

# Inside China



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July-September 2011

Institute of Peace and Conflict Studies

The IPCS has an independent China Research Programme, assisted by the MAC Arthur foundation in its efforts towards building Regional Frameworks of Cooperation In Southern Asia.

It is aimed at achieving a comprehensive understanding of the dynamics of Sino-Indian relations and of contemporary political changes taking place inside China. It further aims to strengthen the knowledge base on China in India, and serves as a tool for informed and diverse political analyses by academia and policymakers.

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## ISSUE BRIEF

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and R&D**

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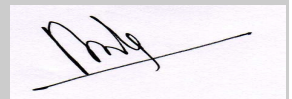
## Director's Note

*The Institute of Peace and Conflict Studies (IPCS), has been working on various issues related to China. Though the primary emphasis has been so far on the Sino-Indian relations, the Institute is now planning to focus more on internal social, economic and political issues within China. With India and China likely to dominate the Asian security architecture and the global order, it is important for India to analyze what is happening inside China, with a view to forecast, where is China heading towards.*

*As a part of its research activities, the Institute is planning to establish a formal research programme on China and build capacity of young scholars working on different social, economic and political issues inside China. The primary objective now for the Institute is to build a pool of young researchers, who can be trained systematically over the next few years on various internal issues relating to China. Towards achieving this objective, the Institute is also planning to organize an annual conference on what is happening inside China. The first conference will be held in September, in collaboration with the India International Center. If the Institute is able to mobilize adequate funding resources, we would also like to publish an annual, based on the conference proceedings.*

*Besides research, IPCS is the only Institute at the global level to organize two track-II dialogues with China; the first one—a trilateral dialogue on nuclear issues, with China and Pakistan, and the second one—a regional dialogue on improving connectivity and border trade with China, Nepal and Bangladesh. Both these dialogues are ongoing; there have been four round of trilateral nuclear dialogue in the last couple of years, and three rounds of regional dialogue on connectivity and border trade. Reports of these two dialogues can be accessed from the IPCS website.*

*The Institute has inaugurated its China Programme on September 2, and would expand into a Center by 2015, with adequate emphasis on internal issues within China and external relations. Besides, the Institute is also sincerely hoping to continue with its trilateral and regional track-II dialogues with China and multiple issues.*



D. Suba Chandran

# China's New Development Strategy: Emphasizing Domestic Consumption, Human Resources And R&D

**Jayadeva Ranade**

*Former Additional Secretary in the Cabinet Secretariat, Government of India*

In another demonstration of their firm grip, President Hu Jintao and Premier Wen Jiabao recently launched an entirely new development path. The Five Year Plan (2011-2015) together with this year's 'Report on the Work of the Government' and report of the National Development and Reform Council (NDRC), outline China's new economic and development strategy. If it succeeds, then by 2015, China will be on a qualitatively higher plane than most other countries.

## I

### CHINESE ECONOMIC MODEL: AN ANALYSIS

In 2005, Hu Jintao and Wen Jiabao had successfully formulated and effected a major policy shift away from Deng Xiaoping's philosophy of 'allowing some to get rich first' to that of 'common prosperity'. Their new policy saw a marked rise in the popularity of the Chinese Communist Party (CCP) among the masses. This has been particularly noticeable among rural residents.

Hu Jintao and Wen Jiabao have, in another bold move, this time discarded the economic model followed by China for the past three decades. They have sought to anticipate the requirements of the current decade and ensure China a place on the emerging economic high table. Programmes are being initiated across China to boost domestic consumption and upgrade human resource skills with a pronounced emphasis on science and technology, while at the same time trying to bal-

*"The main features of the new policy orientation are: converting China from being the 'world's manufacturer' to becoming the 'world's consumer'; upgrading its scientific and technological capabilities with an emphasis on innovation; expanding educational coverage; and, improving the living conditions and increasing the wages of the people, especially those in the rural areas".*

ance this effort with the compulsions of retaining the CCP's popularity and support among the masses.

The 10-day Fourth Plenary Session of China's National People's Congress (NPC), which convened in Beijing in March 2011, approved plans for a change in the coun-

try's economic orientation. The reports presented for approval include 'Report on the Work of the Government', 'Report on the Implementation of the Central and Local Budgets for 2010 and on the Draft Central and Local Budgets for 2011', and 'Report on the Implementation of the 2010 Plan for National Economic and Social Development and on the 2011 Draft Plan for National Economic and Social Development', prepared by the National Development and Reform Council (NDRC). The CCP's Central Committee's (CC) Politburo had earlier deliberated on each of these reports for six months.

## II

### WHAT IS THE AGENDA?: AN UNDERSTANDING

The above reports presented at the NPC plenum, including the 'Report on the Work of the Government', which Wen Jiabao took two hours to read, signal that China will switch to a development path which gives greater

*Wen Jiabao particularly appreciated the "major breakthroughs" in "cutting-edge science and technology such as the manned space mission, the lunar exploration programme and supercomputers".*

emphasis to: scientific and technological innovation; upgrading of peoples' skills and education; boosting domestic consumption; and expansion of social insurance and health benefits to the majority of people in the rural and urban areas.

The economic development path now outlined by these reports moves China away from the export and investment-led model to one that is driven by Chinese consumers. The Twelfth Five Year Plan (2011-2015) envisages three major shifts. The manufacturing model that has promoted exports and investment-led growth is now to be replaced by a labour-intensive services model. This will include wholesale and retail trade, domestic transport and supply-chain logistics, health care, leisure and hospitality. This is expected to boost job creation as well as give the benefit of cleaner and greener growth.

Second feature will be enhancement of wages especially of those in the rural sector, which are planned to

increase annually at 7 per cent in real terms. Wages in the rural sector are currently 30 per cent less than those in urban areas. The plan is to introduce reforms and tax policies that will increase rural purchasing power, broaden rural land ownership, and use technology to raise agricultural production. The reports insist that shrinkage of cultivable land will not be allowed and foodgrain production will not only be maintained at 500 million tons but enhanced by 50 million tons. In an attempt to address the problems of the 15-20 million people who migrate from rural to urban areas it was felt there will be need to revise the 'hukou' system, which restricts movement of people away from their birthplace.

Third aspect is intended to promote domestic consumption by accelerating building of the social safety net to reduce fear-driven high savings. This includes policies and subsidies to encourage rural residents to purchase domestic appliances and goods. Social security, pensions, medical and unemployment insurance schemes are to be expanded substantially, with basic pension insurance and medical insurance systems expected to cover the entire population by the end of the Plan period. These measures, it is anticipated, will lessen the

*The upgradation of science and technology and scientific innovation is being given special attention. Provision has been made for a 12.5 per cent increase in the budget allocated for science and technology in 2011 raising it to 194.41 billion Yuan. Of this 25.719 billion Yuan has been earmarked as funds for basic research, increased investment in the State Natural Sciences Fund, key national laboratories and basic research institutes, and programmes for independent R&D on major scientific equipment. 99.063 billion Yuan has been set aside for research in cutting edge technology.*

impact of continuation of the 'one-child' policy. Last year basic medical insurance covered 432.06 million urban residents, an increase of 30.59 per cent over last year, and 835 million rural residents or 96.3 per cent of the population. The government has also decided not to allow the Consumer Price Index (CPI) to rise above 4 per cent and will ensure availability of grain and essential food items in rural and urban areas. The increase in CPI from this year's 3.1 per cent has been attributed to international market pressures.

Education will play a major role in this effort to transform China's economic profile from being a mere manufacturer to an innovator and producer of high-technology goods for export. Accordingly in 2011,

spending on education is planned to reach 4 per cent of GDP and gross enrolment ratio in secondary education is expected to reach 84 per cent. Plans call for increasing enrolment in the current year to 6.75 million undergraduate students and 560,000 graduate students (against the 6.618 million undergraduate and 538,000 graduate students in 2010) in regular institutions of higher learning.

Other measures including appropriate amendment of China's taxation, fiscal and insurance policies will be implemented to facilitate Chinese companies to 'go global'. China will continue to 'guide' foreign investments towards high-end manufacturing, high-tech industries, modern service industries, new energy and environmental protection industries. As if to affirm this emphasis on science and technology, a Xinhua dispatch in mid-March publicized a report of the Chinese Academy of Science and Technology for Development (CASTED), which ranked China twenty first among the world's forty most innovative countries. China ranked first in terms of number of research personnel and export of high-tech products, fourth in total R&D investment and third in the number of authorized patents.

### III

#### 12TH FIVE YEAR PLAN: HIGHLIGHTS

The highlights of the Twelfth Five Year Plan are: population will be controlled below 1.39 billion, or natural growth rate will be kept under 6.5 percent; the economic growth rate is targeted to be 7 per cent and GDP should exceed 55 trillion Yuan (RMB), up from the 39.8 trillion Yuan in 2010; rate of urbanization will be 51.5 per cent; value added output of emerging strategic industries will account for 8 per cent of GDP; coastal regions will transform from being the "world's factory" to the hub of R&D, high-end manufacturing and service sector; spending on R&D will rise to 2.2 per cent of GDP; foreign investment will be welcomed in agriculture, high-tech and environment protection industries and nuclear power will be developed more efficiently with preconditions of ensuring safety; "construction of large scale hydropower plants will gain momentum in south west China"; the country's optical cables will extend to 10.95 million kms and the number of internet access ports will rise to 223 million, an increase of 1 million and 35 million respectively; length of high speed railway will increase by 13,000 kms to reach 45,000 kms with total length touching 99,000 kms; length of highway network will reach 83,000 kms; China will open six new airports to air traffic, including a new airport being built at Beijing, bringing the total to 181; and China will build 36 million affordable apartments for low-income people. Premier Wen Jiabao spoke specifically of expanding use of the RMB in cross-border trade and investment and making it convertible under capital accounts.

The emphasis on innovation, science and technology

and space research will impact on China's defence preparedness. As China's GDP grows to an estimated 55 trillion Yuan by 2015, there will be consequential double-digit hikes in the defence budget. China will step up acquisition of hi-tech weaponry and hardware, which will have attendant implications. China's enhanced ability to develop hi-tech weaponry and Space weapons will be backed by steadily increasing financial support and an enhanced reservoir of trained human resources. These factors along with intensified training in joint integrated operations and increased emphasis on informatisation to prepare the PLA to fight and win local wars, will need to be factored in by India and China's neighbours.

The CCP's sensitivity to issues concerning the people was noticeable in the recent NPC session which discussed issues of concern to ordinary people, including high prices of apartments and distress this causes to younger citizens. The government, therefore, decided to build large numbers of low-cost houses and at least 10 million low cost apartments in Beijing. Problems of the ordinary Chinese individual and particularly of those in the rural areas have been the focus of the Party leadership. Premier Wen Jiabao's blunt warning at the NPC that rising prices, gap between the rich and poor, and corruption could 'even hit the government's control of power' encapsulated the underlying sentiment of the leadership visible in all the reports that were presented. This was symbolized at the NPC session in March 2011, with the presence of three Deputies representing the over 200 million migrant workers in China. The Chinese Communist Party (CCP) leadership has already taken major initiatives to ameliorate the living and working conditions of rural migrant workers by extending those greater benefits including payment of wage arrears, access to health and social insurance. The NPC session was assured by the Premier that cases of rural residents eligible to settle in cities would be taken up gradually.

A major step in this direction is the socio-economic experiment with far-reaching implications, which the Party leadership approved and which has quietly been underway since 2003. The pilot reform project was initiated in a municipality of Chengdu, capital of China's south-western province of Sichuan. It was made public within days of the conclusion of the NPC session. It would have helped that the Party Secretary of Sichuan, 1953-born Liu Qibao, is reputed to be a close associate of President Hu Jintao and aspirant for a post in the Politburo to be constituted in 2012. The experiment has been praised by renowned Chinese economist Li Yining and Nobel laureate Mundell.

A lengthy Xinhua dispatch, describing these pilot reforms, said the Party Central Committee had identified developing agriculture, raising farmer income and de-

veloping the rural economy as the most important element of Party work. This includes facilitating the free movement of labour between urban and rural areas.

Other noteworthy features of this reform programme are: granting farmers 'the right to contract land on a legal, voluntary and paid basis'. This innovative policy is said to have generated funds for the village community and farmers individually thereby raising their standard of living. It has facilitated living in a 'centralised manner' in relative comfort with all modern amenities. It has also converted the farmer's land and house into assets which he can parlay into capital.

To do this, the programme implemented a 'rural ownership system' in which the villagers' receive 'ownership certificates' confirming their rights to land and houses with the assistance of the Party branch of the village. The authorities plan that urban and rural residents will be permitted free migration starting 2012. Farmers will be allowed to work and live in cities without losing their land holdings and houses.

*They would have received some comfort when the NDRC report reiterated that "non-public sector" (an euphemism for the private sector) would be encouraged and government will create "an institutional environment for economic entities under all ownership forms to use factors of production on an equal basis in accordance with the law, compete as equals in*

This pilot reform project is to now be extended to a number of other counties. Economic changes that have occurred in China over the past thirty years were reflected in the NPC. At least 70 NPC Deputies accounting for almost US\$ 70 billion in wealth were among the private businessmen and entrepreneurs represented at the NPC and Chinese People's Political Consultative Conference (CPPCC) sessions.

Wang Wenbao, Vice Chairman of the All-China Federation of Industry and Commerce, in the CPPCC urged 'earnest implementation' of the central government's policies to encourage and support development of private business. He recalled that by the end of 2010, China had 42 million private and self-employed businesses and that China's private sector created more than 75 per cent of the jobs, 60 per cent of the GDP and 50 per cent of the total tax revenues.

#### IV CONCLUSIONS

These economic plans have far-reaching implications. A major change will be in the communist philosophy that has guided communist China's progress in the past six decades. Dilution of purist communist ideology moved forward with the acceptance of private business as part of the economic landscape and its being further legitimized by membership of the CCP. The suggestion

now is to place these private businesses on an equal footing with the State-owned Enterprises (SoEs). Further dilution of purist communist principles has also been effected with the reform initiative in Chengdu where 'ownership' certificates are being granted to farmers, rural and urban residents for their house and land. The emphasis on R&D and science and technol-

*Efforts are underway to allow cross-border direct investment in RMB this month September and, once implemented, the rules will expand channels for overseas-acquired RMB funds to flow back into the country thereby giving a push to the RMB's internationalization drive. Foreign investors will then be permitted to make direct investments in China with RMB legally obtained overseas.*

ogy, if successful, will launch China on to a higher, more advanced level in innovation, manufacturing and defence. China's indigenous GPS system the Beidou is expected to be operational by 2025 and Beijing has recently unveiled ambitious, capital-intensive plans to use Space Stations to harness solar energy by 2050.

Finally, China's trading partners, including countries like South Korea, European nations and the US, will be keenly watching implementation of China's new economic plans in the expectation that increased domestic consumption will facilitate export of goods by them. China has, in the meantime, accelerated 'internationalization' of the RMB (Yuan).

Though there are no indications of a serious threat to the CCP's position, nevertheless, vulnerabilities with the potential to derail China's ambitious developmental strategy exist. These include the potent mix of: rising unfulfilled popular aspirations, growing restiveness of the ethnic minorities who mainly reside in China's vulnerable border regions, and increasing anger at the rapaciousness of Party and Government cadres and neglect of environmental issues. China's leadership has so far successfully tackled these issues, but their task is now more complicated with the rapidly growing usage of internet and mobile telephones.

## RECENT EVENTS

*IPCS Discussion Series on Inside China (Society, Culture and Mass Media), 22 September 2011*, conducted by the IPCS

*Inside China; Understanding Contemporary Issues and Challenges, 2 September 2011* conducted by the IPCS in collaboration with India International Centre

*Communist Party @ 90; 8 July 2011* A discussion led by Jayadev Ranade and Srikanth Kondapalli

## RECENT PUBLICATIONS

As a part of its research initiative, the China Program publishes Issue Briefs, Special Reports, Research Papers and Commentaries.

### *Articles from the Last Quarter*

Political Democracy for Tibetans: China's Rising Dilemma  
Srikanth Kondapalli, April 2011

Resurrecting the Sino-Indian Defence Dialogue  
Bhartendu Kumar Singh, June 2011

Kung Fu Panda: American Invasion of Chinese Culture?  
Bhavna Singh, June 2011

Li Na and China: Sports as Soft Power?  
Namrata Hasija, June 2011

China-Vietnam Friction: The South China Sea Factor  
Teshu Singh, June 2011

Red Tourism: A Thriving Economic Industry or a Tool for Ideological Propaganda?  
Namrata Hasija, June 2011

China, the Philippines and Vietnam: Conflicting Claims in the South China Sea  
Teshu Singh, June 2011

### *Issue Briefs*

"The African Safari: Understanding the Sino-Indian Competition in Africa"  
Baladas Ghoshal, June 2011

### *Special Reports*

"A Paradigm Shift?: Elections to the Tibetan Government- in-Exile 2011," Bhavna Singh, No. 105, June 2011

## Communist Party @ 90: An Analysis

Report based on an IPCS discussion

Discussants: Prof Srikanth Kondapalli and Mr Jayadev Ranade

Drafted by Namrata Hasija, Research Officer, IPCS

### Summary

- The main thrust of Hu Jintao in his speech at the 90<sup>th</sup> anniversary of the Communist Party of China (CPC) was to fight corruption and of putting people first and govern for them. He stressed on the need to continue reforms and scientific development for the holistic growth of China in the future.
  - The basic structure of CPC has changed over the years with more educated and careerists joining the party rather than the peasants and workers.
  - With the rise in the protests from both the minorities and migrant labourers the CPC needs to find ways to appease this growing social unrest inside China.
  - On the international front with the growing US influence in Southeast Asian region and the South China Sea, CPC needs to introduce major change in their policy as China has an independent foreign policy which is against any military alliance.
- CPC has adapted itself well to changes over the years, however, now it will be interesting to watch how the party will adapt to the changing circumstances in the next thirty years.

### **Jayadev Ranade**

The Chinese Communist Party (CPC) celebrating its 90<sup>th</sup> anniversary is the largest organisation in China, with over 90,000 party cells across the country. Its strong grip over all aspects of life has not loosened and it has steered China successfully despite many hiccups like the Great Leap Forward and Cultural Revolution. It is a monolith and has learnt its lessons, changing its structure and outlook especially after the reforms introduced by Deng Xiaoping in 1978. The economy has improved tremendously as evident from the growth of

*Hu Jintao's speech at the 90<sup>th</sup> anniversary of the Communist Party highlighted the achievements of the party. He praised Mao referring to his era as the good old days. He also acknowledged the social turmoil in China. His repetitive mention of the word stability indicates the rising concern within the party towards growing social unrest in China.*

its GDP from Rmb362.4 billion in 1978, at the start of the reform period to Rmb30 trillion in 2008. The composition of the party has also changed over the years with more educated people and entrepreneurs being absorbed to party circles.

Hu Jintao's speech at the 90<sup>th</sup> anniversary of the Communist Party highlighted the achievements of the party. He praised Mao referring to his era as the good old days. He also acknowledged the social turmoil in China. His repetitive mention of the word stability indicates the rising concern within the party towards growing social unrest in China.

In the recent years peasant unrest had grown and to counter this rural health and social schemes were started. This has given a major boost to the CPC in rural areas. However, real progress on the ground is not much. The coming ten years will be very crucial for the party, the major challenges being minority issues, spread of the internet as a tool of non-violent protest and also the growing social instability.

### **Prof. Srikanth Kondapalli**

Hu Jintao's speech on July 1, mapped seven major points which the party needs to focus on in the future so as to strengthen itself and the country.

- free up our minds, seek truth from facts, advance with the times
- recruit people on the basis of merits without regard to origin or status
- Putting people first and governing for the people, and maintain close ties between the Party and the people.
- fight corruption in a comprehensive way, addressing both its symptoms and root causes, combining punishment and prevention, with emphasis on prevention.
- place power, Party affairs, and Party members under institutional safeguards and improve democratic centralism
- appreciating the reforms and openings that made China develop rapidly in the past 30 plus years, to promote China's future development by continuing down this path.
- 

To firmly carry out the central task of economic development and stay committed to pursuing scientific development.

## Changes in the structure of the CPC

With 80 million members, the CPC is the largest political party of the world and has undergone structural changes since its inception in a boat in 1921. The flag of the CPC has one big star symbolizing the CPC and five small stars representing peasants, workers, petit bourgeois, professionals and national capitalists. From 1921 to 27 workers were the main bases of the CPC but this strategy failed. Thus, 1927 onwards peasants were given precedence in the party which worked in its favour. After the formation of the PRC in 1949, the party has undergone many crucial structural changes. After opening up in 1978, the CPC shifted its base from peasants and workers to more educated people. Almost 17% of the total members belong to professional groups.

*“In the international sphere, with the US trying to make a comeback in the Southeast Asian region by interfering in Subic Bay (the former US naval base) and the South China Sea, both these regions have become a crucial point of contention between China and the US (private US military contractor Blackwater has begun training Filipinos in energy exploration security—that is, the military protection of oil drilling interests—at the former US naval base at Subic Bay). Also, the developments in Gwadar where China is planning to establish its naval base will call for a major change in communist party thinking because China has a policy against any military alliances. So to establish a naval base they will have to amend the constitution, which is a cumbersome process.”*

Thus, in the last 30 years the last two stars are shining more than the first two stars. Women members have also increased in the party but the main concern is that a large number of members are above 45 indicating that younger people are not joining the party cadre. With almost 19 members out of the 25 members of the Politburo retiring soon, it is a major concern for the party to nurture young leaders soon.

## Major Challenges before the Communist Party

The main challenge before the communist party on the domestic front is to find ways to address minority concerns. The rising demonstrations against authorities in Tibet, Xinjiang and Mongolia are becoming major concerns for the party. Rising corruption, unemployment despite a booming economy, uneven economic growth and a change in the demographic pattern are all areas of

unease for the party. With the rise in the numbers of urban poor, demonstrations for pay hikes, residential permits and demands for equal treatment have risen by leaps and bounds over the years. The CPC needs to find ways to deal with all these problems at the domestic front to avoid these sparks from turning into a major fire.

In the international sphere, with the US trying to make a comeback in the Southeast Asian region by interfering in Subic Bay (the former US naval base) and the South China Sea, both these regions have become a crucial point of contention between China and the US (private US military contractor Blackwater has begun training Filipinos in energy exploration security—that is, the military protection of oil drilling interests—at the former US naval base at Subic Bay). Also, the developments in Gwadar where China is planning to establish its naval base will call for a major change in communist party thinking because China has a policy against any military alliances. So to establish a naval base they will have to amend the constitution, which is a cumbersome process.

All these factors are major concerns for the party and it needs to adapt itself to changing circumstances. Looking at the past history of the CPC, one can see that it has adapted to the changing circumstances such as the way it faced and adapted to the Kuomintang challenge and also to the problem of creating a mass base in China. They have followed a policy of planning for every thirty years with the first of these on establishing party control over China, second the consolidation of that power, and the last 30 odd years have been dedicated to economic development. Thus, now it will be interesting to watch how the party will adapt to the changing circumstances in the next thirty years.

## Discussion

Question) Will Xi Jiping’s succession bring any changes in the Communist party? Do you see an alternate faction emerging?

Answer) There are four major factions from which the party members usually come from; the Shanghai gang, Communist Youth League, Qinghua Graduates and the Pricelings. With Xi Jiping’s succession there will be no alternate faction emerging, as all the members have an equal say and vote in the decision making. Therefore, the coming of one person from a different faction will not make any major change in the party.

## Beijing-Shanghai High Speed Railway: Strategic Significance

**Teshu Singh**

*Research Officer, CRP, IPCS*

The Beijing Shanghai high speed railway (Jinghu high speed railway) which was on track on 1st July connects People's Republic of China's (PRC) political capital with its financial centre. It is the longest and also the most expensive high-speed rail connection in the world. This line is seen as a major source of national pride, the chief engineer of the Ministry of Railways said "This is the pride of China and the Chinese people" hence it is no surprise that the launching of the train coincides with the 90th anniversary of the Communist Party. As the rail connects two main cities of PRC, it begs the question whether there is any strategic significance of this railway network?

It is interesting to note that the letter prefixed on the train numbers indicate the type of train in PRC. From fastest to slowest and the C-series stands for intercity high-speed rail which has the top speed of 380km/h (237 mph). The train uses the new CRH380 train sets and can accelerate up to a speed of 380 km/h. It will cover the journey in four hour forty-eight minutes which will be half the time of conventional rail. This will give fierce competition to the air lines because presently, the air travel between the two cities takes two and a half hours excluding the check in timings and other hassles.

PRC has been initiating the construction of its bullet train railway network since the early 1990. Today it has the world's longest HSR network with approximately 8,358 km of routes in service as of January 2011, including 2,197 km of rail lines with top speeds of 350km/h. The new Beijing –Shanghai line is a part of a nation-wide expansion of the railroad system, which is due to cover 120,000 kilometres of track by 2020 and also a part of nation wide high speed network with speed up to 190mph (330kph). It took just 38 months for the Chinese to build 1,318 km rail line with 215 billion Yuan investment. The train has 90 services a day and will be carrying 160 million passengers a year. It will cross seven provinces that include some of China's most densely populated and economically developed areas. Further this year, the Chinese government has plans for spending 700 billion Yuan on railway building alone.

power and accelerated development but the Shanghai Maglev Train – the first commercial high speed maglev line in the world which runs from Longyang road station in Pudong to Pudong International Airport and just takes 7 minutes and 20 seconds to complete the distance of 30 km is a much better illustration of China's technological prowess. The government has announced several changes to the Beijing-Shanghai train in recent months.

The top speed has been reduced to 300km/h from the previously-promised 380km/h due to concerns over both safety and cost. Authorities have also dropped the plan for a series of luxury 'VIP' carriages with airline-style fully reclining seats in order to keep overall ticket prices low. Instead they have settled on a simpler set of two-class carriages. This high cost railway has provoked complaints that it is too expensive for a country where millions of people still live in poverty. Rather, the government should be expanding the low-cost traditional rail.

*“It took just 38 months for the Chinese to build 1,318 km rail line with 215 billion Yuan investment. The train has 90 services a day and will be carrying 160 million passengers a year. It will cross seven provinces that include some of China's most densely populated and economically developed areas”.*

There is also an argument about the technology used for the train. China's initial Bullet Trains were built under technology transfer agreements with foreign train-

makers including Siemens, Bombardier and Kawasaki heavy industries. There is an account that although the train is built with imported technology its manufacturers are trying to sell to Latin America and the Middle East. This has forced complaints that Beijing is violating the spirit of licenses with foreign providers by reselling technology that was meant to be used only in China.

### **Implications**

Currently, in China freight is moved using large trucks and roadways to circulate goods and products throughout the country, exacerbating traffic congestion on major highways and contributing to the traffic jam. As the CRH network comes online, many existing lines will become freight only lines so that goods are transported more through railways than road. Perhaps, this train will give more space to freight on older lines which will certainly have long term benefits. The slashing of travelling time between two cities will definitely stimulate trade and enhance the flow of people and ideas. It will spread economic

## China's Nepal Focus

**Bhavna Singh**

*Research Officer, CRP, IPCS*

The appointment of Yang Houlun as China's ambassador has been the most high-profile diplomatic appointment to Nepal so far. This reflects the evolving priority accorded to this small neighbouring country in China's foreign policy strategy. With huge amounts of money being pumped into the Nepalese economy, it will be interesting to see if Nepal will be able to sustain a balancing act between its two giant neighbours.

The major thrust for this move comes from the fact that the previous plenipotentiaries in Nepal have been unable to bring about expected results in terms of Nepal's adherence to the one-China policy. In fact the previous few years have witnessed an escalation in anti-China protests by Tibetan activists undeterred by the Nepalese authorities. However, just the nature of high level focus by China has prompted Nepal to toe the Chinese line. What past ambassadors could not achieve happened within a month of the new ambassador's appointment. First, at least a dozen Tibetan exiles gathered to celebrate a religious event were detained and then around 800 Tibetans who had gathered to celebrate the Dalai Lama's birthday at the local Namgyal Middle Boarding School at Swoyambhu, Kathmandu were dispersed and some of them were arrested as well. For precisely these reasons

China is also determined to improve its economic relations with the country enabling it to be effectively used as a transit country for South Asia. China's Tibet Autonomous Region (TAR) shares an approximately 1414km border with Nepal making it essential to maintain stability on the border for other economic activities to be carried out. The growing economic engagement is visible in the increase of the trade volume by 80 per cent in a single year from 2009-2010 (US\$ 744 million).

Besides the construction of a 770km railway connecting the Tibetan capital of Lhasa with the Nepalese border town of Khasa, China is involved in several other projects in Nepal like the Melamchi water project, hydel & telecommunication and infrastructure projects including the development of Lumbini and Pokhara as well as the Taro and Kathmandu Ring Road. The catch in this FDI-led development remains that most of the labourers being employed for building these projects are Chinese and not necessarily creating employment opportunities

for Nepalese citizens. In March 2011 General Chen Bingde, head of the People's Liberation Army General Staff Department, visited Nepal and signed a number of contracts worth US\$ 20 million to build a military base on the Tibetan border. However, the Sino-Nepal trade is highly imbalanced in favour of China and the Chinese authorities realize that if they have to generate goodwill for their economic endeavours in Nepal they will have to make certain concessions. To negate any overtures on that behalf, China has introduced a zero-tariff facility for over 4,000 Nepalese goods.

The statements by the new Chinese envoy Chairman Dahal have reassured Nepal that "China will never deviate from its policy of non-interference in the internal matters of Nepal." By doing this China has avoided the pitfalls of Indian diplomacy which is dubbed 'arrogant' and unnecessary meddling in Nepalese affairs. India continues to be the largest investor in Nepal amounting to a total of 45 per cent of its foreign investment, but despite this, its economic endeavours are seen with scepticism and

China's increased assistance is seen as a positive balance to India.

Simultaneously, the appointment of Jayant Prasad as the Indian ambassador comes as an effort to recuperate from the losses in the preceding tenure of Rakesh Sood. Prasad is

expected to capitalize on the engagement engendered during his father Bimal Prasad's term, who served as the Indian ambassador to Nepal from 1991-1995 and whose tenure is regarded as exemplary. However the Chinese have also interfered blatantly in Nepalese internal politics. A 12-minute tape capturing a Chinese diplomat's effort to bribe 50 Nepali legislators by offering US\$ 6.9 million for help in forming a Maoist-led government that would favour China has already hampered public opinion towards China in Nepal.

If the Indian bear hug raised alarms in Nepal, then Chinese interference might meet the same fate in a few years. China's dealings with Myanmar are an example of how its huge infrastructure developments have made Myanmar's government wary of China. While Nepal certainly does not have sufficient diplomatic resources to handle the jostling for influence by its two bigger neighbours, it will benefit most by not aligning completely with one power against the other.

## Border Trade At Nathu La: Five Years After

**Bhim B Subba**

*Research Scholar, DEAS, University of Delhi*

It has been five years since the resumption of Nathu La border trade between India and China following a lull of four decades after the Sino-Indian War in 1962, yet neither has there been any mention of it in the print media both at the national and state levels, Sikkim in particular, nor has it been given any attention by the strategic community. Is the Nathu La fanfare over? Is the administration of the day interested in continuing this endeavour or is it just an aberration to boost India-China relations?

Over the past five years, bilateral border trade via Nathu La so far has overwhelmingly benefited traders from both sides of the border. Every year, trade begins from 1-2 May until 30 November, when the pass closes for the winter. This year it was proposed to open on 2 May, but the road blocks caused by severe landslides meant that trade could be resumed only from 16 May. This was a major setback for the traders. It is therefore imperative for road infrastructure to be developed to fully tap the potential of this exercise.

Nathu La, one of the three border trade points between India and China, faces a major hindrance during the monsoons, which play havoc between late April and mid-September. Although the state administered SPWD and the BRO-GREF have collaborated to keep the stretch worthy of transport, this temporary ad hoc fix measure cannot sustain the traffic flow as both trade and the peak tourist season coincide during this time.

The double-laning of Jawaharlal Nehru Marg from Gangtok to Nathu La was started in 2007 by the Border Roads Organization (BRO) but has not been completed yet, leading to more chaos during the tourist season. This traffic choke can be eased with proper maintenance of the alternate route bypassing Gangtok from Rangpo-Rorathang-Rongli Road. It is an alternative to the 31/A National Highway to Gangtok from Sevoke in northern West Bengal. But the condition of the road is not all-weather friendly.

The locals in and around Gangtok face undue hardships because a vast majority of taxi-jeeps cater to tourists especially those going to Tsangu Lake, the same route that leads to Nathu La. The diversion of vehicles means that locals are sometimes left stranded, and at other

times, are expected to pay more when commuting to and from Gangtok. The author experienced this recently on his visit to Pakyong, a sub-division town, where the only civilian airport in Sikkim is being developed. It is would be prudent for the state government to look into this problem to ease the traffic movement by building better roads and widening/back-cutting the existing road. This can be helpful in easing up traffic up to the lake area.

*“Although the state administered SPWD and the BRO-GREF have collaborated to keep the stretch worthy of transport, this temporary ad hoc fix measure cannot sustain the traffic flow as both trade and the peak tourist season coincide during this time”.*

In addition, the four days of trading in a week leave the traders unhappy. Under the bilateral agreement between India and China, Sikkimese traders can export 29 items to and import 15 items from Tibet Autonomous Region (TAR). Thus, hardly anything from Sikkim is traded. In fact, the non-tradable items are more than the legally specified tradable items. The Sikkim government has repeatedly approached the Centre for a re-vision of the list of tradable items. Traders from both sides have also been demanding the revision of tradable items, saying that the present items listed in the schedule are obsolete and do not have commercial value.

Bilateral trade has increased from just INR 2 million in 2006 to INR 9.85 million with zero imports in 2010, which shows the vast potential of trade between two countries. This trend must be nurtured by increasing the list of tradable items, developing roads and communication infrastructure and the involvement of more customs officials on the Indian side of the mart. Also, to be more inclusive, the local trading community of Sikkim has to be encouraged as their business representation is much smaller than other business communities in the area. The potential that economic diplomacy holds, if exploited, will bring long-term benefits to people from both sides of the border.

## Chinese Economy: Inflation on the Rise And Manufacturing on the Wane

**Teshu Singh**

*Research Officer, CRP, IPCS*

China has gradually become a manufacturing hub of the world by letting in capital and technologies and bringing its low cost advantages into full play. However, the growth of the manufacturing sector in China has slowed down in the past seven months with a rise in inflation. Any such development in the Chinese economy sends ripples across the globe. This slow down in manufacturing has raised a few questions: Where is the Chinese economy heading? What are the likely implications of this slow down?

Manufacturing forms the backbone of the Chinese economy, and its six predominant industries, comprising petrochemical, metallurgy, forestry, medicine, food and machinery, have contributed separately to the overall growth of manufacturing in China. The manufacturing sector recorded its slowest expansion in 28 months in June 2011, with the Purchasing Managers Index (PMI) falling from 52 per cent to 50.9 per cent at a rate of 1.1 per cent per month, according to the China Federation of Logistics and Purchasing (CFLP).

Inflation in China has become a major problem today. The Consumer Price Index (CPI), a main measure of inflation, jumped to its highest in three years surging to 6.4 per cent in June 2011. Inflation soared in China because of the rise in global commodities' prices, pressure for higher wages and also because of a severe drought this year. To control inflation, the government has implemented a set of measures. The People's Bank of China has lifted the reserve ratio of commercial banks to absorb excess liquidity in the system and curb inflation. In order to control the inflation rate, the banks have increased the reserve rate by 0.5 per cent since March for the fifth time. It is now 19.5 per cent for small banks and 21.5 per cent for big banks, which is the highest in China's history. However, the Chinese government has assured that it will try to maintain the inflation rate at around 4 per cent for the next five years.

In addition to internal problems, external factors are also playing a key role in curbing the growth of the manufacturing sector. The country's imports are mostly half-processed goods and raw materials. The rising international prices of oil, coal, iron ore and agricultural

products have forced Chinese factories to pay more for importing these raw materials before processing them into finished products. Chinese exporters are finding it difficult to pass on rising costs to US buyers because as exporters of labour-intensive products, China is weak in bargaining for better prices.

Export demands for Chinese goods have also gone down in major Chinese export destinations; partly because of the impact of the tsunami on Japan, high unemployment in the US and excessive debt in European nations. These nations are attempting massive cutbacks in expenditure, thus decelerating the demand for Chinese goods. It is worth highlighting that with so many global multinational companies looking to their China operations to drive growth, a material slow down in China would have a negative impact on earnings and cash flows generated by these multinational companies from their operations.

Moreover, the slow down has been quite comprehensive, as apart from manufacturing even the automobile and housing sector have witnessed weaknesses in recent months. The value of land sales in Beijing this year has dropped 75 per cent as has the value of car sales owing to the withdrawal of incentives by the government.

Contrary to the above developments, China is entering a decade of double-digit wage growth, which is a good thing for economic rebalancing. But its inflationary impact should not be discounted. If not handled well, it could lead to instability. In 1988, Zhao Ziyang was criticized by conservatives for managing price reforms (although the idea of price reform originally came from Deng Xiaoping). Hence, China's growth is likely to go down from the current 10 per cent to 5 per cent by 2020.

Thus this slow down in the manufacturing sector can be attributed partly to external factors and partly to state-engineering, as demonstrated by the Communist Party's ruling Politburo's indication that economic growth remains the top priority of the authorities. China is engaged in a tug of war, trying to encourage sustainable growth while struggling to control inflation.

## Media and Power Play in China

**Gunjan Singh**

*Research Assistant, IDSA*

In a very tragic incident in China, a high speed bullet train collided with a stationary train near the city of Wenzhou in Zhejiang province. Various Chinese and international media reports have provided different figures about the total number of death ranging from 35 to 39 and the number of injured have been reported to be around 200. As typical of the Chinese government, the initial attempt was to cover the magnitude of the disaster and also attempt to block the coverage of the news. It is believed that parts of the train have been buried or packed and dispatched with great urgency after the accident. The primary concern is that the government did not want any public uproar and mobilization. In spite of the attempt by the government to cover the news, information about this accident did spread and the government had to succumb to public demand and declare an open and fair investigation. To the surprise of many, Premier Wen Jiabao has even called for the results of the investigation to be made public. Undoubtedly, it's a decision which is uncommon in the Chinese scenario.

The basic factor behind this has been the role of the new communication technologies and the increasing and dynamic role of the media in China which is constantly changing relations between the state and the society. The role played by internet and cell phones was the primary factor that worked against the government attempts to block the news. People were aware of the developments within minutes of the accident. People have also shown their anger over the government's attempts to cover up by hiding the wreckage and evidence. Microbloggers, in particular, have been questioning the government's numbers regarding causalities from this accident. Thus, once again new communication technologies have shown their utility in voicing people's discontent.

Following this, the government has responded by declaring that there should be an open investigation. This highlights that the Chinese government has once again succumbed to pressure from the new media. Social as well as mass media are playing the role of catalyst in this changing power structure within Chinese society. The Chinese Communist Party (CCP) had managed to control the media completely till about 1978. With the introduction of new technologies and the development of a commercial media, the level of control which the CCP enjoyed has been continuously weakening. New develop-

ments in the media sphere have made the power centre within Chinese society more dynamic. Interestingly, even the official media voiced the point of view of the people, albeit after the protests and Premier Wen's statement. The state-run Global Times, which generally maintains a pro-government and nationalist stance, stated that the government cannot deal with the people in a bureaucratic fashion time and again. It went on to praise the internet and the comments on it as a mark of 'public democracy'. Though the government has removed a number of top railway officials and declared a compensation of approximately \$77,500 to each victim of this accident, public sentiments are not pacified. People have been demanding that the government should make the cause of the accident public rather than provide them with monetary compensation. This new 'space' which the media and the internet have created is proving to be a check on the party and its cronies by voicing demands for the people's right to information, at least when it matters in their immediate lives.

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The recurrence of these developments shows that the CCP is worried that sustained grievance against the party can be harmful for its long-term stability and creates questions about its hold on power. The primary motive of controlling the media by the Propaganda Department has been the need to maintain stability within the Chinese society so that no organized protests become strong enough to question the CCP's authority. In general, authoritarian states have not been comfortable with people's access to information, especially when the government appears to be on the wrong side of the story. The CCP is facing exactly this fear and as of now is not sure as to how to manage these instances since the media is becoming an important pillar in the drive for accountability in China. This is a fundamental change unfolding within contemporary Chinese society.

Learning from the recent Jasmine Revolution, the CCP has become more alert to online public outcries and is subsequently constantly on guard to avoid any embarrassment that may turn into mass discontent and protests. If the government had not reacted swiftly and in accordance with people's demand after the train accident, it may have backfired and may have led to more public protests.

## Central Tibetan Administration's (CTA) New PM: An Implication for Sino-Tibet Relations

**Chok Tsering**

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It was a historic moment on 8 August 2011 when the newly elected Lobsang Sangay was sworn in at Tsuglagkhang as the third directly elected Kalon Tripa (Prime Minister) and the first elected political leader of the community. The Dalai Lama described the day as “one of the most special days in Tibet’s 2000 years of history”. He called for greater responsibility on part of the Kalon Tripa as well as the younger generations. The Chinese government took a different angle to this development in the exiled community and called the appointment of Lobsang Sangay as just another political gimmick by the Dalai Lama, further labeling the Dalai Lama’s resignation as “a trick” to play another game of politics - “it’s all just a separatist political clique that betrays the motherland”. This reaction from China is bound to complicate the relations between the People’s Republic of China (PRC) and Central Tibetan Administration in the post Dalai Lama scenario.

The devolution of political power brings both advantages and disadvantages to the CTA and its elected Prime Minister. The major setback from it has been the end of the 370 years of “*choe si nyi dren*” (religious governance, where the ruler was the lama) during which Tibet enjoyed considerable freedom. Moreover, the dialogues between China and Tibet have come to a standstill because the talk, as seen by the Chinese was in between the Chinese government (the United Front Work Department) and the representatives of the Dalai Lama. Thus, during that time there was no legitimacy given to the Central Tibetan Administration (CTA), located in Dharamsala. Since political responsibility has come on the elected Prime Minister and the CTA, which has emerged as the de-facto government based in exile, matters have become complicated. The new dialogue between the CTA and PRC will give a big blow to the position of China towards Tibet. The PRC will strategically never accept the legitimacy of the CTA.

Tibetans back in Tibet hope and aspire for a stronger role of the CTA and the Kalon Tripa evident in the congratulatory messages during the oath taking ceremony of Dr. Sangay, intensifying the stand-off in between China and Tibet which has further problematized the Tibetan question. Another disadvantage to Lobsang Sangay was described by the Tibetans as in-experience

in the administration work although a highly qualified scholar and a great orator. Although the Dalai Lama has resigned from the political leadership and a structural change has occurred in the CTA, people still repose their faith in him as the constant figure of Tibet to represent the Tibetan voice in the world. For instance recently on 15 August 2011, one of the monks, Tsewang Norbu from Nyitso monastery in Tawu, Sichuan province, committed self-immolation as an act of protest against China’s rule in the region and also demanded for the return of the Dalai Lama to Tibet.

With the ascendance of new leaders in China in 2012 and the intensification of the Tibetan movement in some of the Tibetan regions outside TAR, the Chinese have taken greater measures to suppress. For instance, the recent visit of Vice-President Xi Jinping in the Tibetan region as well as the imprisonment of a great Tibetan poet, Shogdrung clearly indicates the significance of Tibet issue. Moreover, the Tibet issue which has been conspicuous on the high tables of international

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conferences like European Union’s Commission of Human Rights is however silenced by the economic might of China. The Chinese have confined the issue of Tibet to that of the Dalai Lama, which has completely overshadowed

the fate and future of the Tibetans in Tibet as well as outside.

China hopes that after the death of Dalai Lama, Tibetans will be deprived of an internationally known figure like him and thus give up the freedom struggle. But with the passing of political power to the elected leader, the Dalai Lama has tried to move the spotlight back to the issue of Tibet; hence it has become easier for the Tibetans to continue their struggle even after the absence of Dalai Lama. It is obvious that there will be two Dalai Lamas like Panchen Lama if the Dalai Lama institution continues: one recognized by the Chinese and another by the Tibetans but the present situation has made easier for the Tibetans to run the government continuously even in the absence of Dalai Lama. His Holiness the Dalai Lama will always remain as the spokesperson for Tibet and Tibetans. However, the Tibetan issue stands as it is right now, as a matter of fact it has become murkier and there is no speedy solution to the Tibetan imbroglio.

## Xinjiang's July Syndrome: Terrorism or Misgovernance?

**Bhavna Singh**

*Research Officer, CRP, IPCS*

When Zhang Chunxian (Xinjiang's current Communist Party Chief) took over as the secretary after hardliner Wang Lequan's dismissal following the Urumqi riots in 2009, he was expected to usher in an era of peace and tranquility in Xinjiang's Uyghur Autonomous Region (XUAR). For this purpose he adopted a soft-approach towards Uyghurs marking a strategic shift from the legacy of his predecessor. However, his endeavour to project stability and prosperity on the eve of the second anniversary of the Urumqi riots (5 July 2009), when he tried to reach out the local communities, was marred by a dreadful providence of events which unfolded on 18 and 30-31 July 2011 in Kashgar and Hotan. The Chinese government quickly aduced the terrorist angle to explain the incidents whereas the locals came up with a contrary view. What exactly are the major reasons causing these recurring disturbances? Is terrorism alone a valid explanation or are there graver issues which need to be addressed?

So far, China's attempts at integrating the province and creating a harmonious socio-political environment by increasing the security budget along with a 'one-on-one/pairing assistance programme' carried out by the XPCC have drastically failed. This is primarily because the consequential political reshuffle did not take the aspirations of the local people into account. It is plausible that public punishments meted out to the members of the Uyghur community left a humiliating impact on community psyche, following which they decided to take revenge (Reports in *The New York Times* of a video of the Turkistan Islamic Party claiming revenge confirms this: <http://nyti.ms/nGyLxv>). Also, the relaxation of media norms within the province gave them an opportunity to regroup with previous affiliations, who too shared a feeling of persecution by the Chinese state.

Mismanagement of economic resources has also been fuelling the fury of ethnic minorities in the region. Kashgar as one of the latest cities to be modernized. Given its favourable business environment, it attracted investors on a large scale, mostly Han officials, volunteers, merchants, police and immigrant workers which contributed to the rising cost of living in the city.. Local businessmen and officials have become eager to demolish old buildings and community structures and replace

them with skyscrapers. Beijing will be investing another 7.26 billion Yuan (\$1.13 billion) in municipal infrastructure, construction and other livelihood programmes in Hotan Since most Uyghurs are unable to 'upgrade' their apartments to new ones, they are increasingly marginalized in their own town. They also lament the grave cultural erosion ,most prominently seen in the traditional Islamist part of the city which is being modernized at a fast pace. The Chinese government further plans to increase the city's annual GDP growth rate over the next decade and increase the population from the current six hundred thousand to a million by 2030. These changes are leading to increased antagonism between the Central government and the local people.

between the Central government and the local people.

Additionally, the entire process of rehabilitation lacks transparency and the locals are not adequately compensated during the renovation phase which leads to adverse speculations on the state's intention for the region

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The high level of corruption amongst the local police is also a significant determinant of the attack on the police station in Hotan. Police officials are believed to be involved in a black economy whereby they manoeuvre and deploy the discourse of 'three forces of evil': *separatism, extremism and terrorism*, as and when it suits their need. They are involved in a double-sided pursuit of money from the locals as well as the state. Hence they are particularly being targeted by the local people. Though a larger terrorist threat exists from pan-Islamist linkages in the Central Asian Region, the Chinese authorities are amenable to playing up the 'terrorist threat' being instigated from abroad and by the East Turkestan Islamic movement (ETIM)/Tu-Dong forces to garner international support. These incidents should therefore not be viewed from the prism of terrorism but as clashes engendered by ruthless suppression of peaceful protestors by the local police and officials while demonstrating on day-to-day issues.

On the whole the July 2011 incidents seem largely driven by misgovernance in addition to the fundamental ethnic divide that exists in Xinjiang and should not be construed within the larger terrorist threat to the Chinese state.

## China's Military Modernization: The Pentagon Report and Indian Fears

**Bhartendu Kumar Singh**

*Indian Defence Accounts Service*

The recent edition of Pentagon's Annual Report on 'military and security developments involving China (2011)' received unexpected coverage in Indian media. In particular, the focus was on how the Chinese PLA has deployed advanced and survivable solid-fuelled CSS-5 medium range ballistic missiles (MRBMs) to strengthen its deterrence posture against India. The development is not new since it was mentioned in last year's Pentagon report as well. However, the increased emphasis on these developments through a front page coverage indicates a rather panicky rationality about Chinese military modernization as far as India is concerned.

If India has been living unharmed with a two-decade old Chinese military modernization process, it's because the stated objective was to enhance Chinese military capability against Taiwan and deter the US from fishing in troubled waters. Thus, a major concentration of the PLA ground, naval and air units remained positioned in Guangzhou, Nanjing, Jinan and Beijing military regions. China also stationed around 1000 missiles of different ranges along the Eastern seaboard. In recent years however, China has positioned a small number of missiles aimed at India in Lanzhou and Chengdu military regions as well. This is supplemented by the fact that China has increased its capability for strategic mobility and can move supplementary missiles at a short notice positioning them against India.

Therefore, a perception is gaining ground amongst Indian opinion makers now that the real objective of Chinese military modernization is indeed India.

Several developments add weight to this argument. While the Chinese investments in road-infrastructure development along the Sino-Indian border, also noted by the Pentagon report, is well known, a recent report published on the website of Chinese PLA adds to the Indian fears. This report entitled 'A closer look at China's Tibetan border areas' provides a Chinese perspective about economic development infrastructure development in Tibet. However, it emerges that it is the PLA that is involved in all kind of economic activities, thus exposing its strategic consolidation in the region. Concurrently, despite improvement in China's relative military power vis-a-vis Taiwan, cross-Strait ties have improved since 2008 and the prospects of a near term crisis appears low. Eventually, China might shift some of its improved military capabilities towards India to settle the outstanding border dispute on its own terms.

This year's Pentagon report also includes a special and rather comprehensive chapter on China's evolving maritime strategy. China, it concludes, is no more a continental power. The country's enhanced 'maritime consciousness' has led it to redefine its 'maritime periphery' since maritime power is viewed as a

prerequisite towards a 'great power' status for China. In 2010, China published a Report on 'China's Ocean Development' that proclaimed 'building maritime power as China's historic task for 21st century' and indeed identified the decade from 2010-2020 as the key historic stage for realizing this task. Today, many of China's new naval platforms can utilize space-based communications, advanced sensors, and area air-defence, enabling combat capability at great distance from land. In future, China's expanding capabilities might facilitate its greater attention into the Pacific and Indian Oceans.

Indians in fact know this better. Only recently, the Chinese Navy buzzed an Indian warship off the Vietnam coast. Chinese naval ships are doing more port calls to South Asian countries and taking reconnaissance of Indian maritime assets. Not long back, China issued a stapled visa for a senior Indian general that led to cancellation of the bilateral defence dialogue. And Chinese pricking on the Sino-Indian border through regular intrusion is rather well known. What is clear is that China is quite prepared to box down India both on the land as well as on the seas!

This indicates to a situation where the Sino-Indian relationship remains engulfed in an environment of distrust which further erodes several developments in political, economic and military fields. Due to trust deficit, even normal developments in Chinese military modernization are often read with alarm in India. Witness for example, the recent testing of the Chinese aircraft carrier that should have been read as a logical step in Chinese naval build up. Instead, it was interpreted by many journalists as another step towards Chinese encircling of Indian waters. There was little realization that India also has one and in fact at one point boasted two aircraft carriers.

The asymmetrical gap between the military prowesses of the two countries is here to stay since India's own military modernization will lag behind China for considerable time in future. The Agni V missile having a range of 5000 km, though in final stages of testing, will take years for full development and deployment and will still not be an effective deterrent to China. Since India is militarily weak, all advancements in Chinese military modernization would be read with alarm and could be misinterpreted as enhancing China's threat capacity to India. Such an unfortunate perception would be inimical to the fragile peace process on the disputed border. Perhaps, the solution lies in revitalizing the stalled defence dialogue between the two countries.

# China's One-Child Policy: Origins, Status and Implications

**Avinash Godbole**

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The population policy of the People's Republic of China (PRC) was in news recently after Vice-President Joe Biden mentioned it, quite nonchalantly, in his speech at the Sichuan University in China. Biden's soft approach has irked his critics as he did not criticize PRC for the problematic aspects of one-child policy, including its coercive nature and human rights abuses. In addition, his comment added some fuel to the conservative Republican campaign. In essence, what Biden said was right as the one-child policy is not sustainable in the long run since it is likely to turn the population pyramid upside down with the percentage of dependent population (elderly plus children) surpassing that of the earning age group in China.

### Implementation of the policy

One-child policy was one of the last of the mass based campaigns that marked the Maoist era in China. Under this policy, urban married couples are allowed to have only one child. The Party leadership factored in a lot of deviations in the one-child policy with various categories of people including minorities being allowed to have a second child.

Mass media and workplace education methods were used to project the incentives of single child families. At the same time, strict disincentives were put in place for preventing non compliance like cash fines - as high as five times the annual income of the violators, restrictions on promotion for government employees who had second child, restrictions on receiving welfare benefits, prohibitions or higher fees in school admissions and so on. As a part of this policy, late marriages and delayed childbirths were encouraged as well as strictly monitored. After the policy, the average number of children per woman dropped from 2.8 in 1979 to 1.5 in 2010.

Despite this success in numbers, the population policy is mired in its own problems:

a) **Coercion:** At the beginning of the policy, overambitious targets were set and it was decided to reach zero population growth by 2000. In addition, party officials were given targets for policy implementation within their localities and their promotions within the party depended on their success in ensuring compliance. This led to uncontrolled coercion by overzealous officials and as a consequence, stories of forced abortions and sterilizations fill the literature on the history of this policy. On the other hand, coercive policies have also led

to under reporting of births, especially of girls who were abandoned, since party officials also preferred to save their face by hiding real numbers. Floating population also caused difficulties in accurate calculations.

b) **Gender Imbalance:** Permission for second child for couples having first daughters in addition to the legal sex determination tests led to skewed sex ratios at birth. It has continued to be skewed even after this test became illegal. As a consequence, many Chinese men are unable to find brides and they tend to scout out to Southeast Asia in search of commitment.

c) **Lack of Multidimensional Approach:** Other ills of this policy are tied to the problems of social inequality facing China. For example, there was a lot of criticism when cities like Shanghai silently allowed the couples who had grown as single children to have two children in the name of population stabilization while at the same time keeping the migrant labour out of the benefits of city registrations.

d) **Long-term Consequences:** Whether the individualization of Chinese society is good or bad is another hot debate amongst the academics studying China. Over the long term, it has also led to violent tendencies amongst those who have grown up as a single child of affluent parents and find themselves unable

to make social adjustments.

### Future of the Policy

Undoubtedly, one-child policy is the biggest social engineering process ever undertaken in the world. It has had its benefits but its shortfalls have also been too many. Even if the government now desires to balance the population structure by bringing in more relaxations to the policy, public response may be lukewarm. First, rising costs of living, education and healthcare might prevent urban couples from having more children as many find it difficult to sustain their own lifestyles as such. In addition, alterations to this policy may not happen too soon and it may never happen the way this policy began in the first place; third, the Chinese government has other problems that demand urgent attention and are being prioritized and lastly, today the state-society relations in China are nowhere close to what they were in the late 1970s.

## Cultures of China: An Exposition

**Teshu Singh**

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Culture is the bedrock of soft power projection. Keenly aware of this, the People's Republic of China has started a touring cultural exposition - the 'Cultures of China' aimed at North America, Japan and Southeast Asia. The tour was inaugurated on 6 September 2011 in Vancouver and is likely to end by 25 September 2011. This exposition celebrates the centennial of the Xinhai Revolution (1911) showcasing the spotlight on the achievements of Sun Yat-sen. It largely celebrates the PRC's ethnic diversity through song and dance. This poses the question that what is the significance of Sun Yat-sen in Chinese History? And what is the strategic significance of such tours in Contemporary Chinese Foreign Policy?

The Xinhai Revolution of 1911 began with the failed Wuchang Uprising on 10 October, 1911 against the corrupt Qing Dynasty (1644-1912). Though the uprising did not immediately lead to the establishment of a republican government it did lay down the seeds of Chinese Republicanism and the ultimate overthrow of the Qing empire. Sun was the first provisional president when the Republic of China was founded in 1912 and later co-founded the Kuomintang (Chinese Nationalist People's Party) where he served as its first leader. As the leader of the Chinese revolution, prior to the Communist - Kuomintang animosity, he is largely seen as a uniting figure and is still revered in the PRC. Moreover his lifetime dedication to creating a strong and prosperous China and the well being of its people resonates with the astonishingly rapid development China has seen in the last thirty years. Sun crystallized his ideas in the three principles of nationalism, democracy and people's livelihood. He envisaged the growth of the Chinese polity through a three stage trail of military rule, political tutelage and constitutional government

The PRC is using this tour as an opportunity to reflect on the historical significance of the occasion. In recent years the Chinese Communist Party has been increasingly projecting Sun as a symbol of Chinese nationalism given the increasingly nationalistic rhetoric of its propaganda department. But more importantly this serves as a bridge to "Nationalist China" - Taiwan - and

Chinese nation and reunification of the country through this event. Further, it can be seen as a benign projection of China's rise rooted in its history. The nationalist-development goals of this exhibition are quite clear, that is, to promote interest in overseas Chinese communities and to provide insight into how China sees its progressive future, in effect making Sun the common denominator of both patriotism and progress.

The role of the overseas Chinese has also been important to social and historical upheavals in the last century of China's history. There is a deep historical connection between the migrants from Southern China in Canada and the legacy of Sun. The forbearers of the Chinese revolution visited Vancouver in 1897, 1910 and 1911 and partly due to their efforts the 'benevolent society' raised a whopping 70,000 Canadian dollars to overthrow the Qing rulers and set China on a path of reform.

Today, Vancouver is home to 4,00,000 Chinese Canadians and in terms of symbolic importance and well thought out inaugural for the expo. This expo will travel further to Calgary, Toronto, Washington D.C., Houston, San Francisco and finally finish in Honolulu in Hawaii on its North America leg. It is also interesting to note

*"But more importantly this serves as a bridge to 'Nationalist China' - Taiwan - and specifically the Kuomintang support base there, which is seen as an ally against Taiwanese independence. Although the Chinese leadership considers the one-China principle as the basis for its relationship with Taiwan it is glorifying Sun to project its benign gesture towards Taiwan to the international community".*

that these cities were earlier visited by Sun in his search of support and funding from overseas Chinese. The PRC often views its overseas Chinese as assets to the country's rapid modernization and reckon them as a platform of culmination of Chinese and foreign ideas and perspectives. They are

often referred as "Sea turtles"-*hai gui*- literally translated as 'someone who has lived overseas.'

China is using its cultural diplomacy to defuse the increasing China threat perception and to promote the peaceful rise of China. Perhaps culture has become the third pillar of the PRC's diplomacy and it is using culture as a tactful platform to project its soft power. The CCP in its eleventh five year plan called for a longer presence of China at international cultural market and designed a comprehensive approach to popularize Chinese culture worldwide. Thus, one cannot ignore the role of Cultural as a tool of diplomacy in China's foreign policy which is further evident from the rising craze for learning Mandarin across globe.

## Rising Suicide Rates among Rural Women in China

**Namrata Hasija**

*Research Officer, CRP, IPCS*

*"China is the only country where suicides among women outnumber men"*-Yang Fude, Vice-president, Beijing Hui Guan Hospital

A study released on 9 September 2011, a day before the World Suicide Prevention Day, by the *Chinese Centre for Disease Control and Prevention* highlights the growing suicide rates in China. It states that around 300,000 people out of 1.3 billion population commit suicide every year, out of which 75 per cent are committed in rural areas and the number of women is 25 per cent higher than males in rural areas. This is in stark contrast to worldwide suicide statistics, where generally suicide rates are higher among the urban population and males. In Japan, 12.8 per cent women commit suicide compared to 35.6 per cent men. In Republic of Korea, men outnumber women again with 32.5 per cent men committing suicide against 15 per cent women.

According to *Guangzhou Daily*, the number of suicides has risen sharply in the reform era by almost 60 per cent. China is on par with Lithuania, Finland, Latvia, Hungary, Japan and Kazakhstan according to *The Lancet*. Such a phenomenon draws closer scrutiny in the backdrop of China's spectacular growth, as the instances have been increasing especially after the introduction of reforms in China. This begs the question whether the economic boom along with the Chinese traditional societal pressure on women is triggering these suicides? Or is it because cases are now reported in the media which was not possible during Mao's era?

According to a report published by the World Health Organization (WHO) every four minutes a woman commits suicide in China and majority of them belong to the rural areas. Every year, 1.5 million Chinese women attempt suicide while another 1,50,000 succeed in taking their own lives. The age profile of these women is usually 15-34 years of age and most of them try to commit suicide due to domestic conflicts according to the same report. Thus, it is very important to understand the changes in Chinese rural life after the liberalization of the economy in 1979.

With the de-collectivization of land a surplus of labour was generated in the rural areas which led to a large scale migration to urban areas in search of jobs, in turn

leading to the feminization of agriculture. Adding to this, their already heavy domestic burden and the usually hostile environment of the groom's family, which traditionally sees the wife as a "purchased commodity", has led to an acute male-female imbalance.

This has led to a range of problems for women compounded by isolation forming a lethal cocktail that many times culminates in suicide attempts over seemingly trivial issues. These bouts of depression are further aggravated by the traditional values of Chinese society where women are still treated as second citizens. Studies have also revealed that the easy availability of pesticides in rural households in China (most of which are banned in the west) – seem to offer an easy escape route to women suffering from the conditions described previously.

The ratio between attempted and successful suicides has however, decisively shifted towards the latter since rural areas do not have adequate medical facilities or trained doctors. Moreover doctors in China try to play down mental illness and chronic depression considering it a 'western phenomenon'. As a result there are not enough psychiatrists to either diagnose or help these women overcome their problems at an early stage. Many support groups have mushroomed where the

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women can discuss problems, take up vocational courses or simply participate in cultural activities to break the monotony. Other groups seek to educate women on issues such as marriage laws, suicide prevention and gender awareness. However, due to societal conditioning the resistance to discussing family issues with outsiders is great and these attempts are at best a partial success.

Many studies indicate that a ban on lethal pesticides and increasing female migration to urban areas has reduced rural suicide rates among women, but banning pesticides seems to deal with the symptoms and not the problem at core. Fresh data released on 10 September 2011 by the Chinese Centre for Disease Control and Prevention clearly shows that the trend of high suicide rates and their correlation to the feminization of agriculture remains substantial.

## Free Expression on Weibo: An Alternate To Facebook, Twitter?

**Alpana Verma**

*Research scholar, DEAS, University of Delhi*

China has the highest number of Internet users worldwide (485 Million). The introduction of social networking sites (SNS) since 2009 has given impetus to the usage of internet in China. People are flocking the *weibo* to be in vogue and keep up to date with their peers in China. One of the leading Chinese blog, *Sina weibo* is said to have hosted 200 million registered users by now. This explosive growth in the usage of SNS has raised a few questions; are the *weibo* a reliable alternative source of information in China? Or is it a tool of propaganda against the state or just a means of free expression?

The *Weibo* of China is an answer to the American technologies like Facebook and Twitter. Weibo are networking sites which unlike Twitter enable its users to post pieces of information, messages, videos, images and comments etc to a larger audience at the same time. The two most popular blogs in China are: *Sina weibo* and *Tencent weibo*. In authoritarian regimes like China where media is monopolized by the state facilities like *weibo* are nothing less than a tool of empowerment for the people. It is a means of amplifying the spread of any news which may or may not have been censored by the state. The success of the blogs depends on its content, quality and the time of its appearance.

These kinds of sites are basically used for sharing experiences on the lighter side of day to day life, thus the Chinese youth comprise the heaviest population of bloggers. Topics like health, education, pop culture, social lives etc. are discussed. Un-traversed topics like participation in make-over programmes and beauty pageants are the latest topics to be added to the list. Unlike Western countries the blogs in China are hardly political, for which platforms like the Bulletin Board System (BBS) are preferred. Recently officials at local as well as national level have begun to use the *weibo* to stay connected to their respective constituencies.

The *weibo* are definitely emerging as new sources of information wherein people can do infinite number of things without a prior state approval or revealing

their identities. Anonymity however, has its own adverse effects. Sometimes it is difficult to trace the authenticity of blogs and as a result various internet sites are becoming a source of rumours. “Recently, a survey conducted by the China Youth Daily newspaper showed that nearly 86 per cent of the 1,714 netizens regarded the internet as the most common channel through which unchecked rumours were being dispersed. Yet the blogs have their own importance as a catalytic interlinking the society in China and making the popular interest quite evident.

The role played by blogs as an alternative source of information apart from the ‘state-manufactured’ media is considerable. Their importance becomes even more evident during media crackdowns and natural calamities

*“Recently, a survey conducted by the China Youth Daily newspaper showed that nearly 86 per cent of the 1,714 netizens regarded the internet as the most common channel through which unchecked rumours were being dispersed. Yet the blogs have their own importance as a catalytic interlinking the society in China and making the popular interest quite evident. In two recent cases, for instance, one related to the setting up of a chemical factory in Dalian and the other related to a rail accident near Wenzhou, the people used the social networking sites to show their anger and remorse to the state, thus forcing the state to take proper actions”.*

to name a few. But unchecked blogs can cause emotional damages as well. In order to curb the freehand growth of *weibo*, officials from the Chinese Communist Party (CCP) pay regular visits

to internet companies like *Youku* and *Sina*.

Nonetheless, *weibo* have given the people a possibility to make their grievances public. It is also carrying out a mobilization of thoughts in China. Apart from turning the micro-opinions in a collective voice, it is also assisting in the supervision of the state. Complaints apart from the political issues are entertained by the state. But direct political motive, if any, is controlled before it catches fire. *Weibo* are actively serving a two way process in China: on the one hand, they are making the people aware of the changes occurring in their society, and on the other hand, they are playing the role of a messenger of the netizens to the state. This two-way process of interchange of information is helping in the construction of a healthy and responsible state-society relationship in China.

## China's Ballistic Missile Defence Counter-Measures

**Debalina Chatterjee**

*Research Associate, Centre for Air Power Studies, Western Air Command, New Delhi*

In 2002 the Janes Missiles and Rockets Report announced that China conducted tests of counter-measures on CSS-5 Ballistic Missiles. China's ballistic missiles possess counter-measures against BMD by penetrating into an enemy's territory by confusing, overwhelming or defeating the ballistic missile defence. These counter-measures were developed in the wake of a fear that even a limited missile defence system of the US could counterbalance the credibility of the Chinese Intercontinental Ballistic Missiles (CBIMs). This article aims to look at the technological advancements made by China in the field of counter-measures against BMD in order to maintain an offensive defence and also point out the limitations of these technologies.

China developed the MIRVs, for example the DF-21s, capable of making a BMD ineffective at mid-course or a terminal level, though not at the boost phase. However, it remained worried that countries like the US could choose to develop multiple kill vehicles to fit into the BMDs to counter these MIRVs. Therefore, it is now developing decoys, electronic jammers, chaff, decoys, use of heat resistant, radar absorbing materials and also enhancing the warhead capabilities of the ICBMs with multiple independently targeted re-entry vehicles.

Various other initiatives also seem to be in the pipeline. Chinese engineers are likely to design ASBMs to deploy aluminium-coated Mylar balloons when the ASBMs are in the exo-atmospheric phase. In these the actual warhead will be inside one of the balloons. The other balloons will contain lithium batteries in order to simulate the heat escaping from the balloon with the warhead which would make it difficult to differentiate between the warhead and the decoys.

The Chinese engineers are trying to overcome a hit-to-kill intercept by enclosing the ASBM warhead in a metallic shroud cooled by liquid nitrogen. This technology could even be conducive in case the BMD is in a boost phase. China can also possibly make a ballistic missiles' trajectory depressed as had been the case with DF-31s. This could raise the apex altitude which would increase the re-entry speed thereby making interception difficult. However, these limitations can be corrected by different states using Divert and Attitude Control

system.

The choice of any of these measures will either degrade the effectiveness of the missile defence or make it a complete failure. China could further divide the biological and chemical weapons into sub-munitions which could make it difficult for the defence to intercept. Any launch of a long range missile attack with sub-munitions and the US National Missile Defence might not be able to counter such an attack. These counter-measures could also negate the Theatre Ballistic Missile Defence. China could use the J-20 aircrafts with stealth technologies to overwhelm a BMD. China is reported to be developing electro magnetic pulse bombs which could damage not only the C4I but also defensive mechanisms.

It also has the capacity to indulge in an offensive first strike against enemy countries, and is capable of wiping off nuclear and conventional weapons arsenal without having to bother much about the enemy's missile defence and then use its missile defence to be able to counter the left over missiles.

In addition, one of the smartest counter-measures against BMD could be to use cruise missiles. Cruise missiles are cheaper and they can hide behind terrains and stay undetected as they fly below the radar. Stealth technology on cruise missiles could make detection difficult. The BMD could be made ineffective just by destroying the Command and Control Systems of the enemy country. China has developed cruise missiles like Land Attack Cruise Missiles like the Hongniao and the CJ-20 Air Launched Cruise Missiles or the ShaShoujian to name a few, which have given China a better deterrent credibility.

China can use the solid-fueled ballistic missiles like the DF-21s to counter a boost phase BMD as they would have shorter boost phases than liquid ones. Nowadays with countries having effective sensors and computers, discriminating between a re-entry warhead and decoy is relatively easier in the mid-course phase. The Chinese A2/AD capability with a combination of Advanced Air Defence Systems is believed to be aimed at counteracting the ballistic missile defence, especially Indian.

## Reincarnation of Living Buddhas - A Zone Of Sino-Tibetan Conflict

**Jigme Yeshe Lama**

*Research Scholar, CEAS, SIS, JNU*

The Dalai Lama had recently announced his resolve to discuss the reincarnation dilemma in the upcoming 11th meeting of the Tibetan religious heads scheduled for the month of September in Dharamsala, India. The reincarnation issue is very crucial in Sino-Tibetan relations as it reflects the struggle over legitimacy and control over Tibetan Buddhism and in essence the future of Tibet and the Tibetans. China and the Tibetans have been at loggerheads for a long time over the scope of religious freedom in Tibet. The Tibetans particularly emphasize the religious elements while defining their relationship with China. They hark back to the “*chos-yon*” or priest-patron relationship which was present between the Chinese emperors and Tibetan lamas in the pre-modern period in an attempt to show their linkages with China. With the ascendance of the communists and the Cultural Revolution soon after, Tibetan Buddhism along with the other religions in China suffered a severe setback. A certain unshackling of religious practices and institutions was seen along with state funding in the reconstruction of places of worship, monasteries and temples in Tibet after the reforms of 1978.

This move was partly facilitated by commercial interests and the tourist potential that Buddhist monasteries drew from western travelers.

However, numerous restrictions have been imposed and religious activities are strictly monitored in Tibet which reveals the intense competition between the Chinese government and the Tibetans for control over Tibetan Buddhism. This truly came out in the open in 2007 with the implementation of the “Management of Reincarnations of Tibetan Living Buddhas” by the State Administration for Religious Affairs of the Central Government of China. It stated that prior government approval was required for being deemed as a reincarnation or a “living Buddha”. This was implemented under the garb of safeguarding religious freedom of the Tibetans whereby the “solemnity of the law” would be upheld and the purity of all living Buddhas will be validated.

This law calls for a “further legalizing of governance” of living Buddha reincarnations and “building a harmonious society”. In effect, this means regularising the state’s role in living Buddha reincarnation. Ostensibly,

the rule conforms to customs and traditions and follows historical precedence regarding reincarnations; however, a closer analysis reveals the Chinese state’s desire to control the Living Buddhas, the process of reincarnation and thus the future of Dalai Lama. This rule becomes more important in context of the informal structures of power and influences that are present in Tibet in the form of the Lamas and the Tulkus (living Buddhas). Prior to the control of the Chinese government, Tibet had a unique polity where religion and governance were intertwined and monk officials were in-charge of the administrative apparatus.

This tradition is closely linked to the Tibetan identity which according to Dawa Norbu (2001) is the single factor which has historically prevented the assimilation of Buddhist Tibet into Confucian China. For these reasons precisely, the decision on reincarnation is a major zone of conflict between Buddhist practices and national integrity for the CCP as the Dalai Lama is deemed a ‘splittist’ by the People’s Republic of China. In 1995, the

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Chinese cancelled the candidate Gedun Chokyi Nyima selected by the Dalai Lama as the 11th Panchen Lama and appointed its own Panchen in the form of the 6 year old boy Gyaltzen Norbu. This

was seen as a preparation for the upcoming reincarnation of the next Dalai Lama as the Panchen is a crucial part of the process through which the new Dalai Lama is chosen.

Moreover, with the new act in 2007, the Communist Party has tacitly made its involvement “official” in the process governing reincarnation of the next Dalai Lama which will increase the Sino-Tibetan dispute. China’s not so amicable relationship with religion due to its prior experience of the imperial era, when numerous dynasties were rocked by religious sects and movements questioning the mandate of the ruling dynasties, continues to be one of the reason why the Chinese state remains skeptical about Tibetan Buddhism. This skepticism is likely to increase and become manifest in its handling of the religious entities in Tibet.



# INSIDE CHINA

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