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# **China's Sharp Power in Southeast Asia: Different Tactics, Same Outcome?**

**By Huong Le Thu**

## **Introduction**

In 2004, David Shambaugh wrote that “most nations in the region now see China as a good neighbour, a constructive partner, a careful listener, and a non-threatening regional power.”<sup>1</sup> Today, such assertion is highly contested. China appears now as an assertive, if not aggressive power, with not only regional, but more global ambitions. Today, there is much stronger conviction that China's leaders have become more open about their intention to use their growing military strength, new-found economic clout and expanding repertoire of “soft” and “sharp” power tools to try to reshape the existing Asian regional system and some aspects of the wider international order.<sup>2</sup> The image of a threatening, or capable of threatening power, is also much more prevalent. But this is, as this paper argues, not due only to its growing hard power capability. This paper explains how China developed its power and influence in its direct neighbourhood – Southeast Asia, where the interactions and practices of exerting power have been long in place. It argues that Beijing has mastered

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<sup>1</sup> David Shambaugh, “China Engages Asia: Reshaping the Regional Order,” *International Security*, Vol. 29, No. 3 (2004/2005), p. 64.

<sup>2</sup> Aaron Friedberg, “Competing with China,” *The Survival*, Vol. 60, No. 3 (2018), pp. 7-63.

much more sophisticated and efficient form of power. And that, as this paper argues, requires new approaches to “categorization” of forms of power other than traditionally: hard, soft, sharp and smart.

This paper is divided in the following sections: it first explains the existing “categorization” of forms of power before explaining China’s frequently practiced strategy to practice power towards Southeast Asian neighbours individually, and then moves to explain the declining relevance of the Association of Southeast Asian Nations (ASEAN) – which aggravates the power gap between Southeast Asia and China, which adds to Beijing’s more advantageous position of “choosing” tools of influence. This paper concludes that China is increasingly more effective in exerting power, and it is more and more “cost-efficient,” as the need for “hard power” minimizes, and Southeast Asia grows ever more dependent on China. As such, the usual division of forms of power is no longer the precise way to explain the relationship between China and Southeast Asia.

### **What is sharp power?**

The current debate about “sharp power” is centered around revisionist powers’ (primarily China and Russia) influence operations and is by no means detached from the US and its allies’ views on growing great power rivalry and the competition over different visions of international order and the power to assert one.

In the literature of power, there are four main “types” of categorization of the power: hard, soft, smart and sharp.

“Hard power” is probably the most explored in the field of security, war studies and international relations. It usually, in a nutshell, refers

to the “hard” capacity to conquer, coerce and impose influence over others.

“Soft power”—a term championed by Joseph Nye, refers to the ability to affect others by attraction and persuasion rather than the hard power of coercion and payment—is sometimes used to describe any exercise of power that does not involve the use of force. But that is a mistake. Power sometimes depends on whose army or economy wins, but it can also depend on whose story wins.

“Sharp power” by its reliance on “subversion, bullying and pressure,” promotes self-censorship. Whereas soft power harnesses the allure of culture and values to augment a country’s strength, sharp power helps authoritarian regimes to compel behavior at home and manipulate opinion abroad.

This is an approach to international affairs that typically involves efforts at censorship, or the use of manipulation to sap the integrity of independent institutions. Sharp power has the effect of limiting free expression and distorting the political environment. As it is stated in the December 2017 report by the National Endowment for Democracy’s International Forum for Democratic Studies that introduced the term, it is called “sharp” because it seeks to “pierce, penetrate, or perforate” the political and information environments of targeted countries. In other words, sharp power is a type of hard power. It manipulates information, which is intangible, but intangibility is not the distinguishing characteristic of soft power. Verbal threats, for example, are both intangible and coercive.<sup>3</sup>

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<sup>3</sup> Joseph Nye, “China’s Hard and Soft Power,” *The Strategist*, 8 January 2018.

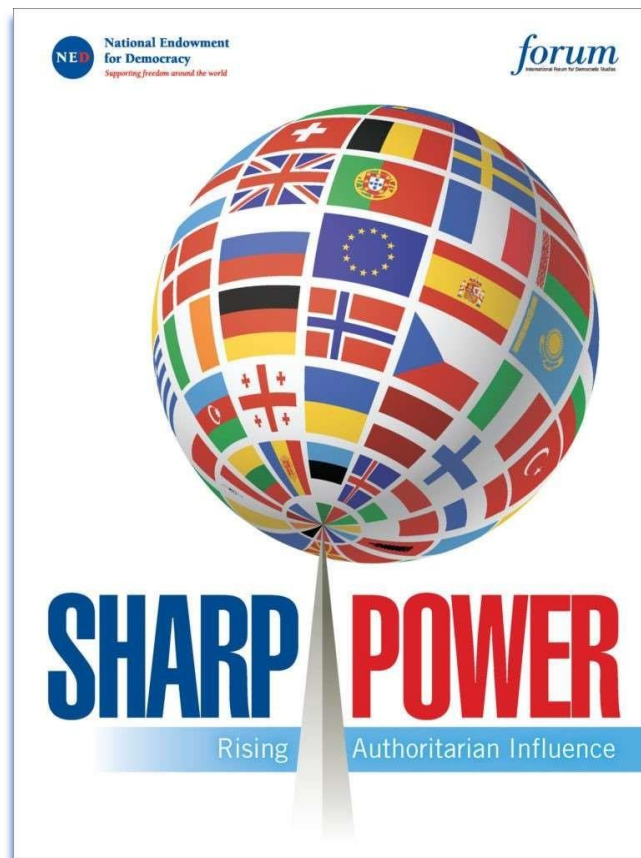
Examples and forms of sharp power are mounting. Beijing has also scaled up their political interference in democracies, with Australia and New Zealand serving as testing grounds. Australia's authorities have mapped out an unprecedented effort by the Chinese Communist Party (CCP) to "infiltrate Australian political and foreign affairs circles, as well as to gain more influence over the nation's growing Chinese population." Similar intrusions have come to light in New Zealand, where CCP seeks to bring local elites under its sway, as well as to secure access to key resources and information. The outlines of such political interference are visible even further afield. In the Czech Republic, the opaque activities of CEFC China Energy offer a striking example of China's efforts to coopt local political elites, a particular threat in young and vulnerable democracies.

Beyond politics, the corrosive effects of sharp power are increasingly apparent in the spheres of culture, academia, media, and publishing—sectors that are crucial in determining how citizens of democracies understand the world around them. The assault of sharp power on both politics and the realm of ideas represents a critical threat to democratic systems.

Sharp power may be used to degrade the integrity of independent institutions through manipulation, as when Chinese entities acting on behalf of the communist party-state disguise their initiatives as commercial ventures or as grassroots civil society initiatives. As the International Forum report observes, the PRC's influence operations aim to discourage challenges to its preferred self-presentation, as well as to its positions or standing. More specifically, the party-state likes to paint China as a benign force in the world. In order to look more appealing in democratic societies, the communist regime is not above



clothing itself in the vestments of soft power. State-funded research centers, media outlets, people-to-people exchange programs, and the network of Confucius Institutes mimic civil society initiatives that in democracies function “independently” of government. Meanwhile, local partners and others in democracies are often unaware of how tightly China controls social groups, media, and political discourse.<sup>4</sup>



*Sharp Power: Rising Authoritarian Influence*: a report published by the International Forum for Democratic Studies in 2017 probes how Beijing and Moscow influence democracies all over the world. (Source: National Endowment for Democracy)

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<sup>4</sup> Christopher Walker, “What Is ‘Sharp Power’?” *Journal of Democracy*, Vol. 29, No. 3 (2018), pp. 8-10.

Sharp power may also employ the nefarious arts of distraction. Russia has used such methods to exploit the open electoral and media sectors in a growing number of countries, including the United States. By manipulating the public conversation, it seeks to sharpen tensions within and between democracies. Finally, sharp power can also work via modern forms of censorship, by inducing media to engage in self-censorship or by employing digital tools such as "bots,"

*The issue of "sharp power" is a growing concern among Western democracies, who see China's practice of cover attempts to exert power within different layers of society, be it political elites, business or students' associations.*

automated accounts that spread false and divisive discourse online. Sharp power is part and parcel of the internationalist turn that authoritarian states have taken in recent years, and its effects are increasingly visible in the institutions critical to democracies' being able to function as free and self-governing societies.

The issue of "sharp power" is a growing concern among Western democracies, <sup>5</sup> who see China's practice of cover attempts to exert power within different layers of society, be it political elites, business or students' associations. Sharp power is inadvertently linked to "authoritarian regime" in most of the discussions in Western literature. More and more, China is listed in the company of Russia, Iran and North Korea – the regimes that projects influence in the neighbourhood and

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<sup>5</sup> "Sunlight vs. Subversion: What to Do about China's 'Sharp Power'," The Economist, Retrieved December 14, 2017, from <https://www.economist.com/leaders/2017/12/14/what-to-do-about-chinas-sharp-power>



around the world through ideologies, manipulation, and disinformation, both domestically and abroad. The discussion is focused on using non-state “arms” of the power, including under the banner of “research institutes,” such as Confucius Institutes, think-tanks or university-related organizations, etc. <sup>6</sup> Often the debate involves recommendations about intelligence and counter-intelligence policies that will be able to respond to disruptive technologies frequently employed. Increasingly, there is a call for Western democracies to engage in “whole-of-government” approaches to respond to China’s political warfare.<sup>7</sup>

### **How does China’s sharp power apply to Southeast Asia?**

China has had many, and often contradictory, images. To some, it is a “giving” power, to others – a source of strategic worry. More and more, it is both at the same time. What testifies to Beijing’s successful strategy is that despite growing concerns about China’s strategic intentions and its threatening perception, it still presents attractive economic alternative. The latter still, largely, overweighs the threat perception.

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<sup>6</sup> Christopher Walker, Shanthi Kalathil, & Jessica Ludwig, “Forget Hearts and Minds,” Foreign Policy, Retrieved September 14, 2018, from <https://foreignpolicy.com/2018/09/14/forget-hearts-and-minds-sharp-power/>

<sup>7</sup> Linda Robinson, Todd C. Helmus, Raphael S. Cohen, Alireza Nader, Andrew Radin, Madeline Magnuson, Katya Migacheva, “Modern Political Warfare: Current Practices and Possible Responses,” Rand Corporation, Retrieved 2018, from [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR1700/RR1772/RA\\_ND\\_RR1772.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR1700/RR1772/RA_ND_RR1772.pdf)

China's modes of coercion are sophisticated – a combination of threat and inducement in the right proportions because repetitive coercion would invite consolidated response. Repetitive inducement, on the other hand, is costly and likely not to be efficient. The proportion of coercion and inducement also needs to be varied in applying to a larger group. If all feel coerced, and hence threatened, it is likely to invoke joint effort and unity against a larger coercer. The sense of inducement, on the other hand, is a more effective divider.

Various forms of exerting influence, whether defined as “sharp power” as above or not, has been present in neighbouring Southeast Asia for a long time. What is new is the intensity of this strategy paired with adopting new tools, including technology (some call it disruptive technology) which allows it to conduct alleged covert operations, if Beijing wishes to.

*China applies simultaneously dual tactics of coercion and inducement to assert its position regionally and globally.*

China applies simultaneously dual tactics of coercion and inducement to assert its position regionally and globally. In its direct neighbourhood – Southeast Asia – these practices are most evident in the region's collective response (or lack of it) towards some key security issues. As a result, the confidence in ASEAN's regional role and relevance are diminishing. The dual tactics combine the economic inducement through a variety of trade, infrastructure and investment projects with coercive action – be it threat of use of force or more diplomatic and psychological pressure.

Individually, Beijing's current policy towards Southeast Asia in particular, but arguably also globally is to increase conditionality. A

scenario that in the literature of coercion is closest to “blackmail.” Blackmail, however, is the most extreme iteration of it and is rarely used. The format that Beijing is using the same mechanism that “blackmail” would invoke avoids too drastic and risky outcomes. Instead, by constantly imposing the psychological effect of “choice,” Beijing is able to impose the desired effects on the Southeast Asian capitals. In other words, the scenario that CCP presents is simple: the positive relations, continuous economic ties, and stability will be assured if certain conditions that Beijing insists on are met. Those include, but not limited to, issues of the South China Sea disputes, reticence on Tibet and Xinjiang, adherence to the One-China policy, and more recently – stronger criticism towards Trump’s trade policy – all of the issues that China consider its core national interests. If those conditions are met, China’s neighbours can be assured of the resulting “benefits.” This can be called as a form of “conditional reassurance.”<sup>8</sup>

Coincidentally, ASEAN is decreasing in relevance in terms of regional institution. The sharp-power practices on the region as a whole is arguably more efficient because the changing nature of the relationship. In the 1990s, China was weaker, both economically and diplomatically. ASEAN as a bloc had a stronger diplomatic value and embarked on what was then called “socializing China.” ASEAN engaged China into regional processes and allowed China to interact with other global powers that were also taking part in ASEAN-led regionalism. While this “socializing process”<sup>9</sup> remained more

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<sup>8</sup> For more analysis see: Huong Le Thu, “China’s Dual Strategy of Coercion and Inducement towards ASEAN,” *The Pacific Review*, Vol. 32, Iss. 1 (2019), pp. 20-36.

<sup>9</sup> Alice Ba, “Who Is Socializing Whom? Complex Engagement in Sino-ASEAN Relations,” *The Pacific Review*, Vol. 19, Iss. 2 (2006), pp. 157-179.

complex than ASEAN would admit, the ASEAN framework presented a value for then “hiding and biding” Beijing. Fast forward, ASEAN’s importance in Beijing’s eyes has decreased. China’s diplomatic position today has far exceeded since and in Beijing there is a conviction now that “ASEAN needs China more than China needs ASEAN.”<sup>10</sup> This places China in a more advantageous position and allows it to be even more aggressive in exerting its will upon the Southeast Asians and can lead the above-mentioned balance of coercion and inducement – more towards coercion.



Xi Jinping and Vladimir Putin signed bilateral documents following the consultations in Putin’s state visit to Beijing, June 8-10, 2018. (Source: Official Internet Resources of the President of Russia)

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<sup>10</sup> Feng Zhang, “Is Southeast Asia Really Balancing against China?” *The Washington Quarterly*, Vol. 41, No. 3 (2018), pp. 191-204.

ASEAN's confidence in its regional role and relevance are diminishing for a number of reasons. And the primary one is due to the association's response to the rise of China. China's growing power has conditioned increased volatility and militarization in the region. Particularly since 2012, China has shaken ASEAN's confidence in multilateral and norms-based cooperation. China's explicit disapproval of ASEAN's dialogue mechanism in regard to the South China Sea disputes have affected ASEAN's institutional confidence. The Chinese political leaders have regularly and openly expressed their preference of avoiding the South China Sea issues on the multilateral fora and instead suggesting bilateral dispute resolving mechanisms. Since 2012 particularly, there has been a noticeable change in the ASEAN diplomatic behavior increasingly towards accommodating Beijing's preference. However, not only did it fail to resolve the disputes, but it has further accentuated internal divide within ASEAN. Incoherent responses to the regional security matters have cost ASEAN its reputation and self-confidence. This has in turn led to ASEAN's crisis of relevance.

The growing power gap between Southeast Asia and China, gives Beijing more confidence which means that the smaller neighbours are more prone to China's power and influence in any form, be it hard, sharp, soft or smart. In other words, Beijing has increasingly greater liberty of choosing which tactics it applies, and results are more likely than in the past to be effective.

## **Conclusion**

The first pillar of success of Beijing's strategy is that despite the existing resistance towards China's power and influence in the region, they are often outweighed by the perceived benefits of economic

potential from positive relations with China, which often requires giving in to Beijing's preference. The second pillar of Beijing's success is that it has managed to prevent an effective collective balancing by exploiting the differences between the Southeast Asians' national interests. The economic interdependence is a strong card that will in the long run further cement the imperatives for positive relations with China in most capitals in Southeast Asia. As such, China's sharp power in Southeast Asia is dissimilar to the forms of intrusion, interference and influence operations it conducts in Western democracies. This is because of the difference between the nature of Southeast Asian societies and Western democracies. And hence, the way to penetrate them varies. While Beijing recognizes that and alternates its strategies towards a variety of polities, the results, however, can be seen as similar. The ultimate goal, after all, of sharp power, is to gain access to manipulate decisions, political moods and influence in any society. While China's sharp power in Southeast Asia looks different from its form in liberal democracies, the end-effect is similar – that is, giving Beijing avenues to control those societies.

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# Hybrid Threats and Legal Resilience in Taiwan

By Jyun-yi Lee

This paper addresses the idea of legal resilience from a political perspective, with contemporary Taiwan as a focal point. The People's Republic of China (PRC) under Xi Jinping has accelerated its agenda for promoting the "one country, two systems" policy. Accordingly, the leadership of the PRC has implemented various measures to lure Taiwanese people to China, alongside operations that seek to infiltrate Taiwanese society and subvert the existing order. As a democracy, Taiwan can and should respond through democratic means. Rethinking the meaning of democracy, particularly the balance between "democracy as freedom" and "democracy as rule of law," is necessary.

## **Taiwan Encountering Hybrid Threats**

Since the inauguration of the current Tsai Administration in May 2016, Taiwan has been exposed to growing hybrid threats from the PRC, or what is known as the PRC's "sharp power." Hybrid threats can be defined as follows:

The mixture of coercive and subversive activity, conventional and unconventional methods (i.e., diplomatic, military, economic, technological), which can be used in a coordinated manner by state

or non-state actors to achieve specific objectives while remaining below the threshold of formally declared warfare.<sup>1</sup>

According to this definition, the PRC's long-term threat of use of force against Taiwan clearly constitutes a crucial part of hybrid threats. In addition, the PRC's influence campaign, which includes such operations as misinformation, disinformation, censorship, social and academic outreach, bribery, and election meddling, also poses a

*Rethinking the meaning of democracy, particularly the balance between "democracy as freedom" and "democracy as rule of law," is necessary.*

severe threat to the security of Taiwan. One recent example is the 2018 mayoral elections, during which the New York Times observed that "a Russia-style influence campaign" was used by the PRC to sway the island's politics.<sup>2</sup> Figure 1 shows instances of the PRC's hybrid threats to Taiwan according to the categorization of a

study supported by the European Centre of Excellence for Countering Hybrid Threats and Swedish Defense University.<sup>3</sup> The study listed 15 instruments of hybrid threats, among which 13 were found to have been (partially) applied by the PRC against Taiwan. The only absent instruments were "unacknowledged war" and "paramilitary

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<sup>1</sup> European Commission, "Joint Framework on Countering Hybrid Threats – A European Union Response," Joint Communication to the European Parliament and the Council, JOIN (2016) 18 final, Brussels, April 6, 2016, p. 2.

<sup>2</sup> Chris Horton, "Specter of Meddling by Beijing Looms Over Taiwan's Elections," New York Times, Retrieved November 22, 2018, from <https://www.nytimes.com/2018/11/22/world/asia/taiwan-elections-meddling.html>

<sup>3</sup> Gregory F. Treverton, et al., Addressing Hybrid Threats (Stockholm: Swedish Defense University, 2018).

organizations,” and this can be explained by the fact that, geographically, the Taiwan Strait renders it relatively difficult for the PRC to organize local paramilitary groups to operate in Taiwan. The instances in Figure 1 are listed for illustrative purposes, and more systematic analysis is required in the future.



A transport helicopter of the R.O.C. Army conducts a drill of air support to rescue a fire accident. (Source: Military News Agency)

The major difficulty of differentiating between exogenous and endogenous manipulations and between state and non-state actors in Taiwan further exacerbates the problem. Given Taiwan's troubled statehood, its society has long been divided along lines of national identity. Although few are ready to accept the PRC's "one China" principle, many recognize the cultural and historical linkages across the Taiwan Strait, and/or welcome the economic benefits of cross-Strait exchange. Consequently, the hybrid threats that contemporary Taiwan faces always contain a Chinese element, and determining whether the actors involved are Chinese agents, Taiwanese citizens, or Taiwanese citizens acting as proxies of the PRC is difficult. The social and economic exchange across the Strait has accelerated and expanded since the 1980s, and in 2018 the number of Chinese spouses (mostly female) in Taiwan was approximately 340,000, with approximately 2 million Taiwanese people residing in China.<sup>4</sup> This renders Chinese spouses as well as those who work or study in China and their relatives easy targets for the PRC.

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<sup>4</sup> Hsiu-E Hsu [徐秀娥], "Astonishing! 2 Million People Marching West, Hollowing out Taiwan's Labor Force," [怵目驚心! 西進 200 萬人 掏空台灣勞動力], China Times, Retrieved August 3, 2018, from <https://www.chinatimes.com/realtimenews/20180803002327-260405>; Cheng-chung Wang [王承中], "Chinese Spouses Decreasing, the Growth of New Residents Slowing," [陸配減少 新住民人數成長趨緩], Central News Agency, Retrieved July 29, 2018, from <https://www.cna.com.tw/news/asoc/201807290048.aspx>

Figure 1 Instruments of Hybrid Threats and Their Manifestations in Taiwan

	Instruments	Meaning and Instances
1	Propaganda	Information operations or the weaponizing of information for strategic objectives.
		E.g., the Chinese propaganda video titled “My Fighting Eagles Fly Around Taiwan.” <sup>5</sup>
2	Domestic media outlets	State-sponsored news outlets publishing news from the perspective of the state.
		E.g., the PRC’s English newspaper, the Global Times, expressing hawkish views such as “Scholars see 3 ways to realize reunification with Taiwan.” <sup>6</sup>
3	Social media	Reiteration of news from a state’s domestic media outlets or publication

<sup>5</sup> Ben Westcott and Nanlin Fang, “China and Taiwan Clash in Lunar New Year Military Propaganda Videos,” CNN, Retrieved February 6, 2019, from <https://edition.cnn.com/2019/02/06/asia/china-taiwan-military-propaganda-intl/index.html>

<sup>6</sup> Yang Sheng, “Scholars See 3 Ways to Realize Reunification with Taiwan,” Global Times, Retrieved January 3, 2019, from <http://www.globaltimes.cn/content/1134550.shtml>

		of new information via state-sponsored accounts, bots, or advertisements.
		E.g., propaganda and disinformation spread through popular social media platforms such as Line, Facebook, and PTT. <sup>7</sup>
4	Fake news	Distortions of objective truths as well as misleading stories.
		E.g., the death of a Taiwanese diplomat stationed in Osaka, Japan, in September 2018. <sup>8</sup>
5	Strategic leaks	Information and documents obtained via cyber or traditional espionage being leaked to influence public opinion, perception, and discourse.

<sup>7</sup> Russell Hsiao, "CCP Propaganda against Taiwan Enters the Social Age," China Brief, Vol. 18, No. 7 (2018), <https://jamestown.org/program/ccp-propaganda-against-taiwan-enters-the-social-age/>

<sup>8</sup> Kristin Huang, "Taiwanese Official Criticized for Handling of Typhoon Jebi Evacuation Found Dead in Osaka," South China Morning Post, Retrieved September 14, 2018, from <https://www.scmp.com/news/china/diplomacy/article/2164252/taiwanese-official-criticised-handling-typhoon-jebi-evacuation>



		E.g., the PRC accusing intelligence agencies in Taiwan of targeting mainland students on the island. <sup>9</sup>
6	Funding organizations	Funding organizations or think-tanks that promote views friendly to a country's interests.
		E.g., the alleged funding of the Chinese Unification Promotion Party by the PRC. <sup>10</sup>
7	Political parties	Influence being exerted via political parties in foreign nations; direct diplomatic relationships between the leaders of two countries.
		E.g., the alleged funding of the Chinese Unification Promotion Party by the PRC.
8	Organized protest movements	Exploitation of protest or separatist movements in a target society.
		E.g., the Concentric Patriotism Association paying people to attend

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<sup>9</sup> Sui-Lee Wee and Chris Horton, "China Accuses Taiwan of Using Students for Espionage," New York Times, Retrieved September 17, 2018, from <https://www.nytimes.com/2018/09/17/world/asia/china-taiwan-espionage-students.html>

<sup>10</sup> "Taiwan 'probing alleged funding of triad-linked groups by China'," Straits Times, Retrieved October 16, 2017, from <https://www.straitstimes.com/asia/east-asia/taiwan-probing-alleged-funding-of-triad-linked-groups-by-china>

		events and attack independence advocates and Falun Gong members. <sup>11</sup>
9	Oligarchs	Maintenance of close ties with local entities through oligarchs who wield political, business, media, and commercial powers.
		E.g., Eng-Meng Tsai's [蔡衍明] China Times Media Corporation as part of China's "Grand Foreign Propaganda" plan. <sup>12</sup>
10	Orthodox church	Use of the Church as a proxy to legitimize a country's narratives, interests, and worldviews.
		E.g., the three main pillars of the Chinese Unification Promotion Party being gangs, temples, and overseas Taiwanese businesses. <sup>13</sup>
11	Cyber tools	Espionage, attacks, and manipulation.

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<sup>11</sup> Stacy Hsu, "Al-Jazeera Reporter 'Infiltrates' CPA," Taipei Times, Retrieved September 14, 2018, from <http://www.taipeitimes.com/News/front/archives/2018/09/14/2003700381>

<sup>12</sup> He Qinglian [何清漣], "Red Infiltration: Taiwanese News Bought by China," [紅色滲透：被中國買下的台灣新聞], opinion.cw [獨立評論@天下], Retrieved March 12, 2019, from <https://opinion.cw.com.tw/blog/profile/390/article/7840>

<sup>13</sup> "United Front Target Taiwan's Grass Roots: Gangs, Temples, Business," Commonwealth Magazine, Retrieved August 22, 2018, from

<https://english.cw.com.tw/article/article.action?id=2083>

		E.g., Chinese hackers threatening Taiwan's elections. <sup>14</sup>
12	Economic leverage	Foreign aid assistance, sanctions, and the use of loaned resources as bargaining chips to pressure a foreign government.
		E.g., the Dominican Republic and Burkina Faso breaking diplomatic ties with Taiwan as a result of China's economic influence. <sup>15</sup>
13	Proxies	Gathering of intelligence as well as exertion of political influence in a foreign country.
		E.g., China redirecting its United Front strategy to focus on a variety of targeted groups. <sup>16</sup>

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<sup>14</sup> John Follain, Adela Lin, and Samson Ellis, "China Ramps Up Cyberattacks on Taiwan," Bloomberg, Retrieved September 20, 2018, from <https://www.bloomberg.com/news/articles/2018-09-19/chinese-cyber-spies-target-taiwan-s-leader-before-elections>

<sup>15</sup> "China Accused of 'Dollar Diplomacy' as Taiwan Loses Second Ally in a Month," Guardian, Retrieved May 24, 2018, from <https://www.theguardian.com/world/2018/may/24/taiwan-criticises-china-after-burkina-faso-ends-diplomatic-relations>

<sup>16</sup> Dan Southerland, "Unable to Charm Taiwan into Reunification, China Moves to Subvert Island's Democracy," Radio Free Asia, Retrieved May 25, 2018, from <https://www.rfa.org/english/commentaries/taiwan-subversion-05252018144757.html>

14	Unacknowledged war	Attacks launched by proxies while diplomatic exchanges proceed.
		N/A
15	Paramilitary organizations	Intimidation of civilians and hybrid activities such as reconnaissance, defense, and sniping.
		N/A

Sources: Gregory F. Treverton et al., *Addressing Hybrid Threats*, pp. 45-59 and various news coverage.

### Legal Resilience at Stake

The legal resilience of Taiwan is at stake, where “resilience” means “the ability to recover from or adjust easily to misfortune, adversity, unease, conflict, failure, and/or change.”<sup>17</sup> In the literature it generally takes two forms, one that emphasizes resistance

*“Resilience” means “the ability to recover from or adjust easily to misfortune, adversity, unease, conflict, failure, and/or change.”*

and recovery, which refers to “the capacity of a system to suffer disturbances whilst still retaining its ability to return to an earlier stable state,” and one that focuses on adaptation, namely “the capacity of a system to absorb the effects of disturbances through adaptation, whilst still retaining its original function and other core characteristics.” Accordingly, legal resilience also two dimensions,

<sup>17</sup> Philippe Bourbeau, “Resilience, Security, and World Politics,” in David Chandler & Jon Coaffee, eds., *The Routledge Handbook of International Resilience* (Abingdon: Routledge, 2016), pp. 26-27.

namely the resilience of the law itself, and the role that law plays in rendering other social systems more resilient.<sup>18</sup> Both are reflected in the hybrid threats that the PRC poses to Taiwan.

First, with respect to the resilience of Taiwan's legal system, the PRC's many influence operations are not necessarily illegal, but they exploit the vulnerability of Taiwan's democratic legal system or work in its grey zone, and can even be seen as part of the PRC's "three warfares"—psychological, media, and legal—broadly defined. For instance, in March 2008, Want Want Group Chairman Tsai Eng-Meng acquired the media syndicate China Times Group. Given Mr. Tsai's vast business interests in China and close relationship with Beijing, the newspapers, magazines, and television channels of the China Times Group soon adopted a pro-China stance, refraining from reporting negative news about the PRC and even making personnel changes according to the content of the stories. No legal issues exist regarding Mr. Tsai's acquisition of the China Times Group, and the stance and views of the programs, news coverage, and even advertisements are typically defended in the name of democracy and commercial concerns, but their functioning as a proxy of the PRC is certainly a matter of national security, as some scholars have indicated.<sup>19</sup> Freedom of expression is also invoked when people criticize the establishment with manipulated information or circulate mis- or dis-information on social media.

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<sup>18</sup> Aurel Sari, "Legal Resilience in an Era of Gray Zone Conflicts and Hybrid Threats," Exeter Centre for International Law Working Paper Series, 2019/1, p. 20, from <https://ssrn.com/abstract=3315682> or <http://dx.doi.org/10.2139/ssrn.3315682>

<sup>19</sup> He Qinglian [何清漣], "Red Infiltration: Taiwanese News Bought by China," [紅色滲透：被中國買下的台灣新聞], *opinion.cw* [獨立評論@天下], Retrieved March 12, 2019, from <https://opinion.cw.com.tw/blog/profile/390/article/7840>

Another example is the Chinese Unification Promotion Party, a legal entity in Taiwan that was founded in 2005 by “White Wolf” Chang An-lo, a gang accused of engaging in organized crime. The Party includes gangs, temples, and overseas Taiwanese businesses; in many ways, it represents those with long-entrenched vested interests such as village and ward chiefs, temples, and farmers’ and fishermen’s associations in Taiwan. By aiming to facilitate exchange between these groups and their counterparts in the PRC, the Party helps Beijing make inroads into Taiwan at the grassroots level.<sup>20</sup>

Because instances such as these are below the threshold of armed conflict, they do not fall within the purview of the military. The disputable legality of these instances further places them in the grey zone of Taiwan’s legal system and poses challenges in detection and attribution to various police agencies. In a society in which the struggle between unification and independence, or pan-blue and pan-green, constitutes a structural weakness or vulnerability, any warning against such potential threats can be turned into a political issue in itself, resulting in debates over discrimination, exclusion, or electoral manipulation. Hence, the PRC’s hybrid threats function to erode or subvert the existing order from within.

Second, the PRC also seeks to define cross-Strait relations through legal acts. On March 14, 2005, the PRC adopted the Anti-Secession Law, Article 8 of which stipulates that under certain conditions the PRC “shall employ non-peaceful means and other necessary measures

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<sup>20</sup> “United Front Target Taiwan’s Grass Roots: Gangs, Temples, Business,” CommonWealth Magazine, Retrieved August 22, 2018, from <https://english.cw.com.tw/article/article.action?id=2083>



to protect China's sovereignty and territorial integrity." On February 28, 2018, the PRC's Taiwan Affairs Office announced the so-called "31 Measures," claiming to provide Taiwanese businesses and individuals in the PRC with treatment equal to that given to their Chinese counterparts. In his speech at the 40th anniversary of the "Message to Compatriots in Taiwan" on January 2, 2019, Xi Jinping also vowed to promote "the institutionalization of cross-strait economic cooperation" and stated that both sides across the Strait "should enhance the free flow of trade, connectivity in infrastructure, exchange of energy and resources, and shared industrial standards." These acts indicate that "rule by law" is a crucial means through which the PRC attempts to "govern" cross-strait relations unilaterally.



Chemical Corps of the R.O.C. Army conducted a drill of disinfection against potential hybrid threats in Tainan. (Source: Military News Agency)

The law is crucial in the PRC's Taiwan policy. First, because no legitimate grounds exist on which to rule Taiwan, the PRC must resort to subjective and sentimental factors such as history, nationalism, and culture, as well as the creation of law to conceal the contingent and violent nature of its claims over Taiwan. Second, because the law delimits the acceptable scope of action within a society, the PRC's reliance on the law functions not only to endow itself with the right to take action against Taiwan, but also to intimidate Taiwan politically and psychologically. Third, the PRC's measures of "granting favors to Taiwan" are aimed at diminishing the institutional differences between the two sides, thereby constructing a social fact that Taiwan belongs to the PRC. The shrinking of Hong Kong's civil space as a result of the PRC's numerous legal acts is a focal point here.

## **Conclusion**

The experience of Taiwan suggests that hybrid threats typically rely on the idea of democracy, exploiting the potential tension between "democracy as freedom" and "democracy as rule of law." Because both are abstract concepts, their actual scope of application is determined on a case-by-case basis, highlighting the importance of practice. In an emerging democracy such as Taiwan, in which the previous legal system remains but is put into question, the principle of "rule of law" is not as valued as that of "freedom," which emphasizes rights. Hence, many influential activities are conducted in grey areas of the legal system and in the name of freedom of expression, constantly testing the limits of the "rule of law" and putting legal resilience in question. Accordingly, although the legal system's ability to adapt (e.g., making tighter regulations,

strengthening screening mechanisms, enhancing the cooperation between different agencies) is critical, the ability to constantly renegotiate the functioning and legitimacy of the system may be more crucial.

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# Revisiting “Revisiting Taiwan’s Defense Strategy”

By Liang-chih Evans Chen

## Introduction

During the 1995–1996 Taiwan Strait Crisis, China’s military expenditure was approximately double that of Taiwan, and the People’s Liberation Army Air Force aircraft and Navy vessels rarely passed through the Taiwan Strait or approached the island. Now, however, Beijing’s military spending is approximately 15 times greater than that of Taipei, and its aircraft occasionally flies over the Strait and in close proximity to Taipei’s Air Defense Identification Zone (ADIZ). China’s recent increase in military modernization and capability of invading Taiwan drive the island’s decision makers to reconsider their defense strategy. The United States, Taiwan’s most critical military ally, has urged the island to further develop its porcupine strategy against China’s military threat as the military imbalance across the Strait has increased.<sup>1</sup>

Washington wants Taipei to acquire smaller, cheaper, more lethal, and more mobile weapons that could exhaust Chinese military attacks close to Taiwanese territory, rather than large and expensive weapons such as jet fighters, battleships, and submarines, which are much better appropriate to counter Chinese military attacks in a

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<sup>1</sup> “China’s might is forcing Taiwan to rethink its military strategy,” *The Economist*, Retrieved January 26, 2019, from <https://www.economist.com/asia/2019/01/26/chinas-might-is-forcing-taiwan-to-rethink-its-military-strategy>

manner of symmetry.<sup>2</sup> Indeed, the porcupine strategy is conducive to Taiwan's defense in the context of China's increasing military threat to the island. However, is Washington's advice regarding this defense strategy outdated and unsuited to Taipei, and can the island opt for any alternatives to more effectively deter an invasion from Beijing?

In 2008, William S. Murray, a professor at U.S. Naval War College, published an article entitled "Revisiting Taiwan's Defense Strategy," suggesting that Taiwan needs to transform its defense strategy and switch to concentrating on an army-centered framework. Murray's theory later attracted serious attention among both Taiwanese government and scholars, but his arguments also received criticism. Despite some flaws, Murray's porcupine strategy recommendations are generally suitable for Taiwan's defense against China. However, because China's military power is now much greater than it was 10 or 20 years ago, the porcupine strategy may not be an effective deterrent against the threat of China. This paper argues that Taiwan cannot merely retain its purely "defensive" defense policy. Instead, the island must reconsider the establishment of an "active defensive" strategy, considering the mainland's continuing and overwhelming military advantage.

### **Murray's Porcupine Strategy for Taiwan**

In his article "Revisiting Taiwan's Defense Strategy," Murray argued that Beijing either already had or would soon have the capability to destroy Taipei's air force and navy in preparation for its invasion of the island. Because it would be highly difficult and costly for Taiwan

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<sup>2</sup> Ibid.

to defend itself against China's military attacks following a blockade, precision bombardment, and then invasion, Taiwan needs to discard its overwhelming reliance on expensive weapons systems purchased from the United States, including the Patriot Advanced Capability 3 (PAC-3) missile system, P-3 maritime patrol aircraft, F-16 fighter aircraft, Kidd-class destroyers, and diesel submarines.<sup>3</sup>

Instead, Murray suggested that Taiwan must concentrate on more affordable, more effective, and less destabilizing approaches to defense to deter China's intention of invading the island. Accordingly, Murray considered that Taiwan must focus on strengthening its crucial political and military facilities, and consolidating protection of critical infrastructure, to survive and overcome the blockade period and serious bombardment at the beginning of wartime. Moreover, because its air force and navy are less likely to survive a severe attack from China, Taiwan needs to concentrate on developing a strong and professional standing army equipped with fast mobile and short-range defensive weapons. Additionally, to withstand a continuing economic and military blockade, Taiwan should increase stocks of critical supplies and materials in a consolidated infrastructure that would support civilians and the military throughout a war.<sup>4</sup>

Regarding Taiwan's overall defense strategy, Murray recommended that Taiwan avoid an offensive military strategy, which is highly destabilizing to the situation in the Taiwan Strait, following the logic of the security dilemma theory. Offensive military capabilities could

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<sup>3</sup> William S. Murray, "Revisiting Taiwan's Defense Strategy," *Naval War College Review*, Vol. 61, No. 3 (2008), p. 4.

<sup>4</sup> *Ibid.*, pp. 4-5.



be either nuclear weapons adopted in a counterstrike or long-range traditional weapons aimed at some symbolic targets such as the Three Gorges Dam or Shanghai City.<sup>5</sup> Murray argues that offensive weapons have a high potential to destabilize military confrontation across the Taiwan Strait because China would have difficulty in distinguishing whether such counterstrikes originated from Taiwanese or American military platforms. However, Taiwan seems highly unlikely to be able to acquire sufficient numbers of offensive weapons to deter China.<sup>6</sup> Because of the aforementioned difficulties faced by Taiwan's defense strategy, Murray strongly suggested that Taiwan transform its policy to a porcupine strategy, which renders Taiwan a difficult target to attack or invade.

According to Murray's theory, first, the porcupine strategy would provide Taiwan an alternative to resist and delay China's military coercion for weeks, or perhaps months, without immediate U.S. intervention because its enhanced defense abilities should require more time of China to accomplish its invasion plans. Second, the strategy is much less provocative to Beijing, compared to Taiwan's offensive defensive strategy in the 1990s and 2000s.<sup>7</sup> Because the porcupine strategy emphasizes its capability of deterrence, it truly discourages Beijing from taking military action. Third, and perhaps most vital to Washington, the strategy would allow the United States to deliberate and reevaluate whether it needs to intervene in the cross-Strait military confrontation. The United States could spend weeks or months struggling with options for stabilizing and restoring

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<sup>5</sup> Ibid., p. 4.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid., p. 5.

the turmoil between the two sides without becoming involved in a war for which China might have been preparing long-term.<sup>8</sup>

### **Criticisms of Murray's Porcupine Strategy**

Murray's porcupine strategy provides a useful method to restructure Taiwan's defense policy for deterring China's military invasion; however, it still has some flaws. First, the argument that the porcupine strategy is less provocative to Beijing might prove untrue. Based on China's consistent position on reunifying Taiwan and Xi Jinping's continuing tough stance of sending fighters, bombers, and warships to circle the island, Beijing's attitude, in terms of its diplomatic and military actions, is much more hostile to Taipei. Whether Taipei chooses a defensive or offensive strategy in response to China's military threat is irrelevant to Beijing. Even if Taiwan chooses to acquire only defensive weapons systems, they are still offensive to China because all defensive military equipment is a major hurdle to China's ambition of reunification.

*The issues covered by the Tsai Ing-wen administration are much more comprehensive than those proposed by Murray; the administration's overall defense policy is much more active than Murray's porcupine strategy.*

Second, the porcupine strategy might be too passive, or not active enough, to resist China's military attack by missile strikes from the People's Liberation Army (PLA) Second Artillery, Navy, and Air Force. Murray seriously considered that Taiwan's acquisition of PAC-3

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<sup>8</sup> Ibid.



The Chien Lung-class, also known as the Hai Lung (Sea Dragon)-class submarine, is currently in service of the R.O.C. Navy. (Source: Military News Agency)

interceptors, P-3 maritime patrol aircraft, and diesel submarines from the United States would have difficulty effectively withstanding a Chinese attack, and therefore recommended the island to harden key installations and construct more critical infrastructures. Although Taiwan does need to consolidate its critical infrastructures

and military fortifications, this does not necessarily mean that the island must abandon the advantages of its air force and navy. By contrast, seeking a partial (relative) advantage of air force and navy is still critical to Taiwan's defense, and Murray did not emphasize this point of view. Additionally, a merely army-centered armament might be too passive and risky because the army cannot confront the PLA's overwhelming attack from the air, ocean, and land without any assistance from the air force and navy. Although Murray suggested some key weapons systems that are "all affordable and unambiguously defensive in nature" for Taiwan's army to defeat the PLA's invasion, such as mobile coastal-defense cruise missiles (CDCMs), attack helicopters (Apache AH-64D), the Multiple Launch Rocket System (MLRS), and surf-zone sea mines,<sup>9</sup> the relatively negligible role of the air force and navy appears passive to Taiwan's defense.<sup>10</sup>

### **Taiwan's Current Defense Policy, beyond the Porcupine Strategy of Murray**

As encouraged by Washington, Taiwan has moved toward the porcupine strategy to deter China's military threat but has gone beyond Murray's original concept. In general, the issues covered by the Tsai Ing-wen administration are much more comprehensive than those proposed by Murray; the administration's overall defense policy is much more active than Murray's porcupine strategy.

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<sup>9</sup> Ibid., pp. 16-17.

<sup>10</sup> Professor Shih-yueh Yang considers that Murray's porcupine strategy is still an idea of "pursuing decisive victory in the littoral area" (濱海決勝), echoing Taiwan's current military strategy. See Shih-yueh Yang, "Military? Politics? Reflections on the Critiques of 'Porcupine Strategy'," *Prospect Quarterly*, Vol. 10, No. 4 (2009), pp. 99-100.

In the 2015 Defense Policy Blue Paper, then presidential candidate Tsai concentrated on key promotions of Taiwan's armed forces, including combining cyber and electronic warfare capabilities, strengthening missile defense capabilities, increasing its asymmetric capabilities, preserving the existing air and naval projection capabilities of maintaining the security of sea lines of communication, and establishing a rapid response ground force.<sup>11</sup> After taking power in 2016, the Tsai administration began improving the nation's Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance (C4ISR) as well as Information, Communications, and Electronic Force Command (ICEFCOM); enhancing concealment of military installations and establishing the Republic of China Air Force Air Defense and Missile Command (ROCAFADMC); building indigenous submarines, high-speed stealth vessels, and shore-based mobile missiles; purchasing M1A2 Abrams and Army aviation equipment; and enhancing the personnel recruitment system and promoting the image of the military.<sup>12</sup> Additionally, following the development of high technology, Taiwan has started to develop intelligent sea mines and unmanned platforms so that the new weapons systems can increase the island's capabilities to deter China's invasion.<sup>13</sup> On January 25, 2019,

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<sup>11</sup> Defense Policy Advisory Committee of New Frontier Foundation, *Taiwan's Military Capabilities in 2025* (Taipei: New Frontier Foundation, 2015), pp. 6-9.

<sup>12</sup> Ministry of National Defense, R.O.C., *National Defense Report 2017* (Taipei: Ministry of National Defense), pp. 74-85 and Ministry of National Defense, R.O.C., *2017 Quadrennial Defense Review* (Taipei: Ministry of National Defense), pp. 44-47.

<sup>13</sup> Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018* (Washington D.C.: Department of Defense, 2018), p. 102.

President Tsai Ing-wen urged the acceleration of mass produced anti-tactical ballistic missiles and the Hsiung Feng III anti-ship missile. Table 1 shows a comparison between Murray's porcupine strategy and Taiwan's current defense strategy.

Table 1. Comparison between Murray's porcupine strategy and Taiwan's current defense strategy

No.	Murray's porcupine strategy	President Tsai's defense policy (before the DPP took power)	President Tsai's defense policy (after the DPP took power)
1	Strengthen crucial political and military facilities; consolidate protection of critical infrastructure	Combine cyber and electronic warfare capabilities	Strengthen Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance and establish Information, Communications, and Electronic Force Command (Jul. 1, 2017)
2	Concentrate on a strong and professional	Strengthen missile defense capabilities	Strengthen concealment of military

	standing army with fast mobile and short-range defensive weapons		installations and establish Republic of China Air Force Air Defense and Missile Command (Sep. 1, 2017)
3	Stock up on critical supplies and materials in a consolidated infrastructure	Emphasize asymmetric capabilities	Develop indigenous submarines and high-speed stealth vessels
4	Mobile coastal-defense cruise missiles	Preserve air and naval projection capabilities and maintain the security of sea lines of communication	Develop indigenous submarines, high-speed stealth vessels, and shore-based mobile missiles
5	Attack helicopters (Apache AH-64D)	Establish a rapid response ground force	Purchase M1A2 Abrams and Army aviation equipment
6	Multiple Launch Rocket System	Military budget	1.86% (2017), 1.84% (2018), 2.16% (2019) (of



			Taiwan's gross domestic product)
7	Surf-zone sea mines	Military industries	Self-reliant defense and indigenous weapons

Source: author.



U.S. Navy Arleigh Burke-class guided-missile destroyer *USS Curtis Wilbur* (DDG 54), completed a transit of the Taiwan Strait in March 2019, the fifth such transit in six months, demonstrating the U.S. commitment to a free and open Indo-Pacific. (Source: Commander, U.S. 7<sup>th</sup> Fleet)

## Conclusion

Ten or 11 years ago, William Murray's porcupine strategy elucidated the transformation of Taiwan's defense framework. However, his recommendations tended to be passive or not active enough to resist

a military attack from China. This study on Taiwan's current defense policy revealed that the Tsai administration's defense strategy appears to be more active and more comprehensive. Although it reemphasizes the importance of concealment of military installations ("preservation of warfighting capability"), "pursuing decisive victory in the littoral area" (濱海決勝) and "annihilating the enemy in the beach area" (灘岸殲敵),<sup>14</sup> the administration is conducting Taiwan's new defense in an asymmetric manner and expanding its concentration on warfare in terms of information, communication, and cyber security, air defense missiles, submarines, intelligent mines, and unmanned platforms.<sup>15</sup>

Based on China's fast military modernization and increasing capability of invading Taiwan, the island needs to develop its defensive thinking beyond Murray's theory.

*Both the United States and Taiwan should try to avoid any notion that Washington is hesitant or reluctant to assist Taipei or that Taipei is unwilling to defend itself.*

Washington must understand that Taipei's transformation of its defense toward an active porcupine strategy, such as possessing submarines and stealth aircraft, is not an attempt to provoke Beijing but to strengthen its capabilities to deter a military attack by the PLA. As argued previously, any defensive strategy and weapons, in a rival's eyes, are offensive. Finally, both the United States and Taiwan must

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<sup>14</sup> Ministry of National Defense, R.O.C., National Defense Report 2017, p. 67 and Ministry of National Defense, R.O.C., 2017 Quadrennial Defense Review, pp. 38-39.

<sup>15</sup> Drew Thompson, "Hope on the horizon: Taiwan's Radical New Defense Concept," War on the Rocks, Retrieved October 2, 2018, from <https://warontherocks.com/2018/10/hope-on-the-horizon-taiwans-radical-new-defense-concept/>

also enhance their mutual understanding regarding defense policies and strategies toward each other. The United States must keep its promise to assist Taiwan to resist any Chinese threat or invasion. Similarly, Taiwan must demonstrate its determination regarding self-defense. Both sides should try to avoid any notion that Washington is hesitant or reluctant to assist Taipei or that Taipei is unwilling to defend itself.

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# China's Belt and Road: Meet the New Problems, Same as the Old Problems

By Ysi Ru-Shin Chen

In the years following the announcement of what was then known as the One Belt One Road Initiative in 2013, Xi Jinping's China seemed to spare no expense in ensuring that its premier foreign policy project – eventually renamed the Belt and Road Initiative (BRI) in 2017 – had all the resources it could possibly want from an economy that seemed like it was still going strong. Beijing vowed to finance projects under the BRI umbrella with at least a grand US\$1.4 trillion, empowering a wide array of mechanisms to redirect their considerable financial firepower, including the CITIC Group Corporation (China International Trust Investment Corporation),<sup>1</sup> the Bank of China,<sup>2</sup>

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<sup>1</sup> Shu Zhang and Matthew Miller, "China's CITIC to invest \$113 billion for 'Silk Road' investments," Reuters, Retrieved June 24, 2014, from <https://www.reuters.com/article/us-china-citic-investments-idUSKBN0P41NA20150624>

<sup>2</sup> Kane Wu and Julie Zhu, "Exclusive: China's 'big four' banks raise billions for Belt and Road deals – sources," Reuters, Retrieved August 22, 2017, from <https://www.reuters.com/article/us-ccb-fundraising/exclusive-chinas-big-four-banks-raise-billions-for-belt-and-road-deals-sources-idUSKCN1B20ER>

the China Investment Corporation,<sup>3</sup> the China Development Bank,<sup>4</sup> and the Export-Import Bank of China.<sup>5</sup> Memorandums of understandings (MOU), investments, infrastructure projects, and trade deals were hashed out not only with neighbors in South and Southeast Asia, but also with Africa and Eastern Europe. So pervasive was such Chinese influence – through investments and projects ostensibly under the BRI umbrella – that Greece and Hungary, both recipients of Chinese money, have placed roadblocks before attempts by the European Union to criticize China’s human rights record and unfair trade practices. In a way, the BRI has come a long way over the last five years, transforming from an academic curiosity on scholarly publications to an item of active mainstream media interest, going so far as to warrant an investigative piece from the *New York Times* pertaining to the BRI’s effects in Sri Lanka.<sup>6</sup>

Yet in recent years, the BRI seems to be running into some serious

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<sup>3</sup> Cai Xiao, “China to step up Russian debt financing,” China Daily, Retrieved May 9, 2015, from [http://www.chinadaily.com.cn/world/2015xiattendwwii/2015-05/09/content\\_20666880.htm](http://www.chinadaily.com.cn/world/2015xiattendwwii/2015-05/09/content_20666880.htm)

<sup>4</sup> “China Development Bank Loan Financing,” China Development Bank, Retrieved April 11, 2019, from <http://www.cdb.com.cn/English/cpfw/gjyw/dkrz/>

<sup>5</sup> “Belt and Road loans up 37% at Export-Import Bank of China,” Nikkei Asian Review, Retrieved August 4, 2018, from <https://asia.nikkei.com/Economy/Belt-and-Road-loans-up-37-at-Export-Import-Bank-of-China>

<sup>6</sup> Maria Abi-Habib, “How China Got Sri Lanka to Cough Up a Port,” New York Times, Retrieved June 25, 2018, from <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>

obstacles. Elections in Sri Lanka and Malaysia have pushed out political leaders that signed deals with China that are now being scrutinized by their successors.<sup>7</sup> In Sri Lanka's case, the country's inability to make a return on investment has resulted in their flagship project in the BRI, Hambantota Port, being transferred under China's control for ninety-nine years. In Malaysia, newly-elected Prime Minister Mahathir Mohamad's diplomatic engagement with China did nothing to prevent him

from calling off a major high-speed rail BRI project. There is an increasing number of reports on the BRI where Chinese money

*The BRI was conceived as a necessary high-risk foreign policy to solve domestic dilemmas, particularly economic-industrial problems.*

failed to materialize, where projects proved to be non-performing with no real promise of returns. Trade, investment, and lending under the BRI decreased significantly in 2017, and although it has inched back to a recovery by late 2018, the initiative is still under pressure.<sup>8</sup> While it is possible that the BRI is moving into a more sustainable and balanced investment pattern five years in, what is more worrying for

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<sup>7</sup> Bhavan Jaipragas, "It is not about the Chinese': Malaysia's Mahathir blames previous government for debt to Beijing and project woes," South China Morning Post, Retrieved August 19, 2018, from <https://www.scmp.com/news/china/article/2160390/it-not-about-chinese-malaysias-mahathir-blames-previous-government-debt>

<sup>8</sup> "Belt and Road Initiative Quarterly: Q4 2018," The Economist Intelligence Unit, Retrieved November 27, 2018, from <http://country.eiu.com/article.aspx?articleid=1677389351>

the initiative are the reports that suggest even Beijing does not have the full picture of where, exactly, BRI money is ending up, suggesting that the BRI is affecting the Chinese economy enough to warrant scrutiny from the government



Hambantota Port, Sri Lanka at first glance. (Source: Google Maps)



Much of this is unsurprising. The BRI was handed down politically from the highest echelons of power in China, its implementation on the ground spearheaded by a combination of state-owned enterprises (SOE) and state-owned banks (SOB). Both components of this Chinese vanguard are known for political loyalty rather than economic reliability; both are thusly plagued by a reputation for corruption, mismanagement, and unsound policies and practices. The BRI required relevant institutions to spend funds and resources in a manner Beijing dictated, in ways that caused the Asian Development Bank (ADB) to balk at its sustainability and personages in India to decry the BRI as a form of exploitative neocolonialism. The bulk of its investments were in unreliable, undeveloped, and often corrupt economies along the Belt and Road in which most investors saw little to no potential in returns. In this sense, very little of this is new about China's practices in the BRI either. While the current Chinese administration under Xi is attempting to enact economic reforms, the truth is that for SOEs, much of this is business as usual, as many of these development strategies were implemented in China's own economic miracle, which now sees a significant slowdown even as its economic foundations remain questionable. Now that domestic manufacturing demand in China has dried up, the SOEs are attempting to reapply these strategies abroad, often with irresponsible practices and haphazard results.

Hubris, or at least carelessness, likely played a part in the BRI's present situation; modern China has a habit of throwing money at a problem – money from an economy that has grown by leaps and bounds within decades, a point of pride for the Chinese Communist Party (CPC) – and hoping matters will resolve itself. It is not difficult to imagine that Beijing overestimated its influence and capabilities.

What *is* difficult to imagine is that Beijing would be so arrogant as to not even consider the likely risks with the BRI, the potential areas where blowback was probable. Also, difficult to imagine is that China would be so short-sighted as not to see the long-term problems, problems it now faces.

What is more likely is that Beijing has always been aware of the possibility and general nature of potential blowback, but that despite these existing concerns, the BRI was conceived as a necessary high-risk foreign policy to solve domestic dilemmas, particularly economic-industrial problems. If it was not the BRI, then it would have been another project attempting to address the same issues. Yet if old habits die hard, then it increasingly seems as if China has not taken any of the lessons it is learned through the 21<sup>st</sup> century to heart; it is just handing the baggage to someone else. Only this time, people are trying to say no, as can be seen in the cases of Malaysia and Sri Lanka. Even Pakistan, a traditional Chinese ally, has been showing concern over potentially unsustainable BRI projects.<sup>9</sup>

## **The Chinese Model**

Any further assessment requires, of course, a clear-eyed look at the objectives of the BRI, something that has been shrouded in mystery, ambiguity, and speculation for years. This is in part because the BRI is often vaguely defined, described by the Chinese Ministry of Foreign Affairs as “just an idea for cooperation” and an “open-ended

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<sup>9</sup> Adnan Aamir, “Pakistan distances itself from China's Belt and Road,” Nikkei Asian Review, Retrieved March 20, 2019, from <https://asia.nikkei.com/Spotlight/Belt-and-Road/Pakistan-distances-itself-from-China-s-Belt-and-Road>

platform".<sup>10</sup> To observers, it is largely characterized as a project emphasizing infrastructure development and connectivity, comprised of economic corridors that stretch from Asia to Europe and Africa. Relevant literature has suggested possible goals of the BRI that can be divided into four general categories: Geopolitical, diplomatic, security, and socioeconomic. The specific goals in question seem like a grab bag of Chinese ambitions: Realignment of influence in the eastern hemisphere to favor China, a response to the Obama-era Rebalance to Asia (and, nowadays, the Trump-era Free and Open Indo-Pacific Strategy), the fostering of closer diplomatic ties through investments, a guarantee of China's energy security through infrastructure and military readiness, power projection through a blue-water navy, the alleviation of Chinese industrial overcapacity in areas such as steel, economic reforms that involve wealth distribution to the restive inland regions and creating a more sustainable growth pattern, and so on.

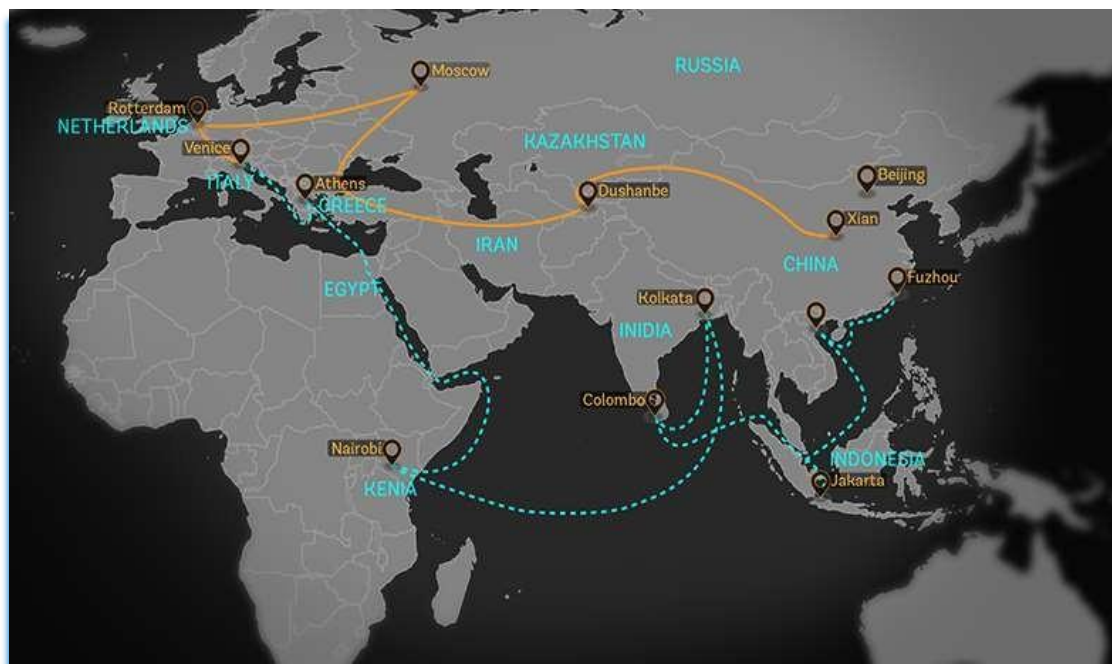
*Possible goals of the BRI that can be divided into four general categories: Geopolitical, diplomatic, security, and socioeconomic.*

All the above are concerns that China's leaders have long held, and there is no convincing reason why the BRI was created to address only one of these concerns, or even only one of the four aforementioned categories. However, while much has been written about Xi Jinping being the most overtly ideological and nationalistic

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<sup>10</sup> "China's plan to build Maritime Silk Road backed by Sri Lanka," Business Insider, Retrieved February 13, 2014, from [http://www.business-standard.com/article/international/china-s-plan-to-build-maritime-silk-road-backed-by-sri-lanka-114021300924\\_1.html](http://www.business-standard.com/article/international/china-s-plan-to-build-maritime-silk-road-backed-by-sri-lanka-114021300924_1.html)

Chinese leader since Mao Zedong, what is less publicized – perhaps because it is not particularly exciting – is that when it comes to policy, the fifth-generation leadership’s focus seems to be primarily socioeconomic, as are the most important of the BRI’s goals, if only in the sense that it is the category that carries the greatest urgency. In a way, this should not have come as a surprise. Putting aside the BRI, major projects and policies such as the Chinese Dream, Made in China 2025, the Two Centenary Goals, and the Four Comprehensives are dominated or significantly informed by socioeconomic concerns.



The Belt and Road Initiative would transform the economic-social environment in which nations operate and develop in the regions. However, there are significant challenges to their politics, economies and policies. (Source: World Bank)

In this the fifth-generation leadership is not particularly unique. After all, they and their predecessors are, to a certain degree, riding on the coattails of wave of economic growth that began with Deng Xiaoping's economic reforms back in 1978. Third-generation premier Zhu Rongji decided SOEs were too corrupt and bloated, and subsequently put his own personal stamp on Chinese economic reform in the 1990's by firing forty million SOE employees. Fourth-generation secretary-general Hu Jintao presided over the global financial crisis, which factored into his re-empowering of SOEs as part of an attempt to weather the worst effects of the crisis. Managing China's economic growth is not only a point of pride for the Chinese leadership, it is a major component to its national legitimacy.

What is unique about the fifth-generation leadership, however, is that they are presiding over a pronounced slowdown to what has been an economic miracle decade in the making. The two fulcrums of credit and cheap manufacturing created the Chinese economic miracle in the first place but has also left in its wake a troubled economic structure built upon bad credit and an unsustainable "factory of the world" model. The structure is already beginning to creak. In this, China's current predicament is reminiscent of Japan's not so long ago: An economic miracle fueled by inflated stocks, rapid manufacturing growth, overinvestment in real estate, increased non-performing banking loans, a depreciated currency, and low domestic consumption. Japan's failure to manage these factors led to the collapse of the asset bubble in the 1990's, creating a slump that the country has yet to crawl out of. This resemblance was not lost upon last year's news cycle, which persistently asked whether China could avoid a "hard landing."

Fortunately for China, not only is the government in a position to learn from Japan's mistakes, but it also has both greater control and a great willingness to exercise that control over its economy and industry. Beijing has plans to enact "supply-side structural reform" to curtail excess production, to enact controls over the expansion of credit, to transform China from export-driven to consumption- and service-driven, from "factory of the world" to "world manufacturing power." In this vein, the BRI is part of this economic reform toolbox. Although Beijing is no longer able to downsize SOEs at will in the way Premier Zhu did in the 1990's – China is too entangled in the globalized market to do so, and an increasingly wealthy Chinese population along the richer coastal regions will not tolerate such a shock to the economy and to their standards of living – investments abroad into BRI projects provides a pressure valve for the bubble created by industrial overcapacity and bad credit, creating breathing room for the necessary reforms and the shuttering of zombie enterprises without bursting China's own economic bubble. It connects China with economies that are not only receptive to exports that China no longer wants, but are also in a position to provide China with resources useful to its economic reform (the most evident example being rare earth materials from Central Asia, particularly from Kazakhstan, useful in the Chinese technology innovation sector).

There are also social considerations involved as well. It provides an outlet for a low-skilled labor force that China intends to push out with its transformation into a tech manufacturing and services powerhouse, pacing the downsizing of SOE employees with China's aging demographics, thus preventing a massive wave of unemployment. Little wonder, then, that Chinese-funded

infrastructure projects, even those outside the purview of the BRI, are helmed by Chinese construction companies staffed with Chinese workers, a sore point for the residents of host nations that China is not bringing any employment or economic benefits for the locals.<sup>11</sup> And with western China being the country's primary land-based BRI hub, it is clear that the Chinese leadership intends to further economic development in China's poorer, less developed inland regions, which is hoped to go some way in quelling civil unrest with regards to the wealth disparity between the coastal and inland regions, to say nothing of minority unrest.

If the BRI is not explicitly a tool for exporting the costs of Chinese economic reform, then they at least share a codependent relationship: Chinese economic reform is necessary for the BRI to sustainably fund foreign infrastructure projects, and Chinese exports and trade in the BRI are necessary as an outlet to help mitigate the dilemmas facing economic reform. And codependence is a dangerous setup for major policy; the failure of one will almost certainly mean the failure of the other.

Of course, once again, none of this precludes the possibility that the BRI can be used – and *is* being used – for geopolitical, security, and diplomatic endgames. Likely, Beijing formulated the BRI with this full spectrum of objectives in mind, perhaps in a gambit to ensure that at least some, if not all, of its goals would be met in this ambitious project. Reaping potential geopolitical and diplomatic benefits that come from these investments and projects abroad are hardly out of the

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<sup>11</sup> Adnan Aamir, "Khan tries to ease concerns over China's Belt and Road," Nikkei Asian Review, Retrieved April 2, 2019, from <https://asia.nikkei.com/Spotlight/Belt-and-Road/Khan-tries-to-ease-concerns-over-China-s-Belt-and-Road>



question. But the BRI is the brainchild of the fifth-generation leadership, and Xi came into power well after Chinese economic growth slowed down to single-digit percentages, heralding tougher times to come. China is aware not only of the fact that this is an existing problem, but that it is an *impending* crisis with a ticking timer that will not just go away on its own. Chinese energy security, naval power projection in the surrounding maritime territories, and the creation of its own sphere of influence are doubtlessly important projects that Beijing considers vital to its national survival. It is not out of the question for national leaders to address these concerns as quickly as they can, but they are responses to hypothetical or potential threats and crises, not impending ones. There is presently no ticking time bomb in terms of threats to Chinese energy imports from the Middle East, maritime territory disputes and rivalries with near-peer navies, or any severe loss of influence or political capital in even U.S.-led international power structures. These crises may one day come, but they are not here yet, or at least not in a way seriously threatens China. The sails of China's economic challenges, however, are not just on the horizon, but drawing closer to firing range.

### **The Imperfect Solution**

Even if the governments and researchers alike remain uncertain as to whether China's endgame is strategic, economic, or otherwise, it has always been evident to them that the BRI is fundamentally a plan by China and for China. To a degree, this is not surprising; all states look out for their own national interests. But there is increasingly the view that China's investment practices in the BRI are almost predatory and neocolonialist in nature. The point has been to create sufficient demand to solve China's excess supply, and the idea that China is a benevolent investor in regional infrastructure projects is clever

marketing. There have been some successful projects along the Belt and Road, but whether because China did not know or did not care, many others have been economically unviable from the very beginning and have created unsustainable amounts of debt for some host countries. This debt is hardly going to be conducive to China's current credit problem, but some of the pressure can be alleviated if the Chinese yuan becomes the common currency along the Belt and Road.

Of course, these suspicions have long existed before the cases of Sri Lanka and Malaysia, so why have countries signed onto the BRI? A major reason is simply because these brittle, developing, regional economies are not simply passive entities being preyed upon by a strong Chinese economy, they are polities with their own projects and plans for infrastructure expansion that may encourage economic development in their countries. Most existing investment institutions dominated by the West expect feasibility studies in ascertaining the viability of any investment into these economies, and these investments often come with the stipulation that the host countries abide by international norms and human rights, conditions that may be unpalatable for a national government. However, China's "business is business" approach to investment offers a staggering amount of funding with – at least superficially – little to no political preconditions. Just as Xi has pushed the China Dream, the countries along the BRI have their national goals to pursue, only lacking the funding to do so; China's offer of investment is therefore seen as too good to pass up. And it is hard to deny the power of the Chinese economic miracle, with developing states hoping they can replicate or exploit this Chinese model for themselves.

But if the BRI is not being regarded with increased suspiciousness, it is at least seen with increased wariness. Certainly, there is an increased perception that the BRI aligns with China's geostrategic interests at a time when the People's Liberation Army (PLA) is expanding its power projection capabilities, and that the benefits afforded to host nations are sometimes in doubt. Yet one does not necessarily need to go so far as to claim that China truly *is* creating a String of Pearls, developing strategic capability under the guise of economic development. What is far more likely – and probably equally alarming – is that China has simply not reformed or changed its business or economic practices, and now that the West increasingly adopts anti-dumping strategies against China, Beijing is exporting its bad credit and excess manufacturing abroad to new, more vulnerable markets. If mismanaged, host nations will almost certainly suffer financially and economically as a result; there is also no guarantee that the high-risk BRI can help China overcome its current problems in the first place.

While the BRI has always been plagued by obstacles, some of them involving negotiations and others involving loans, Sri Lanka and Malaysia have become if not a watershed moment, then at least a wake-up call. Amidst what could be at worst a growing backlash, Xi has found himself having to attempt to stay ahead of the game by insisting that the BRI is not simply a project to establish a “China club.”<sup>12</sup> Indeed, he has found himself in tricky economic territory;

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<sup>12</sup> Catherine Wong, “Xi Jinping says belt and road plan isn’t about creating a ‘China club,’” South China Morning Post, Retrieved August 27, 2018, from <https://www.scmp.com/news/china/diplomacy-defence/article/2161580/xi-jinping-says-belt-and-road-plan-isnt-about-creating>

when Xi first announced the existence of the BRI in 2013, he almost certainly did not expect that Trump would become president, leading to a chain of events that would result in a U.S.-China trade war that – if the rumors are true – is allegedly damaging Xi’s credibility even within the CPC. In a way, the BRI is necessary as an interim solution to immediate problems, but even if China’s great economic reform succeeds at the very end and averts a hard landing, it does seem like Beijing intends for someone else to pick up the mess.

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## Submission

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