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CHINA AND THE AGE OF STRATEGIC RIVALRY

Highlights from an
Academic Outreach
Workshop

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This report is based on the views expressed during, and short papers contributed by speakers at, a workshop organised by the Canadian Security Intelligence Service as part of its academic outreach program. Offered as a means to support ongoing discussion, the report does not constitute an analytical document, nor does it represent any formal position of the organisations involved. The workshop was conducted under the Chatham House rule; therefore no attributions are made and the identity of speakers and participants is not disclosed.

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RETHINKING SECURITY

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THE WORKSHOP AND ITS OBJECTIVES

On 6 March 2018, the Academic Outreach (AO) program of the Canadian Security Intelligence Service (CSIS) hosted a workshop to examine the repercussions, on a global level and for Canada, of China's continued rise as an influential global actor.

Held under the Chatham House rule, the workshop was designed around the knowledge and experience of a multi-disciplinary group of experts from North America, Asia and Europe. The presentations and plenary discussions allowed attendees to explore the direction in which the Chinese Communist Party (CCP) is taking the country, the broad range of strategic means Beijing is taking to promote its interests, and the related security consequences. The papers presented at the event form the basis of this report. The entirety of this report reflects the views of those independent experts, not those of CSIS.

The AO program at CSIS, established in 2008, aims to promote a dialogue between intelligence practitioners and leading specialists from a wide variety of disciplines and cultural backgrounds working in universities, think-tanks, business and other research institutions in Canada and abroad. It may be that some of our interlocutors hold ideas or promote findings that conflict with the views and analysis of the Service, but it is for this specific reason that there is value to engage in this kind of conversation.

EXECUTIVE SUMMARY

Planning for dominance

President Xi Jinping is driving a multi-dimensional strategy to lift China to global dominance. This strategy integrates aggressive diplomacy, asymmetrical economic agreements, technological innovation, as well as escalating military expenditures. Much of the architecture for Chinese ascendancy is already in place; other elements are emerging. China's rise reinforces the domestic rule of the Chinese Communist Party (CCP), and in the country's leaders' eyes restores China to its historic status as the Middle Kingdom.

Under former leader Deng Xiaoping, China developed an authoritarian capitalist economic model which generated a sustained level of high GDP growth. The economy was dynamic, but also marred by flawed credit institutions, suboptimal state-owned enterprises, and a high vulnerability to corruption. These internal weaknesses are the subject of continuing reform efforts. The anti-corruption campaign has been a special focus for Xi Jinping and an element of his increased personal control of the CCP.

The artful partner

China has implemented external trade strategies to drive economic performance.

- The country's market potential and its low-cost but skilled labour force have lured companies in advanced economies to invest in China. Once committed to China, companies have been compelled to enter into joint ventures with Chinese partners. Many find that they have lost control of the company, and their intellectual property, and have been displaced by that partner from markets inside and outside China.
- China has used its tremendous potential as an import market to negotiate asymmetrical trade arrangements with developed countries. It insists on investment rights in the partner country that are not available for that partner in China.
- For developing countries, Beijing has designed and financed the Belt and Road Initiative, situating China at the centre of

six economic corridors, pulling in raw materials and exporting manufactured goods. The BRI has channelled China's wealth into the construction of roads, railways, ports and fibre optic networks, ultimately incorporating countries containing two-thirds of the global population.

- China has established the Cross-Border Interbank Payment System to promote its currency, the renminbi, and decrease the dominance of the US dollar in international commercial exchanges.

The interfering partner

Trading partners have quickly found that China uses its commercial status and influence networks to advance regime goals.

- Whether a Chinese partner company is a state-owned enterprise or a private one, it will have close and increasingly explicit ties to the CCP.
- Unless trade agreements are carefully vetted for national security implications, Beijing will use its commercial position to gain access to businesses, technologies and infrastructure that can be exploited for intelligence objectives, or to potentially compromise a partner's security.
- China is prepared to use threats and enticements to bring business and political elites to its side, and motivate them to defend the Chinese perspective on disputes such as the status of Taiwan and the South China Sea.
- Beijing works actively to influence ethnic Chinese groups, Chinese students and ethnic Chinese businesses in other countries, often curtailing their freedom of expression to promote a narrative favourable to its views. It has also often purchased control of local Chinese-language news outlets.
- Academics and reporters who question Chinese activities are harassed by Chinese diplomats and Chinese-controlled media.

Reinforcing Party rule

Pressure on trading partners to refrain from criticism of China is matched by an intensive effort within China to reinforce the control of the CCP.

- Government structures in China are subordinate to the Party. Government officials are often isolated in departmental silos, and have less knowledge of overall direction than the cadres of the CCP.
- Government data collection within the country is extensive and invasive. It constitutes a low-cost tool for asserting social control over the population through detailed knowledge of collective and individual activities.
- The increasing availability of detailed data from overseas economic interactions means China is also knowledgeable about individuals entering China; its plans to establish data centres and servers in BRI countries will give the CCP further influence.
- China's new intelligence law specifies that it is the duty of all Chinese citizens to uphold the rule of the CCP, and to volunteer information on anything which may threaten that rule.
- Chinese citizens have some access to international Internet sites, but the government has been successful in denying them information on contentious events.
- The CCP still has strong legitimacy in China, but interest in Marxist theory and attendance at study sessions seem to decline with an individual's rising economic status. Business elite interest is mixed and pragmatic, while peasants appear largely indifferent to official ideology.

China and the international order

China's economic influence is reflected in its foreign policy and defence initiatives. It is persistent in disputing the global rules put in place by powers it perceives as in decline.

- China is both a trading partner of the United States and a strategic rival. Beijing does not seek at present to displace Washington in the role of global police, but watches attentively as an overstretched US struggles to maintain its influence.
- China's military has increased steadily in size and capability. It regularly contributes to peace-keeping missions, but it does so more to acquire operational experience than to achieve humanitarian objectives. It also needs further professionalisation, better-educated soldiers, and stronger leadership.
- China's military is investing significantly in technology, innovating to rival the US in the military application of artificial intelligence, unmanned weapons systems, quantum computing, and directed-energy weapons.

Outlook

China has already made substantial progress in re-ordering global supply chains. It has recognised the weaknesses in its domestic economic base and appears determined to remedy them. Xi Jinping has increased the reach of the CCP over the lives of citizens, and is targeting the Chinese diaspora as a means of increasing international influence. Diminished contact between Chinese citizens and foreign researchers has rendered the intricacies of Chinese politics even more opaque.

China's growing influence is a delicate puzzle for the international community, which must welcome a transformed power without acquiescing in the destruction of the global diplomatic infrastructure. China's aggressive diplomacy and insistence on asymmetrical trade are particularly challenging for countries like Canada which seek mutually positive trade relationships.

Beijing still faces considerable hurdles. With the abolition of the two-term limit on the presidency, Xi Jinping will guide China for the foreseeable future. Authoritarian rule facilitates determined action, but this can translate into decreased sensitivity to criticism,

vulnerability to corruption, and a restricted flow of information vital to sound decision-making. The inter-mingling of private and public economic enterprises has led to inefficiency and corruption that persist. One of many fluctuating variables defining the new global system, China's continued rise is not inevitable and may yet elicit international action both to contain and accommodate its ambitions. For now, its dominance strategy appears relentless and irresistible.

CHAPTER 1

WHAT EXPLAINS THE GEOPOLITICAL
ANTAGONISM BETWEEN THE WEST AND
CHINA TODAY?

Economic progress has given China the means to challenge the global power structure and the rules-based international order. Socialist ideology is important to consolidate the domestic power of the Chinese Communist Party, but it is Beijing's desire to assert China's status as a great power and its commitment to authoritarian rule that motivate foreign policy. As China challenges US dominance, and a new bipolar international order emerges, other actors may resist the style and substance of Chinese power.

Power and ideology seem to be the two major forces driving the fear and geopolitical antagonism the People's Republic of China (PRC) and the West entertain towards each other today. International relations realists would insist that the PRC's rise and, for some, the shift of power in China's favour, have been the unique drivers of the growing rivalry between the first and the second world economies. Liberals would find the source in the difference of political systems, ideologies and world-views.

Without trying to reconcile these two schools of thought, it is fair to say that the rivalry stems from China's growing power on the international stage and the characteristics of its political system; a one-party system and increasingly one-man rule. To this is added an anti-Western political discourse on the world stage.

Chinese authorities often refer to cultural differences to explain the East-West antagonism or what they often prefer to qualify as a 'misunderstanding'. However, the author has some doubt about the validity of this claim since many eastern and even Confucian countries such as Japan and South Korea, feel the same anxiety towards the PRC. This form of culturalism, which will be discussed below, is actually one of the ideological arguments regularly put forward by the Chinese Communist Party (CCP).

Power

During the last ten years, the PRC's growing economic, diplomatic and military power has dramatically shaken the foundations of the global order and world politics. Its rise has been the major game-changer of the post-Cold War era, far outweighing in importance the emergence of new economic powerhouses such as India or Brazil. It has not only benefited from the end of the Cold War and the demise of the Soviet Union, but from its accession to the World Trade Organisation (WTO) in 2001, and more generally its integration into the world economy and continued economic globalisation.

Having become the planet's second economy in 2010 and aspiring to overtake the United States by 2040, and even perhaps 2030, China has logically started to claim a bigger role in international affairs. Gradually side-lined under Hu Jintao, Deng Xiaoping's low-profile diplomacy (*taoguang yanghui*) crafted after the events of Tiananmen to attenuate the Chinese regime's isolation, was buried for good after Xi Jinping came to power in 2012. Today, Beijing wants to occupy a larger place on the world stage, exert more influence in multilateral international organisations, become more active in world affairs, and shoulder more international responsibilities.

Since 1978, the PRC has reformed its command economy, opened itself to the outside world and developed in an unprecedented manner. These changes have laid the groundwork for a greater participation in the United Nations (UN) system, its growing involvement in UN peacekeeping operations, an increased voter share in the International Monetary Fund, and enthusiastic participation in the G20 summits. They also paved the way for international initiatives like the Belt and Road Initiative (BRI) in 2013 and the Asian Investment Infrastructure Bank (AIIB) in 2014.

The PRC's economic rise has also allowed it to rapidly modernise its military. This has had a major impact on the balance of power in East Asia and more generally in the Indo-Pacific region. It also allows Beijing to pursue more actively its long-term ambitions: taking full control of the maritime domain that it claims (and which it inherited

from the previous political regime, the Republic of China); reunifying with Taiwan; and better protecting its nationals overseas. In other words, any nationalist Chinese government equipped with similar military capabilities, whatever its political nature or inclination, would be tempted to pursue such objectives. We therefore should not be surprised that, having today the capacity to project power ever further away from the country's shores, the People's Liberation Army (PLA) is trying to impose a new status quo: in the South China Sea, through a more robust naval presence and the construction of several artificial islands; across the Taiwan Strait, by multiplying its air and sea military intimidation operations around the island; and in the East China Sea where it contests Japan's control of the waters surrounding the Senkaku (Diaoyu) islets, and creates a new Air Defence Identification Zone (ADIZ) that overlaps with the Japanese (and South Korean) ADIZ. Likewise, great power logic explains China's decision in 2015 to open a naval base in Djibouti, perhaps to be followed by one in Gwadar, Pakistan, a proposal which Beijing had adamantly dismissed until very recently.

In many respects, China's objectives seem to be inspired by the United States' own achievements and designed to ensure that it can claim as its own the attributes of the world's former 'hyperpower' and still only superpower¹. China is the only nation in the world that, owing to its economic weight and diplomatic influence, can contemplate overtaking the US, even if the PLA will probably lag behind the US military in the longer term. China's behaviour is both contributing to build, and determined by, the growing structural bipolarity of the world order. Beijing is promoting all the while the idea of a peaceful transition of power, avoiding the Thucydides trap and other challenges outlined in other power transition theories, even if many analysts, both inside and outside China, have some serious doubts as to the reality of this transition.

In the view of many Chinese leaders and experts, international norms are established and imposed upon other countries by great powers (and the winners of world wars). They believe it is therefore time for Beijing to modify these norms and bend them to serve its own interest. Its interpretation of the Law of the Sea (Montego Bay

Convention) offers one such example: it intends to ban any foreign naval vessel from the Economic Exclusive Zones claimed by it and refuses to recognise the legitimacy of the law's arbitration mechanisms.

In other words, China's growing antagonism towards the US and the West in general is the direct and logical consequence of the PRC's economic, diplomatic and military rise, its growing ambitions and its structural, though asymmetrical, rivalry with the US.

However, the PRC also wants to be perceived as being different from the US and argues that it will be a much fairer great power than its predecessors or competitors. It argues that because of its painful past and its socialist nature, it will always refrain from becoming a hegemon or an imperialist power. As a modern socialist country and developing economy of the South and an Asian country, China aims to demonstrate that it will do a better job. This brings us to the other major feature of the PRC's antagonism towards the West: ideology.

Ideology

To what extent does the nature of the Chinese political system dictate the PRC's international goals and behaviour? This question is harder to answer than it appears at first glance. There is a precedent, in the case of the Soviet Union, whose antagonism towards the West was very much enshrined in its socialist project, one-party rule, nationalisation of the means of production, as well as its ambition to expand communism around the world and defeat Western capitalism. Moreover, it also enjoyed great power status and impressive conventional and nuclear military forces.

China, however, seems in many respects to harbour very different objectives. Its economic structures are much more diverse—allowing private businesses to prosper side by side with a powerful state sector. Far from being isolated from the West, its economy is more and more integrated into the world economy. Furthermore, the CCP's ideology has largely distanced itself from its original objectives, replacing communism with common prosperity and Marxism-Leninism with nationalism and Confucianism. Beijing has stopped exporting its

revolution for quite some time now. And while keeping its one-party system, it does not shy away from intensively interacting and peacefully coexisting with other types of polities, including liberal democracies.

Yet the CCP cannot fully abandon its ideological precepts, its belief in socialism, and its steadfast determination to remain the unique channel of political promotion. It therefore must repress any dissenting voice promoting constitutionalism and democracy at home. It prioritises the state sector, seeks to rule the private sector and will likely continue to limit full access to its domestic markets by foreign actors. China's growing power has allowed the CCP not only to better protect the regime but also to become more active and aggressive on the international stage. Since the 19th Party Congress held in October 2017, Xi Jinping's thought and own status have clearly embodied this ambition, directly feeding China's antagonism towards the West.

It follows that the CCP's main foreign-policy objective must be to neutralise any outside force that may threaten the stability, as well as the legitimacy and longevity of its rule. Any Western attempt, be it from a government or an NGO, to influence Chinese domestic politics and push the PRC towards democratisation will meet with fierce resistance and repression. Many of the initiatives undertaken by Beijing internationally are designed to reinforce the regime's claim through the promotion of 'socialist democracy' and Chinese cultural specificities or 'exceptionalism'; the criticism of 'Western democracy' or what it used to call 'bourgeois democracy'; pretending to prioritise, as the USSR did, economic and social rights as opposed to political rights; and the active promotion of the principle of 'non-interference' in other countries' internal affairs.

China's strong support for a Westphalian world order, in which sovereignty is sacrosanct and cannot be questioned in the name of human rights or even the responsibility to protect (R2P) largely stems from the CCP's need to defend itself from any unwelcomed foreign interference. Hence China's 'authoritarian complicity' with Russia on a large number of issues, such as the Libyan or other crises.

Beijing is taking advantage of its growing economic, diplomatic and military power and the various manifestations of Western decay—financial crises, dysfunctional democracies, and the rise of populism—to broaden its ambitions and become more aggressive on the ideological front. Power and ideology being closely intertwined, Beijing and pro-governmental intellectuals unabashedly promote the Chinese model of development and governance in the hopes of weakening the West and the South’s support of Western values and Western international norms, especially the ones regarding human rights, individual freedoms and privacy.

Since 2008 and even more from 2012 onwards, China has adopted an offensive strategy that has a strong ideological dimension: for example, it constantly denounces the failures and vagaries of liberal democracies, particularly in developing countries, and applauds the economic successes of modernising authoritarian regimes such as Ethiopia or Rwanda. Put differently, while denouncing the Cold War mind-set of any Westerner that dares to criticise its political regime, China has openly embarked upon a worldwide ideological war against the West to weaken and delegitimise liberal democracy.

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There is clearly a tension between, on the one hand, China’s exceptionalism and its ambition to export its ‘solutions’, and on the other its desire to become a major protagonist on the world stage and a contributor to managing and solving international crises. And yet the CCP has generally been able to prevent the ideological contamination of its diplomatic behaviour or actions, often presented as the expression of the South’s interests, or, if possible, the majority of the international community.

More than ideology, however, it is the fear of being isolated, and the requirements of a united front strategy that have convinced the Chinese government to show flexibility on international issues that

do not jeopardise its core interests. Its partial endorsement of R2P, provided it is supported by the local authorities of the country where it is introduced, for instance in Sudan or Mali, are well-known examples of a changing foreign-policy that has contributed to mitigating China's geopolitical antagonism with the West.

Likewise, the CCP's dictatorship has allowed it to better manage and control Chinese nationalism. It is true that the Party's ideology has actively fed, when needed, anti-US or anti-Japanese feelings, for example after the bombing of the PRC embassy in Belgrade in 1999 or in response to Japan strengthening its alliance with the US in 2005. However, one may argue that the Chinese authorities have also been more efficient than many democratic governments in containing, and on the whole preventing, violent nationalist incidents and anti-foreign feelings, contributing here again to reducing or at least managing tensions with the West or its neighbours.

Has ideology led the PRC to move its pawns on the chessboard more carefully, or even more covertly? Analysts have used cultural arguments to explain Beijing's inclination to use deception, or its reluctance to resort to military force vis-à-vis Taiwan or in the East or the South China Seas. The counter-arguments are that all strategists use deception and that, historically, 'cultural realism' pushed China to war when it was strong enough to do so. The CCP system clearly allows China to keep its cards close to its chest and move silently for a longer period of time, as in the case of the decision to open a naval base in Djibouti. China has been doing what great powers do: setting up military bases around the world to better serve its interests. Similarly, Beijing's preference to avoid confronting a stronger power head-on and encircle the West by cultivating closer relations with all willing developing and developed countries (as Russia) is clearly inspired by the ancient Chinese military strategist, Sun Zi (Sun Tzu). The same can be said of China's actions in the South China Sea: building artificial islands rather than dislodging the other claimants from their land features (with the exception of the Scarborough Shoal); using coast guard ships rather than the PLA Navy; and tolerating US freedom of navigation operations in the area. These actions are determined by Beijing's perception of its own power and

the likely reaction of other countries. In other words, there is neither a strong, convincing ideological dimension to the Chinese decisions made on these issues, nor a cultural one.

In short, as China becomes stronger ideology is contributing to a large extent to sharpening its political and geostrategic rivalry with the West. It is when the Chinese government distances itself from its ideological tenets, however, that it has a better chance to find common ground with the West to solve or at least manage some of the world's international crises.

The shifting anxiety gap

For a long time, the PRC appeared to fear the West much more than the other way around. This is no longer the case. It is true that Beijing still views Western liberal ideas and political influence and the US alliance system and forward military deployment in the Asia-Pacific region as aimed at weakening and containing it. However, the West has become more concerned about China's growing power: its economic and military clout, international ambitions, intent on bending international norms in its favour, plans to export if not its model at least its authoritarian solutions, as well as its ability to influence other societies and interfere in other countries' political life. This anxiety is clearly deeper in the US and among US allies located in the Asia-Pacific region—Japan, Australia and New Zealand—than in the European Union (EU), even if in the last few years Germany and France have become more wary of China's intentions. This anxiety has led US allies in the Asia-Pacific to strengthen their alliance with Washington and reach out to new strategic partners such as India or Vietnam in order to balance China's growing power, thereby further feeding the strategic dilemma between China and the West.

Having said that, we should not overestimate the PRC's rise and growing self-confidence. The big difference between Chinese and US exceptionalism is that the former's political values are not shared by a large number of countries around the world, except Vietnam or North Korea. And Xi Jinping's increasing personal power can be

interpreted as a sign of weakness as much as a symbol of strength, Beijing having been largely unable in the past few years to fulfil the reform objectives that it had set for itself in 2013. In other words, Beijing may be more worried than we think about the West's deepening concern towards many of its own foreign-policy decisions and actions.

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Conclusion

The fear and competition between the PRC and the West have become structural features of today's international politics. A new kind of asymmetrical bipolarity has taken shape between Washington and Beijing, intensifying a Sino-Western geostrategic antagonism already fed both by China's rising power and anti-democratic ideology. This structural antagonism is likely to continue as long as China is ruled by a one-party system. Nevertheless, any regime change or democratisation would not end the competition for power. It is clear that this rivalry would take on less acute forms, and areas of cooperation with the West might multiply, should such changes come to pass. However, China's ambitions to achieve great-power status will probably remain and, as a result, Beijing is likely to continue to play a role in world affairs that will be commensurate with its economic, diplomatic and military power. Any Chinese government, regardless of its belief, would remain keenly aware of its power, as well as the strengths and weaknesses of other great powers, and it would grasp all the opportunities to protect or expand its own status as a great power.

CHAPTER 2

A NEW CHAPTER: THE CHINESE
COMMUNIST PARTY AFTER
THE 19TH CONGRESS

The 19th Congress of the Chinese Communist Party confirmed Xi Jinping's supremacy. The Party has written Xi's thought into its charter and endorsed his vision of a China that will dominate global relations in 30 years. This goal depends on sustained levels of high growth, and may prove unrealistic in view of persistent structural weaknesses in the economy. Authoritarian leadership, and an unrealistic vision predicated on dubious assumptions, could lead to the implementation of misguided policies.

Xi Jinping ushered in a new era in China at the 19th National Congress of the Chinese Communist Party (CCP) held in October 2017. The previous two were the Mao era of totalitarianism and the Deng era of 'opening up and reform'. Xi has closed the chapter on the Deng strategy of 'hiding capabilities and biding for time' as the People's Republic of China (PRC) reformed or played catch up. He is opening a new one devoted to making the CCP into an effective Leninist instrument of control. He is not seeking to restore the Maoist era, the cultivation of a personality cult notwithstanding. Mao was a bad Leninist who wreaked havoc in the Party. Xi is moving in the opposite direction. He is making the Party the centrepiece in leading the PRC forward, requiring that party members learn to be good Leninists by rectifying their actions and acquiring strong party discipline. His approach resembles that of Liu Shaoqi, Mao's deputy from 1945 until purged during the Cultural Revolution in 1967, though Xi will not acknowledge this.

In Xi's new era, the CCP is confident of its own socialist developmental model. It no longer looks outside for inspiration. China is still open for business but it no longer welcomes foreign ideas. Instead, it openly and emphatically rejects any democratic or Western model. Xi now feels Leninist China should assert itself. He has unveiled the era of

putting China first and making China great again, an era in which he will require others to pay due respect to the PRC.

What was most striking at the 19th Congress was Xi's display of confidence. He was confident of his grip on the Party machinery and China's future, though he is still not fully confident of the Party's hold on the people. Hence his emphasis on implementing a social credit system enabling the Party to maintain effective control over the population. By the time the conference was held, Xi had not completely eliminated resistance within the establishment but reached a point where he did not have to make major concessions to accommodate the 'resistance' within the establishment.

New top leadership line-up

Xi got the seven-man, Politburo Standing Committee (PBSC) he wanted. Its membership is normally a closely guarded secret until the end of the Congress, as who does or does not get elevated can be the subject of last minute deal-making. Not this time. The final list was leaked to at least two non-Mainland based media days before the formal announcement. The fact that no one was punished for this leak confirms that it happened with, to say the least, Xi's blessing.

The list suggests that despite toying earlier with the idea of promoting his protégé Chen Min'er to the Standing Committee and raising the prospect that Chen may be a successor, Xi preferred to eliminate speculation on the issue. With no potential successor in place, he signals that he will not relinquish power at the 20th Congress in 2022. He has made moot the issue of a successor and reversed the Party's efforts, since the end of Deng's time, to institutionalise succession. There is no doubt that this was not universally welcomed within the establishment, but no leader dared to raise his/her head above the parapet and publicly articulate dissent.

While Xi establishes firm control over the PBSC, he has not felt the need to fill it with his protégés only. The inclusion of Wang Yang, who has a strong Youth League background, and Han Zheng from Shanghai hold out the promise of promotion to the inner sanctum

even for those who have not previously worked closely with him. But Xi also made it clear that they serve at his pleasure, and Han was promptly relocated to Beijing from his powerbase in Shanghai. Whatever Wang and Han may think in private, they have no choice but to follow closely Xi's policy line. Having arranged for Premier Li Keqiang to be publicly humiliated by allowing rumours to circulate prior to the Congress that Li was to be removed as Premier, his retention—someone again with a strong Youth League background—as Premier will not change the reality that it is Xi who dominates.

The other members of the PBSC are Li Zhanshu, Wang Huning, and Zhao Leji, all Xi loyalists. Li is a long-standing Xi follower and was handpicked by Xi to take on the critical role as head of the CCP's General Office shortly after Xi came to power in 2012. Wang was an academic who rose to become the top ghost writer on ideological matters for Xi, though he was first picked by Jiang Zemin and also served under Hu Jintao. Without an independent powerbase, his loyalty to Xi is his only guarantee for high office. As head of the Party's Organisation Department in Xi's first term, Zhao undoubtedly had earned Xi's confidence. He would not otherwise have been tasked to take over from Wang Qishan as Xi's main hatchet man, formally heading the Central Commission for Discipline Inspection. The distribution of portfolios ensures they are responsible for keeping the Leninist party machinery well-oiled and loyal to Xi.

Unlike his predecessor Hu Jintao, Xi is not primus inter pares but the paramount leader.

Xi has changed the power dynamics in the PBSC. Unlike his predecessor Hu Jintao, Xi is not *primus inter pares* but the paramount leader. By making all six other members the General Secretary's men, Xi has made it impossible for them to challenge him, unless he should appear fatally wounded following a spectacular policy blunder that he could not pin on someone else.

Xi Jinping ‘thought’

Xi also achieved a landmark success in getting his ‘thought’ written into the Party’s constitution, albeit not in his preferred format. The inclusion of the phrase ‘Xi Jinping Thought on Socialism with Chinese Characteristic in the New Era’ is almost certainly the result of a compromise. This seems the only major success achieved by the resistance. The amendment to the Party Constitution suggests that Xi now enjoys a position below that of Mao Zedong, but above that of Deng Xiaoping. To achieve parity with Mao, Xi needed to have ‘Xi Jinping Thought’ without the long tag written into the constitution. Even though in the fullness of time the general practice will shorten the description to just ‘Xi Jinping Thought’, the use of the full title in formal documents and occasions will remind the rest of the Party and the country that Xi had to make this concession at the Congress.

Nonetheless, with his name enshrined in the constitution while he is still in power, Xi has ensured that anyone who opposes him will henceforth be deemed an enemy of the Party. At the same time, although he has made himself more powerful than Deng, sustaining that power will require him to continue to tighten control over the Party. As paramount leader, Xi is feared rather than loved or admired within the Party, though he enjoys much wider support outside the CCP. This implies he will persist with the party rectification drive, better known as the anti-corruption campaign, which was a key instrument for him to consolidate his position and power in his first term.

Xi is feared rather than loved or admired within the Party, though he enjoys much wider support outside the CCP.

The lack of substantive content in ‘Xi Jinping Thought’ is apparent to those who are diligently inquisitive. Xi is an ambitious man who is determined to leave a legacy that is meant to be delivered by a ‘deepening of reform’. But the exact nature of reform Xi has in mind is as yet not clear or fully articulated. It would appear that Wang

Huning has his work cut out for him to put flesh on the bone that is called 'Xi Jinping Thought' in the coming decade.

New level of confidence

The confidence Xi demonstrated at the Party Congress reached breath-taking proportions when he outlined his vision for the PRC. He declared that in 30 years' time, its dramatically enhanced national strength would have transformed it into a modern, advanced and beautiful country. In other words, the world's leading power, second to none.

This is a grand vision whose fulfilment implicitly requires the PRC to sustain, albeit at a slightly lower rate, the fast growth of the last 30 years. China's achievement of about 10 per cent annual GDP growth over the last three decades already constitutes an unparalleled achievement in human history. Fulfilment of Xi's ambitious aspirations will require the PRC to maintain a compound rate of GDP growth of roughly 6 to 7 per cent a year for a further three decades. If it is to succeed, China will have to bypass the Minsky Moment², resolve the rapidly increasing debt burden, overcome the middle income trap, address the consequences of an emerging demographic deficit (captured in a contracting workforce alongside accelerated population ageing), and accommodate slower global economic growth. Perhaps not an impossible dream but one that is unquestionably exceedingly ambitious.

Xi seems to believe these challenges can be overcome by reinvigorating the Leninist nature and effectiveness of the Party. To Xi, doing so will enable the CCP to exercise leadership and control throughout the country and in all spheres, and face all challenges. For Xi, there is no inherent contradiction between economic globalisation and tightening Party control. His approach seeks to open the door for market forces to play a decisive role, though it also requires market forces to work with the Party in pursuit of this goal.

Xi's ambition and confidence are awe inspiring. Has he put China on a solid footing to achieve the goals he has set?

To begin to answer this question, it is necessary to recognise that Xi is now so powerful that even his lieutenants no longer dare to offer candid advice for fear of causing Xi to think that he is being contradicted. The astonishing vision of his opening speech at the Congress was unnecessary and its lack of realism might expose him to ridicule in the future. Furthermore, it rang alarm bells in the region and among the other great powers. The fact that top advisers who understand foreign policy, economics, demographics and history did not or could not persuade Xi to moderate his visionary ambitions for the next 30 years is worrying. If Xi's advisers and his colleagues in the Standing Committee do not dare to contradict him, the risk that Chinese policies will be grounded in inappropriate assumptions or calculations will increase, carrying a danger that misguided policies will be introduced and implemented with the full might of the Party and its military wing, the People's Liberation Army, behind them.

Implications for the wider world

A confident PRC led by the all-powerful Xi Jinping will expect the rest of the world to pay homage to itself and to him. It will insist on the Belt and Road Initiative being the flagship of Chinese foreign policy in reaching out to its strategic hinterland and the wider world. Guided by its Leninist nature, the Chinese government's craving for soft power will, ironically, reinforce its inclination to resort to hard power.

The Chinese government may have articulated a clear policy not to export the 'China model' but it will support others seeking to share the formula of its spectacular authoritarian success. Instead of looking outside the country for inspirations for reforming and strengthening China as happened in the Deng era, the PRC now looks to seize the narrative and articulate confidence in its own approach under Xi. The use of the united front approach means that the language used will highlight a win-win, but its focus is on sequentially eliminating competitors by seeking to appeal to the largest number of undecided spectators at any one time.

CHAPTER 3

CHANGING IDEOLOGICAL INFLUENCE
IN CHINA: AN ANALYSIS OF MAJOR
SURVEYS

President Xi has intensified the campaign to drum up enthusiasm for socialist ideology as an essential contributor to the Party's control. Surveys suggest that the acceptance of socialism and willingness to attend educational and indoctrination programs depend on proximity to power structures, economic status, age, and exposure to information not controlled by Chinese authorities. Not surprisingly, Party officials embrace socialism. Businesspeople and students hold a wider range of views, while peasants see official ideology as remote and irrelevant.

Ideological control and indoctrination are major political tools the Chinese Communist Party (CCP) relies upon to maintain itself in power. The Party-state has made tremendous efforts to keep ideological control over Chinese society: educational programs from primary school through university, media political propaganda, and indoctrination activities in all walks of life. The ideological framework is based upon Marxism, Leninism, Mao Thought, Deng Xiaoping Theory, 'Three Represents', 'Scientific Development Outlook', and the 'Xi Jinping Theory of Socialism with Chinese Characteristics for the New Era'. Other concepts are also important in the Chinese ideological narrative: socialism with Chinese characteristics, core socialist values, collectivism, and a sense of common aspirations (*gongtong lixiang*).

It is widely believed that the CCP's ideological influence in China has been declining during the reform era, leading to a significant erosion of the Party's legitimacy. Since coming to power in 2012, Xi Jinping has stepped up the promotion of the ideological narrative in all aspects of Chinese life. Under his leadership as well, the Party-state is staging a vehement attack on Western democracy and values. This paper examines the effectiveness of the Party-state's ideological indoctrination by taking stock of major findings that have appeared

in a number of surveys done by Chinese researchers in the past few years. Surveys of different groups, including Party and government officials, professionals, peasants, university students, and private business owners are examined here.

A few conclusions can be drawn from these surveys. First, ideological work will remain a top priority for the Party. The CCP is unlikely to reduce the intensity of its ideological propaganda and indoctrination efforts in the foreseeable future. And adherence to the Party's ideological framework continues to generate political opportunities, jobs, career advancement, and business-networking opportunities for people in different sectors. Support and belief in the governing ideological narrative, no matter how genuine it is, is still regarded as a requirement for people working within the system and in certain sectors. This narrative, to some extent, continues to serve as the benchmark for political correctness in Chinese society.

Support and belief in the governing ideological narrative, no matter how genuine it is, is still regarded as a requirement for people working within the system...

Secondly, to a large extent the influence of ideology in China is rather shallow. Most sympathisers of the official ideology are only inclined to agree with such catch-all statements as “Marxism should be the guiding ideology for China” and “China should continue with socialism with Chinese characteristics”. Few people are true believers in the substance of the country's ideological framework. A partial exception is the circle of party and government cadres. In general, these officials tend to exhibit stronger and more genuine support for the official ideology. All other groups of supporters tend to be pragmatic and utilitarian; they simply pretend to subscribe to the official ideology in their pursuit of personal interests.

Thirdly, one can observe some major challenges to the effectiveness of the propaganda programs. There is a wide gap between the country's socio-economic reality and the tenets of the official ideology.

Widening income disparity, corruption, social injustice, abuse of power by government institutions, and rising housing prices challenge the veracity of the ideological messaging for the vast majority of the Chinese people. The growing popularity of the Internet and various social-media outlets significantly reduces the effectiveness of the ideological indoctrination activities. Access to information from foreign sources, particularly Western countries, also helps offset the official ideology's attractiveness.

In summary, there is a diversification of values and a general decline of interest in ideological matters in Chinese society.

Party-state officials

The first group of people one must examine is Chinese officialdom. A study of 1300 cadres in Anhui Province reveals some interesting facts about the influence of ideology among Party-state officials. This group included 1067 party members, most of them officials at the director and director-general levels. According to the survey, 67 per cent visited government-sponsored web sites for information about Chinese politics and policy. Most of them also relied on the China Central Television (CCTV) and local TV programmes, party newspapers, and party journals to keep abreast of current events. In general, these officials displayed a low trust in information from foreign sources and overseas web sites that would be available through virtual private networks (VPN). Clearly, mainstream official media outlets continue to have strong influence on this group of people. Surprisingly, about 20 to 25 per cent of these officials also relied on foreign media for information.

When asked about their views on 'universal values', 46 per cent of respondents replied that different countries and different societies may have different interpretations of the concept and 359 denied their existence. With regard to online foreign views critical of China, 35 per cent believed that these were a result of ineffective propaganda and 60 per cent attributed them to the West's jealousy of China's rise. Some 32 per cent noted that the perception was a result of some Chinese inappropriate policies; 45 per cent chose corruption of some

officials as a contributing factor, whereas 30 per cent opined that China needed to contend with Western countries' critical voices. The survey showed that almost 80 per cent chose Marxism as their belief system.

When asked to assess the ideological struggles facing China, 79.95 per cent of respondents noted that the struggles are very intense and serious; 58.2 per cent stated that Western ideological and values infiltration is close or very close to them personally. Some 52 per cent noted that the cultural infiltration by hostile Western forces and the threat to China's ideological security through the Internet have become a very serious problem for China. Over 63 per cent noted that "the cyber sphere has become a major battlefield for ideological struggle between China and Western countries"; and 61 per cent agreed that "young people are the key target (of) such ideological struggles online".

Ninety per cent of this group of cadres "fully support" or "support" the ideals, objectives, requirements, concepts and policy measures that have been proposed by the Party since the 18th Party Congress held in 2012; these include "the four comprehensives", "modernisation of the state's governance", the Belt and Road Initiative (BRI), and the economic new normal. Seventy per cent believed that the Chinese dream will come true; 63.3 per cent were confident and 24 per cent were somewhat confident in the socialist path with Chinese characteristics. Over 59 per cent respondents supported and felt satisfied with China's socialist system; 30.2 per cent supported but felt somewhat unsatisfied.

In response to the view that livelihood issues (education, medical care, employment, housing, pension and social insurance) and corruption were more threatening than ideological challenges, 17 per cent fully agreed; 43 per cent agreed to some extent while 25 per cent disagreed. In response to the statement that "high housing prices in first and second tier cities have had a profound impact on people's values and attitude towards wealth", 30 per cent respondents strongly agreed and some 43 per cent did so to some extent. With regard to the question of the most important factor that negatively affects the

receptivity of core socialist values, 31 per cent chose “corruption and abuse of power”; 24 per cent noted “the big contrast between social reality and core socialist values”; 16 per cent referred to the “ineffectiveness of educational programmes of core socialist values”; and 15 per cent blamed the “insufficient handling of people’s livelihood matters”.

Clearly, the official ideology still exerts a fairly strong influence on these Party-state officials³.

Business leaders in the private sector

There has been an assumption that the private business sector is less ideologically inclined than others sectors in Chinese society. A 2015 study on the political attitudes of 278 private sector business leaders in Wuhan may be indicative of the degree of ideological influence in this sector. When asked about “the differences between socialism with Chinese characteristics and capitalism”, 58.7 per cent of respondents noted that there are fundamental differences between the two. Forty-five per cent indicated that they are willing to join the CCP, whereas 31.4 per cent were not willing to do so. The survey data indicates that 51.4 per cent are not representatives in any social or political organisation; for those who are, 35.5 per cent are affiliated to a federation of trade unions; 25.2 per cent to a people’s political consultative conference, and 8.4 per cent to a local people’s congress. The survey suggested that nearly half of the business leaders who decided to serve as political representatives are highly motivated by various utilitarian considerations: 25 per cent see these organisations as channels for their own business concerns; 16.1 per cent are seeking a higher profile for themselves and their businesses; and 8.9 per cent are seeking networking opportunities with government leaders and elites in other sectors. This survey’s findings also suggest that there are differences in ideological outlooks among different age groups. Foreign exposure also matters. Those with some foreign exposure tend to be less supportive of the official ideology.

Views among the rural population

A 2016 survey of the political and ideological attitudes in the Yanglin region in Shanxi Province concluded that in general the peasants do not have a sufficient understanding of the mainstream ideology. The researchers distributed and collected 150 questionnaires from six villages in Yanglin. With regard to the villagers' belief system, 20 per cent of households feature a Buddhist icon, 90 per cent have images of folk religions, and 10 per cent hang images of Mao Zedong, Zhou Enlai or other former CCP leaders. Villagers noted in the interviews that they hang CCP leaders' images as a show of admiration and respect for them. When asked whether they attended Marxism-related study sessions organised by the village authorities, 14.5 per cent (mostly village cadres) replied positively; 21 per cent occasionally attended, while 64.5 per cent had never heard of such study sessions. When asked to identify major obstacles preventing them from believing in Marxism, 56.25 per cent responded that Marxist theories are too distant from their actual life; 27.1 per cent noted that the big wealth gap in society makes it difficult for them to believe in Marxism; and 43.75 per cent suggested that they do not have any intrinsic motivation or need to study Marxist ideology. The survey also indicated that even peasants who are Party members are not interested in studying Marxist ideology because they felt that the gap between Marxism and reality is too big and that ideological theories are too abstract and difficult to understand⁴. The degree to which inferences can be made from this small survey remains limited, but the figures offer an important window on to the rural population.

University and graduate students

A survey of 1800 students at nine universities finds that they rely heavily on the Internet and social-media platforms for information and that there is a real diversification of values within this group. Some 61.5 per cent of respondents noted that the teaching of ideology in the universities remains unappealing and the content continues to be uninteresting⁵. The graduate students' ideological outlook appears to be even less positive. In a study of graduate students in

ten universities in Xi'an, 37 per cent decided to join the Party to pursue job opportunities and career development⁶.

A 2015 study of 200 students at three universities in Hefei, the capital of Anhui province reveals other interesting findings. In response to the question “how closely do Western ideological values influence you?”, 65 per cent responded that their influence can be felt in their daily lives, entertainment, and education; 35 per cent replied that they had no impact on them or that they have not paid any attention to such issues. In reply to the question “how do you evaluate US ideological infiltration in Chinese culture?”, 67 per cent noted that they notice some infiltration but that it is not be a cause of alarming concern, whereas 31 per cent suggest that the phenomenon is important and the situation is very dangerous. In response to the question “how do you regard our country’s ideological struggles with the West”, 16 per cent noted that they have rarely paid attention to them, and 38 per cent said that they have heard of them but do not quite understand the issue. On the other hand, 22 per cent responded that they roughly understand the issue, and 25 per cent believe that such struggles will be long term, intense and complicated. From the data, the Chinese researchers behind the survey concluded that most university students failed to understand the harm of Western ideological infiltration and were lacking in vigilance.

Sixty-eight per cent believed that Marxism should be the mainstream ideology. When asked about their attitudes towards Marxist beliefs, 59 per cent responded that they roughly agreed with and supported them while 14 per cent stated that they did not care. Thirty-eight per cent of respondents noted that the Western democratic system and a multi-party system could be tried in China⁷.

Another survey of students in four universities in Hunan province underscores the challenges confronting the Party. Among the 756 respondents, 87.3 per cent did not pay much attention to politics and 96.4 per cent could not provide an accurate description of the contents of the ‘Four Comprehensives’. In response to the question “what is your view on the statement that the Chinese Communist Party is the leading force for socialism with Chinese characteristics”, 71.2 per

cent of students agreed; 28.8 per cent noted that they had no idea. Only 55.3 per cent could correctly state the founding year of the CCP, whereas 39.5 per cent noted that they did not understand the following statement: “The CCP played a pivotal role in anti-Japanese war”. When asked what they were doing during political and ideological classes, the responses were as follows: 35 per cent wanted to take a nap; 25.4 per cent were doing homework for other courses; 10.9 per cent were secretly using their mobile phones; and 28.7 per cent were listening to the lecturer⁸.

Another group of researchers conducted a survey of 111 students (131 questionnaires were distributed) at the International Relations University⁹, one of the best-known foreign language universities in China. Over 92 per cent agreed that “socialist China has made enormous achievement” while 76.6 per cent and 82 per cent of them agree with (*rentong*) the guiding role (*zhidao*) of Marxism in China and the policy lines of the Party-state respectively. The researchers concluded that these university students’ understanding of the mainstream ideology needed to be further improved. In general these students are patriotic, but when it comes to their political identity, they tend to be less willing to support the socialist nature of their nation.

Another survey of Party members that are also university students reveals a stronger ideological mind set but also suggests that these young CCP members have diverse views. Among the 296 student members of the CCP at Xinyu College who took part, 46.9 per cent said that they “regularly pay attention to” Xi Jinping’s serial speeches and the 5th Plenary Session of the 18th Party Central Committee; 58 per cent of them did so occasionally. Ninety-four per cent agreed that the CCP was the core force for socialism with Chinese characteristics whereas 95.9 per cent expressed support for Marxism as China’s leading ideology. Some 77.6 per cent of them noted that they believe in Marxism.

These junior Party members, however, have a very different evaluation of the commitment of their fellow Party members. Only 6 per cent said they demonstrate “very high” ideological and political morale,

while 56.4 per cent described it as being “relatively high”. Some 20.4 per cent noted that they had not paid any attention to Western ideological influence. Surprisingly, 16.4 per cent said that they also believed in religion.

It is interesting to note that non-Party students assess the student Party members very differently: 59.3 per cent said that Party members around them only “occasionally” payed attention to current political events, whereas 51.2 per cent believe that student Party members “only casually listened ”to ideological and political lectures and appeared to lack interest (*da bu qi jingshen*). Some 70.4 per cent of regular students rate their Party classmates are “so so” in terms of political and ideological fervour. Over 66 per cent said that Party members around them liked US movies, fast food, and the NBA. When asked whether “Party members close to you can play a leading or influencing role for you on political and ideological issues”, 53.7 per cent of them replied that they are not sure or simply said no¹⁰.

A study of student Party members at private universities in Liaoning provides different insight. Among them, 59.7 per cent said that they strongly believe in Communism, 25 per cent are sceptical and 15.3 per cent are non-believers. Student Party members in 70 per cent of the private universities account for less than 5 per cent of their student population. Fifteen per cent of these universities have less than 2 per cent affiliated to the CCP. Regular students also have a fairly low opinion of their Party peers; 55 per cent note that their Party classmates perform at an average level and 34.8 per cent believe that Party members are not even as good as ordinary students¹¹.

Conclusion

A scan of various surveys conducted in China in recent years suggests that the Party-state’s ideological education campaigns and activities have failed to boost the ideological outlook and morale of the vast majority of the Chinese people. Party and government officials have been subject to a more effective political education, but it is difficult to know whether these officials and public servants truly believe in the substance of the official ideological narrative. The political

structure in China is such, however, that these ideological tenets continue to be binding on their mind sets. Also, a result of the constant propaganda administered in the form of political study activities, it could well be that these officials have at least a fairly strong inclination towards the official ideology.

The other groups in China all demonstrate pluralistic political orientations. Ideological education programs do not seem to have been very effective. Chinese peasants remain ideologically indifferent. People in the private sector pay attention to political and ideological activities, but their involvement in and attention to these activities seem more symbolic than substantive. Chinese students are strikingly diverse when it comes to their ideological views and attitudes towards political education. Many of them exhibit pragmatic considerations and utilitarian pursuits. The Party's ideological propaganda cadres face many daunting challenges in influencing Chinese society in the information age.

CHAPTER 4

READING CHINA FROM AFAR: IS THE
CHINESE SYSTEM BECOMING MORE
OPAQUE?

Many of the reforms implemented by President Xi Jinping have made it much more difficult for foreign observers to understand what is happening in China. Party control, organisational change and restraints on citizens speaking to foreigners have made China more opaque than it was. Government officials, the public and even Party members find it hard to understand which decisions are made and why. For foreign observers it is more productive to use sources outside China, supplemented by periodic visits.

Analysing China's domestic politics has proven to be a particularly difficult task since 2012. Then, on the eve of the 18th Congress of the Chinese Communist Party (CCP) and the appointment of Xi Jinping as Party Secretary, China watchers were wondering what kind of leader Xi would become. The limited amount of information publicly available about him and the closely controlled and well-coordinated communication strategy generated myriad questions. Would he be a conservative or a reformer? All options seemed opened at the time. It was even harder to analyse his mind set or draw up a psychological profile. How had the Cultural Revolution shaped his political and ideological views? Some observers argued that he would be a 'moderate' leader, having personally experienced the consequences of ideological extremism. Others argued on the contrary that he had become "redder than red" (according to a leaked US diplomatic cable) during the revolution, embracing the Party line to survive.

The speed and extent to which Xi restructured institutions and consolidated his personal power since becoming leader, and the scale of his anti-corruption campaign came as a surprise and went against the opinion of many analysts, including that of leading China experts. It is much easier today to analyse Xi's political and ideological orientation. His actions as president confirm that he is a conservative leader, and that he should remain so in the coming years. Still,

significant challenges remain. For example, forecasting appointments before the 19th Party Congress (October 2017) and the annual session of the National People's Congress (March 2018) remained an extremely difficult task.

A growing lack of visibility

The lack of transparency about the political system has been reinforced significantly since the beginning of Xi's presidency. At least four factors explain this, in addition to the CCP's traditional fear of infiltration by so-called Western hostile forces. First, Xi's swift restructuring of many central institutions (civil and military) make it more difficult to stay on top of the most recent institutional changes, understand their specific responsibilities and the consequences of these changes on the decision-making process. Second, the reinforcement of Party discipline, which includes human mutual surveillance measures, in addition to technological surveillance, has led to a significantly stronger control of individual and institutional communications.

The reinforcement of Party discipline is promoted through the anti-corruption movement, which in itself represents a third and particularly significant factor reinforcing opacity. This movement has punished more than 1.3 million officials since 2013 according to PRC government figures published in October 2017 (Central Commission for Discipline Inspection), and has generated a sense of fear among cadres in the Party, the People's Liberation Army, state media, state-owned enterprises (SOEs), and central and local governments. The anti-corruption movement also has had an impact on Chinese research institutions, universities and think-tanks. Researchers appear more cautious in their communications today than during the Hu Jintao era, and refer more frequently to approve official concepts, expressions and talking points. All Party- and government-affiliated actors, including researchers, are strongly encouraged to read several times and learn Xi's main speeches and writings (such as his book "The Governance of China") according to the slogan "study twice, implement once" (两学一座). This is not a

new trend, but it has certainly been reinforced since 2014, when Xi called for the emergence of a “new type of think-tank with Chinese characteristics” that “should be led by the Chinese Communist Party and adhere to [the] correct direction” and “strengthen China’s soft power” (Xinhua, 27 October 2014).

Many in the PRC prefer to adopt a cautious approach as a result of these developments. They are less inclined to take risks and exchange with foreigners and even with other Chinese citizens.

Less transparency on multiple fronts

The greater lack of transparency is obvious on a number of fronts. The Chinese political system is certainly opaque to foreign observers. It is equally opaque to the Chinese general public who find it a challenge to access information given the reinforcement of media control domestically (traditional and social media). Likewise, it is difficult for government officials to access information given the strong hierarchical order between the Party and government. For instance, diplomats from the Ministry of Foreign Affairs—an institution that is, among many others, implementing the country’s foreign policy—certainly have less information, and a more limited view of the foreign-policy decision-making process than Party-affiliated institutions such as the International Department of the CCP (中联部). On topics such as the Belt and Road Initiative (BRI), the ministry will have a more limited view than the supra-ministerial National Development and Reform Commission (发改委), which supervises the project. Furthermore, the strong compartmentalisation that still exists between governmental institutions means that very few Chinese state officials can pretend to have the full picture of either the domestic or foreign-policy decision-making processes. Lastly, one should not forget that it is also hard for individuals within the Party itself, including at the senior level, to have access to information. Many Party cadres have been as surprised by decisions taken by Xi in recent years as government and foreign observers. For instance, many senior Party cadres did not anticipate the scale of the anti-corruption movement and all the new regulations that followed which have a direct impact on their work.

Restrictions stiffen up exchanges with foreigners

The measures described above have had a significant impact on Chinese and foreign analysts. On the domestic front for instance, greater censorship has seriously restricted the access of Chinese diplomats or state-affiliated think-tank researchers to information from abroad. For example, a foreign-policy analyst focusing on France will not have access to the main French media at his/her place of work.

Many Party cadres have been as surprised by decisions taken by Xi in recent years as government and foreign observers.

On the other hand, foreign researchers have seen their own ability to exchange insights with their Chinese counterparts significantly curtailed. Anti-corruption measures limit international exchanges and dialogue on foreign policy: Chinese delegations have seen controls imposed upon their visits abroad, limiting the length and frequency of such visits. Administrative approval procedures for travel to international conferences or other meetings abroad are now much stricter and time-consuming than under Hu Jintao, often resulting in the canceling or postponing of visits. In addition, the level of delegation members is lower, as high-level cadres are the ones facing more constraints. When exchanges do take place, they are often less informative, the Chinese side tending to repeat the usual talking points as part of an increasingly well-coordinated effort of public diplomacy.

How to understand China in this new context

In this context, can one produce informed and insightful analysis on the PRC today? And if so, how?

It should be noted that it is now easier to analyse the PRC from abroad than it is from within the country. Fieldwork is still essential, but staying in China on a full-time basis may now prove counter-productive, as more sources are available outside the country. Periodic

travel back to the PRC may be the best option when conducting research on China in the current context.

Although the PRC's official pronouncements are known to use socialist jargon and empty phrases, white papers, action plans and speeches pronounced by senior leaders still must be studied carefully. Both the style and substance of these pronouncements can provide clues as to Beijing's ambitions and intent. For instance, the re-emergence of expressions that were popular during Mao's era ("mass line campaign" or "people's democratic dictatorship") help to interpret Xi's ideological influences. As to policy content, a close reading of China's official "Vision for Maritime Cooperation under the Belt and Road Initiative", published in June 2017, provides insights into China's maritime ambitions as well as its intention to become a norm-and-rules setter in this domain.

Doing fieldwork, attending conferences and conducting exchanges with think-tanks and universities in China can provide a useful complement to the detailed study of official statements. But expectations must be managed ahead of time so that a real exchange of information and insights take place. At present, most Chinese delegations insist that their foreign counterparts first offer policy comments and suggestions—which may ultimately fuel their own strategic brainstorming—but are increasingly reluctant to share their own views.

Analysis of official documents and interaction with Chinese representatives are also useful to help identify policy patterns. Given the centrality of the Party, the coordination of the decision-making process and its heavily bureaucratic nature, the PRC's domestic and foreign policy is pattern-based. Once decided by the central government, concepts and policies are implemented repeatedly in a number of countries and sectors. For instance, since Beijing decided to invest in regional cooperation mechanisms in the early 2000s, these mechanisms have burgeoned in most parts of the world. These include the Forum on China-Africa Cooperation (2000), the China-Arab States Cooperation Forum (2004), the China-Central and Eastern European Countries Cooperation Forum, known as 16+1 (2012), the

China-Community of Latin American and Caribbean States Forum (2015), and the Lancang-Mekong Cooperation Framework (2015). Their analysis is certainly helpful to identify the general pattern and methodology being followed by Chinese diplomacy, and anticipate new patterns that China may seek to implement elsewhere in Europe (such as in southern and northern Europe) in the coming years.

Those practical approaches may lead to original China analysis despite decreased visibility, which is likely to further intensify under Xi Jinping's. It may also be helpful in underlining in greater detail the central role played by the Party in the decision-making process. Foreign senior political and economic actors unfamiliar with the Chinese context often underestimate the Party's role and therefore tend to underappreciate the constraints facing their Chinese counterparts.

CHAPTER 5

EXPANDING REGIONAL AMBITIONS:
THE BELT AND ROAD INITIATIVE

China's Belt and Road Initiative (BRI) is a comprehensive plan to build land and maritime infrastructure projects that will put China at the centre of international trade. The resulting system encompasses six trade corridors, and includes port facilities, highways, railways, pipelines and fibre optic networks. The initiatives will draw in the raw resources China needs and facilitate access to markets for its products. As with other financial and technological initiatives, the BRI is intended to strengthen China's position as a great power.

The rise of the People's Republic of China (PRC) is one of the most important issues of our time. As China becomes more developed and prosperous, it is in a position to engage more systematically on the global stage. But what kind of international role, exactly, do its leaders envisage for the country? For a long time, the Chinese leadership has been following Deng Xiaoping's advice that, in international affairs, China should "keep a low profile, hide our capabilities and bide our time". But this has clearly changed since Xi Jinping came to power in late 2012. Just a few days after he was appointed as the new leader of the Chinese Communist Party (CCP), Xi publicly announced the goal his country would pursue: by 2049, the CCP would achieve "the China Dream of the great rejuvenation the Chinese nation", in other words reclaim its historical position as the central power in the region and beyond.

With Xi Jinping at the helm, the Chinese regime has laid out a series of domestic and foreign policies that are meant to help attain this objective. The Belt and Road Initiative (BRI) is the cornerstone of what Xi Jinping has hailed as the "project of the century"¹². Since the 19th Party Congress (October 2017), BRI has been enshrined in the charter of the CCP, along with 'Xi Jinping Thought on Socialism with

Chinese Characteristics for a New Era', highlighting the regime's long-term commitment to its success.

In a recent statement before the Senate Armed Services Committee, Henry Kissinger defined BRI as China's "quest to shift the world's centre of gravity¹³", implicitly acknowledging that China wants that centre to shift away from the Pacific and the Transatlantic towards Asia and itself. A careful reading of BRI gives us a glimpse at Beijing's ambitions to reshape the world order.

Promises and projects

The Belt and Road Initiative was not announced at a single point in time, but instead through two separate speeches given by Xi Jinping. The first was delivered in Kazakhstan in September 2013, when the Chinese president announced that China was willing to create a "Silk Road Economic Belt" stretching across land from China to Europe. The second was given in Indonesia a month later, where he announced China's intention to launch its equivalent at sea, the "21st Century Maritime Silk Road". Both proposals rapidly got combined under the abbreviation 一带一路 (*yidai yilu*) or "One Belt, One Road", an English translation officially replaced in 2015 by "Belt and Road Initiative" in order to convey the impression that China was offering the concept to the rest of the world, too.

The continental and maritime silk roads take shape along two lines shown on a map published by China's news agency Xinhua¹⁴. One winds across the Eurasian continent, from Xi'an to Western Europe via Central Asia, South Asia, the Middle-East, Russia, and Central Europe; the other travels along the South China Sea, the Bay of Bengal, the Indian ocean, through the Red Sea up to the Mediterranean. Laid flat across the continent, BRI covers a vast Eurasian region that includes mostly developing and emerging countries representing two-thirds of the world's population and half of the current global GDP. In Beijing's vision, the region will be connected to China along six so-called economic corridors that form a star-shaped, or "hub-and-spoke", system. Over the past few years, in addition to Eurasia,

China has included Latin America, Africa and the Arctic into BRI. There is also a digital Silk Road, and a Silk Road in outer space.

BRI's main feature is a series of infrastructure projects, some of them new, others launched before 2013 but now included within BRI and extending across the continental and maritime domain (railways, highways, pipelines, port facilities and fiber-optic networks). These projects are backed by promises of Chinese investments up to USD 1 trillion, mostly supported by Chinese policy banks (China Development Bank, Eximbank) and by financial mechanisms specifically created by Beijing (Asian Infrastructure Investment Bank, Silk Road Fund). Officially, BRI aims at enhancing China's relations with the broader Eurasian region through five categories of measures: policy coordination, infrastructure building, increased trade, financial integration and people-to-people exchanges. Thanks to the deepening links in those five areas, there will eventually emerge a peaceful and prosperous "community, a community of shared interests, destiny and responsibility¹⁵". In the mind of its architects, BRI is just a means: the ultimate goal is the creation of an integrated region, with China at its centre.

...the ultimate goal is the creation of an integrated region, with China at its centre.

The official narrative around BRI is carefully crafted around references to the historical Silk Road. An inelegant as BRI might sound, the initiative could not be called *New Silk Road* because it was the name of a 2011 US-led initiative for Afghanistan¹⁶. Nor could it have been called *Connecting Asia 2050*, because the historical symbol would have been lost. The reference to the ancient silk roads is significant: it refers to an era of wealth, prosperity and peaceful exchanges, a period of time when China was at the apex of its material and civilisational power, and its influence radiated far beyond the confines of its own empire. This is the glorious past that Xi Jinping is promising to bring back when he speaks of fulfilling the China Dream.

Beyond the propaganda campaign

China has been leading an intense, high-level round of diplomatic engagement with the broader region, and indeed the world, to gain support for its initiative. It launched an exceptionally active propaganda campaign to explain to worldwide audiences that its motives are benevolent. A large number of international conferences and seminars for academics and business types, sponsored by Chinese state entities, have been organised both in China and abroad. At the same time, Chinese state media has produced vast quantities of newspaper articles, reports and documentaries, relayed around the globe in several foreign languages. Beyond the propaganda campaign, the sleek videos and the polished diplomatic narrative, which project an image of “win-win cooperation” and goodwill for the broader region’s economic development, China’s real objectives are two-fold.

First, BRI is meant to enhance China’s own economic power by opening new markets for Chinese state-owned enterprises and broadening their global footprint. Subsidies and state support will help the state conglomerates in their race to become national champions capable of competing at a global level. Penetrating new markets will also help to get rid of some of China’s excess industrial capacity (in steel, cement, glass). The Chinese government also intends to accelerate the internationalisation of its currency, the renminbi, through swap agreements, e-commerce and cross-border transactions conducted in Chinese currency.

Second, BRI is also meant to reduce China’s most pressing strategic vulnerabilities. Beijing believes that economic development is key both to reducing the risk of social unrest and political instability, and to discouraging religious radicalisation, fundamentalism and terrorist recruitment within China’s borders and beyond. BRI is also seen as a way to enhance China’s energy security, by partially redrawing the map of its energy supply routes and bypassing the Strait of Malacca.

China intends to use its economic power as an instrument to achieve broader strategic objectives. Instead of gunboat diplomacy and coercive military power, BRI will be used to access new markets,

control critical infrastructure assets, and bend other countries' will to China's. Economic leverage can be used both as an incentive to garner support for Beijing's interests and reduce potential resistance, and as a coercive means to punish recalcitrant countries.

As importantly, BRI reflects Beijing's vision for a new world order. The leadership has recently become more blatant in its denunciation of the current order, criticising it as unfair and biased against emerging powers. The PRC has had to live in a world dominated by the West, universal values threaten to corrode its political system, and alliances undermine its interests. But it now feels strong and confident enough to reshape the international order in ways that legitimise its own political system and create more strategic advantages for itself. China's own model is now offered as a "new option for other countries and nations who want to speed up their development while preserving their independence"¹⁷. The "community of shared future for humankind" promoted by Xi Jinping as part of BRI's vision is supposed to emerge out of a vast area where Western influence is limited and democratic practices are weak. Increased Chinese influence over this region could bolster those who are already authoritarian and corrupt those who are trying to democratise. Advanced democracies would not be immune: their thirst for market access could make them more pliant and less prone to resist or criticise China.

After the end of the Cold War, several Western countries tried to promote infrastructure connectivity and economic development in the hope that prosperity would transform post-Communist Eurasia into a democratised and peaceful region. In parallel with transportation networks, they promoted free trade, democracy and rules-based governance. Those liberal democratic ideals that the West has been trying to promote over the region were part of their shared post-Cold War vision of an "open and free" Eurasian continent. They will likely come under increasing threat as BRI's footprint spreads across this vast region—with China at the centre—and as Beijing fulfils its dream of the great rejuvenation of the nation.

Looking ahead

As China's power expands, it will inevitably have an impact on its neighbourhood, the broader region, and possibly the world. Obstacles and challenges will undoubtedly emerge and there is no absolute certainty that China will have the capacity to accomplish its dream as it envisions it. Yet, intentionally or not, BRI will bring changes to the region's security landscape and have consequences for the strategic planning of Western advanced industrial democracies. Several areas need to be closely monitored:

- What is BRI's impact on global supply chains? Are there particular industrial or technological sectors that could be affected? Which industrial standards might be affected by the increased clout of Chinese national champions?
- What is BRI's potential impact on global energy flows? How might the rest of the world's energy security be affected?
- How consequential will the financial repercussions and debt burden be on weaker countries that may not be able to reimburse Chinese loans? What other forms of compensation might China seek in exchange for its capital (control over national assets or land, critical infrastructure, energy commodities)?
- What does the 21st Century Maritime Silk Road mean in terms of global maritime security, access to the global commons, and extension of the People's Liberation Army's (PLA) power projection capacity?
- What are the implications of the development of a Digital Silk Road and of Silk Road data stations set up in Belt and Road countries by Chinese ITC companies? How could this network be used as the basis to duplicate a Great Firewall or extend a social control system outside of China?
- What does a 'Silk Road in outer space' look like in terms of Beidou satellite coverage? How can this affect the West's own

intelligence, surveillance, target acquisition and reconnaissance (ISR) capabilities?

- Which countries are the most susceptible to be targeted for enhanced people-to-people exchanges? What kind of student profiles will receive Belt and Road scholarships to study in China? Which countries are enhancing their political and security intelligence cooperation with China under the Belt and Road umbrella? How does BRI help Beijing's political warfare and influence operations?

Conclusions

Under Xi Jinping's leadership, China has been more actively trying to re-order the broader region to its advantage. The Belt and Road Initiative is the main instrument serving this ambition. It purports to use China's economic clout and capital export as leverage to shape regional decision-making towards wider acquiescence to its core interests and support for its geostrategic objectives. When Xi welcomes his neighbours to get "onboard China's fast train of development"¹⁸, he is in effect inviting them to bandwagon and align politically with Beijing's national interests.

*...to re-order the broader region to...advantage.
The Belt and Road Initiative is the main
instrument...*

More important than BRI's actual concrete physical progress, such as railways laid on the ground or tonnes of steel exported to emerging markets, the Chinese-led initiative has helped create a momentum that portrays the PRC as the front-runner in efforts to alleviate economic difficulties faced by the global South. Beijing's apparent dedication in its political, diplomatic and financial commitment to such a complex and conflicted region strengthens its image as a genuine global power. The multi-layered web of political, economic and security ties that Beijing is weaving via BRI with two-thirds of the world's population is laying the ground of tomorrow's Eurasian economic and geopolitical landscape in ways that will be dramatically

different from the one Western powers have been trying to encourage since the end of the Cold War.

CHAPTER 6

THE ROLE OF THE CHINESE MILITARY
BEYOND ITS 'NEAR ABROAD':
IMPLICATIONS FOR GLOBAL SECURITY

To increase its capabilities, the military has increased its participation in combined exercises with regional partners, and become a major contributor to peacekeeping operations. China has only one military base abroad, in Djibouti, but it is expected to add another in Pakistan. An Overseas Operations Office was set up in 2016 to plan deployments. With millions of citizens working abroad, China may in the future have to deploy its military to conduct large-scale evacuations from unsafe areas—with unpredictable results for local and global stability.

The burgeoning interest of the People’s Republic of China (PRC) in becoming a global leader has increased significantly in 2017. China’s foreign policy of ‘striving for achievement’ (*fenfayouwei*) expands its interests to the greater periphery and calls for proactive efforts to achieve the two centenary goals: domestic prosperity and a strong, peaceful socialist state¹⁹. In the state-of-the-nation speech given by Prime Minister Li Keqiang in early 2017, the terms *quanqiu* (global) or *quanqiuhua* (globalisation) were used thirteen times, compared to five times the preceding year²⁰. Xi’s 2017 Davos speech and the Two Guidelines signal the PRC’s willingness to create and lead a new global order and take on ‘responsibility’ in a new, more proactive role that benefits the international system as a whole²¹. At the 19th Party Congress, Xi Jinping noted that China has “become a global leader in terms of composite national strength and international influence” and lauded the country’s “international influence, ability to inspire, and power to shape ... global peace and development²²”.

China hopes to expand its global role beyond that of economic cooperation to include greater influence in the realm of security and politics²³. This paper attempts to draw the implications for international security as China’s global role develops by looking at the PRC’s past record with respect to four main security activities:

peace-keeping, combined military exercises, an overseas military presence, and overseas military operations²⁴.

Exercises and military exchanges

Chinese military diplomacy in the form of combined exercises and overseas exchanges has grown in the past few years²⁵. According to Chinese scholars, exchanges are a form of military diplomacy that allows the PRC to “build and consolidate Chinese strategic points” and to ensure that others are “aligning” with its Belt and Road Initiative (BRI)²⁶. Writing in 2010, Dennis Blasko, the former US army attaché to China, noted that “the general trend lines observed include an increasing number of relatively small-scale, short-duration exercises, conducted mostly with forces from China’s immediate neighbours, in non-traditional security missions that support Beijing’s larger, foreign-policy objectives²⁷”. In the near-decade since Blasko’s writing, however, China has increased the number of these combined exercises: while Blasko counted 24 combined exercises in which the PRC participated between October 2002 and 2009²⁸, it conducted at least 25 bilateral or multilateral exercises in 2016 alone²⁹. According to a US Department of Defence (DOD) report on developments in China’s foreign military engagements, “many of these exercises focused on counterterrorism, border security, peacekeeping operations (PKOs), and disaster relief; however, some included conventional ground, maritime, and air warfare training³⁰”.

Moreover, with the exception of a combined medical exercise with Germany, all these exercises were conducted with regional partners. In other words, the PRC has yet to begin this type of military activity beyond its near abroad. Moreover, Chinese humanitarian missions in this region have been extremely limited. This suggests that, at least for now, the country is largely uninterested in supplanting the US as a global military power in providing humanitarian aid to other countries.

Peace-keeping

The most common way that the PRC has expanded its military

operations abroad is through UN peace-keeping. During the 2015 UN peace-keeping summit, President Xi pledged his country's commitment to peacekeeping and offered more Chinese contributions, monetary and personnel, to UN peace-keeping missions. As of 31 January 2018 China contributes a total of 2,634 peace-keepers in the form of police, UN military experts on mission, staff officers, and troops³¹. Peace-keeping also shows up in China's military strategy papers as a core function of the People's Liberation Army (PLA)³².

How might Chinese participation in overseas stability operations evolve? First, it is important to note that Chinese contributions in terms of proportion of troops has been relatively stable, hovering at around 2 per cent for the past 10 years, while its financial contribution has risen steadily. China participates in peace-keeping largely to acquire operational experience for its troops and to build a positive international image; its current contributions allow China to do just that. Chinese media, for example, enjoys writing stories about the "touching" letters of thanks Chinese peace-keepers receive in Sudan and how appreciated Chinese soldiers are abroad³³. Other studies suggest that Chinese PKOs have been effective "charm offensives" in Cambodia and Liberia³⁴. Therefore, Chinese financial contributions to the UN may increase, but troop levels are expected to stay relatively the same. If the PRC starts contributing more troops, this will be an indicator that its strategy with respect to the UN has changed.

One major indicator of an expanding PLA role in China's global strategy would be Beijing embarking on its own peace-keeping or conflict-reconstruction missions, so not under the umbrella of the United Nations. The PRC would most likely be pushed in that direction if its interests and citizens were directly targeted or endangered. While China has largely kept out of the ongoing civil conflicts and fight against terrorism in the Middle East, China's 2015 anti-terrorism law provides a legal basis for the PLA and People's Armed Police (PAP) to take part in overseas anti-terrorist operations. The PLA has yet to participate in any such operations although questions have arisen as to their possible presence in Afghanistan³⁵.

Chinese overseas military presence

China's overseas military presence is currently quite limited. The country's only military base overseas is located in Djibouti, from which it supports its rotating naval escort task force that conducts anti-piracy operations in the Gulf of Aden. The task force consists of two guided-missile frigates and one supply ship. According to government statistics, the task force has escorted over 6,400 Chinese and foreign ships in 1,109 batches since 2008³⁶. The vast majority of its escort missions take place within the context of these anti-piracy operations.

Djibouti is likely only the first of many Chinese overseas bases. A potential next basing location is Jiwani, Pakistan (near the Gwadar port on the Arabian Sea). Though there is no official government confirmation that Beijing will build a base at this location, multiple sources in or close to the Chinese Communist Party (CCP) and PLA have either confirmed the Jiwani location privately to media or published pieces in the *People's Daily* or conservative *Global Times* arguing that China ought to and will construct more overseas bases soon³⁷. A *Washington Times* report cites unnamed Pentagon officials as concerned that both of the PRC's overseas bases "are located near strategic chokepoints [for oil shipping]—Djibouti near the Bab-el-Mandeb Strait on the Red Sea, and Jiwani close to the Strait of Hormuz on the Persian Gulf"³⁸. The base would also significantly increase China's power projection capabilities in the Indian Ocean and Persian Gulf. Moreover, analysts say that China will look towards the future to build bases along strategic points in BRI³⁹.

Djibouti is likely only the first of many Chinese overseas bases. A potential next basing location is Jiwani, Pakistan...

The PRC's overseas presence is likely to serve mostly narrow national purposes. To date, the country has refused to join the Three Forces in combined anti-piracy efforts—the US-led Combined Maritime Forces (CMF) and Combined Task Force 151 (CTF-151), the NATO-led

Operation Ocean Shield, and the EU-led Operation Atalanta⁴⁰. This suggests again that Beijing has little interest in a broad global role as the US defines it, but may selectively increase its military presence and operations in accordance with its own economic imperatives.

Chinese overseas operations

In 2015, it was recognised that the PRC needed an institutionalised response to deal with any crisis abroad that directly affected Chinese interests or harmed Chinese citizens. The PLA Overseas Operations Office (OOO), established in 2016, was an attempt to meet these needs. The purpose and the main responsibilities of the OOO are to plan, prepare and implement the PLA's and PAP's non-war activities overseas, including coordinating overseas military operations, international peace-keeping, escorts and convoys, international rescue missions, and the evacuation of Chinese citizens; participating in international military exchanges; and coordinating with Chinese authorities and agencies⁴¹. This operations office is the highest-level office in the PLA that solely deals with the PLA's international operations, which reveals the PRC's increasing emphasis on overseas interests and its intent to expand its missions abroad⁴².

One of the most likely operations the PLA will be involved in overseas is that of non-combatant evacuations (NEOs). As of 2013, over 40 million Chinese citizens were living and working overseas across 151 countries, with a notable rise in Chinese citizens located in Africa and Central Asia⁴³. This number will only increase as China continues exporting workers for BRI and sending soldiers to conflict areas on UN PKOs⁴⁴. As more Chinese citizens go abroad, Beijing is compelled to protect them against "risk incidents" that might occur due to political instability, unsafe working conditions, and natural disasters⁴⁵. Domestic surveys have revealed that Chinese citizens strongly support NEOs and view protecting Chinese citizens abroad as one of the core functions of government. It is therefore unsurprising that the biggest box-office hit in Chinese history was *Wolf Warrior II*, a film about a Special Forces operative who travels to an unnamed African country to save Chinese hostages⁴⁶.

The Chinese government also faces increasing domestic political pressure to use its military to protect Chinese nationals abroad⁴⁷. According to a 2012 report by the Stockholm International Peace Research Institute (SIPRI), a total of 6,000 Chinese citizens were evacuated from upheavals in Chad, Haiti, Kyrgyzstan, Lebanon, Solomon Islands, Thailand, Timor-Leste and Tonga between 2006 and 2010. In 2011 alone, the PRC evacuated 48,000 citizens from Egypt, Libya and Japan. The Libya NEO was the first time the military assisted in such an operation, and it marked the longest known deployment in the People's Liberation Army Air Force (PLAAF) history. Given domestic support and past experiences, if conflict were to break out that put a large amount of Chinese citizens at risk, Chinese forces would likely move to evacuate them.

As with the 2011 Libya NEO, the Chinese Ministry of Foreign Affairs would be the lead organiser with heavy PLA involvement⁴⁸. Other agencies such as Commerce, Public Security, the Civilian Aviation Administration, and the local embassy are also likely to be involved. Chinese military authors suggest that both the People's Liberation Army Navy (PLAN) and the PLAAF may play key roles under the umbrella of the PLA's OOO⁴⁹. It is difficult to judge but based on Chinese writings, it seems that there is a lack of coordinated planning between these two entities as well as NEO-specific training within the PLA. Moreover, according to Chinese sources, the country still needs to improve its early-warning capabilities, streamline the procedures for information-sharing between Chinese agencies, and decrease response times in order to carry out successfully and efficiently large-scale NEOs.

According to Michael Chase, a China expert at the RAND Corporation, China has a number of platforms that could be leveraged in a NEO: the PLAN's three Xuzhou-class large amphibious ships and an aircraft carrier; and the PLAAF's large transport aircraft (China currently relies on imported Il-76 transport aircraft, but is developing its own large transport aircraft, the Y-20). Chartered flights are likely to play a crucial role as well. As of 2016, there were reportedly 5,046 civilian aircraft in China that could be repurposed in a contingency⁵⁰. According to *Jane's Intelligence*, Air China alone has about 60 civilian

aircraft that all together have a passenger payload of 18,622 people. Unlike the US, the PRC does not require approval to execute something akin to the Civil Reserve Air Fleet (CRAF).

...the country has been largely interested in participating in PKOs and the anti-piracy effort to gain operational experience, not to contribute broadly to global peace and security.

While past NEOs relied almost exclusively on civilian capabilities, with the notable exception of Libya, the PLA is likely to play a larger role in future NEOs for three reasons. First, given the amount of citizens needing assistance in most locations, China will want to use all assets at its disposal. It evacuated an impressive 36,000 citizens from Libya in ten days, but it has more than that many citizens in at least twenty other countries⁵¹. Second, the PLA is also looking to test and demonstrate its skills after the reforms. And finally, a successful NEO would boost the PLA's image domestically and internationally⁵².

Implications for the West

Today, overseas operations tend to be restrictive and, at least doctrinally, defensive in nature, with a focus on protecting Chinese political, economic, security and cultural interests, as well as “building cohesion and patriotism among local and overseas Chinese⁵³”. This review of the nature of Chinese overseas operations and presence, including military exchanges, exercises and peace-keeping missions, suggests two broad themes. First, the country has been largely interested in participating in PKOs and the anti-piracy effort to gain operational experience, not to contribute broadly to global peace and security. If Beijing had plans to contribute more broadly, we would see it conducting combined exercises with countries outside the region, emphasise humanitarian missions as much as PKOs, and cooperate with other nations in anti-piracy efforts. In short, the PRC's global aspirations are limited to conducting the types of operations that support its bid for regional hegemony and protect its economic interests, and it does not aspire to take on a greater burden at this time.

This creates a situation in which the most likely scenarios are Chinese free-riding or Chinese vigilantism. Vigilantism refers to the PRC acting in a way that does not accord with either international norms or stated Chinese principles of non-interference. Potential examples include the PLA launching an operation in which it enters a foreign country without permission to rescue hostages. Another scenario may be pre-emptively stopping the imminent destruction of an oil pipeline or energy resource on foreign soil to avert severe consequences for Chinese economic interests. Vigilante behaviour would likely be the worst scenario for the US, as it would pit Washington and its partners against Beijing. Also, given the minimal opportunities for consultation, the PRC would be more likely to act in a way that is further destabilising for the country in question, which could undermine other international efforts⁵⁴.

...the PRC's global aspirations are limited to conducting the types of operations that support its bid for regional hegemony...

In sum, most of China's military activities abroad are not likely to expand drastically over the next few years, with the potential exception of building more overseas bases. This is because China is relatively uninterested in taking on the full spectrum of activities and responsibilities necessary to be a global power. This does not mean there is no cause to worry. With greater capabilities at its disposal, China may become more likely to use its military arm to protect its expanding economic interests. With little experience and local knowledge, such action could further destabilise a country or region, leaving other countries to clean up China's mess. Or if these trends do not continue, and the PRC begins to expand its global activities to match those in the region, this will indicate a significant shift in Chinese military strategy.

CHAPTER 7

FINGERS IN ALL POTS: THE THREAT
OF FOREIGN INTERFERENCE IN
DEMOCRATIC SYSTEMS

New Zealand provides a vivid case study of China's willingness to use economic ties to interfere with the political life of a partner country. An aggressive strategy has sought to influence political decision-making, pursue unfair advantages in trade and business, suppress criticism of China, facilitate espionage opportunities, and influence overseas Chinese communities. Smaller states are particularly vulnerable to Chinese influence strategies.

Along with other nations, New Zealand is being targeted by a concerted foreign interference campaign waged by the People's Republic of China (PRC). The campaign aims to gain support for the Chinese Communist Party (CCP) government's political and economic agendas by co-opting political and economic elites. It also seeks to access strategic information and resources. China's efforts undermine the integrity of the New Zealand political system, threaten New Zealand sovereignty, and directly affect the rights of Chinese New Zealanders to freedom of speech, association and religion.

The PRC aspires to be a global great power and is seeking change in the global order. Under the leadership of the CCP's General Secretary, Xi Jinping, the PRC is now claiming a leadership role in global affairs and pursuing an assertive foreign policy. During the 1960s, Mao Zedong's China was promoted as the centre of world revolution. But under Xi, the PRC aims to lead Globalisation 2.0, by creating a China-centred economic order, a new economic and strategic bloc known as the Belt Road Initiative (BRI). Xi Jinping's assertive foreign policy includes the expansion of CCP political influence activities (known in China as united front work). United front work has now taken on a level of importance not seen in China since the years before 1949, when the CCP was in opposition. The CCP's united front activities incorporate co-opting elites, information management, persuasion, as well as accessing strategic information and resources. It has also

frequently been a means of facilitating espionage. One of the most important goals of united front work is to influence the decision-making of foreign governments and societies in China's favour.

Political-influence activities in the Xi era draw heavily on the approaches set in the Mao years and the policies of Deng Xiaoping, Jiang Zemin and Hu Jintao, but they take them to a new level of ambition. This reflects both the growing confidence of the Xi government in China's international influence, as well as the high-stakes strategy he is pursuing to maintain his regime through boosting economic growth and tightening control of information.

Like Mao, Xi stresses the importance of information control. In the modernised information environment, this now means not only China's own public sphere, but also how the international media and international academia comments on China and China-related issues. Hence the China Central Television (CCTV) international arm, CGTN (China Global Television Network), providing the CCP line to the outside world (emphasising business, not politics) via 24-hour satellite broadcasts and social media. At the same time, China Radio International (CRI) and the Xinhua News Service have cornered niche foreign radio, television and online platforms through mergers and partnership agreements. *China Daily*, the CCP's English-language newspaper, has arrangements to publish supplements in major newspapers around the world. China has also announced media cooperation partnerships with countries it calls strategic partners, such as Russia, Turkey and the 16-plus-1 states (Central and East European countries, plus China). Chinese universities and university presses have set up partnerships with their foreign counterparts and we are steadily seeing the creep of Chinese censorship into these domains as a result.

In September 2014, Xi gave a speech on the importance of united front work, using Mao's term to describe it as one of the CCP's "magic weapons⁵⁵". The other two magic weapons are Party-building and military activities, both of which feature prominently in China under Xi. In May 2015, Xi presided over a national united front work

conference, the first in nine years, and in July 2015 he set up a Leading Small Group on United Front Work⁵⁶.

Xi-era influence activities can be summarised into four categories:

- A strengthening of efforts to manage and guide overseas Chinese communities and utilise them as agents of Chinese foreign policy;
- Renewed emphasis on people-to-people, party-to-party, and PRC enterprise-to-foreign enterprise relations with the aim of coopting foreigners to support and promote the CCP's foreign policy goals;
- The roll-out of a global, multi-platform, strategic communication strategy; and
- The formation of a China-centred economic and strategic bloc.

The CCP leadership regards New Zealand as an exemplar of how it would like relations to be with other states in the future⁵⁷. The PRC's political influence activities in New Zealand have now reached a critical level.

Why China is interested in New Zealand

New Zealand is of interest to China's Party-State-Military-Market nexus for a number of significant reasons:

- The New Zealand government is responsible for the defence and foreign affairs not only of New Zealand, but also of three territories in the South Pacific: the Cook Islands, Niue and Tokelau, which means four potential votes for China at international forums;
- Since 2011 when legislation was passed to encourage offshore-managed funds to invest in New Zealand, the nation has developed some reputation as a hotspot for global money laundering. The Cook Islands, Niue and Tokelau are also well-known money laundering nations;

- New Zealand is a claimant state in Antarctica and one of the closest access points to it. China has a long-term strategic agenda in Antarctica that will require the cooperation of established Antarctic states such as New Zealand⁵⁸;
- New Zealand has cheap arable land and a sparse population, and China seeks access to foreign arable land to improve its food safety;
- New Zealand supplies 24 per cent of China's foreign milk, and China is the biggest foreign investor in New Zealand's dairy sector⁵⁹;
- New Zealand is useful for near-space research, an important new area of weapons research for the PLA;
- New Zealand has unexplored oil and gas resources and China is expanding its offshore oil and gas exploration; and
- New Zealand has expertise in multilateral trade negotiations, Pacific affairs, Antarctic science, and horticultural science, which is useful to China.

Furthermore, New Zealand is a member of the Five Eyes intelligence agreement that also includes the UK, the US, Canada and Australia, the Five Power Defence Arrangement, and their unofficial grouping of militaries, in addition to being a NATO partner state. Extricating New Zealand from these military groupings and away from its traditional partners would be a major coup for the Xi government's strategic goal of turning China into a global great power. New Zealand's economic, political and military relationship with the PRC is seen by Beijing as a model for relations with Australia, the small island nations in the South Pacific, and more broadly other Western states. New Zealand is valuable to China, as well as to other states such as Russia, as a soft underbelly through which to access Five Eyes intelligence. New Zealand is also a potential strategic site for the PLA-Navy's Southern Hemisphere naval facilities and a future Beidou-2 ground station; there are already several of these in Antarctica⁶⁰. All of these reasons make New Zealand of considerable interest to the PRC.

China's influence activities in New Zealand take the following specific forms:

- Targeted efforts to co-opt the New Zealand business, political and intellectual elite in order to get them to advocate for the PRC's interests in New Zealand and internationally. The means used are business opportunities and investments, honours, political hospitality, scholarships, party-to-party links and vanity projects;
- Targeted political donations through ethnic Chinese business figures with strong links to the CCP;
- Massive efforts to bring the New Zealand ethnic Chinese-language media, Chinese community groups, and New Zealand's ethnic Chinese politicians under CCP control, and efforts to influence their voting preferences; and
- The use of mergers, acquisitions and partnerships with New Zealand companies, universities and research centres so as to acquire local identities that enhance influence activities and to provide access to military technology, commercial secrets and other strategic information⁶¹.

Some of these activities endanger New Zealand's national security directly, while others have a more long-term corrosive effect. The impact of China's political influence activities on New Zealand democracy has been profound: a curtailing of freedom of speech, religion and association for the ethnic Chinese community, a silencing of debates on the PRC in the wider public sphere, and a corrupting influence on the political system through the blurring of personal, political and economic interests. Small states such as New Zealand are very vulnerable to foreign interference: the media has limited resources and lacks competition; the tertiary education sector is small and, despite the laws on academic freedom, easily intimidated or co-opted. But foreign interference (by any state) can only thrive if public opinion in the state being influenced tolerates or condones it.

The PRC has not had to pressure New Zealand to accept Beijing's soft power activities and political influence: successive New Zealand governments have actively courted it. Ever since New Zealand-PRC diplomatic relations were established in 1972, New Zealand governments have followed policies of attracting Beijing's attention and favour through high-profile support for China's new economic agendas⁶². New Zealand governments have also encouraged China to be active in New Zealand's region, from the South Pacific to Antarctica: initially as a balance to Soviet influence, as an aid donor and scientific partner, and since 2014 as part of the 'diversification' of New Zealand's military links away from Five Eyes partnerships⁶³. In May 2017, New Zealand agreed to promote the Belt and Road policies in Oceania, including at home. New Zealand was the first Western country to sign a cooperation agreement with the PRC on the BRI.

The New Zealand National Party government (2008-2017) followed two main principles on China. First was the 'no surprises' policy⁶⁴, that meant the New Zealand government or its officials or anyone affiliated with government activities had to avoid saying or doing anything that might offend the PRC government, which inevitably had a chilling effect on normal policy discussions. Second was an emphasis on 'getting the political relationship right', which under the National Party came to mean developing extensive and intimate political links with CCP local and national leaders and their representatives and affiliated actors in New Zealand. Both these approaches fed and encouraged the success of China's political influence activities in New Zealand.

Yet in New Zealand, unlike Australia, the topic of China's expanded influence activities had never been raised publicly. In that context, the public release of Anne-Marie Brady's research paper "Magic Weapons: China's Political Influence Activities under Xi Jinping", one week before New Zealand's 23 September 2017 national election, fed into the *zeitgeist* and unleashed a national and international media storm. The author took the unusual step of publicly releasing what had originally been a conference paper, not meant for public release, as the information uncovered was of public interest. The issues raised

affected both the major political parties in New Zealand. The paper had a massive impact in New Zealand and internationally.

International and domestic media attention on China's influence activities in New Zealand has put the new Labour-Greens-New Zealand First government in an awkward position. In order to deal with the issue, it cannot just attack the policies of the previous government; it also has to clean its own house and deal with the involvement of some of its own senior politicians in united front activities⁶⁵. New Zealand must indicate to its allies that it is going to address the issue, but it has to do so in a way that will not offend the PRC, which is watching the new government's actions like a hawk. It will take strenuous efforts to adjust course on the direction the previous National government set New Zealand, which aimed to develop an ever 'deeper and stronger' relationship with the PRC.

China is New Zealand's second largest overall trading partner⁶⁶. New Zealand signed a Comprehensive Cooperative Relationship Agreement in 2003 and a Comprehensive Strategic Partnership Agreement in 2014 with China. New Zealand is now expanding relations with China well beyond trade: to finance, telecommunications, forestry, food safety and security, education, science and technology, tourism, climate change and Antarctic cooperation, and even military cooperation. In contrast, the Trump presidency has not ratified the TPP, which New Zealand helped to set up.

New Zealand, like many other small states in this changing global order, must partner up with like-minded governments and give up the notion that it needs to seek shelter with one or other of the great powers. China's political-influence activities are part of a global foreign policy. New Zealand's friends and allies can help New Zealand, and other vulnerable small states, by looking to ways to partner economically. In so doing they will help to lessen the pull of having to make political concessions to the PRC for economic benefit, which was the Faustian choice made by the last New Zealand government.

Conclusion

Each state resists political interference in its affairs by other nations. The PRC frequently berates the US and other states for perceived interference in China's domestic politics, and promotes non-interference in the domestic affairs of other states as an important principle of its foreign policy—although the united front strategy has always gone against that ideal. For a small state like New Zealand, which is a former colony of one great power and has been under the shelter of another for more than sixty years, it can often be a challenge as to how to defend the country against foreign political interference. It takes the political will of the government of the day and popular support to do so. If New Zealand can find a way to better manage its economic and political relationship with the PRC, it could become a model to other Western states.

CHAPTER 8

CHINA'S INTELLIGENCE LAW AND THE
COUNTRY'S FUTURE INTELLIGENCE
COMPETITIONS

China's National Intelligence Law codifies existing practice and adds significant new principles. The law establishes a clear divide between civilian and military security functions. It establishes working groups on intelligence and national security on a geographic and functional basis. In establishing legal principles for the operation of state security agencies, the law makes it clear that the agencies support Party rule, and the economic and social interests of the state. Citizens have a duty to cooperate with state intelligence and security agencies.

On 28 June 2017, the National People's Congress passed the National Intelligence Law and outlined the first official authorisation of intelligence in the People's Republic of China (PRC). Unlike its Western counterparts, the intelligence law does not specifically name China's intelligence services. Instead, the law describes the "national intelligence work institutions" as the "intelligence organs" of the state security and public security institutions, as well as military intelligence organisations. The law's vague definition of intelligence in the opening articles suggests intelligence includes both information collected and activities conducted in support of comprehensive state security. The national intelligence work institutions provide intelligence information to inform decision-making and undefined capabilities for action to support state security.

The Intelligence Law contains a mix of continuity and change in how China protects state security and conducts intelligence. Like much of the past state security legislation,⁶⁷ the law makes explicit what has long been done in practice. The most significant change relates to the institutional arrangements for intelligence work and empowering "central state security leading bodies" with setting intelligence policy, providing guidance, and coordinating activities. The results, however, need to be watched to understand how the

military intelligence system, the state and public security organs, and the Chinese Communist Party's (CCP) united front organs come together (or not).

Content and implications of the intelligence law

The intelligence law highlights one important continuing trend within the state security legal structure put in place since 2014: everyone is responsible for state security. As long as national intelligence institutions are operating within their proper authorities, they may, according to Article 14, “request relevant organs, organisations, and citizens provide necessary support, assistance, and cooperation”. According to Article 16, intelligence officials “may enter relevant restricted areas and venues; may learn from and question relevant institutions, organisations, and individuals; and may read or collect relevant files, materials or items”. China’s intelligence services may lack the political power of the Soviet-era KGB, but they do not lack for authority relative to all but the CCP’s senior leadership and core institutions.

Beijing regularly has sought to punish those who damage the government’s reputation, unveil the Party’s internal politics, or otherwise act against its interests. This punishment has taken many forms, ranging from the extra-legal renditions of Hong Kong booksellers to the denial of visas to enter China. Article 11⁶⁸ of the intelligence law dictates that the intelligence services will work to collect and collate the information base that support the identification of problematic individuals and institutions, as well as prevent and punish them for their work. One can read this in a narrow context in which only terrorists, spies and dissidents become targets. However, the detailed Implementing Regulations for the Counterespionage Law (December 2017) suggest a more expansive interpretation. For example, these regulations include “fabricating or distorting facts, publishing or disseminating words or information that endanger state security” as an espionage-related offence, particularly if that person can be tied to an intelligence organisation or “hostile organisation” as designated by the Ministry of Public Security (MPS) or the Ministry of State Security (MSS). “Fabricating

or distorting facts”, at least as described by China’s official spokespeople and media, includes describing China’s interference in foreign countries, discussing its human rights record, and anything related to Chinese territorial claims.

The most important consistency contained in the recent intelligence law is the divide between civilian and military intelligence, which closes Article 3: “The Central Military Commission uniformly leads and organises military intelligence efforts”. After explaining how the leading central state-security organs will guide China’s intelligence efforts, this passage clearly distinguishes the People’s Liberation Army’s (PLA) intelligence organs from their public and state security counterparts. No one outside the Central Military Commission (CMC) will direct military intelligence, and the PLA’s intelligence organs will report only to whom the CMC directs them. An early draft of the law implied this authority might be diffused, but the law’s final text stamped that language out. Because of their authority, how the CMC members decide PLA intelligence should cooperate (or not) with other decision-making bodies will decide whether China possesses a cohesive national intelligence apparatus.

The one piece of clear institutional change is the likely creation of an Intelligence Working Group operating below the Central State Security Commission (CSSC). This working group probably would be mirrored in the provincial and local State Security Leading Small Groups. Each level of what the law calls the “state security leadership bodies” has a working group for each of Xi Jinping’s eleven areas of comprehensive security⁶⁹, plus an additional working group for each of the recent state security-related laws. The CSSC and its Intelligence Working Group would be responsible for the Article 3 responsibilities⁷⁰ related to formulating intelligence policy, establishing coordination mechanisms and a division of labour, as well as planning national intelligence efforts. The working groups at sub-national levels most likely would focus on the coordination and planning functions outlined in the law, leaving intelligence policy and overall direction to the central authorities.

The CSSC may have some authority to influence the PLA's intelligence activities. Although the law stipulates the CMC will "uniformly lead and organise" military intelligence, it also gives the CSSC distinct authorities for policy guidance, planning, and coordination over the "national intelligence work institutions." What this means in practice has not been defined publicly. The PLA has resisted encroachment on its authority by civilian institutions, and the military's membership on the CSSC remains unknown.

Notably absent from these institutional developments are the united front organs in both the Party and the PLA. Both the United Front Work Department and the Liaison Bureau of the PLA's Political Work Department handle overseas Chinese, Taiwanese and other outsiders in ways that look like running a recruited agent. The united front system may have an action-oriented agenda—extending the Party's reach and managing social groups—but its work necessarily brings its officials opportunities to acquire intelligence information. A state law would not mention Party organisations, but the well-worn "other relevant departments" is noticeably absent from the Intelligence Law. This is another area to explore for understanding how China integrates intelligence information and exploits the opportunities of its global reach.

Since 2014, Chinese and Taiwanese interlocutors have expected some undefined reform of the MSS. Overseas Chinese-language press suggested this reform might even lead to the splitting of the MSS into a foreign intelligence service and domestic counterespionage service. Last summer, knowledgeable Chinese interlocutors said the Intelligence Law presaged reform to the ministry, but could not or would not describe what such reform would entail. The distinction drawn in the law's language between the MSS and its intelligence organs suggests the Chinese government draws clearer distinctions between state security elements that are missed in Western characterisations of the ministry as China's civilian intelligence and counterespionage service. There may be a natural division of the MSS that makes sense, based on how different parts of the ministry contribute to their respective intelligence, state security, united front, cybersecurity, etc., policy systems. If this is the case, the overseas

Chinese-language media may have got the substance of possible reforms correct, but not the timing.

The law's text offers little new insight into Chinese intelligence operations. The law provides official sanction for the intelligence services to do things long observed in their activities: coopting officials in other government agencies; compelling cooperation from PRC citizens; commandeering transportation and lodging for operational support; seeking exemptions from customs inspections; and establishing ad hoc operational facilities. The law also states that national intelligence institutions must return the facilities or equipment in their original state or compensate the owner for damage.

The Intelligence Law possibly foreshadows the emergence of more sophisticated agent-handling at the end of a case or operation. The termination phase at the end of the agent-recruitment cycle is the most opaque to open sources. It is not clear whether this opacity is a natural outgrowth of clandestine work or because this phase is absent from Chinese intelligence operations. There is not a single public example of China's services dropping an unproductive agent. Nor is there an example of China's service helping an agent evade prosecution, either through exfiltration or providing practical advice.⁷¹ Usually, agents are left to their own devices, and their case officer downplays or ignores the risks. The following passages from the Intelligence Law, however, suggest China's intelligence organisations will be more aggressive or thoughtful in taking care of an agent and his/her family at the end of an operation:

- Article 23: When the personal safety of the staffs of national intelligence work institutions, personnel who have established cooperative relationships with national intelligence work institutions, or their close relatives, is threatened as a result of assisting national intelligence work, the relevant state departments shall employ the necessary measures to protect or rescue them.
- Article 24: The state shall arrange appropriate placements for persons who have made contributions to national intelligence efforts and require a placement.

- Article 25: Corresponding bereavement benefits and special treatment are given in accordance with relevant national provisions, to those who are disabled, give their lives, or die as a result of carrying out, supporting, assisting, or cooperating with national intelligence efforts.

Although the language of the law is no guarantee, the law does enshrine the authority and power to assist those who have helped Chinese intelligence. This is not insignificant, given the often callous disregard for Chinese agents who are in danger. This may be the kind of reassurance Chinese agents have requested or the reputation of Chinese intelligence officers may have been damaged as a result of their previous operations. Watching how China's intelligence services handle the end of an operation—whether generating exfiltration options, finding an overseas job for the agent, providing a pension—will be an important area to watch.

Future of China's intelligence competitions

The state security legislation since 2014 re-emphasises the scope and scale of Chinese intelligence operations that always posed a problem to foreign intelligence and security services. The resources that Beijing can bring together, however, are much more substantial and integrate human with technical components. Those countries engaged in an intelligence competition with China will need to adjust to some of the new realities of conducting operations. Below are a few of the hallmarks of the new era:

- *Social mobilisation for counter-espionage.* The CCP has never relied on wholly technical means for surveillance. National Security Education Day (15 April) and associated propaganda complement the legal enjoiners in the state security legislation to participate actively in watching for spies. Experiments with technical mechanisms for popular participation date at least to 2011, when the Liaoning State Security Department announced a number to which someone could text state security tips.

- *Global reach of Chinese companies.* Compelling corporate cooperation significantly expanded Chinese intelligence organisations' domestic coverage. Huawei was not yet a global company. Xiaomi did not exist. Internet-of-Things was a vision rather than an emerging convenience. Both the human and technical reach of Chinese companies now give the intelligence services opportunities to gain direct access to many governments within the developing world as well as many Allied and European countries with inroads into other societies.
- *Explicit intelligence role in supporting economic growth.* The CCP has never relinquished the claim that the Party must control the commanding heights of the economy. The new laws, however, signal the CCP will go further rather than reforming away from government intervention. The State Security Law (2015) stipulates economic security should be the foundation of the country's security. The new intelligence law states the intelligence services will support economic and social interests. Although the latter part means Party control, the former suggests the intelligence services will continue to play their role in economic espionage in spite of the agreements Xi Jinping inked with the United States, Germany and Canada.

CHAPTER 9

BIG DATA AND THE SOCIAL
CREDIT SYSTEM: THE SECURITY
CONSEQUENCES

Big data is allowing the Party to extend its already extensive control over the lives of Chinese citizens. The developing social credit system will make possible comprehensive data collection to measure individual loyalty to the state. Data can be collected on companies and individuals abroad, posing a challenge for countries not wishing to be part of a Chinese system of social control. China's big data strategy may improve political control without improving the actual quality of governance.

The Chinese Communist Party (CCP) is harnessing modern technology as a means to automate its processes for consolidating and expanding power. The purpose is explicit in the 2017 Action Plan to Promote the Development of Big Data, linking advances in big data to “social governance”, which is the CCP’s pre-emptive process for ensuring state security. Advances in big data provide the CCP with a greater capacity to forecast, identify and assess risks to Party-state security. Their application is also intended to improve the integration, sharing and utilisation of data between and across Party-state entities. One part of the CCP’s social governance process is the nascent social credit system⁷², which relies on technology to coerce and co-opt individuals to participate in their own management. Big data and social credit do not replace the Party as the central authority. Developments in those fields seek to augment existing processes for social and political control, which are visibly and invisibly hosted through everyday social and economic activity. Progress in big data and social credit does not create fundamentally new control methodologies. Instead, those are best described as *upgraded hardware and software components* being installed to make the People’s Republic of China’s (PRC) political system more effective.

Big data and social credit within the Chinese security strategy

The CCP’s “social governance” process, also known as “social management”, is the methodology behind how the Party manages both itself and its relationship with society⁷³. Social governance requires a constant response to ever changing circumstances, and is designed to enhance stability. Stability is not the absolute absence of problems or threats. Stability is the capacity to manage problems and threats so they do not develop beyond the Party’s capacity for control.

The social governance process consumes a large amount of the Party’s resources. Stability is a dynamic concept. The social governance process itself must also be dynamic and capable of addressing often contradictory problems. Technology is seen as having the potential to help strengthen this control process by automating social governance objectives that otherwise consume a large amount of the Party’s resources. These include: a) fixing and preventing faults; b) optimising everyday operations; and c) mitigating and responding to potential and actual threats.

Social governance describes a system that is self-managing—one that can automatically adjust itself to help the Party consolidate and expand power. For the Party leadership, overseeing China’s development requires flexibility to the extent that it is firmly in control of the overall process. The coercive power of a strong military or powerful public security organs are only part of the social governance system. It also involves agencies such as the Ministry of Commerce, the Ministry of Culture, the Ministry of Civil Affairs and the Ministry of Industry and Information Technology.

The social governance process is directed at upholding the Chinese Communist Party’s ruling position: ensuring state security. The PRC’s ‘holistic state security’ concept (prominent, but not new under Xi Jinping) combines internal and external security. Beijing’s state security concept is not entirely different than the concept national security as it would be understood in Canada. But it is distinct in that what is internal and external is not exclusively about what is inside

and outside of China's geographical borders; nor is it simply about domestic- or foreign-security policy. In the PRC, internal and external are also about what is inside and outside of the CCP. The Party is protecting an ideas space not bounded by physical geography. State security does not protect China outside of the Communist Party; it protects China under the Party's leadership only. Loyalty to the Party leadership is required, and ideas offering any kind of alternative to its narrative must be countered. From the CCP's perspective, this is why the pre-emptive social governance process becomes critical.

State security does not protect China outside of the Communist Party; it protects China under the Party's leadership only.

Advances in big data and social credit consolidate and expand the CCP's power by:

- Optimising Party-state resources and synthesising a vast amount of information and resources (from market and government sources) to force the vertical and horizontal integration of government entities;
- Reducing the Party-states exposure to risks both inside and outside China's geographical borders;
- Using economic development and urban management requirements as primary means for strengthening the state's role in everyday social and economic life;
- Using the advancements to improve logistical integration and capabilities for crisis mitigation and response;
- Shaping and managing demands and expectations, both inside and outside China's geographical borders, on the Party-state leadership; and
- Building leverage through market and government engagement with foreign entities and governments, thereby extending the reach of the CCP's ideological space.

The plan to apply big data to social governance prioritises advances in e-government and the development of smart cities. Both e-government and smart cities use big data to improve information flows. E-government is better described as creating the underlying architecture that smart cities will rely on. Smart cities will use big data analytics with Internet-of-Things devices to support decision-making in real-time. As the integration of e-government progresses, and if smart cities are successfully designed, a degree of decentralisation will take place. It may seem contradictory, but this is designed to remove excessive resource demands on the Party-state leadership while simultaneously strengthening its control over the entire system and process.

Even in its earliest stages, when e-government was usually described as a resource that would improve official accountability, the implication was that the Party at all levels would be held accountable to the top leadership's priorities and demands. E-government in China is not designed to create openness and accountability at government agencies. In its initial stages, it helped to improve integration within government departments. The Golden Projects, formally initiated in 1993, have included multi-staged efforts such as Golden Shield integrating the Ministry of Public Security with its local level bureaux. Similarly, Golden Gate created electronic integration for customs offices. Integration between departments and agencies has improved through these existing e-government efforts. The Party has described future development of big data as a way to force a more comprehensive vertical and horizontal integration.

Smart cities are a way of visibly and invisibly enhancing the Party's power. Smart cities, piloted in well-over 800 cities across China, are a way to identify weaknesses and strengths in a geographically defined area. Risks include everything from traffic problems to environmental risks and social unrest. The same technologies the government uses to track and control individuals are also designed to support government decision-making and optimise resource use.

The political objectives of e-government and smart cities do not minimise the role both play in accelerating economic development.

Economic development is not simply something the Party-state relies on as a source of legitimacy. The state also uses economic development as a way to insert itself into everyday social and economic life. In fact, the government's plans to use technological resources to exert political and social control simultaneously create the demand for research and development of technologies that enable China's continued economic development.

The same technologies the government uses to track and control individuals are also designed to support government decision-making and optimise resource use.

The function of social credit in the CCP's management methodology is to automate 'individual responsibility', a concept according to which each citizen upholds social stability and national security. Social credit would automate responsibility by using technology to improve the depth of cooperative and coercive tactics that the Party-state uses to maintain social and political control. The objective of implementing individual responsibility is not simply to identify 'irresponsibility' and punish it, such as through a social credit blacklisting system. The objective is also to prevent irresponsible decision-making by encouraging, either through cooperative or coercive means, responsible decision-making. More specifically, social credit is designed to create 'trust'. Trust is not simply a construct that improves the reliability of individual and business social and business transactions. Trust also means that a person or business is deemed worthy to continue to uphold the Chinese Communist Party. The reward, in simplified terms, is their continued participation in and benefiting from the Party-state's economic and social development.

The state...uses economic development as a way to insert itself into everyday social and economic life.

Data localisation requirements associated with the Cyber Security Law that took effect in 2017 offer a clear warning. As the social credit system develops and as participation extends, firms participating in

joint ventures with Chinese companies, companies doing business in the PRC or individuals living in or working with Chinese entities, may be required or compelled to participate in the system. Political pressure is not new; for example, companies are pressured to do things like disavow Taiwanese or Tibetan independence after being accused of disrespecting Chinese sovereignty or territorial integrity. Yet, the social credit system would expand government capacity to shape their decision-making. The system would also allow the government to exert increased control over its citizens living and travelling abroad.

Discussion related to the “China Solution” for global development and governance helps to describe how technological advances will impact countries outside China. Chinese writing on the Belt and Road Initiative (BRI), for instance, suggests that data collected from overseas sources can support economic and security decision-making. Big data is seen as a strategic resource directly linked to state security. There have been explicit suggestions that Confucius Institutes, e-commerce and transportation services, among other things, can be used as data sources. Although it is unclear how precisely the data would be used and collected overseas, emergency mitigation and response is one reason. Domestically, applications of technology in areas like grid management are being designed also to mobilise society and the security forces ideologically and logistically as an emergency mitigation and response tactic. Internationally, big data could help the government improve situational awareness and support operational decision-making.

Implications

- Advances in big data and social credit augment the Chinese approach to state security that integrates resources used in everyday social and economic life. Analysts should be trained to apply the Chinese concept of state security to policy developments, particularly in the technology field, in order to develop credible policy responses to China’s efforts to expand power.

- Chinese citizens in Canada and elsewhere will still be judged by social credit. Their personal data is not necessarily always protected when they are located overseas.
- It will be critical to understand how technology-enabled advances impact individuals and businesses that engage with China. When Canadian and foreign companies start being judged through systems like social credit, their decision-making could be affected. Otherwise they could risk loss of access to services inside China or the Chinese market.
- Continued attention is required in developed economies to identify strategic and emerging technologies that could be used to boost social control and state security in China, and develop related controls. Not all Chinese companies investing in Canadian or other foreign technology companies are arms of the state, but they are in competition to contribute to the objectives the CCP prioritises.

Outlook

Advances in big data and social credit are being implemented as the hardware and software that make the PRC's political system more effective. Technology does not solve the Party-state's problems; it reduces some and magnifies others. Advances in big data and social credit cannot meet state security objectives if the underlying system does not function effectively (as defined by the Party-state leadership). A major question, then, is whether the Party can manage itself to the extent required to allow technology to automate and augment its day-to-day functions. Big data cannot be used to improve resource sharing if the officials at local government levels responsible for their integration are misusing the system. From the CCP's perspective, technological advances make fundamental tasks like ensuring loyalty to the Party and propaganda more vital.

CHAPTER 10

EXPLORING CHINA'S INNOVATION
POTENTIAL

China has dramatically increased its budget for innovation and increased its participation in international bilateral research partnerships. Its strategy emphasises home-grown innovation, joint ventures with foreign companies, and modifications to existing Western technology. All of these approaches often entail risks for partners. Joint ventures result in a progressively diminished role for foreign businesses. Foreign technology is taken over and separately marketed by Chinese partner companies. Foreign entities entering into Chinese partnerships must exercise due diligence and agree on clear rules of engagement.

Is the People's Republic of China (PRC) an emerging technology superpower, as some observers have suggested? Certainly China's leadership would like the country to be seen in that light. So what do the facts say? The country is not close yet, but at its current rate of investment in innovation it will be approaching that status within the next decade. The 2017 Global Innovation Index puts the PRC at 22, with the US at 4 and Canada at 18. But its trajectory is going in the right direction. It is up three positions from 2016. Beijing's own 2016-17 national innovation Index puts the PRC at 17, up one from the previous year.

So China certainly is not in the top 3, or even the top 10, but its spending on research and development (R&D) exceeds that of all countries except for the US. Its spending was up 11.6 per cent in 2017, reaching USD 280 billion. It has a target for gross expenditures on R&D-to-GDP of 2.5 per cent by 2020 and is now sitting at 2.12 per cent compared to the most recent statistics for the United States at 2.7 per cent and Canada at 1.67 per cent. Foreign researchers and companies have taken note of recent huge investments in laboratories, talent programs, industry R&D and start-ups: they see an innovative

China as a desirable collaborator now but perhaps as a competitor in the medium to long term. Therefore, identifying how to engage with China for long-term success is critically important.

Reaching for the top

Beijing's comprehensive strategies and plans are clearly mapping out a future for China to move into the vanguard of world innovation. The broad targets set by Its Strategy for Innovation-driven Development are described below.

- 2020: be an innovative country with a full national innovation system;
- 2030: be a leading global innovative country; and
- 2050: be a major global hub for science, with innovation the key factor in policy-making and institutional planning.

Beijing's 13th Five Year Plan for Science, Technology and Innovation is a comprehensive plan that covers specific technology and sectorial priorities; it provides clear and detailed direction to all players in China's innovation system. These top-down strategies, along with Made in China 2025 and the Next Generation Artificial Intelligence Plan, provide policy guidance for funding agencies, companies and researchers. Consistent messaging from China's President and Premier has put innovation at the forefront of the government's agenda.

In addition to its aggressive targets and massive spending, the PRC has implemented major reform of all aspects of China's innovation system, starting with the country's competed R&D programs. In the past three years, the programs of all Chinese ministries and agencies that fund industry R&D have been wound up and replaced with five program areas and seven arms-length professional agencies managing the new peer-review process. This has resulted in a much fairer and more transparent system of decision-making.

The cross-government coordinating committee for these massive changes is led by Vice-Minister Wang Zhigang of the Ministry of

Science and Technology (MOST) and is supported by the powerful National Development Reform Commission (NDRC) and the Ministry of Finance. In addition to his ministerial responsibilities, Vice-Minister Wang is the Secretary of the Chinese Communist Party's (CCP) Leading Group and Party Secretary-General of MOST, reflecting the importance that the Party is placing on these reforms.

Reforms are also occurring in universities and national laboratories. The salaries of scientists have been increased, plagiarism is being dealt with more aggressively, and talent programs have been upgraded to attract the best and brightest researchers from around the world with promises of sparkling new facilities and lots of bright post-doctoral staff. Other reforms include three new intellectual property courts in Beijing, Shanghai and Shenzhen, and a full range of incubators and accelerators for start-up companies.

With these very focused, top-down signals, will there be pick-up and implementation at the bottom of the innovation system? Certainly the culture of innovation is not deeply engrained in Chinese organisations, including universities. For example, while they have been directed to allow professors to set up start-up companies based on their research and return to their teaching positions later if they wish, university faculties may be reluctant to allow university innovations to be used in the private sector for fear of being criticised at a later date for wasting university resources.

Clearly Beijing is taking major steps to position its researchers and companies to contribute to China's innovation-driven economy. In addition, it has mandated increased international collaboration, including participation in joint-research projects around the world and joint R&D centres. It is also seeking to be involved in and take on a leadership role in prominent international standards initiatives, including for space, the polar regions and the Internet. The PRC's openness to international science is also an opportunity for Western researchers. For example, China is investing in world-class 'big science' projects that are bigger than those of other countries. It has stellar scientists undertaking fundamental science research in advanced laboratories in areas that could win them the Nobel Prizes

they covet. Researchers from all over the world should be engaged in research at these facilities.

The PRC's new policy mandates the integration of military and civilian R&D...

Australia has deepened and broadened its innovation relations with China in the period leading up to and since the conclusion of the China-Australia Free Trade Agreement. There is evidence, however, that some of the Australian government's R&D funding has gone to research associated with the People's Liberation Army. The PRC's new policy mandates the integration of military and civilian R&D, so this is a dynamic that other countries can expect to see in the coming years as their researchers increasingly collaborate with those in China. Australia also has found that the joint R&D is most often not commercialised in that country, Chinese-Australian researchers preferring to return to the PRC and commercialising their innovations there.

Serious strategic challenges for foreign companies

So how have Western companies been performing in this new dynamic Chinese market? One of the most significant policies affecting Western companies is the PRC's Indigenous Innovation Policy, which has as its target reducing foreign technology in the Chinese market to less than 30 per cent by 2025. The three-pronged strategy calls for the development of indigenous Chinese innovation, the integration of foreign companies' technology into Chinese firms through joint ventures (JVs), mergers and acquisitions (M&As), as well as "re-innovation", by modifying Western technology to make it Chinese.

Foreign firms are seeing increasing efforts by Chinese companies to acquire their technology in ways that may threaten their firms' own viability in the longer term. Companies such as Hewlett-Packard, Cisco and Microsoft, which once had a formidable China business that was 100 per cent foreign-owned, have been forced to sell a majority stake in their Chinese business to a Chinese partner, or get

out of China completely. There are cases of forced technology transfers to a Chinese firm as well as the ‘re-innovation’ of Western technology for the Chinese market, and in some cases for sale in foreign markets as well: CRRC, Siemens and Bombardier’s Chinese partner is now selling their rail designs in Europe and North America. And massive investments can skew technology sectors, such as the USD 150 billion that China announced it would spend between 2016 and 2025 in the semiconductor sector to reduce the foreign share of China’s market from 91 per cent to below 30 per cent.

Foreign firms are seeing increasing efforts by Chinese companies to acquire their technology in ways that may threaten their firms’ own viability in the longer term.

Joint ventures present an interesting case. While continuing to talk about win-win business deals, Beijing has moved since 2016 to a model where the Chinese company partnering with a foreign firm must have more than a 50 per cent ownership of the joint venture; the Chinese share can often reach 70, 80 or 90 per cent. There are still legacy 50-50 joint ventures in place with Western companies that have been in China for many years, or in a technology sector that China clearly needs. New joint-ventures, however, are majority Chinese-owned and often carry other conditions: manufacturing must take place in the PRC; branding must use a Chinese name; the Chinese joint-venture may sell to third countries; the product sold has lower quality parts (which may impact the foreign partner’s reputation for quality); and the Western firm’s core intellectual property (IP) must be shared but not that of the Chinese partner.

What do these arrangements look like in the medium to the long term? We have seen cases where the Chinese partner presses for a higher and higher share of the joint venture, until the foreign firm has little or no remaining equity in the deal, but the Chinese joint venture is continuing to make use of that firm’s technology and pocketing the profits. While this is particularly acute in the case of technology firms as a result of the Indigenous Innovation Policy,

other sectors are seeing a similar dynamics, with in the foreign firm retaining only a fraction of what was once a 100 per cent foreign-owned business in China. For example, fast-food restaurant chain McDonald's now owns only 20 per cent of its business in mainland China, Hong Kong and Macao.

In some cases, the foreign company has negotiated special arrangements. This could involve manufacturing a key component in the West and shipping it to China to be inserted in the technology product being manufactured there, or arranging 'super minority voting rights' on the board of the joint venture in order to have a greater say on important decisions, if *important* can be agreed upon. Firms, especially small- and medium-sized ones, need guidance to understand how they can access the promises of the Chinese market while not falling victim to aggressive negotiations. They must have the full picture as to what to expect and how best to ensure that they achieve short-term success and protect themselves for a longer term presence in China.

Firms...need guidance to understand how they can access the promises of the Chinese market while not falling victim to aggressive negotiations.

US technology firms in particular have been vocal about the pressures they have been under in the China market. The US Trade Representative's Section 301 investigation into whether China's policies and practices on technology transfer, IP and innovation are unreasonable, discriminatory and burden or restrict US commerce will be an important measure. The open question is what actions will be taken based on the findings.

Foreign governments are facing decisions about whether and when to intervene in Chinese investments in foreign technology companies that bring in much needed capital, but may have an impact on jobs and national security down the road. The sale of Kuka Robotics to Chinese interests for USD 3.7 billion was a wake-up call for Germany and Europe more generally, especially because the sale provided

access to the data of all Kuka's customers around the world. Concerns have also been voiced in Europe about the Chinese takeover of the Swedish chip-maker Silex Microsystems and Germany's Aixtron Semiconductors. And the US blocked the sale of Lattice Semiconductors to Chinese interests.

Some have called for the principle of reciprocity to act as an investment guide in the technology sector particularly in the light of China's Negative List, issued by NDRC and the Ministry of Commerce. This list itemises "restricted industries for foreign investment", including exploration and exploitation of oil and natural gas, telecommunications, automobiles, ships and insurance. Foreign investments in some of these sectors are permitted if the non-Chinese company is in a contractual joint-venture and the Chinese party has a majority stake. A separate list covers sectors where foreign investment is forbidden outright, such as the breeding of genetically modified crops, stem cell development, genetic diagnosis, exploration and exploitation of numerous minerals, production of nuclear fuels, manufacture of weapons, surveying of any kind, and all aspects of books, audio, video, radio, television, satellites, film production, Internet news and online publishing, as well as 'humanities and social sciences research institutes'. There are 63 restricted and forbidden sectors in total.

Even with the concerns identified above, multiple mechanisms exist for researchers and companies to engage safely in science, technology and innovation with China. The development of long-term trusted relationships, clear parameters for collaboration, the involvement of trusted Chinese-speaking staff, and expert legal and strategic advice are all critical. Governments can support this by developing clear rules of engagement in bilateral and multilateral trade and commercial negotiations.

CHAPTER 11

BEIJING CREATES ITS OWN GLOBAL
FINANCIAL ARCHITECTURE AS A TOOL
FOR STRATEGIC RIVALRY

China has created the Cross-Border Interbank Payment System (CIPS) to facilitate the use of the renminbi as an international trading currency. China thus makes its own trading and financial relationships more streamlined, reduces illicit transfers, and provides a level of protection from sanctions. The number of direct and indirect clearing banks enrolled in CIPS has climbed substantially within a short time. China hopes that as the system develops and increases the volume of renminbi transactions, the global dominance of the US dollar will decrease.

A financial backbone emerges

On 8 October 2015, China launched a new payments system—the Cross-Border Interbank Payment System (CIPS)—that uses China’s currency, the renminbi (RMB), for international transactions. Beijing also announced the creation of the China International Payment Service Corporation (CIPS Corp.) Limited to operate CIPS, CIPS Corp. is under the supervision of the central bank.

This new payment system and the related financial e-infrastructure provide capital settlement and clearing services to banks for RMB-denominated, cross-border and offshore transactions. It is seen by most observers as a significant initiative in China’s drive to facilitate and promote the international use of its currency. On the day of the launch, the Industrial and Commercial Bank (ICBC) in Singapore cleared RMB 35 million (USD 7.8 million) on CIPS. This was the first such transaction for ICBC and consisted in a trade settlement payment from Singapore’s Raffemet Pte Ltd to Baosteel Resources in Shanghai. On that same day, the Bank of China (BoC) in Sydney processed its first RMB transaction through CIPS—a RMB 37 million transfer to China on behalf of an Australian company—and Standard Chartered completed its first RMB, CIPS-mediated transaction from China to

Luxembourg on behalf of IKEA. Standard Chartered (Hong Kong) referred to CIPS as a “game-changer”, and suggested that its power “should not be underestimated”.

According to the deputy-governor of the People’s Bank of China (PBOC), Fan Yifei, CIPS constitutes an “important milestone” in the internationalisation of the RMB. According to him, CIPS “will boost [the] global use of the RMB, by cutting costs and processing times” and play a significant role in “shoring up China’s real economy”, as well as “promote domestic [China’s] enterprises ‘going abroad’”. In a written statement, the central bank declared that CIPS is a “milestone” in the development of China’s financial market infrastructure, and marks “major progress” in building a modern payment system that supports “both domestic and cross-border payment” in RMB.

The reasons behind it

Why was CIPS created? China’s central bank notes that, since 2009, Beijing has adopted a number of policies and programs to facilitate the cross-border use of RMB in trade and investment, and promote the “international acceptance of the RMB”. Prior to CIPS, most of the cross-border RMB clearing was done through offshore RMB clearing-banks that China’s central bank had appointed to serve Hong Kong, Singapore, London, and as of March 2015 Toronto and Vancouver (via ICBC Canada located in Toronto). The other channel was an onshore RMB Agent Bank inside mainland China, but this channel was used less frequently. The offshore clearing banks remain crucial because China’s domestic interbank clearing and settlement system, the China National Advanced Payment Systems (CNAPS), was not linked *directly* to supporting international payment networks.

While the dual clearing system that has operated since July 2009 did support the use of the RMB internationally, the pre-CIPS clearing arrangements were limited. The *Financial Times* wrote that RMB payments to and from China were slow and costly to execute; it also noted that China’s domestic payments system only supported Chinese characters, making it incompatible with SWIFT, the messaging system

that banks use to exchange payment details. Bank analysts highlighted that misunderstandings happened from time to time under the pre-CIPS clearing systems, due to different coding and the use of different languages.

According to observers, CIPS achieves a breakthrough by offering a single platform and improved efficiency. Reuters suggests that the launch of CIPS would “remove one of the biggest hurdles to internationalising the yuan and should greatly increase global usage of the Chinese currency by cutting transaction costs and processing times”. With the launch of CIPS, a “worldwide payments superhighway for the yuan” will “replace a patchwork of existing networks” that has made the processing of RMB payments a cumbersome process. The patchwork of existing clearing banks and networks also have raised concerns of fraudulent practices; there have been instances when Chinese regulators have caught Chinese bank branches (RMB clearing banks) using their internal channels to recycle offshore RMB back into China for illicit purposes.

The PBOC implicitly acknowledged the shortcomings of the existing dual arrangements, writing that, “With the RMB becoming the second largest cross-border payment currency in China, and the fourth most used payment currency globally, it is imperative to build [improved] infrastructure to support the development of RMB business”. The CIPS is designed to enable companies outside of the People’s Republic of China (PRC) to clear RMB transactions directly with their Chinese counterparts, and thereby reduce the number of stages involved in a payment. The head of treasury for a large European multinational corporation (based in Hong Kong) has stated that direct clearing through CIPS marks an important development for small- and medium-sized enterprises operating in China, as their correspondent banks can now access a wider network for settling payments in RMB, leading to lower costs. CIPS also would remove operational inefficiencies for large multinational corporations as the latter would no longer have to worry about ensuring that RMB transactions were only being processed at certain times of the day.

Statecraft and strategy

Whereas the points discussed above suggest that CIPS is largely driven by technical considerations, one should remember that the system was also created in response to strategic policy goals and is rooted in strategic rivalry with the US. The central bank notes that the Central Committee of the Chinese Communist Party (CCP) and China's State Council attach "great importance to the project". In the Chinese Premier's *Report on the Work of Government* delivered to the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) sessions in March 2015, Li Keqiang said, "We will make steady progress in realising the convertibility of the RMB capital accounts, expand the use of the RMB internationally, accelerate the establishment of a cross-border payment system for the RMB, [and] improve the worldwide clearing system for the RMB ..." The PBOC interpreted the Premier's instruction as "we need to speed up the building of CIPS and improve RMB global clearing service", in order to successfully promote a greater use of the RMB internationally.

...the system was...created in response to strategic policy goals and is rooted in strategic rivalry with the US.

CIPS' creation underscores the fact that China's senior Party leaders have come around to supporting international **currency and reserve diversification**, and increasing the use of China's currency globally. They also support taking gradual steps to further open the capital account, increase the role for the market in China's financial sector, and the role of market determination of the exchange rate. Since the early 2000s, the PRC has urged the international community to diversify international and reserve currency options, and since 2009 it has pursued such diversification measures. Its most direct actions in this regard have been promoting the international use of the RMB. CIPS, when fully operational, will facilitate round-the-clock RMB-denominated trade and investment transactions, and 24-hour trading of RMB. The current dual clearing system does not allow for such 24/7 transactions.

By facilitating and encouraging the increased international use of RMB, Beijing also lessens the supremacy of the US dollar, seeking *de facto* **de-dollarisation**. In 2014 and 2015, the PRC also successfully lobbied International Monetary Fund (IMF) members to add the RMB to the basket of currencies that make up the IMF's reserve management tool, the Special Drawing Rights (SDR). In October 2016, the RMB joined the SDR reserve basket along with the US dollar, the euro, the Japanese yen and the British pound. CIPS is Beijing's effort to create new technologies and systems that support greater international use of RMB as well as the global rise and acceptance of the RMB through an improved international payments system.

CIPS provides the electronic payments platform for the PRC's other major strategic policy, the **Belt and Road Initiative (BRI)**, which was announced by Xi Jinping in 2013, and written into the Party's Constitution in November 2017. The CCP leadership portrays BRI as supporting inclusive growth in countries along the Belt and Road, and more international trade within the region. It also sees it as providing a golden opportunity to promote the international use of the RMB throughout much of Asia, Africa and Europe. CIPS is thus seen as a tool to lower transaction costs, enhance overall competitiveness, prevent financial risks, as well as accelerate trade integration, economic cooperation and currency integration across the BRI region.

Beijing is also concerned by the rising tide of **US international financial sanctions**. The PRC has observed how Russia, Iran, North Korea, Sudan and other states have been affected by these sanctions. It also remembers the US imposing trade embargos and financial sanctions on China during the Cold War. It is aware that certain governments pressure SWIFT to cooperate on the application of sanctions, and call upon it to block certain states from being able to use SWIFT to make payments. China is aware that Moscow, Tehran and other governments are keenly interested in creating or strengthening alternative international payment systems that can lessen the threat of US sanctions.

A fully operational CIPS, which reduces the PRC's reliance on SWIFT, has a number of other advantages. Beijing is mindful of the fact that US and European banks dominate SWIFT's governance and that their systems and networks are geared towards handling US dollars (SWIFT is perceived as playing an important role in maintaining the global dominance of the dollar). It is also concerned by the fact that US security and intelligence agencies looking to track international payments are allegedly able to access the system.

China is aware that Moscow, Tehran and other governments are keenly interested in creating or strengthening alternative international payment systems that can lessen the threat of US sanctions.

Expanding the network of participants

The network of banks taking part in CIPS has expanded dramatically since its launch in October 2015. The number of direct clearing banks has increased from 19 in October 2015 to 31 in February 2018, and the number of indirect clearing banks enrolled in CIPS has climbed from 198 to 681.

The initial batch of direct clearing banks in CIPS included eleven PRC banks (ICBC, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communication, China Merchants Bank, Pudong Development Bank, China Minsheng Bank, Industrial Bank, Pingan Bank, Huaxia Bank), and eight foreign banks (HSBC China, Citibank China, Standard Chartered Bank China, DBS China, Deutsche Bank China, BNP Paribas China, ANZ Bank China, Bank of East Asia). Of the initial group of indirect clearing banks in CIPS, 38 were Chinese domestic banks, and 130 were overseas banks located in Asia, Europe, Oceania and Africa.

The links to North America have expanded. Whereas only seven banks in North America were enrolled as indirect participants in 2015, by early 2018, twenty-five banks had signed on as indirect participants, including seven banks in Canada: ICBC (Canada), BMO,

CIBC, the National Bank of Canada, HSBC (Canada), Bank of China (Canada) and CCB (Toronto).

A number of factors account for the dramatic increase in the number of direct and indirect participants in CIPS from 2016 to 2017. The most important one appears to be the Memorandum of Understanding (MoU) that was signed between CIPS Corp. and SWIFT in March 2016. This MoU sets out a strategic cooperation plan between CIPS and SWIFT that involves connecting CIPS to SWIFT's community of global users. As a result, the number of direct and indirect participants that adopted CIPS increased as banks in the SWIFT network were brought into its own network. SWIFT is a member-owned cooperative with more than 11,000 financial institutions operating in more than 200 countries. SWIFT is already supporting more than 150 payment and settlement systems worldwide. To date, more than 1,700 financial institutions have already made RMB transactions using the SWIFT network. CIPS Corp. has a particular interest in SWIFT's network, experience and expertise in building secure, efficient and reliable channels to connect payment systems with a global user community.

SWIFT has been operating in China for more than thirty years, and nearly 400 Chinese financial institutions and corporations are already connected to it. SWIFT was interested in signing an MoU with CIPS as it had been aware that Chinese authorities were considering replacing SWIFT with an indigenous network built to rival, if not exceed, SWIFT's own so as to promote the international use of the RMB in the name of China's security. SWIFT was very concerned about China's medium- to long-term intentions: whether the PRC was looking to abandon, displace or replace SWIFT in addition to increasing the international use of the RMB, and reduce the systemic reliance on the US dollar. SWIFT was therefore eager and relieved to sign the MoU with CIPS Corp.

For now, CIPS Corp. appears to be trying to create a smoother process by positioning itself as the middleman between SWIFT and the China National Advanced Payments System (CNAPS). CIPS is modelled on the Clearing House International Payment System (CHIPS), the US

dollar payments network that supports about USD 1.5 trillion in payments each day. The *Financial Times* reports that CIPS will begin using SWIFT for interbank messaging, but it eventually will have the ability to operate independently. The new CIPS system also eventually will allow offshore banks to participate in offshore-to-offshore RMB payments, as well as those into and out of China, but the roll-out has started only with onshore entities. A lead reporter of the *Financial Times* quotes a “person with knowledge of the PBOC’s plans for CIPS” as saying, “In the future CIPS will move in the direction of using its own dedicated [communication] line. At that point, it can totally replace SWIFT”⁷⁴.

At the CIPS Corp.-SWIFT MOU signing ceremony, the CIPS Corp. Executive Director Li Wei stated “China International Payment Service Corporation is looking forward to benefiting from SWIFT’s platform and services to provide an efficient and convenient channel to the global financial community”. Li noted that CIPS was working with SWIFT to make MT messaging standards, widely used in cross-border banking transactions, compatible with the ISO20022 standards used by CIPS, through a conversion scheme. Li added, “We [CIPS Corp. and ‘China’] aim to provide an inclusive platform to capture cross-border RMB flows to all types of participants which will significantly extend the reach of RMB internationalisation”.

CHAPTER 12

CHINESE MILITARY INNOVATION IN
EMERGING TECHNOLOGIES

China is intent on developing a new generation of military technologies that will surpass those of the United States and change the nature of warfare to China's advantage. While the innovation strategy includes the absorption of Western technology, Beijing also emphasises innovation and disruptive advances in artificial intelligence, unmanned weapons systems and directed-energy weapons. Quantum technology leadership will give China an advantage in offensive intelligence operations and encryption. Advanced weapons systems will increase China's geopolitical and combat options.

China may be poised to seize the initiative of technological innovation in the military domain. Beijing is pursuing a strategy of innovation-driven development to bring about its economic transformation and military modernisation⁷⁵. During the 19th Party Congress held in October 2017, Xi Jinping highlighted the country's ambition to transform itself into a "science and technology superpower" (科技强国)⁷⁶. In recent remarks, he has called for breakthroughs in artificial intelligence (AI) and highlighted rapid, revolutionary advances taking place in AI and quantum science⁷⁷. It is clear that the People's Republic of China (PRC) views such strategic technologies as integral to the country's future economic competitiveness and military capabilities. Beijing is actively seeking to advance military innovation, intent on leveraging emerging technologies to enhance the country's future combat capability⁷⁸. The PLA has prioritised advances in unmanned (ie, uninhabited) systems, directed-energy weapons, AI and quantum technologies, and it plans to leverage a series of science and technology plans and a national strategy of military-civil fusion (军民融合)⁷⁹.

The PRC's approach to and initial advances in military innovation in emerging technologies challenge our understanding of Chinese

defence science and technology. Beijing's "deliberate, state-sponsored" campaign of industrial espionage, which leverages licit and illicit means to acquire foreign technologies, has played an important role in the country's recent military modernisation⁸⁰. The PRC's innovation in this domain has continued to rely heavily on the "absorption" of foreign technologies⁸¹. Indeed, Tai Ming Cheung has argued, "the role of external technology and knowledge transfers and the defence industry's improving ability to absorb these inputs and convert them into localised output have had the biggest impact" on the recent revival of China's defence industry⁸². Although characterising China as a mere copycat would be reductionist, it has been clear that China's approach to "indigenous innovation" has often been oxymoronic, given a strategy centred on the "introduction, digestion, assimilation, and re-innovation" (IDAR)⁸³. However, this paradigm does not fully explain the PRC's military innovations taking place today in the context of certain emerging technologies, which point to Chinese military innovation having reached a critical juncture.

Beijing is actively seeking to advance military innovation, intent on leveraging emerging technologies to enhance the country's future combat capability.

The priority accorded to military innovation has become increasingly apparent in official statements and strategies. An August 2014 Politburo study session highlighted the emergence of a "new military revolution" catalysed by rapid advances in science and technology, including in AI⁸⁴. At that time, Xi Jinping urged China to "vigorously advance military innovation" through technological innovation and "unceasing innovation" in military theory⁸⁵. Similarly, the official national defence white paper, "China's Military Strategy", published in 2015, noted that the global military revolution is "proceeding to a new stage" given the increasing sophistication of long-range, precise, smart [*sic*, or intelligent], stealthy, and unmanned weapons and equipment⁸⁶". Xi Jinping has consistently reiterated in subsequent remarks the importance of an "innovation-driven" (创新驱动) strategy for military

and civilian developments⁸⁷, calling for China to seize the “commanding heights” (制高点) of future military competition⁸⁸.

Beijing’s focus on military innovation has intensified since, and been influenced by, the US launching its Third Offset strategy (第三次“抵消战略”) and successive defence innovation initiatives. Prominent PLA scholars and strategists have closely tracked the progression of the Third Offset since its inception. PLA defence analysts tend to view this initiative as being directed against and posing a potential threat to China. They condemn the effort for escalating tensions and being destabilising. According to one scholar from the PLA Academy of Military Science (AMS) Foreign Military Studies Department, the core of the Third Offset is an attempt to advance disruptive technologies and weapons systems aimed primarily at Russia and China⁸⁹. This US attempt to “continuously strengthen its intervention and combat capabilities” against an “imaginary enemy” is seen as likely to “elevate the probability of a military crisis⁹⁰”. Likewise, several Chinese defence analysts have anticipated that this “hegemonic” pursuit of disruptive technologies would “result in further deterioration of the global security environment⁹¹”. According to Xiao Tianliang (肖天亮), then vice-commandant of the PLA National Defence University (NDU), this new US offset strategy reflects a “technology surge” intended to maintain strategic superiority, anticipating that “whoever first achieves a breakthrough in and possesses disruptive technologies will ... seize the decisive strategic opportunity in military development⁹²”. A researcher from the PLA’s new Strategic Support Force highlighted that as emerging technologies catalyse rapid changes, “whoever takes the lead will ... decide the direction of the transformation of future warfare⁹³”. The critical factor for winning militarily could shift from information superiority to intelligence superiority (智能优势), and from the information domain to the cognitive domain⁹⁴.

Beyond the technological dimension of military innovation, the PLA is starting to progress from speculation to experimentation and even, in some cases, initial implementation as it attempts to advance military innovation⁹⁵. The PLA has started to explore and evaluate the potential implications of emerging technologies for future military competition.

While closely tracking and seeking to learn from US military innovation initiatives, Chinese defence researchers are beginning to formulate their own theories as to potential changes in the character of conflict that could result from the introduction of AI and quantum technologies on tomorrow's battlefield. Chinese strategists assess that the character of conflict is being transformed by these emerging technologies and is acting as a catalyst accelerating the pursuit of defence innovation. Of note, such authoritative texts as the 2013 edition of *The Science of Military Strategy* (SMS), published by the PLA's Academy of Military Science, alluded to the "first signs" of future "unmanned, intangible, silent warfare" ("无人、无形、无声"战争) with an evolution towards *intelligentisation*⁹⁶. In particular, the authors observed that intelligent technologies, unmanned technologies, stealth, and other "new concept" (新概念) technologies were all tending towards integration, while on track to become prominent on the battlefields of tomorrow. In their opinion, these trends require "revolutionary changes" to future operational theory, operational forms and the form of warfare, as well as the composition of armed forces⁹⁷. According to another AMS text, the degree of *intelligentisation* in the method for information operations is expected to "unceasingly increase"⁹⁸. Overall, the PLA anticipates that today's informatised (信息化) warfare is being transformed towards intelligentised (智能化) warfare, in which AI and other emerging technologies will be critical to military power.

...Chinese defence researchers are beginning to formulate their own theories as to potential changes in the character of conflict that could result from the introduction of AI and quantum technologies on tomorrow's battlefield.

Priorities in Chinese military innovation

This paper provides a quick overview of notable Chinese innovative advances in several domains, including unmanned systems, directed-energy weapons, artificial intelligence and quantum technologies.

Unmanned systems

The PLA has actively pursued advances in military robotics and unmanned systems. To date, the PLA has fielded a range of unmanned aerial vehicles (UAVs), while also developing and, to a limited extent, fielding unmanned underwater vehicles (UUVs), unmanned ground vehicles (UGVs), and unmanned surface vehicles (USVs)⁹⁹. For instance, the PLA Air Force employs the GJ-1 (*Gongji-1*, 攻击-1), a medium altitude, long endurance (MALE) UAV roughly analogous to the US Predator, for use in integrated reconnaissance and precision strikes, and may soon introduce the GJ-2, a successor that is closer to the Reaper in capabilities. The PLA Navy (PLAN) operates the BZK-005, primarily for surveillance, along with more tactical systems like the ASN-209, which has used communications relays and electromagnetic counter-measures. Concurrently, the Chinese defence industry is actively pursuing research and development in a range of cutting-edge unmanned systems, including those with stealth, swarming, and super or hypersonic capabilities.

In the PLA's efforts to assert and defend China's territorial claims, the use of unmanned systems could serve as a 'tip of the spear' to introduce a persistent presence in disputed waters or territory. For instance, the use of UUVs and USVs in the East and South China Seas could reinforce China's territorial claims in these contested waters, while also enhancing capabilities for anti-submarine warfare. It is also likely that next-generation submarines will leverage intelligent unmanned systems, which could become increasingly prominent in the maritime domain¹⁰⁰. Meanwhile, the Chinese private sector's pursuit of self-driving cars has occurred alongside parallel efforts on intelligent unmanned ground vehicles, including robust efforts by NORINCO and several DARPA-like challenges to advance their development^{101 102}. The PLA is on track to field more advanced unmanned systems with growing degrees of autonomy, while also exporting these systems worldwide, thereby ensuring their proliferation to a range of state and non-state actors.

Directed-energy weapons

PLA researchers actively pursued a range of directed-energy weapons, including high-energy lasers, high-power microwave (HPM) weapons, and railguns. Reported advances in HPM weapons seem to be striking, relative to the decidedly mixed US record of progress in this domain. In January 2017, Huang Wenhua (黄文华), the deputy-director of the Northwest Institute of Nuclear Technology (西北核技术研究所), received a first prize National Science and Technology Progress Award for his research on directed-energy weapons¹⁰³. According to Huang Wenhua's remarks, the system in question was initially tested successfully in November 2010 in northwest China, and his team has reportedly achieved "major breakthroughs" since then¹⁰⁴. This HPM weapon could be intended potentially for initial use as an anti-missile system (反导系统), which could be used as a ship-borne anti-missile weapon¹⁰⁵. This promising and impactful soft kill capability could also have applications as an anti-satellite (ASAT) weapon or be affixed to a warhead to overcome enemy air defences.

As of February 2018, pictures that appeared on Twitter seem to show that a railgun has been installed on the PLA Navy's Type 072III landing ship (Haiyang Shan #936)¹⁰⁶. If this is indeed the case, the PLAN has beaten the US Navy in deploying this disruptive new capability¹⁰⁷. For a number of years now, both China and the US have been conducting research and development of railguns because both countries recognise their potential advantages, including their range, speed (perhaps over Mach 7), and affordability. This recent, apparent success by China builds upon long-standing research undertaken by its researchers, under the leadership of Rear Admiral Ma Weiming. Similar advances in electromagnetic technologies are enabling the construction of the PLAN's electromagnetically-assisted launch system (EMALS) for future aircraft carriers and integrated electrical propulsion systems (IEPS) for future warships. These advances have likely been made possible not only through robust, long-standing research but also through the acquisition of Dynex Semiconductor, a British firm with particular expertise and capability in these technologies¹⁰⁸. These technologies will be critical enablers of Chinese naval capabilities going forward.

Artificial intelligence

The PLA seeks to harness the AI revolution to leapfrog the US and achieve a decisive military advantage relative to regional rivals in the process. The Central Military Commission Joint Staff Department has called for the PLA to leverage the “tremendous potential” of AI in planning, decision support, and operational command¹⁰⁹. In addition, the Joint Staff Department has called for the application of big data, cloud computing, AI and other cutting-edge technologies in the construction of a joint-operations command system¹¹⁰. According to Lieutenant General Liu Guozhi (刘国治), director of the Central Military Commission’s Science and Technology Commission, AI will accelerate the process of military transformation, causing fundamental changes to military units’ programming, operational styles, equipment systems, and models of combat power generation, ultimately leading to a profound military revolution¹¹¹. He warns, “facing disruptive technology, [we] must ... seize the opportunity to change paradigms (弯道超车); if you don’t disrupt, you’ll be disrupted!”^{112 113}

*These advances have likely been made possible...
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technologies.*

Building upon its ongoing informatisation plan, the PLA is seeking to advance intelligentisation (智能化) in the next stage in its modernisation, seeking to leverage AI as a force multiplier for its future combat capabilities. Chinese research and development is advancing a range of AI military applications, including intelligent and autonomous unmanned systems; AI-enabled data fusion, information processing and intelligence analysis; war-gaming, simulation and training; defence, offence and command in information warfare; as well as intelligent support to command decision-making. The Chinese defence industry has achieved significant advances in swarm intelligence for example and appears likely to continue doing so. In June 2017, CETC demonstrated its advances in swarm

intelligence with the test of 119 fixed-wing UAVs, beating its previous record of 67. In one exhibit, China's Military Museum depicts a UAV swarm combat system (无人机蜂群作战系统) with swarms used for reconnaissance, jamming, and a "swarm assault" (群打击) targeting an aircraft carrier.

Quantum technologies

China's rapid advances in dual-use quantum technologies could also have long-term military and strategic implications¹¹⁴. To date, China has emerged as a clear leader in research and development in quantum cryptography, while constructing a national quantum communications infrastructure that could better protect sensitive military and government communications against potential adversaries' signals intelligence and cyber-espionage capabilities¹¹⁵. China's leading quantum physicist Pan Jianwei (潘建伟) has claimed, "China is completely capable of making full use of quantum communications in a local war. The direction of development in the future calls for using relay satellites to realise quantum communications and control that covers the entire army"¹¹⁶. The Chinese government is also building a National Laboratory for Quantum Information Science (量子信息科学国家实验室) in Anhui Province, which will become the world's largest quantum research facility^{117 118}. This new national laboratory will pursue advances in quantum computing and reportedly engage in research "of immediate use" to China's armed forces¹¹⁹.

Although US teams continue to lead in quantum computing, China is a relative late-comer that has started to rapidly advance in this race to develop uniquely powerful computing capabilities that could break most existing forms of encryption. In March 2017, a team of Chinese scientists from China's University of Science and Technology, CAS-Alibaba Quantum Computing Laboratory, the Chinese Academy of Science Institute of Physics, and Zhejiang University succeeded in entangling ten superconducting qubits, an important step towards future quantum computing, which broke Google's prior record of nine^{120 121}. The Chinese defence industry also is pursuing a range of projects for research and development of quantum sensing and metrology, including quantum radar, which could potentially

undermine stealth capabilities, and quantum navigation, which could serve as a substitute for GPS. Although the trajectory of these technologies remains to be seen, their potential to disrupt the existing military, and even strategic, balance of power should not be discounted.

The future of Chinese military innovation

Beijing appears to recognise the critical opportunity that these emerging technologies represent. Whereas the US initially possessed an undisputed military-technical advantage and indeed pioneered information-centric warfare, the playing field is becoming far more level. China is pursuing ambitious megaprojects that will devote long-term, strategic investments in these domains. Chinese advances in unmanned systems, directed-energy weapons, artificial intelligence and quantum technologies show initial progress towards and clear aspirations of truly original (原始) and even “radical” (源头) innovation.¹²² Through these new frontiers of defence innovation, the Chinese leadership sees a chance to surpass the US and lead in “strategic front-line” technologies, while pioneering new ways of warfare that cuts ahead (弯道超车) and change paradigms of military power to achieve a future strategic advantage¹²³.

ENDNOTES

- 1 The Chinese elites' fascination with the US is well known and it is again far from surprising that Beijing is borrowing the strategies that helped the US become a great power. In that respect, the PLA Navy's strong interest in the writings of Alfred Thayer Mahan, a leading nineteenth-century US strategist, and in developing a sea power capability illustrate how much China has turned into the best pupil of the US.
- 2 A Minsky Moment is a sudden collapse of asset prices after a long period of growth, sparked by debt or currency pressures.
- 3 For more details and analyses of this survey study, see Liu Limin and Qin Guowei, "Anhui gan xun xueyuan wangluo yisixingtai jianshe diaocha baogao" [A survey report on the online ideological work among cadres participating in training programmes in Anhui], *Shandong College of Administration Journal*, December 2017, No. 6, pp.120-124.
- 4 Ma Biao, "Zhengzhi chuanbo shiye xia nongmin dui zhuliu yisixingtai de renting" (Peasants' ideological identity from the perspective of political communications), *Hebei Tourism Professional College Journal*, June 2017, 22:2, pp.80-82.
- 5 Cai Zhenchun, "xin meiti shiyu xia daxuesheng sixiang xinnian jiaoyu chuanguang chutan" [Exploring innovative education for university students' ideology from the perspective of new media], *jixu jiaoyu yanjiu [Journal of Continuing Education]*, No. 10, 2017, pp.101-103.
- 6 Xu Jinyu, et al., "yanjiusheng sixiang xianzhuang diaocha yiqi chengyin fenxi" [Graduate students' ideological status and an analysis of the contributing factors], *Gaokao [University Entrance Exams Journal]*, June 2017 (second bi-monthly edition), pp.6-7.
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- 123 “How to Achieve Paradigm Changes in the Domain of National Defence Science and Technology” [国防科技领域如何实现弯道超车], *PLA Daily*, 30 June 2016; accessed at: http://jz.chinamil.com.cn/n2014/tp/content_7126648.htm.

ANNEX A

WORKSHOP AGENDA

RETHINKING SECURITY

CHINA AND THE AGE OF STRATEGIC RIVALRY

AN UNCLASSIFIED WORKSHOP OF THE ACADEMIC OUTREACH PROGRAM OF THE CANADIAN SECURITY INTELLIGENCE SERVICE (CSIS)

6 MARCH 2018, CSIS HEADQUARTERS, OTTAWA

AGENDA

- 8:30 - 8:45 Opening remarks: Context and objectives of the seminar
- 8:45 - 9:30 **Setting the Scene**
Fear and Competition: What explains the geopolitical antagonism between the West and China today?
- 9:30 - 11:00 **Module 1** - Domestic Politics: Inside the Chinese politburo and the “great rejuvenation of the Chinese nation”
A New Chapter: Unpacking the 19th Congress of the Chinese Communist Party
That’s the Spirit: The evolving role of ideology in China’s politics
Reading China from Afar: Is the Chinese system becoming more opaque?
- 11:00 - 11:15 Break
- 11:15 - 12:15 **Module 2** - Beijing’s evolving role as a global actor
One Belt, One Road: What are China’s regional ambitions?
The role of the Chinese military in its ‘near abroad’: Implications for global security
- 12:15 - 13:15 Lunch

- 13:15 - 14:45 **Module 3** - Security implications for Canada and the West of an emboldened China
- Fingers in All Pots? The threat of foreign interference in democratic systems*
- Expanding Coverage: China's new intelligence legislation*
- Advancements in Big Data and Social Credit: Exploring the security implications*
- 14:45 - 15:00 Break
- 15:00 - 16:30 **Module 4** - The new technology and innovation powerhouse on the block
- Exploring the country's innovation potential*
- Innovation and Preservation: Beijing's own global financial architecture*
- Emerging technologies and innovation in the Chinese military*
- 16:30 - 17:15 **Module 5** - What Canada can expect from an emboldened China
- A Free Trade Agreement: How to seize the promises while avoiding the pitfalls*
- 17:15 - 17:30 Workshop synthesis
- 17:30 Adjourn

ANNEX B

ACADEMIC OUTREACH AT CSIS

Intelligence in a shifting world

It has become a truism to say that the world today is changing at an ever faster pace. Analysts, commentators, researchers and citizens from all backgrounds—in and outside government—may well recognise the value of this cliché, but most are only beginning to appreciate the very tangible implications of what otherwise remains an abstract statement.

The global security environment, which refers to the various threats to geopolitical, regional and national stability and prosperity, has changed profoundly since the fall of Communism, marking the end of a bipolar world organised around the ambitions of, and military tensions between, the United States and the former USSR. Quickly dispelling the tempting end of history theory of the 1990s, the 2001 terrorist attacks on the United States, as well as subsequent events of a related nature in different countries, have since further affected our understanding of security.

Globalisation, the rapid development of technology and the associated sophistication of information and communications have influenced the work and nature of governments, including intelligence services. In addition to traditional state-to-state conflict, there now exist a wide array of security challenges that cross national boundaries, involve non-state actors and sometimes even non-human factors. Those range from terrorism, illicit networks and global diseases to energy security, international competition for resources, and the security consequences of a deteriorating natural environment globally. The elements of national and global security have therefore grown more complex and increasingly interdependent.

What we do

It is to understand those current and emerging issues that CSIS launched, in September 2008, its academic outreach program. By drawing regularly on knowledge from experts and taking a multidisciplinary, collaborative approach in doing so, the Service plays an active role in fostering a contextual understanding of security issues for the benefit of its own experts, as well as the researchers

and specialists we engage. Our activities aim to shed light on current security issues, to develop a long-term view of various security trends and problems, to challenge our own assumptions and cultural bias, as well as to sharpen our research and analytical capacities.

To do so, we aim to:

- Tap into networks of experts from various disciplines and sectors, including government, think-tanks, research institutes, universities, private business and non-governmental organisations (NGOs) in Canada and abroad. Where those networks do not exist, we may create them in partnership with various organisations;
- Stimulate the study of issues related to Canadian security and the country's security and intelligence apparatus, while contributing to an informed public discussion about the history, function and future of intelligence in Canada.

The Service's academic outreach program resorts to a number of vehicles. It supports, designs, plans and/or hosts several activities, including conferences, seminars, presentations and round-table discussions. It also contributes actively to the development of the Global Futures Forum, a multinational security and intelligence community which it has supported since 2005.

While the academic outreach program does not take positions on particular issues, the results of some of its activities are released on the Canada.ca web site (<https://www.canada.ca/en/security-intelligence-service.html>). By publicising the ideas emerging from its activities, the program seeks to stimulate debate and encourage the flow of views and perspectives between the Service, organisations and individual thinkers.

