



FRIEDRICH NAUMANN
FOUNDATION For Freedom.

THE RISE OF CHINA?

An analysis from Taiwan

Jyun-yi Lee, Jyh-Shyang Sheu, Christina Chen

ANALYSIS

Publication Credits

Publisher

Friedrich Naumann Foundation For Freedom
Truman-Haus
Karl-Marx-Straße 2
14482 Potsdam-Babelsberg

 /freiheit.org

 /FriedrichNaumannStiftungFreiheit

 /FNFreiheit

 /stiftungfuerdiefreiheit

Authors

Prof. Dr. Jyun-yi Lee, INDSR
Dr. Jyh-Shyang Sheu, INDSR
Prof. Dr. Christina Chen, INDSR

Editors

Theresa Caroline Winter
Zoë van Doren

Contact

Telefon +49 30 220126-34
Telefax +49 30 690881-02
E-Mail service@freiheit.org

Date

February 2023

Notes on using this publication

This publication is an information offer of the Friedrich Naumann Foundation for Freedom. It is available free of charge and not intended for sale. It may not be used by parties or election workers for the purpose of election advertising during election campaigns (federal, state or local government elections, or European Parliament elections).

Content

PREFACE	5
1. TAIWAN – AT THE CENTRE OF SYSTEMIC RIVALRY IN THE INDO-PACIFIC.....	6
1.1. Chinese legal warfare.....	6
1.2. Policy Recommendations.....	7
2. CHINA’S MILITARY ASSERTIVENESS: A MILITARY AND SECURITY PERSPECTIVE	8
2.1. Current developments and the Chinese 20th National Congress	9
2.2. Policy Recommendations.....	11
3. CHINA’S SOCIO-ECONOMIC CONDITION: A SOCIAL AND ECONOMIC PERSPECTIVE	12
3.1. Mounting economic and social challenges in China	12
3.2. Chinese Policies after the 20th Party Congress: direction and implication	13
3.3. Policy recommendations.....	14
ABOUT THE AUTHORS	15



Preface

It has been generally accepted that China under Xi Jinping's rule has been more assertive, if not aggressive, in its foreign relations. China's land reclamation and militarisation in the South China Sea, economic coercion against Australia and Lithuania, "wolf warrior" diplomacy, instances of espionage, the intrusion of Taiwan's south-western air defence identification zone (ADIZ), and the crossing of the median line of the Taiwan Strait are all indications that it seeks to alter the regional and international order where it finds itself. While it is debated whether China is still on the rise or has reached its peak, commentators seem to agree that China's external behaviour is likely to become more assertive. A China that believes it is becoming ever stronger will uphold Xi Jinping's claim that "the East is rising and the West is declining," rendering it (over)confident in the strategic competition with the United States. A China believing that it has reached its peak, however, is also likely to take risky actions out of anxiety. Whether confident or anxious, the world is witnessing a China less constrained by the existing norms and rules than it was a decade ago.¹

What is at stake for the West if a democratic Taiwan ceased to exist? Should Western democracies pay more attention to China's rhetoric, its "lawfare" and military build-up? This paper argues that Western democracies, especially Europe and Germany, need to address these questions urgently to properly position themselves in the global political arena. Calling China out on false narratives and maintaining a "free and open Taiwan Strait" are only two of further policy options to counter the growing and dangerous Chinese influence in the Indo-Pacific region and well beyond. Defending Taiwan is a litmus test for whether the "rules-based international order" can sustain and is therefore part of Western democracies' national interests.

The 'tyranny of distance' plays a critical role, as a military support to Taiwan from Europe would be extremely limited. There are options for European and German action nonetheless: continued military presence in the region, furthering track 2 and/or 1.5 diplomacy between Taiwan and Germany or other European partners, war-gaming and scenario planning concerning the economic impact of an attack, tightening cyber security and halting technology leaks from Germany to China, to name a few.

Lastly, a special observation should be placed on the socio-economic developments in China, as they have a direct impact on security risks. The investment climate in China has serious repercussions for technology transfer and interdependencies, especially from Europe to China, which in turn already has an effect on policy decisions and the way Western democracies tend to underestimate and somewhat turn a blind eye to China's assertiveness. In light of enormous social pressure in China domestically, another aspect not to take lightly is the turn to nationalism and the potential fuelling of anti-Taiwan sentiments.

Backing Taiwan's deterrence posture through political, economic and military support is critical, not only for Taiwan itself but for liberal democracies on a global scale. For the survival of democratic values and a value-driven international law, maintaining a rules-based international order and keeping China's imperialistic politics in check is crucial.

¹ Michael Beckley and Hal Brands, "The End of China's Rise: Beijing Is Running Out of Time to Remake the World," *Foreign Affairs*, October 1, 2021, <https://tinyurl.com/yckjzvn>; Oriana Skylar Mastro and Derek Scissors, "China Hasn't Reached the Peak of Its Power: Why Beijing Can Afford to Bide Its Time," *Foreign Affairs*, August 22, 2022, <https://tinyurl.com/325vkumy>.

1. Taiwan – at the Centre of Systemic Rivalry in the Indo-Pacific

By Prof. Dr. Jyun-yi Lee, INDSR

Taiwan is facing a growing threat from China. Taiwan's Ministry of National Defence maintains that currently, the People's Liberation Army (PLA) does not have sufficient capabilities to launch a full-scale invasion, although the window of opportunity for Taiwan to level up its defence to cement the status quo is closing. In addition, the Russia-Ukraine war further indicates that modern conventional warfare could be protracted and challenging even for a great power, even when leaving aside the political and economic consequences of sanctions imposed by the international community. Consequently, a Taiwan that is getting stronger in conventional defence and is likely to receive international support in a crisis or war may prompt China to rely on the so-called "grey zone" tactics, i.e., hostile operations under the threshold of war, to construct an environment conducive to "winning a war (against Taiwan) without fighting" or an armed conflict if necessary.

1.1 Chinese legal warfare

Among the "grey zone" tactics in China's playbook, lawfare or legal warfare, defined as "the strategy of using – or misusing – law as a substitute for traditional military means to achieve a warfighting objective"², deserves special attention. A crucial part of "the great rejuvenation of the Chinese nation" that Xi promotes is premised on overcoming the so-called "Century of Humiliation" and reclaiming the country's past glories. As the separation of Taiwan from the Chinese mainland is taken as a legacy of such unresolved historical issues, unifying Taiwan becomes highly symbolic and is a crucial political objective for any Chinese leadership. How this is realised consequently matters. If the use of force against Taiwan is accepted by most countries in the world as a legitimate move for China to withhold its "sovereignty and territorial integrity," it reduces the likelihood of foreign intervention, lowers the degree of Taiwan's resistance, and ultimately strengthens Xi's rule. If, on the contrary, the use of force against Taiwan is not justified and results in a lengthy and costly war, the entire national rejuvenation project will be seriously undermined and the CCP leadership challenged. As the law is the primary resource for legitimacy, it becomes a crucial instrument for China to define cross-Strait relations, constitute specific "facts" about Taiwan, and grant itself rights and justifications for actions on Taiwan.

Lawfare (*falü zhan*) is one of the PLA's "three warfares" (*san zhan*) alongside public opinion warfare and psychological warfare. The "three warfares" were first codified by the PLA

in 2003 as part of its political work. Lawfare involves "arguing that one's own side is obeying the law, criticising the other side for violating the law, and making arguments for one's own side in cases where there are also violations of the law."³ The instruments leveraged include national laws and the full range of legal instruments such as legislation, judicial law, legal pronouncements, law enforcement, and legal education.⁴

China's lawfare can be distinguished into three levels. At the international level, it seeks to advance an argument that maintaining sovereignty and territorial integrity justifies the use of force. The Russia-China joint statement on February 4, 2022, Xi Jinping's Global Security Initiative (GSI) on April 21 of the same year, and his report to the 20th Party Congress, all tried to present China (and Russia) as safeguarding the "United Nations-based international," which is a concept aimed to replace the rules-based international order. Take the GSI for instance. It consists of six commitments: The vision of common, comprehensive, cooperative, and sustainable security, and working together to maintain world peace and security.

1. Respecting the sovereignty and territorial integrity of all countries, upholding non-interference in internal affairs, and respecting the independent choices of development paths and social systems made by people in different countries.
2. Abiding by the purposes and principles of the UN Charter, rejecting the Cold War mentality, opposing unilateralism, and saying no to group politics and bloc confrontation.
3. Taking the legitimate security concerns of all countries seriously, upholding the principle of indivisible security, building a balanced, effective and sustainable security architecture, and opposing the pursuit of one's own security at the cost of others' security.
4. Peacefully resolving differences and disputes between countries through dialogue and consultation, supporting all efforts conducive to the peaceful settlement of crises, rejecting double standards, and opposing the wanton use of unilateral sanctions and long-arm jurisdiction.
5. Maintaining security in both traditional and non-traditional domains, and working together on regional disputes and global challenges such as terrorism, climate change, cybersecurity and biosecurity.

³ Han Yanrong, "Legal Warfare: Military Legal Work's High Ground: An Interview with Chinese Politics and Law University Military Legal Research Center Special Researcher Xun Dandong," *Legal Daily (PRC)*, February 12, 2006.

⁴ Dean Cheng, "Winning Without Fighting: Chinese Legal Warfare," *Heritage Foundation Backgrounder No. 2692*, May 21, 2012, <https://www.heritage.org/asia/report/winning-without-fighting-chinese-legal-warfare>.

² Charles J. Dunlap, Jr., "Lawfare Today... and Tomorrow," *International Law Studies Series* 87 (2011), p. 315.

In essence, the GSI argues that peace and security is a common good for all states (commitments one and six). To achieve this, mutual respect is key (commitments two and four), which is enshrined in the UN Charter (commitment three) and supported by international norms (commitment five). While ostensibly there is nothing wrong with this argument, the GSI neglects the ways in which irreconcilable claims and interests should be addressed. Consider China's sovereign claim over Taiwan and Russia's supposedly legitimate security concerns about Ukraine. Chinese and Russian views are certainly not acceptable for Taiwan and Ukraine respectively. These differences can never be resolved through mutual respect or dialogue and consultation (commitments two and four). Additionally, existing US-led security arrangements in the Indo-Pacific and Europe are reduced by the GSI to nothing but "Cold War mentality", "group politics", and "bloc confrontation." The only option left for countries seems to be the United Nations, where both China and Russia can veto any unfavourable resolution in the UN Security Council. In other words, if China opts to use force against its neighbouring countries in the name of "sovereignty and territorial integrity," then, according to the discourse of the GSI, there would be no effective way to deter or dissuade Beijing. It can, therefore, be inferred that the GSI seeks to promote "sovereignty and territorial integrity" and "legitimate security concerns" as causes for legitimate use of force.

At the state level, China seeks to de-legitimise foreign intervention by altering the legal status of the Taiwan Strait. In August 2022, it was reported that PLA officials complained to their US counterparts that the Taiwan Strait is not considered international waters.⁵ In appearance, China only argued against the US use of the term on the basis that it is absent in the United Nations Convention on the Law of the Sea (UNCLOS). The potential effects, however, are that the US was portrayed as ignoring international law, and that since the Taiwan Strait is not international waters, most of it is within China's exclusive economic zone (EEZ), over which China exerts jurisdiction. Consequently, China may contest whether foreign military vessels can transit innocently, and take actions against those foreign military vessels conducting freedom of navigation operations (FONOPs).⁶ Gradually, there is a risk that the Taiwan Strait will one day be turned into a Chinese internal water, over which China claims absolute sovereignty.

Lastly, at the cross-Strait level, illegal Chinese fishing vessels and sand dredgers operating in the waters around Taiwan's outlying islands have caused security concerns for Taiwan.

The presence of hundreds of vessels around the islands created fear for the local residents, and while intelligence so far indicates that no Chinese maritime militia unit is deployed in China's Fujian province, the worry is that these units could be summoned when needed. They may create incidents for the Chinese Coast Guard or the PLA navy to intervene and escalate, and/or serve as part of the Chinese armed forces in a contingency. China can exploit the maritime militia's ambiguous identity that it is the third sea force disguised as civilian fishermen to cause difficulties for Taiwan to respond, as well as prevent other countries from intervention.

1.2 Policy Recommendations

Based on the discussion above, three policy recommendations are proposed:

First, democratic countries, especially those new to Indo-Pacific security considerations, are encouraged to conduct simulations of a world without a democratic and autonomous Taiwan. Currently, many decision-makers and political leaders tend to see supporting and assisting Taiwan as a matter of altruism or merely helping another. Simulations of the day the world lost a democratic Taiwan will help them grasp the stakes and realise that defending Taiwan is a litmus test for whether the rules-based international order can sustain and is therefore part of their national interests.

Second, democracies are encouraged to counter China's lawfare publicly. At the core of Xi Jinping's Global Security Initiative is a narrative seeking to relativize the existing international order. Democracies may well take China's attempts as mere rhetoric or a joke, but if left unchecked, there is a risk that China's reinterpretation of international law is embraced by Pacific Island nations, some members of the ASEAN, and Africa, and becomes an alternative narrative or truth.

Third, EU member states should extend the application of the Coordinated Maritime Presences concept to the Indo-Pacific. The Taiwan Strait has been a natural barrier for Taiwan to deter the PLA from invasion, and its status of international waterways is vital for international trade and commerce. Maintaining a free and open Taiwan Strait should therefore be a common interest for most countries in the world. The Coordinated Maritime Presences concept is an instrument through which European powers function as security-providers.

⁵ Peter Martin, "China Alarms US With Private Warnings to Avoid Taiwan Strait," Bloomberg, June 12, 2022, <https://tinyurl.com/yc6y428k>.

⁶ Cf. Hu Xijin, "China stresses legal status of Taiwan Straits to deter US provocation," Global Times, June 14, 2022, <https://tinyurl.com/yckzt8b6>.

2. China's military assertiveness: A Military and Security perspective

By Dr. Jyh-Shyang Sheu, INDSR

In the last three decades, the Chinese People's Liberation Army (PLA) has evolved into the most rapidly developed Armed Forces in the world. During this period, the capabilities of PLA largely enhanced in many different aspects, in particular in its power projection. First and the most significant outcome might be the **People's Liberation Army Navy (PLAN)**. After former-President Hu Jintao announced the national goal to "build China into a maritime power" in the 18th National Congress of the Chinese Communist Party (CCP) in 2012, China expanded the size of the PLAN rapidly from approximately 260 vessels to approximately 350 vessels. However, the expansion of the PLAN entailed more than enlarging the size of fleet; it also included replacing most of the outdated warships with advanced new models.



Source: Dataset gathered by the authors.

This includes around 40 "Aegis-type" destroyers such as the *Luyang II/III class destroyers* and the 10,000-tons class *Renhai class destroyers* (a "cruiser" per NATO classification), more than 30 *Jiangkai I/II frigates* and 50 *Jiangdao class corvettes*. Moreover, the ambitious Chinese naval expansion largely enhanced its power projection capabilities. The PLAN currently owns three aircraft carriers. The first is a restored Russian Admiral Kuznetsov class, which now has been renamed as the *CV-16 Liaoning*. The other two are indigenous built carriers: the *CV-17 Shandong*, a variant of the Admiral Kuznetsov class, which was launched in the end of 2019, and a brand-new Type 003 carrier *Fujian* launched in 2022 equipped with catapults. In addition, China also launched several amphibious assault ships such as the *Yuzhao-class landing platform/docks* and *Yushen-class landing helicopter docks*.



Increase from 2 to 8 brigades.

It should be noticed that the **People's Liberation Army Navy Marine Corps (PLANMC)** has also been expanded from 2 brigades to 8 brigades including 1 aviation brigade and 1 special operation brigade.⁷ Although it seems that China continues maturing current expanded PLANMC brigades instead of enlarging the force structure, these units and the presence of additional Chinese amphibious assault ships could offer new political options for the CCP to defend or even advance its overseas interests. Among all these maritime assets, the aircraft carriers merit special attention as they are not only an important asset of power projection but also symbolic for an increasing Chinese nationalism pertaining to China's rapid economic growth and nourished by the CCP.

The development of the PLAN shows that by having a blue-water navy⁸ and power projection capability, conducting expeditionary missions has become one of the highest priorities of the Chinese military build-up. It is worth noticing that although Hu Jintao's report at the 18th National Congress may seem like a new signal for the extension of the PLAN, the CCP's intention to develop a "regional-blue water navy" can be found as early as 1997. In fact, in the late 1980s, the then-PLAN commander Liu Huaqing proposed the naval strategy of "Near Seas Defence." Even through the concept of "Near Seas Defence" focused on the defence area in and around the first island chain, Liu also planned a three-step development strategy for the PLAN to further control the water area up to the second island chain, and even against the US Navy globally. Currently, the Chinese naval strategy has already been changed from the conception of "Near Seas Defence" to combine "Near Seas Defence" and "Far Seas Protection" since 2015. In short, the huge build-up of the PLAN is not only based on the needs of protecting China's vulnerable SLOC and its territorial demands on neighbouring areas, but also a long-planned strategy to compete with the United States as China experienced an upsurge of Chinese nationalism.

⁷ A brigade is a military formation that typically comprises three to six battalions. In NATO, a standard brigade would entail 5,000 troops.

⁸ A blue-water navy is a maritime force that has the capability to operate globally across the deep waters of open oceans.

Similar changes of strategy and build-up are observable in the **People's Liberation Army Air Force (PLAAF)**, even though the scale of build-up is not comparable to the PLAN. While the idea has been proposed in the late 1980s, it was not until the end of the 20th century when the strategy of the PLAAF officially changed from focusing on territorial defence to include offensive and defensive operations. In the last two decades, the modernization of the PLAAF focused not only on the capabilities for modern aerial warfare (e.g. electronic warfare and early warning) but also on increasing its power projection capabilities; nevertheless, the PLAAF only had limited strategic capabilities such as air-refueling, airlift and strategic logistics before Xi Jinping assumed power in 2012. In fact, for operations within China's vast territory, those capabilities fit the needs of the PLA. However, with China's growth of global interests (including oversea bases) and extremely tough stance on territorial claims such as the nine-dash line of the South China Sea and Taiwan, these capabilities can also be used to project troops and fulfil Chinese military and security interests. In recent years, Chinese strategic documents indicated the strategic roles of the PLAAF several times, clearly showing China's ambition. Meanwhile, the new generation of heavy transporter Y-20 shows its potential to become a new mighty workhorse of the PLAAF for enhancing its strategic capabilities. In 2022, the PLAAF Y-20 fleets' missions included conducting humanitarian assistance from China to Tonga and the delivery of Chinese-made FK-3 surface to air missiles to Serbia. Currently, as the PLAAF already developed and operated its aerial refuelling tanker variant YY-20, it is likely that the Y-20 series becomes the backbone of the developing Chinese Strategic Air Force.

Along with the developments of power projection capabilities of the Chinese navy and air force, it is also worthwhile looking at the long-range stand-off weapons (SOWs) such as ballistic missiles and cruise missiles. Traditionally, the SOW is one of the most important elements of the Chinese Anti-Access/Area Denial (A2/AD) capabilities to counter the air and maritime superiority of the US military asymmetrically. Those SOWs become serious threats for bases, fixed or semi-mobile assets, and critical infrastructures of the US and allied forces in the first island chain. China also developed a special variant of its Dongfeng ballistic missiles for anti-ship purposes, in order to be able to attack the superior US carrier fleets. With the growth of the Chinese A2/AD capabilities, China could now combine its improved power projection capabilities and long-range SOWs independent of air, naval, or ground bases to defeat US forces in the first island chain and prevent major U.S. reinforcements from the second island chain.

In addition, based on its Military Strategic Guidelines⁹, the Chinese military modernization focuses on high-tech and information warfare. As a result, a part of the PLA modernization involved major digitalization efforts, leading to the equipment of better C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) systems supported by the Chinese-developed BeiDou Satellite Navigation Systems. In regards to information warfare, the PLA also created and modernized its capabilities of new combat domains cyber, space, and electronic warfare. These capabilities, combined with the previously mentioned more traditional weaponry, create a highly capable multi-domain A2/AD warfare.

Today, the build-up of military hardware and software has become one of the most important tools for the CCP to stay in power. With the rapid economic growth and the increasing national self-confidence, the Chinese leadership adopted nationalist slogans and political goals to enhance its legitimacy, in particular in the Xi era. The slogan "The dream of a strong army" is in fact one of the most important parts of Xi Jinping's ideological political slogan of the "China Dream." According to Xi's three-step goals of military modernization¹⁰, the basic goals are to be achieved in year 2035, and the goal of making the PLA a "world-class military" should be achieved in 2049.

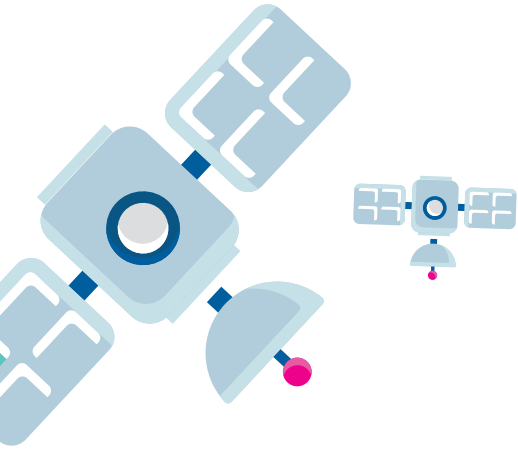
The rapid build-up of China's military in recent decades, the rise of Chinese nationalism, and Xi's aggressive foreign policies, particularly with regard to disputed territories in the South and East China Seas, have painted a troubling picture and given rise to speculation that regional military conflicts could occur in the near future.

2.1 Current developments and the Chinese 20th National Congress

Although the build-up of the PLA already hugely increased Chinese military capabilities, the PLA modernization is an ongoing process. Currently and in the near future, the US military and its allied forces in the first island chain still enjoy the advantages of advanced military capabilities. For instance, Chinese naval aviation lacks sufficient capabilities to engage the US Navy carriers when facing high intensity military conflicts, as the capabilities of Chinese naval aviation are still extremely limited. Another example is the PLAAF: as mentioned above, the PLAAF is transforming from a defensive doctrine to a strategic air force. Even though the PLAAF owns hundreds

⁹ Ministry of National Defense of the People's Republic of China, "2004 nian zhong guo de guo fang [China's National Defense in 2004]." 27 December 2004, http://big5.www.gov.cn/gate/big5/www.gov.cn/zwgk/2005-05/27/content_1540.htm.

¹⁰ In 2017, Xi Jinping announced his goal of the PLA modernization in the 19th National Congress of the CCP. The first step is that the PLA will achieve basic mechanization and make significant progress towards informationisation in 2020 (that is, technological innovation of profound revolutionary significance), which is announced in China's Defence White Paper in 2008. The second step will be to achieve the basic modernization of the whole Chinese Armed Forces in 2035. The final goal will be to build a first class armed forces in the middle of 21st century.



of modern aircrafts, with parts of them even upgraded to advanced technologies, most of the Chinese warplanes are still outdated models. In short, currently, the PLA does not have enough capabilities to launch large-scale military attacks against the United States. The situation is similar when considering the possible Chinese invasion of Taiwan – in fact, most observers warn about a potential Chinese invasion of Taiwan in the future, rather than an imminent attack.

This, however, does not mean that there are no actual risks in the region or no immediate danger of conflict between Taiwan and China. The unfinished process of Chinese military modernization only means that the direct military conflicts between and US and China might not occur in the short run. However, a certain degree of small-scale military conflicts may occur in the Taiwan Strait, considering China's more aggressive and tough stance on Taiwan issues. Gray zone activities across the Taiwan Strait or even small-scale conflicts may also become more common in the near future.

An important element of regional security risks is a potential miscalculation of the Chinese leadership of its own capabilities. A significant example should be Russia's invasion of Ukraine in February 2022. Evidently, the Russian government miscalculated the capabilities of both Russian Forces and Ukrainian defenders. The Russian government had decided for a full-scale invasion, despite the significant shortcomings of its military might. As Xi Jinping greatly consolidated his political power and is likely to stay in power for the next five to ten years, the top leader is prone to miscalculate China's military capabilities or adversary's intentions. This is something that deserves close attention.

In fact, the results of the 20th Party Congress of the CCP might further increase the risks of such miscalculation. As mentioned in the previous section, the brand-new members of the Politburo Standing Committee are mainly Xi's closest political allies. Xi, now, has full control of the CCP, and promotion into top leadership is likely more depend on loyalty than on experience and professionalism. This phenomenon might increase the risk of Chinese leadership for miscalculating the situation.

The new members of Chinese Politburo and Central Military Commission (CMC) show a similar phenomenon. Both the

two vice chairmen are from the People's Liberation Army Ground Forces (PLAGF).

The first vice chairman of the CMC, General Zhang Youxia, is a veteran of the Sino-Vietnamese war; this makes Zhang one of only a few high-ranking Chinese officers who has combat experience, even if his experience predates PLA's modernization efforts. Another vice chairman of CMC, He Weidong, is also a PLAGF General, who was responsible for joint operations and conducted large scale military exercises and coercion to Taiwan after the then US speaker of the House Nancy Pelosi visited in August 2022. In fact, most of the other members of the CMC are from the People's Liberation Army Ground Forces (PLAGF) or the political commissar. The lack of a balance of services has potential to become an issue for Xi's military leadership in terms of risk and capability assessment.

In addition, other potential risks inherent to the arrangement of the new CMC members are:

- (1) General He Weidong and Admiral Miao Hua (political commissar, transferred from PLAGF to PLAN in 2014) are considered Taiwan experts due to their service experiences. This could lead to the "Taiwan issue" becoming one of the most important military focus points of Xi's third term.
- (2) Army and Commissar centred CMC members indicate that another focus point of Xi might be tightening the domestic control of the military. Considering that the new members of the Politburo lack central government experiences, and that the situation of the Chinese economy is worsening, it might also mean the strengthening of domestic control with military power.
- (3) The lack of balance of services might be a potential problem for the further modernization of the PLA, in particular the developments of naval and aerial powers. The army-centred CMC members might also increase the resources of the PLAGF. The PLAGF constitutes under 50% of the entire PLA after Xi's military reform in 2015. Thus, focus points of future PLA reform deserve close attention. This might also show that the modernization of the PLAGF does not reach Xi's goal or needs to speed up.

Some have argued that having experts from the military industries and space programs in the new Politburo Standing Committee shows that the CCP is preparing for war. However, considering that in the 20th National Congress report, Xi mentioned the need for China to speed up military modernization and to treat its space program as an integral part in China's nationalistic developmental goals, such leadership line-up should not be a surprise. Still, the acceleration of gear-up of Chinese military might indeed be an objective during Xi's third term. Furthermore, recent developments of new space technologies demonstrate their importance and potential in both civil and military uses. In view of China's partial decoupling with global and western supply chains and the need for China to further control the information domestically, China might also try to develop its own new space technologies for domestic uses.

2.2 Policy Recommendations

The tyranny of distance plays a critical role for the policy recommendations for Germany and Europe. An intervention by military units will be extremely limited by capabilities and distance. However, there are still some policies and measures which Germany and European countries could conduct to enhance regional security and to prevent miscalculations of the Chinese leadership, for example in regard to its capabilities, which may lead to risky behaviour.

(1) Emphasize the importance of maintaining the regional status quo with actions

In recent years, several western countries, including the Federal Republic of Germany, began to increase their military presence in the Indo-pacific region. Although small-scale maritime/aerial units would not play much of a role during military conflicts, continuous military presence of the European countries, in particular Germany and France, could deliver the message of the importance of maintaining the status quo. Germany could further unite other European countries to keep a common European military presence for delivering a stronger message and enhancing the sustainability of their actions.

As Taiwan's security and integrity are currently in the global spotlight, some degree of interaction between Germany and Taiwan should continue. This could be broader Track 2 and/or 1.5 talks for security situations or even exchanges in some joint activities. Some level of exchange in some relatively less sensitive areas such as humanitarian aid and disaster relief could be an example. These exchanges could be bilateral or multilateral. In fact, the messages transmitted could even be stronger if the exchanges take place in a multilateral framework.

(2) Discussion of the possible cross-strait/regional crisis scenarios

Given that the risks of regional conflicts might increase in the future, Germany should further discuss the possible scenarios of regional security, especially cross-strait conflicts including a full-scale invasion, China's blockade warfare on Taiwan, or China's occupation on Taiwan's offshore islands. In the last decade, the German economy heavily depended on China. The economy of Germany thus faces high risk as tensions are strong. The German government, think tanks and the European neighbours should thoroughly think about and discuss these scenarios. An initial step for these kinds of discussions might be established by German think-tanks combining with other European think-tanks.

(3) Prevent further technological leaks from Germany to China

The rapid build-up and modernization of the Chinese military largely rely on stolen western sensitive dual-use technologies, despite the decade-long military embargo of EU countries. The high-performance German MTU engines still became

the most important sources for the surface combatants of the PLAN. Thus, it is crucial to further strengthen the export control for sensitive dual-use technologies. Germany and the EU should implement stricter legal restrictions with regard to end user protocol and introduce rigorous background checks.

3. China's socio-economic condition: A Social and Economic perspective

By Prof. Dr. Christina Chen, INDSR

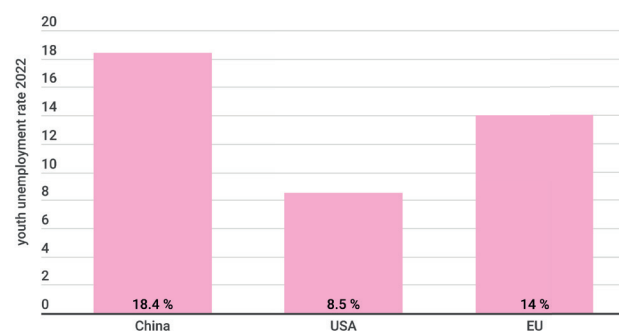
It has become increasingly apparent that China and Europe, including Germany, are in a systemic rivalry. Today's China is militarily and economically much more powerful than it was 40 years ago when it first opened up to market reforms, and it has undoubtedly become more aggressive. And today's China diverges from Europe in terms of ideologies, institutions and values. The 20th Party Congress of the CCP fostered the trend that reads the CCP's preoccupation with its domestic challenges, its insistence on using hard-line measures to resolve, and the overall shift from collective leadership to personalized dictatorship, which will only widen the divergence and reinforce the systemic rivalry between China and Germany.

3.1 Mounting economic and social challenges in China

Most observers agree that the Chinese economy is mired in serious economic challenges. At the National People's Congress in March 2022, Premier Li Keqiang announced a GDP growth target of 5.5%, the lowest in 32 years. Even so, China's official GDP growth rate for the second quarter of 2022 was only 0.4%, much lower than the forecast made by analysts. Analysts continue to make negative forecasts for upcoming Chinese economic growth: it is estimated that economic growth will be 4.4% this year and 4.9% in 2023.¹¹

For ordinary Chinese, the sluggish economy bodes ill for their job outlook. The unemployment rates for China from 2019 to 2022 are 4.5%, 5%, 4.8%, and 5.5% (September 2022) respectively, indicating that the recent employment situation has not recovered to its pre-epidemic level. However, a closer look shows that the employment of the Chinese youth was especially worrisome. This year's youth unemployment rate has been the highest since the Chinese government released the data in 2018. According to official statistics, the unemployment rate for urban youth (aged 16-24) in the country was around 16% in March 2022 and rose to 18.4% in May. The youth unemployment rate reached 19.9% in July, which is higher than the 14% rate for EU youth and the 8.5% rate for U.S.¹²

youth. The CIER index¹³ for Chinese university graduates in the first quarter of this year was 0.71, which means that market demand is lower than supply, but the national CIER index was 1.56 in the same period, which means that market demand exceeds supply in terms of the national employment situation.¹⁴ As many observers point out that with a record 10.76 million college graduates this year (and this figure does not include students who may return from overseas), the youth unemployment rate is likely to reach 23% this year.¹⁵ Youth unemployment thus remains a thorny problem for the CCP.



Source: Dataset gathered by the authors.¹²

The party was well aware of the challenge it has been facing. On May 25, Premier Li Keqiang held a "nationwide teleconference on stabilizing the economy." The teleconference was unprecedented in its scale: 100,000 official and cadres attended, and for the first time, the leaderships at the local levels were included. During the conference, Li Keqiang explicitly emphasized the need to "prioritize economic stability (*wen jingji*)" and "preserve employment and people's livelihood (*bao jiu ye bao minsheng*)," and instructed all departments to "take responsibility for the overall situation of stabilizing the economy and to have a stronger sense of urgency" and to come up with all available methods to achieve the goal.¹⁶ Since then, the Chinese government has continued to emphasize "economic stability": at a recent State Council meeting, Li Keqiang asked local governments to ensure "economic stability" and to "use as much as possible and implement as soon as possible" policies to increase consumption and investment, and to come up with policies that can be implemented immediately.

¹¹ "China Economic Snapshot: Economic Forecast Summary (June 2022)," OECD, June 2022, <https://www.oecd.org/economy/china-economic-snapshot/>.

¹² Anhua, Ding. "Jingji toudi /neidi qingnian jiu ye guanhu jin ji fazhan [An In-depth Look at the Economy-The Issue of Chinese Youth Employment and Economic Development Are Connected]. Ta Kung Pao, 31 August 2022, <http://www.takungpao.com.hk/finance/236134/2022/0831/759462.html>.

¹³ The CIER Index is defined by the China Institute for Employment Research as a degree of the supply and demand tension in the labour market. Larger index indicates higher job competition and labour market intensiveness. See "About CIER Index," China Institute for Employment Research, <http://www.cier.org.cn/english/Info.asp?Catid=457>.

¹⁴ Chen, S., Yue, Z.J., Lu, M.J. "Beihuiyue quxibu jinti zhi dalu yuqianwan biyesheng ruhe 'shangan'[Facing canceled employment contract, going to the West, entering the public service sector...how do today's tens of millions plus college graduates land a job?]. Initium Media, June 21, 2022, <https://reurl.cc/Qba9yM>.

¹⁵ Yuan, Y., Zhao, A. "Youth Unemployment Crisis Looms Large," 21st Century China Center, <https://china.ucsd.edu/opinion/post/youth-unemployment-crisis-looms-large.html>.

¹⁶ Wang, O. "China's Coronavirus recovery at 'critical point', says Li Keqiang, singling out five regions to carry out the economy." South China Morning Post, 8 July 2022, <https://www.scmp.com/economy/china-economy/article/3184654/chinas-coronavirus-recovery-critical-point-says-li-keqiang>.

The CCP also faces social challenges. Under Xi's rule, the party instituted extremely tight control over the society, suppressing and even eradicating channels of expression. Still, the Chinese public broke their quiescence when they found out that their livelihood was greatly disrupted and thus survival was under threat. Upon close adherence to so-called 'zero-Covid' policies, the municipal government in Shanghai imposed a two-month lockdown from April to June 2022, to the point beyond comprehension. The lockdown may have prevented the pandemic from spreading, but it has taken a huge toll on Shanghai's economy, and residents in Shanghai suffered from insufficient food supplies and difficulties in getting necessary medical treatments. Discontent not only spread over China's social media but some residents even marched out of their apartments to stage protests. Ever since then, the zero-Covid policy continued to arouse frustration and anger from society: in late September, a quarantine bus in Guizhou province crashed, killing all 47 passengers on board. The accident sparked widespread anger and grief over social media.¹⁷ On October 13, days before the CCP convened its 20th Party Congress, a man hung two banners and burned tires off a bridge in Beijing, an obvious act to protest against CCP's rule (including its draconian Covid policy). The news quickly circulated over social media, and the man was lauded "the new tank man (in reference to 1989 Tiananmen Square Protest)."¹⁸ In late October, hundreds of people in Tibet took to the streets to protest against the harsh Covid measures. The city of Lhasa, where the protests took place, has been under lockdown for about three months.¹⁹ In late November, right after the conclusion of CCP's 20th Party Congress, protests broke out simultaneously across cities in China as people mourned the lives lost due to a fire in Urumqi, Xinjiang province, and against the harsh Covid policy measures that caused the Urumqi tragedy. In early December, China's health authorities loosened some of the Covid measures with the announcement the 10-point national plan.²⁰ These incidents show that, the Chinese society remains resistant despite an increasingly repressive state.

3.2 Chinese Policies after the 20th Party Congress: direction and implication

How will the CCP respond in light of the mounting economic and social challenges? Based on the outcomes of the 20th Party Congress, it is very likely for the party to continue its current policy course and strategies vis-à-vis society.

Since taking office in 2012, Xi has centralized power through an anti-corruption campaign, the creation of working groups

and Central Leading Groups, and in 2018, China has approved the removal of the two-term limit on the presidency, thereby paving the way for Xi's indefinite rule. The outcome of the 20th Party Congress signals the end of collective leadership of the Communist Party under Deng Xiaoping, and the rise of a personalized dictatorship under Xi Jinping. As a regime that lacks effective checks and balances against the leadership, there is a higher chance of extreme and reckless policies under the current CCP.

Under Xi, the CCP's promotion of "common prosperity (*gong tong fuyu*)" in recent years aimed at reducing the uneven distribution of wealth. The way the party carried out the policy, however, ended up causing disruption to the private economy. As mentioned above, China's insistence on zero-Covid resulted in chaos. These two examples show that the excessive concentration of power has caused the CCP under Xi Jinping to implement, and continue in the face of criticisms, policies that are not aligned with national interest and public opinion. The outcome of the 20th Party Congress shows that Xi is intending to carry on with those policies. As indicated in his work report, security is the most important for the party and China, and thus economic growth and development will be subsumed under such a goal.

The current leadership line-up suggests the continuation of hard-line repression towards society. Not only are all the members of the Politburo Standing Committee loyal to Xi, they are also heavily criticized. The most controversial candidate is Li Qiang, who is likely to become the Premier of the State Council. According to the CCP's practice, successive prime ministers are required to have experience as vice prime ministers of the State Council, but Li Qiang's highest experience is as the party secretary of Shanghai. Furthermore, Li Qiang's catastrophic management during the Shanghai lockdown has led some to question his capability and thus chance of getting into the top leadership. Equally surprising was Cai Qi, who was less senior and professional than Li Keqiang, Wang Yang and Hu Chunhua, and whose performance as party secretary of Beijing, (the eviction of "low-end population", the removal of illegal buildings and billboards along streets, and the conversion of coal to gas), have drawn strong criticism. Cai Qi also seems to have made no secret of his dismay and negative attitude towards people: in a leaked footage of an internal meeting in 2017, Cai Qi told the attendees that the party "must use real knives and real guns, must see red on the knives, and must be willing to meet hard with hard" when dealing with grassroots citizens²¹.

¹⁷ Palmer, J. "Bus Crash Amplifies Zero-Covid Frustration." *Foreign Policy*, 21 September 2022, <https://foreignpolicy.com/2022/09/21/china-bus-crash-zero-covid-frustration-xi-jinping/>.

¹⁸ Gao, F., Hwang, C., Sun, C., and Man, J., "Beijing banner protester lauded as China's new Tank Man, or 'Bridge Man.'" *Radio Free Asia*, 14 October 2022, <https://www.rfa.org/english/news/china/ccp-bridgeman-10142022161722.html>.

¹⁹ "China Covid: Videos emerge of rare protests in Tibet." *BBC*, 28 October 2022, <https://www.rfa.org/english/news/china/ccp-bridgeman-10142022161722.html> <https://www.bbc.com/news/world-asia-china-63410339>.

²⁰ "The world changed overnight': Zero-Covid overhaul brings joy and fears in China." *CNN*, 9 December 2022, <https://edition.cnn.com/2022/12/08/china/china-zero-covid-relaxation-reaction-intl-hnk/index.html>

²¹ Zhang Dun. "Qugan diduan renkou Cai Qi [cidao jianhong] neibu jianghua puguang [Leaked internal video footage shows Cai Qi vowing to 'see red on the knives' in order to purge 'low-end population']. *The Epoch Times*, 6 December 2017, <https://hk.epochtimes.com/news/2017-12-06/21874366>.

Li Qiang and Cai Qi do not meet the criteria as prescribed for the Standing Committee positions, and both were heavily disliked by the public because of their tough talk and actions. The fact that they have made it to the top echelon of the party not only meant that Xi Jinping has made loyalty of his subordinates his main criterion for promotion, but also meant that the CCP with Xi as its core does not care about the needs and feelings of the people, and will continue or even reinforce its hardline approaches. The current suppression of society will only continue after the 20th National Congress.

3.3 Policy Recommendations

As the Chinese economy remains sluggish, and state-society relations in China continue to be characterized by the state's reliance on repressive methods and society's resistance to state rule, the economic and social outlooks for the country look rather bleak.

For multinational corporations: divestment, or a reassessment of corporate strategy. China's investment climate has turned into one in which the party's political agenda will be exceedingly important. As the party will place less emphasis on economic growth, it is inevitable that foreign companies will be asked to accommodate to the party's political agenda. For foreign companies still intending to do business in China, companies should do a thorough reassessment of their corporate plan, and come up with strategies to cope with the new investment climate.

For policymakers: preparation for escalation in the Taiwan Strait. As the CCP continues to use hard-line measures to respond to society's various demands, rather than shifting its policies to promote growth and address social needs, more tensions will ensue. This can increase the party's incentives to divert internal pressure by provoking nationalist sentiment and tuning up its aggression towards Taiwan. While it is not necessarily the intention of the CCP to launch a military invasion, those moves nevertheless raise tensions across the Taiwan Strait. It is thus necessary for democracies worldwide to help Taiwan increase its deterrence capabilities through arms, political and even economic support.

About the Authors



Prof. Dr. Jyun-yi Lee

is currently Associate Research Fellow at the Division of National Security Research, Institute for National Defense and Security Research (INDSR). He got his B.A. and M.A. in political science from the National Taiwan University and received his Ph.D. in International Relations from the University of East Anglia, Norwich, United Kingdom. Before joining the INDSR, he had taught at the National Chung Cheng University, and worked at the Science and Technology Policy Research and Information Center (STPI) under the National Applied Research Laboratories (NARLabs). He had also taught at Tamkang University and the National Defense University as an adjunct assistant professor. Since joining the INDSR in 2018, he is responsible for non-traditional security, hybrid threats, grey zone conflicts and law fare. His research interest also includes identity politics, small states foreign and security policy, and the Nordic and Baltic regions.



Dr. Jyh-Shyang Sheu

is currently an assistant research fellow at the Division of Chinese Politics, Military and Warfighting Concepts at the Institute for National Defense and Security Research (INDSR). He obtained his PhD from the Eberhard Karls Universität Tübingen, Germany. Dr. Sheu's research interests encompass global advanced weapon systems and its implication for strategy; asymmetric warfare; developments of global warfighting concept, Chinese Military and European Security.



Prof. Dr. Christina Chen

is an assistant research fellow in the Division of Chinese Politics, Military and Warfighting Concepts at the Institute for National Defense and Security Research (INDSR). Her research interests include labour rights protection; accountability in authoritarian systems; state-society relations; civil society; political economy in China; and East Asia. She is also an adjunct assistant professor at Tunghai University in Taiwan.

