of command and information relays to better suit the new types of informatized warfare.
- Reshaping the PLA force structure through the creation of the Army headquarters and new service-equivalent forces in order to improve combat-oriented training and administration, leaving the war zone commandants to focus on strategic and campaign command.
- Appropriate separation of military operational and administrative systems below the CMC level commands. Therefore, daily force administration would not interfere with war-preparation and combat activities of each service now embedded in war zones.

These reforms will support the overall PLA transformation with the goal of achieving the following objectives by 2020 when the reforms are scheduled to conclude.

- Reduce US military superiority from an overwhelming level to one that is relative. According to PLA calculus, the Pentagon would balk at initiating direct confrontation against China when it does not enjoy overwhelming superiority.
- Changing the PLA from a military of quantity to that of quality, measured by capabilities of network centric warfare. In other words, from being army-centric to one that suits joint operations with the special services.
- Re-posturing the PLA from being defensive-offense (home-land defense) to one that is capable of being offensive-defense (sustained operations of long-range power projection in "far seas" areas).
- Restructuring the PLA from being army-centric to one accommodating joint operations with the special services playing the central role.

- Reprioritizing the PLA's weapons R&D focus from high-tech hardware modernization to one that combines both platform upgrades and IT software advancement for future warfare.

Challenges to Xi Jinping and China's military transformation

Viewed from a political perspective, the ongoing PLA reform has accelerated the tempo of Xi's power consolidation, centralization, and personalization. To the benefit of the CCP, Xi's political leadership compensates for inadequacies of post-Deng power institutionalization, which could not prevent zero-sum power struggles at the top levels. However, the efforts along these lines will generate new uncertainties. For instance, the latest PLA reform creates a significant opportunity for Xi to reshuffle leadership and further increase his followers in the PLA. Establishing a personal core in the top brass has been a major feature of Xi's political leadership, driven by both an institutional and a personal imperative. Xi's strategy to effect total control over this process started from building a structured personal following in the 18th CMC, through which the ongoing PLA reform was initiated. On this basis, a consensus of Xi' supporters within the 19th CMC can be easily forged. This in turn will strengthen Xi's position to select his successor or ensure his own third term if necessary. However, the PLA's current factional equilibrium will be broken when the dominant Xi-faction may threaten the career prospects of senior officers from other PLA personnel groupings. More strategically this may weaken internal checks and balances against the top leader.

The ongoing reforms will undoubtedly enhance the PLA's combat readiness through adherence to the newest developments in military science, military technology, and above all the newest modes of combat engagement. Yet there are certain risks, as the transitional challenges may undermine the force coherence and command effectiveness at various levels. More profoundly, China is now in peacetime but persistent emphasis on war and subjecting the armed forces to constant war preparation may eat into national resources at a time when the country's economic growth and vigor have already been significantly weakened. Promotion of an "undersiege" theme shapes people's mindset that in turn promotes militaristic thinking among the population. Last but not the least, emphasis on war further lifts the military's social and political status in domestic politics as well as in the decision-making process over foreign policy and territorial disputes.

The separation of the military operations system and administration system at the levels below the CMC has created confusion in command and control. For instance, the authority of the war zone command is horizontally allocated. It extends operationally and organizationally over all the services in the zone, similar to America's commandant command system. However, the service headquarters are now basically vertical administration agencies whose power is more functional and managerial - such as maintaining the daily training of the units in the services. At this moment of change, conflicts between the vertical and horizontal controls are widespread, affecting both troop stability and combat readiness.

As all major reforms are a process of redistribution of power among involved parties, this round of PLA reform has also created winners and losers. For instance, the downgrading of the bureaucratic ranks of headquarters departments from full corps to deputy corps will adversely affect the chances of promotion of over 100 generals. The lost power of the services to the war zone commands in terms of influence and resource allocation naturally generates discontent among the service commanders. Officers dismissed as a result of force reduction will leave the PLA with bitter feelings, which will likely have a negative impact on their remaining colleagues. Clearly Xi Jinping and his CMC subordinates have to work hard to restore the morale of the affected rank-and-file members of the armed forces, but this will not be easy in the short term.

Worsening Sino-US relations under the New President of America

After an initial period of excitement over Donald Trump's election victory, Beijing has felt intense pressure from the new administration's tough anti-China rhetoric. The Trump team is indicative of worsening Sino-US relations in the years ahead. This affects the core issues most important to Beijing over the many years of Sino-US interaction: the one-China principle concerning Taiwan's status; US positions on sovereignty disputes, both maritime and continental; and strategic level trade considerations.

However, the biggest worry is the militarization of Sino-US relations, as indicated by a number of standoffs between military vessels and aircraft. Deng Xiaoping once said that Sino-US relations would not become cardinal nor would they deteriorate

beyond a certain point. The new truth is that if bilateral relations are increasingly militarized, it is natural and logical that the relationship may collapse to the point of confrontation. Therefore, the level of Sino-US militarization will define the ultimate shape of bilateral relations.

For a long time, Beijing underestimated the potential intensity of a Sino-US clash because it saw no direct cause for such a clash to occur. The prevailing wisdom was that possible US involvement in an armed conflict with China would be triggered by a third-party factor: Taiwan, Senkaku/Diaoyu, or the Spratlys. The PLA believed the White House would be reluctant to fight against another nuclear power over those rocks, and that US popular opinion would oppose committing troops to battle over the territorial disputes of other nations in little-known faraway places.

However, at least as far as Washington is concerned, the nature of Sino-US tensions seems to have changed from mainly ideological, geo-political, and economic to more military, and thus more zero-sum. To the Trump team, containing China is a fight over the western-dominated world order. US global leadership and its ability to protect its allies and partners are at stake in this clash of civilizations. Gradually a new “Washington consensus” seems to have emerged that will have tremendous impact on the global and regional security landscape in general and Sino-US relations in particular. This “consensus” can be summarized in the following considerations:

- 1) For a long time, US elites (academia, think-tank researchers, defense-industry professionals and government decision-makers) debated among themselves over whether China was a peer strategic competitor or a stakeholder in reinforcing US global leadership. Now the debate is over. China has been identified as a peer strategic competitor in a world of power transition, capable of posing serious challenges to the US and its allies and partners. One of America’s most important security concerns in Asia is the prevention of the emergence of a peer competitor. This qualifies China as today’s equal to the challenges posed by Japan and the USSR prior to the end of WWII and the Cold War, respectively. At present Washington does not seem to have formulated a specific policy to address the new situation but a Trump strategy will eventually emerge and Beijing fears it may be much worse than Obama’s “Asian pivot.”
- 2) Beijing is also concerned that when Washington cannot effectively handle the China challenge with economic, political, and diplomatic means, it will be

increasingly inclined to resort to military pressure. This has been proven in the last few years, as the Pentagon has vigorously deployed US military units to the Asian-Pacific theatre. The more worrying prospect of this military inclined approach to China by the Trump team is the mentality of brinksmanship behind such a change in policy orientation. Although both Beijing and Washington publicly reject war as an option for protecting their strategic interests in their rivalry, the PLA perceives that crisis aversion is no longer Trump's goal in dealing with China's rise. On the contrary, it seems the Pentagon believes that only through military pressure can US intervention in regional conflicts be effective. In this case the US Pacific Command will spearhead the US military pivot against China under the new "Washington consensus." The result will be sustained tension, sometimes of a military nature, in Sino-US relations under a new administration in D.C.

- 3) The Trump team will take advantage of regional conflicts against China more vigorously than its predecessor. The limit of Trump's envelope-pushing is determined by his calculation of cost in challenging China's core interests, something he does best as a successful businessman. America's choices include, ranked according to increasing cost, a war of surgical strike against the nuclear facilities in North Korea, intervention in disputes in the SCS, East China Sea, and Taiwan. Each is a vulnerable point for China, but the intensity of the PLA's response to US actions varies from measured encounters to direct confrontation to outright war. The biggest challenge to China is that America controls when, how, and at what intensity it may challenge China. Certainly, the PLA has contingency plans to cope with such threats, but from a position of weakness the cost is asymmetric. This has been why Chinese leaders from Deng to Xi adopted a non-confrontational US policy, but it seems the Trump team has substantially reduced the space for China to maneuver in between safeguarding its core interests and seeking compromise to maintaining a workable overall bilateral relationship.

Clearly China will have a tougher time in the years to come. Managing the Trump challenge is a major geostrategic and personality test for Xi Jinping. For Beijing, meeting the US challenge is a lot more difficult compared to its interactions with regional countries, and increasingly more so when military elements of both countries are in direct competition. Hopefully both Trump and Xi Jinping have enough wisdom to strike a balancing point in their test of will and strength.

The Korean Challenge

2017 is bound to be an eventful year for Beijing, following the turbulent year of 2016 when China was challenged around its maritime and land borders. Although not as strategic as the Sino-US tension, the Korean threat is at least as severe in posing a deadly security hazard to China, given the prospects of war on the peninsula that could greatly hurt China's vital interests.

As compared with January of 2016 China faces two new major challenges from the peninsula: the North's resumption of nuclear tests and the deployment of THAAD in the South. While the former is not entirely new, it creates a new negative dimension in Sino-DPRK relations. The latter is very new, and is strategic as well. They both represent serious security concerns for China in the year and beyond.

China's DPRK policy adjustment after the 4th and 5th nuclear tests

Beijing sees Kim Jung-un's decision to continue nuclear tests in spite of its persistent persuasion as a direct slap in Xi's face. Further, the tests invite enhanced US military presence in the region, which is clearly aimed more at China than at North Korea. It forces Beijing to recalibrate its traditional approach to managing Pyongyang, although the lack of an effective alternative obliges Beijing to keep its current status-quo strategy vis-a-vis the Korean conflicts. Tactical revisions in China's Pyongyang policy have been visible. More importantly the leadership's conclusion on the nature of the Kim regime as a hostile one is much clearer. Yet the conclusion is still conceptual, not translated into substantial policies. Even so a conceptual change always precedes policy change, although a time lag is necessarily in order. Generally speaking, the following conceptual changes can be detected from Beijing's reaction to the DPRK's nuclear tests in 2016.

- 1) New depiction of the Kim regime: it is untrustworthy, unpredictable, and unsustainable.
An eventual showdown is well anticipated.
- 2) The time-honored "buffer-zone" expediency on Pyongyang is now giving way to a rising "liability" characterization of the DPRK that will result in new policy guidance. The reasoning is simple: the traditional buffer is where China could benefit from the North's geographic separation of US troops from the Yalu River but now the DPRK itself has become a source of threats after nuclearization.
- 3) The "normal state" thesis is being translated from a conceptual to a practical

application. This thesis regards North Korea as a normal neighbor rather than as a state with historically close ties. Treating the DPRK as a normal state is not only a normal process of de-specializing bilateral relations but also manages the bilateral relations on the basis of Beijing's vital national interests.

- 4) Proactive intervention into the Kim regime's political elites through various means and channels, especially for the post-Kim political transition.

The search for a proper DPRK policy has proceeded for some time. The conceptual explorations mentioned above have gradually shaped Beijing's new policy orientation towards North Korea. The two nuclear tests in 2016 accelerated the pace of change that has contributed to the emergence of a new set of policies, although many of them are still in an experimental stage of implementation. The following is a brief summary of new developments after the two tests.

- 1) Beijing's overall Korean policy is to guard against the two sources of challenges: "chaos" and "war." The former is clearly identified with the Kim regime, especially its nuclear program. The latter refers to the regime change agenda and practices of the US and the Republic of Korea (RoK). However, the prospects of war are relatively low for the time being but chaos, as rooted in Kim's nuclear threats, is already present. The external sanctions intended to impact on the DPRK's domestic politics will worsen the cause for chaos.
- 2) In accordance with the above, Xi leadership has reconnected China's overall DPRK policy with the DPRK's nuclear program. This connection was previously delinked under Hu Jintao as a necessity to create more room for accommodating the North.
- 3) Accordingly, Beijing has readjusted the sequence of priorities of its overall Korean policy, replacing the previous highest priority of maintaining peninsula stability with denuclearization. The rationality is sound: as long as the DPRK's nuclear program exists, there will be no peninsula stability.
- 4) The "carrot and stick" approach has been implemented more relentlessly. It is the stick that highlights Beijing's current dealings with North Korea. This is concretely reflected by China's imposition of UN approved sanctions, shifting from a symbolic gesture to one that is substantial and severe. For instance, China's sanctions program has extended to the military and cut off the bulk of DPRK's exports of resources, which has clearly constrained Pyongyang's ability to fund its nuclear development.

- 5) Beijing has accelerated military preparations for a worst-case scenario. This includes increasing the combat readiness alert of the GAs in Northeast China, more frequent drills of the Northern War Theater troops for anti-nuclear warfare, and planning for creating no-entry and non-flight zones along Sino-Korean borders in an emergency.

North Korea has been identified as a real and mounting threat to China's national security. It is now manipulating major powers and will predictably turn its back on China due to the structural clash of strategic interests between the two countries. The fundamental challenge for Beijing in handling the DPRK threat is that it does not have effective solutions for North Korea's "chaos." The THAAD deployment in the RoK will further complicate China's policy options for dealing with the North.

The THAAD challenge

For a long time, Beijing seems to have believed that as long as Sino-RoK relations remain positive, the basic status quo in the peninsula could be maintained. This is because the RoK could help balance interactions between the US and China and provide greater opportunity for China's role in stability-making in the Peninsula. On 8 July 2016 the rules of game changed when Seoul announced the THAAD deployment. Prior to that China and other concerned parties moved a step closer in exercising collective pressure on the North to denuclearize. The fourth nuclear test further strengthened Sino-RoK consensus on the urgency of addressing the nuclear challenge. Beijing is fully aware that as far as the South is concerned, the THAAD deployment does not target China. But the strategic implications of the deployment are huge and seriously undermine Beijing's competing interests with the US, as supported by the following aspects:

- 1) Although Beijing claims that its opposition to the THAAD deployment is not about the technological aspects of the deployment, i.e., the range of its interception, the reality is it will exert significant pressure on China's tactical and even strategic capability to maintain the condition of mutually assured destruction (MAD) with the US in the region. For instance, THAAD will provide the US an additional 10 minutes of early detection time against PLA missile launches in Northwest and Northeast China. Closer to the Sino-Korean border, the three launching brigades

- at the Rocket Force Base in Jilin will have to modernize their DF-series missile to offset the negative effect of the THAAD deployment. All of this is expensive.
- 2) From a strategic perspective, the THAAD deployment is clearly aimed at limiting the deterrence capabilities of China and Russia. To counter this challenge China will have to join a nuclear arms race in which it is reluctant to engage.
 - 3) The deployment can be easily integrated into the US missile defense system in Asia and the pacific, which could serve as the technological basis for the current US bilateral alliance to expand into a multinational setting. The next step would be the creation of an Asian version of NATO.
 - 4) The timing of the announcement was also humiliating, just four days before the announcement of the SCS arbitration in The Hague. Beijing felt betrayed by a friend for whom it had delivered enormous economic benefits. Seoul must have believed that China would be concentrating on the SCS arbitration and have no time and energy to deal with the THAAD issue.

The implications of the deployment are strategic and will deeply alter the geopolitical order of the peninsula. The triangular ties between Beijing, Washington, and Seoul will decisively lean towards the US at the expense of China. This will force Beijing to link its peninsula policy to the management of Sino-US strategic strife. Beijing may have rely on its relationship with Pyongyang to balance the mounting US-RoK joint pressure. The peninsula situation will become more complex.

Beijing has to readjust its strategic focus towards the peninsula security challenge, namely from a single focus on the North's nuclear program to a dual-focus adding the THAAD initiative. If one aggregates all the factors behind the deployment, it becomes apparent why Beijing responded to the THAAD challenge in such a fierce way, much to the surprise of many China watchers and even Chinese strategists.

Conclusion

The year 2016 was one in which China was strategically squeezed from multiple directions: the South China Sea conflicts and arbitration, Taipei's regime change, and the worsening security challenge in the Korean peninsula. The year 2017 promises to be a worse year for Beijing's foreign relations in Asia and the Pacific, as it has to deal with a tremendously anti-China administration in Washington. Uncertainty is

an understatement. How bad the Sino-US confrontation might become is anyone's guess. The Sino-US tension will become more militarized. Further more Sino-Indian military standoffs in the Doklam region added to the collective pressure on China.

Domestically, Chinese authorities have to cope with fallout from the unprecedented military reform that has overhauled the PLA's command-and-control systems, service establishments, administrative and operational mechanisms, theater commands, and civil-military relations. Some transitional dislocations are bound to take place. This is a serious matter because the external military threat is mounting against China. Political stability of the armed forces will affect domestic politics in the lead-up to the 19th National Congress.

Finally, the Korean conflicts will clearly worsen on both fronts: the North's nuclear adventurism and the South's THAAD deployment. Beijing will have to make a tough choice between whether to continue its assertive response to these two challenges or prioritize other security challenges such as those in the SCS and the Taiwan Strait.

We will wait and see how Beijing handles all of these challenges.

