

FOREWORD

State-Society Relations, Domestic-Foreign Policy Nexus: Recalibration for the “China Dream”?

This third and final issue of Volume 4 of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* (2018) represents a collection of research articles covering some of the most pertinent aspects of the state of and changes in the political economy and strategic relations of today’s China.

This Volume 4, Issue 3, of *CCPS* consists of six segments each carrying two articles. The first segment, *Belt and Road Initiative, Trade and Finance*, takes up where our April issue (Vol. 4, Issue 1, Special Issue: *Geopolitics of Belt and Road Initiative and China’s international strategic relations*) has left off, with Guorui Sun and Alex Payette’s article “The Sino-US Trade War: Survival, Domestic Reforms and the Belt and Road Initiative” moves further to explore the possible way China could push forward its now BRI-driven global geopolitical ambitions in a jittery world newly shaken by the US-China trade war and the inward-turning Trump Administration, after examining how the trade war could turn out to be favourable in aiding the Xi Administration in quickening the pace of domestic financial and economic reforms. Such linkage between the global and the domestic will again be picked up later in subsequent articles. Meanwhile, in this same segment,

Rafael Ramos Codeço picks up on the pertinent issue of China's increasingly assertive foreign policy and criticism of the current international financial system, with its attempt to change the latter reflected unabashedly in its launching of the Asian Infrastructure Investment Bank and the New Development Bank through which the internationalisation of its currency might also be facilitated, in his article "The Asian Infrastructure Investment Bank, the New Development Bank and the Internationalisation of the Renminbi (RMB) – The New International Financial Institutions as Part of the Chinese Strategy to Build Up an International Reserve Currency".

Eventually, as Guo and Payette caution, as China is now counting so much on the success of the Belt and Road Initiative for the success of its economic transition, its increasingly aggressive posture and actions in its local neighborhood have made the global community adopt a very skeptical and guarded stance towards its declaration of a "peaceful rise", and as Codeço also points out, its efforts in internationalising the renminbi also faces constraints from pace of the flexibilisation of the its own monetary system and domestic reservations over the risk tied to such flexibilisation. While Sun and Payette has ruminated on how the trade war could have impact on China's domestic financial and economic reforms, both international and domestic motivations are also emphasized by Codeço.

As Amadea Bata-Balog highlights in her review of Elizabeth C. Economy's latest book on China published this year, *The Third Revolution: Xi Jinping and the New Chinese State*, paradoxes abound in the Xi government's dealings with the outside world, not least being policies like BRI taking advantage of the political and economic openness of other countries without comparable opportunities for other countries to engage within China's borders, as well as the doubtful reconcilability between a "secure confidence" externally and an

“obvious insecurity” internally, the latter being manifest in the tightly lidded powder keg of social grievances, the iron-wrist approach of the Xi government towards the country’s volatile ethnic frontier regions, and the temperamental, and potentially explosive, relations with Taiwan now under the sovereignty independence-leaning Democratic Progressive Party presidency. The last of this list leads us across the Taiwan Strait to the first vibrant liberal democracy in Chinese history since political democratisation began in mid-1980s, whose recent domestic development and foreign policy form the subject of study in the two article under the second segment of this journal issue, *Taiwan, New Southbound Policy and Cross-Strait Relations*.

Cal Clark, Alexander C. Tan and Karl Ho in the first paper under this segment, “Ending Taiwan’s Economic Stagnation: The Implications of the Elections of Presidents Tsai and Trump”, discuss the implications for Taiwanese economy of the 2016 presidential victories of DPP’s Tsai Ing-wen and maverick tycoon and political novice Donald Trump who have brought about major shifts in foreign relations and economic strategies for their respective countries that have arguably in a significant way destabilised the long-existing Taiwan-China-US triangle.

Another strategic triangle that is critical for Taiwan’s resilience and survival as a *de facto* independent nation-state that has gone through a “best-case” democratisation process (Rigger, 2004) to emerge as a superior model of political rights- and civil liberties-respecting democracy in facing the rapacious leviathan across the Strait is that between herself and China and Southeast Asian countries, which in turn forms the subject of investigation in the second article under this segment, Reymund B. Flores and Rachel Mary Anne A. Basas’s “Chinese-Taiwanese-Southeast Asian Triangular Relations: On Building and Rebuilding Political and Economic Assertiveness in South China Sea”. Whether the Taiwan-China-US three-way relationship today still

resembles Lowell Dittmer's earlier depiction as a "romantic triangle"¹ or Yaeji Hong's later proposed modification as a "dual-romantic triangle"² and whether Taiwan-China-Southeast Asian three-way relationship can fit well into Dittmer's "romantic triangle" formulation with Southeast Asia, though internally diverse as it is, replacing the US (as in most works employing this framework that involve cross-Strait relations) as the pivot (the pivot position in which being the optimal choice, which the two wings compete to court) would be a very interesting issue to ponder in today's changing environments of trade war, BRI and NSP.

Complicating the scene is the forever thorny cross-Strait relations imbued with unresolvable distrust and contradictions, wherein on the Xi government's side on the mainland its newly promoted "China Dream" – which Xi declared early six years ago as "the greatest dream of the Chinese nation in modern history", as Amadea Bata-Balog directs our attention to Elizabeth Economy's reminder to us in her review article here – represents a call for the "great revival or rejuvenation of the Chinese nation" in which "Taiwan's reunification with the Motherland" features as a major component, whereas across the Strait to the majority of the citizens of the vigorously liberal democratic island state, *de facto* independent from the mainland since seven decades ago and just managed to free herself from the terror and shackles of an own dictatorial regime hardly three decades ago, Xi's so-called "China Dream" symbolises nothing but an undying dream of territorial revanchism or worse, of predatory irredentism, and a despotic regime's sinister intention to bring into political and cultural subjugation the island state's freedom-loving people.

Not all relations are three-way, of course. The next segment of this journal issue, *The Elephant and the Dragon*, turns to a one-on-one rivalry between two aspiring regional powers: India and China, with an article on welfare system performance between these two most populous

nations on earth, followed by another on the implications of China's BRI for India. While Silvan Siefert's paper "Chinese and Indian Public Pension Systems and Universal Old-age Security in Times of Rapid Demographic Changes" provides a good comparative analysis of China's and India's pension systems to illustrate that the learning capacity of the institutional actors matters in the policy process of implementing political decisions including universal old-age security, Obja Borah Hazarika, in her paper "To Cooperate, or Not to Cooperate: Assessing Pay-offs of the Belt and Road Initiative for India" ponders as to how India should best react to China's BRI overture to her.

Interestingly, Siefert's article concludes that China's institutional features encourage learning to a larger extent than India's in the specific policy process of pension provisions and the main reason lies in the Chinese government's legitimacy deficit that forces Chinese decision-makers, who are dying for output performance and lacking feedback channels, to decentralise more authority in the implementation process to the lower administrative tiers through pilot projects before going national after gradual adjustment and reviewing that provide the central government an internal learning procedure for upcoming pension reforms, while in India ironically the democratic features of her multi-party electoral system, strong federalism and changing government coalitions have served to limit administrative room for learning capacity. It is indeed such uncertainty in democratic efficacy (here exemplified by the world's largest multi-party electoral democracy of India) that has increasingly led to legitimacy based on performance (here exemplified by the biggest single-party dictatorship on earth, that is China) trumping legitimacy based on political process, the distinction between which as highlighted by Richard Bush (2016), or Pippa Norris (2012)'s bureaucratic autocracies (where state capacity is high but democracy is low) trumping her three other regime varieties – bureaucratic democracy

(the best-case scenario where both variables are high), patronage democracy (where state capacity is low but democracy is high) and patronage autocracies (where both variables are low).

Such phenomenon is also seen in the works of various researchers who found higher external efficacy for authoritarian countries like the one-party state of China than for multiparty liberal democratic countries like India or Taiwan. While internal efficacy refers to a citizen's belief that s/he can understand and thus participate in politics, another type of political efficacy – external efficacy – refers to citizens' belief that the government will respond to their demands. Yingnan Joseph Zhou and Ray Ou-Yang in their article last year, "Explaining high external efficacy in authoritarian countries: A comparison of China and Taiwan" (2017), explain this phenomenon in terms of institutional differences between these two types of regimes – voters in democracies with real competitive multiparty elections who did not see their preferred candidates elected are predisposed to critical assessment of government responsiveness; elections incentivise democratic leaders to over-respond to certain groups *vis-à-vis* others; authoritarian leaders in countries without genuine democratic elections that confer them political legitimacy are compelled to cement performance-based legitimacy by increasing responsiveness while democratic leaders with solid and clear electoral legitimacy may not deem it necessary to entertain particularistic demands made through unconventional channels like street protests. Or as Francis Fukuyama explains: "[T]he quality of Chinese government is higher than in Russia, Iran, or the other authoritarian regimes with which it is often lumped – precisely because Chinese rulers feel some degree of accountability towards their population. That accountability is not, of course, procedural; the authority of the Chinese Communist party is limited neither by a rule of law nor by democratic elections. But while its leaders limit public criticism, they do try to stay on top of popular

discontents, and shift policy in response.”³ This is manifest, according to Fukuyama, in that “[t]he most important strength of the Chinese political system is its ability to make large, complex decisions quickly, and to make them relatively well, at least in economic policy. This is most evident in the area of infrastructure, where China has put into place airports, dams, high-speed rail, water and electricity systems to feed its growing industrial base. Contrast this with [democratic] India, where every new investment is subject to blockage by trade unions, lobby groups, peasant associations and courts.”⁴

Such perspective, typical of a “convert from neoliberalism to the Chinese model”, as the late Arif Dirlik (2012: 283) explained, sees authoritarianism as making possible “the rapid and efficient mobilization of resources not possible in a democratic society, exemplified by India, another so-called ‘developing economy’. The party-state may be repressive in other ways, but it is a force for innovation and efficiency economically.” Dirlik found this to be in line with Arundhati Roy’s argument (2011) on India: “Roy’s passionate condemnation of the government–corporate alliance against the interests of the rural population, especially the indigenous people, should give pause to facile contrasts between democratic India and dictatorial China. Equally important is the fact that Maoist activity has been the most effective among the indigenous people, the adivasis.”⁵ Such considerations also underline Hazarika’s concluding remarks and policy advice for India. Ultimately, alluding to Hazarika’s game theory section, in the one-on-one game of strategic relations, as described by our segment heading, between the down-to-earth behemoth traditionally symbolising composedness, strength, intellect, wisdom and pragmatism and the high-flying mythical beast – traditionally bringer of either great power and fortune or calamitous floods and typhoons – across the Himalayas, the policy directions taken by either side will inevitably carry great

consequences for the future of humanity. Eventually, as Siefert's and Hazarika's articles respectively inform, whether and how the imbalanced economic performance between the South Asian multi-party electoral democracy that accounts for almost one fifth of the world population and the East Asian unelected one-party autocracy that rules over another one fifth will impact the relationship between them and their rivalry for regional leadership will ineluctably carry great consequences for the livelihood, welfare and freedom, economic and political, of citizens of other nations in the region and beyond.

After looking at issues related to BRI, cross-Strait relations and India-China comparisons and relations, this journal issue moves on to a segment on *China in Africa* where Gold Kafilah Lola and Evelyn S. Devadason analyse China-Nigeria trade and China's foreign direct investment in and aid to Nigeria, in particular China's commercial presence in Nigeria's oil sector, and Lucy Anning and Clayton Hazvinei Vhumbunu explore the role of the China-Ghana energy infrastructure development partnership in promoting production capacity and industrialization cooperation between the two countries. While finding China-Nigeria engagement to be complementary taking together into consideration investments, trade and aid, Gold and Devadason's paper "The Engagement of China in Nigeria's Oil Sector: Is the Transformation Positive?" is commendable for not ignoring the doubt over whether China's vertical-type investment pattern in Nigeria's oil sector highly concentrating in just a few large State-owned enterprises does benefit the local communities, and its recognition that the effects on the local economy and local communities in terms of domestic linkages, skills and technology spillovers, job creation, labour standards, human rights and environmental concerns remain key to ascertaining whether there really are sustainable benefits from China's engagement in the extractive sector of Nigeria. On the other hand, Anning and Vhumbunu's

paper “Promoting Production Capacity Cooperation and Industrialization through Energy Infrastructure Development: The Case of China-Ghana Partnership” has served to contribute to this segment another country case study of the East Asian giant’s footprint on the African continent.

If China’s quest for energy, including infrastructure-for-oil, on the African continent has raised much alarm, if not trepidation, among a large portion of the local people as well as the Western powers as regards China’s true agenda behind what her critics have accused as her “debt-trap diplomacy” riding on her BRI drive through Southeast Asia, the Indo-Pacific island nations, South and Central Asia all the way to Africa has mainly remained within the economic and financial domains, her increasingly assertive foreign postures in the East and South China Seas have raised much concern and unease among her regional neighbours on the military dimension. The next segment of this journal issue, *ADIZ and the Chinese Military*, carries two articles that evaluate respectively the strategic implications of China’s unilaterally declared East China Sea Air Defence Identification Zone (ECS-ADIZ) for regional security and the involvement of the Chinese military in the country’s national security policy-making. While Al Chukwuma Okoli and Uchenna Simeon’s paper “Geo-Strategic Significance of East China Sea Air Defense Identification Zone (ECS-ADIZ): A Threat-Import Analysis” analyses China’s self-declaration of the ECS-ADIZ as a turning point in China’s determination to assert control over the disputed maritime territories and her first significant move against US interest in the Pacific, Ching Chang’s article, “The Chinese Military in National Security Policy-making”, attempts to answer from several different dimensions the often raised question as regards the possible degree of political influence the Chinese People’s Liberation Army (PLA) have on the country’s national security policy-making.

This journal issue's collection of research articles on various pertinent topics related to contemporary China's political economy and strategic relations ends with a final segment on *Culture, Sustenance and Development*. While Tian Guang, Camilla Hong Wang, Kathy Tian and Liu Yu's article, "Food Consumption and Economic Development in Contemporary China", explores food consumption as a cultural behaviour in contemporary China and the importance of the development of food industry to the country's overall economic development and job creation, Zhonghua Han, Emile Kok-Kheng Yeoh and Wan Marhaini Wan Ahmad in the second paper of this segment, "Does Religious Obligation of Muslims in Western China Influence Their Intention to Adopt Islamic Banking?", move beyond the corporeal and physio-cultural domains into the socio-psychological to investigate by employing the theory of planned behavior (TPB) the effects of the factors of attitude, subjective norms, perceived behavioral control and religious obligation on the intention to adopt Islamic banking services amongst Muslims in China.

This journal issue ends with the book review article by Amadea Bata-Balog on Elizabeth C. Economy's *The Third Revolution: Xi Jinping and the New Chinese State* (2018).

This present issue of *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, the third and final issue (December) of this year, thus significantly completes the 2018 volume beginning with the special issue of Vol. 4, No. 1 (April), *Geopolitics of Belt and Road Initiative and China's international strategic relations*, and followed by Vol. 4, No. 2 (July/August)'s *Focus – Dissent, political freedom, civil liberties and the struggle for democracy: Essays in honour of Liu Xiaobo*, a commemorative issue published on the first anniversary of the passing of China's emblematic prisoner of conscience, the Nobel Peace Prize laureate Liu Xiaobo. The present issue, Vol. 4, No. 3, thus

brings the 2018 volume to a close by revisiting some of the most critical areas of the state of and changes in the political economy and strategic relations of contemporary China which the journal has explored through the two issues of April and July/August, in particular the pertinent dimensions of State-society relations and domestic-foreign policy nexus that are again highlighted in several of the present journal issue's articles, dimensions that have gained increased criticality and urgency under the Xi Jinping presidency that through its "China Dream" slogan have projected an assertive vision, as Amadea Bata-Balog brings to the fore of our attention here in her review of Elizabeth C. Economy's book *The third revolution: Xi Jinping and the new Chinese state* (2018), that requires recalibrating the Chinese Communist Party-State's relationship with the civil society as well as its relationship with the outside world.

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Notes

1. Dittmer (1981). Assuming that relations between actors may be classified as either “positive” or “negative”, Lowell Dittmer depicts four possible configurations of the triangle: (a) Unit veto – enmity among all three actors; (b) Marriage – a positive relationship between two partners against a third “pariah”; (c) Romantic triangle – positive relationships between one “pivot” and two “wing” actors, who have better relations with the pivot than they have with each other; (d) *Ménage à trois* – positive relationships among all three actors.
 2. Hong’s paper (2016) proposes a “dual-romantic triangle” in which both amity and enmity are present between the pivot and each wing by taking into consideration the ambiguity in American foreign policy that depends on Administration-Congress convergence or divergence. In a sense, this is akin to a combination of Lowell Dittmer’s “romantic triangle” and “unit veto” formulations.
 3. Francis Fukuyama, quoted in “The end of the end of history” (by M.S.), *The Economist*, 18th January 2011.
 4. *Ibid.*
 5. See Dirlik (2012: 296), Note 15.
- * Dr Emile Kok-Kheng Yeoh (楊國慶), the founder and editor of the Scopus-indexed triannual academic journal *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* published by the Institute of China and Asia-Pacific Studies of Taiwan’s National Sun Yat-sen University, is an associate professor at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya, Kuala Lumpur, Malaysia. He holds a PhD on ethnopoltics in socioeconomic development from the University of Bradford, West Yorkshire, England (1998), was the department head of the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya,

from 1st August 2016 to 31st July 2018, the director of the Institute of China Studies, University of Malaya, from 13th March 2008 to 1st January 2014, the founder and editor of the institute's then SJR top-tier Scopus-indexed triannual academic journal, *International Journal of China Studies* (Vol. 1, 2010 – Vol. 5, 2014), and is currently a member of the international editorial committee of several journals in Asia and Latin America. His latest publications in 2018 include “Malaysia: Perception of contemporary China and its economic, political and societal determinants” (journal article, *The Pacific Review*), “China-Malaysia trade, investment, and cooperation in the contexts of China-ASEAN integration and the 21st Century Maritime Silk Road construction” (journal article, *The Chinese Economy*, forthcoming), “Environmental policy in Malaysia with reference to Taiwan's New Southbound Policy” (book chapter, Wenzao University Press), “マレーシア — 親中心理を支える構造” [Malaysia: the fundamental structure of pro-China sentiment]” (book chapter, University of Tokyo Press), “Malaysia-Taiwan relations and Taiwan's New Southbound Policy” (journal article, *Malaysian Journal of International Relations*, forthcoming). <Website: <http://emileyeo5.wix.com/emileyeoh> / Email: yeohkk@um.edu.my, emileyeo@gmail.com>

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*Belt and Road Initiative,
Trade and Finance*

