



Is China Heading Towards a Crisis?

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On the 28th of August, the Jeffrey Cheah Institute on Southeast Asia (JCI) hosted a forum to discuss the state of China's internal politics, foreign policy, and trade relations. The discussants were Dr Ngeow Chow Bing, Acting Director of the Institute of China Studies in Universiti Malaya; Dr Nur Shahadah Jamil, Research Fellow at the East Asian International Relations Caucus in Universiti Kebangsaan Malaysia; and Prof Woo Wing Thye, President of the Jeffrey Cheah Institute on Southeast Asia in Sunway University.

Reforms under Xi Jinping

Dr Ngeow Chow Bing started off his presentation by explaining some features of the 'Leninist' party-state. Unlike traditional parliamentary democracies where there is some overlap between the ruling political party and the offices of state, China has a parallel structure in which the Chinese Communist Party (CCP) overshadows the state. In this system, the CCP makes all the state's most important personnel and policy decisions, as well as carries out their implementation. Xi Jinping stands at the head of this system as the General Secretary of the CCP, the chairman of the Central Military Commission, and President of the People's Republic of China.

Dr Ngeow then highlighted some of the reforms and policies introduced

under Xi's leadership. On the military front, Xi has restructured the People's Liberation Army (PLA) in order to modernise its chain of command, enhance the use of modern communications technology, and initiate joint connectivity between its various branches. Organisationally, the division of power has been streamlined across service branches and regions, with departments being broken up to reduce corruption within these offices. Party discipline has been a major theme during his term. The enactment of rules governing CCP members' behaviour and a national anti-corruption campaign stand out as the most prominent of these efforts. Judicial reforms have also been carried out in order to centralise authority and reduce collusion at the local level. Ideological and political control have also been tightened through the monitoring of foreign NGOs, increased censorship of dissent, and internet security laws.

One marked difference of Xi's term as president is his break with traditions in the CCP. Dr Ngeow posits that Xi did not name a successor, as past presidents have done, because Xi believes this system of successors constrains the office of president and its ability to challenge vested interests within the party state. The removal of term limits and the inclusion of his own thought into the party constitution

while in office are just some of the other rules he has broken. According to Dr Ngeow, Xi has also been able to consolidate a faction around himself and alter the party's internal dynamics. He has promoted his former colleagues and associates to leadership positions while eroding the influence of other factions. Dr Ngeow hypothesised that Xi is able to centralise all this power, not primarily because he is power-hungry, but because the party is enabling him to do so in order to reform Chinese governance. However, he may be overstepping – this has invited backlash from some quarters of Chinese society. Missteps in foreign policy and difficult economic circumstances pose a potential threat to Xi's leadership and the entire system that he has centralised.

From 'Carrot' to 'Stick'

Dr Nur Shahadah opened her presentation by discussing how to assess China's foreign policy and its significance for Malaysia, a country at the epicentre of the global power shift from West to East. Under President Xi, China's policy of maintaining a stable and peaceful external environment to bolster its economic development remains from the previous years. The Belt and Road Initiative (BRI) and diplomatic relations with the periphery countries, the most important of

which are the ASEAN states, also contribute towards this aim.

Against the backdrop of rising confidence among China's ruling elites, there has however been a shift away from China's traditional non-confrontation strategy due to the country's rise in international status. This has led to a tendency to use a more assertive approach than cooperative measures. The South China Sea dispute demonstrates this new tendency through the increased construction of artificial islands and China's willingness to deploy its forces in the disputed waters.

Xi's second term continued this trend of assertiveness. In a recent keynote speech, he emphasised plans of 'National Rejuvenation' which revolves around the restoration of China's rightful place as a great power among the nations. Xi has touted China as the 'defender of international order' and has taken a leading role on the issue of climate change. A major factor behind this new posture is the looming threat of US isolationism. This assertiveness is also manifesting in Xi's public rhetoric: issuing stern threats against separatism, evoking nationalism in defence of the motherland, and even citing the artificial islands in the South China Sea as achievements.

Dr Shahadah speculated that the future of Chinese foreign policy would continue to be characterised by this assertiveness. Structural changes in tandem with Xi's personal vision will be central in influencing foreign policy outcomes. She predicted that Xi's drive to cement his legacy will push him towards greater consolidation of power. This is already borne out in his restructuring of the foreign policy apparatus within the CCP and the Chinese state. Dr Shahadah ended her presentation with a list of potential challenges to China and Xi's administration. Domestically,

competing interests amongst political actors and locals' discontent with the BRI's lack of investment on home soil pose a threat to internal stability. Internationally, the deterioration of Sino-US relations, an unstable periphery (India, South Korea, and South China Sea claimants), and China's goal of reunification with Taiwan can be potential hot button issues.

An Alternative Take

Prof Woo in his presentation provided an analysis of the US-China trade war. The background to this confrontation between China and the United States is one in which a rising China is seen by the American leadership as a threat to its national security. He cites three main accusations levelled against China. The first being that China is deliberately undervaluing its currency against the US dollar hence creating a huge trade imbalance between the two countries. According to Prof Woo, this does not bear out in reality. In the 1980s, the US forced the Japanese to allow their currency to appreciate. While the US-Japan trade deficit did shrink, the overall US trade deficit remained largely unchanged. Prof Woo hypothesised that the trade imbalance is actually rooted in China's high savings rates and dysfunctional financial system, and America's soaring military spending and tax cuts.

The second accusation is that China is stealing US high-end technology. 'Stealing' here refers not to the legal definition of theft, but to the 'forced technology transfer' that is alleged to be an unwritten rule for companies trying to access China's marketplace. This is where US firms are allowed to do business in the Chinese market, but are required to engage in a joint venture with a Chinese firm to produce the product. The Chinese firm would in turn not only learn but may even improve the production process, thus

emerging as a competitor to the US firm. However, these US firms are usually adequately compensated through monopoly pricing in China. Prof Woo posits that the main contention of American businesses is that since Chinese firms have caught up technologically, they are now competing globally with an advantage that has been unfairly gained. While China has the market power to demand this technology trade off, he believes it would be wiser for China to give up this bargaining chip or risk the US and the rest of the G7 powers collectively acting against it.

The last accusation is that China is undermining US national security. This is rooted in the American insecurity that it is no longer the global hegemon. In the past, this global hegemon (UK from 1800 to 1900 and US from 1950 to 2000) played a coordinating role in global markets, opening up its domestic market during times of crisis and compelling other countries to remove tariffs in reaction to these crises. Prof Woo believes that instead of a singular global power, regional hegemons like China and the US will be required to coordinate free trade in a new 'multipolar' world.