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The challenge of China

Richard Rigby Looking to the future, lessons of history

Yiping Huang China's 60-year experiment with free markets

Hugh White Geostrategic implications of China's growth

Jerome A Cohen Sixty years on: China's legal system today

Cheng Li One Party, two coalitions in China's politics

Geremie Barmé China's promise

and more . . .

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From the Editor's desk

As Richard Rigby says in the lead essay in this fourth issue of *EAFQ*, the word 'challenge' . . . carries a heavy burden of nuance. It can convey a sense of threat. But challenges can also be an inspiration, an offer of hope. Challenges always pose questions – often difficult ones, as Rigby also suggests. And the notion of a challenge is two-sided: it is as much about the one who is on the receiving end of the challenge as about the one who is doing the challenging.

This is an apt nuance in considering China's present and future role in the world. The challenge of China is as much about how the rest of the world responds to the rise of China as about the massive tasks of economic and social development in China itself. In this volume we focus more explicitly on the latter question than on the former but the former question is what this collection of essays really seeks to illuminate.

The challenge of China is not just a matter of the scale of China's growth and its role in the world although certainly scale is one dimension. The scale of what is happening in China is without historical precedent. Within less than a few decades, China has transformed itself from being a 'small' economy to being a 'big' economy, in terms of its impact on the world economy and the notice which the rest of the world has to take of China in managing global affairs. The size of its population base always meant that China was politically important, but its economic growth now magnifies its political impact.

The contributions to this volume of the *EAFQ* present analysis from leading thinkers on these issues from around our region – a region that has more at stake in the success of China's rise than any other. We hope their essays make a modest contribution to identifying some of the priorities that the rise of China's role in regional and global affairs presents to policy leaders in China and around the world. Only by getting these priorities right will it be possible to frame policies and approaches, or at least provide the best possible advice to the policy-makers in China and around the world, that will enable us to meet the challenge that today's – and tomorrow's – China poses, to us, and for itself.

Peter Drysdale

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COVER PHOTOGRAPH: Chinese President Hu Jintao and other leaders view the parade marking the 60th anniversary of the founding of the People's Republic of China. Photograph: Feng Li / Getty Images.

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The challenge of China

RICHARD RIGBY

Challenge is a word that carries a heavy burden of nuance: it can convey a sense of threat, it can be an inspiration, it poses questions – often difficult ones – and it can also be double-edged, in that the challenge frequently applies as much to the alleged challenger as it does to those on the receiving end. Where China is concerned, the word is appropriate in every sense; but an important part of the challenge is precisely to decide which aspect is of the greatest importance. Only having done this can we attempt to frame policies, or at least provide the best possible advice to the policymakers, which will enable us to meet the challenge that today's – and tomorrow's – China poses to us, and to itself.

If there is a single word that should be applied to China, whether speaking of its international impact or its domestic situation, it should be 'complexity'. There is simply nothing simple about China; and this being the case, we should be distrustful of any simple descriptors or characterisations, be they benign – China's peaceful rise, harmonious world, harmonious society – or the opposite, such as comparisons of a rising China with Wilhelmine Germany at the beginning of the last century.

And with complexity comes size: expectations that China will take *any* path, the nature of which can be predicted from the experience of other countries, are almost certainly going to be proved wrong. This was so of American hopes for

a Westernised, democratic China emerging from World War II; it was so of the expectation post-1949 that China would become a clone as well as a client of the Soviet Union; and expectations have similarly been disappointed in both the pre-and post-1989 phases of the era of reform and opening.

China is just too big, and carries too great a civilisational and historical throw-weight to be anything other than *sui generis*. As Lu Xun, one of the greatest Chinese writers of the first half of the 20th century, told his readers, you make your path by walking it. This is as true of China now as it was then, but the implications for the rest of the world are now even greater – far greater – than when he wrote these words.

It is relatively easy to predict that

... as we seek to understand a country that is reassuming its historical place as one of the leading nations of the world, we need to know so much more: arguments about history and culture are important, not only to the Chinese, but to us.

in such and such a year China's GDP will have reached a certain figure, that it will occupy such and such a global ranking in terms of size or in terms of per capita income, that the People's Liberation Army (PLA) will be rated at such and such a level in terms of relative size, procurement, capabilities, and the like. These are all of course vital judgments to be made, and whatever the specifics, it seems clear enough that whatever difficulties China faces, domestically and internationally, in pursuing its growth goals, it is going to play an ever greater role in world affairs. Indeed, for better or for worse, it is doing so already. But the more difficult, and more crucial question is, assuming that China's comprehensive strength, or global ranking, will place it amongst the most powerful and influential nations in the world by, say, 2020, or 2030, what sort of a China is it going to be?

Here our task is complicated not only by the sheer complexity of the issues to be addressed, and by the often unhelpful cacophony of foreign comment, but by the fact that the Chinese government – not just the present Chinese government, but others before it (although the Chinese Communist Party state has greater ideological inclinations and more effective tools than most of its predecessors) – is committed to presenting a single narrative of China's rise as interpreted and enunciated by its official organs.

Yet anyone who has the slightest understanding of contemporary China will know that behind the editorials of the *People's Daily*, the statements of Ministry of Foreign



A cyclist in Taiyuan rides past a billboard displaying political leaders past and present – from the top, Mao Zedong, Deng Xiaoping, Jiang Zemin and Hu Jintao.

Affairs spokespeople, the presentation of the news by CCTV, or the work of officially approved film directors, there is a hugely complex world of debate, current and counter-current, introspection, historical and cultural revisionism, as much within the organs of state and party as outside. The degree to which this debate is tolerated waxes and wanes, and things can be said by some people, or within some bodies, that are forbidden to others. Some of this debate we can see, some of it is largely hidden. Some of it is inspiring, encouraging, some of it is more than a little scary or plumb crazy. But it is here, as much as in the more ostensibly transparent narratives approved for public — and foreign — consumption and edification, that the

vital question of what sort of a China we are going to be dealing with 10, 20 or 30 years from now is being worked out.


Globalisation is another complicating factor that cuts both ways. As China becomes increasingly involved in the rest of the world, and vice-versa, the simple binary division between domestic and foreign — encapsulated in the once much-used formulation *nei wai you bie* — is increasingly untenable. Whatever they may wish, China's rulers, and for that matter ordinary Chinese, are just going to have to get used to the fact that things that happen at home will impact on the way they are viewed from outside, and that this will in turn impact on decision-making relative

to China by other countries. By the same token, foreign companies will find it increasingly difficult to regard with insouciance events in China that disturb their shareholders. The same, of course, applies to the treatment of Chinese, whether individuals, companies or representatives of the state, in other countries.

This means that in order to judge what sort of a country China is going to become, there is virtually nothing that happens in China that doesn't matter, or that we don't need to know about. The days when we could just look at steel and grain production figures, imports and exports, look at the PLA training and recruitment cycle, work out the pecking order in the standing committee of the

Politburo, are over. Of course all these things are of the utmost importance. But as we seek to understand a country that is reassuming its historical place as one of the leading nations of the world, we need to know so much more: arguments about history and culture are important, not only to the Chinese, but to us.

To give only one obvious example: whether the standard for judging previous dynasties should be their achievements in culture and learning, or the degree to which central authority was imposed and borders expanded, matters to us. Similarly, the whole question of the reappraisal of traditional Chinese culture; how the modern Chinese state maintains the multinational character of the Manchu Qing Empire; questions of centralism versus federalism; the reappraisal of the achievements of the Nationalist government and its model of modernisation (not to mention its territorial claims largely inherited by the PRC, including, topically, the South China Sea); the debates about democracy; the rethinking of the post May-4 modernisation project . . . to name but a few issues that may once have seemed arcane, but in fact have major implications for all of us, not just the Chinese themselves, as they continue the process of walking a path that is increasingly going to merge with the global highway.

The first and greatest challenge, especially for those of us who grew up under the comfortable protection of British and US naval supremacy, and in a cultural world made in Palestine, Greece, Rome and Europe, is the challenge of understanding. This special issue of the *East Asia Forum Quarterly* marks one small step in that process. 

The scale of China's economic impact

LIGANG SONG

China has succeeded in moving up the ladder of development through rapid growth in just three decades. The pace of China's growth is not what is unique — Korea, Singapore and other economies in East Asia grew as fast in the 1970s and 1980s. What is unprecedented historically is its scale. The size of China's population, market and geography, and the dynamism that flowed from economic reform and transformation are what define its impact on the rest of the world. Despite a still relatively low per capita income, the sheer size of the Chinese economy has made China a significant player in world production, consumption, trade and increasingly international finance and the environment.

The dynamics unleashed by Deng's reforms, the opening up policies and institutional changes have propelled continuous capital accumulation, productivity gains, trade and income growth on a scale the world has never seen before. China, by many measures still a developing country, became the world's largest international trader in 2009. A central question now is whether Chinese growth over the next 20 to 30 years on this, or even a more modest scale, can be sustained, given the significant impact it will have on the domestic as well as global economic and politics.

The consensus is that the Chinese economy will continue to expand at an annual rate of 6 to 8 per cent in real terms for the next 20 years (2010-30). There are other more bullish, and of course more conservative projections. But even growth at the consensus rate over the next 20 years would make China the largest economy in the world, with per capita incomes perhaps four or five times as high as they are currently. China's nearly 1.5 billion people on this trajectory are set to join the richer people in the world.

There are many challenges to achieving the consensus goal of long-term growth.

First, the one child policy and the impact of income growth on fertility will see China's demographic structure rapidly age. Aging of the population will constrain the supply of labour, put pressure on wages, reduce the capacity to save, change industrial structure and the composition of trade, and make building human capital, accelerating technological change and raising productivity more urgent national priorities.

Second, China is entering a stage of growth in which the relationship between an increment in output and an increment in demand for energy and metals is exceptionally strong. This will add pressure to balancing global supply of, and demand for, resources and energy products. The impact on world markets for energy



A workman balances on scaffolding high above the city during construction of the MORI Building in Shanghai.

and resources is likely to be intense.

Third, and a related issue, China will have to move more rapidly towards a low-carbon growth economy. This will require accelerating the pace of change in industrial structure, and a faster pace of technological innovation in the energy-using sector of the economy than was achieved in the industrialisation of already-developed economies. The policy commitments towards this goal are still being put in place.

Fourth, in the next 20 years, China will not be able to rely on the economic model that drove growth over the past two decades. That model saw the emergence of unsustainable current account imbalances. The next phase of growth requires a strategy of domestic market integration and

internally driven development. And it requires a China actively involved in global cooperation to achieve balanced growth in the global economy, so important already are the effects of China's strategies on the international economic system.

Fifth, China also needs to deal with the income inequality and regional disparities that have grown in the course of rapid growth. Failure to deal with domestic inequalities will threaten social stability in the next phase of growth and development.

Finally, China's rise as a global economic powerhouse will thrust on it the mantle of increasing responsibilities in global affairs, requiring it to contribute positively to global stability, progress and prosperity through cooperation with

other players in the global economic system. This is not merely a question of how China manages its external economic relations but a question also of how it conducts itself politically.

If China succeeds in meeting these challenges, the coming couple of decades will see it elevated to a position of global primacy, or at least 'co-primacy' alongside the United States.

Success is more easily presumed than achieved. A smooth Chinese ascendancy to global primacy, both for China and the rest of the world, will need many changes from the status quo.

For China, perhaps the most important challenge will be confronting the task of comprehensive institutional reform — in the economic

system, in governance, as well as in the political system. Failure to proceed with comprehensive institutional reform will jeopardise continuing growth and the global market integration and stability of which it is based. It also risks various forms of economic dislocation at home as well as social instability which will disrupt the growth process and negatively impact on the global economy.

Without economic, structural and political adjustments in the rest of the world to China's rise, there will be economic and political tensions that will frustrate, though likely not prevent the redistribution of power in the

world economy.

China is still well short of the point in the process of economic development where its growth might be expected to slow or the energy, resource and carbon intensity of growth to recede. Rapid manufacturing-led growth is expected to persist for some time whatever indicators of success are used — the projected increase in China's per capita income, auto penetration, metals and energy intensity, capital stock per capita or the level of urbanisation.

Yet the momentum of growth at its current pace, even that maintained

through the global financial crisis, is unlikely to be sustained in the medium term without addressing these big issues of development strategy — structural and institutional reform, the unwinding of imbalances and government fiscal measures to boost the economy. Unattended to, there are likely to be lower rates of economic growth in the next few years. A global environment in which carbon constraints become increasingly binding will also lower the growth trajectory in the medium term.

Enhancing technological progress holds one key to China's long term growth success. There is huge potential for China to narrow the technological gap between it and the mature industrialised economies, particularly in the area of green technologies. Government will play a crucial role. With the effort and investment made by the government, it may well be that China will catch up more quickly and could even assume leadership in the application of green technologies, particularly considering the economies of scale associated with their use in China's projected mega-market, its strong foundation of human capital and determination to adopt a new model for economic growth. A concerted effort to generate and commercialise environmentally sound technology would enable China to quicken the pace of industrial structural change and alter the current trajectory of its industrialisation, laying a more solid foundation for its goal of long-term growth.

As in the past 30 years, the market must also play a crucial role and development of market integrity alongside the role of the state will be at the core of the challenge for China in achieving its ambitions for development. **EAFO**



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China's 60-year experiment with free markets

YIPING HUANG

When Mao Zedong arrived in Beijing 60 years ago with his comrades from Yan-an, a remote town in northwestern Shaan-xi province, he probably did not intend to ban free markets across the country. The socialist transformation began when Mao set his eyes on overtaking the United States. This was to be achieved, according to him, through the development of heavy industries, especially the steel industry.

The central planning system was established to maximise urban industrialisation, but the development of urban industries required funding. At the time, China was a predominantly agrarian economy. Policymakers developed the Unified Purchasing and Marketing System (UPMS), which purchased agricultural products at below-market state prices and delivered goods to urban households and industries. Low material and labour costs enabled the urban industries to generate abnormal profits, which could be re-invested to accelerate urban industrialisation further.

To facilitate the smooth operation of the UPMS, the government introduced new institutions in three other areas: first by banning free markets so that farmers had nowhere else to sell their products; second by collectivising agricultural production so that farmers would produce what the state required; and finally by enforcing the household registration

system so that farmers would have no option other than farming for the state.

This policy framework functioned quite effectively for a while. From the mid-1950s to the early-1970s, urban industries recorded an average growth rate of 11 per cent – a remarkable achievement. But the system eventually collapsed and by the late 1970s it was obvious that the 30 years of policy experimentation with the central planning system had failed.

Throughout the next 30 years, the government implemented a host of major economic reforms, including the adoption of a rural household responsibility system, the privatisation of urban state-owned companies and the liberalisation of foreign trade. The core element of all these reforms was the reintroduction of free markets into the Chinese economy.

This new policy experiment paid off handsomely. Over this 30-year period, real GDP grew by an average of 10 per cent a year. Before reforms, China was a closed, agrarian economy. Today

This new institutional arrangement has been successful, judging from the present rates of rapid economic growth

China is already the world's third largest economy and wields significant influence over international markets, especially the foreign exchange and commodity markets. In fact, it has been proposed that the United States and China should form a 'G2' for the joint management of global affairs.

But the reintroduction of free markets into China is incomplete. For the past 30 years, consumer markets have been almost completely liberalised. But the fact remains that Chinese markets are still heavily distorted. The household registration system and the under-developed social welfare system distort labour costs. Interest rates are still highly regulated and the allocation of credit is dominated by state-owned agencies. Land is owned by the collectives in the countryside, and by the state in the urban areas. And energy prices are still set mainly by the authorities.

Some of these distortions, such as state control of energy prices, are the result of deliberate policy decisions. Others, such as the household registration system, result from the reform transitions. But they all share common features, generally depressing factor prices and lowering production costs. These producer subsidy equivalents were estimated to be 7.2 per cent of GDP in 2008.

In fact, this pattern of factor market distortion has a remarkable resemblance to the pre-reform urbanisation strategy, which involved the lowering of production costs to maximise industrial growth. But there



In Shenzhen, a man on a laden motorised bicycle rides past a poster of former leader Deng Xiaoping.

are two important differences. First, free markets for products help to allocate resources efficiently. Second, the autonomy and incentives they provide for firms and individuals ensure the achievement of technical efficiency.

This new institutional arrangement has been successful, judging from the present rates of rapid economic growth. The producer subsidy equivalents have increased production profits, raised investment returns and improved the international competitiveness of Chinese products. This has artificially lifted China's

economy to levels that would otherwise not be possible.

But the new institutional arrangement is not without costs. The most obvious problems are the structural imbalance resulting from the overdependence of the economy on exports, and the high rates of investment and resource consumption. The result has been a decline in the household income share of GDP, with significant implications for consumption.

In Premier Wen Jiabao's words, the current growth path is 'unbalanced, inefficient and unsustainable'. China

will have to make many changes in order to improve the quality of economic growth and to achieve the principles of sustainability. But a central step will be the liberalisation of the factor markets: markets for labour, capital, land, energy and the environment.

China spent the first 30 years banning all free markets. It then spent the next 30 years freeing up the goods markets. Let us hope that the liberalisation of factor markets will take less than 30 years. **EAFO**

Politics and Chinese integration into the global economy

PETER DRYSDALE

China's economic rise presages a fundamental change in the global economic and political system. China's partners in the world economy are already benefiting, and stand to benefit more over the coming decades, from the economic impact of growth on a scale unprecedented in human history.

Both the scale and the character of China's economic and social development mean that there will be powerful feedback effects as the rest of the world adjusts to China's presence in all aspects of global economic and political life. These will affect Chinese policies and systems, as well as behaviour in other countries towards China. Larger countries are likely to take an active position in managing both their economic and political interests as they are affected by the impact of developments in China on the structure of international markets for goods, services, capital and investment.

This is not just a matter of the scale of China's growth and its role in the world, although certainly scale is one dimension. Within less than a few decades, China has transformed itself from being a 'small' economy to being a 'big' economy in terms of its impact on world trade and output, world prices, its role in international capital flows and financial markets, its impact on the global commons (including

the environment and climate) and its stake in managing the international economic and political system.

These changes have seen China seek to conform to established international norms and institutions (for example, through accession to the WTO), exercise responsibility within the G20 process in managing the global economic system and to play an increasingly active and constructive role in international diplomacy (for example, in the United Nations and through the Six-Party Talks on North Korea).

China's emergence as the world's second largest single trader in the world economy has been managed successfully within the global system of trade rules and institutions. As Chinese business goes abroad, there are more complex interactions between the market and the state. At home in China as well as abroad, and there are no international institutions, like the WTO for trade, within which to manage these dealings. Despite the scale of these changes and China's increasingly important role in the world, China's economy is still an economy in transition, with wide-ranging reforms still in progress. This affects the way in which the market operates across all sectors of the economy. China also has a political system that is different from the broadly representative political systems that typify the established

international powers.

Yet economic transition in China has clearly had, and is continuing to have, an important impact on the political system and the way in which the political system operates within China. There is a question of whether continuing economic reform might lead inevitably to a trend towards further political system change because of the need for a separation of the state from economic enterprise, to facilitate the governance and transparency necessary to achieve very high levels of prosperity.

The relationship between the efficiency of economic institutions and the nature of the political institutions in which they are nested is one important question. Of more immediate interest and practical importance is development of an understanding of the way in which Chinese markets and business are affected by evolving economic and political institutions, how participants in these markets interact with the state in their dealings in international markets, and whether the relationship between the market and political system requires particular strategic policy responses from China's economic partners.

These issues have become a prominent and urgent undercurrent in popular and policy discussion but are still little analysed and little understood.

As Australia grappled to deal with the sudden rush of China's international demand for resources and the surge of Chinese interest in investment in the resource sector abroad, the tensions between the market and the state at home in China and in dealings abroad have risen to the surface.

These tensions are cogent in the response to Chinese investment abroad, particularly in respect of both foreign direct investment and the investments of Chinese sovereign wealth funds. China itself is also a

very large recipient of foreign direct investment, and that is an additional context in which outward investment has been growing.

There is a need for a properly informed and calibrated approach from Australia and China's neighbours and partners in Asia and the Pacific to this dimension of China's economic rise, and the prospect of a rapid expansion of business and other dealings between China and the rest of the world. Success in this will require working closely with China to build institutions for consultation

on investment issues and to establish norms and arrangements that encourage Chinese participation in business abroad on market terms.

Australia is in the cockpit of these developments internationally, because of the importance of its resource base to this stage of Chinese development. Its response has the potential, for better or for worse, to shape and influence responses and development of policies towards China in other parts of the world. **EAFO**

PHOTOGRAPH COURTESY OF WOODSIDE ENERGY LTD



A liquid natural gas tanker berthed at the North West Shelf Venture's Karratha gas plant in Western Australia. Australia has grappled to deal with the sudden rush of China's international demand for resources.

What China really delivered at Copenhagen

PHOTOGRAPH: ATTILA KISBENEDEK / AFP / GETTY IMAGES

FRANK JOTZO

China has been portrayed as the Copenhagen spoiler for its hard stance in the finale of the UN climate negotiations. China only reluctantly agreed to some transparency on emissions accounting, reportedly insisted on numbers for emissions targets being taken out of the Copenhagen Accord, and demonstrated its strength in various ways that did not please some (mainly Western) countries.

But what really matters is what commitments it made for emissions reductions and the policies to implement them.

China has committed to lower the emissions intensity of its economy (carbon per real yuan) by between 40 to 45 per cent from 2005 to 2020. This would be a big reduction below reasonable scenarios of what would happen under business-as-usual. Based on analysis of China's prospects for economic growth, energy and carbon intensity over the next decade, done for the Garnaut Review, China's emissions would come in 25 per cent lower under this target than if no action was taken to constrain them.

China's carbon emissions would still almost double between 2005 and 2020, and make them twice the size of America's. But on a per person basis they would remain below those in Europe, and be only half the US or Australian per capita levels.

The cut would be substantially bigger than what China would



Chinese Prime Minister Wen Jiabao speaking at the Copenhagen conference on 18 December 2009.

be required to do as its fair share of global action as defined by the Garnaut Review, even for an ambitious agreement. The Chinese emissions intensity reduction target is in fact similar to annual emissions intensity reductions envisaged in the Review. But it starts much earlier, in 2005 rather than in 2013, and this makes a large difference by 2020.

In terms of the absolute amount reduced below business-as-usual, China's effort would be larger than America's proposed cut, and would far exceed the absolute contributions committed to by Europe and Japan. This is of course a reflection of the size and underlying growth of China's economy and carbon output, but also a

measure of the ambition of the policy action.

The upshot is that developed countries need to lift the ambition of their climate change commitments and policies. Finger-pointing at China is no longer good enough. Nevertheless China really does need to pull through with its commitment, to reduce the risk of dangerous climate change for the world. That means an innovative and sustained policy effort to bring China's economy on to a low-carbon growth path, going well beyond the measures already in place. It will not be easy – but China now has the chance to lead the world on climate change. **EAFO**

Geostrategic implications of China's growth

PHOTOGRAPH COURTESY OF THE CHINESE EMBASSY, CANBERRA



Ships of the PLA Navy on manoeuvres: "military strategic competition between the US and China is asymmetrical in ways that benefit China".

HUGH WHITE

When the Berlin Wall fell it seemed to many that the end of the Cold War marked not just the end of a particular geostrategic episode, but the end of geostrategy as such. Now geostrategy is back. We are again exploring how the international order – the set of understandings and expectations that shape relationships between states – is formed by the perceptions and realities of power, and especially how changes in relative power affect the workings of the international order. Moreover, after a period during the Cold War in which geostrategic calculations were based more on military than on economic factors, we are rediscovering the centrality of economic power as the key driver of geostrategic relationships.

There is a simple reason for this: we are living through a period of remarkable economic transformation, which is driving shifts in relative economic weight of a scale and speed that we have not seen for many decades, if ever. And China is the key.

It is easy to underestimate the geostrategic implications for the international order of China's rise. China's relative economic strength has grown remarkably, and yet its place in the international order has not yet changed nearly as much. It is tempting to conclude that China's economic growth has little geostrategic impact. This assumes, however, that geostrategic change follows steadily and smoothly as economic weight shifts. That is not necessarily so.

The geostrategic consequences of economic change can be 'sticky': the status quo may persist for years as economic weight shifts, and then fall swiftly when the pressure becomes too great to bear.

The tipping point may not be far away. The Australian Government's Defence White Paper, released in May 2009, predicted that on some measures China's economy could well overtake America's to become the largest in the world around 2020. The precise date is questionable, but the trend is not. China's growth may falter for any number of reasons, but it is more probable that America will no longer be the richest country in the world well within the timeframes of today's strategic and defence policymakers.

Of course, America will continue to enjoy a significant advantage over China in many other aspects of power, including the soft power of culture and the hard power of armed force. It will be a long time, if ever, before China could emulate America's position in recent decades as the world's leading military power. But China does not have to replace the US as the global hyperpower in order to overturn the US-led global order of recent decades. China does not need to compete with the US globally in order to erode US primacy in Asia. And to do that China does not need to equal the US in military capability, but simply limit US options. In both these respects, the military-strategic competition between the US and China is asymmetrical in ways that benefit China. The shift is already underway. American capacity to project power in Asia is slipping away as China develops the capacity to deny important areas of the Western Pacific – especially those closest to China – to the US Navy's surface fleet.

Some will argue, however, that the

true foundations of American primacy are not to be found in its armed forces or its economic output, but in its ideas, values and institutions. Clearly many of what Americans regard as American values are highly attractive to many others around the world, including in Asia. But do Asians believe that those values can only flourish in a global order dominated by the US? Not necessarily. They certainly seek many of the values that America champions, but they do not necessarily believe that only American global leadership can deliver them.

Of course, American decline has been predicted before, but this time it is different. Never before has US primacy been challenged at its most fundamental source, by its eclipse as the world's most productive economy.


The source of that challenge runs very deep. As China emulates the productivity of a modern advanced economy, its sheer scale ensures that it will end up again – as it was before the industrial revolution – producing more than anyone else. In geostrategy, destiny is not so much demographics alone, but the combination of demographics and labour productivity.

What does all this mean for Asia? Since the early 1970s Asia has enjoyed the most prosperous and cooperative period in its long history, and in retrospect it seems clear that the main cause has been the stable and uncompetitive strategic relationships between Asia's most powerful states – the US, China and Japan – based on uncontested US primacy. As the economic foundation of America's primacy erodes, the Asian order which has been built upon it will change. There is no reason to expect that China will continue to accept US primacy as the basis of the regional order in Asia while its own power approaches and exceeds America's.

Of course China will want Asia to remain peaceful and harmonious: but it will not see American primacy as necessary for that.

There is no evidence that Beijing seeks the kind of 'hard' militarised hegemony that we associate with the Communist strategic policies of Stalin and Brezhnev. It is much more likely that China will seek a kind of 'soft' hegemony, something like America's Monroe Doctrine. It is hard to see why Beijing should want anything more: but nor is it clear why, as their power grows, China would aim for anything less.

Much will therefore depend on how America responds to China's rise. It could slowly withdraw, or it could share power with China, or it could try to maintain primacy by contesting China's challenge. Whichever option America takes, Asia's international order would be very different. And the most risky of these outcomes is also the most probable. America is unlikely to withdraw from Asia, and would find it hard to share power with China, so the default option is strategic competition. That is a risky course. Do the costs and risks of sharing power with China outweigh the costs and risks of sustained strategic competition with a country of China's immense strategic potential? China is not the Soviet Union.

America's allies in Asia likewise face tough choices. Australians will need to decide whether to encourage America to contest the Chinese challenge, or share power with Beijing. And if America decides on competition, should Australia encourage them, or slide towards an uneasy and insecure neutrality? Either way Australia faces greater strategic risks than it has been used to since the 1960s. 

Secrets, spies and steel: the Rio Tinto case

PHOTOGRAPH: ALY SONG / REUTERS



PETER YUAN CAI

The 2009 arrest of Rio Tinto executive Stern Hu was a watershed event in the Sino-Australian relationship. Beijing's unexpected intervention in the name of national security demonstrates not only how grave were perceptions of its disadvantage in the iron ore trade but also the murkiness of its laws regarding state secrets and the operation of the market. Determined intrusion from Beijing, especially by the Chinese intelligence services, could only happen with the blessing of top echelons of China's political process. But what could have made the Chinese government take such dramatic action at such a highly sensitive time in the iron ore negotiations and given the

broader global ramifications that an intervention like this would inevitably have?

The Chinese press generally accepted that Stern Hu and his colleagues engaged in espionage that inflicted grievous damage to China's national economic interest. Many Australian commentators saw it as a calculated insult designed to express China's displeasure over the rejection of state-owned aluminium giant Chinalco's bid to acquire a strategic stake in Rio in early June. This has certainly influenced China's actions, but another consideration seems to have been China's determination to consolidate and restructure its large and highly fragmented steel-making industry, and to combat skyrocketing iron ore prices, however much sense

the use of this instrument to try to control the market might have made.

The Chinese steel industry consists of hundreds of small and medium-sized firms, which compete intensely with one other for supplies of iron ore, especially the prized long-term benchmark-priced iron ore coming into China at two-thirds the price of other supplies. Competition and disunity within the industry has spelt disaster for the Chinese iron ore negotiating position in the past. Chinese sources estimate that the price of iron ore increased by over 400 per cent over the last six years, and as a result Chinese steel mills paid an extra RMB 700 billion (US\$ 103 billion).

In an effort to unite steel producers and collectively bargain for better prices, the government sidelined

the large Shanghai-based producer, Baosteel, from its usual lead in iron ore negotiations and replaced it with the China Iron and Steel Association (CISA). Determined to prove itself, CISA demanded a 40 per cent price cut from last year's agreements. Mining firms refused to accept this sharp reduction and neither side budged as negotiations dragged on well beyond their deadline.

As many Chinese steel mills grew frustrated with the protracted bargaining, Rio and other mining companies allegedly took advantage of their impatience, pursuing a 'divide and conquer' strategy by offering them the attractive long-term benchmark prices. Many jumped at the opportunity to purchase cheaper ore. Watching its unified front disintegrate, CISA pleaded for the government to intervene and put a stop to unauthorised transactions.

The small and medium-sized Chinese steel mills' embrace of Rio's tempting offers may have been the straw that broke the camel's back. With CISA's bargaining position looking increasingly weak, rumours spread that it was ready to abandon its hardline 40 per cent price reduction and accept a face-saving deal. Many believe Rio's confidence and aggressive demands derived from its intimate knowledge of the Chinese negotiators' bottom-line and details about production and storage in Chinese steel mills. Reports from China's state media assert this information was found on computers seized from the Rio Tinto office in Shanghai.

The arrest of Stern Hu and his colleagues might be seen as part of a larger effort to stem the perceived leakage of sensitive information from the Chinese steel mills. It is also a powerful warning from Beijing determined to bring order back into

the iron ore import market and crack down on any unauthorised dealings.

The arrests, however, seem retaliatory, the product of a general feeling of frustration amongst Chinese government officials over dealings with Rio. No special status has been accorded to China, which, as the largest customer, imports more than 70 per cent of all seaborne trade in iron ore. In the current round of negotiations, CISA is again openly toying with the idea of a special 'China Price'.

What remains unclear is exactly who instigated the proceedings against the mining company? Given the collateral impact on China's commercial standing more broadly, why and how was the case allowed to proceed at this time? Assessing these questions will be critical to understanding the fallout from the affair and properly managing commercial relations with China relations in the future.

The most alarming and bizarre aspect of Stern Hu's arrest was the involvement of the Ministry of State Security. This domestic counterintelligence outfit is charged with safeguarding the party and the state from foreign operatives, separatists and other 'enemies of state'. Its role in the affair shows that somehow or other Beijing elevated the hotly-contested negotiations beyond a commercial or economic perspective to the level of national security, mirroring the broader shift in China's resource security strategy.

As China became a net energy importer in the early 1990s, it grew conscious of the need to secure strategic raw materials. After its global shopping spree was thwarted by regulators in the United States and Australia, however soundly based, there was a growing sense in

China that resources could always be fairly procured on the global market. Hence the move to an integrated strategy involving the collaboration of government ministries and agencies to secure vital resources. Security services were likely drawn into an increasingly large role in this plan.

Many foreign enterprises operating in China question the legal basis for the espionage charges initially brought against the Rio employees. The ambiguities in law can be traced to the vagaries of China's 1989 State Secrecy Law, which loosely defines secrets as matters concerning 'national security and interests.' These include 'secret matters relating to national economic and social developments.'

According to research conducted by the Internal Affairs and Judicial Committee of the National People's Congress (NPC), state bureaucracies and corporations arbitrarily classify documents as state secrets for fear of being accused of leaking sensitive information. This reflects China's poorly defined secrecy law, which authorises almost all of officialdom to label documents as secret.

The Chinese government is conscious that its catch-all secrecy law needs some serious fine-tuning, yet the old principle of secrecy by default remains operational.

If anything positive results from Stern Hu's case, it is that lawyers may be able to probe the boundaries of what constitutes state secrets, establishing a litmus test for China's professed progress towards greater transparency and openness, giving the idea of a market with integrity new meaning. For the time being Mr. Hu and his colleagues will remain sacrificial lambs of China's national security system and the opaqueness of the relationship between the market and the state. 

Sixty years on: China's legal system today

JEROME A COHEN

In a bold reflection of their revolutionary zeal, when China's Communists established the People's Republic of China on October 1, 1949, they totally rejected the legal regime of their Kuomintang predecessors that had been at least nominally grounded in European law. Sun Yat-sen had been more practical when he established the Republic of China after the 1911 Revolution. His new government decided to use what it could from the previous regime and benefit from the considerable Western-influenced law reform effort that had been made by the Manchu (Qing) dynasty for more than a decade before its collapse. Even Lenin opted for as much legal continuity as possible between the Czarist government and its Bolshevik successor, preferring to add socialist flourishes to the impressive pre-1917 Russian law codes that had been imported from Western Europe half a century earlier, deleting as necessary rather than starting from scratch.

It took the PRC 30 years to begin to seriously fill the legislative vacuum, and that enormous task has not yet been completed. Until 1979 it had been difficult to speak more than tentatively of a PRC legal system. To be sure, there was in the mid-1950s, after endless campaigns against landlords, rich peasants, urban businessmen and counter-revolutionaries, an effort to import the Soviet legal model that had developed from Leninist origins. But the 'anti-rightist' movement of 1957-9, which was a reaction

to the condemnations against the Communist Party voiced during the immediately preceding 'Let a Hundred Flowers Bloom' period, wrote finis to that second Chinese experiment with a Western import. For over two decades, until the Cultural Revolution ended and Deng Xiaoping and his comrades announced the new policy of 'opening and reform', the PRC lacked most of the identifiable features of a formal legal system.

Knowing that I was then a Harvard law professor on leave in Beijing, in 1979, a senior Chinese official, who had been restored to office after suffering abuse during the Cultural Revolution, wagged his finger at me as he said: 'The Cultural Revolution gave us (meaning the Party) a better legal education than Harvard Law School could.' Deng too had suffered. Perhaps that accounts for his determination to establish a legal system in late 1978 despite the fact that he had

played a key role in demolishing the previous mid-'50s effort to create one when, as Party Secretary General, he had presided over the 'anti-rightist' movement.

There were many reasons why the Party saw the need to renew its effort to establish a legal system. Economic development required one, as did the newly-desired commercial cooperation with foreigners. Moreover, millions of ordinary disputes had to be settled every year. After a long period of chaos, a legal system was also seen to be indispensable to effective government of a vast nation. And it was deemed essential to both protecting the basic rights of the people against arbitrary officials and suppressing the crime that was then plaguing society.

In early 1978 there was almost no contemporary legislation, nor was the PRC a Party to the many multilateral and bilateral agreements necessary for successful international relations. The courts and the procuracy were a shambles, the legal profession long since abolished, as was the Ministry of Justice. Legal education and scholarship had barely begun to revive. Today, 30 years later, the situation has dramatically improved. A multitude of new laws and regulations are now on the books, with more to come. These norms help to guide the country's prodigious economic achievements and foreign investment and technology transfer. The PRC has also adhered to most of the multilateral treaties that grease the wheels of international relations and commerce and has a

Every significant city
in China has its own
commercial arbitration
organisation to
supplement the China
International Economic
and Trade Arbitration
Commission



Yang Tianqing, left, and other unidentified suspects allegedly involved in gangs stand trial at Chongqing No.1 Intermediate People's Court in October 2009.

dense network of bilateral agreements with all major countries.

A court system that now handles approximately seven million cases per year has almost 200,000 judges, and almost as many prosecutors staff the rejuvenated procuracy. Roughly 160,000 lawyers play an important role in facilitating economic development and resolving disputes. Legal specialists also fill a large number of positions not only in national and local legislative agencies and government ministries and commissions, but also in major companies. Every significant city in China has its own commercial arbitration organisation to supplement the China International Economic and Trade Arbitration Commission. Law schools have become one of higher education's growth industries. And

serious legal scholarship increasingly informs the system's professional development.

Yet, the 'socialist rule of law' invoked by Party and government leaders is a far cry from any of the rule of law's commonly understood meanings. Despite the importation of Western norms and forms, including constitutional endorsement of the rule of law, human rights and property rights, the Party makes no bones about its airtight control of the judiciary and the legal system generally. Its central political-legal committee and local Party counterparts 'coordinate' the work of the courts, the procuracy, the Ministry of Justice, the legal profession, and the regular and secret police. Although the courts dispose of large numbers of humdrum cases

in conventional fashion, they are closed to many kinds of cases that are deemed 'sensitive' and 'rights lawyers' who seek to challenge government policies are persecuted, sometimes deprived of their right to practise and even prosecuted and jailed. There is no effective way to enforce constitutional rights, since the courts are not allowed to do so and the Standing Committee of the National People's Congress has thus far been reluctant to exercise its authority. Government under law is hotly debated by experts but remains a gleam in their eyes.

Sadly, corruption, which is endemic in China, even at the highest levels, is a serious problem for the courts and other legal institutions. Moreover, 'local protectionism' sometimes precludes a fair trial for non-residents,

not to mention foreigners, and, despite progress in legal education and training, the senior officials at many courts, especially rural ones, still lack essential professional knowledge. Criminal justice is the system's weakest link. The police generally have more influence than the courts or the procuracy. Despite attempts to curb their powers, few legal constraints have proved effective. If they think that the formal criminal process may not perform their bidding, they nevertheless have the option of confining people for up to three years under the supposedly non-criminal sanction of 're-education through labour' without any need to obtain the approval of a court or even a prosecutor.

Unfortunately, prospects for immediate significant reforms are dim. Since the 17th Party Congress two years ago, the Party line on law has discouraged most professional progress and called for renewal of the simple 'mass line' for judicial affairs that first prevailed in the rugged, rural conditions of the pre-1949 'liberated areas' governed by the Party. Courts are instructed to re-emphasise informal mediation of disputes instead of adjudication and, when making decisions, to rely on Party leadership, with secondary consideration also to be given to socio-economic conditions and law.

One hopes that the new generation of Party leaders to be installed in 2012 will be more responsive to both popular and professional dissatisfaction with the current legal system and complete the process of establishing one that is more commensurate with China's continuing social and economic achievements and its increasing prominence in the world.

EAFO

Reason for optimism in Sino-American relations

JIN CANRONG

After US President Barack Obama's visit to Shanghai in November 2009, there are reasons to be optimistic about the state of the Sino-American relationship into the foreseeable future. Wide-ranging talks provided an in-principle framework for future cooperation.

Obama is the first US president to visit China in the inaugural year of his term. Before Obama was elected, the Chinese made enthusiastic contact with his policy team. Since his election there have been numerous and close exchanges at the top level. This has made an important contribution to a good beginning in the Sino-American relationship under the new US administration.

As President, Obama has been a vigorous promoter of 'smart power' diplomacy. An important manifestation of this approach has been Washington's engagement in multilateral relationship building. This will allow the Sino-American relationship to develop under a more substantive cooperative framework.

The gap between Chinese and American power has been reduced, providing the material preconditions for a more equal bilateral exchange. Especially after the Olympic Games, the success of China's model of

development is increasingly apparent. Comprehensive national power is on the rise and China's growing military and defence capabilities were showcased by the national day military parade in October 2009.

Simultaneously, the global financial crisis damaged the United States' financial position. US economic recovery depends on rapid economic growth in China and cooperation from Beijing. US interests in China have increased as a result and Beijing's crisis management skills which have earned Beijing credibility in the eyes of Washington.

Yet despite promising beginnings under the Obama administration, there are still many problems in the relationship.

The first is trade. With the global financial crisis as the pretext, American protectionism is showing signs of revival. There are increasing instances of trade disputes, and the overall trade environment is deteriorating. Human rights issues are a long-standing political problem plaguing the relationship. Different perspectives on Tibet and democracy are unlikely to be resolved soon.

US concern over Chinese military power is also increasing, and pressure for military transparency is growing. Issues of climate change, alternative energy sources, and disputes over



United Nations Secretary-General Ban Ki-moon flanked by US President Barack Obama and Chinese Premier Hu Jintao: bilaterally, regionally and globally, China and the United States share common interests.

emissions reduction and responsibility sharing are pervasive.

The United States used the ASEAN regional forum in July 2009 to publicly announce that its return to Southeast Asia was politically motivated. The US also worries that the active promotion of East Asian regional cooperation could lead to it being excluded from this process of regional integration.

Finally, there is Taiwan. Although China and the US engaged in limited cooperation on containing the radical Taiwanese independence movement, this issue continues to be a crucial challenge in the bilateral relationship.

The US has come to realise that its strategic clout has declined as a result of diplomatic blunders and the financial crisis. Domestically, Washington is trying to use the

development of alternative energy sources as a new economic growth point. It is also attempting to build a more equitable society through a national medical insurance scheme and to regain America's position as the leading financial power by reforming the financial services sector. Internationally, it is using 'smart power' to outsource its responsibilities and to use mechanisms such as engagement, listening and negotiation to enlist support for American policies.

China is one of the principal targets of 'smart power'. Sharing international responsibility will be a point of difference between the two countries. Nevertheless, China is not yet prepared to share responsibility with the US. The collective conscience of the Chinese public and elite is that

China is still a developing country and sources of most major concerns are still of domestic origin. In the foreseeable future, Chinese foreign policy will still be largely defensive in nature. Its goal is to create a stable international environment in order to resolve domestic issues and it has no intention to engage in 'territorial expansion'. In the creation of a new international order, the dispute over the sharing of responsibility will be the biggest source of conflict between China and the US.

Though there are still numerous problems, the Sino-American relationship is maturing quickly. There are many 'stabilisers' in the relationship which provide a secure basis for its medium-term development.

Objectively speaking, China and

the US share many common interests, bilaterally, regionally and globally. Bilaterally China and the US are each other's second largest trading partner. Though there are frictions in bilateral trade, the sheer volume of trade between the two countries demonstrates the level of economic co-dependency and common interest they share.

Regionally, China and the US share common interests in the resolution of the North Korean nuclear crisis, the stabilisation of Asian financial and economic orders and security in the East Asian region.

In terms of American global strategy, China is at the lower end of the priority list of problems that need attention and ranks highly as a cooperative partner. The US needs China's support in countering foreign policy challenges. This new framework of the relationship undoubtedly contributes to the stability of Sino-American ties. This is the context in which the US upgraded the importance of the Sino-American relationship in its overall diplomatic strategy and confirmed it as the most important bilateral relationship in the world.

The countries have initiated over 60 dialogue and negotiation platforms covering virtually all problem areas. The one that captures the most attention is the Strategic and Economic Dialogue mechanism. The success of the inaugural dialogue laid the foundation for future strategic communication between the two countries and contributed to mutual confidence building. Institutionalising the bilateral relationship should help to quickly resolve contentions and prevent overall damage that problems in a particular area may otherwise cause. 

A new start in Japan-China relations?

REINHARD DRIFTE

After the Koizumi era, particularly since the inauguration of the Hatoyama cabinet, Japan's relations with China seem to be improving, and both sides have made encouraging statements. Nevertheless, there are many contrasting developments that demonstrate the continuing fragility of the relationship.

For the Japanese, there is a feeling that somehow bilateral problems will be resolved because both sides agree about the importance of a good relationship for their own national interests, and that China will always seek a compromise. The Japanese believe that China needs Japan for a number of reasons, be it to protect its foreign image as a peacefully developing country, to maintain its export- and FDI-dependent economy, to cope with its environmental problems, or to reduce its energy consumption. Prime Minister Hatoyama has said that the creation of a good atmosphere and a strengthening of an East Asian community will allow the solution of even the most difficult problems. But are such views too complacent? Do they actually reduce Japan's options in the medium and long term while China's overall power is growing?

The issue isn't whether Japan and China will find long-term strategic stability or not, a point on which I am optimistic. The question is how this

will affect Japan's interests and what the costs may be for peace and stability in the region during the short and medium term.

The three main problems are the differing views on Japan's aggression against China until 1945, the handling of the Taiwan issue, and territorial disputes in the East China Sea.

Despite the Chinese government's control, Chinese public opinion has become a much more independent variable, while public opinion in each country has become more negative towards the other.

The most sensitive issue for China is the future of Taiwan. Chinese suspicion is roused by Japan's alliance with the US and its official position of not having any legal authority to say anything about the ultimate legal position of Taiwan, having renounced its own title to the island. Chinese suspicion is mirrored by Japan's concern about the rise of China's military capability and the recent rapprochement between Taiwan and the mainland.

The disputes in the East China Sea concern the sovereignty of the Senkaku Islands (Diaoyu Islands in Chinese) and the border of the Exclusive Economic Zone (EEZ) between Japan and China. The solution of the latter issue is closely related to the sovereignty dispute, as well as EEZ agreements between China and Korea, and Japan and Korea, the latter holding competing claims to an EEZ in the



A Japanese rescue team removes bodies in Quinchuan county, Sichuan, after the 2008 earthquakes.

northern part of the East China Sea. Pressure to reach a conclusion comes from China's relentless exploration and exploitation of oil and gas resources in the zone. China and Japan now face the difficulty of starting negotiations on the basis of the understanding reached in June 2008.

These three issues should be put into the context of the growing economic competition and political rivalry of the two countries. China is translating its economic might into political, cultural, and military power. In contrast to Japan, China, from early on, has understood how to punch above its weight.

Japan's general approach in dealing with China has been to engage the country in as many policy fields as possible. This engagement policy basically consists of offering China political and economic incentives to

become a responsible shareholder, which produces political and economic policies beneficial to the liberal economic system, hedged by political and military measures to prevent China from becoming a military threat.

The challenge is to strike the right balance between the soft and hard elements of this complex policy. The emphasis on dialogue has led to a number of problems, including ambiguity about the ultimate outcome of engagement policy. Dialogues can be conducted for their own sake, to win time and to bridge the gap between periods of rudderless political leadership.

A more promising Japanese–China policy has to be conceived by better accounting for Japan's global, regional and bilateral frameworks. The global/regional context is, above all, framed

by Japan's comprehensive alliance with the US, and growing US rivalry with China.

How does Japan see its role in Washington's China policy, which is still aimed at maintaining its preponderance in Asia? If it concedes from the beginning that China will become a threat if US preponderance is not maintained, then its margin for a different China policy will remain limited while the US retains the option of making an about-turn to protect its interests. In the case of the East China Sea, Japan has to decide whether insisting on a legal position (at the risk of rising tensions) is more important than even a limited but secure access to the natural resources of the area.

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China and Africa: friends with benefits

PHOTOGRAPH: ANDREW WONG / GETTY IMAGES



Algerian President Abdelaziz Bouteflika hugs China's President, Hu Jintao, during a welcoming ceremony at the Beijing Summit of the Forum on China-Africa Co-operation in November 2006.

LUKE HURST

There has been a change in ideological sentiment on China's involvement in Africa. The paradigm shift has been led by Zambian economist Dambisa Moyo's bestseller, *Dead Aid*, which gave voice to the possibility of a development model defined by diligent business practices as opposed to the traditional Western model which is driven by foreign aid. If managed prudently the Sino-African relationship could prove to be an empowering change for several African governments and provide the foundation for the continent to take its place as a partner in the global economy.

For China, Africa is an excellent complement to its resource and market-seeking global agenda. Since 2000 China-Africa trade has grown at an average annual rate of 33.5 per cent. Although still second to the United States (whose trade with Africa amounted to US\$140 billion in 2008), trade rose from US\$55 billion in 2006 to around US\$107 billion in 2008, accounting for 4.5 per cent of China's total trade and surpassing the US\$100 billion trade target set for 2010 at the 2006 Forum on China-Africa Cooperation (FOCAC). Trade is supported by modest yet rapidly expanding levels of direct investment, which reportedly jumped by 77 per cent in the first nine months of 2009, compared with the same period in 2008.

China has also identified the value of Africa as a political ally in its quest

for a greater role in international affairs. The benefits of China's African diplomacy became clear in 1971 when China's accession to the UN General Assembly and Security Council was assisted by 26 affirmative votes cast by African countries. Today China has diplomatic relations with 49 of 53 African nations and China's deepening engagement means that the US, Europe and other emerging partners have little choice but to compete for access to the continent's emerging markets and resources. In November 2009, Chinese Premier Wen Jiabao took the opportunity to declare China's commitment to African development while challenging the established industrial powers to do the same:

'In the global financial crisis, what people tend to easily ignore is the implementation of the Millennium Development Goals ... Here I would like to once again appeal to the international community to work hard with firm determination and effective measures to reach the MDGs while tackling the global financial crisis.'

This declaration was accompanied by the announcement of US\$10 billion in preferential loans to support African countries over the next three years. In light of the OECD's prediction that the G8 will fall US\$23 billion short of its 2005 promise of US\$50 billion in foreign aid to the poorest and most vulnerable by 2010 (Africa contains 33 of the 49 Least Developed Countries, as classified by the UN), it is little wonder China's diplomacy is gaining traction among African governments.

Although the China-induced resource boom is providing a short-term fillip to African growth and Moyo's ambitions for a business-driven model of growth, China alone will not be the continent's saviour. To avoid destructive competition in the region, a cooperative framework on African

African countries and the African Union need coherent, long-term strategies to apply leverage to international commercial interests and to create opportunities for enduring economic competitiveness and growth.

issues is required between China, the US and Europe and emerging partners to the continent such as Brazil, India and Russia. This is increasingly important in the context of trade frictions that are present in the current global economic environment.

Legitimate concerns about human rights and exploitative practices surround China's non-interference-based involvement in African nations. The list includes arms dealing with repressive regimes, support for autocratic governments isolated by the West, plundering resources with little concern for environmental issues and importing unskilled Chinese labour who are culturally ignorant and unwilling to integrate.

Many of these issues highlight what seem to be self-serving political and strategic motives behind China's activity in Africa. Many are fuelled by Western hypocrisy. The West's involvement on the continent has been, and continues to be, littered with

tales of mismanagement, exploitation and funding despots. Furthermore, China is hardly alone in marrying political and strategic considerations to its aid agenda. In December last year the US President, Barack Obama, signed off on a deal with Israel worth US\$2.77 billion in 2010 (worth a total of US\$30 billion over the next decade) with 75 per cent tied to the purchase of US-made military hardware.

Defending exploitative behaviour is not the issue. The business-driven model of development provides new opportunities to several African nations long overlooked as legitimate trading and investment partners. African countries and the African Union need coherent, long-term strategies to apply leverage to international commercial interests and to create opportunities for enduring economic competitiveness and growth. With the prediction by the International Energy Agency that China's oil imports will increase four-fold by 2030, it is vital for Africa itself to respond strategically to the opportunity that China offers the continent. Although the FOCAC provides an effective forum to develop diplomatic and commercial relations, the issues cited above will continue to bedevil China's involvement with the continent if strong institutional frameworks of governance and dispute resolution mechanisms are not properly implemented. **EAFQ**

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IN OUR NEXT ISSUE ...

Southeast Asia

One Party, two coalitions in China's politics

CHENG LI

China has been the fastest-growing major economy for the last two decades and one of the first countries to recover from the global financial crisis. China's political future is less clear. The political system has increasingly proven inadequate for dealing with the complicated and sometimes contradictory needs of the Chinese economy and society.

Political tensions caused by many factors are all on the rise and China's political system does not seem capable of finding sound, safe and sustainable ways to handle these challenges. Given the pressures, what can we expect from the upcoming new generation of leadership?

There is no sign of a multiparty system emerging in the near future. The Chinese Communist Party will continue to have strict control over the army, media, legal and judicial system. While recognising all these continuities, several important factors are now influencing change in the conduct of Chinese politics.

One is the emergence of two almost equally powerful coalitions that represent different social and geographical divisions in China. Factional politics have existed in China for a long time, but for the first time we now see a situation in which two factions, or coalitions, share power and influence. They are almost equally powerful in the one political system.

The Populist Coalition is currently led by President Hu Jintao and Premier Wen Jiabao. At the core of



Premier Wen Jiabao, centre left, and President Hu Jintao, centre right, take their seats in the Great Hall of the People at the opening of the 2009 Chinese People's Political Consultative Conference.

this faction are the Tuanpai: those leaders who moved up through the Chinese Communist Youth League (Hu Jintao's power base). This faction (the Red Team) also includes party functionaries (among them, the new left intellectuals) and rural leaders, especially those from China's inland provinces (we call them China's Red States).

The Elitist Coalition includes the 'princelings' (children of high-ranking officials), the 'Shanghai Mafia', entrepreneurs and capitalists, returnees (foreign-educated Chinese nationals, or what the Chinese call the 'sea turtles'), and urban leaders from the coastal region (China's Blue Team).

The Populist Coalition is more focused on social cohesion – Hu Jintao's harmonious society – regional development, a people-centred rhetoric, and advocate 'green GDP'. They are concerned with social factors, migration patterns and the urban poor. In contrast the Elitist Coalition is interested in economic efficiency,

coastal development, emphasising rapid GDP growth and less concerned about the environment. They represent the interests of entrepreneurs and the emerging middle class.

Among the new politburo, there are six members belonging to the fifth, or 'new', leadership generation, and equally divided between the two factions. Similarly, of the six secretaries, four are from the new generation: two from each faction. Of the four vice premiers, two are from each faction. Of the five state councillors, one is from the military (which is supposed to be neutral) and each faction has two. The competition between the factions is so intense that they don't want any person without strong factional ties to enter an important leadership body.

Of the 371 members of the current (17th) Central Committee only about 7 per cent were born in the 1960s (the sixth generation) but almost half were born in the 1950s (the fifth generation). The number of Tuanpai

increased from 50 in the 16th Central Committee to 86 now (about 23 per cent). The princelings also increased their numbers, but by a smaller margin.

In the Central Committee, while the Populist Coalition holds more positions, the Elitists hold more seats in the Politburo. The Populist Coalition controls areas such as party organisation, propaganda, united front work, law, party discipline, and provincial leadership, while the Elitist Coalition controls the economic administration, foreign trade and finance, foreign affairs, education, science and technology, military affairs and public security.

The background of the new leaders is also changing. The educational background, defined by the highest degree attained by each of eight rising stars in the Politburo, is economics, history, management, journalism, an MBA and three with law: none of them has his highest degree in engineering, as in the past. This is a substantial change. Many come from an entrepreneurial background, including having been the CEOs of private sector companies.

What does this mean for the rest of the world, especially foreign governments and the international business community?

The bottom line is, it is prudent to have friends in both camps and one should develop strategies and policies that are attractive to both camps. Could the Red and the Blue Teams emerge as contestants in a two- or multiple-party system? It is possible. In 10 or 15 years it is unlikely that the Communist Party will dominate as it does today. But a change like this will be complex and, if it is made, will have to be made in a way that doesn't threaten the stability of the country.

EAFO

A tale of two cities: China's domestic migration

CAI FANG

The year 2009 began with the impact of the global financial crisis on the real economy of China. The focus at the time was in Pearl River Delta Region, in which outward-oriented labour-intensive enterprises and migrant workers are concentrated. Dongguan city of Guangdong province was typical of the severe shock faced by migrant workers. Their experience there became a talking point. As early as in the second half of 2008, due to sharp drop of export orders in this manufacturing city, some enterprises had shut down and others had reduced production substantially. A large proportion of migrant workers in the city lost their jobs and went home too early, before Chinese New Year. Official sources indicated that 20 million migrant workers returned early because of the fall of exports in China as a whole.

If you drive along the coastal highway from Dongguan up several hundred miles, you'll arrive in the coastal city of Quanzhou, Fujian province, and there you'll find a completely different picture of labour market. Unlike the experience in Dongguan, instead there was actually labour shortage in Quanzhou. The coexistence of such contrasting phenomena when both cities faced the same crisis indicates something extraordinary in the labour market at that stage. Moreover, later data shows that there was nearly a 20 per cent

increase in migrant worker wages in 2008, despite the impact of the crisis on the coastal regions of China in second half of the year. In you put these two ostensibly inexplicable stories together with the labour shortage witnessed in the period of 2004 to 2007, one cannot help but conclude that what economists call the Lewis Turning Point was in play, even during the financial crisis.

Not long after the Chinese New Year, an official survey showed that 95 per cent of total returned migrants had come back to the cities again and, surprisingly, 97 per cent of the migrant workers who returned to the cities had found jobs. What is more, the authorities announced that the total number of migrant workers in urban areas increased from 140 million in 2008 to 150 million in September 2009, the biggest jump in the past six years. Given that the increment of migrants had been declining after 2003 as a result of the diminishing growth of working-age population in rural areas, 2009 was a remarkable year in terms of performance in the Chinese labour market. Partly due to the stimulus package that generated jobs in the construction sector, and partly due to this new feature of the Chinese economy – that is, the spread of labour shortages that were becoming widespread before the crisis – it has consequently been much easier for the economy to create job opportunities, compared to the situation China faced in the late 1990s.

In addition, there are other changes that make agriculture no longer a pool of surplus labour. Firstly, the massive rural migration to the urban sector has reduced the surplus labour because agriculture has become more mechanised in recent years. Migrants returning from the cities are unwanted in agriculture. Secondly, the majority of migrants are now second-generation migrants who, unlike those in their parents' generation, have neither been engaged in agricultural production nor desire to work in farming. Thirdly, various changes and arrangements in land distribution, such as expropriation, subcontracting, and giving land back to collectives, have meant that some migrants no longer have any contracted land to cultivate. With all those changes, given that migrant workers do not have formal access to an urban safety net and cannot afford to be unemployed, people were bound to come back to cities and seek reemployment in sectors other than manufacturing. This is pretty much what happened in the Japanese history of rural-to-urban migration after 1960s when it stepped into its Lewis Turning Point.

At this new stage of Chinese development – as labour surpluses disappear and the Lewis turning point cuts in – the better functioning and supply-dominated labour market has prevented both urban and migrant workers from suffering long-term unemployment. But there are still some institutional obstacles caused by the *hukou* household registration system that prevented labour market adjustment and the social protection of migrant workers in the crisis. That is why the stories of the two cities above are so different.

To some people that there hasn't been any substantial progress in



Migrant workers crouch on scaffolding on a construction site in central Beijing.

reform of the *hukou* system compared to other areas of reform, and it doesn't seem likely that there will be in the near future. Migrant workers operate in a dual labour market on unequal terms. *Hukou* involves not only an identity of residence but also prevents equal access to urban public services and the old urban social safety net.

But in 2010 it can be expected that there will be a breakthrough in this area of reform, with the expansion of social security programs to cover rural residents and migrants and progress towards providing more equal access for migrant workers to public services.

EAFC

Wanting an education in rural China

ANDREW KIPNIS

A household survey I undertook in China in 2005 and 2006 revealed that all of the families surveyed wanted their child to attend university. The sample included a representative number of students from wealthy and relatively impoverished families and of students with above- and below-average academic records. Most of the people I spoke to were shocked that I could even ask such a question. 'Of course,' or 'Doesn't everybody want that?' were common replies. The educational desire revealed by this survey is an important social fact about contemporary China. It influences household and national economic priorities, strategies for political legitimization, birth rates, ethnic relations between Han and non-Han groups, gender and family relations and much more.

One example illustrates the centrality of this desire to social change in rural China. During my 2005 survey, I was surprised to find a number of rural families living in houses that seemed well below their means. During earlier research in villages in this area, I had found that families considered their houses to be an important aspect of the public 'face' of their family. Consequently, they built houses that were as spectacular as they could afford. Households that were not able to build a new house for a son of marriageable age generally could not find a woman who was willing to marry into their family. Consequently, most households

PHOTOGRAPH: CHINA FOTOPRESS / GETTY IMAGES



Students entering the post-graduate entrance examination centre at a campus in Nanjing in January 2010. More than a million students were expected to sit the annual examination.


devoted their economic efforts to saving enough money to build such a house. During the 2000s, however, this strategy of household reproduction began to change. Most village parents no longer saved in order to build the new house that would enable their son to get married within the village. Instead they saved in order to be able to send their sons and daughters to university (which, in China, requires an equally imposing sum of money). They hoped that after university their sons and daughters would be able to marry and find their own housing in an urban setting.

The demand for education has broader political causes and consequences. The Chinese Communist Party (CCP) has rested

the legitimacy of its rule on education in several ways. It claims that it can fight corruption and nepotism without instituting liberal measures like a free press, an independent judiciary and elections in part through improving the 'quality' (*suzhi*) of the country's leaders. It also claims that it will build a strong China by increasing the 'quality' of the population in general. In concrete terms, raising quality refers to raising education levels, and the average education levels of both cadres and the population has been rising rapidly. The CCP has also increasingly relied on exams as an anti-corruption measure. Exams are used when selecting state employees for both employment and promotion and in many other settings as well.

Without exams, it is often assumed that those with the power to make selection decisions will act corruptly. Requiring degrees to apply for certain posts is another way of emphasising exams, as degree programs all have entrance examinations.

These measures, however, are not without problems. In Shandong, state-owned enterprises have often lost skilled workers (who generally don't have higher degrees) because of regulations that prevent those without university degrees from being promoted above a certain salary grade. Scandals have erupted when officials are accused of obtaining false degrees (these have extended as far as the Politburo, where the PhD of Xi Jinping was called into question). People also protest vigorously when they feel that the educational chances of their children are being shortchanged. Many people feel that an over-reliance on examinations in China has negative consequences for the society as a whole and youth in particular.

Since the late 1990s, the CCP has been aggressively expanding university enrolments. One consequence of this expansion is that a larger and larger proportion of the population will be able to fulfill its university dreams. In 2011, in Shandong province, there will be enough university places for 50 per cent of 18-year-olds to enter university. But as a greater and greater proportion of young people attend university, the value of a university degree on the job market is certain to decrease, and many will find their investments in university tuition providing questionable economic returns. Finally, social unrest among university graduates with few employment prospects outside of factory work is certainly one future possibility. 



East Asia Forum Quarterly (EAFQ) Invitation for Articles from Emerging Scholars

The East Asia Forum (EAF), supported by The ANU College of Business and Economics, is pleased to invite the submissions of articles from Emerging Scholars for publication in a special edition of the EAFQ. EAFQ seeks submissions from emerging scholars (35 years and younger) on the issue of Asia's economic and political challenges and how to deal with them. Articles may address this subject from a regional, sub-regional, national, or thematic perspective. Selected articles will be published in the special edition of EAFQ and online.

The authors of submissions selected for publication will receive travel and expenses to attend a Roundtable of Emerging Scholars of Asia at the Australian National University, 12-14 July. The Roundtable will be held in conjunction with the China Update at the ANU.

In addition, the article judged best and the article which receives the largest number of unique hits on EAF will receive prizes of AU\$1,000.

The closing date for submissions is 5pm, 2 April, 2010.

For further information visit:
www.eastasiaforum.org/eafq-emerging-scholars/

Will China change the region or end up changing itself?

PHOTOGRAPH: ELIZABETH DALZIEL / AP PHOTO

WILLIAM O'CHEE

For some time commentators have been discussing how the rise of China will change the Asia-Pacific region, but that may be less significant than how China's involvement in the region, and the greater world, will change China.

China as a rising regional power will transform the politics, and also the economy, of the Asia-Pacific. But this region has actually been in post-colonial flux for some time. In fact, there may be an argument that the seeming stability of American hegemony has been but a passing interlude on the way to something else.

For China, however, greater power and economic integration are effecting very profound changes, not just on the Chinese economy but on Chinese society and government. At an economic level, the need to integrate with the region more closely than at any time since the early 15th century creates a new era of dependence which is masked by China's apparent economic power.

It is certainly the case that China's insatiable demand for resources and energy is making it a major regional and global trading partner. Many equate this with greater economic power, but buyers are rarely as strong as they seem. For example, 2,000 years ago Rome's demand for grain made it a major force in the Mediterranean, but cut off from that grain Rome's power collapsed within a generation while the rest of the Mediterranean was relatively unaffected.

Besides economics, China's integration with the world is



Public officials at a memorial ceremony in Beichuan for victims of the Sichuan earthquake: leaders are increasingly giving heed to what people expect of their government.

effecting changes in governance and government that have not been seen before. True, China remains largely an ethnically exclusive and coherent political entity. Power remains firmly in the hands of Han Chinese, and there is little risk of China fragmenting.

However, the way that China is governed is changing as a result of its closer relations with the rest of the world. This is partly economic. We have already seen a change in economic management which will pave the way for even greater economic liberalisation, and economic democracy. As China's capital markets deepen, insurance and superannuation replace state welfare, and investors and consumers gain more influence, the power of the bureaucrats will diminish.

This is mirrored in the gradual evolution of political decision-making.

One can make the argument that, until recently, structurally

little changed in China from the inauguration of the imperial examination system in the Sui until its demise in the Qing. While the dynasties changed, China was consistently run as a Confucian bureaucracy. One can even generously characterise the excesses of the Cultural Revolution as a sort of confused Confucianism with guns. For 13 centuries, bureaucrats made decisions and people were expected to follow them.

But China is slowly starting to grapple with popular participation in government (I refrain from describing it as democratic just yet), and certainly for the first time in 1300 years the bureaucracy alone no longer runs the economy. Moreover, the purposes of government are being questioned and changed, and this may be the most profound political and philosophical change in China since the brief

flowering of neo-Confucianism during the Song.

As Zhu Xi wrote: 'If one understands according to principle what ought to be, and takes it as his personal duty that it necessarily be so, then as for being furnished with rules and restrictions, what need will he have to wait for others to set them up in order to have something to follow and observe?'

Of course this was anathema to the continuation of a bureaucracy distinct in its aims from those of the common people. That is why the Shuyuan were suborned into becoming preparatory schools for the imperial examination system, and suggestions of some sort of Chinese system of akin to what we know as natural law were gently discarded.

Now, though, China's leaders are increasingly giving heed to what people expect of their government. While many commentators are concerned about the continuation of the Communist Party, this is something altogether different, and more profound. In fact the Communist Party may continue for quite some time yet.

Crackdowns on corruption, the election of local officials, and a recognition of popular concerns about environmental standards are signs that the government is becoming more responsive to the people. This is a good thing, and the first true sign that China's masses, no longer all starving and impoverished peasants, will have a say in shaping the direction of their country.

That would indeed be a profound change for China, and a sign that instead of changing the region, China has ended up changing itself. **EAFQ**

Can China embrace its history and Zhao's memoir?

RICHARD RIGBY

Zhao Ziyang's recently published *Prisoner of the State* comes as welcome confirmation that those of us reporting on events in China from 1988 to their tragic denouement on the night of 3-4 June 1989 basically got it right. It also provides fascinating and important insight into the challenges of reform of the kind China has undertaken over the past 30 years and the grand contest it involves, between political leaders who take huge risks on the future shrouded in uncertainty and those who cling doggedly to the verities of the past.

Against a background of growing popular concern over corruption and inflation, the broad outlines were clear enough: Zhao's intensifying struggle with his more conservative opponents, the way his efforts to defuse an increasingly tense situation following the death of Hu Yaobang on 15 April 1989 were systematically sabotaged, the cutting off of Zhao's direct access to Deng Xiaoping, the subsequent monopolisation of information going to Deng by 'a small handful' (to use the phraseology of the time) of Zhao's enemies, Deng's final loss of confidence in Zhao, Zhao's loss of power, martial law, the massacre of 3-4 June and its aftermath.

What Zhao gives us, though, is the detail of the events as he himself lived them; and also the lacunae, things that others may have been aware of but that

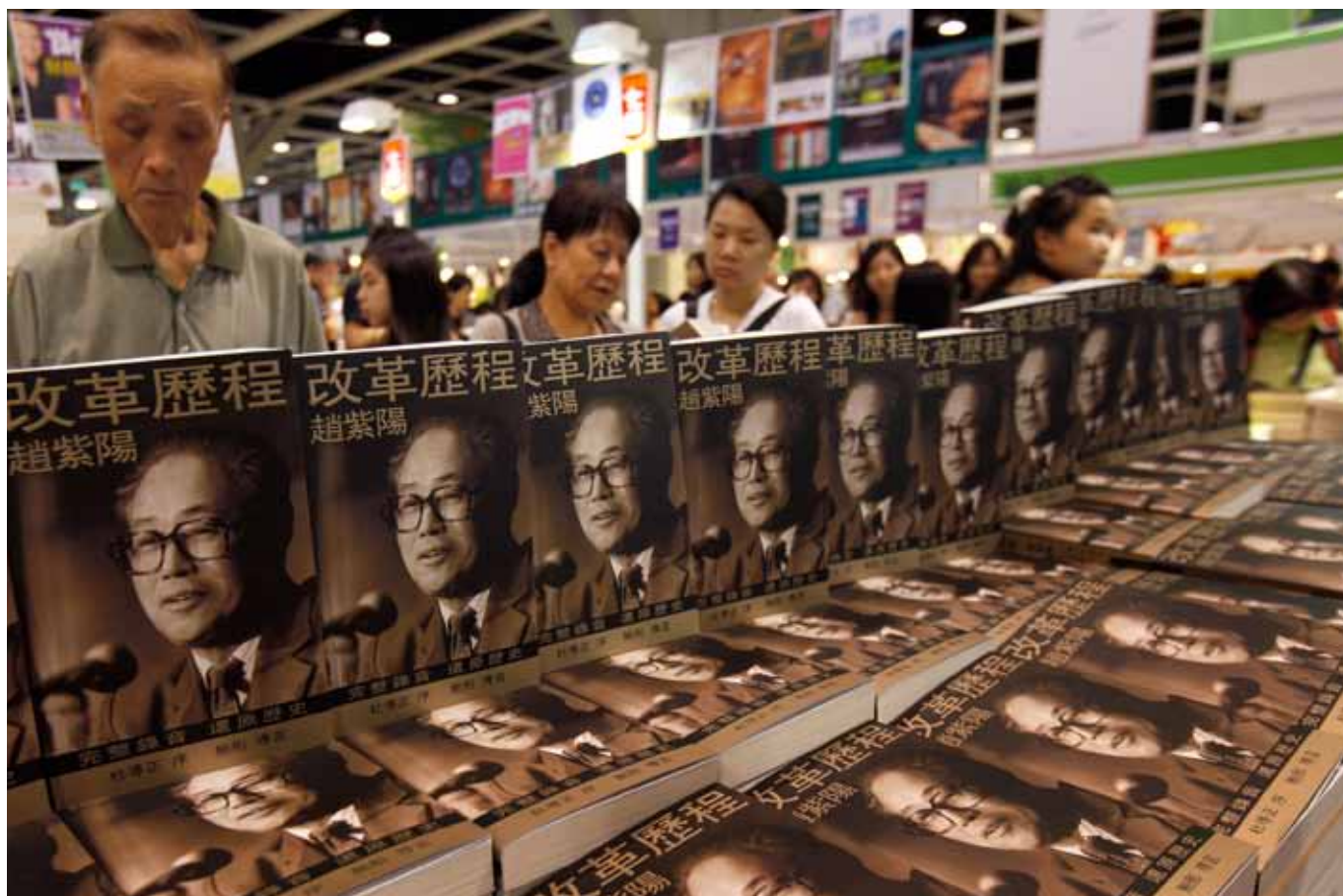
he himself was not. And this is itself a useful reminder that just because someone played a crucial role in major historical events, it doesn't necessarily mean they knew everything that was going on. This applies both to the machinations taking place behind his back and also to aspects of the situation as it developed in the streets.

What was not generally known to outside observers at the time was Zhao's determination, mentioned several times in the book, that he not go down in history as the General Secretary who approved unleashing the People's Liberation Army against the demonstrators.

His stance sealed his political fate, but also ensured that his name would be added to the (all too long) list of upright officials who throughout Chinese history have done the right thing – to their own cost, but to their own, and China's, ultimate credit.

The fascination of the book, though, goes much further than Zhao's account of the June 4 events.

It will be mined diligently by many for the insights it provides into the evolution of the economic reform program, the twists and turns of internal Party struggles, the paramount role of Deng Xiaoping (but even his power was not unlimited), the serious differences within the reform camp over political reform (and in Zhao's case, the way his thinking on this issue changed, and continued to change following his removal



Browsers at the Hong Kong Book Fair in July 2009 look at copies of former party leader Zhao Ziyang's memoirs.

from power), Zhao's insightful pen-portraits of his erstwhile colleagues, and his frank admissions of various policy mistakes (in particular the mishandling of the price reform of 1988).

Most of all, *Prisoner of the State* stands out as the sole account by one who was there of how things worked – and in some ways presumably still do – at the very top of the Chinese political system.

The difference now is, of course, that there is no longer a Deng, or a Deng equivalent. Zhao tells us that at the time of the removal of General Secretary Hu Yaobang in January 1987, party elder statesman Chen Yun had expressed concern about how Hu's resignation would be received, both domestically and internationally,

and made sure the announcement explained that it was legal and in accord with proper procedures.

'Deng himself,' says Zhao, 'never took such matters seriously.' Quite. None of the current leaders are cut from this cloth, nor have Deng's power, deriving not from office but from who he was and what he'd done.

The book is, in fact, almost as much about Deng as it is about Zhao, and here the portrait is appropriately complex.

While Zhao emerges very clearly as the man who was really responsible for thinking through and enacting the reform and opening program, it would never have happened without Deng. Equally, without Deng, other things that might have happened didn't – most particularly

really meaningful political reform.

Zhao makes it quite clear that for Deng, political reform meant doing whatever it took to strengthen the position of the Communist Party as the sole ruling force in China. He was implacably opposed to anything that smacked of multi-party democracy or the separation of powers.

In this sense the current leadership stands in a direct line of succession to Deng, as expressed most recently by the widely reported comments of Wu Bangguo; but it is good to be reminded that there have been, and are, other views within the Party itself. At the same time, Zhao demonstrates with equal clarity the support Deng gave him at crucial junctures against the conservative forces that sought to turn the clock back on reform and opening.

Commenting on the June 4 events, Deng said, famously, 'this storm was bound to happen'. Zhao shows that this was not necessarily the case – or at least that there was nothing inevitable about the way in which it was handled. Had he had his way, it was perfectly possible that the situation could have been resolved peacefully (as was quite obvious to almost anybody there at the time, other than to those who had an interest in what actually happened).

Going further back, had Hu Yaobang not been forced from power in 1987, Zhao believes the subsequent political trajectory would have been quite different (although, intriguingly, Zhao reveals that one of the accusations against Hu was that he had been too enthusiastic in his support of Kim Il Sung!).

Soon after Zhao's memoir was released, when a foreign journalist asked about a possible reappraisal of June 4, the Chinese Foreign Ministry spokesman said that this and all related issues had been settled years ago. I have too high an opinion of the MFA to believe that the spokesman believed this to be true, or that his hearers would believe it either.

Sooner or later – and later is still more likely than sooner – the issue will be reappraised. When it is, Zhao's memoirs will play an important role in reassessing this vital episode in the history of modern China. In the meantime, thanks to modern means of communication – an important aspect of the reform and opening program for which Deng, Zhao, Hu and their successors can all claim credit – despite whatever measures are taken to impede them, thousands of people across China will find ways of reading this fascinating and important book.

EAFQ

China's promise



GEREMIE R. BARMÉ

The year 2009 marked a series of important anniversaries for China. Some were commemorated in the official media but others, the 'dark anniversaries,' passed with a wave of heightened alert and anxiety.

The 'dark anniversaries' recalled quelled protests, social unrest and state violence, events such as the 1959 rebellion in Lhasa, the shutting down of the Xidan Democracy Wall in 1979, and the tragedy of the 1989 protest movement. These events challenge the official Party-state narrative of modern China, and understanding them helps us appreciate how China's strong unitary state has evolved over the past decades.

Days after the 1 October 2009 celebration of the 60th anniversary of the People's Republic, Chinese Premier Wen Jiabao 温家宝, visited North Korea. During his stay he visited the memorial to the Chinese 'volunteer army' that fought alongside Soviet and Korean communists during

what is known in China as the 'War to Oppose American Aggression and Support Korea'. Addressing the tomb of Mao Anying 毛岸英, son of Mao Zedong, Wen said: 'Comrade Anying, I have come to see you on behalf of the people of the motherland. Our country is strong now and its people enjoy good fortune. You may rest in peace.'

The statement received little media attention but was seen as remarkable among the well-informed in Beijing. Some argued that it meant a contemporary Chinese leader was declaring that the efforts to create a strong and prosperous nation have finally born fruit. By offering consolation to the dead son of Mao Zedong, it seemed Wen was also declaring the mission of the 'Chinese revolution' had been achieved.

But if this is true, what will the Chinese mission be in the twenty-first century?

After achieving power in 1949 the Communists ensured national stability but soon betrayed their commitments to bring about true

democratic rule and economic prosperity. Although China has experienced unprecedented economic transformation and global integration in recent decades, the long-term political and social transformations are still unrealised.

Nothing made this more evident than the detention in late 2008 of the writer and leading pro-democracy activist Liu Xiaobo 刘晓波. On Christmas Day 2009 Liu was sentenced to eleven years in prison for 'inciting subversion,' the longest term given to any offender accused of this crime since its 1997 introduction.

With international criticism of China's failure to realise social and political transformation alongside its economic achievement, the Chinese authorities have become increasingly anxious to present their monolith version of Chinese reality. The Chinese Party-state, with the support of many citizens nurtured by guided education and the media, invests heavily in presenting the 'Chinese story' (*Zhongguode gushi* 中国的故事) to the world, a story which censors the panoply of narratives making up the rich skein of human possibility in China's society.

Despite the many media publications the public is still not allowed access to uncensored views and debates. Such paternalistic policing of opinion and discussion continues to foster a kind of state demagoguery that has and will continue to have harmful consequences for China as a global presence.

If China is to be a responsible member of the international community then Chinese citizens need to be informed and free to debate, disagree and reach social and political consensus in a way that is

not determined behind closed doors.

Individuals, societies and countries engaged with China will be challenged to offer insights and find creative ways to deal with the realities of the Chinese world.

One approach can be described as 'New Sinology,' a robust engagement with contemporary China and the Sinophone world in all of its complexity. This approach recognises an academic and human relationship with the Sinophone world that is not just about the People's Republic, or Taiwan, or Chinese diasporas. It is the intellectual, academic, cultural and personal involvement in which many of us are engaged, not merely as nationals of one country or another, but as individuals, regardless of our background.

Young people . . . are and will be part of this new era of Chinese engagement

A New Sinology is not a study of an exotic, or an increasingly familiar other. It is an approach that attempts to include China as integral to the idea of a shared humanity. It is a study, an engagement, an internalisation that enriches the possibilities of our own condition.


To talk of some divide that must be bridged is to accept that difference creates barriers. This limits us to the idea that studying China, learning its languages, cultures and thought systems is to become interpreters of a 'correct' view of what China and Chineseness is.

We are concerned not only with China's current problems, but also the origins of those problems, as

well as future possibilities. Just as the Anglophone world has become part of global culture, the Sinophone world too is increasing its global reach, enriching wherever it extends. Those who are being educated in Chinese now, and in the future, can and will be co-creators in this process.

Young people—regardless of ethnic background—are and will be part of this new era of Chinese engagement. Many foreign-born Chinese, while pursuing various careers and studies, are also interested in learning more about the culture of their ancestors. Many students from the People's Republic, Hong Kong, Taiwan, or ethnically Chinese students from the region, study China-related subjects at tertiary institutions. Co-creating China for them, and students of other backgrounds, should and will be possible. Writing, thinking and creating in Chinese is one way that the enmeshment with the Chinese world is already unfolding.

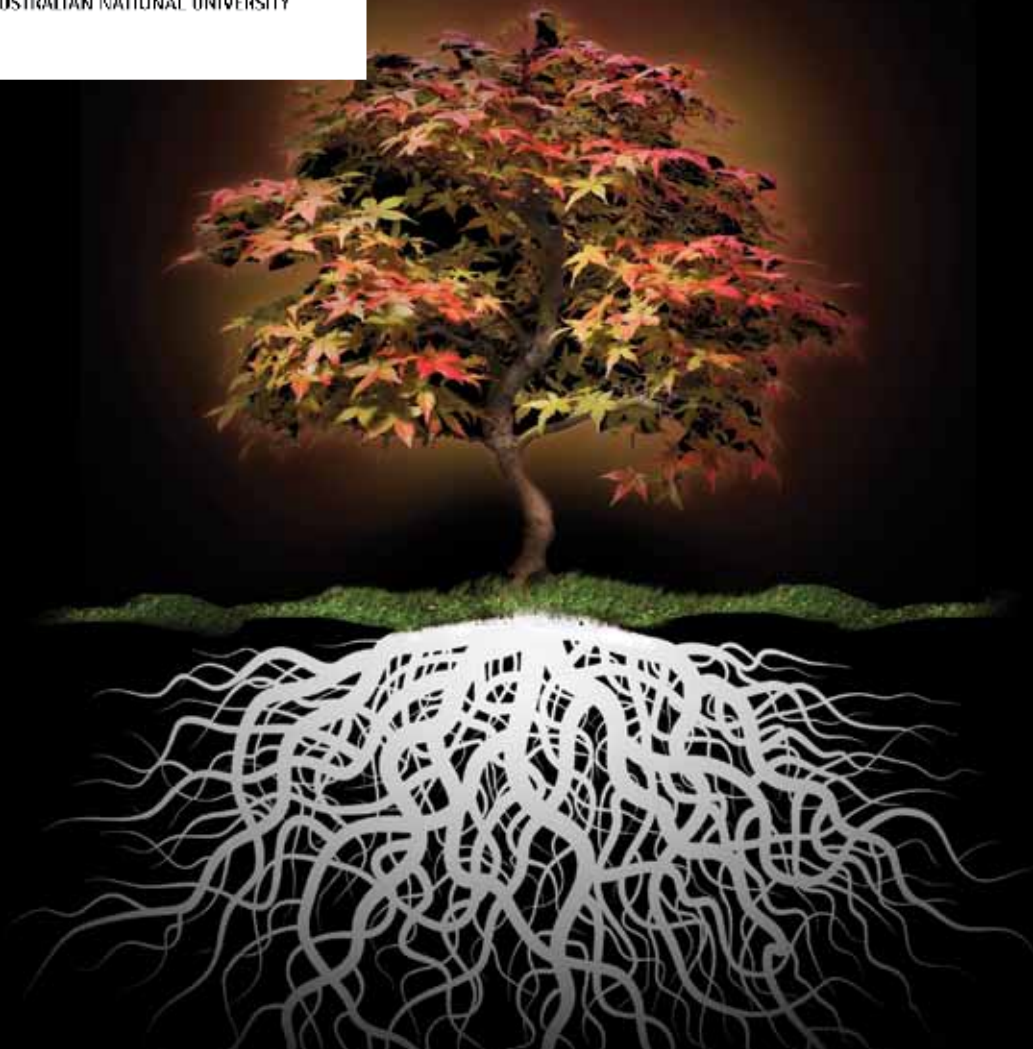
English, as a global language, has been transformed and enriched by its non-Anglo-Saxon users. So too will the Sinophone world be enriched and enhanced by the growing number of Chinese users. Lured by the economic boom, employment and educational opportunities, and just plain curiosity, people from countries throughout the world are coming to China. Many have found employment in big cities, in teaching, entertainment, or a host of other professions.

Just as young Chinese people will have an impact on their own, as well as world culture, so too will non-Chinese foreigners, who have made the Chinese world their base of creativity, impact China. These individuals and groups will help form the pluralistic 'Chinese story' that is part of the global story of humanity. 



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