

Chapter 3

China: The Xi-Li Administration Faces Rough Going

The Twelfth National People's Congress (NPC), meeting in Beijing in March 2013, confirmed Xi Jinping in his national positions and marked the start of his administration, but a variety of stumbling blocks lie ahead for the Xi administration. The uproar over Bo Xilai was basically a political struggle, but bringing Bo to trial was also one link in the Xi administration's crackdown on corruption. The administration finds itself in a situation where one wrong step—whether it involves the people's concerned attention to the success of that crackdown, dissatisfaction caused by the decline in the economic growth rate, ethnic minority violence, or any of a variety of other challenges—can bring major criticism.

Current diplomatic policy is carrying forward the “path of peaceful development” on the premise that China's “core interests” are not threatened, an approach notable for the way in which China is mixing a heavy hand and a light touch in dealing with its neighbors. President Xi Jinping (who is concurrently General Secretary of the Communist Party of China, the CPC) has been stressing “a new type of major-power relations,” and China cites agreement with the United States to work toward building such a relationship, but there is still wide divergence in the stances of these two powers.

In trends involving the Chinese military, the first white paper on defense in two years was published in 2013. The People's Liberation Army (PLA) has also been acting in line with the foreign policies of the CPC Central Committee, actively conducting a variety of exercises and then actively publicizing them in the media, seeking to add an element of intimidation to China's diplomacy. The county is also paying considerable attention to using technology transfer from Russia as a means of increasing its own development capacity to modernize its weapons and equipment.

During 2013, nineteen agreements were signed between working-level agencies on the mainland and in Taiwan covering a broad range of topics such as economy, trade, and investment security, and there was also expansion in the number of Chinese mainland travelers visiting Taiwan. These trends have been reflected in discussion of the two sides setting up permanent offices across the Taiwan Strait, and such developments lead some to speculate on a growing likelihood of talks between President Xi and President Ma Ying-jeou. While China-Taiwan relations appear to be developing smoothly, the Quadrennial Defense Review (QDR) brought out in 2013 by Taiwan's Ministry of National Defense seems to show greater wariness toward China than four years earlier, which indicates that closer

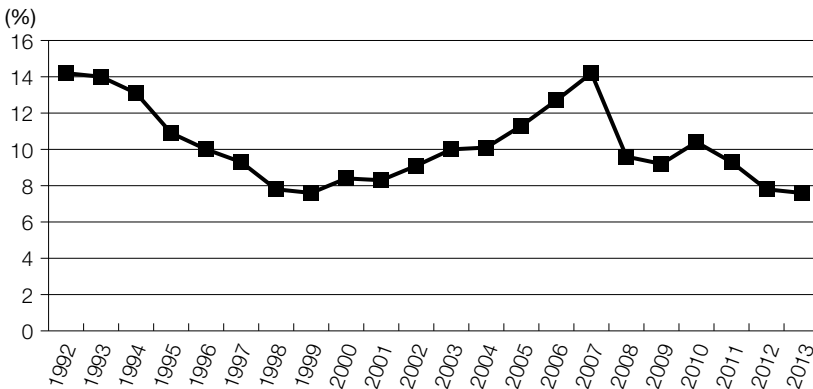
ties between China and Taiwan have not directly contributed to a decline in the level of threat that Taiwan feels.

1. China Faces Potential Causes of Grave Instability

(1) Chinese Economic Growth Becomes Sluggish

In his Report on the Work of the Government presented at the 2013 NPC beginning March 5, outgoing Premier Wen Jiabao announced that the target for the GDP growth rate in 2013, just as in 2012, would be “around 7.5 percent.” His successor as premier, Li Keqiang, speaking on March 17 in his first press conference after taking office, also said that the annual GDP growth rate through 2020 would maintain an average of 7 percent. Behind these estimates is the goal set at the Eighteenth CPC National Congress in November 2012 of doubling the 2010 per capital GDP by 2020, and calculating back from that target shows that an annual growth rate of 7 percent is necessary. For China of the past, that would be an easily attainable numerical goal, but after reaching a peak in 2007, the Chinese economy has slowed down. From 10.4 percent real GDP growth recorded in 2010, the real growth rate fell to 9.3 percent for 2011 and 7.8 percent for 2012, with the second quarter growth rate for 2013 announced in July at 7.5 percent over the year-earlier level, representing a cumulative rate of 7.6 percent for the year (see Figure 3.1). The high level of growth that the Chinese economy experienced up to

Figure 3.1. Trend in China's real economic growth rate



Note: 2013 shows total growth rate through 1st half.

Source: Data from National Bureau of Statistics of China.

that point owed largely to boost provided by a demographic dividend from the growing population and the resultant increase in labor input, as well as major expansion in investment led by the government and foreign investors. In 2012, however, that growth in the working-age population started into a decline and the excessive investment since 2008 went into rebound, with some researchers seeing China as easing into a period of growth rates on the order of 5 percent.

Recently in China there has been a growing number of examples of capital being financed not through regular banks but through “shadow banks.” Capital gathered through shadow banks is frequently used, for example, for investment in manufacturing facilities that does not take the supply-demand balance into account, real estate development, or local governments’ excessive construction of infrastructure, all of which provides a statistical boost to the GDP. Shadow banking per se is not illegal, but if it begins to experience large volumes of bad debts, it cannot help exerting a negative influence on the economy.

Recognizing this, Premier Li has applied strong tight-money policies, sought means to avoid a real estate pricing bubble, and strengthened environmental protection, thereby launching an approach that shifts priority from development to structural reform. This policy approach has come to be termed “Liconomics.” Seeking to improve productivity though structural reform should support a shift from the current reliance on investment in promoting rapid economic growth to growth that is at lower levels but can be sustained. It is still hard to say, however, whether the government can secure its goal of growth around 7.5 percent. Some researchers raise the possibility that before it can settle securely into developed-country status, China might fall into the “middle income trap” where growth stagnates. Following through with Liconomics could be a real ordeal for the CPC; since the adoption of reform and opening up as the official line, the party has used the high rates of economic growth, albeit accompanied by limits on the people’s political freedoms, to justify its rule.

Examples of structural reform would include social security reform, reform of the financial and tax structures, and greater opening up to the outside world. For example, the pilot free-trade zone set up in Shanghai has an element of the policy for greater openness toward the outside world, in that attracting foreign enterprise to such a zone will increase such enterprises’ competition with domestic companies operated by regional governments or the national government and private Chinese companies as well. Liconomics, however, carries the danger of sparking a backlash

from the privileged class benefitting from the economic status quo and could itself become an element of social instability if it contributes to the people's sense of an economic slowdown.

(2) Violence Explodes in Xinjiang Uygur Autonomous Region

On June 26, a group of sixteen Uyghurs unleashed a string of attacks in the Xinjiang Uygur Autonomous Region, targeting a local police box, a local government office, construction sites, and stores among others and claiming twenty-four victims. Eleven of the attackers were killed by the police. Violence broke out again on June 28 in Hotan.

The CPC, gravely concerned by these incidents, convened the Political Bureau Standing Committee on the evening of June 28 to discuss the situation in Xinjiang and decided to send Yu Zhengsheng, chairman of the Chinese People's Political Consultative Conference (CPPCC) to the scene. He was accompanied among others by Meng Jianzhu, secretary of the CPC Political and Legal Affairs Commission, and Guo Shengkun, minister of public security. Yu Zhengsheng arrived in Xinjiang's capital Urumqi on June 29 and called a meeting of the party and political cadres to start efforts to control the situation. In addition, Fan Changlong, member of the Political Bureau and vice chairman of the CPC Central Military Commission (CMC), was dispatched to inspect the PLA garrison in Xinjiang. Zhang Chunxian, Xinjiang party secretary and Politburo member responsible for Xinjiang, took part in a discussion with local military and government leaders and also convened the Autonomous Region's party standing committee, making plain the CPC's intention to respond decisively to maintain social stability in Xinjiang.

This disruption followed in the wake of the violence of July 5–6, 2009, when fighting erupted between Uyghur and Han Chinese residents of Urumqi, leaving 197 dead and over 1,700 injured in the most violent outbreak since the founding of the PRC. The new violence took place despite the authorities already being on the alert. The Chinese authorities have consistently decried domestic and external ethnic separatist groups, such as the East Turkistan independence movement, the East Turkistan Islamic movement, and the World Uyghur Congress, as behind-the-scene instigators of such violent incidents. Much of the reason for such ethnic violence, however, can be found in ethnic minorities' feeling that they are being oppressed politically, economically, and socially (religiously) by the Han Chinese,

presenting a problem that cannot be solved easily. It is reported that Chinese authorities feel increasingly sure that the October incident in Tiananmen Square where a careening car left forty-three dead and injured in its wake was another example of Uygur terrorism. The Uygurs, Tibetans, and other ethnic groups have cultures and religions that differ radically from the Han Chinese, as well as their own complex historical relations; it is a fact that such ethnic groups find nothing of appeal to them in the slogans of ethnic assimilation such as “the great restoration of the Chinese people” or “China’s dream.”

(3) Dismantling a Corrupt Ministry of Railways

On March 14, the Ministry of Railways was dismantled based on the decision reached by the NPC concerning plans for reform of the structure of the State Council and transition of its functions. Its administrative functions were moved to the State Council’s Ministry of Transport in the form of a new railways bureau, while its management operations were reassigned to a new government-owned company, the China Railway Corporation. The new corporation took over the offices of the old ministry, just changing the signage. One factor behind the dismantling of the Ministry of Railways can be seen as the enormous power it held, far beyond that of any other ministry under the State Council, and its power owed to the historical path that led to its formation. The Ministry of Railways was established in 1946 under the direct control of the People’s Military Committee. With the birth of the People’s Republic of China, the ministry began to operate as the Chinese People’s Government Ministry of Railways; modeled after the Soviet Union’s socialist railway management, the ministry kept its same basic structure until the dismantlement. During Cultural Revolution days the ministry and other related agencies were for a while folded into the Ministry of Transport, but it was restored as a separate ministry at Deng Xiaoping’s direction.

Until recently, the greatest power in the railways ministry was in the hands of

its minister, Liu Zhijun. At the direction of Jiang Zemin, Liu was installed in this position at age forty-nine by the 2003 NPC. Liu showed his astuteness in the way he was able to complete construction on the high-speed rail line connecting Beijing and Shanghai as well as on the Qinghai Province railway, but he was constantly wrapped in suspicions of taking bribes from contractors. In 2006, Liu's younger brother, who was part of the leadership in the office covering local railways, was given a death sentence with a stay of execution for corruption and other crimes, and questions were raised about Liu Zhijun's interference in the case; then-premier Wen Jiabao urged Liu to resign as minister. It is reported that Liu, however, conferred with Jiang Zemin, former CPC general secretary, and declined to resign, with Wen accepting Liu's decision to remain in office out of fear of a confrontation with the Jiang Zemin faction. At the eleventh NPC in March 2008, Li Keqiang, who was vice premier at the time, proposed that the Ministry of Railways be merged with the Ministry of Transport, but Railways Minister Liu strongly resisted that suggestion and insisted that the current structure should be maintained for national strategic purposes, including concern over national land development and national defense. In the end, the proposed merger failed.

Later Liu Zhijun fell under suspicion of taking over 64.6 million yuan in bribes, losing his position in February 2011 and receiving a death sentence with a two-year stay of execution in July 2013. The fact that the Ministry of Railways was a massive system with the rather unorthodox trait of regulating both the administration and the operation of the railways meant that the ministry held a great deal of power as well as ample opportunities for graft. The proposed separation of administration and operations can be seen as an attempt to reduce the power of the massive system by splitting it up and thereby reduce the likelihood of corruption. Likewise, giving Liu Zhijun a death sentence, albeit with a stay of execution, can be viewed as an opportunity for the Xi Jinping administration to display domestically and internationally as well the results of its anticorruption campaign.

(4) Anticorruption Struggle Generates Intraparty Splits

Bo Xilai, former secretary of the Chongqing municipal CPC committee and CPC Central Committee Political Bureau member, was placed on trial in Shandong Province before the Jinan Intermediate People's Court for five days, August 22—26, 2013, to face charges of accepting bribes, embezzlement, and abuse of official powers brought by the Jinan municipal prosecutor's office. While it was initially

expected that based on the examples of Chen Liangyu and others Bo would probably be given a sentence of ten-plus years' incarceration, the sentence handed down was much heavier, life imprisonment. It is thought that one factor influencing this heavy sentence was the way in which Bo initially admitted the charges during the investigative phase but then abruptly reversed himself at the trial, denying and fighting all the charges. Bo's second hearing—his last resort—reached the same verdict as the initial trial and handed down the life-imprisonment sentence on October 26. It is thought that the case was handled as it was, despite Bo's intervention in the murder case brought against his wife and his handling of Wang Lijun, because Hu Jintao, Wen Jiabao and others in the party leadership wanted to avoid highlighting Bo's political style, which was reminiscent of Great Cultural Revolution days. Still, the Chinese courts did bring Bo up for economic crimes, likely reflecting the concerns of the CPC leadership to handle the matter solely as a case of individual corruption.

During this time, investigations also extended to others on a par with Bo Xilai. Four leading executives of the China National Petroleum Corporation (CNPC), the country's largest state-owned oil enterprise, as well as Jiang Jiemin, former CNPC chairman and current director of the State-owned Assets Supervision and Administration Commission under the State Council, became subjects of investigation by the CPC Central Commission for Discipline regarding reputed major violations of discipline. Attention will be on whether the long arm of the law will actually reach as far as ardent Bo Xilai supporter Zhou Yongkang (a member of the seventeenth Politburo Standing Committee). Zhou was a dominant figure at the top of the oil clique as well as being a leading name in public security circles, having served as minister of public security and head of the CPC Political and Legal Affairs Commission. During the time that Zhou was serving as a member of the Politburo Standing Committee, the powers and authority of the public security system became swollen out of proportion. It seems that Zhou's replacement as secretary of the Central Political and Legislative Committee for its eighteenth term by Political Bureau member Meng Jianzhu was an attempt to put limits on the bloated public security system by removing Zhou from positions of highest authority. Zhou's alma mater, China University of Petroleum, noted on its website that Zhou Yongkang took part in a panel discussion on October 1 in celebration of the school's sixtieth anniversary, but he was absent from the spectacular sixtieth anniversary party held the next day which included guests

such as former vice premier Wu Yi. Reports during December that Zhou had been detained suggest that his situation remains precarious.

Ever since the end of the Cultural Revolution, no one ever appointed as member of the Political Bureau Standing Committee has ever been arrested, even after falling from power. One sign of the Xi Jinping administration's willingness to conduct a real crackdown on corruption, something that can mean life or death for the CPC, will be its readiness to "swat both tigers and flies" as phrased by Xi, in other words, its readiness to set a new precedent by bringing to trial anyone who had been a Standing Committee member but who had dirtied his hands with corruption. If this becomes possible, it will likely help restore some level of the people's trust in the CPC. In Zhou Yongkang's case, he has close ties to Jiang Zemin, and with the exception of Li Keqiang, all the current members of Standing Committee are said to belong to the Jiang Zemin faction. There should be no problem with digging into Zhou Yongkang's affairs if Jiang Zemin has given the nod, but without such consent, there is the undeniable danger of causing splits at the highest levels of party leadership. An anticorruption campaign that is more show than substance would be prone to attract criticism from the people. A communiqué issued on November 12, 2013, at the end of the Third Plenum of the Eighteenth CPC Central Committee addressed building a fair and authoritative socialist judiciary and called for providing a system to ensure the ability to carry on trials and investigations independently and fairly in keeping with the spirit of the law and application of judicial authority. This was likely done out of awareness of the Chinese people's dissatisfaction over local trials where verdicts are apt to be advantageous to the local government authorities.

In addition, even while a stream of officials such as Liu Zhijun and Bo Xilai who are deemed to belong to the Jiang Zemin faction are being toppled over corruption, Li Yuanchao has been named as vice president by the NPC. As a simple glance over the list of current Politburo members will show, many of the persons probably slated for elevation to the Standing Committee in 2017 belong to the Hu Jintao faction. Xi Jinping, who will be dealing with these Standing Committee members, has moved closer to Hu Jintao than to the elderly Jiang Zemin. As a result, even though Li Yuanchao was not tapped for the Politburo Standing Committee at the Eighteenth CPC Congress despite being seen as a strong contender, his election as vice president can be viewed as a sign of a certain level of consideration over personnel being shown to the Hu Jintao faction.

2. Chinese Diplomacy: A Deliberate Mixture of Hard and Soft

(1) Diplomatic Policies Stressing “Core Interests”

At the Eighteenth CPC Congress in November 2012, new party leadership was installed with Xi Jinping as the general secretary, and in 2013 the new regime’s diplomatic policies became increasingly evident. In general, these policies under the new Xi Jinping administration are viewed as being somewhat less open to compromise than under Hu Jintao.

On January 28, 2013, the CPC Central Committee Politburo met for a group study session on China’s fundamental diplomatic policy of following “a path of peaceful development.” This path of peaceful development had been formalized in 2005 under the Hu Jintao administration and had been publically advocated both domestically and internationally. The policy had been explained in detail in December of that year in a white paper entitled *China’s Peaceful Development Road* issued by the State Council Information Office. The white paper pointed out that in a world with increasingly multipolar politics and an increasingly global economy, China’s development was inextricably linked to global prosperity. Thus, ensuring a stable international environment would promote China’s own development, and China’s development would contribute to world peace. Aiming at such a path of peaceful development, China would emphasize cooperation with other countries and the international community in general, work for peaceful resolution of differences of opinion and confrontations through dialogues, and never seek hegemony, the paper stressed.

The leadership under Xi Jinping made clear that it had inherited the policy of a path of peaceful development. In the January group study session General Secretary Xi delivered an address which noted that following such a path was a strategic decision for the CPC as it recognized both the trends of the age and China’s fundamental interests. At the same time, however, Xi stressed that “We will stick to the road of peaceful development, but will never give up our legitimate rights and will never sacrifice our national core interests.” In other words, keeping China’s “core interests” intact was a fundamental precondition for China to follow a path of peaceful development.

In detailing such core interests, China’s leaders and the official media had customarily offered the maintenance of Chinese sovereignty over Taiwan, Tibet, and the Xinjiang Uygur Autonomous Region as a specific example. More recently,

however, China has come to interpret the scope of its core interests more broadly. In September 2011, the State Council Information Office released a second white paper on the path of peaceful development entitled *China's Peaceful Development*. This white paper represents the first official document to define such core interests. These were stated as including (1) China's sovereignty, (2) national security, (3) protection of Chinese territory, (4) national reunification, (5) the overall stability of the national system of government established by the Chinese constitution and of Chinese society, and (6) fundamentally ensuring sustainable development of China's economy and society. Such a definition can be applied to an indeed wide variety of concerns.

Recently, pronouncements of Chinese leaders and official media coverage of core interests have prominently included matters of sovereignty and territorial questions at sea and maritime rights and interests. For example, during April through June 2012, Chinese and Philippine patrol boats faced off at Scarborough Shoal in the South China Sea. During that period, such official media as the *People's Daily* and the *PLA Daily* carried a stream of items identifying Scarborough Shoal as being one of China's core interests as well as commentaries offering grave warnings to the Philippines. Similarly, China has made its own assertions regarding the Senkaku Islands, which are clearly an inherent part of the territory of Japan. In April 2013, Chinese foreign ministry spokeswoman Hua Chunying explicitly stated at a press conference that the Senkaku Islands question was a matter of Chinese territorial rights, making it naturally an issue of Chinese core interests. The Ministry of Foreign Affairs website later posted the spokeswoman's remarks in edited form that did not directly link the Senkakus to China's core interests, quite possibly out of apprehension that the original remarks could raise surrounding countries' wariness toward China.

General Secretary Xi has also made statements that link maritime rights and interests with China's core interests. At a Politburo group study session held in July 2013 dealing with building up China as a maritime power, Xi stated that in order to safeguard the nation's maritime rights and interests, China must shift to an approach which looks comprehensively at protection of such rights and interests. China loves peace, Xi said, and will adhere to the path of peaceful development, but "in no way will the country abandon its legitimate rights and interests, nor will it give up its core national interests." Further, he stressed that China will prepare to cope with complexities, enhance its capacity in safeguarding maritime rights

and interests, and resolutely safeguard its maritime rights and interests.

The diplomatic policy under Xi Jinping thus is to continue to follow a path of peaceful development which seeks to cooperate with the international community to ensure stability of the international environment essential to China's economic development, while at the same time reinforcing its assertions and actions on what China identifies as its core interests, in particular matters involving its marine sovereignty and territorial questions along with maritime rights and interests.

(2) The US and China: “A New Type of Major-Power Relations”

For China, engaged in seeking steady economic development, the foremost diplomatic issue can be seen as building a stable relationship with the United States, the most powerful country in the world. The Xi Jinping administration is working toward bringing stability to that bilateral relationship. On his selection as president in March 2013, Xi talked by telephone with President Obama and proposed that the two countries pursue “a new type of major-power relations” which would work through interchange and dialogue in a variety of areas to expand cooperation and control differences, thereby promoting development of the US-China relationship.

In the strongly held Chinese view, relations between major powers historically have given rise to a contest for supremacy between the established powers and the newly arising powers, which frequently invited large-scale warfare. Today, the United States is an established power while China is coming into its own, and the two nations must not get caught in the rut of outdated major-power relations that can lead to war. They instead must build a new style of relations between major countries which relies on mutual respect and cooperation to avoid crucial confrontations. Xi Jinping's first official trip abroad after assuming the president's position in March 2013 was a visit to Russia, where he secured agreement with President Vladimir Putin to establish such a new type of relations between the countries. China is preaching its “new type of major-power relations” as the ideal model for relationships between major powers and is pressing the United States to be receptive to that model.

In June 2013 President Xi visited the United States and spent over eight hours in direct talks with President Obama at the Sunnylands resort in California. President Xi outlined the “new type of major-power relations” for President Obama as having three points: avoiding collisions and confrontations, showing

mutual respect, and cooperating for mutual benefit (or “win-win results”). As ways to contribute to development of this new type of relations between China and the United States, Xi displayed a very positive position toward coordination on issues such as the Korean peninsula and Afghanistan, cooperation in such areas as cyber security, climate change, and space security, as

well as closer relations between the two countries’ militaries, all of which are topics of high interest to the United States. The summary of President Obama’s statements released by the US government does not indicate whether President Obama himself used the term “new type of major-power relations,” but State Councilor for diplomatic affairs Yang Jiechi provided commentary on the results of the talks and stated that in response to the proposal by President Xi, the two leaders had agreed to work together to build a “new type of China-US major-power relations.”

A variety of dialogues and exchanges were conducted by China and the United States in the wake of the Xi-Obama talks. The Fifth US-China Strategic and Economic Dialogue was conducted in the United States in July 2013. In the economic dialogue, China agreed to open negotiations on an investment agreement with the United States and to offer specific measures to deal with protection of intellectual property. The strategic dialogue brought agreement on matters such as starting cooperation between maritime law enforcement agencies and setting up hotlines between corresponding agencies in the two countries. A working group on cyber security also held its first session and will continue its dialogue in the future. Chang Wanquan, minister of defense, visited the United States the following month, August 2013, and held talks with Secretary of Defense Chuck Hagel. A PLA Navy (PLAN) vessels called on Hawaii in September, conducting search and rescue exercise with the US Navy.

On the surface at least, the US-China relationship would seem to be on the road to improvement. There are still, however, some deep differences in the relationship.

One cause of such differences can be found in China's own call for a "new type of major-power relations." President Xi stressed to President Obama that one crucial element in such new relations was mutual respect, which Xi identified as "mutual respect for each other's core interests and matters of great concern." Specifically, Xi called on the United States to halt weapons sales to Taiwan and remove the ban on high-tech exports to China. Regarding the Senkakus and South China Sea issues, Xi requested that "all parties concerned adopt a responsible attitude and halt provocative actions."

Since then, China has continued to call on the United States to respect Chinese interests. For example, in talks with Defense Secretary Hagel, Minister of Defense Chang Wanquan pointed out that three major obstacles to a new type of China-US military relations were US sales of weapons to Taiwan, US reconnaissance activities near China, and the ban on high-tech exports to China and called for a halt to each of these. In touching on issues regarding the Korean Peninsula, Chang criticized greater US pressure on North Korea as being unhelpful in solving issues on the peninsula and called on the US military to cut back on its exercises on the peninsula. Regarding the Senkakus, Chang is reported to have told Hagel that no one should be so deluded as to think that China would make trades on its core interests or mistake China's will and determination to protect its national territory and sovereignty and its maritime rights and interests.

The United States and China are seen as agreeing to work toward building a new type of major-power relations, but this can be viewed as little more than agreement on the need to avoid serious confrontations in the future. In order to avoid such confrontations, China is calling on the United States to respect China's interests, while the United States is asking China to act as a "responsible power." They share a common goal of avoiding future confrontations, but the two countries are far apart in terms of the means to make that possible. This is an example of the old Chinese saying "different dreams in the same bed" as the United States and China are looking at the same situation and coming up with different answers.

(3) Neighboring Diplomacy Fraught with Contradictions

China's recent diplomacy is displaying an emphasis on its maritime sovereignty, rights, and interests, and as a result, its diplomacy has been generating friction with some of its neighboring countries. In the East China Sea, China has made its own assertions about the Senkaku Islands, which are clearly an inherent part of

the territory of Japan, and in the South China Sea, China has set itself in dispute with such Southeast Asian neighbors as the Philippines and Vietnam over territorial rights to the Spratly Islands and the Paracel Islands. China is relying on its power in repeating hard-line responses to such issues, increasing the concern on the part of other countries in the vicinity.

The Japanese government took possession of three islands in the Senkakus in September 2012, purchasing them from the previous private owner, and since then, Chinese government vessels, primarily patrol boats from China Marine Surveillance (CMS), have repeatedly violated Japanese territorial waters around those islands while a CMS aircraft has violated Japanese airspace above the Senkaku Islands with overflight. In these and other ways, China has been using reminders of its power to put increasing pressure on Japan. China continued such an approach during 2013. In January, a Chinese naval frigate locked its fire-control radar on a Japan Maritime Self-Defense Force destroyer, an example of how China's actions in the East China Sea including around the Senkaku Islands are provocative and carry the danger of inviting unintended accidents or collisions. In July as well, official Chinese vessels bearing the markings and numbers of its Coast Guard, which was only recently launched by the merger of four maritime law enforcement agencies, began to violate Japanese territorial waters, with eight patrol boats doing so at the same time at one point in September.

There has also been an ongoing stream of Chinese aerial activity around Japanese airspace over the Senkaku Islands. In December 2012 a Y-12 aircraft belonging to CMS violated Japanese airspace over the Senkakus, and cases of Y-12s flying close to the Senkakus continued during 2013, with the Chinese military becoming increasingly active in the skies over the East China Sea. Japan Air Self-Defense Force aircraft were scrambled in response to Chinese aircraft sixty-nine times during the first quarter of 2013, eighty times during the second quarter, and 138 times during the third. In July 2013, a Chinese Y-8 early-warning aircraft passed between Okinawa and Miyako Island on its way to the western Pacific Ocean, and since then Y-8s and H-6 bombers have done the same repeatedly.

Further, immediately after the Third Plenum of the Eighteenth CPC Central Committee in November 2013, China announced that it had set up a new "East China Sea air defense identification zone" including the Senkaku Islands and their vicinity, doing so just as if China were dealing with its own territory. This carried with it China's unilateral determination that all aircraft flying through

areas over international waters within that zone were responsible for abiding by Chinese procedures, with the warning that China would take “defense emergency measures” against aircraft which did not do so. Such measures are an inappropriate violation of freedom of passage through airspace above international waters, one of the common principles of international law, and could have a grave influence on the orderly conduct of international aviation. China has thus been increasing the level of activity of its Coast Guard and the PLA in this region as a reminder of its power and a means to push Japan into concessions on the Senkakus.

It is far from clear at present whether the Chinese leadership will take any action to start a dialogue to improve China’s relations with Japan. President Xi Jinping took part in the Asia-Pacific Economic Cooperation (APEC) summit conference held on Bali, Indonesia, in October 2013, but he did not meet separately with Japan’s Prime Minister Shinzo Abe, and contact between the two leaders at the conference was limited to a handshake of greeting. At the later East Asia Summit in Brunei, there again were no talks between Premier Li Keqiang and Prime Minister Abe. The prime minister has said that his door is always open for a dialogue with China that would bring more stability to the bilateral relationship; the question now is when China will show itself available for talks at that level.

In the South China Sea as well, China has continued to respond to the situation there involving sovereignty and maritime rights and interests with reminders of China’s power, directed at the Philippines in particular. The Philippines claims territorial rights over Scarborough Shoal (called Huangyan Island in Chinese), but in 2012 China used official Chinese vessels to take control of the shoal. In May 2013, a Chinese warship and two patrol boats blocked the Philippine military’s efforts to resupply the Philippine marines permanently stationed on Second Thomas Shoal (Ren’ai Shoal in Chinese) to secure the shoal. China has shown no intention of responding to the Philippines’ seeking arbitration under the United Nations Convention on the Law of the Sea (UNCLOS) regarding the territorial rights dispute in the South China Sea. In addition, China had issued an invitation to Philippine President Benigno Aquino III to attend the China-Association of South-East Asian Nations (ASEAN) Expo in September but cancelled the invitation at the last minute. China thus seemed to be refusing any dialogue with the Philippines and seeking to use its power to increase its pressure.

Meanwhile China has become active in seeking to expand its influence over

Southeast Asia in such a way as to reduce the rising sense of Chinese menace there. During an October 2013 visit to Indonesia, President Xi Jinping expressed China's hope to work together with Indonesia in building a "community of common destiny with ASEAN." President Xi also sought cooperation in establishing an Asian infrastructure investment bank that would support infrastructure connectivity between ASEAN countries and called for active use of the China-ASEAN Maritime Cooperation Fund financed by the Chinese government to create a twenty-first century maritime Silk Road. At the sixteenth China-ASEAN leaders' meeting in the Brunei in October, Premier Li Keqiang proposed the signing of a treaty on good-neighborliness, friendship, and cooperation between China and ASEAN. Regarding South China Sea issues, Premier Li stressed that such matters should be resolved through talks limited to "the directly concerned parties" and proposed that there should be joint development of resources even before solution of such problems. Turning to the Code of Conduct (COC) that ASEAN had been proposing, Li urged "active and prudent" progress "under the principle of consensus building" on a legislative process for a COC under the framework of implementing the 2002 Declaration on the Conduct of Parties in the South China Sea.

The CPC held a conference on diplomatic work in October. There, General Secretary Xi Jinping said that developing friendly, good-neighborly relations with nearby countries was a consistent element in China's diplomacy. He also stressed that an important goal of China's neighboring diplomacy was maintenance of peace and stability in the region. As if to demonstrate that, there were active diplomatic contacts between the Chinese leadership and surrounding countries during that month. Premier Li Keqiang called on Vietnam for talks with Prime Minister Nguyen Tan Dung, and the two countries signed cooperative agreements on maritime affairs, financing, economics, trade, and infrastructure. Premier Li also met for talks in Beijing with India's Prime Minister Manmohan Singh, signing an agreement on border defense cooperation. Prime Minister Norovyn Altankhuyag of Mongolia also visited China, holding talks with both President Xi and Premier Li and signing memorandums of opinion on such topics as medium- to long-term development of the bilateral strategic partnership and greater economic cooperation. In the future, attention will remain focused on how the Xi Jinping leadership tries to balance policies on the importance of China's core interests with those on building stable relations with neighboring countries.

3. Active Use of Military Might and Modernizing Equipment

(1) New White Paper on Defense Released

In April 2013, China released its first white paper on defense in two years. Past defense white papers offered overall explanations of China's national defense policies and security awareness, but this time, the white paper featured an introduction to China's basic principles for the wide-ranging application of its military might. The paper dealt with military power in a variety of forms, the army, the navy, the air force, the PLA Second Artillery Force, the People's Armed Police Force, and the militia, and their operations covered a wide range of activities, from traditional security operations to nontraditional security activities.

One matter in particular which attracted discussion was that the phrase "no first use of nuclear weapons," a principle that China had consistently stressed, was notably missing from the white paper's section on the operational principles of the Second Artillery Force. A Ministry of National Defense press officer later stated that there had been no change in the principle of no first use of nuclear weapons. While the phrase "no first use" was not included in the white paper's discussion of principles involving use of nuclear weapons, that discussion was still in line with China's past explanations.

The white paper discussion of the PLAN included statements that "In line with the requirements of its offshore defense strategy, the PLAN endeavors to accelerate the modernization of its forces for comprehensive offshore operations," also developing "blue-water capabilities of conducting mobile operations" as it "enhances its capabilities of strategic deterrence and counterattack." Regarding its higher levels of activity in exercises on the open seas, the white paper explained that the PLAN was engaged in live force-on-force training, including aerial defense exercises, antisubmarine exercises, exercises to counter underwater mines, counterterrorism exercises, and antipiracy exercises. The white paper's comments on the capacity for strategic deterrence and counterattack as mentioned above suggest that progress had been made on developing the *Jin*-class submarine and the JL-2 submarine-launched ballistic missile.

In its comments on the PLA Air Force (PLAAF), the white paper explained that there had been progress in strengthening the development of a combat force structure that focuses on reconnaissance and early warning, air strike, air and missile defense, and strategic projection capacities. The PLAAF, said the white

paper, has set up a unified air defense system, integrating reconnaissance and early warning, resistance, counterattack, and protection, and it now has a system of air situation awareness measures consisting primarily of air detection radars and early-warning aircraft but including technical reconnaissance and electronic countermeasures reconnaissance. Through deployment of the KJ-2000 and similar measures, the PLAAF is steadily gaining greater self-confidence in its airborne early-warning and control capabilities. In fact, the *PLA Daily* and other media have reported that the PLAAF now is able to keep the KJ-2000 in twenty-four hour operation.

This most recent defense white paper introduces the operational principles for China's military might, and in that sense, its intentions have become more apparent. Still, there was no information on the breakdown on China's defense spending, meaning that it is possible to see this white paper as a step backwards in transparency regarding Chinese capacity compared to past white papers.

(2) Linking Foreign Policy and PLA Operations

One feature of PLA exercises in recent years is that exercises have been carried out in ways that seem to follow the lines of CPC Central Committee foreign policy, with the contents of the exercises actively publicized in the Chinese mainland and Hong Kong media. A commentary in the *PLA Daily* has noted that given the confrontations that exist in China's international relations, the ability to use military options becomes all the more important, and conducting exercises that identify a specific opponent and are carried out under realistic war condition is not only a vital preparation, it also serves as a form of intimidation.

During 2013, the PLA conducted a number of military exercises that had Central Committee policy toward Japan in mind. First, as Japan and China remain at odds around the Senkaku Islands, the PLAN has become more active than in recent years at carrying out military exercises in the western Pacific. Its exercises in this area have become commonplace in recent years, and this situation was unchanged in 2013, but during the year PLAN vessels transited the waters between Okinawa and Miyako Island ten times. In October in particular, the PLAN's three fleets (the North Sea Fleet, the East Sea Fleet, and the South Sea Fleet) joined together to conduct "Jidong 5" or Mobilization 5, large-scale exercises in the western Pacific. At that time Chinese Ministry of National Defense spokesmen and the Chinese media made a point of stressing that the waters between Okinawa

Island and Miyako Island were international waters and that PLAN exercises in the western Pacific presented no problems under international law. At the same time, China one-sidedly criticized Japanese monitoring activities.

Chinese media have reported on the exercises, identifying them variously as live-fire exercises, antiaircraft or antisubmarine exercises, practice resupplying at sea, and the like, all for the purpose of blue-water strategic mobilization and protection of China's maritime rights and interests. The North Sea Fleet training held in February made first use in open sea exercises of China's independently developed satellite positioning system Beidou. The South Sea Fleet exercises in March reportedly showed success in using an improved command information system and also included South China Sea tactical landing practice with participation by the amphibious dock landing ship *Jinggangshan*. The Jidong 5 exercise assumed real-time battle conditions and was reportedly conducted to validate the fleet's blue-water command and control capabilities.

The Russia-China joint naval exercise "Haishang Lianhe 2013" conducted in Russia in July also drew attention for its connection with policies toward Japan. General Fang Fenghui, chief of the PLA General Staff Headquarters, visited Moscow at that time, and in a press conference on July 1 concerning the joint exercise, he stated that the exercise was not directed at any specific third countries. In the July 4 edition of the *PLA Daily*, however, a commentary by PLA Academy of Military Science researcher Chen Xuehui noted, "We cannot ignore the ebb and flow of the problems that are of greatest concern in the region," thus suggesting that the exercise was conducted with Japan in mind. Ret. Rear Adm. Yin Zhuo has also stated that the exercise had a restraining effect on Japan. The PLA-affiliated *China Defense Report* also reported that the attention Japan was paying to those joint exercises was a sign of Japanese nervousness.

Further basis for interpreting that the exercise was a link in China's policies toward Japan is found by some in the way that after the exercise, five of the Chinese warships which took part passed through the Soya Strait dividing the southern part of the Russian island of Sakhalin from the northern part of Hokkaido and made a complete circuit around Japan. In fact, some Chinese researchers even hold that this transit of the Soya Strait was a symbol of China breaking through the barrier with which Japan and the United States had sought to encircle it.

It is also thought that that group of warships rendezvoused in the Pacific with Y-8 early-warning aircraft which flew from the Chinese mainland for training

exercises. A Chinese Ministry of National Defense spokesperson justified China's actions by stressing that all such actions, including the circumnavigation of Japan, were in accord with international law, thus pointing out their legitimacy.

It can also be noted, however, that the Russia-China joint naval exercise was not particularly a highly specialized undertaking, and it was probably more of a symbolic matter. One point of importance to the Chinese in this exercise, just as the year before, was getting Anti-Submarine Warfare (ASW) capabilities from Russia. Judging solely from Chinese reports, however, the ASW capabilities training consisted of surface ships from both countries forming a column and passing through waters where submarines were assumed to be present. The Chinese participants did engage in live-fire antisubmarine drills on their own, but the training time was very limited. The Chinese gave a good deal of publicity to the results of the joint training activities and stressed that such Russia-China joint naval exercises would continue in the future. Such publicity seems aimed at pointing out China's ongoing acquisition of Russian military know-how, especially its ASW capabilities, but also at increasing pressure on Japan by highlighting the increasingly close ties between Russia and China.

(3) Modernizing Equipment through Technology Transfer from Russia

During 2013, the PLA sought to modernize its military equipment, particularly for its air force and navy. In carrying out modernization, China heavily emphasized technology transfer from Russia.

In reference to the PLAAF, a Chinese Ministry of National Defense spokesperson stated in December 2012 that China was moving steadily forward with development of the domestically manufactured Y-20 heavy transport craft. Later, the *PLA Daily* reported, that the Y-20 had successfully completed its first flight on January 26, 2013. According to the *Kanwa Defense Review*, the exterior design of the Y-20 had been influenced by the IL-76 heavy transport plane purchased from Russia and the US C-17 transport aircraft. It is also thought that the Y-20 was fitted with Russian KD-30KP engines. By producing a working version of the Y-20, the PLA is seen as increasing its power projection capability. It is also expected that based on the Y-20, the PLA will be able to develop airborne early-warning and air refueling tanker aircraft.

The *People's Daily* has reported that eventually the Y-20 will be powered by

domestic Chinese engines. It has been pointed out, however, that engine development is a bottleneck for China in the development and production of domestic tactical aircraft. China hopes to bring in Russian PS-90 engines for adaptation to the Y-20 and is said to be studying purchase of the Russian IL-476 heavy transport aircraft which carries that engine.

Regarding Chinese development of fighter aircraft, China Central Television (CCTV) reported in March 2013 that China had decided to purchase the Su-35 fighter from Russia. The *Kanwa Defense Review* has described China's motive for purchasing the Su-35 as using this to absorb Russian engine and radar technology for use in development of its J-20 fighter, but it also noted Russian internal reports that Russia, remembering past experiences, has no intention of exporting the 117S/AL41F engine to China in volume.

A third point for attention regarding development of equipment for the PLAAF is the appearance of the Lijian (Sharp Sword) stealth unmanned combat aerial vehicle. It was reported in May 2013 that the Lijian drone had successfully completed its first runway roll-out test. Following three years of development, the Lijian reportedly completed assembly at an aircraft plant in Jiangxi Province and began ground testing in December 2012. China is said to already have a good grasp of the core technologies needed for drone aircraft to take off, fly out and return, and land; such technologies include flight control and navigation technology, wireless data link technology, drone power technology, and technology for unmanned takeoff and landing. China's high-resolution remote sensing satellites and the Beidou satellite positioning system have made it possible for China to obtain high-resolution maps of important areas and plan the Lijian's duties and flight courses in fine detail. In addition, the variety of small diameter smart bombs displayed at the Zhuhai Air Show should make it possible for the Lijian to conduct precision guided attacks on its targets. Hong Kong's *Wen Wei Po* newspaper reports that the Lijian is also capable of aircraft carrier take-off and landing as well as in-

flight refueling. Since such information, however, has not been officially released by the Chinese government or military, verification of the Lijian's capabilities will be necessary.

Turning to the navy, it is reported that along with China's purchase of the Su-35 fighter plane, China and Russia will collaborate in building four of the *Lada*-class conventionally powered submarines. Two of the four will be built in China and may carry a Chinese air-independent propulsion (AIP) system, according to Hong Kong's *Wen Wei Po*. Since China is behind Russia in technological capabilities for submarines, such as the AIP, such cooperation on development of these vessels should contribute to raising the level of Chinese technology.

As PLAN exercises in international waters become commonplace and as China continues its efforts to combat pirates in the Gulf of Aden, more attention is being given to China's shortage of large replenishment vessels, and in 2013, the *Taihu* was added to the North Sea Fleet while the *Chaohu* joined the East Sea Fleet. Each of these is a newly built 20,000-ton-class ocean-going replenishment vessel. With the deployment of these two supply ships, China is likely to further increase its exercises on the high seas in both the western Pacific and other waters around Japan.

At the Third Plenum of the Eighteenth CPC Central Committee, Calls for State Security Committee and Reform of National Defense and Military

The Third Plenum of the Eighteenth CPC Central Committee was held in November 2013. The communiqué released at the end of the session addresses the establishment of a new National Security Commission and reform of national defense and the military.

According to the communiqué, the purpose of forming a new National Security Commission of the Communist Party of China would be improvement of the nation's security system and its national security strategy, thus ensuring China's security. President Xi Jinping pointed out at the plenum that China faces a very serious security environment both at home and abroad, that CPC needs to build a strong security organization, and that this new organization would command and control the responsibility for national security. The communiqué explained that the CPC National Security Commission would reinforce centralized and unified leadership on national security policies, and establishment of this organ became the current pressing need for the CPC.

Much remains unclear about the specific functions of this new National Security Commission. One reason for setting up this new organization would be to determine national security strategy so as to permit quick response to rapidly

diversifying security threats both at home and abroad, including both traditional and nontraditional security problems as well. At the same time, the new organization would exercise unified leadership over all of the various structures and organs concerned with national security policies and strengthen the refinement of such policies. It is not yet clear whether the National Security Commission will be something like the US National Security Council. And because President Xi took a seat at the head of the new commission, this meant that he strengthened his own power base in the CPC domestic power struggle based on institutionalization of a leadership system for national security policies.

The communiqué also reflects three directions for the reform of national defense and military policy: (1) adjustment and reform of the military organization and formation; (2) adjustment and reform of the military policy system; and (3) development of greater unity between the military and the civilian department. The first point, as Xu Qiliang, vice chairman of the CPC's Central Military Commission, explained, deals with strengthening the system for joint operations, centered on the Central Military Committee and the PLA's four general headquarters, as well as adjustment of the ratio among the army, navy, air force and Second Artillery Force. According to Xu's explanation, the PLA will invest its resources for the Navy, the Air Force, and the Second Artillery Force. The second point addresses the importance of professionalization for the officers, reform of the conscription system, and development of the reemployment system for military veterans. Point three refers to civilian-military cooperation in development of equipment and facilities and reform of education on national defense to permit recruitment of necessary military personnel, all against a background of China's overall national might. It points out that making this possible will also require improvement in the national defense mobilization system.

There are many parts of the communiqué's explanations on national defense and military reform that are ambiguous, leaving out specifics. Hong Kong's *Wen Wei Po*, citing well-informed sources, points out the possibility of such military reform leading to a reorganization of PLA Military Regions. We should pay attention to just how the People's Liberation Army goes about turning the reform of the national defense and military policy into concrete action.

4. China-Taiwan Relations: Developing Despite Little Trust

(1) Increasingly Close Economic Relations and Personal Exchanges

Immediately following the inauguration of the Ma Ying-jeou administration in Taiwan in May 2008, discussions began anew between China's Association for Relations Across the Taiwan Straits (ARATS) and the Straits Exchange Foundation (SEF) in Taiwan, which met for high-level talks nine times by June 2013. The

leadership talks alternated between Taiwan and the mainland, with the closer relationship reflected by the nineteen agreements signed in a little over five years.

As Table 3.1 indicates, however, the talks were held roughly semiannually through the sixth meeting, but since then the two associations have met at intervals of around ten months. The talks began by taking up matters open to relatively easy agreement, but at present, there are few if any such matters left, meaning that China and Taiwan now have to turn their energies to resolving such difficult topics as investment security and trade in services.

With the Ma Ying-jeou administration's authorization of visits to Taiwan by mainland Chinese tourist groups and later by individual travelers, a total of two million tourists visited Taiwan in 2012 (see Figure 3.2). Since 1988, the total

Table 3.1. China-Taiwan high-level talks

	Dates	Place	Results
1st	June 11–14, 2008	Beijing	ARATS and SEF revived a formal mechanism for dialogue. Signed two agreements, on a journal regarding talks on charter flights and on visits to Taiwan by mainland residents.
2nd	Nov. 3–7, 2008	Taipei	Signed four agreements, on air transport, sea transport, mail, and food safety.
3rd	Apr. 25–29, 2009	Nanjing	Signed three agreements, on joint action against crime and cooperation between judiciaries, financial cooperation, and supplementing air transport.
4th	Dec. 21–25, 2009	Taizhong	Signed three agreements, on agricultural products quarantine inspections, cooperation on work of fishing boat crewmembers, and certification of inspection on standard weights and measures.
5th	June 28–30, 2010	Chongqing	Signed two agreements, the Economic Cooperation Framework Agreement and cooperation in protection of intellectual property.
6th	Dec. 20–22, 2010	Taipei	Signed an agreement on consultation regarding medical and health cooperation.
7th	Oct. 19–21, 2011	Tianjin	Signed an agreement on consultation regarding nuclear power generation safety.
8th	Aug. 8–10, 2012	Taipei	Signed two agreements, on promoting investment security and customs cooperation.
9th	June 20–22, 2013	Shanghai	Signed an agreement on trade in services. Consulted on Kinmen island use of water resources from mainland.

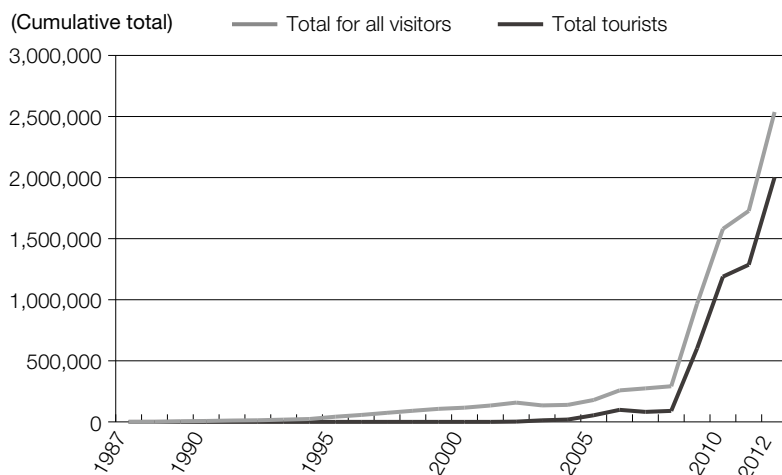
Note: Signing the agreements at the first through eighth sessions were Chen Yunlin, President of ARATS, for China and Chiang Pin-kung, Chairman of SEF, for Taiwan. For the ninth session, signers were Chen Deming, President of ARATS, for China and Lin Join-sane, Chairman of SEF, for Taiwan.

Source: Mainland Affairs Council, "Chronological Table of Talks."

number of visitors to Taiwan from the mainland reached a little over 10.84 million. Foreign currency revenues to Taiwan from Chinese tourists amounted to some 3.6 billion Taiwanese yuan (new Taiwan dollars, NT\$) for the second half of 2008, which steadily grew to NT\$85.7 billion in 2012; by May 2013, the grand total of tourism revenues had reached NT\$281 billion. Originally Chinese mainland individual travelers to Taiwan were limited to residents of Beijing, Shanghai, and Amoy, but authorization under this test case was later expanded until at present, residents of twenty-six mainland cities may visit Taiwan as individuals.

Given this large and growing number of visits to Taiwan by mainland Chinese, a considerable number of mainland visitors have experienced accidents or crimes, accompanied by a growing number of contacts between the ARATS and the SEF to apply agreements appropriately and for other related purposes. This has led both associations into ongoing discussion of each opening a permanent office on the other side of the strait. One problem still to be resolved in this respect, however, is that Taiwan places importance on “visitation rights” whereby personnel from the SEF office on the mainland would have a right of access to Taiwanese citizens there, but China does not want to recognize such a right. “Visitation rights” would seem to carry the same weight as “consular visits,” but the governments in both Beijing and Taipei agree that the China-Taiwan relationship is not a country-to-

Figure 3.2. Mainland Chinese visitors to Taiwan



Source: Mainland Affairs Council website, data as of July 2013 on exchanges across the strait.

country relationship, meaning that use of the term “consular” is being avoided. Minister Wang Yu-chi of Taiwan’s Mainland Affairs Council explains that China is afraid that “visitation rights” would become like the “consular visit rights” recognized between countries. Wang also noted that there had been a good deal of progress regarding issuance of travel documents.

(2) China-Taiwan Personnel Contacts: Rising to the Leadership Level?

In talks between Taiwan’s Kuomintang (KMT) and the Chinese president (CPC general secretary), KMT chairmen emeritus Lien Chan and Wu Po-hsiung have been acting as representative of the Kuomintang. During 2013, Lien Chan visited China in February as did Wu Po-hsiung in June, meeting respectively with Hu Jintao and Xi Jinping. Wu’s visit was his sixth since the KMT regained the administration, and such meetings between the CPC general secretary and a KMT honorary chairman seem to have become an annual affair.

The 2013 visit to China by Wu Po-hsiung seems to have differed from that by Lien Chan, since it is reported that Wu had been commissioned by President Ma Ying-jeou; others have also pointed out that the Wu visit had not been scheduled and was arranged hurriedly. During his talks Wu addressed a number of varied topics, including (1) firmly maintaining a foundation of mutual trust between the two governments, (2) strengthening economic relations across the strait and reorganization of economic adjustment functions, (3) hopes for greater meaningful participation by Taiwan in international activities, (4) positive progress on establishing an office for each side on the other side of the strait, (5) strengthening cultural exchanges and promotion of discussions on education, (6) signing an agreement on foreign currency procurement and financing cooperation between China and Taiwan as soon as possible, and (7) strengthening ethnic identity. In response, Xi Jinping stated in part that he supported gaining a high-level appreciation of the overall situation on both sides of the strait in terms of the general benefit to the whole Chinese people. Xi also stated that he wanted to have a view of the future of both sides based on a firm awareness of the trends of historical development. Comparing the statements by Wu and Xi, Taiwan seemed to be raising somewhat more specific goals, but even while espousing a One-China policy and opposing Taiwanese independence, Taipei sought to avoid negotiations aimed at unification with China while furthering stronger economic

ties and more social and cultural exchange. In contrast, China displayed only a strong orientation toward achieving unification and offered no specific proposals. It would seem that just about the only commonality would be the goal of reconfirming the ties between China and Taiwan through a firmer awareness of identity as part of the Chinese People.

Zhang Zhijun, director of China's State Council Taiwan Affairs Office, is notable for meeting actively with leading figures from Taiwan, whether or not from the political party in power. In June Frank Hsieh Chang-ting, member of the Democratic Progressive Party and former president of the Executive Yuan, met with Zhang in Shenzhen. The meeting took place when Hsieh stopped in Shenzhen after attending a symposium in Hong Kong. It was set up by the Taiwan Affairs Office, in an indication that China is continuing its active approaches to important figures in the Democratic Progressive Party. The fact that the talks, including a dinner, lasted two hours also supports that indication.

In August, while Mayor Chen Chu of Kaohsiung City was visiting Tianjin, she met with Zhang Zhijun. Although Mayor Chen is known for having a political philosophy quite different from that on the mainland, her visits to China are couched by the Chinese in terms of city-to-city exchanges. Both China and the Democratic Progressive Party seem to recognize the importance of knowing the other side well.

The Taiwan Affairs Office director's counterpart in Taiwan would be the minister of the Executive Yuan's Mainland Affairs Council (MAC). In August, MAC Minister Wang Yu-chi met in Macao with Dr. Fernando Chui Sai-on, chief executive of the Macao Special Administrative Region (SAR). That visit was the first in which a MAC minister used his formal title in a meeting with Macao's SAR chief executive. This meeting was notable in that its formal nature hints that in the future the MAC minister could possibly hold formal meetings with the head of government in Hong Kong and the director of the Taiwan Affairs Office. The formal titles of the two parties to the Macao meeting were "Minister of the Mainland Affairs Council of the Executive Yuan of the Republic of China" and "Chief Executive of the Macao Special Administrative Region of the People's Republic of China," but according to the press release regarding the meeting, the Macao participants referred to Wang Yu-chi as the Minister of the Mainland Affairs Council of Taiwan, while the Taiwan participants called Dr. Chui the Chief Executive of the Government of Macao.

At the APEC meeting convened in Bali in October 2013, President Xi Jinping attended as the leader of China, while Vincent C. Siew, former vice president, attended from Taiwan as the personal representative of President Ma Ying-jeou. President Xi and Siew met on October 6, and Xi notably made one of the most direct statements ever heard from him in such a context when he told Siew, “We have to move forward, step by step, toward finally resolving this problem of political confrontation that has faced us for so long.” In addition, Taiwan Affairs Office Director Zhang Zhijun also attended the meeting as a member of President Xi’s party, as did MAC Minister Wang Yu-chi on the Taiwan side. As people circulated following the Xi-Siew meeting, Zhang and Wang met and had a conversation, standing up, with each calling the other by his title. That brings to mind the possibility of a start to direct contacts between corresponding national agencies, rising above the ARATS-SEF level.

It is being rumored in press reports that a meeting between Xi Jinping and Ma Ying-jeou could possibly materialize at the APEC session to be held in Beijing in autumn 2014. Thus far, Taiwan has tried to send the highest possible level of political figure to APEC. For example, the Democratic Progressive Party administration attempted to send Wang Jin-pyng, president of the Legislative Yuan, to the 2005 APEC meeting in Pusan, but the South Korean government refused, which is thought to be the result of Chinese pressure on South Korea. Since the return of a KMT administration and improvement in China-Taiwan relations, former vice president Lien Chan has served as Taiwan’s APEC delegate. It is said that Taiwan explored sending President Ma to attend in 2013; his participation was turned down, however, with China holding that the application should be handled according to APEC’s rules of memorandum and past practices. As a result, former Vice President Siew was sent as Taiwan’s representative. Ever since the beginning of APEC summit conferences in Seattle in 1993, Taiwan had not been represented at the conferences by its president. If China had permitted the president of Taiwan to have more opportunity to be active internationally, it might have deprived itself of a future card to play in constraining Taiwan. Taiwan also still has a variety of matters it must clear up with China. If, for example, Ma Ying-jeou were to be invited to Beijing in the capacity of “leader of the Taiwan region,” this would be sure to spark opposition at home along with demands that the invitation be refused. If the leader of Taiwan were to go to meet the leader of China in such a capacity, this would seem too much like a subordinate lord being

received by the emperor, something that the people of Taiwan would reject. It should be remembered, however, that high-level meetings between China and Taiwan are already being held with increasing frequency, to the extent that they are being noted and reported by the media.

(3) Taiwan's Participation in the International Community and China's Reaction

Taiwan was permitted to take part in the Thirty-eighth Assembly of the International Civil Aviation Organization (ICAO), held in Montreal September 24 through October 4, 2013, under the name Chinese Taipei as guest of the president of the ICAO Council. Media reports indicate the Council president had stated that Taiwan attended in that capacity because the Chinese government had suggested that to him. In response to such reports, the US Department of State said that the decision on Taiwan's participation had been reached through international cooperation, indirectly refuting the ICAO president's comment. And the efforts of the various countries supporting Taiwan would of course have had their own effect. In fact, Japan and the United States have backed Taiwan's attendance as observer at the annual World Health Assembly of the World Health Organization (WHO). Even though Taiwan has actively sought membership in the WHO since 1997, it found itself approved to attend the assembly as observer only starting in 2009, a full year after the Ma Ying-jeou administration took office and relations with China improved dramatically. It is reasonable to interpret that Chinese support had a strong influence on the change in Taiwan's status.

In addition, the list of participants released by the ICAO secretariat shows representatives of 184 countries and the names of 53 organizations as observers, but that list does not include Taiwan, which was there as guest of the ICAO Council president. At the 2013 WHO assembly Taiwan was the first of the observer groups to address the assembly, and it also presented reports to committees at the assembly. In contrast, the Taiwanese representative has been given no opportunity to speak at the ICAO assembly. Seeing the difference in treatment that it has received, Taiwan doubtless wants its status to be raised as quickly as possible from guest of the Council president to observer. Still, the situation involving Taiwan's participation in the ICAO assembly changed in Taiwan's favor only after President Hu Jintao, commenting at the September 2012 APEC meeting, indicated that the mainland was prepared to seriously study Taiwan's future participation in ICAO-related

activities in some appropriate form. In that light, it can be expected that future changes in Taiwan's status will also be greatly influenced by China's intentions.

Taiwan's view of itself as a member of the international community is not limited, however, to participation in international organizations. When Typhoon Haiyan caused massive destruction in the Philippines, Taiwan dispatched C-130H transport planes on a total of eighteen flights carrying 150 tons of emergency supplies and used *Newport*-class tank landing ships to transport 530 tons of aid. This was the first time that Taiwan's naval vessels had been used in humanitarian missions, but China showed no particular response to these activities.

(4) Taiwan's QDR Shows Rising Wariness toward China

In March 2013, Taiwan's Ministry of National Defense released its second Quadrennial Defense Review (QDR), following on the first QDR in 2009. The 2013 QDR, first of all, uses the terms "first island chain" and "anti-access/area denial (A2/AD)" repeatedly in its explanation of approaches being used in Chinese military strategy. While A2/AD is a comparatively new concept, the idea of a "first island chain" itself dates back more than thirty years. In the last QDR, however, this term was not used. The fact that these expressions are used in the most recent QDR in explaining Chinese military trends can be seen as a sign of how aware Taiwan is that over the last four years the Chinese military has increased its presence on the seas and in the skies to the west of the "first island chain" and of Taiwan's recognition of this trend as a threat. This awareness of a threat from China, however, is not limited to the QDR; a February 8 Ministry of Foreign Affairs statement on why Taiwan had not aligned itself with the Chinese mainland on the issue of the Senkaku Islands and the agreement signed with Japan regarding fishing operations are probably among other indications of such an awareness. This sense of a threat from the Chinese mainland may even have become a common thread running throughout the bureaucracy in Taiwan.

In addressing the question of building a mechanism for mutual trust between the Chinese and Taiwanese militaries, the 2013 QDR notes that conditions are not yet ripe for such measures either subjectively or objectively, and that they must be carefully assessed in keeping with future government policies. This represents a clear retreat from the interest in building such a mechanism shown by the QDR four years earlier. In addition, in the 2009 QDR, establishing highly-effective joint operations capabilities was fourth on the list of specific measures for defense

of the homeland; in the 2013 QDR, this had risen to second on the list, which appears to be an indication that Taiwan has come to view joint operations with greater gravity.

A new section appeared in the QDR on acquiring modern weapon systems, which seems to reflect Taiwan's impatience at being unable to purchase the most up-to-date weapons, be they fighter aircraft or submarines. It is worth note that the QDR touches on next-generation fighters and drone aircraft, either of which should have stealth capabilities and the ability to launch air-to-land or air-to-sea missiles, as well as production of submarines as future goals for Taiwan. Taiwan has called on the United States to sell it conventionally-powered submarines and the F-16C/D, but without any success. The statement just cited could also be taken as indicating that Taiwan is losing its patience with the situation. Media reports around the time of the QDR's public release that Taiwan would manufacture submarines and fighter aircraft on its own can also be seen as part of the same trend. Still, Kao Hua-chu, who was minister of national defense at the time, admitted in the Legislative Yuan (the national legislature) that conditions were still not ripe for Taiwan to build such weapons independently.

In addition, the twelfth National Defense Report was released to the public in October, the first in two years, and the report pointed out that the Chinese military was planning to perfect its capacity to conduct comprehensive tactical action against Taiwan by 2020. During 2013 Taiwan finished upgrading its E-2T early warning aircraft and also began introduction of the P-3C patrol plane, the AH-64E attack helicopter, and the PAC-3 system. All of these, however, have not changed the fact that in the China-Taiwan military balance, China has the absolute advantage.

