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The Editorial Manager
International Journal of China Studies
Institute of China Studies
University of Malaya
50603 Kuala Lumpur, Malaysia

Tel: +(603) 7967 7288
Fax: +(603) 7967 4438

For further information, please write to ijchinastudies@gmail.com

UNIVERSITY OF MALAYA
INSTITUTE OF CHINA STUDIES
马来亚大学中国研究所

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Notes for Contributors

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The Editor, *International Journal of China Studies*
Institute of China Studies, University of Malaya
50603 Kuala Lumpur, Malaysia

Tel: +(603) 7967 7288
Fax: +(603) 7967 4438
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Editor's Foreword

The *International Journal of China Studies* (*IJCS*) began publication in 2010 as a triannual academic journal. Despite challenges, it has grown to be a recognized journal in the field. The inclusion of the journal in several important indexing bodies has testified to its quality. In order to better maintain the quality of the journal given the limited resources of the Institute of China Studies, it is decided that starting in 2019, *IJCS* will shift to a biannual academic journal. *IJCS* is also currently at the stage of exploring for a partnership with a reputable academic publisher. Given the growing interest in the studies of China, *IJCS* believe that it can continue to provide good-quality and relevant academic studies of China to its readers.

Research Articles

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A Realist Approach to Japan's Free and Open Indo-Pacific Strategy vs. China's Belt and Road Initiative: A Propaganda Rivalry[+]

Masahiro ***Matsumura****
St. Andrew's University in Osaka
(Momoyama Gakuin Daigaku)

Abstract

In the shadow of China's rise involving relative US hegemonic decline, Japan is considered to have played supplementary and complementary roles to buttress the international status quo and to have been engaged in a geo-economic competition with China. Yet, in October 2018, Japan and China announced an about-face on their respective bilateral policy lines from competition to cooperation. This change begs the question of if the two in fact followed a competitive game at the grand-strategic levels. The study will cast a doubt about the assumed link of the two countries' declared policy lines and actual policy actions and argue for the case of a propaganda rivalry. This study will examine Japan's "Free and Open Indo-Pacific Strategy" against China's "Belt and Road Initiative" Strategy, with focus on their status within the respective national strategy systems, financial resources and funds, and project feasibility/viability. Then the study will identify some crucial factors of the two countries' setbacks and analyze their transitory reconciliation. This paper is intended to exemplify a realist approach to systematic and critical examination of "strategy", a most abused term, that often misguides foreign and security policy analysis.

Keywords: *Indo-Pacific Strategy, Belt and Road Initiative, propaganda rivalry, debt trap, transitory reconciliation*

1. Introduction

Over the last several decades, the dynamics of the world economy has gradually but decisively shifted its centre of gravity from the North Atlantic to the Indo-Pacific mega region. This metamorphosis has evolved out of highly synergetic trade, direct investment, economic aid and finance,

closely interconnecting not only the Asian subregions but also the Pacific and Indian Oceans.

Yet, uneven growth and development have drastically transformed the international distribution of power on which the existing international economic system is built. Notably, China has not only have taken full advantage of the existing system but also occasionally attempted to modify it in her favour. To buttress the status quo under US hegemony, Japan under Prime Minister Shinzo Abe has followed a "Free and Open Indo-Pacific Strategy" (henceforth, FOIP) for foreign economic assistance and cooperation.[1] The FOIP centres on investment to develop quality infrastructure, build resilient health systems and lay the foundations for peace and stability under Japanese and partner countries' public-private partnership (Abe, 2016). It aims to counter China's "Silk Road Economic Belt and the 21st Century Maritime Silk Road," or "Belt and Road Initiative" strategy (henceforth, BRI),[2] that is geared to boost its power and influence.

In November 2018, however, the two countries officially announced an abrupt about-face on their respective bilateral policy lines from competition to cooperation. This change begs the question of if the two countries in fact had followed a competitive game at the grand-strategic level. To explore the essential feature of their strategic interaction, the study will cast a doubt about the assumed link of the two countries' declared policy lines and actual policy actions and argue for the case of a Japan-China propaganda rivalry in the field. This study will appraise the FOIP's countervailing effectiveness vis-à-vis the "Belt and Road Initiatives (BRI)" by making a comprehensive comparative analysis of their major concepts, formation and practice. The analysis will focus on their status within the respective national strategy systems, financial resources and funds, and project feasibility/viability. Then the study will identify some crucial factors of Japan's and China's setbacks and then analyze their transitory reconciliation and a ceasing of their propaganda rivalry. This paper is intended to exemplify a realist approach to systematic and critical examination of "strategy", a most abused term, that often misguides foreign and security policy analysis.

In a realist paradigm, strategy guides instrumental-rational policy action that entails ideational and normative meanings. Thus, the realist approach of this study presupposes that the evolutionary practice of a strategy is based on rational calculations. Yet, such calculations will change in a dynamic international distribution of power, which will require adjusted articulations of a strategy to accommodate changes in inter-state interaction. In the approach, therefore, a strategy's reconstitution, such as its redefinition and even re-designation, is deliberate and motivated by the transformation of international relations. This postulated causation will exclude the need to

turn to intersubjective understandings among state actors according to a constructivist approach, at least for the analytical purpose of this study.

2. The FOIP in Japan's National Strategy System

Japan's FOIP is the first official government strategy of a major regional power that treats the Indo-Pacific region as a single geostrategic area (Abe, 2016). Before that, "Indo-Pacific" existed on mental maps solely as a geographic concept, but not as an operational concept. In longtime understandings, the different Asian regions and the Asia-Pacific all have distinct and, quite often, unique dynamics of their own. Yet, with their growing interaction, there has emerged a confluence of two seas, or the Pacific and the Indian Oceans. Also, rising China has heightened geopolitical anxieties across these regions, metamorphosing them into a single highly interconnected mega region, or the Indo-Pacific (Abe, 2007; Clinton, 2010a, 2010b, 2011a and 2011b; Australia Department of Defence, 2013; Mirsha, 2013). Yet, the Barack Obama administration (2009-2017) failed to develop it into an operational concept for grand strategy.[3]

"Priority Policy for Development Cooperation FY 2017"[4] is a mimeo of the International Cooperation Bureau of Japan's Ministry of Foreign Affairs (MOFA) that best explains basic concepts (including the FOIP's), key areas, actual aid disbursements by region, and key regional issues (Japanese Ministry of Foreign Affairs, 2016). It is neither a major publication of the Office of Prime Minister nor of the MOFA. It is subordinate to the Development Cooperation Charter of 2015 that replaced the revised Official Development Assistance Charter of 2003. The former emphasized the public-private sector partnership, while the latter focused more on official development assistance (ODA) policy proper.

Hence, as shown in Table 1: Japan National Strategy System, the FOIP is an operational strategy for ODA policy, neither a grand strategy nor a basic strategy. The national security policy area is most advanced in Japan's public policy making, at least in terms of consistency and coherence. Until December 2013 when *National Security Strategy* (NSS) was first published, postwar Japan had long lacked any meaningful grand strategy, except the less-than-300-characters-long Basic Principle of National Defense of 1957 that merely emphasized the importance of the United Nations and the Japan-US security treaty system. Nonetheless, Japan continuously relied on the US hegemon as its sole security guarantor, and formulated its defense strategy, known as National Defense Program Outline (NDPO) every ten years in principle, and its military strategy with arms acquisition plans every five years, known as Mid-Term Defense Plan (MTDP), followed by military doctrines as illustrated

Table 1: Japan's National Strategy System

POLICY ISSUE / LEVEL OF STRATEGY	JAPANESE NATIONAL SECURITY	DEVELOPMENT IN THE DEVELOPING WORLD	JAPANESE ECONOMY
GRAND STRATEGY	National Security Strategy	None	Japan Revitalization Strategy
BASIC STRATEGY IN A FIELD	National Defense Program Outline	Development Cooperation Charter	Infrastructure System Export Strategy
OPERATIONAL STRATEGY	Mid-Term Defense Plan	Indo-Pacific Strategy	Indo-Pacific Strategy
IMPLEMENTATION GUIDELINES	Military Doctrines		

Note: This table is constructed by the author.

in annual *Defense White Papers*. With the NSS, Japan first got equipped with a complete strategy system in national security, at least in form (Matsumura, 2010, Ch. 11). In the ODA policy areas, however, there is no grand strategy.

Also, the FOIP is subordinate to the Infrastructure System Export Strategy of 2017, whose grand strategy is the anti-recession Japan Revitalization Strategy of 2016. The FOIP stands at the intersection of security, development, and economic/commercial strategies. To avoid likely conflicts and contradictions with the other strategies, the FOIP has to be incorporated integral to a grand-strategic NSS. Otherwise, the FOIP would render bureaucracies to pursue narrow development policy interests or be in thrall to narrow economic/commercial interests.

Even among limited Japanese-language literature on the FOIP, there is a serious dearth of systematic analysis based on the above national strategy system. Instead, the existing studies focus almost exclusively on its grand strategic vision that is designed to counter China under the BRI.[5] Thus, it is necessary to examine the FOIP in its details.

3. The FOIP as a Counter-BRI Propaganda Offensive

In general, a strategy is formulated to reorient an existing policy line to meet new geostrategic objectives and/or to adjust new conditions. This often involves resource reallocation or administrative reorganization. The essential feature of the FOIP will be clear when it is contrasted to the NSS in these regards.

Evidently, the NSS is a systematic articulation of the longtime policy line that continued for several decades. Despite China's rise, the line has been largely effective due to the continued US hegemony. Japan has no new grand-strategic objectives nor conditions to cope with, rather must embrace the line that is underpinned by the domestic political regime under the postwar Pacifist constitution imposed during the postwar US-led occupation. Neither were there sufficient and additional fiscal resources for national defence due to very slow economic growth that is compounded by rapid greying, low birth rates and fast-growing welfare spending. With strong inertia reinforcing the line, therefore, the Japanese national security establishment saw the need to formulate a grand strategy to deter rising China and to strengthen the alliance with the sole US security guarantor (Matsumura, 2015, Ch. 9).

No wonder, the NSS has neither led to any major change in resource allocation nor in administrative reorganization. Certainly, Japan's Ground Self-Defense Force has undergone significant reorganization, redeployment and re-posturing, but the changes were already proposed with some significant details prior to the NSS. This means they could have been done according to a new NDPO and without an NSS. Contrarily, the NSS has introduced "proactive contribution to peace" as a basic concept that is designed to appeal to the public for domestic political support and to sell it internationally. Thus, the NSS is a propaganda instrument (Matsumura, 2015, Ch. 9).

Under very similar constraints and inertia, the FOIP is also a systematic articulation of the existing policy line that has evolved out of the last several years. There has been no significant strategic shift in the practice of Japan ODA policy, but rather outright reinforcement of it. Neither has it led to any significant change in resource reallocation[6] nor to administrative organization. With the emerging regional focuses in ODA as coordinated with trade, public lending and direct investment, similar policy measures can be taken easily according to the existing Development Cooperation Charter, even without the FOIP. Contrarily, the Abe administration actively sold the FOIP internationally (Abe, 2016) and, to a lesser extent, domestically.

In formulating the FOIP, therefore, Abe relied on MOFA bureaucrats in aid and development for rhetorical manoeuvring and articulation that are largely constrained by the existing bureaucratic organization, policy programs and resources. Given new rhetoric without significant policy changes, the FOIP is an operational strategy serving as a propaganda countercheck against BRI offensives, neither a grand strategy nor a basic strategy in aid and development.

The above analysis begs the question of if Japan tries to employ the FOIP as propaganda countercheck against the material resources of the BRI, or if Japan is on the same playing field of propaganda vis-à-vis China.

4. The BRI in China's National Strategy System

"Vision and actions on jointly building Belt and Road" (NDRC, 2015) elucidates the BRI. It is geared to aggrandize China's power and influence through trade and investment over the Eurasian landmass and across the Pacific and the Indian Oceans. To realize this vision, it also includes a detailed, comprehensive catalog of key projects that focus on infrastructure building, industrial investment, resource development, economic and trade cooperation, and financial cooperation.

A quinquennial *Political Report* to the National Congress of the Communist Party of China provides a general overview on the country's political, diplomatic, economic and social circumstances, occasionally with a grand strategy. The *Report* of 2017 sets the long-term national goal to be an economic great power by 2050. It divides the process into two stages: the first to enhance its economic and technological power until 2035, involving more emphasis on the qualitative aspects of growth and development, and the second to attain adequate total national power and influence to lead the world by 2050.[7] Achieving the goal will require the communist regime to shift the engine of growth from manufacturing to consumption and innovation, to carry out structural reform centred on elimination of overproduction and excessive debts, and to reinforce the open-door policy pivoting on the BRI. Also, the *Report* sets a mid-term approach in major policy areas for the following three to five years. It requires the regime to follow a soft line, cooperative and conciliatory approach to foreign economic policy issues, while, on sovereignty/territorial issues, shifting from the longtime low-profile to a hardline, assertive approach (Xi, 2017).

The BRI is assigned to be a pivot to China's foreign policy and identified as a new platform for China-led international cooperation (Xi, 2017). This is a departure from *the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China* that prioritized domestic development (Li, 2016). Also, in October 2017, the Communist Party Constitution was amended to include the term, BRI, in general provisions. The amendment attaches political significance to the BRI, because the Constitution requires its continuation even after a change of leadership.

Obviously, the BRI is not only based on a grand-strategic vision but also includes supporting basic and operational strategies across policy fields (Swaine, 2014 and 2015). In fact, China has placed a clearer priority on the BRI under its grand strategy than Japan on the FOIP.

The above analysis will beg the question of if the BRI is well supported by an operational strategy and implementation guidelines that observe instrumental rationality, more specifically, if the BRI enjoys necessary funds and other resources and if individual projects possess adequate implementation feasibility and economic/commercial viability (Du, 2016).

5. The BRI as a Propaganda Offensive

5.1. Inflated Statics of China's GDP and Financial Resources

To carry out the grandiose BRI, China relies on its total economic power in general and funds in particular. Practically, their poor yet often used indicators are, respectively, the size of gross domestic product (GDP) and the amount of foreign currency reserves. They have shaped the world's highly positive perception on the BRI.

However, China's GDP is not reliable at all. Certainly, the country has achieved unprecedented rapid economic growth over the last four decades that human history has never seen. Moreover, China's GDP is now only second to the US, and will be extrapolated to surpass that of the US by 2050, making it the world's largest. Such an extrapolation, however, has never worked in history because high growth rates are not sustainable over an extended period due to structural bottlenecks. True, China long appeared as an exception because it took off at a very low level of economic development with vast surplus labour in the subsistence agricultural sector (Todaro, 1985, pp. 67-69). Yet, with the surplus labour running out, its annual growth rates have already dropped from double digits to 6.5% even according to the official statistics. A Japanese economist estimates that China has already undergone negative growth (Jonen, 2017). This observation is consistent with the variations of the so-called Li Keqiang indexes, namely, the railway cargo volume, electricity consumption and loans disbursed by banks (Sturgess, 2011).

The Chinese government finally made modest corrections to the severe overestimation of its GDP[8] due to undeniable discrepancies among indicators (Kato and Mitsunami, 2016; Taniguchi, 2017). The central government depends on the provincial governments in collecting raw data for aggregation. Local officials are driven to report significant overestimates for their performance assessment and promotion under the communist regime that assigns them tasks to achieve high growth rates. Cumulatively for the last two to three decades, this has led to a gross overestimation of the GDP.[9] By significantly inflating its GDP, therefore, the Chinese communist regime has misled the world to see that China has sufficient economic power for the BRI.

5.2. Fabricated Funds

China has to demonstrate that it possesses adequate financial capacity for the BRI. Given that Chinese yuan is not a hard currency, the size of China's foreign currency reserves is regarded as the indicator of such capacity.[10] China boasts the world's largest foreign reserves, which was $3.14 trillion dollars as of July 2018, followed by Japan's with $1.21 trillion dollars (Loesche, 2018).

China's money supply in the yuan is based on the credit of the reserves, where the yuan is pegged to the dollar, given a high correlation of the dollar-yuan exchange rates and China's foreign reserves (Tamura, 2018b). This means that the more foreign reserves China has, more money supply in yuan is possible (Tamura, 2018a). China totally depends on the reserves for national economic management.

China's foreign reserves continuously increased for three decades until it peaked in 2014 with $3.9 trillion dollars. Yet, it decreased sharply in 2015 and 2016, then around $3.1 trillion dollars (Wei, 2017; Anonymous, no date). Obviously, it resulted from massive capital flight as a reaction to the initial reversal in early 2014 and the complete termination in October 2014 of US quantitative easing that aimed to cope with the financial crisis ensuing the bankruptcy of the Lehman Brothers in fall 2008. Also, the decrease triggered a sudden plunge of the already bubbled real estate markets, further accelerating capital flight (Tamura, 2016a; Musha, 2015; Anonymous, 2016). This resulted largely from quick exits of overseas investors from the Chinese markets. They are overseas Chinese and the wealthy in mainland China, particularly corrupted officials and "princelings" (kin of communist ex-mandarins) who invest by using paper companies located in tax havens, such as Hong Kong and the Cayman Islands and who quickly exit in the time of heightened risks (Tamura, 2018a; Barboza, 2012).

Surprisingly, as of September 2017, the size of China's foreign liabilities was 60% larger than that of its net foreign reserves, while the country had no other significant foreign credits (Tamura, 2018a). This can be well contrasted with the case of the world's largest creditor, Japan, as shown Table 2: A Comparison of China's and Japan's Foreign Credit/Liabilities and Foreign Currency Reserves in 2014. Before China faced serious capital flight, Japan's foreign reserves remained only about 42% of its net foreign credits, while the former of China was 221% of the latter. This attests to China's fabrication of reserves figures.

Table 2: A Comparison of China's and Japan's Foreign Credit/Liabilities and Foreign Currency Reserves in 2014 (in trillion US dollars)

	China	Japan
Gross Foreign Credit	3.45	7.56
Foreign liabilities	1.78	4.68
Net foreign credit	1.67	2.97
Foreign currency reserves	3.69	1.24

Source: Anonymous, 2015.

Clearly, China relies on foreign borrowings to buttress ample money supply in the yuan, without which it can hardly finance costly domestic and international economic policies, including the BRI nor can maintain regime legitimation, stability and survival. Thus, China will be cornered if its trade surplus and foreign reserves significantly diminish, such as when the EU markets undergo a recession and/or when its export to the US markets significantly declines. These circumstances will lead to a significant depreciation of the yuan that involves higher import costs of energy and other raw materials and then to the malfunction of China's export-led growth model. Now, China is increasingly cornered because the Trump administration has waged a full-scale trade war against it with substantially higher tariffs, and because it faces serious capital flight consequent on Trump's policy of large tax cuts and a temporary economic boom of the US economy. Thus, China's world largest foreign reserves do not signify its strength but vulnerability and internal weaknesses.

With the fabricated foreign reserves, therefore, the BRI is a castle in the air. Certainly, China bears some 31% of the capital subscription to the Asian Infrastructure Investment Bank (AIIB).[11] But China alone is unable to finance numerous large infrastructure and industrial development projects. The AIIB's prospect, therefore, remains slim given that Japan and the US, respectively the world's largest creditor and the key currency state with the world's most developed bond markets, have not joined in the AIIB.

5.3. Disregarding Project Feasibility/Viability

The World Bank, the Asian Development Bank, and other regional development banks have carried out many projects but only partially satisfied extensive demand for infrastructure and industrial investment in the developing world. These banks are prudent in investment by applying stringent economic, commercial, social and environmental criteria. Many project proposals were rejected, while numerous project possibilities were ruled out even from serious consideration.

In competing with the established players, therefore, China-led entrants have to take high risks. When investments become irrecoverable, China will be forced to take on large cumulative non-performing loans, eventually depriving China of a significant part of its foreign reserves. Thus, over a medium to long term, this will not only lower China's power and influence in world politics but also jeopardize its regime survival.

More specifically, the BRI puts a major focus on building highways and railways across the Eurasian landmass. Yet, overland transportation is far more costly than maritime transportation. High load capacity by freighter,

container ship, and oil/gas supertanker outdoes low load capacity by faster heavy truck and large freight train. Overland transportation cannot match air transportation in the light of speed, either. Indeed, overland transportation is only cost-effective for landlocked countries in the Eurasian heartland. But an overwhelming portion of high load transportation is by sea between population and industrial centres that are located on Eurasia's coastal regions and off-shore islands. In fact, China has expended significant subsidies on which the continued use of ambitious trans-Eurasian railways in the making depend (Briginshaw, 2018; Hillman, 2018).

Notably, these railways consist of three corridors. The northern corridor joins the Trans-Siberian Railways, while the middle corridor runs from China through Kazakhstan. A nascent southern corridor could run from China through Central Asia, Georgia and Turkey. They demand massive investment for significant hard and soft infrastructure improvements, particularly removing those obstacles centred on change of gauge between former Soviet states and the others (Briginshaw, 2018; Hillman, 2018).

Still, China can build the trans-continental railroads, if it can finance necessary funds for construction and operational subsidization. Yet China has to look to international financial markets, except limited short-term funds that are contrived from the fabricated foreign reserves. Certainly, the AIIB now enjoys the highest credit-rating of three major private sector credit-reference agencies, enabling China to raise funds through the markets (AIIB, 2017, 2018a, and 2018b). However, the rating is based on the agencies' appraisals of AIIB's co-financing practice, primarily, with the World Bank and the Asian Development Bank (ADB). For the first operational year until June 2018, the AIIB invested only $5.4 billion US dollars while the ADB invested $30 billion. In addition, among only 29 projects adopted in the period, the AIIB was only a minority co-financer (Sasano, 2018), because it lacked adequate necessary staff and expertise. The AIIB's highest credit-rating is not indicative of its own. Probably, the AIIB takes advantage of co-financing to window-dress its credit-rating. Once shifting into unilateral financing, the AIIB would lose the highest rating, facing difficulties to raise funds through the markets.

In a nutshell, the BRI aims to achieve grandiose goals incommensurate to China's economic power and financial capacity. Also, it disregards project feasibility/viability, and takes unduly high risks. Certainly, few strategies are perfect, but the BRI constitutes a gross disregard of instrumental rationality. The BRI is not a strategy in the standard meaning, rather a persistent collective wish of the world's largest population under the communist dictatorship that chases "China dream" to be a superpower. Yet, the grandiose goals and seemingly rosy plans have lured many states into BRI projects. This begs the question of if the world will disillusion itself from China's deception.

6. China's Setbacks

6.1. "Debt Trap"

Some major investee states have postponed, suspended, or even cancelled BRI projects.[12] The circumstance is a belated manifestation of China's instrumental irrationality in its propaganda-driven strategy-making. There are the following striking cases of China's investee states that have suffered grave economic injury, damage and loss, which would possibly lead to socio-political destabilization and environmental degradation (Throne and Spevack, 2017).

In August 2018, Malaysia once cancelled for renegotiation the 20 billion US dollars high speed railway project and the 2.5 billion dollars gas line project to minimize its debts and loans.[13] Malaysia underwent a change of government after an extended domestic political strife that centred on the pros and cons of the projects. The new government judged that the country would be heavily indebted, financially over dependent on China, and risk its bankruptcy. The country saw the BRI as "a new version of colonialism" (Brugen, 2018).

The Maldives took advantage of BRI projects to build infrastructure including roads, bridges, an airport, a power plant, water and sewage treatment plants, together with multiple housing projects and hotels that are incommensurate to the country's needs and economic capacity. Now the Maldives suffers China's "debt trap" with cumulative debts amounting to at least $1.5 billion US dollars, while accruing interests with high rates. The debts reached 60% of its GDP by the end of 2018 and will be 121% by 2020. The debts will never be payable given that the country has less than $100 million dollars as monthly government revenue primarily from the tourism industry. The Maldives has growing concern to lose their control over the Maldives International Airport, because the country will most likely have to reduce the debts by either giving China a long-term lease of the airport or a majority stake of the airport corporation (Anonymous, 2018a; Gangadharan, 2018).

Similarly, Sri Lanka has fallen in China's "debt trap" due to the overambitious Hambantota Port Development Project. The country vainly renegotiated on debt erasing, rescheduling, and additional financing, but ended up being in more debt with higher interest rates. Sri Lanka was forced to hand over the port and 15,000 acres of land around it for 99 years in December 2017. In 2018, it expected to generate $14.8 billion US dollars in revenue vis-à-vis $12.3 billion for the scheduled debt repayments. It can hardly pay even interest charges, let alone capital repayment. Consequently, Sri Lanka has been increasingly subjugated to China (Abi-Habib, 2018).[14]

Likewise, Laos is falling in China's "debt trap", indebted above 60% of its GDP already in late 2017 and, surely, 70% by 2022. Laos spent $5.8

billion US dollars, about a half of its GDP, for the high-speed railway project connecting Kunming in southern China and the Laotian capital of Vientiane. Given no railways in Laos, its success depends totally on the grandiose vision to stretch the link all the way to Singapore. The debts will be hardly repayable given that the country will surely remain a least developed country in 2020 (Hutt, 2018; Tani, 2018).

With a strong warning on China's "debt trap" (Ming, 2018), existing and potential investees in the Indo-Pacific region are hastily turning away from the BRI, while European countries are becoming increasingly critical of it (Prasad, 2018).[15]

6.2. The Intensifying Trade War with the US

The Trump administration has waged a comprehensive economic warfare and taken propaganda countermeasures against China, while committed to significant strengthening of US military power (Pence, 2018). Edward Luttwak sees that this new approach will most likely persist even after the administration, because it is based on an emerging broad Washington consensus on the nature of the Chinese communist regime and policies.[16]

The Chinese economy depends on international trade, with its foreign reserves accrued in significant part from exports to the United States. In May 2018, the US demanded that China cut a trade surplus of $100 billion dollars over the following one year and another surplus of $100 billion for the second year. This is leading to significant pull-outs of US subsidiaries from China (Anonymous, 2018b). The US then demanded that China stop infringing US intellectual property rights and forcing US companies to release their high technologies to Chinese partners, and that China expand US agricultural and energy imports.[17]

China is highly vulnerable to the US given that it exports far more to the US. When the two countries mutually impose higher punitive duties, China cannot simply retaliate tit-for-tat against the US. Given the huge trade imbalance, the US continually imposed punitive duties on $34 billion and $16 billion Chinese imports respectively on July 6 and August 23, 2018. Then the US declared to impose those duties on $200 billion on September 24, 2018, when China failed to meet US demands.[18] President Trump is prepared to put additional duties on $300 billion. Then the total size of tariff sanctions would amount to duties on $550 billion in Chinese imports that would be larger than its actual size in 2017.[19]

Given China's current account surplus of $120 billion, the country will surely face a serious diminution of its foreign reserves and then run out of funding for BRI projects, unless it relies more on foreign currency borrowings that will most likely be unrepayable. Then because the yuan is

pegged with the dollar and because China's money supply totally depends on the reserves, China will be forced to tighten its monetary policy. This will burst its bubbled real estate markets and cause huge non-performing loans of financial institutions (Tamura, 2018b). Thus, Trump's trade war will necessarily terminate China's high economic growth as the base of general economic capacity that have lured many states to follow the BRI.[20]

In sum, the BRI is faltering because the major grounds of its propaganda on which it is built – adequate general economic capacity, financial resources and positive development effect – have increasingly broken down.

7. Japan's Setbacks

As discussed earlier, the FOIP is a primary countermeasure against the BRI on the playing field of propaganda. The FOIP is designed to supplement and complement the relative decline of hegemonic US influence in the Indo-Pacific region. The FOIP matches Japan's dependence on the US as its sole security guarantor, as long as the US remains willing to preserve its hegemony.

But President Trump withdrew from a US-led Trans-Pacific Partnership Agreement (TPP) in the making, a primary counterweight against growing China's economic power and influence in the Asia-Pacific region in general and a China-advocated Regional Comprehensive Economic Partnership (RCEP) in the making in particular. Given that a US return is highly unlikely, the 11 TPP nations will probably be a geo-economic league of small and medium-sized powers, with some western Pacific maritime nations at the core and Japan as the largest economy. Now Japan is being pressed to shoulder some geo-economic burden independent of the US.

In December 2017, the Trump administration announced its own first *National Security Strategy* mentioning the Indo-Pacific region. Yet, it follows the "America First" line focusing primarily on military security and lacks necessary development policy guidelines and resource commitments. This necessarily led to Abe's concern that the US would possibly subcontract to Japan to counter the BRI, involving a geo-economic, not propaganda, rivalry against China.

The concern was reinforced by Secretary of State Michael R. Pompeo's address of July 30, 2018 about the US Free and Open Indo-Pacific Strategy. It announced spending only $113 million dollars to invest in digital technology, infrastructure and energy projects (Pompeo, 2018) in contrast to China's massive spending for BRI projects.[21] This has pressed Japan alone to bear full financial burden to counter the BRI until the US takes effective institutional and funding measures.[22]

This made it very difficult for Abe to continue the propaganda-focussed FOIP, particularly because, after having soured its trade relations with China

and major European allies, President Trump informally declared a trade fight against Japan and demanded a significant cut of its trade surplus with the US (Freeman, 2018).

8. Sino-Japanese Transitory Reconciliation

Clearly, the FOIP and the BRI underwent their respective setbacks. Thus, Japan and China increasingly needed a temporary truce in the self-injurious propaganda rivalry. Yet, neither is willing to accept the other's regional ascendency. Such a truce will not change Japan's reliance on the US global hegemon as its sole security guarantor, particularly against China bent on a regional hegemon. Nor will it change China's approach to Japan as its prime regional competitor.

Expectedly, Japan and China reached a temporary, partial, and limited reconciliation in the structure of bilateral strategic competition.[23] From October 25 to 27, 2018, Prime Minister Abe paid an official visit to Beijing.[24] On 27th, Abe and Chairman Xi reaffirmed the reconciliation, involving the shift from competition to cooperation, while expressing their support for the existing multilateral free trade system. On 26th, the two countries' central banks concluded a new currency swap agreement with the maximum credits worth some $30 billion dollars, tenfold as much as the expired one.[25] Notably, it is necessary in the event of a likely liquidity crisis because China's foreign reserves was significantly diminished under the intensifying trade war with the US. The circumstance increasingly cornered China that is dependent totally on the reserves. No wonder, China approached Japan for a temporary reconciliation (Wang, 2018). Then, Abe and Premier Li agreed to open a hot line between the Air and Maritime Self-Defense Forces and their Chinese counterparts, and concluded a dozen of agreements and memoranda on cultural exchange, economic, commercial, industrial and technological cooperation, and maritime search and rescue, while announcing a complete termination of Japan's aid to China.[26] Also, Japanese and Chinese public institutions/corporations and private sector companies concluded 52 memoranda of understanding regarding specific infrastructure projects in developing countries.[27]

Yet, this move was by no means Japan's unilateral concession. Japan aimed to avoid excessive competition against China in getting orders of infrastructure projects, while compelling China to observe highly transparent investment rules. Otherwise, investees would surely take advantage of excessive Japan-China competition to unduly obtain low interest rates of lending and other favourable terms of cost burdens.[28] Chinese investors and contractors would ignore project feasibility and viability but prioritize closing deals and strengthening their political influence, while Japanese investors would lose in close competition. Thus, Japan plays a dynamic plus-sum game

in which to check China at the project level while sharing project costs with China: a tactic in the context of bilateral geo-economic competition.

Notably, soon after his return from Beijing, Abe welcomed Indian Prime Minister S.N. Modi's visit to Tokyo on November 28-29. They agreed to strengthen the bilateral relations toward a free and open Indo-Pacific region, with the Japan-India Vision Statement that includes an extensive list of security, economic and cultural cooperation as the one with China.[29] This move reinforced Japan's geo-economic competition with China and balanced out the counter-US soft-balancing effect of the Japan-China reconciliation in the context of the US-China hegemonic rivalry.

In sum, Japan and China have increasingly accelerated their transitory reconciliation in the propaganda rivalry of the FOIP and the BRI. The two "strategies" may appear to retain their full impetus, but in fact have undergone serious setbacks, and are now decelerating and even stalling. The reconciliation may progress or reverse, depending on the state of the US hegemony, US hegemonic policies (such as the trade war against China and, possibly, one against Japan), and US buck-passing of hegemonic burden to Japan. Japan remains firmly committed to the bilateral alliance with the US hegemon, but obviously has begun hedging against risks in the emerging multipolar world in which Japan may have to stand up alone as an independent pole. As of July 2019, even considering the intensifying US trade war against China and growing US pressure to Japan in bilateral trade negotiation, the analytical approach of this study remains effective to comprehend the evolving geo-economic relations of the three countries.

9. Conclusion

Hitherto, this study has appraised the FOIP's countervailing effectiveness against the BRI by making a comprehensive comparative analysis of their major concepts, formation and practice. Then the study has identified some crucial factors of Japan's and China's setbacks, analyzed their transitory reconciliation in 2018, and argued for the case of a Japan-China propaganda rivalry.

Most notably, this study has revealed that the FOIP and the BRI are mere propaganda instruments. Certainly, both are built on geo-economic grand-strategic visions referring respectively to the Indo-Pacific mega-region and the continental and maritime silk roads, which has considerably framed the world's strategic thinking and discourse with the image of a great chess game. Yet, neither one of the two is well constructed to achieve grand-strategic objectives, without necessary financial, human and/or organizational resources for planning and implementation. The analysis has found that the FOIP stands alone without being cogged into a grand strategy, while the BRI

ignores the pivotal importance of operational strategy and implementation guidelines.

Methodologically, this study has applied the analytical concept of the national strategy system to two cases: the FOIP and the BRI. The study has located where they stand in the system's hierarchical chain of grand strategy, basic strategy in a field, operational strategy, and implementation guidelines. The analytical focus has been placed on the assumed link across the chain in the light of instrumental rationality that requires the integral coherence and consistency of ends and means. Then the study has identified critical missing links in the chain. More specifically, both lack not only adequate economic power and capacity to achieve their respective grand-strategic visions but also subordinate strategies and implementation guidelines that are equipped with necessary measures and resources. Both are mislabelled as "grand strategy" and misunderstood world-wide as effectual.

Rather, the study has found that the FOIP and the BRI are veiled propaganda instruments given their refined rhetorical manoeuvring, policy documentation and loudly trumpeted international public relations campaigns. The BRI was very effective until very recently in covering up China's weakness and structural vulnerability, playing them up as its strength and advantage by employing the fabricated statistics of macro-economic indicators, and thereby luring many states to cooperate with the country. The FOIP was an effective countermeasure in kind against the BRI by systematically articulating the existing policy line in aid and development. No wonder, China earlier changed the English translation of the "One Belt One Road" (OBOR) strategy to the Belt and Road Initiative, without changing its original name in Chinese, in order to mitigate the world's concern over China's hegemonic ambition (Bērziņa-Čerenkova, 2016). Similarly, Japan only nominally degraded the FOIP to the Free and Open Indo-Pacific Vision in November 2018 after it ceased the propaganda rivalry with China, while thoroughly retaining all the other substantive aspects of it.

This study is intended to exemplify a realist approach to systematic and critical examination of a strategy, with a major focus on differentiating what is a strategy and what is not. The approach is illustrative of the case of a gross abuse of the term that misguides foreign and security policy analysis, and is useful to rectify misled discourse on strategies. Also, this study has demonstrated the case in which strategy documents are in fact used as propaganda instruments, while their active uses constitute a form of propaganda rivalry.

More specifically, the study has first clarified the ideational and normative meanings of FOIP and BRI, and then analyzed rational strategic calculations behind the practice and adjusted articulation of the two strategies. The study

has found the articulation deliberate and motivated by the overarching transformation in the global distribution of power, brought about by the Trump administration's America First focus, push-back against China, and veiled threats to economically counter Japan. This enables to explain why Japan and China have sought to reconstitute their definitions or even designations of the two strategies – OBOR to BRI and FOIP to Free and Open Indo-Pacific Vision – without turning to their intersubjective understandings of the strategies according to a constructivist approach.

This case study has presented a fresh vantage point from which to look at the nature and limit of China's and Japan's strategy-making capacities and to analyze their bilateral interaction given the constraints. The study has shown that China is in fact unexpectedly poor at strategy-making but exceptional in propaganda manoeuvring, which is consistent with the general understanding that the communist dictatorship has long attached great importance to propaganda in pursuing its regime survival and external offensives (Luqiu, 2018; Brown, 2016; Pillsbury, 2016, Ch. 2). On the other hand, Japan is found to have been good at proactively taking an effective propaganda counter-measure, despite its general image of being a "reactive state" (Calder, 1988). Last but not least, the study has cast a light on propaganda rivalry as an important dimension of Japan-China relations that has long been overlooked in the international epistemic community, and hopefully will invite further intellectual inquiry.

Notes

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* Masahiro Matsumura is Professor of International Politics at St. Andrew's University in Osaka (*Momoyama Gakuin Daigaku*). He holds an M.A. in political science from Ohio University and a Ph.D. in government and politics from the University of Maryland – College Park. He has experienced visiting fellowships at the Brookings Institution, the Heritage Foundation, the Cato Institute and the US National Defense University Institute for National Strategic Studies. His articles appear in *Survival*, *Defense Analysis*, *Jebat* (UKM), *Austral* (UFRGS), and *International Journal of Korean Unification Studies*, among others. He specializes in national security, international political economy and development, and Japan-US alliance. He can be reached at <masahiro@andrew.ac.jp>.

1. Since November 12, 2018, the FOIP has been officially renamed as "Free and Open Indo-Pacific Vision".

2. This strategy in Chinese language is 一带一路 (*yi dai yi lu*) was originally translated verbatim as "One Belt One Road". This paper's analysis will analyze China's purpose to have changed the term's English translation.
3. *National Security Strategy* of 2010 and 2015, *Quadrennial Defense Review* of 2010 and 2014, *National Military Strategy* of 2011, and *Defense Strategic Guidelines* of 2012, did not refer to "Indo-Pacific" as an operational concept.
4. This is an expanded version of Japan's Foreign Ministry publication, *White Paper of Development Assistance 2016*, pp. 15-17.
5. Earlier in 2015, Japan Institute of International Relations, the MOFA's de facto research arm, published a comprehensive comparative study on the concept and implications of "Indo-Pacific" (JIIR, 2015). As of July 2019, the most widely used Japanese-language database, CINII (Scholarly and Academic Information Navigator), only identifies 21 articles as related to the FOIP strategy. One article by the immediate past President of Japan International Cooperation Agency points out that the FOIP has yet to be organically related to the National Security Strategy (Tanaka, 2018), while the others primarily discuss its vision, related international relations, and general policy implications.
6. Certainly, the MOFA has requested 14% more for ODA budget in FY2019 than in FY2018, but the increase remains marginal in the light of the overall continuous downturn since 1997. *Sankei Shimbun*, August 31, 2018, retrieved from <https://www.sankei.com/politics/news/180831/plt1808310054-n1.html>.
7. A leading pro-regime scholar denies China's geo-economic ambition to compete and replace the US hegemon, instead its commitment is to free trade and global development (Yan, 2019, p. 42).
8. *Nikkei Shimbun*, January 26, 2018, February 2, 2018 and March 16, 2018.
9. A Japanese analyst concludes China's real GDP is half as much as in the official figures, slightly smaller than Japan's. His analysis emulates Andrew Marshall-led Pentagon's approach that refuted CIA's gross overestimation of the Soviet Union's GDP, which turned out to be correct as demonstrated by its collapse due in large part to excessive economic burden of arms race with the US. Clearly, China has far less general economic capacity to realize the BRI than generally understood (Jonen, 2017; Krepinevich & Watts, 2015, pp. 295-302).
10. China's foreign reserves include not only trade surplus and foreign direct investment but also foreign loans, all of which the People's Bank of China compulsorily buys up for state exclusive fund management.
11. Retrieved from <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.
12. *Nikkei Shimbun*, October 12, 2018.
13. On April 12, 2019, to restart the projects, Malaysia and China agreed a significant cost reduction and local subcontracting that are favourable to Malaysia. *Nikkei Shimbun*, April 13, 2019.
14. As of 2017, there were thirteen cases of China-financed overseas port development projects that faced similar risks (Thorne & Spevack, 2017).
15. China is still reinforcing its BRI propaganda, especially to Africa where leaderships and peoples are largely uninformed of the circumstances or ignore the costs for political expediency (Wu, 2018; Anonymous, 2018c; Zhao, 2018).

16. *Yomiuri Shimbun*, October 13, 2018.
17. *Sankei Shimbun*, May 27, 2018. *Nikkei Shimbun*, August 23 and September 25, 2018.
18. These duties were imposed effectively on May 10, 2019. *Nikkei Shimbun*, May 11, 2019.
19. In 2017, the US ran a trade deficit of $375 billion dollars with China while China had a trade surplus of $120 billion with the US. *Sankei Shimbun*, May 27 and July 22, 2018.
20. This prospect has been reinforced by the additional 25% punitive duties on $200 billion dollars in Chinese imports that the Trump administration put into effect on May 10, 2019. *Yomiuri Shimbun*, May 11, 2019.
21. China spent $90 billion over 2013-2018. See, *Yomiuri Shimbun*, May 13, 2019.
22. The Trump administration also announced $3 billion dollars for security-related assistance to Pacific countries' coast guards and the Bangladeshi and the Sri Lanka's navies. *Sankei Shimbun*, August 6, 2018. At the time of Pompeo's address, the Congress was deliberating a bill which later passed on October 5, 2018 as the Better Utilization of Investment Leading to Development (or BUILD) Act that would allocate $60 billion dollars for US government's development finance capacity. Yet, additional legislative measures of building a new US development agency and authorization are essential (Runde and Bandura, 2018). The administration puts a very heavy focus on security, not development, aspects on the Indo-Pacific Strategy (US Department of Defense, 2019).
23. The period from May 2017 to November 2018 saw hyper-dynamic interactions between Japan and China. The interactions followed a step-by-step approach that began with Japan's subtle signals to China, followed by bilateral summit meetings and those at the margins of multilateral fora, such as G-20, APEC, and ASEAN Foreign Ministerial Meeting that gradually confirmed and reinforced the common lines of conciliation (Abe, 2017, 2018a; Kono, 2018). Also see: Liberal Democratic Party (LDP) Secretary General, Toshihiro Nikai's visit to Beijing, *Nikkei Shimbun*, May 14, 2017; and, Director of Japan's National Security Secretariat, Shotaro Yachi's visit to Beijing, *Mainichi Shimbun*, February 24, 2018; *Remin-Wang* (Japanese edition), February 24, 2018, retrieved from <http://j.people.com.cn/n3/2018/0224/c94474-9429673.html>; Japan-China Summit Meeting, July 8, 2017, retrieved from <https://www.mofa.go.jp/a_o/c_m1/cn/page4e_000636.html>; Japan-China Summit Meeting, November 11, 2017, retrieved from <https://www.mofa.go.jp/a_o/c_m1/cn/page4e_000711.html>; The Fourth Japan-China High-Level Economic Dialogue Joint Press Statement, April 17, 2018, retrieved from <https://www.mofa.go.jp/a_o/c_m2/ch/page23e_000521.html>; and, Overview of the Third Japan-China High-Level Economic Dialogue, August 28, 2018, retrieved from <https://www.mofa.go.jp/region/asia-paci/china/dialogue1008.html>.

    With the line of reconciliation set, further interactions led to specific planning for policy coordination and cooperation, followed by a series of interim and formal agreements for specific policy measures. See, LDP Secretary General Nikai's visit to Beijing, *Jiyuu Minshu* (*Liberal & Democratic*), September 11, 2018; Bilateral consultative talk on financial cooperation, *Sankei Shimbun*,

August 31, 2018; China's Premier, Li Keqiang's visit to Japan, May 1, 2018, retrieved from <https://www.mofa.go.jp/press/release/press4e_002020.html>; the list of documents signed by Premiers Abe and Li, May 9, 2018, retrieved from <https://www.mofa.go.jp/mofaj/a_o/c_m1/cn/page4_003999.html#section13>; Abe's statement, May 1, 2018, retrieved from <https://www.mofa.go.jp/mofaj/a_o/c_m1/cn/page4_004097.html>; Li's statement, May 1, 2018, retrieved from <https://www.mofa.go.jp/mofaj/a_o/c_m1/cn/page4_004095.html>; and,"Results of the first meeting of the Japan-China Committee on the Promotion of Private Sector Business in Third Countries", September 25, 2018, retrieved from <https://www.mofa.go.jp/mofaj/press/release/press4_006466.html>.

24. The 8th LDP-Chinese Communist Party Exchange Council held in Tokyo on October 9-10 adopted the joint communique reaffirming the built-up line since May 2017 for the Abe's visit. *Jiyuu-Minshu*, October 23, 2018.
25. Retrieved from <http://www.boj.or.jp/announcements/release_2018/rel181026b.pdf>.
26. Retrieved from <https://www.mofa.go.jp/mofaj/a_o/c_m1/cn/page4_004452.html>.
27. Retrieved from <https://www.kantei.go.jp/jp/98_abe/statement/2018/1026daisangoku.html>. *Yomiuri*, October 27, 2018.
28. *Nikkei Shimbun*, September 4, 2018.
29. Retrieved from <https://www.mofa.go.jp/mofaj/files/000413507.pdf>.

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China's Foreign Policy Behaviour: Understanding through the Lens of Geopsychology

*B.M. Jain**
University of Rajasthan

Abstract

This article examines China's foreign policy and diplomacy within the theoretical framework of geopsychology, which may be defined as the geography-embedded prism of a people's attitudinal and behavioural patterns toward others, rooted in past experiences, historical processes, cultural constructs and societal structures. The article seeks to illuminate those key components that have potentially gone into framing China's geopsychology over the past centuries and its impact on Beijing's foreign policy behaviour. Paradoxically enough, China on the one hand talks of anti-hegemonism but it practices hegemonism while dealing with its own neighbours and peripheries on the other. There are several examples that show China's bellicose postures in affirming its position as an unchallenged regional hegemon, while being psychologically unprepared to tolerate intervention by extra-regional powers, for instance, in the South China and the East China Sea. Fired by nationalism and the historical ambition to rule the roost, China is determined to become a regional hegemon regardless of US attempts to encircle it through the balancing coalitions. Also, China is firm to change the rules of the game in pursuit of advancing and calcifying its core national interests. So far as America is concerned, China has blueprints in place to counter US bullying tactics.

Keywords: *geopsychology, behavioural patterns, ruling elites, Middle Kingdom syndrome, nationalism, strategic culture, cultural pride, tianxia system, hegemony*

1. Introduction

China's spectacular rise as an economic and military power during the past couple of decades has been primarily driven by its nationalistic determination and political ambition to play an assertive and influential role in shaping the contours of the international system. It is all set to compete with America for

power and dominance as a global actor, perhaps "to push the United States out of the Indo-Pacific and rival it on the global stage."[1] Under President Xi Jinping's leadership, for instance, China has marched ahead by launching the most ambitious and gargantuan project, the Belt and Road Initiative (BRI), or with setting up of new institutions such as the Asian Infrastructure Investment Bank (AIIB), and the New Development Bank under its aegis, though under the BRICS banner. These initiatives are in sync with fulfilling the China Dream of national rejuvenation. Similarly, China is vigorously modernizing its "offensive" military systems in order to secure for it a world-class status by 2050.[2]

Realistically enough, the domestic politics and China's internal security concerns are singularly important in shaping and articulating its perception of the world order, characterized by the "complex interdependence."[3] Against this background, the article attempts to examine China's foreign policy and diplomacy through the perspective of geopsychology. The latter may be defined as a geography-embedded prism of a people's attitudinal and behavioural patterns toward others, rooted in past experiences, historical processes, cultural constructs and societal structures. Accordingly, the article seeks to illuminate the key components that have gone into framing China's geopsychology over the past centuries as well as influencing its foreign policy behaviour. At the outset, it fleshes out below the geopsychology theory,[4] albeit in brief, in order to connect it with China's approach to deal with major powers.

2. Geopsychology Theory (GT)

German scholar Willy Hellpach used the term "geopsyche" in his ground-breaking work.[5] Trained essentially as a physician and environmental psychologist, he spelt out the effects of natural objects like earth, the moon and the sun on humans and the social environment. However, he did not treat geopsychology in a comprehensive and scientific manner. Nor did he contemplate applying it to international relations. Similarly, Ronald W. Scholtz, a mathematician and psychologist, explored how human perception is influenced by environmental conditions. Scholtz and Hellpach studied "colors and shape of landscapes" that affect human behaviour, whereas in international politics human actions transcend national boundaries and fall in political, economic, cultural and social domains. In this context, geopsychology is constitutive of a mental state and behavioural patterns of ruling leaders and authoritarian regimes, including masses, of a specific region or the nation. In other words, geopsychology carries an imprint of their shared perceptions, prejudices, nationalism, religion, ethnicity and historical experiences.

Broadly speaking, geopsychology reflects the social and cultural environment in a given geographical region. In other words, there is interconnected-

ness between environments and the mass psyche. Moreover, the perceptive frame of each society differs from region to region, or country to country, depending on societal structures and cultural upbringing of the masses and ruling or non-state actors who internalize "the norms and value orientations" held by the community or local group living in a "socializing environment".[6]

In terms of significance, geopsychology is a policy compass or a lighthouse in the voyages of foreign policy. It sets out to filling the "knowledge gap" in the Western-dominated mainstream international relations (IR) theories that have largely neglected the role of historical experiences, societal and cultural values, and belief systems of Asian societies and regional actors in shaping their foreign policy behaviour. This is particularly true of South Asia, the Middle East, and Northeast Asia. In fact, geopsychology has remained an "estranged sibling" as a branch of IR, which in no terms is devoid of psychology per se. In this context, Joshua Kertzer and Dustin Tingley of Harvard University spot a significant transformation of political psychology (PS) in IR. They have identified the key research areas of growth in PS – "the surge of interest in emotions and hot cognition, the rise of more psychologically informed theories of public opinion in IR, a nascent research program [effects of IR on individuals] [dubbed as] 'the first image reversed', and neurobiological and evolutionary work."[7] However, political psychology is inadequate to diagnose the complexity of geopsychology of state and non-state actors.

IR theorists are deeply divided over the validity and reliability of IR paradigms. Perhaps, they have been unable to offer concise, clear and convincing explanations as to why the policy behaviour of national and international elites cannot be studied scientifically. For instance, Kenneth Waltz argues that states are not only concerned with preserving their share of power but also with expanding and consolidating it with an intent to replace the existing power structure, whether dominated by a single or multiple powers. However, "neorealism, like classical realism, cannot adequately account for changes in world politics…. They contend that neorealism ignores both the historical process during which identities and interests are formed, and the diverse methodological possibilities."[8] Realism assumes that states "think and act in terms of interest defined as power." It is a general statement on the psychology of states. Geopsychology assigns primacy to national and regional peculiarities – for instance, Chinese characteristics in the case of China.[9] It does not deny that states act to enhance power but affirms that their psychologies dictate the extent and approach of their power pursuit. The geopsychology theory (GT) aims to study, explain and analyze the behaviour of non-state and authoritarian state actors who are capable of exerting influence on the global and regional order.

The GT is a set of myriad correlates such as geography, history, nationalism, cultural values, religious orientation, faith and belief systems that shape

perceptions, outlook, and approaches of ruling leaders and non-state actors toward global and regional politics. For instance, historical narratives are an emerging instrument of a "social memory" which helps understand the psyche of national elites or authoritarian regimes, in particular. Pertinently, psycho-cultural perceptions, formed in the process of nation-state building, tend to influence the psyche of people living within national boundaries. It is important to note that not only are people's cultural affinities channelized into generating mass hysteria but also wars are idealized, hostilities are institutionalized, and ethno-religious conflicts are legitimized. This is how metaphysical concerns of culture are gradually transformed into "modern hate", and historical rivalry is projected as a political necessity to outmanoeuvre the opponent.

3. Relevance of Geopsychology Theory

Geopsychology has remained a neglected field in international relations (IR). Partly, it was attributed to the primacy of geopolitics during the Cold War era when IR theorists were more interested in studying alliances because of the latter's influence on the balance of power. They emphasized on the "structural conditions within which states act rather than the characteristics of individual countries – their domestic political institutions, for example."[10] Probably, they were too preoccupied with research on militarized inter-state disputes to ponder over the efficacy of geopsychology as a mode of crisis management at global and regional levels. Moreover, Western scholars were more attentive to studying the UN and Bretton Woods institutions that primarily served the hegemon's military and security interest in power maximization rather than supporting a moral state[11] in the bipolar politics.

It was by accident that the IR discipline underwent a radical transformation with the tragic occurrence of 9/11. IR scholars, engaged in ideological, military and security studies, have now onerous responsibility to comprehend the new typology of threats stemming from violent non-state and authoritarian actors who can potentially impact the trajectory of global and regional security architecture in today's interdependent world order. Henry Kissinger, who belongs to the realist school of thought, agrees that the traditional concept of balance of power can no longer define "perils" or "possibilities."[12] In his perception, old international patterns are crumbling and old solutions are no longer feasible due to the impact of technology and communication, making people aware of what is happening in the world. Given this, GT is an attempt to bridge the existing knowledge gaps in IR theories by illuminating distinctive characteristics of a region in terms of geography, history, ethnicity, religion, culture ("culturally particular and exclusive"), and worldviews of its national elites and individual actors. It potently analyzes the fundamental

causes of conflicts, violence and wars in the current world order as well as acts as a guidepost to mitigating the intensity of interacting myriad conflicts. Its relevance can be briefly spelt out as follows.

First, mainstream IR paradigms such as realism, neorealism, neoliberalism and constructivism have been unable to offer plausible reasons about the root causes of non-traditional security threats such as separatist movements, civil wars, religious radicalism and ethno-religious conflicts across the world. On the contrary, GT aids understanding how the determining forces of nationalism, culture and historical grievances shape policy approaches and strategies of authoritarian regimes while dealing with the so-called superpower hegemony in light of the fact that the days of hegemony are over in an interdependent world order.

Second, GT is useful in understanding foreign policy and diplomatic behaviour of authoritarian regimes, such as those in China and North Korea, given the infeasibility of the rational choice model in their decision making processes. Third, structural realism, neo-liberalism and constructivism have been unable to diagnose and elaborate on how the behaviour of violent non-state actors at times is more threatening and more challenging than that of state actors.

4. Components of China's Geopsychology

The geopsychology of China's ruling elites and masses, undergirding the country's foreign policy behaviour and practices, has been formed of the experience of national humiliation, the Middle Kingdom syndrome, cultural pride, nationalism, strategic culture and the anti-hegemony discourse.[13]

4.1. The Sting of Humiliation

China's geopsychology is primarily rooted in its historical experiences, notably the humiliation[14] it had suffered at the hands of imperialists and Western powers in the 19th and until mid-20th centuries when it was established as the People's Republic of China (PRC) in October 1949. Slighted by the ignominy of "unequal treaties," Chinese leaderships have harboured the perception of victimization by alien powers right from the Opium Wars (1839-42) – a profound psychological setback to Qing emperors – through numerous European invasions over China to the Sino-Japanese War, 1937-1945.[15] In this context, Kerry Brown observes:

> For much of the modern era, Chinese lost out in the battle for modernity. The era from 1839 onwards was so disastrous in this respect that it had come to be referred to in more recent historiography as the 'century of humiliation.' The wounds from this history and the sense of victimhood it gave have been

> profound on the modern Chinese national psyche. This at least explains the particular shrillness of contemporary Chinese nationalism – it is built on narratives around finally righting this history and the injustice that many Chinese people see in it.[16]

Zheng Wang, professor in the School of Diplomacy and International Relations at Seton Hall University, New Jersey, comments that the national disgrace provided "the all-consuming fire needed for China to rise like a phoenix from the ashes and overcome the West on its quest for glory."[17] Moreover, Chinese leadership harnesses it as a historical narrative, branding the spectacle of national resistance and triumph as a source of shared esteem. For instance, President Xi Jinping's speech at the commemoration of the 70th anniversary of war victory in September 2015 was a well-calculated strategy to revive and sustain the mass memory of the Chinese People's War of Resistance Against Japanese Aggression. Xi stated, "Today is a day that will forever be etched in the memory of people all over the world. Seventy years ago today, the Chinese people, having fought tenaciously for 14 years, won the great victory of their War of Resistance Against Japanese Aggression, marking the full victory of the World Anti-Fascist War. On that day, the world was once again blessed by the sunshine of peace."[18] He further added:

> The victory of the Chinese People's War of Resistance Against Japanese Aggression is the first complete victory won by China in its resistance against foreign aggression in modern times. This great triumph crushed the plot of the Japanese militarists to colonize and enslave China and put an end to China's national humiliation of suffering successive defeats at the hands of foreign aggressors in modern times. This great triumph re-established China as a major country in the world and won the Chinese people respect of all peace-loving people around the world. This great triumph opened up bright prospects for the great renewal of the Chinese nation and set our ancient country on a new journey after gaining rebirth.[19]

The statements above clearly mirror the Chinese leadership's mindset, soaked in the historical layers of dishonour, defiance, and triumph, contributing to the formation of China's geopsychology toward the outside world, especially the past aggressors like Japan whom China perceives as its geopolitical rival in East and Southeast Asia. The anti-Japanese sentiments permeate the Chinese society to this day. The Beijing leadership is also concerned about the Japan-US geostrategic collaboration for restricting China's influence in the Indo-Pacific region. Thomas J. Christensen also supports this view, writing that "historical legacies and ethnic hatred exacerbate the security dilemma in Sino-Japanese relations."[20] However, "China's historically rooted and visceral distrust of Japan"[21] has resulted in spawning of irritants in their relationship. China is very much sensitive about Japan's past aggression.

Christensen further elaborates, "Japan's refusal to respond satisfactorily to Chinese requests that Tokyo recognize and apologize for its imperial past – for example, by revising history textbooks in the public schools – has helped to preserve China's natural aversion to Japan."[22]

At this critical juncture, the Xi regime is determined to appease the domestic constituency by giving it the "China's superpower" promise, an imperative for dealing with new geopolitical predicaments in the Indo-Pacific region. For this, President Xi has been exhorting the Chinese citizenry that they keep the bitter memories alive about how shabbily they were treated by aggressive powers such as Japan. He stressed, "No matter how much stronger it may become, China will never seek hegemony or expansion. It will never inflict its past suffering on any other nation. The Chinese people are resolved to pursue friendly relations with all other countries, uphold the outcomes of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-Fascist War, and make greater contribution to mankind."[23] This rhetoric entails a political message to masses that China was capable of reestablishing itself as a great nation to ensure a hegemony-free world order.[24]

4.2. The Middle Kingdom Syndrome

In the distant past, Shi Jie (1005-45) defined the *Middle Kingdom* majestically, "Heaven is above, earth is below, and that in between heaven and earth is called China [zhongguo]. Those on the peripheries are the foreign [si yi]. The foreign belong to the outer [wai] whilst China belongs to the inner [nei]. Heaven and earth thus make it possible to differentiate the outer from the inner."[25] What gave rise to this lofty perception? Robert Gamer explains that for most of its history, Chinese leaders had little contact or interaction with regions outside of China's western borders, with the isolation fueling their belief in being situated in the "'Middle Kingdom' in the universe."[26] Similarly, Samuel King explains, "China is guarded on the west by almost endless deserts, on the southwest by the Himalayan range, and on the east by vast oceans. Admired but often attacked by the 'barbarians' of the semiarid plateau lands on the north and west, and cut off from the other centers of civilization by oceans, deserts, and mountains, China gradually developed a unique sense of its place under heaven."[27] However, to this day, the Chinese leaders' psyche appears tenaciously imbued with the "Middle Kingdom" mentality. First, though caught up between the domestic constraints on economic development and the increasing integration with the global economic order, China's worldview is essentially based on Chinese characteristics.[28] It is fired by the self-image that China is bound to play a critical role in shaping the global architecture rather than playing second fiddle to any power whatsoever. Second, China's geopsychology of perceiving its role in the world politics

is determined, among other factors, by its history which has substantially influenced the Chinese thought process and behavioural pattern on war and peace. In China's worldview, the "territorial sovereign mode" of world order was imposed on it by the West and Japan.[29] In effect, China asserts that its concept of sovereignty cannot be properly understood through Western lenses or concepts.

Indeed, the past has been very important for China to interpret the world order through a blend of tradition and modernity.[30] From the traditional viewpoint, Tianxia, as a system of governance, is still relevant to understand the current worldview. Chinese scholar Zhao Ting Yang "argues that although Tianxia is a broader and more complex concept, encompassing natural, social and political elements, the Western understanding of the world is essentially 'thin' (danbo)."[31] The Tianxian system places emphasis on order, hierarchy and stability and is "represented as an inward-looking system of values and governance that look to Confucianism and the emperor as the highest authority in running the internal order."[32]

But, however, Tianxia's mythological and spiritual values that Heaven grants the "exclusive right of rule" to the emperor are divorced from the realities of today's interdependent world order. Not a single Sinologist in the West has ever advanced the convincing logic as to why Tianxia is so relevant in the highly complex interdependent international system. How could Tianxia's underlying concepts and injunctions be applied to the fragile concept of sovereignty? One cannot argue over the stability of the given political order in China but the real motivation of the Chinese leadership behind fostering Tianxia and Confucianism is to legitimize the one-party rule to ensure political stability, people's welfare, and social harmony. Meissner comments, "Confucianism served a dual function for authorities in the 1990s. Its 'authoritarian' aspects helped contribute to 'socialist, spiritual civilization' and social cohesion while it offered a cultural antidote to the threat of Westernization."[33] Paradoxically, China has been employing the concept of state sovereignty as an expedient political weapon to oppose any intervention by great powers in its internal and external affairs.

4.3. Cultural Pride

A noted Chinese scholar Qin Yaqing highlights the significance of culture for a foreign policy, arguing that it constitutes "shared values, which go beyond ideological divisions and the calculation of interest. Culture matters because histories matter, practices matter, and discourses matter. Culture plays an important role in human life, in the way of thinking, and therefore in policymaking."[34] China as a nation is considered especially proud and vocal of its cultural heritage and civilizational values. For them, culture is

an integral part of their day-to-day life and social interaction, which has calcified among them as a strong sense of cultural pride. In this context, Elena Barabantseva writes that China's priority is to "protect the national culture [which has been] transformed into the active promotion of Chinese culture around the world. As for the thesis that China's world order has been relatively stable, its images of the world and its role in it are subject to constant negotiation and dispute at different levels. The very fashion whereby China attempts to protect and promote its culture blurs the distinctions between traditional and universal elements, and fusing and blending them. Through these practices, China's visions of the world and engagement with it are constructed, contested, and negotiated."[35]

Zheng Wang of Seton Hall University, New Jersey, links Chinese cultural pride to the Tianxia system. He writes, "Ancient Chinese believed that their Central Kingdom was the center of high culture and superior morality. More importantly, under the tianxia system, outsiders could be culturally absorbed and become Chinese by adopting Chinese culture and customs."[36] Wang adds that the notion of "equal states" was repugnant to the tianxia system that posited China as "the only true civilization, its cultural superiority unchallenged."[37] The vestiges of the belief in cultural superiority emanate from the perception of Chinese emperors who not only regarded China as the "centre of world civilizations"[38] but also considered foreign emissaries as "barbarians". Remarkably, in his speech at the UNESCO Headquarters in March 2014, President Xi said, "Having gone through over 5,000 years of vicissitudes, the Chinese civilization has always kept to its original root. As the unique cultural identity of the Chinese nation, it contains our most profound cultural pursuits and provides us with abundant nourishment for existence and development."[39]

Not surprisingly, Henry Kissinger, an avid student of Chinese history and astute practitioner of the US policy toward China, recommended that Americans exercise prudence, caution while hedging and engaging China. He advised American policy makers to avoid exhibiting their superiority, arguing that China would never tolerate the US hegemony. At the same time, Kissinger expressed his serious concern about the negative fallout of China's heroic and "assertive national culture" on the world order. Philip Bowring also sounds a similar note in his op-ed column "Beware an angry China" in the *New York Times*, April 13, 2008. He writes that the "China-bashing" would only "increase nationalism in China."[40] In effect, China's cultural aversions to aliens produce negativism about the West. Chinese people and political leaders believe that this attitude can be diluted, to some degree, provided foreign powers accord full respect to and demonstrate admiration for their culture and civilization.[41]

4.4. Nationalism

Chinese nationalism has been a cementing force for the Communist Party of China (CCP) with an objective to gain legitimacy for the monolithic structure of the party. Also, the CCP has viewed Japanese imperialism as a convenient weapon to "feed" Chinese citizens "a steady diet of patriotic, anti-Japanese media programming designed to glorify the CCP's role in World War II."[42] The pervading sense of nationalism has driven Chinese people to fight against imperialists and invaders.[43] For example, the Opium Wars catalyzed the development of nationalism in China. Bill Hillman explains that the imperialist "aggressions and unequal treaties that followed inspired China's first nationalists to challenge the Dragon Throne in the second half of the nineteenth century. The Versailles decision of 1919 that granted Japan Germany's former concessionary rights in Shandong sparked the May Fourth demonstrations [May 1919] that today's Chinese claim as the birth of the modern Chinese nation. In the 1930s and 1940s, Japanese aggressions, beginning with the Manchurian Incident of 1931, excited the nationalism of both communists and nationalists."[44]

If one traces the nationalist discourse in the historical context, Sun Yat-sen, a revolutionary nationalist leader, gave a "passionate call" for united action in liberating the country from imperial forces.[45] His successors, especially Mao Tse-tung, carried forward the unfinished nationalist revolution by instilling patriotism and loyalty into the mass psyche. Mao was adept in channelling the organizational power of nationalism for stemming external threats to China's Communist state. Glorifying the virtues of the Han, Mao wrote that "[the] Chinese nation is known throughout the world not only for its industriousness and stamina, but also for its ardent love of freedom and its rich revolutionary traditions. The history of the Han people … demonstrates that Chinese never submit to tyrannical rule but invariably use revolutionary means to overthrow or change it … thus the Chinese nation has a glorious revolutionary tradition and splendid historical heritage."[46] At the same time, Mao perceived "all of China's nationalities … as collective victims of imperialism and equal in their striving to shake off foreign oppression."[47]

Chinese scholars opine that Chinese leaders favour the "resurgence of nationalism" for various reasons, including the use of Marxist, Maoist and Dengist paradigms to legitimize the one-party rule. Liu and Smith are of the view that in the age of economic globalization, nationalism has been blended with marketization. They write, "For, while nationalism has contributed to China's success in economic reform, these successes are [sic] in turn have lubricated the emergence of a type of nationalism that has promoted China's international status. China is recognized today as a 'rising economic and military power' with, importantly, a set of historically accumulated grievances

against the West. These grievances are "a profound sense of 'humiliation' the people had suffered in the past."[48] Yong Deng subscribes to the view that Chinese foreign policy is highly influenced by its sense of national identity, "a hyper-nationalist, hardcore-realpolitik."[49] Along these lines, Hu, Chan and Zha note that "China can be thought of as a 'hyper-nationalistic state' in its quest for territorial greatness and a 'Greater China.'"[50]

Basically, the academic and political discourse involves two main categories of Chinese nationalism – cultural nationalism and modern/new nationalism. In common parlance, Chinese nationalism has been interpreted as a "reactive nationalism" to international events or incidents rather than a "domestic political manipulation."[51] The political discourse on China's new nationalism[52] ensued in the post-Cold War era with a view to understanding nationalism's impact on China's foreign policy. Undeniably, China emerged as a major beneficiary from the ashes of the Soviet Union in the US-led unipolar world. Naturally, the "conflict propensity" of Chinese nationalism, stirred by cultural nationalism, propelled its leadership to pursue more aggressive and assertive foreign policy and diplomacy. This implied that China perceived the United States as its main adversary that hindered its role in shaping the world order. Yongnian Zheng argues in this context that "what the [Chinese] leadership wants is not to overthrow the existing system, but the recognition of Chinese power and its rightful place in the world system by other major world powers."[53] From this perspective, the article argues that Chinese nationalism has been amalgamated into the geopolitical thought, categorized as "geopolitik nationalism."[54] It means that geopolitical nationalism is an offshoot of China's assertive behaviour to take a strong position against the United States – its principal competitor and political rival.

It is also believed that China's assertive nationalism is a response to popular nationalism that supports taking a "confrontational position" against the West on complex issues such as maritime territorial disputes.[55] On his part, Feng Zhang provides a balanced perspective on the nature of Chinese nationalism: "Although assertive nationalism does not yet seem to command the mainstream opinion in China today, it nevertheless grows more vocal and vociferous with the rise of Chinese power. Although it does not have the xenophobic quality of extreme nationalism, nor does it show the restraint and moderation of defensive realism and liberalism. What it asserts, in essence, is that China should actively prepare for struggle and conflict with other states, especially against Western hegemony."[56]

The past history has of course contributed to the rise of the Han-centric nationalism in China, whereas China's modern nationalism has been fuelled by international events and accidents, involving the question of China's sovereignty. Interestingly, Chinese nationalism is quite often manipulated by CCP leaders to project as if Western powers hold China in low esteem. For

instance, if the United States does not treat China on an equal footing, the latter might turn more aggressive, more xenophobic, and "more nationalistic." Echoing this view, Chinese scholars consider Chinese nationalism as simply "a reaction to external pressure."[57] They believe that nationalism fosters the national dignity abroad. The underlying logic is that China's national dignity epitomizes the respect for individual dignity. This reasoning is deeply ingrained in the psyche of Chinese people, their leadership, their academia and intellectuals. This is how China's foreign and security policies are formulated, shaped and articulated while dealing with the outside world. For example, Chinese leaders have been quick to respond to the international incidents impinging on China, whether it was the NATO's bombing of Chinese Embassy in Belgrade in May 1999, or China's inability to clinch the Olympic bid in 1992, or the US intervention in the South China Sea. Indeed, China's reaction to the NATO bombing of the Chinese embassy is one of the classic examples of Chinese nationalism. It is reported that "Chinese movie theatres banned American films and radio stations refused to play American music in protest."[58]

Moreover, the adamant Chinese government succeeded in securing a public apology from President Bill Clinton who assured that the Chinese side would be reported on the outcome of investigation into the incident. Perhaps, no other country would have taken up such incidents to the logical conclusion by invoking its nationalistic fervour. The NATO bombing was described as a version of "new gun boat diplomacy" rather than a humanitarian enterprise to save the Bosnian Muslims against the barbarity of the Yugoslav Serbs, a majority ethnicity in Belgrade. But the Chinese reaction, according to scholars, suggests that "a more cultural form of nationalism has actually been entrenched in top-level policy making."[59] In other words, the bombing incident fuelled China's assertive nationalism and "informs us that for China, the choice between nationalism and globalism is not a zero-sum exercise rather, neither should come at the expense of the other."[60]

Another striking example pertains to China's sovereignty concerns over the South China Sea issue. China not only resents American intervention in the South China Sea but also refuses to comply with the ruling of the Permanent Court of Arbitration, delivered in July 2016. Its defiance is rooted in the Chinese leadership's strategy to pamper to the popular nationalism that supports efficacious and strong rejoined to the misadventurism of United States and other Western powers. The citizenry also exhorts/calls upon the government to embrace a "muscular" foreign policy in order to safeguard the national honour.[61] A compelling reason for US policy makers to showcase the "China threat" theory in public domain is to constrict China's expanding foothold in the Asia-Pacific region and elsewhere. It may be recalled that China's containment was a major plank of the US policy throughout the Cold

War. Even today, the label has changed but the content remains the same. The new nomenclature is engaging China in global affairs so that it fits in the rule-based liberal international order, respecting human rights and freedom of navigation in the ocean politics. Undeniably, it is well nigh impossible to contain a militarily and economically strong and powerful China. Nevertheless, China is psychologically poised to challenge the US supremacy in global politics. This is manifest from Beijing's overt or covert challenge to Washington on the South China Sea issue, apparent from its deploying of the PLA Navy warships and showcasing air power to meet any threat emanating from US B-52 bomber flights over the region. Virtually, they came closer to a direct confrontation in the region.[62]

The point I wish to hammer out is that China's anti-West and the anti-US geopsychology got further hardened on account of numerous strategic encounters with the United States in the historical process whether it was the US spy plane's bombing of the Chinese embassy in Belgrade or the US castigation of the Tiananmen tragedy in which thousands of Chinese students were killed while staging demonstrations for democracy. In fact, Henry Kissinger had forewarned American administrations, "A prudent American leadership should balance the risks of stocking Chinese nationalism against the gains from short-term pressures."[63] Similarly, Susan Shirk, a close inside watcher of Chinese affairs, is of the view that America should lavish respect on China. She observes, "After a century of sitting on the sidelines, the Chinese leaders and public crave respect and approval from the world community, especially from the United States."[64]

4.5. Strategic Culture

China's strategic culture has evolved over hundreds of years ranging from Confucianism to Mao's military thought. Its perception toward and approach to use of force has been mainly guided by Mao's palm theory according to which China would regain its lost territories either through negotiation or by the use of force as the last resort. China's military strategic theory was carried forward by Hu Jintao and the current leadership under Xi Jinping, perhaps with a greater vigour and determination.

China's War against India and Vietnam are the examples of China's military strategic culture – a mix of pessimism and aggressiveness. If one peeps into the history, China's Great Wall appears to be a symbol of its pacifist approach, reflecting the primacy of "defensive realism" for protection against alien and nomadic attacks. But how far does the Great Wall theory reinforce China's peaceful intentions? May be in those days China, while bordering with dozens of countries, had taken all precautionary measures to safeguard its borders against any imminent or potential threats from its

neighbours. But the reality behind the "magnificent fortification" is still a figment of imagination.[65] Or, are there two "two faces of strategic culture"? Realistically enough, China's bellicosity on the South China Sea issue is a counterpoise to its claim to be a peaceful nation that observes the norms and principles of multilateral organizations such as the UN.

In fact, the roots of force and might are traceable to Chinese history. Feng Zhang of Australian National University questions the "myth of Confucian pacifism" in "imperial Chinese foreign policy behaviour" by referring to historians' contention that "Chinese history 'has in fact been at least as violent as Europe's', a total of 3131 wars having taken place from the first Qin dynasty to the last Qing dynasty, an average of almost 1.5 wars each year."[66] Victoria Hui corroborates this position, "War, not Confucian ideals, explains how China expanded from the Yellow River valley in the Warring States era to the continental empire in the Qing dynasty."[67] Zhang contends that Confucianism "never renounced force as a legitimate instrument of statecraft for waging 'appropriate wars' in the form of punitive expedition…. In the *Analects*, Confucius himself endorsed Guan Zhong's aggressive and militaristic foreign policy by virtue of its having saved the Chinese from foreign subjugation."[68]

Undoubtedly, the two faces of China's strategic culture compound and complicate the problem of discerning China's real motives. That is why, Japan and the United States, in particular, do not subscribe to China's peaceful intentions.[69] Ostensibly, China's strategic culture, rooted in the doctrine of "offensive realism," suggests that the Chinese People's Liberation Army (PLA) is fundamentally trained to be on the twenty-four hour alert with the capability to undertake a strategic offensive against its identifiable foes. Further, the PLA receives training in testing the adversary's morale and stamina.

India has experienced this strategy: Chinese forces deploy provocative tactics, although with the prior approval of their top political leadership, by encroaching upon its territory to assess whether its reaction is that of resistance or tolerance. It might be recalled that upon his India visit in September 2014, President Xi Jinping received a warm welcome by Prime Minister Narendra Modi in his home state of Gujarat. Also, Modi and Jinping enjoyed the ride on the traditional swing on the banks of Sabarmati River in Ahmadabad. But at this opportune time, the PLA, which is under President Xi's direct command and control, summoned the courage to infiltrate into Indian borders and it stayed in Indian territory for three weeks. The military standoff between India and China could have snowballed into a major conflict were it not for Xi's personal intervention at the eleventh hour. But what does this incident show? Could the military infiltration take place without Xi's blessings? If we recall, China had launched an unprovoked aggression against

India in 1962, a classic case of China's "offensive realism" or a symbol of its offensive strategic culture.[70] Without understanding China's strategic culture, rooted in its "historical and cultural factors, India, including the United States, cannot make "an impassionate assessment of China's goals and intentions."[71]

4.6. Anti-Hegemony Plank in China's Foreign Policy

The anti-hegemony stance is quite frequently refurbished in Chinese foreign policy discourse.[72] A dispassionate analysis of China's foreign policy behaviour reveals a vitriolic and aggressive propaganda against the dictates of the world hegemon – the United States – and other principal rivals. This is especially in view of China's phenomenal national strength in economic and military domains. On numerous occasions, President Xi Jinping's speeches and statements have lent credence to this observation. For instance, Jinping stated in June 2014, "Any attempt to monopolize international affairs will not succeed."[73] Furthermore, in December 2018 *AP News*, while citing Jinping, wrote, "No one is in a position to dictate to the Chinese people what should or should not be done…. We will resolutely reform what can and needs to be reformed, and we will resolutely uphold what cannot and does not need to be changed."[74] In effect, the following developments are conspicuous indicators of China's anti-hegemony stance.

First, in response to President Trump's imposition of heavy duties on Chinese goods, China retaliated with a similar measure against American goods and also took up the matter to the WTO, complaining about the US's breach of WTO's trade norms and regulations. China's tit-for-tat diplomacy on the trade issue triggered the Cold War with the United States, reflecting Beijing's psychology of zero-tolerance on bullying tactics. It is further felt from the pungent smell in the editorial of Chinese Communist Party's journal *Quishi*, June 16, 2019. It writes: "China will not be afraid of any threats or pressure the United States is making that may escalate economic and trade frictions. China has no choice, nor escape route, and will just have to fight it out till the end…. No one, no force should underestimate and belittle the steel will of the Chinese people and its strength and tenacity to fight a war."[75]

Second, China's meteoric rise as a "global hegemon" has whipped up its aspirations to dominate the global trade and investment portfolio. The one trillion-dollar Belt and Road (BRI) project smacks of China's imperial designs to establish its hegemony in Asia, thereby subverting the US supremacy that has been entrenched since the end of the Second World War in August 1945. It envisages China's "continental connectivity" with the Middle East, Central Asia, South Asia, Europe and Africa, and it is animated by a vision bigger than that of the US Marshall Plan that was confined to rebuilding Europe's

war-ravaged economies. Even the US-led multilateralism at the World Bank and the IMF has been weakened with the China-led New Development Bank (NDB) established in 2014, with its headquarters in Shanghai, under Xi Jinping's leadership. This move is perceived as Xi's double-edged weapon to create alternative institutions of economic aid and support for poor developing nations as well as to undercut the US-led economic world order. Hence, with its rise, China has signalled that the United States is no longer an unchallenged economic hegemon.

Third, in the multilateral institutions like the UN and the WTO, the United States stands to lose its leverage over its past allies and strategic partners in the Asia-Pacific region. For example, the US experienced a monumental defeat at the UN General Assembly on the issue of President Trump's recognition to Jerusalem as the capital of Israel. Pakistan and Saudi Arabia – traditionally US allies – were among the 128 member-states that approved the resolution "asking nations not to locate diplomatic missions in Jerusalem." Only nine states supported Trump's decision, with two of them being the US and Israel, and the other seven states, with a population of less than 10 million, being dependent on US aid. Also, at the 11th WTO Ministerial Conference in Buenos Aires in December 2017, the US was marginalized when it failed to include new issues, that is, e-governance, trade facilitation and gender equality in the agenda. Moreover, at the insistence of developing nations, especially India and China, not even a formal declaration was issued.

5. Conclusion

GT captures China's foreign policy behaviour based on Chinese characteristics.[76] Its past history, Middle Kingdom mentality and strategic culture[77] have gone into shaping and articulating Chinese leadership's perceptions and approaches to international relations. For example, still alive in Chinese minds are memories of the humiliation they endured at the hands of alien powers – British and Japanese. Their bitter experience continues to prod them into suspecting colonial powers as China's enemies.[78] As such, Chinese foreign policy is at least theoretically structured on opposing power politics and hegemony,[79] though ironically it might defy the rule-based international order as manifest from its exclusive claim over the South China Sea. There are several examples that show China's bellicose postures in affirming its position as an unchallenged regional hegemon, while being psychologically unprepared to tolerate intervention by extra-regional powers, for instance, in the South China and the East China Sea.

Further, the current leadership under President Xi Jinping is fuelling anti-Japan sentiments among the masses by presiding over a national military

parade in 2017. GT argues that Sino-Japan relations can be improved provided Japan is prepared to address China's sensitivity over hurting its national pride and honour through symbolic gestures in the form of tendering apology. Following the latter's refusal to tender apology, China's anti-Japan sentiment is likely to harden.

Similarly, the phenomenon of competitive hegemonism has ensued between the United States and China with the end of entrenched, unchallenged hegemony of a single power. It is not unnatural. Change is the law of nature. None of the Empires, including the mightiest ones, could permanently retain the pinnacle of power. At the same time, China's policy behaviour smacks of narcissism that mirrors its perception of the world through its narrow political prism that obfuscates the reality that the existing power structure determines international relations. Fired by the nationalism and historical ambition to rule the roost, China is determined to become a regional hegemon regardless of US attempts to encircle it through the balancing coalitions. Also, China is firm and committed to change the rules of the game in pursuit of advancing and calcifying its core national interests.

Foreign decision-makers must be knowledgeable about and sensitive to the cultural and social values of China in order to avoid confrontation with China on global and regional issues as well as to sharpen their bargaining chip or negotiating capacity vis-à-vis China. In other words, undesirable mistakes and inadvertent aberrations can be averted with the core understanding of China's cultural, social and civilizational values. In effect, the East Asian region's geopsychology is crucial in understanding why regional actors protest against and reject the norms and values, which are incompatible with theirs.

It is relevant to make a special mention of India in order to understand China's regional geopsychology. It is a well-known fact that India is the United States' confirmed strategic partner to restrict China's influence in the Indo-Pacific region. India had also supported former president Obama's Asia pivot or rebalance policy. As such, China is deeply suspicious of India's declared policy of strengthening New Delhi's relations with Beijing. Moreover, China's regional geopsychology vis-à-vis India is determined by the latter's double standards in its foreign policy behaviour. Prime Minister Narendra Modi in his public speeches eulogizes India's defence and security partnership with the United States. But while in China, he talks of the shared civilizational values and champions a united and cooperative India-China centric Asia minus the United States. China understands this duplicity in India's foreign policy and diplomacy. This is one of the reasons that China's strategic encirclement of India in South Asia through aid diplomacy has weaned smaller nations of South Asia, including Sri Lanka and Bangladesh, away from Indian influence.

Notes

* Dr. B.M. Jain is Professor of Political Science and Editor-in-Chief of *Indian Journal of Asian Affairs*. He has taught graduate and undergraduate classes covering government and politics in India and South Asia, international relations, foreign policies of major powers, diplomacy, arms control, disarmament, globalization, global governance and human rights. He has written more than twenty books and numerous articles which include *South Asia Conundrum: The Great Power Gambit* (Lexington Books, 2019), *China's Soft Power Diplomacy in South Asia* (Lexington Books, 2017) and "India-Pakistan Engagement with the Greater Middle East: Implications and Options". He can be reached at <jainbm2001@gmail.com>

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34. Qin Yaqing, "Chinese Culture and Its Implications for Foreign Policy-Making," *China International Studies*, September/October 2011, p. 45. Yaqing points out that four "C"s – contextuality, correlativity, complementarity, and changeability – operate in the Chinese people's daily lives and reflect in their mentality, impacting "Chinese behavior as well as foreign policy-making" (Yaqing, 2011, p. 45). In particular, while contextuality deals with the "environment, wherein decisions are made," correlativity signifies that "all elements in the universe are related" with nothing being "isolated" (p. 47). In this context, Yaqing underlines the critical role of the "geography of culture" in shaping people's thoughts, with inhabitants from "different geographic areas or communities think[ing] in different ways" (p. 48). Citing an experiment on the difference in thought patterns of Chinese and American students in relating objects, he writes that "living in a different culture can change one's behavior and outlook" and affirms that the "most important influence of culture is perhaps the gradual formation of one's way of thinking, which has a strong impact on one's perception of the outside world and interpretation of oneself and others. This is exactly why culture plays an important role in the making of foreign policy" (p. 64).
35. Barabantseva, "Beyond World Order," pp. 189-190.
36. Zheng Wang, *Never Forget National Humiliation: Historical Memory in Chinese Politics and Foreign Relations* (New York: Columbia University Press, 2012), p. 72.
37. *Ibid*., p. 72.
38. See Robert E. Gamer, chapter 7, "International Relations," in Robert E. Gamer, *Understanding Contemporary China* (Boulder, 1999), p. 180; for an excellent background to China's cultural history in the modern context, see the classic work by Cho-Yun Hsu, *China: A New Cultural History* (New York: Columbia University Press, 2006).
39. "Speech by H.E. Xi Jinping President of the People's Republic of China at UNESCO Headquarters," March 28, 2014, <http://se.china-embassy.org/eng/wjdt/t1142560.htm>. See C.P. Fitzerald, *China: A Short Cultural History* (London: The Cresset Press, 1935).
40. *The New York Times*, April 13, 2008, <https://www.nytimes.com/2008/04/13/opinion/13iht-edletmon.html>.
41. Ssu-yu Teng, "The Predispositions of Westerners in Treating Chinese History and Civilization", *The Historian*, Vol. 19, No. 3 (May, 1957), pp. 307-327; David

Bromwich, "Understanding Chinese Culture: the Challenge to the West", *The Telegraph*, August 16, 2018, <https://www.telegraph.co.uk/china-watch/culture/west-understanding-chinese-culture/>; pertaining to Chinese cultural values, see Gilbert Rozman, "Chinese National Identity and its Implications for International Relations in East Asia," *Asia-Pacific Review* Vol. 18, No. 1 (2011): 84-97; Lutgard Lams, "Examining Strategic Narratives in Chinese Official Discourse Under Xi Jinping," *Journal of Chinese Political Science*, 23(3), 2018: 387-411; Shufang Wu, "The Revival of Confucianism and the CCP's Struggle for Cultural Leadership: A Content Analysis of the *People's Daily*, 2000-2009," *Journal of Contemporary China*, Vol. 23, No. 89 (2014): 971-991.

42. Thomas J. Christensen, *op. cit.*, p. 28.
43. Alastair Ian Johnston observes that the "data from the Beijing Area Study survey of Beijing residents from 1998 to 2015 suggest that the rising popular nationalism meme is empirically inaccurate. This finding implies that there are other factors that may be more important in explaining China's coercive diplomacy on maritime issues, such as elite opinion, the personal preferences of top leaders, security dilemma dynamics, organizational interests, or some combination thereof." Nevertheless, the fact of nationalism being a strong force in China cannot be denied. See Alastair Iain Johnston, "Is Chinese Nationalism Rising? Evidence from Beijing," *International Security*, Vol. 41, No. 3 (2016/17): 7-43.
44. Ben Hilllman, "Chinese Nationalism and the Belgrade Embassy Bombing", in Liew and Wang, eds. p. 65.
45. See David Ernest Apter and Tony Saich, *Revolutionary Discourse in Mao's Republic* (Cambridge: Harvard University Press, 1994).
46. Leong H. Liew and Doug Smith, "The Nexus between Nationalism, Democracy and National Integration", in Leong H. Lieu and Shaoguang Wang, eds., *Nationalism, Democracy and National Integration in China* (London and New York: Routledge, 2004), p. 4.
47. Douglas Howland, "The Dialectics of Chauvinism: Minority Nationalities and Territorial Sovereignty in Mao Zedong's New Democracy," *Modern China*, 37(2), 2011, p. 170.
48. Liew and Smith, "The Nexus between," p. 7.
49. Yong Deng, "Escaping the Periphery," in World Politics: An Introduction" in Weixing Hu, Gerald Chan and Daojiong Zha, *China's International Relations in the 21st Century: Dynamics of Paradigm Shifts* (Maryland: University Press of America), p. 43.
50. Weixing Hu, Gerald Chan and Daojiong Zha, "Understanding China's Behavior in World Politics: An Introduction" in Weixing Hu, Gerald Chan and Daojiong Zha, *China's International Relations in the 21st Century: Dynamics of Paradigm Shifts* (Maryland: University Press of America, 2000), p. 9. A special mention may be made of such "populist nationalist" works like *Those Happenings in the Ming Dynasty* (2010) in the context of Han nationalism, listed by Friend and Thayer. See John M. Friend and Bradley A. Thayer, "The Rise of Han-Centrism and What It Means for International Politics," *Studies in Ethnicity and Nationalism*, Vol. 17, No. 1, 2017, pp. 91-114.

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52. See Peter Hayes, "China's New Nationalism: Pride, Politics, and Diplomacy", *California Scholarship on Line*, March 2012, <http://california.universitypressscholarship.com/view/10.1525/california/9780520232976.001.0001/upso-9780520232976-chapter-5>.
53. Cited in Brittingham, p. 147, <https://link.springer.com/article/10.1007/s11366-007-9005-3>.
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A Survey of the African Diaspora in Guangzhou

Anas ***Elochukwu****
The Confucius Institute
Nnamdi Azikiwe University

Abstract

The end of the Cold War has a number of implications for Africa's relationship with China. One such implication is the surge in human movement (i.e. migration) between Africa and China. During the 1990s, a relationship characterized by politics and diplomacy began to give way to another one characterized by economics and self-interest. While Africans, the majority of them self-sponsored migrants, began to travel to China looking for greener pastures, the Chinese under the auspices of the *zouquchu* programme began to travel to the continent searching for raw materials, investment niches and markets for manufactured goods. Prior to that decade, Africans, much like the Chinese were in Africa, were a rare sight and consequently an object of curiosity in China. The majority of the few Africans residing in China, like the majority of the few Chinese residing in Africa, were diplomats. The migrant numbers began to increase apace as a result of the migration that began during that first decade of the post-Cold War period. With regard to Africa, as a result of the migration, an African diaspora has emerged in China – in cities such as Beijing, Guangzhou, Hong Kong, Shanghai and Yiwu. This paper, sourced with literature as well as fieldwork conducted in Guangzhou during 2014-2017, surveys the African diaspora in Guangzhou, where the largest concentration of African population in China is found. A synthesis of history and sociology consists the framework of study.

Keywords: *African diaspora, Chinese diaspora, Guangzhou, migration*

1. Introduction

Contact between geographical entities is mediated by factors such as migration, marriage, commerce, conflict and diplomacy. Migration is one of the factors mediating and fostering African-Chinese relationship. In fact, it was migration that laid the foundation for the relationship. For centuries, it was the most critical element in the relationship. Before the 1990s, it

was a neglected area of research. Its literature was scanty, receiving only a passing reference. The literature was also biased, copiously mentioning the presence of dark-skinned people in China but ignoring to mention Chinese presence in Africa. That was arguably because most, if not all of it was done by the Chinese. Teobaldo Filesi perhaps pioneered the effort to redress that imbalance in research when in 1972 he plucked migration from obscurity and neglect with his book *China and Africa in the Middle Ages*, which explores an aspect of the antiquity of China's contact with Africans. China's obtrusive return to the continent after the Cold War forced the world to reconsider their attitude towards Africa-China migration's literature. When was the initial contact between Africans and the Chinese? The answer is on the borderline, for while researchers seem to be substantially agreed about when the first wave of Chinese migration to Africa occurred, they may have been condemned to debate, for eternity, when the first wave of African migration to China occurred.

Chinese migration to the continent started in the seventeenth century. In 1660 the Dutch East India Company made its first shipment of Indonesian-Chinese convicts and company slaves to the Cape as a strategy to settle its staging post in that part of South Africa. According to Park (2012), some of those Chinese victims of human trafficking went back home, while others stayed back and gradually dissolved into South Africa's mixed-race population. The forced shipment of the Chinese to Africa continued during the next two centuries. In the 18th century, French, British and Danish companies shipped small numbers to Mauritius. Most of the shipments, however, came from Mainland China. In the 19th century, the French made an abortive attempt to ship Chinese labourers to Madagascar, to work on their railway projects in that island country. The British likewise shipped the Chinese to work on their fledgling diamond and gold mines in South Africa. Both the French and British schemed to use migrant shipment to corner the scramble for colonial possessions in those parts of Africa. For example, the French used its shipments to prevent the British gaining a foothold in Madagascar. The British likewise used their shipments to diversify the population of Afrikaner colonies. The British gambit backfired, instigating the enactment of anti-Chinese legislations in the Cape and Transvaal in 1902 and 1904 respectively. The Chinese indentured labourers (coolies), most of who came from the coastal regions of Fujian and Guangdong, as well as the Chinese diaspora in Southeast Asia, formed the nucleus of the Chinese diaspora on the continent.

Chinese migration to the continent continued, although in trickles, until the Communists came to power in 1949. Due to the restrictions which the Communists imposed on migration (emigration and immigration) in Mainland China during the Mao era, the majority of Chinese migrants to

the continent had come from Taiwan (controlled by the Nationalists) and Hong Kong (which remained a British colony until 1997 when it reverted to Mainland China). Most migrants from those two regions (Hong Kong and Taiwan) headed to the British colonies such as Nigeria. During that era (with the exception of the 1966-1976 decade of the Cultural Revolution when the country shut itself off from the rest of the world, disallowing both emigration and immigration), Chinese migration to the continent embodied an imitation of America's Peace Corps, namely the technical aid experts who were sent to the continent to effectuate Mao's technical aid diplomacy. All those experts are believed to have returned home at the end of their mission. Unlike the current wave of migration which is being actuated by economics, the Mao-era wave was actuated by the politics and diplomacy of the Cold War era.

Unlike Chinese migration to Africa, African migration to China boasts antiquity, having begun in the 7 AD. As noted by Li Anshan (2015: 11), "Chinese scholars such as Zhang (1928, 1930), Xu Yongzhang (1984), Ai (1987), and Jing (1998) generally agree that [black] African people came to China during the Tang Dynasty (618-907 A.D.)." This is not surprising given that that dynasty was the most open-minded of the Chinese dynasties. As noted by the famous Chinese historian Bai Shouyi (2002: 195),

> At its height, the Tang empire developed extensive ties with many countries and regions in Asia, including Korea, Japan, India, Pakistan, Afghanistan, Iran and Arabia…. The growing domestic and foreign contacts made the Tang capital Chang'an not only the nation's leading city but a cosmopolitan city as well. People of the ethnic minorities in China as well as foreign emissaries, ecclesiastics and merchants came to Chang'an en masse, bringing with them exotic products, music, dance, acrobatics, customs and religions. Some of them got married and settled down in Chang'an.

Black Africans must have been among the foreigners who came to China during the Tang Dynasty. They were probably those dark-skinned people referred to as *Kunlun* and *Kunlun nu* in Chinese history. This assumption is without prejudice to the fact that scholars are still bitterly disputing the identity and conveyance of those dark-skinned foreigners. While Li Anshan (2015: 14) is ambivalent about their identity and conveyance, postulating that they were either Negroid from Africa or Negrito from Southeast Asia, scholars such as Zhang (1930), Ge (2001), Cheng (2002) and Liang Jingwen (2004) are definite about them. Zhang contends that the dark-skinned people were the slaves brought into China from Zanzibar by Arab merchants. (The Arabs had traded in black Africans long before the Atlantic slave began in the sixteenth century; and ancient China's contact with the Arabs through the Silk Road cannot be sidelined in the efforts to account for the presence of dark-skinned

people in ancient China). In contradistinction to Zhang (1930), Ge (2001), Cheng (2002) and Liang Jingwen (2004) contend that the dark-skinned people were Negrito (black-skinned people) from Southeast Asia. Wherever was their origin, "some of the *Kunlun* were part of foreigners' annual tribute to Chinese authorities, some were left in China by foreign envoys, and were enslaved people sold to the coastal regions" (Li Anshan, 2015: 15).

Some *Kunlun nu* might have been slaves bought from the Arabs by those Chinese who traded with the Arab colonists in North Africa (see Yuan, 2006: 20). The tempo of the exportation of black Africans to China must have been reduced by the Atlantic slave trade. The first group of Africans to visit China as freeborn were those envoys from east Africa who accompanied Zheng He on the return journey from his fourth voyage to visit the Ming Dynasty during the 15th century (Wu, 2007: 41). According to Wu (2007: 41), He's fifth and sixth voyages "were mainly to return those envoys."

African migration to China in modern times began with the launch of Mao's scholarship diplomacy. (Scholarship is an instrument of soft power diplomacy. As regards China's ties with Africa, it has been in China's diplomatic toolbox since 1956 when China gave scholarship to four Egyptians to study in China. Diplomacy scholarships have their hidden price tag: they seek to predispose beneficiaries, should they become policy makers in the future, to pursue policies that would indulge the foreign policy objectives of their benefactors). Following the establishment of diplomatic ties with Egypt in 1956 (Egypt was the first African country to establish diplomatic ties with China), China began not only to dispatch technical aid experts to the continent, but also to award scholarships to the continent. Being more discriminatory and businesslike than it is now, China offered its scholarships to mostly people from those countries with which it had established diplomatic ties. By the 1980s, it had offered about 3,081 scholarships (Peking University, 2005). There is no evidence that any of those Africans who studied in China during the Mao decades stayed behind after their education. The country's prevailing political and economic conditions, coupled with the restrictions on both internal and international migration, must have discouraged foreigners from contemplating long-term residency in the country during those decades. Although, those technical aid experts who worked in Africa and those Africans who studied in China during those decades cannot be considered migrants because of their short stay in their host countries, they must be recognized for the role they have played in making migration an important element in Africa-China relations.

There have been two waves of African migration to China since the end of the Mao era. The first wave began during the 1980s and involved mostly those who terminated their journey in Taiwan, Hong Kong or Macau, having

been either deterred by the Mainland's stringent migration policy or enticed by prospects of economic breakthrough in those insular and coastal parts of the country. To some extent colonial history influenced the choice of destination. For example, most of those who terminated their journey in Macau came from the Portuguese colonies such as Mozambique and Angola, whereas a number of those who headed to Hong Kong and Taiwan came from British and French colonies. Curiously, migrants from French-speaking countries such as Mali and Guinea led the way in setting up as African merchants in Hong Kong. The second wave began in the early 1990s and was triggered by these four factors. The first factor was the attenuation of Europe's ties with their former colonies on the continent, a consequence of which has been the gradual restriction of migration from the continent. The restriction has forced the diversification of Africa's migration focus. It is worthy to note that China is one of the countries to which Africans have been migrating in their large numbers as a direct consequence of the restriction. As noted by Bodomo and Ma (2010: 283), China is the country where Africa's newest diaspora is about to emerge. (This assertion by these two scholars is not totally true, given that African diasporas are also emerging in other places such as Malaysia and Europe). The second factor was China's emergence as a country with a ravenous appetite for overseas raw materials and export market. To assuage their appetite, the Chinese have been retooling their ties with the developing world. They had downgraded the ties during the 1980s in favour of a rapprochement with the West (Elochukwu, 2015: 17). Africa is one of the regions providing the market and raw materials. A corollary of China's return to the continent is the increase in the volume of human movement between Africa and China (Skeldon, 2011; Xu Tao 2013a: 133; Shao, 2012; Sant, 2012). The third factor was the slow but steady liberalization of China's attitude towards migration. The fourth factor was the economic crisis that buffeted Southeast Asia in the late 1900s. To researchers like Bodomo (2009: 5), Cisse (2013), Bork-Huffer and Yuan-Ihle (2014) and Frost (2015), that economic crisis forced most African residents in countries such as Thailand, Malaysia and Singapore to re-migrate to China. The crisis was, beyond a shadow of a doubt, a trigger for African migration to China, for apart from forcing Africans to flee that part of Asia, it also forced many of those still at home who were planning to migrate to that part of Asia to migrate to China instead. However, considering the fact that the number that re-migrated from that part of Asia compared to the number that migrated direct from home during the same period appears to be small, the truth about the role of that crisis must have been patently exaggerated. Interestingly, for obvious reasons, Western Europe, remains the major destination for people emigrating from Africa (Castles and Miller, 2009: 151; Ratha et al., 2011: 25).

African migrants in China exhibit the following six characteristics. Firstly, they are concentrated in these six cities: Guangzhou, Yiwu, Shanghai, Beijing, Hong Kong and Macau (Bodomo, 2012: 196). Secondly, they are mostly traders (Bertoncelo and Bredeloup, 2007: 95; Bodomo, 2009: 4; Shao, 2012; Bork-Huffer and Yuan-Ihle, 2014: 583) who engage in the distributive sector of the Chinese economy, helping to decongest manufacturers' warehouses in different parts of the country. According to Li Anshan (2015: 22), research on the [African] diaspora has focussed on the traders. Some of the traders had previously been students or teachers who joined in the African gold rush in China. Thirdly, they are mostly self-sponsored migrants (Bork-Huffer and Yuan-Ihle, 2014: 583). Fourthly, they are mostly self-made entrepreneurs (Min, Xu and Shenasi, 2016). Fifthly, they are numerically inestimable (Xu Tao, 2013a: 135; Lan, 2016: 5). The difficulty in estimating their number accounts for the different figures that have been put on it, for example, 250,000 by Bodomo (2009: 4) and Davies (2009: 3), 100,000 by Zhu (2014) and 20,000-60,000 by Haugen (2015). Their number is difficult to estimate because of "the often transient and sometimes undocumented nature" of the migrants' stay (Pham, 2014). It is well worth noting that some of those considered migrants are actually African-based traders who are in China on short-stay business trips. Lastly, most of the migrants come from West Africa and the Maghreb (Davies, 2009).

China's African migrant population, believed to be the largest in Asia, comprises traders, students and those who earn a living from teaching the English language (Politzer, 2008). Due to legislations that demand high-end skills for migrant employment, the number of African migrants who have been absorbed into the country's labour market is still small. While the number of traders and students has increased, the number of English teachers (*sanpa* teachers) has progressively decreased. (In fact, the students, who are armed with a better education and reputation, are displacing *sanpa* teachers). According to Bodomo (2009: 5; 2012), Bork-Huffer and Yuan-Ihle, (2014: 581) and Le Bail (2009: 9), those students who transmuted into traders after their education were instrumental in the emergence of the trader sub-population. (They should also have noted that *sanpa* teachers were equally instrumental in the emergence of the sub-population). Students are known to be instrumental in diasporic formation. Their generally long years of study often acquaint them with the geography as well as the political, social, cultural and economic conditions of their host countries. Acquaintance with the local conditions invariably eases their adaptation. The number of African students who have stayed back to set up in business is rapidly increasing. This paper, sourced with literature as well as fieldwork conducted in Guangzhou during 2014-2017, surveys the African diaspora in Guangzhou, where the largest concentration of African population in China is found.

2. Guangzhou: China's 'Africa'

Guangzhou is arguably the best-known Chinese city in Africa. It is immensely popular on the continent because of its huge African population and its role in Africa-China trade. It has become a locale for sociological, cultural and linguistic research on Africans in the country, mainly because of these two factors. As noted by (Marfaing and Thiel, 2015: 68), it is "where the presence of Africans [in China] has been most thoroughly studied." Its African population is larger than that found in any other city in Asia (Bodomo, 2009: 5; Pham, 2014; Atanasov, 2015). The size of the population, however, is unknown, whereupon different figures have been quoted. According to Mathews (2015a), the migrants constitute the largest number of the developing world entrepreneurs of the city. As a transnationalizing agent, the population is making it possible for the Chinese to experience African culture and business practices first-hand (Bodomo, 2010: 695). The city is "a key destination for sub-Saharan Africans who are active in the import/export trade of Chinese goods" (Gilles, 2015: 18); and its African traders are helping to make Chinese manufactured goods available in their home countries (Le Bail, 2009: 6). The population is perceived in the following three ways: a community of traders (Bertoncelo and Bredeloup, 2007), a socio-cultural bridge (Bodomo, 2010) and an African enclave (Li Zhang, 2008).

The Sanyuanli-Xiaobei corridor is the most Africanized part of Guangzhou. Its streets, particularly the Guangyuanxi Lu, teem with African residents and traders from Africa. Its malls such as Long'An, Tangqi, Canaan and Bole have a number of shops run by African-Chinese couples. Its hotels such as Tong Tong, Long'an, Hua Kang, Yu Chang and Two Minutes are very popular with traders from the continent. (Due to an ongoing crackdown on drug gangs in the city, most of these hotels have become very discriminatory in accepting Africans). Most of the traders would prefer to lodge and do business in that part of the city because of its African ambience. It does not only have a number of African restaurants (such as Mama Selina African Kitchen and Mama Chimamanda African Restaurant), but also a setting that conduces to interaction between the visiting traders and the migrants whose experience, finesse and acumen the traders may need to get bargains or to access manufacturers. Arguably because of its huge migrant population, Sanyuali is the most-heavily policed part of the city. A medium police station sits a few metres away from the Tong Tong Hotel. Also, a police van has been stationed in front of the Yulong Fashion Plaza since 2012 when the Golden Dragon mall was definitely purged of its African tenants. Igbo is probably the most widely spoken African language in that part of Guangzhou.

Guangzhou's African diaspora has become a focus of academic research and media coverage. Some of the works that have been specifically done on

it are: "The emergence of new African "Trading posts" in Hong Kong and Guangzhou" (Bertoncello and Bredeloup, 2007); "Ethnic congregation in a globalizing city: The case of Guangzhou" (Li Zhang, 2008); "The 'third tier' of globalization: African traders in Guangzhou" (Lyons, Brown and Li, 2008); "The African enclave of Guangzhou: A case study of Xiaobei" (Li, Xue, Lyons and Brown, 2008); "The African presence in contemporary China" (Bodomo, 2009); "Foreign migrations to China's city markets: The case of African merchants" (Le Bail, 2009); "China wahala: The tribulations of Nigerian "bushfallers" in a Chinese territory" (Morais, 2009); "In the Dragon's den: African traders in Guangzhou 2005-2008" (Lyons, Brown and Li, 2009); "The African trading community in Guangzhou: An emerging bridge for Africa–China relations" (Bodomo, 2010); "From Guangzhou to Yiwu: Emerging facets of the African diaspora in China" (Bodomo and Ma, 2010); "African Pentecostal migrants in China: Urban marginality and alternative geographies of a mission theology" (Haugen, 2013); "African trading posts in Guangzhou: Emergent or recurrent com-mercial form" (Bredeloup, 2012); Nigerians in China: A second state of immobility (Haugen, 2012); "We are what we eat: Food in the process of community formation and identity shaping among African traders in Guangzhou and Yiwu" (Bodomo and Ma, 2012); "The social relations and interactions of Black African migrants in China's Guangzhou Province" (Xu Tao, 2013b); "Individual grassroots multilingualism in Africa Town in Guangzhou: the role of states in globalization" (Han, 2013); "Feeling at home in the "Chocolate City": an exploration of place-making practices and structures of belonging amongst Africans in Guangzhou" (Castillo, 2014); "The causal mechanism of migration behaviors of African migrants in Guangzhou: From the perspective of cumulative causation theory" (Liang Yucheng, 2014); "'Agents of translation': West African entrepreneurs in China as vectors of social change" (Marfang and Thiel, 2014); "A 'Wild West' of trade? African women and men and the gendering of globalisation from below in Guangzhou" (Huynh, 2015); "African traders in Guangzhou, China: Routes, profits, and reasons" (Yang, 2015); "Africans in Guangzhou" (Mathews, 2015a); "Counting beans: Some empirical and methodological problems for calibrating African presence in Greater China" (Bodomo and Pajanvic, 2015); "African logistics agents and middlemen as cultural brokers in Guangzhou" (Mathews, 2015b); "The social construction of Guangzhou as a translocal trading place" (Gilles, 2015); "African traders in Yiwu: Their trade networks and their role in the distribution of 'Made in China' products in Africa" (Cisse, 2015); "African diaspora in China: Reality, research and reflection" (Li Anshan, 2015); "State regulation of undocumented African migrants in China: A multi-scalar analysis" (Lan, 2014); "Transnational business and family strategies among Chinese/Nigerian couples in Guangzhou and Lagos" (Lan, 2015); "'Homing'

Guangzhou: Emplacement, belonging and precarity among Africans in China" (Castillo, 2015); "Structure and agency: Africana immigrants in China" (Adams, 2015) and "Guangzhou's African migrants: Implications for China's social stability and China-Africa relations" (Elochukwu, 2016).

3. Cleavages

African religious and language clusters have emerged in Guangzhou, vindicating the postulate by Chiswick and Miller (2004: 1) and Epstein and Gang (2010: 3) that a major characteristic of migrant populations is a tendency to cluster in ethnic or religious communities. According to Lan (2016: 5), most English-speaking and Christian migrants transact their business in the Sanyuanli district, whereas most French-speaking and Muslim migrants transact theirs in the Xiaobei and Yuexiu districts. The two largest African national groups in Xiaobei are Malians and Guineans. Those clusters have generated derisive appellations like "Chocolate cities", "Little Africa," and "Guangzhou's Harlem." The clusters which have formed along religious and colonial-language lines militate against Pan-Africanist camaraderie in that city. For example, English-speaking migrants, particularly those from Nigeria, like to deride French-speaking migrants, calling them '*zabarama*'. Anglophone-Francophone rivalry, nationalism and ethnicity are some of the factors bedeviling the efforts to form Pan-African associations in the city. While the migrants have not formed even one Pan-African association, they have formed a number of national, ethnic and hometown associations (HTAs), for example the Nigerian Community (for Nigerians), Afenifere (for Yoruba migrants), Ohaneze Ndigbo (for Igbo migrants) and Enugu State Association (for migrants from Enugu State of Nigeria). The HTAs are transnational models of the HTAs that exist in the home countries. They function as social capital platforms for members, extending assistance to members in diverse ways. For example, they issue advisories, counsel members with adaptation challenges, give 'condolence envelopes' to bereaved members and help with the hospital bills of sick members or the plane tickets of deported or sick or deceased members. According to Lan (2016: 15), Nigerian migrants have "the most mature ethnic support network in Guangzhou." Cleavages exist in the churches too. The national origin of a church (that is the country where its headquarters are) appears to be the major determinant of its congregational mix. Hence migrants from Nigeria predominate in 'Nigerian churches' such as the Redeemed Christian Church of God and Lord's Chosen Charismatic Church. The churches compete with one another. According to a former president of Nigerian Community, it was inter-church rivalry that instigated the deportation, to Hong Kong, of Daniel Mbawihe of the Royal Victory Church.

4. Enclaves

No African commercial or residential enclave has emerged in Guangzhou or in its suburbs yet, the city's huge African population notwithstanding. The migrants live singly or in small numbers in the neighbouring cities such as Dongguan, Foshan, Nanhai and Panyu. The cities constitute their commuter belt. There are yet no African enclaves in the city because of security concerns about the emergence of such enclaves. A municipal city official is quoted as saying, "The government was afraid that blacks would gather and form an African village, like Chinatowns in the United States. They do not want such ethnic communities to exist. If Africans become united, it would be very difficult for the government to manage them. This message has been stated very clearly in a confidential internal file" (quoted in Lan, 2014: 296). The municipal authorities have used two strategies to encumber enclave formation. One such strategy is their periodic purge of malls and residential apartments in the city centre of migrant occupants. For example, the Golden Dragon malls which used to teem with the migrant shopkeepers a few years ago now have only one or two African-Chinese couples. The malls were definitively purged following the 2012 raid on the drug syndicate, comprised of both the Chinese and their West African accomplices, who were using their rented apartments for narcotics. The timing for mall purge is an interesting narrative of 'use-and-dump' or 'pick-and-drop' in Nigerian parlance. The malls are purged after the migrants have helped to animate them. According to an intermarried migrant from Enugu state,

> Those malls (Tangqi, Canaan and Bole) remained lifeless until we, Nigerians, began to occupy them. Only those ones who did not have the money to rent a shop at the Golden Dragon malls might be found here (Bole) before 2010. At first, the Chinese were begging us to go and occupy their shops free of charge for as long as six months. Our presence here animated these malls. The malls are nothing without our presence. The Chinese are smart. If they want to animate a mall, they will dangle an offer of rent-for-free shops before our people. Such was one of the tactics they used to make Bole and other malls what they are today. They still use this tactic to entice our people to animate their dormant malls (2017/1/12).

Once a mall has been animated, Africans are evicted and the Chinese will move in to occupy their shops. The other strategy is tightening residency and tenancy requirements. The migrants do need a residency permit to be able to rent shops and apartments, travel by air, litigate, go to the hospital and move with fewer restrictions in the city. Migrants who have overstayed their visa are severely handicapped by the requirements. For example, they are vulnerable to exploitation by not only the law enforcement officers, but also house agents, business partners and friends. They are also marginalized in

the competition involving the migrants and their hosts for the control of trade with traders from Africa. Migrant enclaves will certainly reduce the volume of contact between the Chinese and such traders.

5. Masculinization

The diaspora is predominantly male (fieldwork observation). Some of the few female migrants are spouses of *sanpa* migrants – those pioneer migrants who arrived at the turn of the century. Most of the unmarried female migrants are single mothers who scrape a living from prostitution or hawking African foods such as *moi-moi* (steamed bean pudding) and *jollof* (one-pot rice). The following are the major reasons for the small number of female migrants in the diaspora.

The first reason has to do with affordability. Most documented migrants cannot bring their families to live with them in China due to "the high cost of maintaining a family in China." For example, migrant children are generally denied enrollment by public schools; and most migrants cannot afford to send their children to private schools. Some married migrants who could not afford to send their children to private schools have sent their families back to Africa or returned to Africa to become visiting traders. The high cost of child education is a reason for the progressive decrease in the number of endogamous families in Guangzhou. A certain female migrant complained that her family was expending six thousand *kuai* ($900) every month to school their two children in a private school (5 January 2017).

The second reason is that, due to their illegal residency status, most migrants cannot provide the documents their families will need to successfully apply for a Chinese visa. Some migrants have circumvented this obstacle by getting their spouses to disguise as traders who want to travel to China for business. The spouses may use the invitation letters and other documents the migrants purchased from unscrupulous Chinese travel agents and phony companies. Nowadays it is easier for female traders coming from certain African countries to get a Chinese visa than it is for male traders.

The third reason is that China has a labour policy that discriminates against both internal and international migrants. For example, *hukou* can make it difficult for, say migrants from Dongguan (a city in Guangdong province) to find a job in Guangzhou (the capital of Guangdong province). The *hukou* has been extended to apply to foreigners as well in the form of laws that restrict the employment of foreigners who lack high-tech expertise. Female migrants may not be employed as domestic helps because the law, according to Tan (2010), forbids the Chinese to employ foreigners as domestic helps. Consequently, most domestic helps are migrants from the rural areas. The

few foreigners working in the hospitality industry mostly come from the Philippines, Burma and Vietnam.

The fourth reason is the hosts' resentment of all forms of commercial rivalry with the migrants. The Chinese regard migrant shopkeepers as a threat to their control of transaction between visiting traders and manufacturers; and they use some different strategies to stifle the erosion of their advantages over the migrants. One such strategy is to reject outright any attempt by the migrants to rent space in the malls. The other is to antagonize migrant shopkeepers. Such strategies have the power to deter migrants to bring their families from home to live with them. A certain female migrant shopkeeper at one of the malls on Guangyuanxi Road complained that her Chinese neighbours were being hostile to her because of her popularity with African traders:

> I want to move out of this place [her shop] because my [Chinese] neighbours don't want me around them. They complain I have cornered the patronage of African traders here. They are so jealous of me. Be careful with that woman [one of her neighbours]. She smiles always; but her heart is full of evil.

In extreme cases the hosts can instigate the immigration officers to deport their migrant rivals.

The fifth reason is that prostitution is yet to become a lucrative venture for African female migrants in the city. Most victims of human trafficking from Africa to China are still male. Patronage of African prostitutes among the Chinese is still low. Patronage by the migrants is also low mainly because it is cheaper to patronize local prostitutes. According to a group of Nigerians interviewed at the Tanqi mall on 8 January 2017, the majority of the few African sex workers in the city come from east Africa.

6. Conclusion

The emergence of African diaspora in Chinese cities such as Guangzhou and Yiwu in a short space of twenty years is a testament to the astounding speed at which Africa-China relationship has developed since the end of the Cold War. Unsurprisingly, the diaspora has attracted a lot of scholarly and media attention; most of the attention, however, has focused on Guangzhou, where Asia's largest African diaspora (city wise) is found. As was evident in the foregoing, Guangzhou's diaspora (one of the world's newest diasporas) developed by design (by those who deliberately travelled to China to settle in the city) and by accident (by those who were forced to terminate their journey to Japan, South Korea or Oceania in the city). Its characteristics include the preponderance of males and traders as well as the apparent cleavages of religion, ethnicity and nationality. Indeed, the diaspora has become fundamental to the debate about Africa-China relations.

Note

* Anas Elochukwu, deputy director of the Confucius Institute at Nnamdi Azikiwe University, Awka, teaches Chinese history, Chinese politics/government and Chinese foreign policy in the Chinese Studies department of the University. He holds a doctorate in politics from Xiamen University. He can be reached at <elochukwuanas@yahoo.com>

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A Federal Republic of China: The Road Not Taken

*Byung-Ho **Lee****
Ajou University

Abstract

This paper explores the position of the Chinese Communist Party on federalism and ethnic self-government from 1922 to the present in historical and comparative perspectives. Its initial blueprint of a Federal Republic of China became a path not taken; however, the road to establishing a unitary multiethnic state for the future of China was neither inevitable nor accidental. This argument is developed and illustrated through comparing the pre-1949 and post-1949 periods, paying particular attention to the period of 1945-1954. The founding of a unitary state with regional autonomy while rejecting the Soviet ethnofederalism reveals Mao Zedong's own autonomy vis-à-vis Stalin. The Chinese state since 1997 has carried out a kind of federalist experiment to a lesser extent, which can be perceived as a partial resurrection of an old Party line abandoned six decades ago.

Keywords: *federation, regional autonomy, minority nationality, United Front, Chinese Communist Party*

1. Introduction

One of the most significant issues that characterized a century of modern state-building in China is the central-local relations. The establishment of the People's Republic of China (PRC) in 1949 signified a triumph of centralism over federalism after decades of political disunity during the Republican era. Throughout most of the pre-1949 period, however, the Chinese Communist Party (CCP) promised a right to ethno-national self-determination and a federal scheme. As one scholar aptly summarized, the CCP made "a sharp U-turn in favor of the notion of a unitary, multiethnic nation-state" while admitting "its earlier emphasis on self-determination and federation was a mistake" (Zhao, 2004: 175-76). While a plan of federalism disappeared, the tensions and conflicts remained after the turn. For instance, the implementation of the five Autonomous Regions since December 1949 was the CCP's strategy to balance the centripetal and the centrifugal political

forces. However, unconvinced non-Han cadres questioned the validity of ethnic regional autonomy over a federated state. The CCP leaders accordingly had to defend their position as to why the PRC decided not to adopt a Soviet-style federal system (Li, 1980 [1961], 1987: 541-65; Zhou, 1989 [1957]). Such top-down persuasion did not prevent native populations especially in Tibet and Xinjiang from mobilizing political protests, armed revolts, mass migration and terrorist acts. Perhaps there remain some of the painful costs consequentially for not taking the road to a Federal Republic of China. What are the benefits of it then?

The sharp contrast between the survival of the PRC and the dismemberment of the Soviet Union, Yugoslavia, and to some degree Ethiopia in line with ethnicity leads to a sociological question: Does a federation as a decentralized political system contribute to state fragmentation in a multiethnic state? When the foundations of the Soviet Union began to unravel during the *glasnost* era, the nationalist movements sprang up to take the lead. It was therefore a systemic collapse together with strong national movements in the federal state that explained the difference from China (Li, 2002; Duara, 2011: 294). A number of Sovietologists have also suggested that the rise of ethnic nationalism during the Gorbachev era was in some way the unintended consequence of the Soviet system of ethno-federal institutions and arrangements that consolidated segmented regionalism (Beissinger, 2002; Burgess, 2009). In that sense, the CCP's shift to regional autonomy would have inhibited the PRC's territorial disintegration. Nonetheless, it would be not feasible to measure precisely to what extent the CCP's 1949 resolution was decisive. There is no definite answer for such a counterfactual condition as what would have occurred if the CCP affirmed its original plan of a Federal Republic of China or a Federal Democratic Republic of China. This paper seeks to provide only a partial explanation.

Scholars have confirmed that most ethnic policies of the PRC in its early years were theoretically modelled based on the writings of Lenin and Stalin and institutionally the Soviet Union system (Schwarz, 1973, 1979; Ma, 2007). To my knowledge, however, comparatively little emphasis has been made to differentiate the PRC from the Union of Soviet Socialist Republics (USSR) on the implementation of autonomy for minority nationalities. Until the undoing of the Soviet Union and Yugoslavia, scholars in both China and overseas largely ignored it. This lack of attention may be partly based on a teleological interpretation of the development of the Maoist party-state.

I here argue that a teleological view, which naturalizes the blueprint of the PRC's line of regional autonomy as being already laid out in Mao Zedong's pre-1949 works such as *On New Democracy* and *On Coalition Government*, fails to explain reality. Howland (2011), for example, explored Mao's thesis of new democracy relating to the notion of territorial sovereignty and the

application of ethnic policy of the PRC based on Althusserian structural Marxism. Such an approach, which assumes a smooth relationship between Mao's pre-1949 and post-1949 positions, engenders some serious issues. For instance, as will be discussed in detail, the original version of Mao's 1945 *On Coalition Government* envisioned a new Chinese government as "a Federation of Democratic Republic of China" and "a federal state." His proposal had been confirmed in numerous occasions until the eve of the establishment of the PRC. The evidence including the term federation 聯邦 in the internal party document can be traced as late as August 22, 1949. Mao eventually determined to expunge it within the next two weeks. All phrases on federation thereafter became politically incorrect so that they were *cleaned* in the post-1949 publications notably the *Collected Works of Mao*. This omission was intentional for the purpose of constructing a teleological master narrative for the modern Chinese state-making project. Despite the popular generalization about the pattern of Chinese history conceiving political unity as ideal, normal and inevitable, the road to establishing a unitary state was neither ineluctable nor merely contingent. It was rather path-dependent.

As the CCP has recently published various compiled volumes of its archival documents, several mainland scholars have begun to revisit the CCP's positions towards a federal state (Zhou, 2002; Song, 2008; Chen, 2009, 2013; Wen and Wang, 2010; Wang, 2013). After the 1997 change of sovereignty, scholars in Hong Kong also examined both the history of the federalist movements and the contemporary revival of interest in federalism (Lam, 2006). My purpose here is not to paraphrase their works but to construe the CCP's position on federalism and ethnic self-government from 1922 to the present in historical and comparative perspectives. There are two interconnected issues: the transition from federal to unitary state and that from endorsement to denial of self-determination. This paper mainly focusses on the former. Several questions will be discussed. First, what was the CCP's position until 1949? When did the CCP leaders abandon the Soviet model of ethnofederalism, and why? What was the peculiarity of Chinese model in comparison to that of Soviet federal system? Finally, what were the consequences and implications of China's path to regional autonomy?

2. The CCP's Adoption of the USSR Model

The Marxist theory of nationalism was formulated to solve the question of autonomy for nationalities. The Austro-Marxists such as Otto Bauer and Karl Renner rendered one of the first Marxist theories of ethnicity. They argued that ethnic minorities like the Jews in the Hapsburg Empire should be conferred a right to cultural autonomy because a nation was essentially a community of characters and cultures. Joseph Stalin blamed their notion of national-

cultural autonomy not just as subjective and super-structural, but as perilous since it was a masked form of nationalism encased in socialist armour. His alternative was to practice regional autonomy on the grounds of four objective constituents of a nation – a common language, territory, economic life and psychological make-up manifested in a common culture (Stalin, 1953 [1913]: 307). Stalin further argued that local autonomy was acceptable for the Transcaucasus because it would help the backward groups there to break the shell of small-nation insularity. But national-cultural autonomy would lead in the opposite direction, locking up those nations in their old shells.

Several multiethnic communist regimes including the PRC adopted this Stalinist perspective of regional autonomy; however, their concrete programs were diverse. The USSR and the Socialist Federal Republic of Yugoslavia adopted a federal system. Yet it should be noted that both Lenin and Stalin had originally advocated a unitary state with regional autonomy for non-Russian regions while opposing federalism before June 1917 (Martin, 2001: 13). The Union, conceived as a transitional form toward a complete unitary state, was an outcome of pragmatic concession by the Bolshevik Party (Burgess, 2009: 26-9).

The CCP adopted only selectively the programs of the Communist Party of the Soviet Union (CPSU) where the federal principle did not come into effect. The resolution made in 1949 was to create a unitary republic on the principle of regional autonomy for minorities without establishing an administrative unit tantamount to Union Republic. The PRC instead institutionalized autonomous regions, autonomous prefectures, and autonomous counties, which structurally resembled autonomous republics (*avtonomnaya respublika*), autonomous regions (*avtonomnye oblasti*), and autonomous districts (*avtonomnye okrugi*) of the USSR (see Lai, 2010). In 1957, Zhou Enlai 周恩來 raised a question on this issue, "Why, in China, did we choose the system of autonomous areas, rather than the system of autonomous republics?" He answered, "The differences do not lie in the presence or absence of self-government. … The differences lie in the way administrative lines are drawn in the two countries and in the particular rights and powers delegated to the autonomous areas. These differences are attributable partly to differences in the historical backgrounds of the two countries" (Zhou, 1989 [1957]: 259-60).

In retrospect, the establishment of the USSR in December 1922 evidently influenced early leaders of the CCP who envisioned a Federal Republic of China. The CCP's pre-1949 position, however, could not be entirely attributed to the Soviet Union experiences. China's domestic situation during the Republican period also needed to be considered. The idea of confederacy or a union of autonomous provinces was proposed by various groups including regional warlords who sought to keep their autonomy in relation to the dysfunctional central government (see "Federal Scheme", 1925; Duara, 1995:

177-204, 2011; Hu, 2011). Similarly, Dr. Sun Yat-sen early in his career advocated what he called federalism, although his preferred model was a modified form of centralism rather than a variant of federalism (Fitzgerald, 1994: 55n61). Under such historical conditions, the CCP endorsed both the right to national self-determination and the federal scheme until 1949, albeit with some revisions toward a more centralized state (Zhao, 2004: 173-75; Song, 2008; Wu, 2009: 92-7; Wen and Wang, 2010). In the following sections, I divide the history of the CCP's first three decades into three phases.

2.1. First Phase: 1921-1936

The Manifesto of the CCP's Second National Representative Meeting in July 1922 was possibly the earliest example indicating the party line on the form of governmental organization – the three-stage strategy towards a *Zhonghua lianbang gongheguo* 中華聯邦共和國 (Federal Republic of China). It read: "The united China proper including three eastern provinces [of Manchuria] will become a genuine democratic republic; three areas of Mongolia, Tibet, and Hui-Xinjiang shall carry out self-rule and become a democratic autonomous government; the United China Proper, Mongolia, Tibet, Hui-Xinjiang shall construct a Federal Republic of China employing the system of free federation" (*Minzu wenti*, 1991: 18; see ibid., 24). This statement has two principal foci. First, the emphasis on constructing 'united China proper' 統一中國本部 was an effort to eradicate provincialism and militarism. Second, the separation of interior and exterior was to recognize the differences between Han and non-Han peoples with regard to their history, language, culture and economy. Chen Duxiu 陳獨秀 avidly argued these points through his articles published in the CCP Central Committee's journal, *Xiangdao* 嚮導 (The Guide Weekly).

Early leadership of the CCP in the 1920s had consistently favoured the adoption of Soviet-style federation, while opposing the *liansheng zizhi* 聯省自治 (federal self-government) movement that would ruin the territorial integrity of China proper (see Wen and Wang, 2010). Qu Qiubai 瞿秋白 in his essay, "Leninism and China's National Revolution", for example, lauded the Soviet Union in which the formerly oppressed nationalities such as Ukrainian, Belorussian, Armenian, Georgian and Uzbek had their own Union Republic. He then emphasized the "complete right to self-determination" and suggested that the CCP should learn from the Soviet Union example concerning an organized doctrine of a revolutionary government in China having a solid foundation of "federal republic for every nationality" 各族的聯邦共和國 (Qu, 1991 [1926]).

The Constitution of the Soviet Republic of China of 1931 stipulated the right to national self-determination. As promulgated in Article 14, the Soviet

government of China recognizes the right to self-determination of the national minorities in China, their right of complete separation from China, and of the formation of an independent state for each national minority. All Mongolians, Tibetans, Miao, Yao, Koreans and others living in the territory of China shall enjoy the full right to self-determination, i.e., they may either join the Union of Chinese Soviets or secede from it and form their own state as they may prefer (*Minzu wenti*, 1991: 165-66). This CCP line favouring Soviet-style federalism and even affirming the unconditional right to secessionist self-determination continued during the pre-Yan'an years (*Minzu wenti*, 1991: 177-80, 278-82). In his interview with Edgar Snow in July 1936, Mao said, "The Outer Mongolian republic will automatically become a part of the Chinese federation, at its own will. The Mohammedan and Tibetan peoples, likewise, will form autonomous republics attached to the China federation" after the victory of the revolution (Snow, 1968: 444; *Minzu wenti*, 1991: 595).

2.2. Second Phase: 1937-1945

The CCP during the Second Sino-Japanese War period gradually moved from its earlier emphasis on national self-determination 自決 and self-independence 獨立自主 to forming self-government in autonomous areas (Zhou, 2002). The rationale for this adjustment was that returning the management of currently unstable frontier to its indigenous people would be dangerous for both Han and minority nationalities, given the insufficient level of local self-defense struggling against the Japanese, Kuomintang and warlord forces. Accordingly, as an editorial at *Jiefang ribao* 解放日報 (The Liberation Daily) in June 1941 claimed, the only correct nationality policy to unite China's various nationalities was to "implement equal rights of Mongol and Hui nationalities with Han nationality in politics, economy and culture, and establish the Mongol and Hui nationalities autonomous region on the basis of the principle of the equality of nationalities" (*Minzu wenti*, 1991: 681-82; see Li, 1986: 451-71, 1987: 121-32). This was the first time for the CCP to set forth the system of autonomous regions.

Yet still, the idea of federation did not disappear. In April 1945, Mao in his seminal work, *On Coalition Government* 論聯合政府, explicitly confirmed both a federalized central government and the right to national self-determination. He regarded the question of federation as part of the formation of the state modelled on his principle of New Democracy. He argued in the General Programme, "All nationalities within China proper, on the basis of voluntary and democratic principles, should be able to organize a Federation of Democratic Republic of China 中華民主共和國聯邦, which then becomes a foundation for forging a central federal government" (Mao, 1948 [1945]: 313). To precisely plan for improving the condition of non-Han peoples,

Mao promised, "[We Communists] allow all minority nationalities to enjoy the right to national self-determination and the right to establish a federal state 聯邦國家 with Han peoples, provided they are willing" (Mao, 1948 [1945]: 320). As will be explained, Mao's proposal of fabricating a Federal Democratic Republic turned out to be an *ad hoc* scheme under the principle of the United Front.

2.3. Third Phase: 1945-1949

After the end of the Second World War, the CCP's minority nationality policy increasingly focussed on a centralized control while Mao's outline in 1945 remained unchanged. This situation augmented the inner contradiction between the actual programs and the Maoist doctrine of self-determination and federation. The CCP steadily emphasized the national self-governance, while silencing the slogan of independent self-determination.

One of the impending issues, as the Japanese control over the borderland regions ended, was to consolidate the CCP rule particularly in Inner Mongolia. There was an apparent irredentist Pan-Mongolian movement demanding national self-determination among Inner Mongolian revolutionaries who hoped to be independent from China first and then join Outer Mongolia. In late 1945, they not only tried to persuade Chinese Communists who immediately opposed their plan, but also sent representatives to Outer Mongolia who met Khorloogiin Choibalsang. The responses from the CCP and Choibalsang were essentially similar: Yan'an could help Inner Mongolian nationalist revolutionaries (*Minzu wenti*, 1991: 1002). Hence, in March 1946, the CCP Central Committee, according to its directive, decided that the forthcoming Inner Mongolian self-government would not serve as an independent government but belong to China as its autonomous region (Zhonggong zhongyang, 1991 [1946]). Despite the debates over the territorial scope and the degree of autonomy of a new Mongolian polity, this point was repeatedly underscored as seen through the decree in March 1947 (Zhonggong zhongyang, 1991 [1947]). Several weeks later, the Inner Mongolian Self-government 內蒙古自治政府 was established on May 1, which later became the first Autonomous Region of the PRC on December 1949 (Wu, 2009: 118-19). However, this transformation was not predetermined at the time.

There were two competing perspectives on the future administrative status of non-Han self-government: high-level autonomy within a federal democratic republic of China and regional autonomy within a unitary state. The CCP's nationwide propaganda of the 'Chinese federation' was explicitly articulated in the Manifesto of the Chinese People's Liberation Army, published in *Renmin ribao* 人民日報 (The People's Daily) on October 10, 1947. Its Article Seven originally stated that "Recognize the right to equality and autonomy

of the minority nationalities within the borders of China and the freedom to join the Chinese federation at their own will 及自由加入中國聯邦" (Chen, 2009: 15-6). After 1949, nine Chinese characters in this sentence were omitted (Mao, 1961 [1947]: 150).

The idea of federation indeed persisted until as late as mid-1949 especially among the pro-USSR factions such as Gao Gang 高崗, the CCP leader in Manchuria. In August 1948, he spoke to the cadres of Inner Mongolia including Ulanfu, "After nationwide liberation, … the Inner Mongolian Self-government shall be a federative state which comprises an integral component of our national northern border", citing the phrase from Mao's *On Coalition Government* mentioned earlier (Gao, 1991 [1948]; see Chen, 2009: 16). Furthermore, it is possible to infer that the local authority in Inner Mongolia, Manchuria and Xinjiang, having been influenced by the Soviet Union, would favour the USSR model as a state system for the new China. For example, on August 1949, the Yili 伊寧 faction in Xinjiang, headed by a Uyghur revolutionary Saifuddin Azizi who was one of the key figures of the Soviet-backed Second East Turkestan Republic (SETR), demanded the adoption of a federal government with a high degree of autonomy 高度自治 for the new Chinese republic (Wu, 2009: 97-9). Yet this proposal was declined by Zhou Enlai when the representatives of the SETR, Saifuddin and his colleagues, attended the Chinese People's Political Consultative Conference (CPPCC) 中國人民政治協商會議 in Beijing the next month.

3. Decisive Turn in 1949

In comparison to Tito's Yugoslavia and the Soviet Union, the CCP's final resolution was not a Federal Republic. This was based on the suggestion of Li Weihan 李維漢 (1896-1984) upon Mao's urgent request. Li was appointed in September 1948 as the head of the United Front Work Department 統一戰線工作部 of the CCP Central Committee and kept this position until 1964. During the PRC's early years, he was a chief negotiator with the Tibetan delegates on the Seventeen-point Agreement of 1951 (Chen, 2007). He was also the chairman of the State Commission of Nationalities Affairs 國家民族事務委員會, functionally equivalent to the People's Commissariat of Nationalities (Narkomnats) of the Soviet Union.

It is important to emphasize that, when organizing the CPPCC and drafting its Common Programme 共同綱領, the principle of federation was kept until late August 1949. In the first preliminary draft of the Common Programme sent exclusively to Mao by Zhou Enlai on August 22, it read: "Realize the right to self-rule for each nationality and organize a federation of China's nationalities 中華各民族聯邦 on the basis of voluntary and

democratic principles" (Zhou, 2008 [1949]: 296). As he was preoccupied with the upcoming CPPCC, Mao was struggling to deal with this sentence built upon his own blueprint promulgated among the CCP cadres in 1945. Mao intended to solve this conundrum before responding to the Politburo so that he asked Li Weihan, possibly in late August, to investigate whether a new Chinese state should keep a federal system. While trying not to deviate from the canonical Marxist-Leninist theories on nationality, Li suggested a unitary republic because a federal state would be inadequate and impracticable to take the characteristics of the Chinese nationalities into consideration.

Li argued that autonomy in the Chinese context should assume a form different from the one in the Soviet Union. He enumerated two particular conditions incommensurable with the Soviet Union (Zhonggong zhongyang dangshi yanjiushi, 2011: 12). First, while non-Russians comprised about 47 per cent of total population of the USSR, non-Han nationalities in China only accounted for six per cent. Further, their territorial boundaries could not be delineated in most cases because China's minorities were either widely scattered nationwide or lived inside tiny ethnic enclaves integrated into larger ethnically mixed communities. Such spatial settings facilitated a long history of reciprocal acculturation and mutual influence – the Han people assimilated others and were assimilated by them. In contrast, many of the nationalities in Russia in the days of the October Revolution were geographically separated, each living in its own area. Second, the Marxist-Leninist theory in essence advocated a unitary state system with local self-rule and regional autonomy for nationalities. A federal system could be considered only under exceptional sociopolitical circumstances. Romanov Russia was an imperial power with a number of colonies. Many non-Russian nationalities had already achieved *de facto* independence from Russia when the Revolution succeeded. The Bolsheviks therefore selected a federal system as a transient form before transcending into a complete unitary state in the future. China, however, was never an imperialist state and the CCP led the revolution to emancipate the Chinese people from imperialist aggressions. Moreover, China has been a united country and has not gone through national separation. Thus, a new China should not implement a federal system.

Mao endorsed Li Weihan's argument and subsequently dropped two phrases of "national self-determination" 民族自决 and "organize a federation of China's nationalities" 助成中華各民族聯邦 in the revised draft of the Common Programme completed on September 5. Zhou Enlai reported this significant decision at the preliminary meeting for the CPPCC on September 7:

> On the facet of governmental institution, there is still one more issue, that is, whether or not our country will adopt a multiethnic federal system. … Every nation possesses the right to self-determination, and this is absolutely indisputable. However, imperialists today plot to disintegrate our Tibet,

> Taiwan, and even to the point of Xinjiang so, under such circumstance, we hope each nationality will need not to listen to the incitement of imperialists. For this point, our country's name should be called "The People's Republic of China", but not to be called a "federation." In today's meeting, there are quite a lot of participants, who are the nationality representatives. We especially clarify this opinion towards them and at the same time hope that all are able to agree with it. Although ours is not a federation, we instead propose regional autonomy for nationalities and implement the authority for self-rule. (Zhou, 1984 [1949]: 139-40)

Zhou Enlai's tone here was not so much conclusive as suggestive in the presence of non-Han delegates, who might not necessarily agree with his opinion of abandoning a federal autonomy scheme. His affirmation of national self-determination while rejecting a federal system was justified on the basis of the success of Inner Mongolian Self-government and multilateral conspiracy of imperial powers to disrupt China's territorial integrity and sovereignty. He mentioned the British approach toward Tibet and southern Xinjiang and the American engagement in Taiwan and Hainan, and insisted that these areas had been consistently located inside China proper.

The CPPCC passed the Common Programme on September 29, which approved Zhou's view. This connotes that the voice of federalism had been silenced during the CPPCC. Yet several questions still remain; for instance, the detailed negotiation process between Mao, who wanted to lower the administrative level of self-government, and Stalin, who would be more inclined to establish autonomous republics in such strategic buffer zones as Inner Mongolia and Xinjiang. Scholars have recently rendered the conflicting interpretations on Stalin's prospect of Xinjiang particularly on the dissolution of the SETR and his attitude toward the CCP leadership (Gao, 2007; Wu, 2009: 97-102). One thing is nevertheless clear: Mao adopted regional autonomy over federal republic that marks his autonomy vis-à-vis Stalin.

Once the shift towards nationality policy was made, the PRC immediately applied a new guideline on the question of the right to self-determination as well as the enactment of regional autonomy to the newly liberated non-Han areas. Within a week after the declaration of the PRC, on October 5, the CCP Central Committee sent a telegram to the Frontline Committee of the PLA Second Field Army marching then to indigenous areas in southwest China, later to Chamdo in 1950, and eventually to Lhasa. It read:

> Today we should no longer highlight the right to self-determination 自決權 for minority nationalities. This slogan was emphasized for our Party to compete for minority nationalities with the Kuomintang during our struggle against its reactionary rule and was absolutely correct at that moment. The situation today, however, has already gone through fundamental changes, as the Kuomintang's reactionary rule is basically overthrown and our Party

> leads the birth of new China. We should not emphasize this slogan again with regard to domestic nationality problem to accomplish our great cause of national unification, to defeat the imperialists and their running dogs who have plotted to break up China's national unity, and to immune from foreign imperialists and domestic reactionaries among minority nationalities who have utilized this slogan to let us demote ourselves to passive position. Today we should instead emphasize fraternal cooperation and mutual unity among all nationalities in China. Hope you pay special attention to this point. (Zhonggong zhongyang, 1992 [1949])

The CCP's withdrawal of granting the right to self-determination and establishing a federal republic has substantially shaped the PRC's ethnic policies until today. Zhou Enlai in 1957 provided the comprehensive explanation to justify the CCP's rejection of federal state and adoption of regional autonomy as an alternative solution (Zhou, 1989 [1957]: 259-68). Equally important was, as will be discussed, the evolution of master narrative – the PRC's official rhetoric of including non-Han nationalities within a 'great family of the Chinese nation' 中華民族大家庭.

4. After the Transition

Regional autonomy, as defined in Article 51 of the Common Programme of the CPPCC, "shall be exercised in areas where national minorities are concentrated, and various kinds of autonomous organs for the different nationalities shall be set up according to the size of the respective populations and regions." The rights associated with regional autonomy, however, were subordinate to the central government. According to Article 52, local non-Han people's security forces ought to be in keeping with the unified military system of the state (Blaustein, 1962: 52; see *Constitution*, 1954: 41; Schwarz, 1979: 145). To that end, the State Commission of Nationalities Affairs was created on October 22, 1949 in which Li Weihan and Ulanfu became the first chairman and vice-chairman respectively. Ulanfu took the chairmanship in 1954 and assumed this position until 1970. He claimed that the fundamental nationality policy meant "regional autonomy practised within the boundaries of the People's Republic of China under the unified leadership of the Central People's Government" (Ulanfu, 1953 [1952]: 52). Regional autonomy therefore does *not* mean either independence or self-government without leadership by the government of a higher level.

In accordance with the general provisions of the Common Programme as an interim constitution, a set of more specific supplementary guidelines were ensued during the first five years of the PRC (Li, 1953 [1951], 1981: 451-61; Zhou, 1953 [1951]; Blaustein, 1962: 172-79). By October 1951, more than 80 local governments of nationalities other than Inner Mongolia were

established, ranging from township-level and up. There were also "more than 50,000 cadres of national minority origin who are withdrawn from production to engage in full-time work among the national minorities in various parts of the country" (Zhou, 1953 [1951]: 23). By the end of 1953, health teams had established over 300 clinics and 38 hospitals for minorities, and more than 2,700 minority members had received some medical training (Schwarz, 1971: 87-8). As an expert on the PRC's ethnopolitical enterprise evaluated that "in general the Communist tried their best during most of the 1950s to improve the life of most minorities and that in several instances they may have actually improved" (Schwarz, 1979: 147). Although it was still questionable to what extent the overall condition of non-Han peoples was actually ameliorated, the PRC would feel an urge to exercise compensatory preferential programs at the expense of federal autonomy.

This short phase from 1949 to 1954, prior to the promulgation of the first PRC Constitution, was the last moment of holding remnants of a federal autonomy scheme, while fiercely suppressing separatist movements, one notably led by the Kazakh leader Osman Batur who was captured and executed in Urumqi on April 1951. The Inner Mongolia Autonomous Region under Ulanfu and the Tibet government under the Dalai Lama had a parallel relation with six supra-provincial *daxingzhengqu* 大行政區 (macro military-administrative regions), which were abolished in 1954. Xinjiang, in contrast, was classified as a provincial-level unit mainly due to the history of Xinjiang Province since 1884. Such a decision frustrated non-Han leaders particularly the remaining figures of the former SETR (the Yili group led by Saifuddin). They proposed alternative plans: upgrading its administrative status tantamount to that of Inner Mongolia and Tibet and even changing the PRC's regional autonomy to the Soviet-style *jiameng gongheguo* 加盟共和國 (union republic) or *zizhi gongheguo* 自治共和國 (autonomous republic) (Gao, 2007; Wu, 2009: 97-102). One of the CCP's strategies to mitigate local dissents was to propagandize and educate the official line regarding the policy of nationalities. From 1951 to 1954, the central government invited over 6,500 minorities representatives to visit Beijing (Zhao, 2004: 178).

The final version of the PRC's official statements was manifested in the Constitution of 1954 where the administrative, financial, legal and military affairs of local governments in non-Han areas were subordinated by the unified national regulations of the central government (*Constitution*, 1954: 5, 9-10, 40-2). Yet the complete provincialization of China's territory was accomplished only in 1965 upon the establishment of the Tibet Autonomous Region as a provincial-level unit. China's nation-building project, articulated in the PRC's official mantra that China is a single multinational state (*Constitution*, 1954: 9), has in essence been a long path towards provincializing its borderland.

Meanwhile it is worth to emphasize the existence of a subtle chasm inside the Chinese party-state. Unlike the PRC Constitution, the Constitutions of the CCP "not only fail to mention any rights and privileges of its minority members; they declare emphatically that the Party has *no place* for regional autonomy" (Schwarz, 1979: 145; italics added). The latest edition, revised and adopted in October 2017, still does not even mention the term "regional autonomy" in any of the 55 articles. This term was stated only once in the General Program. Thus, the political and administrative rights regarding regional autonomy stipulated in the PRC Constitution need to be interpreted with caution since the government is eventually subordinated by the CCP. As will be discussed next, the CCP also has no place for national self-determination.

The perennial political turbulence in Tibet markedly in 1959 (Heberer, 1989: 118-26; Wang, 2002) possibly led the CCP leaders to set a more concrete party line on the relations of national self-determination to local nationalism 地方民族主義. This was expressed in Li Weihan's speech in September 1961 at the cadre meeting in Xinjiang in the midst of escalation of Sino-Soviet split and mass movement of non-Han peoples largely Kazakhs who crossed the national border (Schwarz, 1973: 205). Proclaiming the CCP's nationality policy as the best application of "universal truth of Marxist-Leninist theory", he regarded the right to national self-determination as neither universal nor absolute but merely conditional and circumstantial depending on the concrete historical condition. He admitted that the demand for national self-determination and separation was absolutely necessary and justifiable for struggling against foreign imperialism. He claimed, however, that such laudatory acknowledgement of the right to self-determination in Marxist-Leninist history was not theory-driven but should be understood through the historical context of the Bolshevik revolutionary strategy. He insisted, "Thus, Marx-Leninism always does not let national self-determination [unconditionally] reach up to the right of secession" (Li, 1980 [1961]: 13).

In 1962, Li Weihan further justified the CCP's withdrawal from the right to national independence for China's minority nationalities referring to Lenin's writings on national self-determination. He blamed the Manchukuo regime, the Mengjiang United Autonomous Government 蒙疆聯合自治政府 under Prince De, Pan-Turkism, Taiwan independence as reactionary acts plotted by old and new imperialist powers. Thus, "national self-determination" was no more than a slogan of domestic and foreign reactionaries – that is, imperialists and their running dogs (Li, 1987: 549-50).

From Li's argument, it is feasible to make sense of the previous discussion of the CCP's exclusion of regional autonomy and national self-determination in its constitutions. Theory as being categorical is one thing, praxis as being hypothetical is another: there is "the question of the minority

nationalities; here we have elements of commonality and elements of particularity", as Mao (1986 [1954]: 457) separated them. This demarcation creates an understated but profound chasm between the CCP and the PRC. The CCP's position on national self-determination also reveals a critical departure not just from Western communism in the USSR and Yugoslavia but also, to some degree, from other Third World communist nations including China's neighbouring North Korea and Vietnam. It instead reflects early Marxists like Rosa Luxemburg, who regarded national separatism as "the Trojan horse" sent by Woodrow Wilson and Leon Trotsky (Luxemburg, 1976 [1918]).

The CCP's adherence to universal Marxist theory disregarding contextual particularity had gone extreme during the Great Proletarian Cultural Revolution. Although its impact on non-Han society was open to scholarly debate, the consensus was that the Cultural Revolution severely eroded the cultural and administrative autonomy for minority (Heberer, 1989: 23-9; Wang, 2002: 99). With respect to the cultural-linguistic policy, only Han Chinese was to be spoken at meetings, and it was often a misdemeanor to use one's native language (Zhou, 2003: 72-7). At the administrative level, minority cadres were not only depicted as culturally inferior and sinister pullers of the strings of the tribal chieftains but, in many cases, they were also replaced by Han cadres. During the Cultural Revolution, for example, the Revolutionary Committee in Tibet – the highest political body of the region – had a Han chairman and only four Tibetans out of thirteen vice chairs. In 1973, Tibetans consisted of only 35.2 per cent of Party Committee members; in 1975, they accounted for a mere 23 per cent of leading cadres at the district level (Wang, 2002: 99). Another illustration of the diminishing consideration to non-Han groups was a contrast between the state constitution of 1954 and the one drafted in 1970: the former devoted eight articles and a section of its preamble to minorities, whereas the latter exhibited only one (Schwarz, 1973: 205).

At the same time, top leaders of the nationalities affairs including Li Weihan and Ulanfu were purged by leftist leaders. The regular function of the United Front Work Department was suspended until June 1973. Li was later rehabilitated and became the Vice-Chairman of the fifth CPPCC in 1978 until his retirement in 1983, a year before his death. His experience during the Cultural Revolution is still barely known. His 900-page memoir, published posthumously to commemorate his 90th anniversary, only covered his life until 1964 (Li, 1986). During the early years of the Cultural Revolution, Ulanfu was charged of having made himself the ruler in an independent kingdom in Inner Mongolia and undermined the unity between the nationalities (Heberer, 1989: 27-8). He was rehabilitated in 1973 earlier than Li, and was later appointed as the head of the United Front Work Department from 1976 to 1982. The career path of Li Weihan and Ulanfu corresponded to the course of state-building and nation-building of the PRC.

5. Great Bifurcation

A comparative and historical perspective is necessary to better comprehend the impact and implication of the resolution of the Chinese party-state on the nationality question. In this section, I elaborate on the sequential mechanism after the initial divergence between a federal state (USSR) and a unitary state (PRC).

Admittedly, the USSR and the PRC are isomorphic in many ways. The PRC adopted major policies of the USSR such as the ethnic identification project (Heberer, 1989: 30-9; Mullaney, 2010), state-controlled voluntary migration or deportation to the complexes of corrective labour camp (gulag) in the frontier regions (Seymour and Anderson, 1998; Gao, 2007), and preferential treatment toward minority groups (Martin, 2001; Zhao, 2004: 194-98). In addition, both countries became a *nationless* socialist state (see Fitzgerald, 1995; Suny, 1995) that intended to forge the communal ties among their multiethnic citizenry. "National in form, socialist in essence" remained the guiding principle of Soviet nationality policies. It was also heralded in Mao's China. To be more national in form, Han-sounding places were renamed Ulan Hot (meaning Red Town) and Uyghur-sounding Urumqi. China's policy of nationalities in principle consisted of the use of native languages in government meetings and court proceedings, as well as the preservation of native traditions, customs and religious belief (Schwarz, 1971: 17; Zhou, 2003). To be more socialist in essence, on the other hand, the PRC leaders like Deng Xiaoping proposed the mass implementation of socialist education in "all minority areas and among all minority populations where the socialist transformation of the ownership of means of production has basically been completed" (Teng, 1957). Their argument was based on the CCP's own assessment at the Eighth National People's Congress in September 1956 that all non-Han regions except Tibet were ready for a socialist transformation (Zhao, 2004: 189). Yet despite these similarities, the critical difference between the USSR and the PRC should not be neglected.

The former Soviet Union, conceived as a large *communal apartment* (Slezkine, 1994) in which national state units – 15 union republics and many more autonomous republics – occupied separate rooms, put strikingly little effort to build a 'Soviet Nation' while ironically promoting ethnic particularism (Suny, 1995: 190). As an illustration, unlike the census in Yugoslavia allowing designation of a category "Yugoslav", Soviet censuses did not provide a "Soviet" nationality (Anderson and Silver, 1989: 652). As a renowned Sovietologist perceptively pointed out, the unintended consequence of Soviet policy was that "an antinationalist state helped create nations within it" (Suny, 2001: 895). Recent studies, emphasizing the constructed aspect of nations, have also contended a popular misconception towards Soviet ethnic

policies labelled as "the nation killers" and alternatively suggested that the Soviets "created nations at least as much as they destroyed them" (Weitz, 2002: 8-9; see Martin, 2001). In the Soviet Republics, the CPSU actively built up the nationality ties. The making of Uzbekistan where there was no sense of nationality earlier could be an example (Duara, 2011: 294). The outcome of this territorialization of nationality was that titular nationalities in union republics became more consolidated demographically, better positioned in the administrative and intelligentsia apparatus, and more vocal in their national idiom.

The PRC, on the other hand, has been imagined as *fraternal family* of China's nationalities — "All nationalities of our country are united in one great family of free and equal nations" (*Constitution*, 1954: 5). This inalienable unity among all nationalities, or what I would call "imagined commonalities" (Lee, 2013), has become stronger and more pronounced, as the importance of canonical Marxist ideology has dwindled in the post-Mao era. As an example, the official depiction of Tibetans as 'brothers' of Han assumes the indivisible blood relationships between the two through highlighting interethnic exchanges and even racial resemblances. This kinship rhetoric dates at least back to 1949 when the editorial of the *New China News Agency* 新華社 on September 2 wrote that "Tibet is China's territory and Tibetans join the great family of China's nationalities since there has been a long history of brotherly relations among Han and other nationalities within Chinese territory" (*Minzu wenti*, 1991: 1262). It is not mere *topoi* on non-Han peoples but the legal statement of China's territorial sovereignty. In the 1951 Seventeen-Point Agreement for the Peaceful Liberation of Tibet, the most significant Point One read: "The Tibetan people shall unite and drive out imperialist aggressive forces from Tibet; the Tibetan people shall return to the family of the Motherland the People's Republic of China" (Chen, 2007).

Such primordial and inclusive self-image of China is distinctive from the primordial but exclusive concept of ethnicity and nation in most post-imperial and post-colonial national states. From pre-Qin times to the present day, there is a historical continuity and persistence in the making of a primordial dimension of nationhood. In the past, as head of the patrimonial state that extended and transcended the patriarchal family, the Son of Heaven portrayed himself to be the merciful father of the state. Currently, the leaders of the giant family of the Chinese nation are the CCP leaders, despite a conventional representation of the Han as the core ethnicity. Reconfiguring an old kinship metaphor in post-Qing China can be distinctive from the ethnic logic of nation-building in post-Ottoman, post-Habsburg, and post-USSR societies in the course of empire-to-nation transformation.

The legacy of patrimonial state is not restricted to the persistence of familial discourse of China but also evident in the emphasis of unified

state in China's *longue durée*. The CCP eventually selected the model of one unitary republic over a federal state on the basis of the heritage of the unified and centralized empire from the Qin-Han period much longer than the Russian state (Li, 1981: 673, 1987: 559). More specifically, one of the most significant legacies of the Qing dynasty in the post-imperial state-making and nation-building is the formation of a Greater China including Mongolia, Manchuria, Xinjiang, Taiwan, Qinghai, and Tibet. This roughly corresponds to the contemporary Chinese geo-body, despite the fourteen per cent loss in territory and a two per cent loss in population (Esherick, 2006).

Moreover, the lesson from the split of the Soviet Union (Li, 2018) and Yugoslavia would bolster the current system of regional autonomy within the inner frontier of mainland China. Chinese experts on nation and nationalism studies, in their comparative studies of the PRC and USSR, emphasized both the correctness of the CCP's decision regarding ethnic issues and the mistake of the Soviet leadership after Lenin (Guo, 1997). Here, Li Weihan's theoretical justification of regional autonomy has been undoubtedly inherited. To reiterate, the CCP's United Front line as summarized by Li Weihan conceived federal system as nothing but an interim stage prior to arriving at the unitary state system. From this perspective, the former Soviet Union dismantled due to mistakenly perpetuating the provisional political system. A telling example of tentative high autonomy is the tragic breakdown of the pseudo-federal relationship between Beijing and Tibet formalized through the 1951 Seventeen-Point Agreement in eight years. An even more durable one, a high degree of autonomy given to Hong Kong, is also tentative for at least 50 years since reunification in 1997.

6. Conclusions and Prospects

A century of post-imperial transition in China is a history of configuring and reconfiguring relations between centre and periphery. The CCP's original blueprint of a Federal Republic of China became the path not taken. In retrospect, this scheme as part of the United Front strategy could be evaluated as an expedient measure to appeal to non-Han peoples in the Chinese *limes*. In prospect, the *de facto* federal system has been and will be employed to be a pragmatic solution for the PRC's revanchist goals to unify the greater Chinese ecumene.

I have illustrated that the top-down model of state-led nationalism in China has been agglomerating, nationalizing, and, above all, provincializing processes. I have also traced the CCP's final decision of shifting from federal to unitary state in 1949, the resolution of which resonates to Max Weber's 'switchman' metaphor for decisively shaping the path of history. There was another profound transition concerning the view of national self-determination

– Li Weihan's outright rejection of the right to self-determination in 1961, for example, exemplifies the shift from the CCP's moderate stance until September 1949. Nevertheless, the nation building of the PRC was not simple one-way homogenizing process, taking into consideration the transition from nationalizing by force in the late-Mao period to nationalizing by persuasion in the Post-Mao era.

Meanwhile the debates over federalism with high autonomy are ongoing. The absence of federal autonomy has been a major criticism from overseas scholars and activists who blame the PRC's treatments toward its peripheral ethnicities as "cultural genocide", although this is a problematic term to illustrate reality (Sautman, 2006). Further, the Dalai Lama is not seeking independence but genuine self-rule as the mutually equitable solution for both Tibet and China, consulting the quasi-federal model of 'one country, two systems' (see Sautman and Lo, 1995). Last but not least, Hong Kong-based dissidents such as Zhou Jingwen (1947) and Yan Jiaqi (1992), the former director of the Institute of Political Studies at Chinese Academy of Social Sciences, proposed a Western-style federated state as a political alternative to rescue China. So far, however, the voice for federalism during the post-Tiananmen period has not created much influence even among the dissident communities in the West (Lam, 2006: 88-91).

More importantly, a federal plan has not been completely abandoned within mainland China either, as the PRC is to some extent revisiting this century-old idea. In the last few decades, the PRC's position reconfigured in two directions: the rise of what Zheng Yongnian (2006) aptly calls "*de facto* federalism" and the *de jure* establishment of 'one country, two systems' since 1997. First, as scholars have argued, the central-local relations in the post-Mao era resemble a federative model in many ways since local governments have gained a relative autonomy especially on fiscal affairs vis-à-vis central government to facilitate economic reform and regional development (Montinola, Qian and Weingast, 1995; Zheng, 2006). The evolution of market-preserving federalism with political centralization is a well-known institutionalist account for explaining China's rapid economic growth. Second, the implementation of Hong Kong and Macau Special Administrative Regions (SAR) with a high degree of autonomy not just represents a significant move, but also reflects the PRC's irredentist aspiration to reunite the former Qing territory considering its principle for the cross-strait relation. This kind of semi-federal edifice is, however, a weaker form of federalism limited in time, scope and space in comparison to USSR and Yugoslavia.

To conclude, the PRC today is experimenting a weaker federation, which is not only a resurrection of an old CCP line abandoned more than six decades ago but also reminder of the federative origins of the Chinese state in the pre-Qin times. The Chinese state in this respect is now reconstructing its tradition-

al statecraft of 'one country, multiple systems' in a more centralized manner. It strives to gain legitimacy by claiming to represent, protect and even restore China's territorial heritage, while denouncing any secessionist movement.

Note

* Byung-Ho Lee 李秉鎬 is Assistant Professor in the Department of Sociology at Ajou University, Suwon, South Korea. His research focusses on nationalism and ethnicity in East Asia, particularly in China within the context of the empire-to-nation transformation. He can be reached at <byungholee@ajou.ac.kr>.

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Ageing Society and China's Welfare Regime: Examining the Sub-National Variations in Pension Provision (2005-2015)

Vaishali ***Singh****
Graphic Era Deemed to be University
Dehradun, Uttarakhand, India

Abstract

Most research focussing on the welfare state is based on the assumption that welfare regimes are homogenous entities. However, substantial local differences exist in the provision of welfare services. This paper examines the factors causing marked regional differences in pension provision in China. The study finds that pension provision is segmented across four regional clusters depending on the level of pension coverage and generosity. The analysis reveals that regional fiscal capacity is the strongest predictor of pension differences across the four clusters which in turn is a consequence of the institutional stickiness from the policy priorities generated through the economic reforms. This path dependent mode of policy making is reflected along the two gauges of preferential policy index and location quotient of regional industrial development. The welfare regionalism in case of pension provision in China is thus explained by the economic regionalism of geographic conditions and local opportunity.

Keywords: *China, ageing society, pensions, welfare regionalism, path dependency*

1. Introduction

Demographic transition might be a destined phenomenon but the choice of dealing with it is ultimately a policy decision. There is no automatic gearing mechanism that propels the rise in welfare spending in response to demographic ageing. Public policy needs to be rejiggered to address the issue of population ageing. From intergenerational justice, reduced labour supply to fiscal sustainability, the challenges are many and varied. It goes without saying that demographic change and its interaction with social policies will

strongly shape both future economic growth and the sustainability of social support systems.

China has passed through a demographic transition in just twenty years, a feat that took about a century in the developed countries. The Chinese case is thus useful for exploratory research on the development of welfare states. In many ways, China is exceptional with its vast size, distinctive culture, and unusually radical politics. Moreover, China's record of economic growth and active state leadership seems favourable for gradual expansion of the welfare state. Most importantly, China stands as a critical test case for the study of the constraints that limit the reach of the welfare state in the developing world. The study of the Chinese welfare state is thus fundamental in the field of comparative social policy and definitely more relevant for the developing world than the studies of western industrial economies.

1.1. Ageing China: The Demographics

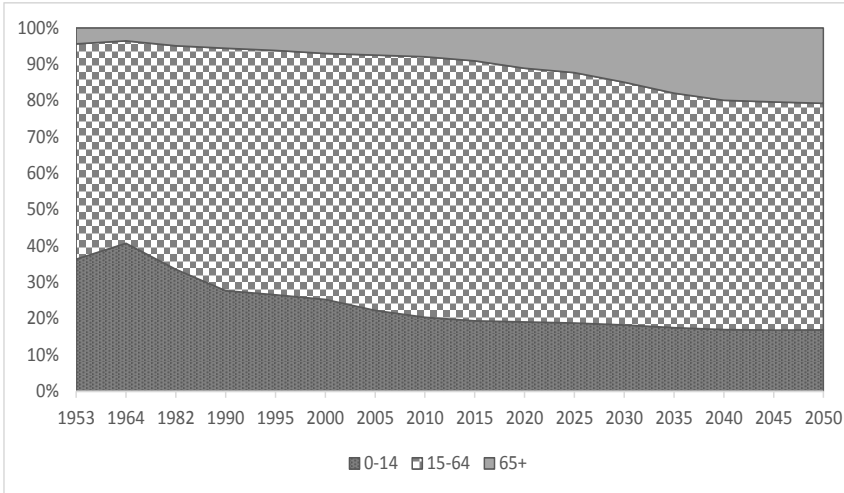
Demographic change is driven by fertility, mortality and longevity changes that have the power to reshape society in a profound manner. Longevity in China has made remarkable gains. The life expectancy at birth increased from 43 in 1960 to 75 in 2013. But perhaps it is the changes in fertility recorded in China that have been the most erratic in the world. The rapid decline in fertility in China came in the 1970s when the *wan xi shao* (later, longer, fewer) campaign was launched. In other words, the campaign called for later marriages, longer intervals between births and fewer births (Golley and Tyers, 2013). By the end of the decade, the campaign was pushed further with the adoption of one-child policy in 1979.[2] In China, the total fertility rate has fallen from 6.4 in 1949 to a level well below 2.0 in 2000, a historic change that over the next 50 years will turn China's population pyramid upside down (see Appendix A). There have been two baby booms in the case of China. The first coincided with the formation of the PRC (People's Republic of China) in 1949 as reflected in the large 0-4 year-old base of the 1950 population pyramid. The second boom came in the years of recovery after the Great Leap Forward in the early 1960s. These large cohorts as they matured into child-bearing years are reflected in the 2005 population pyramid (Eggleston and Tuljapurkar, 2011).

China has thus undergone a rapid demographic transition from high mortality and high fertility to relatively low mortality and low fertility. The sequence has been followed previously in Japan and Republic of Korea. However, the timing of ageing transition makes China's case quite unique. It will be the first major developing country to become an ageing country before it becomes moderately developed. Between 2010 and 2040, the elderly population in China will rise from 7 per cent to somewhere between 15 and

20 per cent of its total population. In some cities, the elderly could make up almost 33 per cent and 50 per cent of the population. The real demographic challenge is therefore the uneven pace of change, both temporally and geographically. In the simulations created to assess the impact of ageing on family structure, it has been found that while the burden will increase enormously, there will be significant differences in rural and urban areas (Lin, 1994). Owing to the differences in the birth rates in rural and urban areas, Lin found that by 2030, the old-age burden will quadruple in urban areas but only increase two-fold in rural regions. Subsequent studies have corroborated the forecast. The National Aged Population surveys by Peking University in 2002 and 2005 provide valuable insights into familial support for the elderly. The data revealed that intra-household transfers remained the main channel of support for the elderly both in urban and rural areas. However, while 37.8 per cent of the elderly depended on pensions as their main financial source in urban areas, only 5.5 per cent did so in rural areas. In terms of elderly support, private transfers have also decreased from 50 per cent in 1995 to 25 per cent in 2002 (Eggleston and Tuljapurkar, 2011).

It has been predicted that China will face three population peaks in future, each bearing a different policy implication. In 2020, China's working population will total one billion, that would necessitate creation of more jobs. In 2040, China will have a considerable proportion of elderly population that will necessitate policy changes in elderly care. Lastly, by 2045, China's population is expected to reach its peak of 1.534 billion, possibly making it more dependent on food imports (Hu, 2011).

Figure 1 Age Structure of China (1953-2050)



2. Theoretical Framework

2.1. China's Welfare Regime and Regional Fragmentation

Much of the scholarship on welfare regimes has stressed the natural link between democracy and welfare. Comparative welfare research has systematically excluded authoritarian cases from models and theories. While the scholars admitted that communist countries did have extensive welfare arrangements, but the phenomenon was considered unique as it was shaped by 'Marxist-Leninist ideology and the skewed logic of the command economy' (Inglot, 2008). However, if the size of the welfare state was measured not by the share of GDP, but by the share of public consumption in the total consumption, socialist countries had two to three times bigger welfare states than the capitalist ones (Kornai, 1992). The provision of welfare by an authoritarian regime is seen as an attempt to consolidate state interest rather than any particular group interest. In a tacit agreement, under authoritarian rule, the welfare benefits are traded for political compliance. The proactive role of elites in authoritarian policymaking also contrasts with the social policy in democracies, which is usually a result of the activities of social movements, organized interests, unions and parties. Welfare in this sense is about taking preventive action to avoid future challenges to regime stability.

Disregarded by welfare classifications, the Chinese welfare regime defies any easy characterization. Neither does it conform to the post-socialist retrenched welfare model, nor does it fit into the larger welfare state canon of the Anglo-European world. And for a long time China did not figure even in the common conceptualizations of the 'capitalist' welfare state in Asia. At best, China is often characterized as an emerging, underdeveloped welfare state – a welfare state in transition with huge prospects but no definite form. In the preface to the Chinese edition of the *Three Worlds*, Esping-Andersen gives two alternative interpretations of the East Asian welfare model: either as a hybrid of the liberal and conservative model or as an emerging fourth welfare regime (Lee and Ku, 2007; Kam, 2012). Within the welfare set-up, the Chinese social security system has been referred to as an arrangement 'designed to absorb the shock of entitlement collapse (loss of employment); to deliver relief rather than development; support short-term consumption rather than long-term poverty or vulnerability and to deal with symptoms rather than causes' (Cook, Kabeer and Suwannarat, 2003). The Asian Development Bank (2002) has described the Chinese system as most closely matching up with a conservative welfare regime. Some scholars, however, are quite optimistic about the emergence of welfare state in China. The welfare system in China is thus viewed as a stage in the politically directed development of a genuinely welfare oriented regime, a goal that can possibly be realized in 2049 (Zheng, 2008). Utilizing the welfare state regime

approach in studying the Chinese welfare state, it has been concluded that while retaining indigenous elements, China shows strong convergence with East Asian capitalist societies (Li, 2005).

The sequencing in China is indeed different from the history of welfare regime development in the advanced industrial economies. Welfare provisions in China started despite low levels of bottom-up demand. The pre-reform welfare regime in China had an obvious socialist overtone. The system provided comprehensive welfare benefits, including healthcare, education, housing, elderly care and child care based on non-contributory labour insurance. Production and social security had strong ties both in urban areas through the SOEs (state-owned enterprises) and in rural areas through the people's communes. Though termed as egalitarian, the welfare regime was highly stratified across occupational status and residential location. However, despite the stratification and the relative exclusion of some, the financial burden of welfare was tremendous. Particularly, the 'iron rice bowl' (*tie fan wan*) or 'cradle to grave' kind of support had crippled economic productivity and hindered work incentives. Predictably, the welfare benefits could not be sustained for long and had to be abandoned when China went the market way in the 1980s. Integration into the world economy has no doubt resulted in welfare retrenchment in comparison to Mao's socialist China. The SOEs downsizing that ensued brought a dramatic shift in China's welfare system from the work-unit responsibility system sponsored by the state to a contribution-based insurance system. Post-1978 the Chinese social policy mainly stressed two main points – one was to "support market-oriented economic reform through the enhancement of productivity", and second was to "stabilize the society via mitigation of social tensions" (Ministry of Labour and Social Security, 1999). In order to follow the rather contradictory points, the Chinese social welfare model moved toward a dualist system with a mix of diversified funding and welfare responsibilities.

In 2008, *China Daily* reported that China is likely to become a welfare state in 2049 with universal medical care and old age pensions. The report prepared by Chinese experts based on field investigation and foreign experience said the country would undergo three stages to eventually achieve the target. The first stage from 2008 to 2012 would see the creation of a safety net, which would include minimum living allowances, medical insurance and pensions for all urban and rural residents. From 2013 to 2020, the government would keep improving welfare policies and measures to make the social security network stable and sustainable. From 2021 to 2049, it would further improve provisions to eventually "build a socialist welfare society with Chinese characteristics" (*China Daily*, 2008).

With the Hu Jintao–Wen Jiaobao administration in 2002, the focus came to be placed on making China's development more human and people-

oriented. The goal of a harmonious socialist society was sought to be achieved through redistributive mechanisms and major improvements in the fields of education, medical care and social security. And indeed, among the social policy goals of the Chinese government, 'social harmony' comes up as the centerpiece of future welfare strategy. In recent years, the Chinese government has committed to guiding the development, extension and institutionalization of a social protection system. In moving towards a harmonious society, the new welfare set-up acts as a 'safety net' for urban poor and a 'shock absorber' in mitigating social tensions resulting from market-oriented reforms.

Under Xi Jinping, the Chinese welfare apparatus is becoming more sound and mature. The 13th Five Year Plan (2016-2020) providing the blueprint of China's development goals and social welfare in terms of improving people's livelihood is a major highlight of the plan. Significantly, the social policy is geared to address the fragmented local officialdom as the way to mitigate social instability and bringing in a fair-for-all system. In contemporary China, the political-ideological environment with regard to social welfare emphasizes social equity and a 'human-centred' policy orientation. The difference in the new approach towards social welfare under the Xi administration comes from the efforts to promote mass support for the party by initiating service-oriented policies catering to the hitherto marginalized sections of society. The new welfare policy thus recognizes the importance of giving social protection to the vulnerable sections. The main thrust of policymaking under Xi Jinping is to achieve the goals of an integrated rural-urban social policy system and prepare for an ageing society. The move to overhaul the *hukou* system and improving migrant workers access to health care, pensions, education and other benefits can be seen as an important step in expanding the welfare spread of the state.

For long the focus of China's leaders had been to modernize the economy, lift living standards and meet material needs. At the 19th National Congress of the Communist Party of China, Xi and his team declared that the Party will now focus on social needs and demands for welfare and equity. The Chinese president made it quite clear in his speech – "What we now face is the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life." The declaration also serves as an upfront reference to the adaptation needed for the changed conditions of an ageing society and growing economic inequality. Social welfare, in fact, lies at the heart of Xi's new deal of ensuring adaptive governance to the populace. Enhancing and broadening social services such as pensions and healthcare is being seen as the most important pathway to achieve a better life for all.

Thus in the current phase of China's welfare regime, the leadership is acutely aware of cost concerns and does not intend to introduce the Scandinavian style generosity in social insurance, at least not in the medium-

term. Efforts are focussed on improving the current system rather than just increasing the spending. Needless to say, a major part of the effort is to coalesce the patchwork of geographical and social fragmentation that marks the social security system of the nation. The Chinese leadership aims to form a functioning social insurance system that covers the entire population in a seamless manner. However, the unbalanced economic and social development of the country constitutes the most serious challenge – the gap between rich and poor territorial units has widened considerably in the post-reform era. These imbalances "are threatening stability and pressuring Chinese leaders to establish more socially responsive institutions" (McNally, 2008). Fragmented welfare generates compartmentalized sets of winners and losers. The social costs of only a slice of excluded citizenry is hard to see and even the professional budgetary analysts cannot reach a consensus on the 'real' impact of social policy. On the other hand, universal benefits are transparent and with high visibility of both benefits and costs. A raise for one becomes a raise for all and the leaders thus get universal support by offering benefit increases to broad swathes of the population. Given the demographic pressures faced by China, the future of its welfare regime rests on how the sub-national variation will be handled.

Due to internal diversity coupled with vast size and population, China defies comparison with other nations. China can more appropriately be compared to Europe as a whole than to individual European countries (Pomeranz, 2000). Indeed, the fragmented system reveals the tensions in programmatic and particularistic mode of policy making. The central government in China displays programmatic policy style in vying for legitimacy by promising to enact policies that have low degree of selectivity of the beneficiary groups. The local governments however have particularistic political practices ranging from log rolling, constituency service, and intensive interest group involvement in policy making. Particularism also tends to be clientelistic and patronage-oriented (Lynch, 2006). Occupational programs provide crucial resources for particularistic politicians (Shefter, 1994). Occupationally based social insurance programs plainly lend themselves far more than do universal programs to the kind of fine-grained targeting of incentives on which particularistic political competition thrives. Clientelistic politicians thus have high propensity to expand welfare policies in ways that enhance fragmentation and to oppose proposals that would harmonize existing programs.

There have been a number of expositions centering around the regional development variation in China. Scholars have looked at the rapid growth and regional variation in development in China from a political economy perspective that emphasizes gradualism, experimentation, export-led growth, and state capitalism as the driving forces of change (Malesky and London, 2014). Studies have also stressed the experimentation at the regional level that

led to successful 'regional pilots' and policy frameworks of dual track pricing, township and village enterprises (TVEs) and special economic zones (SEZs) insulated regional economy from negative externality (Coase and Wang, 2013). The Chinese provincial economic development has been characterized as a system of regionally decentralized authoritarianism that linked regional economic performance to the political promotion. Thus experimentation was linked to cadre evaluation and management and propelled the economic development in regions with varying degrees of success (Xu, 2011).

In the case of sub-national variation in China, local governments are seen to display characteristics of a local developmental state. Local governments act like corporations in their management of state firms while utilizing a "combination of inducements and administrative constraints characteristic of a state corporatist system" to both encourage and control the private sector (Oi, 1999). In quite the same vein, the 'market preserving federalism' theory stipulates that the central government committed itself to fiscal reforms that allowed local governments to keep marginal revenues, aligning local government incentives with revenue maximization and leading to pro-market and pro-growth policies and behaviour (Montinola, Qian and Weingast, 1995). Federalism induced competition among jurisdictions that resulted in experimentation and imitation as well as increased factor mobility through competition for capital and migrant labour. The promotion incentives of county leaders have also been looked into to understand the sub-national development variation in China. The hierarchical promotion system provides incentives based on performance that is gauged along the two national strategic priorities of social stability and economic growth (Bulman, 2016). This system has incentivized leaders in poorer regions to emphasize stability maintenance, leading to less effective government-business relations and lower institutional capacity, and it has incentivized leaders in the wealthier regions to focus on economic growth, which propelled effective government-business relations and heightened control over local cadres.

Analyzing the Chinese welfare regime, scholars opines that China has not one but many and different welfare states (Gao, 2012). The greatest divide is the rural-urban divide. The urban welfare state is more akin to those in western industrial countries and the rural welfare state is close to those in the least developed countries. In the context of China's highly decentralized mode of governance, there is a paradox in the expansion of state capacity in China in the provision of pensions. Any effort to expand the scope of state activity in pension welfare will be met by a loss of control over the local agents responsible for the delivery (Pei, 2006). This may eventually lead to the dilution or dispersion of state capacity, if not its erosion. In the specific domain of uneven regional social welfare coverage and pension provision in China a study found that the push to increase pension coverage has not reduced, rather

reproduced economic inequalities (Frazier, 2010). It was found that there has been an overwhelming appropriation of pension revenues by the local officials to mitigate social risk but the redistribution has largely benefitted only the urban pensioners who constitute a crucial political constituency.

2.2. Path Dependency

Variations and dissimilarities in policy outcomes have a temporal context. Programs and policies are specifically entrenched in time and history as a result of which the set of choices available at any given moment are contingent on the choices made in the previous periods. In fact, underpinning much of the discourse on policy processes and policy change lies the basic notion that policies differ as a result of past experience. There is no 'blank sheet' of infinite possibility in a policy area – the options for future policymakers are restricted by past policy paths (Oakeshott, 1966). A theoretically informed analysis of policy trajectories is what is needed to decouple policy variations. The organizing concept of path dependency thus provides a useful mechanism to analyze temporal processes in policy developments. More specifically, the idea of path dependency fully captures the forces at work in decoding the spatial variations of public policies.

In dealing with the adoption and diffusion of technological standards, the concept of path dependence was developed in economics principally by two authors, W. Brian Arthur and Paul A. David. According to Arthur, there is path dependency when a technology is subject to self-reinforcement, and positive feedback. One condition for such positive feedback is the existence of increasing returns – a situation where the increased production or the increased use of a certain product leads to an increased utility (Arthur, 1994). In a seminal work, "Economics of Qwerty," Paul David further advanced the concept by arguing that the path dependent adoption of the Qwerty keyboard is driven by the interaction of three factors. The first is 'system scale economies', i.e. increasing returns to production. The second is 'technical interrelatedness' that brings about complementarity between the technologies to make it productive. The last factor is the 'quasi irreversibility of investment' that refers to the higher learning costs entailed in switching to an alternative way that restrains change. Once an actor has learned to operate one of the keyboards, he or she would have to incur higher learning costs to switch to the other system (David, 1985).

Moving beyond the technological field, the idea of path dependency has gained currency in social sciences particularly in the domain of policy analysis. Policy learning considers "policy legacies to be one of the most significant elements in determining present and future policy" (Greener, 2002). North uses path dependency as a central concept in his theory of

institutional change. In terms of understanding policy development as path dependent, past policy decisions are institutions in terms of current policy decisions: they act as structures that can limit or shape current policy options.

> Path dependency is a process that constrains future choice sets – at every step along the way there are choices – political and economic – that provide real alternatives. Path Dependency is a way to narrow conceptually the choice set and link decision-making through time. (North, 1990)

The most important conditions of path dependence as a theoretical framework is the presence of 'lock-in/institutional stickiness'. In the absence of exogenous shock, a path dependent process will result in lock-in which is characterized by a state of equilibrium having minimum potential for endogenous change. Since paths are selected contingently, lock-in can take place on any path, not necessarily an optimal one.

A number of claims have been evoked in the application of path dependence to social processes – specific patterns of timing and sequence matter; small events can lead to large consequences; particular consequences, once introduced are very difficult to reverse; and political development is often punctuated by critical moments or junctures that shape the basic contours of social life. In conceptualizing the concept of path dependency, it is argued that path dependence seeks to uncover the deterministic characteristics of institutional patterns set in motion by the critical junctures in historical sequences (Mahoney, 2000). There can be two forms of path analysis. One is the self-reinforcing sequence where the increasing returns and cost of switching over entrench particular actions. Second is the reactive sequence in which each move is a chain reaction to the earlier move creating a path trajectory. Path dependency is beyond simply the understanding of continuity – a perceived failure of a habitual path may lead to the search for alternatives but that search process is itself path dependent (Crouch and Farrell, 2004).

Paul Pierson is perhaps one of the first scholars to import the concept of path dependence to political science. While he stresses the danger of concept stretching, Pierson argues that path dependence should very well apply to the political sphere. In fact, according to him, the concept should be even more relevant for political science than it is for economics (Pierson, 2004). He argues that the condition of increasing returns is always present in the case of political institutions because they create common expectations among actors and thus lower the transaction costs associated with coordinating behaviour. Moreover, institutions often involve high set-up costs, create incentives for maintenance and have learning effects.

In particular, Pierson argues that four factors of political life produce increasing returns, which he also calls "positive feedback": 1) The central role of collective action and corresponding collective action problems, which

makes institutional reforms less likely than in the more competitive and thus flexible environment of a market. 2) The high density of institutions is a source of increasing returns, because the institutions complement each other. 3) Political authority and power asymmetries can be sources of positive feedback. Actors may use their power positions to change the rules of the game in a way that further enhances their power positions. 4) Another source of positive feedback can lie in the complexity and opacity of politics. It is much more difficult to measure success in the political sphere than in the economic sphere and consequently it is more difficult to decide how to change an institution.

The literature on path dependence is not only limited to the conceptualizations, there is also a typological dimension. Broadly, path dependence as applied to institutional and policy analyses has two major types or models viz., utilitarian and normative. The utilitarian model relates with the consequential or calculative logic. Within this model, human agents tend to select an option based on utilitarian cost-benefit calculations or assessments. The central mechanism of path dependency becomes the increasing returns that are visible in self-reinforcing, positive feedback processes. Path preservation in utilitarian model also reflects the conscious, rational and strategic choice made on the part of human agents. Institutions are thus adopted even at sub-optimal level because actors perceive that the cost involved in transformation outweighs any potential benefit. This creates a reflective, intentional tendency to follow a set path. The story of Qwerty keyboard is a classic example of utilitarian path dependence.

Normative model, on the other hand, pertains to the logic of appropriateness and is driven by rules, values and norms as opposed to material interests. In this model, agents act on the basis of rule-defined or norm-driven practices, identities, and interests that specify the appropriate behaviour in a given situation. In an institutional environment, the motivation thus comes from ideational concerns such as legitimacy, reputation, and prestige (March and Olsen, 1989). The path continuity in normative model is ensured through legitimation by developing a criteria of appropriateness, resource distribution and constitutional rules. While the two models are different in logic, they share the same conception of agency in terms of the outcome-orientation and consequential thinking. A strong illustration of normative path dependence is the persistence of Scandinavian model of welfare state owing to the assumption that it is 'based on a unique combination of the values and norms of universality, solidarity and market-independence' (Cox, 2004).

In this paper, path dependence has been utilized as an important theoretical construct that explains the sub-national variations in pension policy in China. Pension policies are primarily shaped by three types of institutions – state capacity (ability to tax); nature of bureaucracy or political parties

(patronage-oriented or programmatic); and feedback effects from earlier policy decisions (Orloff, 1993). The paper thus seeks to uncover the sub-national variations in pension provisioning in China and employ the notion of path dependency to account for the variance.

3. Research Design

The study is a descriptive research design and adopts a mixed method approach. The study conducts cluster analysis to ascertain the extent of fragmentation in Chinese social security provision at the sub-national level. The clusters are determined based on the ranking method in terms of the generosity and coverage of social security across the 31 provinces in China. The study also makes a correlation between the socio-economic conditions and the particular characteristics of each cluster groups. The findings are then substantiated by the theoretical explanations and models pertaining to regional fragmentation and welfare state. Two important indicators of preferential policy index (PPI) (Demurger, Sachs, Woo, Bao and Chang, 2002) and location quotient (LQ) of regional industrial development has been used to prove the path dependent mode of policy making and the resultant spatial impact on social policy.

3.1. Data Set Description

This study is based on the construction of a provincial-level panel dataset (2005-2015) using statistics sourced from the various *Statistical Yearbooks of China* (National and Provincial). The statistics have been compiled annually by the National Bureau of Statistics (NBS) and the Ministry of Human Resources and Social Security (MOHRSS) of the People's Republic of China. The dataset compiled for the study comprises the 31 provinces and province-level cities in mainland China and does not include the regions of Hong Kong, Macao and Taiwan. Out of the 31 provinces in mainland China, there are four municipalities (Beijing, Tianjin, Shanghai and Chongqing) that have been granted administrative status equivalent to a province. All relevant data is averaged for 2005 through 2015 and the 31 provinces have been ranked according to the two measures of generosity and coverage of social security insurance. The ranks have then been used as input for conducting cluster analysis.

3.2. Dependent Variable(s)

A dependent variable is the phenomenon to be examined, understood and explained through causal factors. In the present study, the dependent variable

is the Chinese social security system from 2005 to 2015. In analyzing the policy change, the study looks at the two main dimensions of generosity and coverage. Generosity is measured as annual per capita expenditures for old-age insurance. Coverage pertains to the total number of people in a particular province covered by the old-age insurance. Besides being the dependent variables, the generosity and coverage dimensions also serve as variables for clustering of Chinese provinces on welfare provision.

3.3. Independent Variable(s)

Broadly, the study makes use of five main explanatory or independent variables viz., endowment, openness, dependency, urbanization and development. Endowment refers to fiscal capacity and measured by local budgetary revenue for each province. The openness dimension is measured by the total value of imports and exports to gross regional product in each province. The dependency variable refers to the old-dependency ratio (persons 60 or above in the total population) in each province. The level of urbanization in each province is measured by the percentage of urban population in total population. The economic development of each province is measured by gross regional product (GRP) per capita.

3.4. Empirical Test: Cluster Analysis

The present study tests the fragmented nature of welfare in Chinese provinces with cluster analysis, a multivariate statistical method that groups similar cases that are internally homogeneous and different from other clusters. The first step in cluster analysis is the identification of the number of clusters. This is done by employing a hierarchical agglomerative method – Ward's method – that searches for the N x N similarity matrix and sequentially merges the most similar cases from smaller clusters to larger ones. That is, the method starts out with each case forming a cluster of its own and then adds cases one by one to form clusters of similar cases until finally all cases come together within one group.

In the clustering output based on Ward's method, the agglomeration schedule shows the step-by-step clustering process – which clusters were combined on a particular step and the total error in the clustering solution. The 'big jump' in error or distance coefficient needs to be identified. This pretty big jump in distance coefficient is seen at a stage – also known as the 'step of elbow' (represented by a sharp turn in the screen diagram). The number of clusters is calculated by subtracting the step of elbow from the total number of cases.

3.4.1. K-Means Clustering

The clustering of Chinese provinces in this study uses the k-means clustering technique that forms a fixed number of clusters for a given dataset. The Lloyd's algorithm, mostly known as k-means algorithm, is used to solve the k-means clustering problem. The algorithm uses iterative refinement to produce a final result. The inputs are the number of clusters K and the data set. K-means stores k centroids (based on squared Euclidean distance) that it uses to define clusters. A point is considered to be in a particular cluster if it is closer to that cluster's centroid than any other centroid. When no point is pending, the first step is completed and an early groupage is done. At this point we need to re-calculate k new centroids as barycentres of the clusters resulting from the previous step. After we have these k new centroids, a new binding has to be done between the same data set points and the nearest new centroid. A loop has been generated. As a result of this loop we may notice that the k centroids change their location step by step until a stage when they no longer change (MacQueen, 1967).

3.5. Preferential Policy Index (PPI)

In explaining the divergence of regional income in China, the preferential policy index for each province from 1979 to 1994. The present study makes use of this index in exhibiting the path-dependent mode of policy making in the provision of Pensions in the contemporary period.

The construction of the preferential policy index is based on the number of designated open economic zones in a province and the extent of the preferential treatment. The construction of this index relies on available information on designated open economic zones across China, gathered from different sources, as well as a subjective classification based on their importance in terms of special treatment given to investors and industrial enterprises. Given the various degrees of preferential policies that open economic zones offer, we assigned their host provinces the following weights:

Weight 3: Special Economic Zones and Shanghai Pudong New Area.

Weight 2: Economic and Technological Development Zones and Border Economic Cooperation Zones.

Weight 1: Coastal Open Cities; Coastal Open Economic Zones; Open Coastal Belts; Bonded Areas in major port cities, Major cities along the Yangtze River, All Capital Cities of inland provinces and autonomous regions.

Weight 0: No Open Zone.

3.6. Location Quotient (LQ)

In order to have a better understanding of the comparative (dis)advantages of China's provinces, the study calculated the location quotient of China's provinces. The location quotient is a commonly used spatial economic analysis method (Isserman, 1977). This technique compares the local economy to a reference economy, in the process attempting to identify specializations in the local economy. Location quotient compares the regional share of economic activity in a particular industry to the national share of economic activity in the same industry. The result reveals the degree of regional specialization in each industry. If the location quotient for a particular industry is less than one, the region is less specialized than the nation, while location quotients greater than one reveal greater specialization of the industry in the local economy than in the national economy. To calculate any location quotient, the following formula is applied. The location quotient of region j in industry i can be calculated as:

$$LQ_{i,j} = \frac{\text{Provincial employment in industry i/Total provincial employment}}{\text{National employment in industry i/Total national employment}}$$

The study looks at the accumulation of location quotient across the three strata of industry – primary, secondary, and tertiary – in each cluster from 2005-2015.

4. Findings

4.1. Cluster Analysis Results

The study finds that the coverage and generosity of pension provision in China is segmented across four regional clusters – privileged (provinces with very high levels of coverage and generosity), intermediate (provinces that cluster based on medium-level benefits in coverage and generosity), indigent (provinces that are lagging behind in both coverage and generosity), and hybrid (mix of high and medium performance in coverage and generosity).

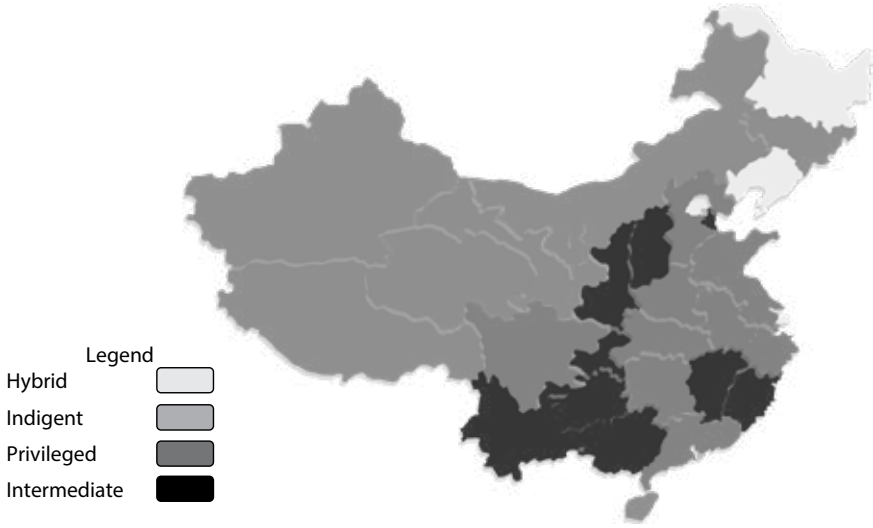
Table 1 Clustering of Provinces

Cluster	Province	Generosity Rank	Coverage Rank
1	Beijing	23	10
1	Liaoning	21	5
1	Heilongjiang	25	13
1	Shanghai	22	7
2	Inner Mongolia	24	23
2	Jilin	26	19
2	Hainan	28	28

Table 1 (continued)

Cluster	Province	Generosity Rank	Coverage Rank
2	Tibet	31	31
2	Gansu	20	27
2	Qinghai	29	30
2	Ningxia	30	29
2	Xinjiang	27	24
3	Hebei	8	11
3	Jiangsu	2	2
3	Zhejiang	6	4
3	Anhui	7	14
3	Shandong	1	3
3	Henan	3	8
3	Hubei	11	9
3	Hunan	9	12
3	Guangdong	5	1
3	Sichuan	4	6
4	Tianjin	18	22
4	Shanxi	16	17
4	Fujian	14	15
4	Jiangxi	19	16
4	Guanxi	17	21
4	Chongqing	10	18
4	Guizhou	15	26
4	Yunnan	13	25
4	Shaanxi	12	20

Figure 2 Clustering of Generosity and Coverage of Pension Welfare (2005-2015)



4.1.1. Hybrid

There are four provinces in this cluster. Beijing and Shanghai as the tier-1 cities rank very high on the socio-economic development parameters. While generosity is in medium range, the coverage of social security is quite high. Liaoning performs extremely well on both fronts and Heilongjiang provides both moderate coverage and benefits. Except Liaoning, the provinces in this cluster defy normal explanatory power of local socio-economic conditions on the provision of social security.

Table 2 Socio-economic Ranking of Provinces in the Hybrid Cluster

	Dependency	Openness	Endowment	Urbanization	GRP/Capita
Beijing	19	5	6	1	2
Liaoning	7	10	7	6	8
Heilongjiang	23	25	23	8	16
Shanghai	6	1	3	9	1

4.1.2. Indigent

The indigent cluster consists of eight provinces most of which crowd together in the northwest region of China. These provinces rank very low in both coverage and generosity of social insurance. The socio-economic development also displays low ranks in this cluster and thus lends support to the causal connection between the level of economic development and the provision of social insurance. The dependency rank is low which means the social risk is limited and could also explain the less generous and limited coverage of benefits.

Table 3 Socio-economic Ranking of Provinces in the Indigent Cluster

	Dependency	Openness	Endowment	Urbanization	GRP/Capita
Inner Mongolia	25	24	18	3	6
Jilin	21	13	25	7	11
Hainan	22	8	28	25	23
Tibet	31	31	31	28	28
Gansu	20	30	27	23	30
Qinghai	29	26	30	13	21
Ningxia	30	22	29	12	17
Xinjiang	28	28	26	24	18

4.1.3. Privileged

There are 10 provinces in the privileged cluster that mainly comprises the developed eastern coastal region of China. The social insurance registers very high ranks in terms of both coverage and generosity. The level of socio-economic development is in the medium-high range and explains the positive relation with provisioning of social insurance.

Table 4 Socio-economic Ranking of Provinces in the Privileged Cluster

	Dependency	Openness	Endowment	Urbanization	GRP/Capita
Hebei	16	15	10	5	15
Jiangsu	3	3	2	10	5
Zhejiang	13	7	5	11	4
Anhui	5	16	15	15	26
Shandong	8	9	4	17	9
Henan	17	17	9	20	22
Hubei	10	18	11	18	12
Hunan	4	23	14	21	19
Guangdong	27	2	1	22	7
Sichuan	2	14	8	30	24

4.1.4. Intermediate

The intermediate cluster comprises 9 provinces dominated by the Western region of China. The social security coverage and generosity is largely in the medium-range. The socio-economic indicators of development also comprise medium ranking.

Table 5 Socio-economic Ranking of Provinces in the Intermediate Cluster

	Dependency	Openness	Endowment	Urbanization	GRP/Capita
Tianjin	9	4	13	2	3
Shanxi	26	21	19	4	20
Fujian	18	6	12	14	10
Jiangxi	15	12	20	16	25
Guanxi	11	19	22	26	27
Chongqing	1	11	17	27	13
Guizhou	12	29	24	31	31
Yunnan	24	27	21	29	29
Shaanxi	14	20	16	19	14

4.2. Regression Results

The regression results are reported in the following tables. For each dependent variable, the model employed is the standard multiple regression with all five predictors inputted together. The results comprise the model summary, analysis of variance and the regression coefficients.

Table 6 Model Summary of Regression

Dependent Variable	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
Coverage	0.956	0.915	0.897	227.775
Generosity	0.834	0.695	0.634	89.891

Predictors: (Constant), Development, Dependency, Endowment, Urbanization, Openness

Table 7 Analysis of Variance

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
Coverage	Regression	13875784.03	5	2775156.805	53.490	.000[a]
	Residual	1297034.749	25	51881.38996		
	Total	15172818.77	30			
Generosity	Regression	460452.5853	5	92090.51706	11.397	.000[a]
	Residual	202010.7695	25	8080.430782		
	Total	662463.3548	30			

[a] Predictors: (Constant), Development, Dependency, Endowment, Urbanization, Openness

Table 8 Regression Coefficients

Predictor Variable	Regression Coefficients					
	Coverage			Generosity		
	B	SE B	β	B	SE B	β
(Constant)	-286	834.7		-670	329.4	
Dependency	-14.4	20.9	-0.045	26.24	8.248	0.389
Openness	-0.23	0.257	-0.11	-0.16	0.101	-0.36
Endowment	0.663	0.052	1.1537	0.112	0.021	0.936*
Urbanization	14.57	18.62	0.07	14.4	7.348	0.331
Development	-0.01	0.005	-0.238	-0	0.002	-0.42

*$p < 0.001$

4.3. The Worlds of Welfare: Accounting for Cluster Variance

The regression results reveal regional fiscal capacity as the strongest predictor of pension differences across the four clusters. Delving deep into the causes for differential fiscal resources, the study makes use of path dependency theory to explain the cluster differences. Path dependency in the case of pension fragmentation in China is illustrated by two important indicators – the preferential policy index (PPI) and the location quotient (LQ) of industrial sectors.

The preferential policy index covers the period from 1978 to 1994 when the economic reforms and opening up was setting the stage for development in China. The preferential treatment accorded to some provinces led them to prosper economically and led to improved social governance as well. On the other hand, the provinces that were not given priority in reform remained undeveloped. This uneven development scenario has persisted ever since and reflects also in other arenas such as social policy. As the PPI of the four clusters reveals, the privileged cluster scores the highest, followed by hybrid, intermediate and then indigent. This implies that the preferential policies have played an important role in creating a lock-in effect in case of pension provisioning across Chinese provinces.

Another important measure of path dependency is the location quotient of provinces by the three strata of industry. The privileged cluster has developed specialization in secondary and tertiary industries that are the most revenue

Figure 3 Preferential Policy Index of Clusters (1979-94)

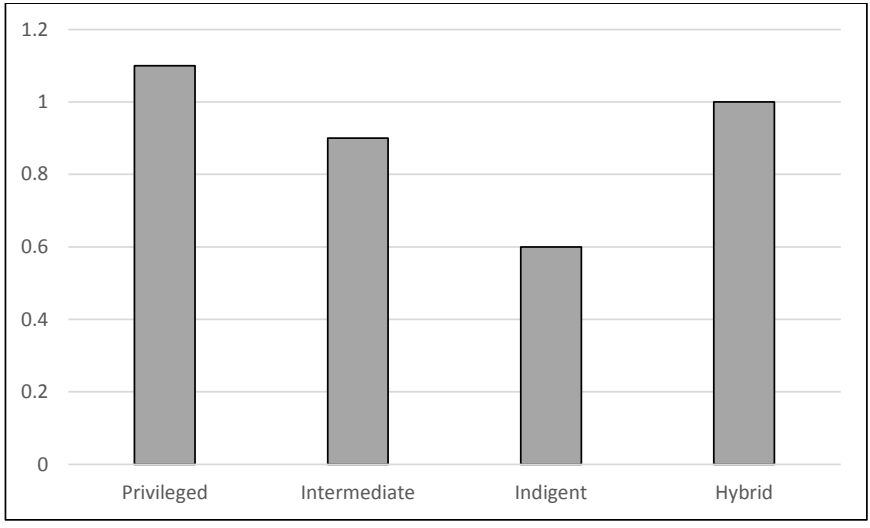
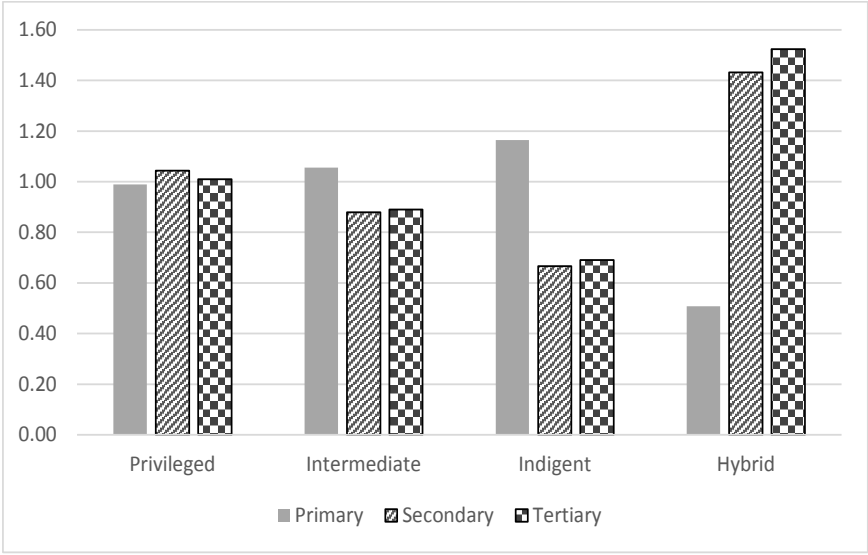


Figure 4 Location Quotient of Clusters by the Three Strata of Industry (1995-2005)



generating. The hybrid cluster has the highest location quotient in secondary and tertiary sectors as it consists of two ultra-modern, highly developed provinces of Beijing and Shanghai. The intermediate cluster has a moderately developed secondary and tertiary sector and also relies heavily on the primary sector. The secondary and tertiary sector is underdeveloped in the indigent cluster and most specialization is overwhelmingly in the primary sector.

The clusters displaying the high levels of coverage and generosity have the specific set of provinces that not only have the geographical advantage in industrial development but were given systematic preference in terms of policies to attract foreign investment. The clusters with medium or low level of coverage and generosity have geographical and natural endowment constraints in attracting investment.

The industrial structure created in the past thus created a self-reinforcing effect and led to the differences in the fiscal capacity of the regional clusters which in turn reflects in the social policy. Thus, looking specifically at pensions at sub-national level, the welfare regionalism is explained by the path dependent mode of policy making that varied across regional clusters in China.

Appendix A

PPI (Preferential Policy Index) 1979-1994	
Beijing	0.67
Liaoning	1.24
Heilongjiang	0.67
Shanghai	1.76
Inner Mongolia	0.67
Jilin	0.67
Hainan	1.57
Tibet	0.33
Gansu	0.33
Qinghai	0.33
Ningxia	0.33
Xinjiang	0.67
Hebei	1.24
Jiangsu	1.43
Zhejiang	1.43
Anhui	0.62
Shandong	1.43
Henan	0.33
Hubei	0.62
Hunan	0.33
Guangdong	2.86
Sichuan	0.62
Tianjin	1.43
Shanxi	0.33
Fujian	2.71
Jiangxi	0.33
Guanxi	1.24
Chongqing	N/A
Guizhou	0.33
Yunnan	0.67
Shaanxi	0.33

Appendix B

Location Quotient of Chinese Provinces by the Three Strata of Industry

	1995			2000			2005		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
Beijing	0.20	1.75	2.04	0.23	1.44	2.03	0.15	1.03	2.19
Tianjin	0.32	2.11	1.44	0.40	1.82	1.42	0.42	1.70	1.29
Hebei	0.97	1.14	0.93	0.98	1.13	0.94	1.01	1.27	0.79
Shanxi	0.82	1.30	1.10	0.93	1.11	1.03	0.97	1.10	0.97
Inner Mongolia	0.99	0.96	1.06	1.09	0.73	1.06	1.20	0.66	0.97
Liaoning	0.59	1.65	1.28	0.75	1.17	1.31	0.81	1.07	1.22
Jilin	0.85	1.17	1.18	1.00	0.85	1.12	1.06	0.77	1.08
Heilongjiang	0.70	1.49	1.20	0.99	0.94	1.07	1.08	0.88	0.98
Shanghai	0.17	2.24	1.63	0.26	1.90	1.60	0.16	1.62	1.73
Jiangsu	0.79	1.47	1.02	0.84	1.32	1.02	0.62	1.61	1.08
Zhejiang	0.81	1.37	1.07	0.76	1.37	1.14	0.55	1.75	1.07
Anhui	1.15	0.78	0.89	1.20	0.70	0.89	1.14	0.92	0.86
Fujian	0.95	1.03	1.07	0.94	1.09	1.04	0.84	1.31	1.00
Jiangxi	1.05	0.79	1.10	1.04	0.64	1.22	1.02	0.92	1.02
Shandong	1.03	1.09	0.85	1.06	1.05	0.85	0.90	1.28	0.93
Henan	1.13	0.86	0.84	1.28	0.78	0.67	1.24	0.93	0.72
Hubei	0.97	0.96	1.11	0.96	0.81	1.22	0.95	0.82	1.22
Hunan	1.16	0.71	0.92	1.22	0.65	0.89	1.20	0.73	0.92

Appendix B (continued)

Location Quotient of Chinese Provinces by the Three Strata of Industry

	1995			2000			2005		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
Guangdong	0.71	1.25	1.40	0.82	1.16	1.19	0.74	1.29	1.16
Guanxi	1.26	0.52	0.90	1.24	0.45	1.00	1.25	0.47	1.04
Hainan	1.15	0.51	1.14	1.23	0.43	1.06	1.27	0.45	1.03
Chongqing	N/A	N/A	N/A	1.13	0.68	1.02	1.01	0.90	1.06
Sichuan	1.19	0.69	0.87	1.19	0.64	0.94	1.13	0.77	0.99
Guizhou	1.39	0.43	0.68	1.35	0.41	0.85	1.28	0.43	1.03
Yunnan	1.43	0.43	0.59	1.48	0.41	0.62	1.55	0.42	0.66
Tibet	1.46	0.20	0.74	1.48	0.26	0.74	1.37	0.39	0.94
Shaanxi	1.12	0.84	0.88	1.11	0.73	1.01	1.13	0.78	0.98
Gansu	1.10	0.76	1.00	1.19	0.61	0.96	1.28	0.58	0.93
Qinghai	1.13	0.79	0.91	1.22	0.59	0.94	1.10	0.73	1.07
Ningxia	1.11	0.83	0.91	1.16	0.80	0.88	1.08	0.93	0.93
Xinjiang	1.07	0.82	1.01	1.15	0.61	1.04	1.19	0.56	1.07

Notes

* Vaishali Singh holds a PhD in East Asian Studies from the University of Delhi. A scholar of China studies, she has spent one year at Shandong University studying Mandarin and two years at Peking University studying Public Policy. She has worked in think tanks and non-governmental organizations involving both theoretical and empirical research. Her research interest lies in India-China Comparative Studies, Comparative Political Economy and Public Policy Analysis. She can be reached at <vaishali1pku@gmail.com>

1. UN data.
2. The fifth plenum of the 18th Party Congress of the Communist Party of China in October 2015 shifted the policy from a one-child to two-child.

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The De-Professionalization of Social Work? A Qualitative Analysis of Subcontracted Social Workers in Shenzhen

Yingying ***Xie**** *and Maria-Carmen* ***Pantea*****
Universitatea 'Babeş-Bolyai', Cluj Napoca

Abstract

Since 2008, public institutions in China increasingly subcontract social workers as service providers. This process, largely viewed as being innovative, is simultaneous with policy demands for 'more social workers'. The experiences of the sub-contracted social workers are very recent and have been under-researched. This study is based on questionnaires and interviews with subcontracted social workers. Result of this research suggests subcontracted social workers experience dissatisfaction and frustration in regard to the low entry threshold, employment instability, an excessive workload, and little understanding or support from the public institution. The paper concludes that subcontracted social workers make a precarious group of employees.

Keywords: *sub-contracted social workers, marketization, social services, precarious workers, government procurement, China*

1. Introduction

Since 2008, China has been undergoing a gradual transformation towards a more market-based mode of social service delivery. Social workers are considered to be significant agents towards the central government's pursuit of 'social harmony' (Chen, 2018; Han, 2009; Szto, 2015). Part of this process is for public institutions to subcontract social organizations and social workers as service providers. This is largely viewed as an innovative policy (Lu, 2012). In 2018 alone, local municipalities in China spent a total of 6.11 billion RMB (approximately 810.23 million euro) on procuring social work services, representing a 19.6% increase on the previous year (Xu et al., 2019). As many as 383,000 new social work positions were created in 2018 alone, with the majority being placed within community and public institutions (Xu et al.,

2019). This process has happened in tandem with an unprecedented increase in the number of university degrees in social work and a supposed demand for 'more social workers'. With as many as 880 'subcontracted social workers'[1] in public institutions, Shenzhen is, by far, leading the way (Bureau of Civil Affairs of Shenzhen, 2018).

The recent developments in China's social work have not lacked research. However, the perspectives have largely been structuralist in nature. Previous studies have centred on the models of government purchase, on the high turnover rate among social workers, on issues relating to the professionalization of social work and the 'indigenization' of western social work theories and education. The subjective experiences of the sub-contracted social workers (the so-called 'subcontracted social workers') have been under-addressed. This study sets itself the goal of examining this area. It is a small-scale, exploratory study that aims to understand the experiences of those subcontracted from social work organizations to work within public institutions under government procurement in Shenzhen (Guangdong, China). The empirical research is based on 31 questionnaires with open questions and 7 in-depth, semi-structured interviews with subcontracted social workers.

The research suggests that the relationship between the government and the so called 'social organizations' is heavily biased towards state influence. Whilst playing a leading role, the public institutions are spearheading the subcontracting process, with *de facto* non-negotiable stakes for the sub-contracted social workers and the sending organizations. Their perspectives reveal dissatisfaction and frustration in regard to the low entry threshold, employment instability, an excessive workload, little understanding or support from their administrative superiors, as well as concerns over the trend towards the bureaucratization of social work. Several implications for the subcontracted social workers and for the profession are then presented.

2. Framing the Context: A Snapshot on the Development of Social Work in China

2.1. Building a New Occupational Group

From 1978 onwards, China embarked on a major reform with a stated focus on de-politicization and economic development. Efforts were put into re-establishing social work around the late 1980s, in order to alleviate the social problems brought about by urban unemployment and income inequality (Chen, 2003; Chen, 2018; Szto, 2015). Social work courses were set up at major universities. However, it was not until the late 1990s that the first degree in Social Work was re-introduced. At the time, the envisaged 'spring' of social services held high promise. Social work underwent a period of real

and rapid development in China during the so-called 'Ten Years of Social Work Development' (2006-2016). From a group with poor social visibility and administrative roles, social workers started to be considered as important agents in consolidating China's 'social harmony', rooted in a highly valued Taoist tradition (Gao, 2017).

An ambitious governmental target (CPC, 2013) was that, by 2020, 1.45 million graduates would have gained a social work degree and would be ready to be employed. In 2018 alone, a total of 6.11 billion RMB (approximately 810.23 million euro) was invested by local municipalities into social work development. This represented a 19.6% increase on the previous year. Among those local municipalities, Shanghai and Guangdong alone have spent 1.4 billion RMB (185.6 million euro). Given the strong political will, backed by monetary incentives, there were 867 local associations of social workers and 9,793 social work organizations countrywide by the end of 2018; as many as 383,000 new social work positions were created in 2018 alone (Xu et al., 2019).

Against the above backdrop, there has been an unprecedented growth in social work education at tertiary level. There are now 348 universities offering a BA in social work education (ISCED 6), 150 universities and research institutions providing Master's degrees in social work (ISCED 7), and 17 doctoral programmes in social work (ISCED 8). The latest annual report of China's Association of Social Workers states the number of social workers[2] as being 1.35 million in total (in social work positions, regardless of educational background or qualification status) and 439,000 of them are qualified social workers, who have passed the national examinations required to obtain the qualification (Xu et al., 2019).

2.2. An 'Over-heated' Development?

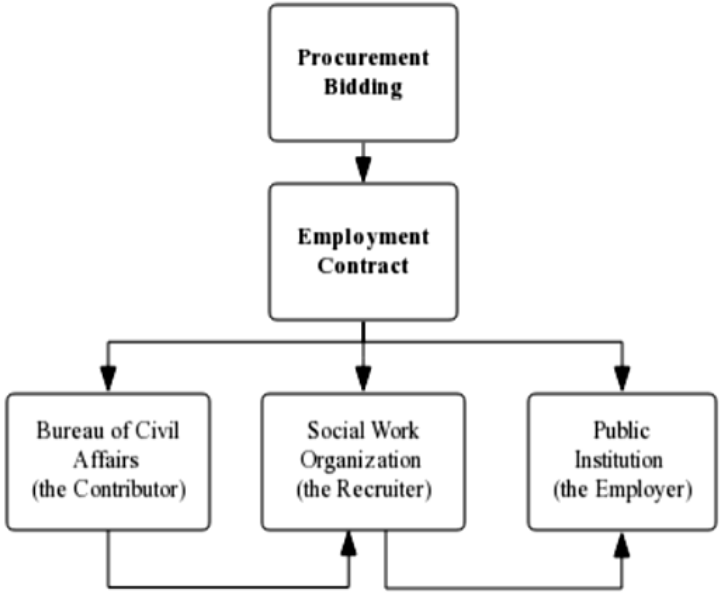
But the above expansion of and enthusiasm for social work is not without its dilemmas. From 2017, the national policy started to emphasize social goals. Institutional missions, plans and priorities were tailored in ways that placed a focus on social welfare. Yet surprisingly, at odds with the stated ambition of achieving social harmony, and after four years of a continued emphasis on supporting social work, the Chinese central government no longer mentioned social work or social workers in its annual report released in March 2019. These very recent policy choices have placed social work at a point where the maturity of the field has started to be brought into question. Several Chinese scholars have expressed their concerns regarding the 'over-heated' development of social work in China today. With as few as 19% of university staff in social work departments holding a degree in social work (Chen, 2018), the quality of education has started to be thrown into doubt.

Furthermore, the emphasis on the number of social workers at the expense of the quality of their education has been considered problematic. Large numbers of new social workers have entered the field, but the turnover rate has also been high. Studies carried out in 2014 showed that the turnover rate in two leading cities – Shenzhen and Beijing – was 22.2% and 25% respectively. Moreover, as many as 50% of front-line social workers in another leading city, Dongguan, expressed their intention to resign (Du, 2015; Jiang et al., 2019; Tian and Jing, 2014). However, the above transformations cannot be analyzed in isolation from the broader process of the marketization of public services. This will be discussed at length in the next section.

2.3. Marketization of Social Services

By and large, 'marketization' refers to the process through which the public sector contracts out the responsibility of delivering public services to private entities, such as non-governmental organizations, by offering public grants, while, at the same time, supervising those services (Brown and Potoski, 2003; Bhatti, Olsen and Pedersen, 2009). In Shenzhen, the procurement process of subcontracted social workers involves three parties: the Bureau of Civil Affairs, social organizations, and the public institutions in which the social workers are to work (Figure 1).

Figure 1 Procurement Process for Subcontracted Social Workers' Services



Source: Generated by the authors.

Notwithstanding claims about 'innovation', the relationship between the three is still heavily biased towards government influence which aims, for instance, to 'lead the development' of the 'NGO sector'. It also predetermines the status and roles of the subcontracted social workers before procurement. Social work organizations are heavily reliant on governmental funds. For instance, as much as 83.56% of the revenue of social work organizations in Shenzhen comes from service-provision on behalf of the government, with another 7% of the income being government subsidy (Li, 2019). Based on stated criteria such as reputation in the field, or past cooperation experience, the government chooses a number of organizations that are then directly selected or invited to bid for various tenders. Or, as is the case in Shenzhen, the government directly procures services with limited competition.

The marketization of social services calls for an examination of China's non-governmental sector. To have a legal identity in China, organizations have to register with the Department of Civil Affairs. Under current laws, an organization may be registered as: social group, private non-enterprise unit and foundation. However, the evaluation of the applications is closely controlled. Having leaders with the 'appropriate' political background, a high number of employees and considerable funds are key selection criteria. Consequently, many organizations[3] as well as international NGOs register as private enterprises rather than 'non-governmental organizations', or even stay unregistered.

As a matter of practice, these organizations carry out social work projects at community level. In their contracts with public institutions, many see a strategy for covering other administrative costs. The organizations which win the bids receive a management fee amounting to 20% of the salary package of the subcontracted social workers. Empirical studies (Han, 2017) show, however, that in real practice, the level of governmental control in the procurement of public services is extremely strong, with social organizations having very low bargaining power, if any at all. In extreme situations, for instance, the government cuts the budget for every project to 50,000 RMB (6,441.34 euro) after bidding, and some local governments failed to provide organizations with the amount initially agreed. Small organizations are especially vulnerable.

Against the above backdrop, the relationship between the social organizations started to become more competition-driven and less cooperation-based. Moreover, the procurement process unleashed a wave of opportunistic behaviours among enterprises and organizations managed by individuals who have a privileged relationship with government officials, such as high-level university members. Various entities increasingly started to change their registration status into 'social organizations', in order to pursue the profit opportunities that opened up. It goes without saying that complying

with governmental policy is essential in being selected as a subcontracted organization and maintaining this status. In political terms, upon signing the contract, the social organizations become government stewards or actors, working for the 'maximum benefit of the government' (Cooper, 2004; Jing, 2011; Ju, 2017).

2.4. Subcontracted Social Workers

Upon winning government bids, social organizations rely on subcontracted social workers. Unlike elsewhere, where outsourced social services take place within the premises of the contracted organization, this is very much not the case in China. The subcontracted staff actually work *on behalf* of the organization which won the bid, yet *within* the very public institutions that called for the 'outsourcing' of their services (i.e. local government departments, subdistrict offices, hospitals, schools, drug rehabilitation centres, residents' committees). This dispatching arrangement allows the state to benefit from the work contribution of qualified staff based on a short-term contract (one to three years), without the legal obligations derived from the regular dismissal of permanent employees. Moreover, during the contract period, the leadership of the public institution has the right to replace the subcontracted social workers at any time, without further obligations.

A formal employment contract for subcontracted social workers is signed by the three parties. The Bureau of Civil Affairs (the Contributor) provides the grant to the social work organization (the Recruiter) according to the number of subcontracted social workers procured. The Bureau pays for a fixed salary amount for each subcontracted social worker, regardless of the work to be carried out, the seniority level, or the working hours. The social work organizations would then dispatch their social workers, or recruit new ones, to the posts in the relevant public institution ('The Employer'). The subcontracted social workers are supposed to follow the rules of both the public institution they work in, and the social work organization they belong to. As will become evident later on in the paper, the obligation to comply simultaneously with the requirements and tasks of two organizations (social work organization and public institution) is often loaded with tensions and irreconcilable dilemmas that can even compromise professional integrity.

There are many ways in which the status of subcontracted social workers in China is different from that of social workers elsewhere. Subcontracted social workers in China have their employment contract (permanent or temporary) with social work organizations, and the procurement contract mentioned above is temporary, varying from one year to three years, depending on the regulations and wishes of the local government. Also, it is not absolutely mandatory for those applying to be subcontracted social

workers to have a 'social worker' qualification certificate, or to have an educational background in social work, all of which makes the job entry threshold rather low. Although the procurement calls give preference (and increased salaries) to those holding a certificate, many of those applying for social work vacancies are unqualified.

After a decade of having subcontracted social workers in China's public services, opinions on this occupational group are mixed. On the one hand, some argue that subcontracted social workers meet a very practical function in China, where social work has a weak tradition and where the welfare system is highly bureaucratic (Li, 2013). Some believe that subcontracted social workers can enhance local governments' understanding of social work and ultimately highlight the need for actual employment in this area (Li, 2013; Han, 2017). These views are substantiated by the shared idea that subcontracted social workers have both the capacity to move within policy and administrative environments, and a close understanding of clients' needs, be they people with drug addiction, those facing mental health problems, young people, etc. (Lu, 2012).

On the other hand, subcontracted social workers have been severely criticized for being overly administrative. Indeed, they are subcontracted directly to work inside public institutions, without specific job requirements, distinct goals or objectives. Nevertheless, most tasks delegated to them would be administrative (Ma, 2014; Lu, 2012). In addition, the sending social work organizations often have a hard time making ends meet, and are unable to offer subcontracted social workers the support and training they may need. Indeed, a reduced sense of commitment, a sense of loneliness in the workplace, an absence of long-term relationships with clients and difficulties in carrying out professional social work were highlighted as some of the main problems (Li, 2013).

3. Aims and Methods

Previous research has focused on the development of social work as a field and the implications of the government procurement processes for organizations, clients and society at large. Attention was drawn to the insufficient preparedness of university staff (Chen, 2018; Cai, 2013), to the degree to which western theories could or should be incorporated into Chinese social work (Yan and Tsang, 2005), and to how to establish social work as an independent industry and its professionalization (Cui, 2013; Xiong and Wang, 2007). However, there was little on the actual experiences of the social workers who work within the procurement structure.

This research departs from the structuralist approach, which examines the dynamics and new roles of government, public institutions, social work

organizations, etc., by exploring the perspectives of those actually involved in such processes. Using a qualitative approach, this research attempts to fill a gap in the scholarship on the procurement of social services provision in China, by asking how those directly involved experience the process. How do subcontracted social workers perceive themselves, compared to other social workers, and compared to staff employed in public institutions? What are their views and interpretations of the recent administrative transformations? Ultimately, what can their perspectives tell us about the broader institutional environment in China today?

This research has triangulated a review of government documents about subcontracted social workers, the results of an online questionnaire, and semi-structured interviews with subcontracted social workers in Shenzhen. Eleven individual social workers and 108 organizations (social work organizations, charity foundations, local social work associations) were invited to fill the online questionnaire. From a total of 63 completed questionnaires, 31 were filled in by subcontracted workers. As well as demographic information, the questionnaire included open questions related to the type of work, level of satisfaction, plans for the future and proposals for improvement. Respondents were balanced in terms of gender. The majority were between 25 and 39 years old. Out of the subcontracted social workers, 67.7% held a social worker certificate (N=22). Over half (N=18) had a Bachelor's or a Master's degree, 12 had a junior college diploma, and one respondent had a high school education.

Respondents had the option of self-selecting themselves for interview. In addition, snowball sampling was used to locate further respondents. This strategy was helpful, due to the fact that subcontracted social workers can be hard to find. They work separately in different public institutions. Also, there is no public contact information for subcontracted social workers, apart from the name of the public institution they work for. To add to the complexity, some are explicitly forbidden from giving interviews without the formal approval of their superiors, or they anticipate such limitations. The interviews included questions regarding the participants' experiences as subcontracted social workers, their thoughts and attitudes about their status, their tasks, and their aspirations and dilemmas. The duration of the interviews varied from 30 minutes to one-and-a-half hours. They were recorded with the consent of the interviewees, transcribed *verbatim*, then coded in NVivo 12. Pseudonyms are used throughout the paper, in order to protect anonymity.

This is a small-scale, exploratory study that does not aim towards generalization or representativeness. It emerged as a need to reflect – based on disparate and anecdotal evidence – insights that are qualitative in nature and which escape the mainstream understanding of the recent transformations in China's social work. More analysis is needed into what the procurement actually entails and its implications for the social workers involved, for clients

and for the social work field at large. The following part will examine several of the themes that emerged, based on coding the narrative data from the questionnaires and the interviews.

4. Data and Analysis

4.1. The Entry Threshold: Crisis of Talent, 'Political Will' or Something Else?

The entry threshold of a profession determines who will be part of that professional group. According to the general contract model of the Bureau of Civil Affairs of Shenzhen, a minimum of 80% of subcontracted social workers under procurement should have a social worker qualification certificate. However, from the questionnaires and interviews, it was found that the entry threshold for subcontracted social workers is rather low. Four interviewees even mentioned that – in practice – there are no professional requirements, and a considerable number of subcontracted social work vacancies are actually filled by unqualified staff. The low entry threshold was attributed to a crisis of talent and an abuse of power:

> They (the employer and the social work organizations) don't care about educational background. There are many who are not from this profession [social work], the social work industry itself is lacking a labour force…. I'm the only one who graduated in social work […] a girl from our team was put in because her father has a good relationship with our employer, so she was designated to be in this post even before our procurement contract was signed … a man in my team is here because he's a relative of the [social] organization's boss. He never works but surfs on the Internet and flirts with girls…. (Liu, 25, subcontracted social worker, BA in social work, certified as a social worker)

Another interviewee, Tan, similarly described the phenomenon, this time with the subcontracted social worker colleagues coming from a labour dispatching company, rather than a social work organization:

> Many subcontracted social workers are not graduates in social work, or they are here because of private relationships. Only one or two subcontracted social workers are really doing the work. There are many, really many people of this kind [laughs]. I think in general every workplace has one or two…. Dispatching is an easy excuse and disguise for the workplace leader to bring in these people who are not able to get into a public institution with formal contract. If you go and ask them, they don't even know that they are social workers! (Tan, 27, subcontracted social worker, BA in social work, certified social worker)

It is uncertain why entry thresholds are so low, given the increasing numbers of graduates in social work. A general agreement among interviewees was

that they are 'cheap labour', easily replaceable. Indeed, subcontracted social workers often earn half the salary of their civil servant colleagues, yet more than the other social workers in social organizations. On the other hand, social work is a feminized occupation in China, as elsewhere. Unlike professions with a high social standing (medical doctors, lawyers), which have structures in place meant to protect entry into that profession, this is very much not the case with social workers. Associations are now emerging and their professional standing is now being shaped. But leaving the occupational criteria loosely structured right at the beginning of building a new professional group, may carry longer term implications for social workers' public image.

4.2. 'This is not Social Work Anymore'

The difference between subcontracted social workers and other local social workers was a recurring theme. Shenzhen governmental offices decide which social work organization to work with, and which subcontracted social workers should be hired or fired. The social workers already employed in an organization, however, apply for grants for projects that are to be carried out on behalf of the organization, for a governmental assignment.

The tasks of the subcontracted social workers are usually aimed at serving a particular group of clients or fulfilling department tasks. For example, in a public hospital, a medical subcontracted social worker is supposed to assist patients and console family members of patients; in a subdistrict office, there might be a drug-control subcontracted social worker who is responsible for helping drug addicts recover and avoid a relapse. Yet in reality, subcontracted social workers seem more likely to carry out administrative and propaganda tasks, of the kind usually attributed to civil servants. These are often perceived as remote from the social work field. Whilst bureaucratic duties appeared disappointing to some, there seemed to be a broad consensus that this was inevitable:

> Liu: The biggest headache is that you need to prepare speeches and summaries for the leaders when there's a meeting.
>
> Q: That sounds like a civil servant, not a social worker.
>
> Liu: No, we don't look like social workers anymore (Liu, 25, BA in social work)

By and large, a sense of insecurity permeated the interviews. This was attributed to workplace environments characterized by high pressure and unreasonable demands, as well as contractual arrangements that allow for unpredictability and dismissal at short notice. These processes generate a sense of disillusionment in relation to the prospects of social work as an occupation: 'Just the other day, my boss and colleagues mentioned that

social workers are the same as labour dispatch. This is the trend in the social work industry. We can't help it' (Lenny, 24, BA in Film, subcontracted social worker). Or, as another interviewee argued, because of being 'short of money', subcontracted social workers are easy to hire when the need arises, and easy to dismiss. A change from below is seen as impossible, as 'if some don't want to do it anymore, they will recruit again' (Chen, 27 years old, BA in social work).

4.3. The Loneliness of Subcontracted Social Workers

For non-subcontracted social workers in project or community services, the job content is highly structured: the number of cases and events is clear, as well as the methods/approaches to be used: casework, group work, community events per year, etc. What is more, working in a group of professional social workers has positive effects in terms of relieving work-related stress and loneliness, enhancing motivation, and providing a sense of commitment and belonging (Lu, 2012). Conversely, subcontracted social workers usually work separately in different institutions, with very few peers from similar backgrounds. Most of the time, they find themselves working alongside colleagues who have a limited understanding of what social work entails.

> Every half month, a ranked result of drug control publicity would be announced in a group chat of all district and subdistrict leaders. This rank is only about profile-raising, and my office head doesn't want to lose face in front of so many other leaders, so he pushes me hard to do drug control propaganda, regardless of its quality … it's a competition without limit. Being the only subcontracted social worker in this office, I have to compete with other subdistrict offices, which have 4 to 7 subcontracted social workers. But once my office head finds out that we rank at the bottom again, he would simply scold me and order me to work harder and harder. It's only me, how can I compete with so many people? (Tan, 27, BA in social work)

In general, subcontracted social workers do not have a social work supervisor to turn to for support. The monthly meetings with a supervisor, who has no background in social work or related disciplines, are hardly a replacement. The situation of their peers in organizations running social work projects and community services is very different; there, junior social workers are teamed up with more experienced colleagues, and specialized training is often provided.

4.4. Serving Two Masters

Working as a subcontracted social worker may not always entail a clear separation of tasks between the public institution and the social organization.

Sometimes competing demands may arise, leading to dilemmas and unresolved tensions. Two interviewed subcontracted social workers, Tang and Lenny, complained that their workplace employer sometimes did not understand why they needed to spend their working hours meeting with people from the social work organization, and why they went on training courses that bore no relation to their administrative duties. Tang discussed how her superior influenced her training experiences:

> Of course, the department head doesn't want me to go [to meet social worker supervisors or for training]. Who will have to take over my tasks? Everyone has work to do, they're not going to be happy seeing me not in my seat, even if there's nothing to be done. He [the department head] said: 'As long as you're here, you're one of us. You should focus on the tasks of our department, not other people, or the social work organization'. He's not going to let me have professional training, join organization events or meetings, or even meet clients in working hours. I can only do these things after work, or at the weekend if I want to. (Tang, 35, junior college)

In a similar vein, Lenny spoke about her employer discouraging her in her search for professional support and self-improvement:

> They just completely can't understand … all my training and professional activities are taking away my free time and weekends. It's like I don't need to have free time to rest, no need for family, for friends, just work, work, and social work! (Lenny, 24, BA in Film)

When working under two organizations, subcontracted social workers often find themselves caught between administrative and professional social work activities. Chen claimed that she was not satisfied at 'having to do everything' demanded by two different organizations, and that 'none of them are good enough'. Keeping the right balance between the demands coming from the social organization and the public institution became close to 'walking on thin ice':

> I have to complete tasks from the workplace, and from the social work organization. The workload is doubled…. Even at the weekend, I need to catch up with the training hours required by the social work association,[4] to participate in organization activities. My whole life is sacrificed to work, no social life, no personal emotion, no family at all! … It's actually really frustrating to be pulled between two organizations…. My next goal is to work purely for one organization. Never want to be in such an embarrassing dilemma ever again! (Lenny, 24, BA in Film)

4.5. Evaluation and Control

Evaluation of performance sits at the centre of a major debate. Unlike the social workers employed in organizations that run projects, and who are

assessed annually according to the goals, objectives and other indicators written into their contracts, the subcontracted social workers undergo poorly-structured evaluations. The new form of their contracts has no specific indicators, whilst stipulating their duty to comply with the general requirements of the work unit. It is increasingly becoming the practice for them to be evaluated based on the same criteria as their colleagues in the administrative sector.

The absence of clear evaluation criteria, together with the political priorities of the moment, make subcontracted social workers move from direct contact with clients, towards a focus on the public image of the bureaucratic apparatus, sometimes coming close to propaganda. A research participant describes how her new contract terms influence her actual work: 'There are no professional indicators in my contract, I only have to do what my department head asks me to do'. In an attempt to shape the public discourse in ways that reflect the anti-drug policy commitment, subcontracted social workers may be involved in propaganda-type work, rather than casework:

> It's temporary [the contract], but it will always be with our organization if nothing seriously wrong happens…. Most of my work is administrative, and I have to plan my work based on the *Drug Control Project* released by the central government, for example sending government announcements, uploading articles … there are requirements for professional social work, but my department head said it's not necessary, and we just fake some case reports when it's time for evaluation…. (Liu, 25, BA in social work)

The dispatching of social workers has practice implications for the sending organizations as well. The procurement process opened the way to governmental control over the organizations, including, at times, the politicization of social work practice. Interviewees confessed that the nature of social work had changed for their colleagues back in organizations, where increasingly, publicity and propaganda activities are replacing direct work with clients. Many social workers lamented this mission drift. For the organizations that shifted their registration in order to meet the eligibility criteria for procurement, the risk of instrumentalizing social workers and clients in order to achieve business goals was high (Han, 2017). Social work knowledge and professional methods did not seem to carry more weight in the evaluation of work at the public organizations, and it was also not a major factor in the external assessment of the social organizations. It is no surprise that over half of the subcontracted social workers who responded to the questionnaire (N=22) thought that their employers did not understand social work. Moreover, as many as 65% agreed that as subcontracted social workers, they did not have permission from their employer to carry out client-related social work.

4.6. A Sense of Insecurity

Previous research on job satisfaction (Origo and Pagani, 2009) suggests that it is 'perceived employment stability' (and not actual employment stability) that makes a difference to employees' satisfaction. That is, a 'temporary but secure job' is preferable to the 'permanent but insecure job' combination. Similar phenomena were occasionally found in this research too, with some interviewees linking their level of satisfaction, not necessarily with the type of contract, but with the social dynamics at their workplace:

> I feel pretty good here, like this; in this office it will always be us four, as long as the contract remains. No one in my organization is competing for our posts, we are the only ones doing this…. But I still feel insecure in this job, especially in my department. You can see a distinct difference between position and power, temporary workers and permanent employees. I saw an old temporary worker who was scolded very harshly by his superior, who was quite young. He looked pitiful and was only able to say: "sorry, it's all my fault", regardless of whether he's guilty or not. This worried me and I decided to find another job…. (Liu, 25, BA in social work)

However, one cannot easily overlook the structural sense of insecurity conferred by a temporary contract. Chen, for instance, described her precarious situation as shaped by a short-term contract and the unreasonable demands of her boss:

> The most difficult thing in being a subcontracted social worker is that you have to obey every word uttered by your employer. If not, you get fired…. Two of my subcontracted social worker colleagues left … several days ago, my department head scolded me very harshly, and told me that I'm incapable and have to get out. But the next day he told me to 'go back and do your job!' He has the ultimate power over my life or death. (Chen, 27, BA in social work)

Lenny, another interviewee, highlighted that anxiety and a sense of instability were common among subcontracted social workers, also because the renewal of their contract may depend on the ability of the social organization to renew its agreement with the public institution:

> It doesn't matter how much appreciation you got from your employer, you have to roam with your organization and be subcontracted to another institution if they can't renew the contract…. It's really unstable, you have to change your workplace at least once every three years. (Lenny, 24, BA in Film)

Against the above backdrop, it should come as no surprise that the turnover rate among social workers in China is rather high, and that Shenzhen is climbing fast, from 8.2 % in 2008 to 22.2% in 2014 (Du, 2015). In our

research, the questionnaire results showed that 19.4% of respondents (N=6) intended to quit within half a year, and 32% of respondents (N=10) intended to resign within the next five years. However, the percentage of resignations was much higher among the interviewees. Four out of seven subcontracted social workers interviewed expressed their wish to resign, with the fifth interviewee having resigned already.

The reasons for leaving as selected by the questionnaire respondents were: 'lack of understanding from the workplace leader' (N=3); 'a desire to do more professional social work' (N=3) and 'too many administrative and publicity tasks' (N=2). The top three issues that were upsetting subcontracted social workers who wished to remain (n=17) were: 1) low pay (N=13), 2) excessive workloads (N=7), and 3) too many administration and publicity tasks (N=7).

5. Conclusions

Overall, 20 years after social work gained an academic home, the professional prospects for those holding a degree are rather uncertain. Despite China's stated interest in building up professional social work in ways that resonate with western developments in the field, this paper suggests that subcontracted social workers differ from social workers employed in public institutions elsewhere, and also from social workers in China's social organizations. In a nutshell, the differences are: 1) the subcontracted social workers have temporary employment contracts that are not signed with the public institutions where they work; 2) they work for two employers at the same time; 3) they are under the direct supervision of the public institution employer; 4) a social worker qualification certificate is not strictly required; 5) they work in isolation from other social workers, with major identity implications; 6) tasks are often administrative in nature; 7) the opportunities to learn – either by competent supervision or training – are limited; 8) the evaluation criteria are uncertain and context-specific. This situation leads to employers abusing their power, to a low level of respect towards subcontracted social workers, and to de-professionalization and a sense of frustration among professional subcontracted social workers.

This paper has built up the argument that – in many ways – subcontracted social workers meet the characteristics of what Guy Standing described as *The Precariat*. They have: (i) distinctive labour relations (i.e. insecure employment, *de facto* agency work and incomplete contracts); (ii) distinctive relations of distribution (that is: fewer benefits than permanent employees, such as being without paid leave, without maternity leave, without comprehensive insurance and without the Wuxian Yijin allowance usually paid by the employer); (iii) distinctive relations with the State: fewer and

weaker civil, cultural, social, political and economic rights (i.e. promotion, unionisation, the right to vote in their institutions). Subcontracted social workers have weaker professional identities, and a limited ability to plan their careers and enjoy professional growth. Their status confirms that work across the entire employment spectrum poses the risk of becoming precarious (Standing, 2011).

But de-professionalization exists among subcontracted social workers in Shenzhen because policies allow it to happen, and even create the circumstances for it occur. It happens because the political priorities of the moment move the space for social intervention away from direct, client-oriented settings. The interviewed subcontracted social workers said they found it hard to use the professional knowledge and methods they were trained in during their university studies. Moreover, they experienced a demoralising organizational culture that prioritized administrative and political goals over client-focused actions. These dynamics need to be interpreted against a general political context that prioritizes economic development at the expense of social welfare policies.

The situation is also maintained by the precarity of the organizational sector itself. Faced with a structural inability to rely on multiple funding sources, social organizations cannot live up to the expectation that they are genuinely 'non-governmental'. This significantly reduces their bargaining power and, ultimately, the necessary autonomy to act in ways that they may consider socially meaningful. Hiring social workers that are subcontracted in public institutions has become a survival strategy. The reliance on the management fee taken from the subcontracted social workers' salary packages, as well as the possibility of transferring part of the salary towards organizational administrative costs, are expressions of this structural dependence. Besides, although subcontracted social workers are experiencing dissatisfaction and frustration, they are paid more than social workers in social organizations.

In the final analysis, however, it has to be admitted that the marketization of public services, and the government procurement of social work services, is a new trend in China, which has heavily contributed towards the rapid development of social work as a field. If the government were not involved in the procurement of subcontracted social worker services, the demand for social workers and the visibility of the field would not have been that high. Yet this does not help in resolving other dilemmas and open questions on what it means to be a social worker in today's China, given the politicized shift in tasks, status and the level of external control. The issue of the extent to which China could or should adopt/adapt western theories and practices in social work (Chen, 2018; Gao, 2017), remains an unresolved tension. What are the implications for China's non-governmental sector, given its heavy reliance on government funds and the high level of governmental control exerted via

procurement? As this paper suggests, for the time being, the choice of having subcontracted social workers in public institutions is far from providing a response.

Notes

* Yingying Xie holds an MA in Social Services Management (Babeș-Bolyai University), a BA in Social Work and a BA in Applied Psychology (University of Jinan). She lives in Bucharest and can be reached at <isisixie@outlook.com>.

** Maria-Carmen Pantea is Associate Professor at BBU, Romania and member of the Pool of European Youth Researchers of the European Commission-Council of Europe Youth Partnership. She has published extensively on issues related to youth, work, social exclusion and mobility. She has a PhD in Sociology (BBU), MA with Merit in Gender Studies (Central European University) and MSc in Evidence-Based Social Interventions (Oxford) and can be reached at <maria.pantea@ubbcluj.ro>.

1. The paper will use the terms 'sub-contracted social workers' and 'subcontracted social workers' interchangeably.
2. Whist the term 'social worker' is used to refer to people who hold particular qualifications and come from particular backgrounds, in Shenzen, there are 5 levels and 13 sub-levels of social workers, with different levels of occupational prestige and salary.
3. This paper will use the term 'social organization' in order to denote the organizations that have contractual relationships with public institutions. Their large majority are non-profit or private, established by individuals who have privileged relationships with the government.
4. A total of 80 hours of training is required for the Social Worker Association of Shenzhen, as an indicator of professional performance and for future applications for a higher level certificate.

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Research Note

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Asian Infrastructure Investment Bank, New Development Bank and the Reshaping of Global Economic Order: Unfolding Trends and Perceptions in Sino-Indian Economic Relations

Renu ***Rana****
School of International Relations and Public Affairs
Fudan University, Shanghai, China

Abstract

While much of the literature is preoccupied with China's leading role in reshaping the rules of global economic governance through various mechanisms such as the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB) among others, the significance of India in these efforts is considered secondary to China. In comparison to China, India not only provides a democratic aperture but also facelifts institutional values and make the institutions more multilateral to be approached by developing countries which are otherwise skeptical of China's rise. In addition, India's membership also reinforces the foundations of these institutions where sustained economic growth is the key principle.

The paper attempts to examine how India and China contribute to the success of these mechanisms in terms of monetary funding and the role of public financial entities from respective countries and negotiations. With slowing down of economies of major developing countries like Brazil, South Africa and Russia, China and India are left with major responsibility to keep the pace of multilateral economic cooperation undeterred. It is interesting to see how stable, participative and transparent this transformed economic governance would emerge in the coming decades. The paper also looks at possible setbacks it may face in terms of competitive trends between India and China's economy for resources such as energy in the countries involved in these negotiations. The institutions like AIIB and NDB need to overcome the biases deep rooted in bilateral relations, and seek wider cooperation needed to outperform the sense of competitiveness.

Keywords: *development finance, global economic governance, AIIB, NDB, China, India*

1. Introduction

In the past few years, global governance has undergone normative and structural transformations. To illustrate a few – inclusion of broadened mechanisms for participation, emergence of alternative institutions for participative and transparent governance and rules, and reshaping of international economic institutions are leading the path of cooperation framework. The establishment of new global economic governance mechanisms such as the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB) are examples to analyze this perspective. With the establishment of these mechanisms, new hopes are seen surfacing the landscape, which are transparency, equality and free accessibility to opportunities for economic development of regions which were neglected for decades. However, fears also formed regarding the emergence of new hegemons, substandard and biased rules, and the risk of inefficiency due to lack of experience of these new institutions.

With countries like China and India taking a lead in creating and curating multilateral financial institutions like AIIB, those countries which were left behind in their efforts to seek funds for development and keep up the growth rate found new hope. Even despite being a founding member of the bank, India also sought an opportunity to get funding from the bank to facilitate project financing. One cannot ignore the fact that, since the time of its inception, the AIIB encountered doubts regarding its functionalities and credibility to operate as a successful funding agency in pan-Asian and pan-continents. The AIIB has development as its core principle and with countries like China and India at the helm, it gave an impression of convergence over development which may overcome the geopolitical apprehension. This was significant especially on the backdrop when some of the scholarly work accused the AIIB of challenging Japan's position in the Asian Development Bank (ADB). In fact, some leading journals also indicate apprehensiveness about these institutions where China heads the board and influence decision-making but the mere fact that the institution is run by developing countries reassures the broad basis of these institutions. One counter argument to these doubts could be, if China attempts to create a cooperative and developmental agenda through these institutions, these institutions do play a critical role in raising expectations from China and urging China to be a responsible stakeholder to successfully operate the Asian Infrastructure Investment Bank by strengthening the promotion of good governance.

2. Towards Participative, Transparent and Stable Global Economic Governance

The primary institutions of global economic governance such as the International Monetary Fund (IMF),[1] the World Bank (WB)[2] and the World

Trade Organization (WTO), trace their origins to the post-war period. With the spread of globalization and rise of emerging markets particularly China and India, the needs and goals of the international economy are undergoing changes attributing to a call for the reshaping of the rules of global economic governance, and not just reforms in the existing institutions. The IMF also underwent a few changes in its structure in the beginning of 2016,[3] whereby China was given the third largest place among the IMF quotas and more than six per cent of quota shares were shifted to developing countries (Zhou, 2016; *China Daily*, 2016; IMF, 2019).[4] It has been argued that China's success in establishing the AIIB and the refusal of Britain to go with the United States (US) call to boycott the AIIB resulted in persuading the US Congress to pass the legislation to implement long-due agreements (*China Daily*, 2016). Along with these reforms, China, India and Russia now rank among the top ten shareholders at the IMF.[5]

Along with these reforms, the emergence of new mechanisms such as the AIIB and NDB among others is significant to the global economic reforms in terms of providing a platform for the emerging markets to play an increased and vital role in the decision-making, not only in the IMF, or the WB, but also in the reshaping of the rules of global governance; as well as a diminished role for the WTO as nations embrace regional and bilateral trade agreements with the rise of new trade institutions (Institute for International Economic Policy, 2016).

The idea to set up the New Development Bank evolved throughout the Delhi Summit of BRICS in 2012 and Durban Summit of BRICS[6] in 2013, with the aim of mobilizing resources for infrastructure and sustainable development projects within the BRICS and beyond. The agreement to establish the NDB was signed in 2014 during the Fortaleza Summit of BRICS. The NDB came into force in 2015 during the inaugural meeting of the Board of Directors of NDB with initial authorized capital of US$100 billion and initial subscribed capital of US$50 billion (NDB, 2014). AIIB was officially established in 2015 with an authorized capital of US$100 billion in which India and 56 other countries joined as founding members. It, similar to NDB, is aimed at infrastructure financing (*The Hindu*, 2015).

Contrary to the belief and initial speculations that NDB and AIIB outshine the existing international monetary institutions and challenge them (Dove, 2016),[7] if one looks closely at the projects' fund break-up, it is interesting to note that these new institutions are working rather closely with the existing institutions with a huge share of funding coming from these existing institutions (Table 1). The AIIB and World Bank signed their first Co-Financing Framework Agreement in 2016 which outlines the co-financing parameters of AIIB-World Bank investment projects (AIIB, 2016g).[8] Not only that, the AIIB has signed a memorandum of cooperation with the Eurasian

Development Bank, Islamic Development Bank, African Development Bank and African Development Fund, European Investment Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, New Development Bank, four major bodies of the World Bank Group in 2017 (International Bank for Reconstruction and Development, International Development Association, International Finance Corporation and Multilateral Investment Guarantee Agency) and Asian Development Bank (AIIB, 2019b).

It can be said that the rise of these new mechanisms does not necessarily contradict with the existing ones, rather complements them by providing their support to these institutions. For instance, the BRICS supports G20 as the primary forum for international economic cooperation for broader, more inclusive, representative and effective collaboration compared to previous institutions (Zhu, 2016a). Here, G20 which entered the institutional transition stage since the 2010 Toronto Summit, being an informal institution and representing leaders from major developed world and emerging market economies, has 'comparative advantage in agenda setting and consensus-building in global economic governance (Zhu, 2016b). As the Bretton Woods institutions are facing the issue of representing geopolitical realities of the 21st century, new mechanisms like NDB and AIIB, with completion of almost four years of their founding, would not only invoke the reforms in these institutions but would also complement the agenda-setting process of global economic governance. These two multilateral development banks (MDB) have proven to lead the multifaceted path of goal-oriented investments, blurring the stark geopolitical divisions and proving the beliefs which predicted that they presented threats to global governance wrong. Rather, they represent a platform for developing economies to effectively channel their increasing strengths to global development and infrastructure growth,[9] and "promoting new norms of shared leadership, responsibility in advancement of, rather than in contradiction to, the existing international order" (Dove, 2016).

One of the purposes of setting up these new institutions is to provide a more stable, participative and transparent look to global economic governance. Both India and China as leading contributors to these mechanisms and major emerging economies calling for reforms in the global economic governance have the potential to play very crucial roles.[10]

3. How India and China can Contribute to its Success

Being major shareholders in these new MDBs, both China and India have the potential to contribute to the development of the least developed and fellow developing countries through monetary aid and loans in the form of funding to these institutions and role of their respective public and private financing entities. Both China and India are among the largest stakeholders

to both institutions. For instance, China has a voting share of 26.56 per cent (at 300,237 votes) with total subscriptions of US$29,780.4 million (30.79 per cent of total). India having 7.62 per cent voting share (at 86,106 votes) with total subscription of US$8,367.3 million (8.65 per cent of total) is the second largest stakeholder at AIIB (AIIB, 2016f; AIIB, 2019a). Their development finance, largely through the NDB and AIIB, has contributed not only in bringing new projects to these countries, but also intensified the debate on aid effectiveness in the Organization for Economic Co-operation and Development (OECD) and in the United Nations (UN). The projects financed by the NDB and the AIIB are based on market-based approach (on sound banking principle) providing more sustainable funding.

Among major emerging market economies in the world, Russia, Brazil and China are facing a slowdown in recent years. Notwithstanding the global trend of economic slowdown be it China or Brazil, India continues to maintain a high growth rate with almost 7 per cent for the last four years. With the approval of Goods and Services Tax (GST) bill, it is expected to raise the Indian Gross Domestic Product (GDP) by 0.5-0.8 percentage points in the medium term as per the HSBC and Goldman Sachs estimates (Chandran, 2016), same is expected to rise between 0.9 to 1.7 per cent as per the study conducted by the Customs and Central Excise Department (*The Economic Times*, 2017). As China struggles to maintain its economic growth at 6-7 per cent, India provides more viable space for investments.

Besides being a contributor to both the AIIB and the NDB's monetary funds, India's private sector lender bank, the ICICI Bank became the first Indian financial institution to tie up with the NDB for partnership in bond issuances, co-financing, treasury management and human resources. A memorandum of understanding (MoU) was signed between the two in the first week of May 2016 (*The Economic Times*, 2016b). This will also add to the role of public-private partnerships (PPPs) in NDB-funded projects. At the same time, China's commercial bank, China Construction Bank (CCB) also signed a MoU with NDB on 9 June 2016. The CCB plays a very important role in infrastructure financing within China. These initiatives indicate the significance of private financial entities of both countries towards the process of infrastructure financing.

4. Implications beyond Power-Contestation in the Region

A majority of the development finance from these institutions are aimed at infrastructure, basically at mutual benefits, not merely at the social sector unlike the projects financed by the primary institutions like the IMF and the WB. Secondly, the AIIB and NDB both are supposed to replicate the so-called China experience of being capable of speedier project preparation,

approval and implementation unlike existing multilateral development banks (Greenwood, 2016). Thirdly, these projects are supposed to be based on non-cash financing without policy conditionality, circumventing corruption (Zhu, 2016).

The mechanisms including AIIB and NDB offer India with an opportunity to pursue its own development projects and also complement its vision to connect with Central Asia and East Asia. The AIIB and NDB can prove crucial in providing finance for its initiatives such as the Look East Policy, Iran-Pakistan-India pipeline, Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline among others (Sahasrabuddhe, 2015).

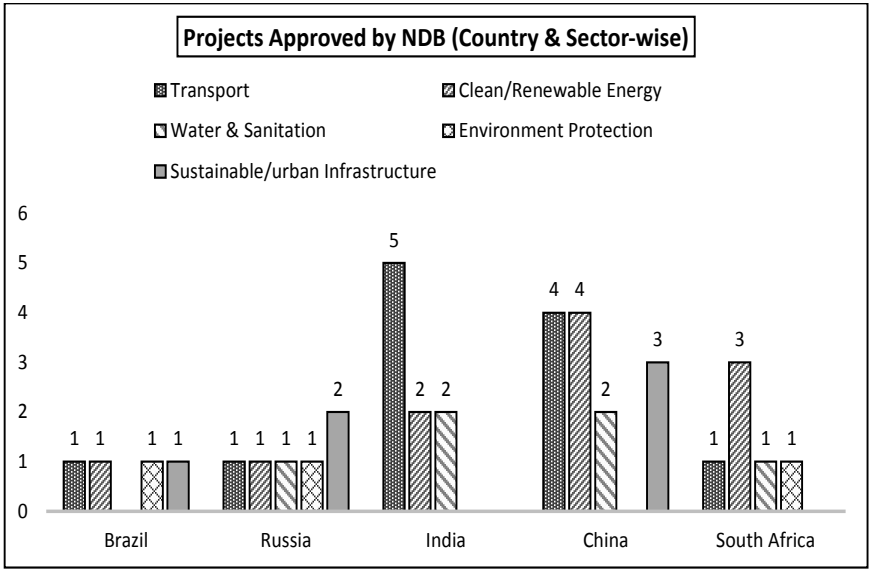
For China, which is readjusting its economy through 'New Normal' and by relying on supply side reforms with rebalancing it towards more domestic consumption and less exports and investments, these mechanisms provide it with the tools to move its investments abroad.

4.1. What NDB and AIIB Have Achieved So Far?

Unlike focussing on social-oriented goals like poverty alleviations, NDB provides loans for clean energy projects, social infrastructure, transportation, water supply, etc. In April 2016, it sanctioned loans amounting to US$811 million supporting the building of 2,370 MW of renewable energy capacities to four countries, namely, Brazil (to Banco Nacional de Desenvolvimento Economico e Social for US$300 million to build 600 megawatts of renewable energy capacity), India (to Canara Bank for US$250 million of renewable-energy projects), South Africa (Eskom Holdings SOC Ltd for US$180 million for renewable energy generation) and China (Shanghai Lingang Hongbo New Energy Development Co. for US$81 million loan for a rooftop solar power project) (*The BRICS Post*, 2016; *The Economic Times*, 2016b; NDB, 2016). Besides these projects, other projects have been approved over time including a hydropower project for Russia (*The BRICS Post*, 2016; NDB, 2019). So far, NDB has approved approximately 38 projects as of August 2019 (NDB, 2019).

The AIIB's targeted loans to eight countries in 2016 for infrastructure projects gave hope to the norm targeted at developing the region with minimal or without any red tape or environment and other regulations (Table 1). Out of these eight loans, the four namely, in Bangladesh, Indonesia, Pakistan and Tajikistan totaling US$509 million were approved within the first six months of its establishment (AIIB, 2016a). The Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the World Bank are co-financing three out of these four loans in 2016. In 2017, AIIB approved 15 projects with India bagging five of them, the highest number of projects. In year 2018, AIIB approved 11 projects, and in 2019 (up to August),

Figure 1 Projects Approved by NDB (country-wise)



Source: Accumulated by the author from diverse sources, majorly from AIIB.

approved 12 projects. In 2017, more than half of the loans were co-financed by either the World Bank or ADB. Moving forward in 2018 and 2019, AIIB is co-financing the projects with many more regional banks in addition to the international institutions like the World Bank. For instance, in 2018, AIIB approved a loan for the Tuz Golu Gas Storage Expansion Project in Turkey, co-financing the project with the World Bank and Islamic Development Bank (Table 3). AIIB is also co-financing with the European Bank for Reconstruction and Development for the Efeler 97.6 MV Geothermal Power Plant Expansion Project in Turkey in 2019.

Looking at the number of projects AIIB is co-financing with other major institutions such as the World Bank and Asian Development Bank, it certainly raises new hopes towards cooperation among multilateral development banks and reaffirms its commitment to development and not just power-projections. In the last four years from official establishment to project investments, AIIB has continuously developed its own governance structure, mechanisms and policies. The success of this newly created multilateral development bank (MDB) witnesses more accountability coming its way. The size of its operation and function continue to grow. On July 13, 2019, the Asian Infrastructure Investment Bank (AIIB) Board of Directors approved Benin, Djibouti and Rwanda to join the bank. So far, the total number of AIIB members has reached 100.

Table 1 Projects Approved/Under Consideration by AIIB in 2016

No.	Country	Project Title	Sector	Co-financer
1	Indonesia	National Slum Upgrading Project (NSUP)	Urban Transport, Solid Waste Management	World Bank
2	Tajikistan	Dushanbe-Uzbekistan Border Road Improvement Project	Transport	European Bank for Reconstruction and Development
3	Bangladesh	Distribution System Upgrade and Expansion Project	Energy	Local Financier
4	Pakistan	National Motorway M-4 Project	Transport	Asia Development Bank
5	Pakistan	Tarbela 5 Hydropower Extension Project	Hydropower, Energy	World Bank
6	Myanmar	Myingyan Power Plant Project	Energy	IFC, ADB and other commercial lenders
7	Oman	Duqm Port Commercial Terminal and Operational Zone Development Project	Transport	Local Authorities (here, SEZAD)
8	Azerbaijian	Trans Anatolian Natural Gas Pipeline Project	Energy	World Bank (lead co-financiar)

Source: Accumulated by the author from diverse sources, majorly from AIIB.

Table 2 Projects Approved by AIIB in 2017

No.	Country	Project Title	Sectors	Co-financer
1	Indonesia	Regional Infrastructure Development Fund Project	Multisector	Swiss State Secretariat for Economic Affairs (SECO) via World Bank
2	Indonesia	Dam Operational Improvement and Safety Project Phase II	Multisector	World Bank, Borrower
3	Bangladesh	Natural Gas Infrastructure and Efficiency Improvement Project	Energy	ADB, Government of Bangladesh
4	India	Andhra Pradesh 24*7 – Power for All	Energy	World Bank, Government of Andhra Pradesh
5	Georgia	Batumi Bypass Road Project	Transport	ADB, Borrower
6	India	India Infrastructure Fund	Finance	Others
7	Tajikistan	Nurek Hydropower Rehabilitation Project, Phase I	Energy	World Bank, Eurasian Development Bank
8	India	Gujarat Rural Roads (MMGSY) Project – Phase I	Transport	
9	Egypt	Round II Solar PV Feed-in Tariffs Program	Energy	IFC and others
10	India	Transmission System Strengthening Project	Energy	ADB and Power Grid Corporation of India
11	Asia	IFC Emerging Asia Fund	Finance	IFC and others
12	Philippines	Metro Manila Flood Management Project	Water	World Bank, Borrower
13	India	Bangalore Metro Rail Project-Line R6	Transport	Local bodies, European Investment Bank (EIB)
14	Oman	Broadband Infrastructure Project	Telecoms	Funded by equity, debts and operating cash flow
15	China	Beijing Air Quality Improvement and Coal Replacement Project	Energy	Local: Beijing Municipality, China Clean Development Mechanism Fund (CCDMF) & Others

Source: Accumulated by the author from diverse sources, majorly from AIIB.

Table 3 Projects Approved by AIIB in 2018

No.	Country	Project Title	Sectors	Co-financer
1	Bangladesh	Bangladesh Bhola IPP	Energy	–
2	India	Madhya Pradesh Rural Connectivity Project	Transport	World Bank, Borrower
3	India	National Investment and Infrastructure Fund	Finance	Government of India
4	Turkey	Tuz Golu Gas Storage Expansion Project	Energy	World Bank, Islamic Development Bank, commercial loans and others
5	Indonesia	Strategic Irrigation Modernization and Urgent Rehabilitation Project	Water	World Bank, Borrower
6	India	Andhra Pradesh Rural Roads Projects	Transport	Government of Andhra Pradesh
7	Egypt	Sustainable Rural Sanitation Services Program	Water	World Bank, Borrower
8	Turkey	TSKB Sustainable Energy and Infrastructure On-lending Facility	Finance	–
9	Indonesia	Mandalika Urban and Tourism Infrastructure Project	Multisector	Government of Indonesia
10	India	Andhra Pradesh Urban Water Supply and Septage Management Improvement Project	Water	Government of Andhra Pradesh
11	Asia	AIIB Asia ESG Enhanced Credit Managed Portfolio	Finance	–

Source: Accumulated by the author from diverse sources, majorly from AIIB.

Table 4 Projects Approved/Under Consideration by AIIB in 2019 (up to August)

No.	Country	Project Title	Sectors	Co-financer
1	Bangladesh	Power System Upgrade and Expansion Project	Energy	Government, borrower
2	Lao PDR	National Road 13 Improvement and Maintenance	Transport	IDA
3	Sri Lanka	Reduction of Landslide Vulnerability by Mitigation Measures Project	Other	–
4	Sri Lanka	Colombo Urban Regeneration Project	Urban	–
5	Nepal	Upper Trishuli-1 Hydropower Project	Energy	Equity, Debt
6	Turkey	Efeler 97.6 MV Geothermal Power Plant Expansion Project	Energy	European Bank for Reconstruction and Development, and others
7	Bangladesh	Municipal Water Supply and Sanitation Project	Water	World Bank/IDA Loan, Government of Bangladesh
8	Cambodia	Fiber Optic Communication Network	Digital Infrastructure	
9	India	L&T Green Infrastructure On-lending Facility	Finance	–
10	Hong Kong, China	Asia Investment Fund	Finance	–
11		Infrastructure Private Capital Mobilization Platform[11]	Multisector	Investors and partners
12	Multi-Country	Asia Climate Bond Portfolio	Multisector	Plans to mobilize some from climate change focused institutional investors

Note: "–" details not available.
Source: Accumulated by the author from diverse sources, majorly from AIIB.

India has secured approximately ten projects from AIIB. One of the loans has been secured by India for the Transmission System Strengthening Project in the Tamil Nadu region (Table 2: No. 10). As India's southern region has been facing serious power supply shortage due to delay in generating projects and due to insufficiency of gas supply for existing gas projects, this project with US$150 million from AIIB is very crucial to meet the power supply demand in the region. Some estimates indicate that as of today maximum power demand of the southern region alone is about 39 GW. In spite of import capacity of approximately 5.9 GW from the north-east-west grid, the supply deficit in the southern region is still around 3.4 GW (AIIB, 2017). The impact of the project will be increased availability and sustainability of power supply in India. To add more to India's target to gain from AIIB and NDB, former Indian Finance Minister, Arun Jaitley, while addressing the Board of Governors Session of the Annual General Meeting (AGM) of the AIIB in June 2016, insisted on India's huge unmet demand for investment in infrastructure and preparation of India for projects worth US$2-3 billion for AIIB funding in areas of urban development, energy, transport, railways and water supply (*The Economic Times*, 2016a).

These new sources of finance should be seen as a welcome step as these projects, aimed at power generation, complement the manufacturing sectors and the development agenda of India. In light of restrictions coming from the World Bank[12] to finance the coal-fired electricity projects back in 2013 (Subramanya, 2015), India, being the world's fifth-largest coal reserve holder with approximately 300 million people with no access to electricity, cannot help but welcome alternate source of finances to meets its need for power supply. The loans coming from AIIB and NDB are a welcome step in this direction. Though it is too soon to claim how much these new institutions would benefit India, yet looking at the projects India has been able to get sponsored by both AIIB and NDP, it is obvious that it adds to India's development goals. India has been able to successfully gain loans for two of its major projects, both targeted at power supply, despite unresolved border disputes with the major stakeholder in these two institutions, i.e. China. Though already on its way to benefit from the money lent by AIIB and NDB, India needs to keep its options open even at the Bretton Woods Institutions, which are under reform since January 2016.

It may be worth mentioning that while facing many challenges in their bilateral relationship including India having a trade deficit with China, long-standing border disputes and geo-political struggle, both have found new ways, not only to be partners to lead the growth in developing regions around the world, but also to benefit in the process of targeting infrastructure and development goals.

5. Major Challenges

Though both India and China have the potential to contribute to the success of these two initiatives, there are also apprehensions given the history of tensions between the two, due to unresolved border issues. Though this claim is losing its weight due to ever increasing trade and cooperation between the two in recent decades, however, despite sound trade and regular meetings of the head of governments between the two in recent years, both share a competitive trend towards power in terms of access to resources, i.e. energy as well as stakes in major international institutions. It has been argued that China might utilize AIIB and NDB to advance its economic diplomacy in Africa and Southeast Asia and elsewhere (Batra, 2014). These concerns have dominated Indian policy makers since the conceptualization of such mechanisms. Besides, for quite some time, both the United States and Japan have also expressed their apprehensions about China's intentions for power contestation in the region by opting out of AIIB and claiming AIIB to be a China-led substitute for Asian Development Bank (which is primarily led by Japan).

Besides contestation among major emerging market economies as well as among the developed countries either for power in the global political setting or for the resources, the new global governance platforms in the form of development financing institutions such as the AIIB and the NDB, are not without drawbacks. For instance, the AIIB, with a capital of US$100 billion, has the potential to fund only US$20-25 billion worth of projects each year, which is more or less of the same magnitude as that of the ADB and the World Bank each in Asia, while the amount of funds needed annually in the region is many times this amount (Greenwood, 2016). Though looking at the speed of projects approval over the course of the last four years, it brings hopes for the success of these mechanisms. However, the major challenge is to do with implementation. AIIB and NDB which focus on public-private partnerships (PPPs), have a long way to go in light of experiences of previous multilateral development banks in lacking of a sound regulatory framework to manage PPPs.

Another significant challenge remains in the form of governance. Asian countries, except for a few developed countries like South Korea and Japan, face an upward task to maintain uncompromised standards of governance. If China wants to contribute to the success of AIIB, it needs to strengthen the promotion of good governance. ADB expects the Asian economy will continue to grow and soon reach the size of US$8 trillion and US$290 billion in national and regional infrastructure. The initial goal of establishing AIIB with a consensus to invest US$100 billion in registered capital and help towards the public sector's investment is accomplished. But for the future, the successful operation of AIIB will depend on private sector funding. In order to attract the private sector to increase investment in long-term infrastructure

projects in the region, Asian countries need to improve their management systems – involving legal rules, independent legislative bodies and judicial institutions, policy predictability, clean politics, political stability, etc. Without these factors, international market funds will not venture into emerging economies.

6. Conclusion

Looking at the progress of AIIB and NDB in the first half of 2019, it can be said that these institutions are consistent in their attempt to work towards cooperative relationship. Beyond growth in numbers, as a new multilateral financial institution, AIIB plays an important role in achieving global sustainable and low carbon inclusive development in order to promote the environmental and social benefits of ensuring investment.

With India and China being major shareholders in both AIIB and NDB, they have the opportunity to redefine development finance and bring more stability to global economic governance. Both India and China recognize that AIIB need to maintain an open attitude of listening to and absorbing opinions from all parties. If successful in the long term, these institutions have the potential to bring more transparency and equality to the global economic regime, providing a platform for emerging market economies in the agenda-setting and decision-making process of governance, thus contributing to the goal of global governance and growth. In the process, China and India are set to gain both in geo-economic and geo-political terms, adding to their global clout.

Notes

* Renu Rana is a PhD Student (International Politics) at the School of International Relations and Public Affairs, Fudan University, Shanghai, People's Republic of China. She can be reached at <rana.renu@outlook.com> or <16110170043@fudan.edu.cn>

1. The IMF was created in 1945 and currently has a membership of 189 countries. The IMF focuses primarily on the functioning and stability of the international monetary system including that of exchange rates and international payments. For more details, please refer to the International Monetary Fund (n.d.), "About the IMF", available at <https://www.imf.org/en/About>.
2. The World Bank was founded in 1944, as the International Bank for Reconstruction and Development, later called as the World Bank. The World Bank currently has expanded to a closely associated group of five development institutions namely, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). For more

details, please refer to World Bank (n.d.), "The World Bank<Who We Are>", available at <https://www.worldbank.org/en/who-we-are>.

3. These changes were agreed in December 2010 as a result of the international financial crisis.
4. Effective from 26 January 2016, the quota share of China has risen from 3.996% to 6.394% as per the Board Reform of Amendment. It stands at 6.41% as of August 28, 2019. The IMF (2019), "IMF Members' Quotas and Voting Power, and IMF Board of Governors", 28 August, available at <https://www.imf.org/external/np/sec/memdir/members.aspx>.
5. India stands at 2.76%, China at 6.41% and Russia has a share of 2.71%. Others which are among the top ten include Brazil (2.32%), Canada (2.32%), France (4.24%), Germany (5.60%), Italy (3.17%), Japan (6.48%), United States (17.46%) as of August 2019. The IMF (2019), "IMF Members' Quotas and Voting Power, and IMF Board of Governors", 28 August, available at <https://www.imf.org/external/np/sec/memdir/members.aspx>.
6. BRICS is an acronym for the association of five major developing economies – Brazil, Russia, India, China and South Africa. BRICS was originally a group of the first four known as BRIC, before the induction of South Africa in 2010.
7. Dove, Jonathan (2016), "The AIIB and the NDB: The End of Multilateralism or a New Beginning", *The Diplomat*, 26 April, available at <https://thediplomat.com/2016/04/the-aiib-and-the-ndb-the-end-of-multilateralism-or-a-new-beginning/>.
8. The AIIB President Jin Liqun and World Bank Group President Jim Yong Kim signed the agreement to co-finance projects in sectors such as water, transport and energy in regions of Central Asia, South Asia and East Asia. AIIB (2016g), "AIIB and World Bank sign first Co-Financing Framework Agreement", 14 April, available at <https://www.aiib.org/en/news-events/news/2016/20160414_002.html>.
9. This is reflected in the shift in the global power balance. "Since 2000 the share of the BRICS in the world's (nominal) GDP has grown from 8% to 22%. In contrast, the share of the Group of 7 (G7 – Canada, France, Germany, Italy, Japan, United Kingdom and United States) has declined from 65% to 45%. Measured in purchasing power parity (PPP), the BRICS and the G7 now each account for roughly a third of global GDP." (Wang, 2019)
10. India and China have a voting share of 7.6183% and 26.5637% in AIIB (AIIB 2019a), while all the five BRICS countries hold equal shares at the NDB.
11. Details not yet available.
12. In 2013, the US government placed severe restrictions on coal-fired electricity generation abroad due to its concern for the issue of climate change. This step was later included in the World Bank's policy for lending money to countries.

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