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Reacting to Donald Trump's Challenge

Edited by
Michelguglielmo Torri
Nicola Mocci

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

ASIA MAIOR

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FOREWORD

ASIA MAIOR IN 2018: CAUGHT BETWEEN TRUMP'S TRADE AND SANCTIONS WAR AND THE INTERNAL PROBLEMS OF INEQUALITY AND EXPLOITATION

The Asia Maior editors, in delineating year after year the historical trends taking shape in Asia, have highlighted with increasing emphasis a phenomenon characterising the current political and economic evolution of that part of the world, and influencing to a greater or lesser extent most Asian countries (as well as others). This phenomenon has two complementary aspects – the rise of China and the decline of the US. In turn, the relationship between these two powers – which increasingly impacts not only Asia but the remainder of the world as well – appears to be conditioned by the pursuit of two main and diametrically opposed objectives. Washington's main objective is to condition China, both by political and military means, in such a way as to maintain its subordinate position in a capitalist world system still dominated by the US. Beijing's strategy is based on the promotion of its own economic growth and the neutralisation of the political and military rings that Washington has been attempting to build around China, while avoiding a direct confrontation with the American superpower. In pursuing this strategy, Beijing's objective is to bide time until China's growth and US decline succeed in overturning the balance of power between the two countries, still heavily in favour of the US.

The decline of US power and the rise of China are two long-term trends which have endured for several decades. The Asia Maior editors and authors have taken care to nuance this picture, showing on the one hand China's many weaknesses and difficulties and, on the other, how US power, although declining, still remains overwhelming, and set to continue in the near and medium term.¹ In fact, in the Foreword to the 2009 Asia Maior issue, the point was made that the decadence and fall of American hegemony were bound to be such a long-drawn affair; that it was «unlikely that anyone who reads these lines today will witness the definitive conclusion of this process».² However, some years later, namely in the Introduction to the 2017 issue, it was also noted that: «if robust and even apparently successful attempts to reverse a long-term decline affecting an imperial power are possible, equally possible – and perhaps more probable – are tempo-

1. For a forceful presentation of this thesis, see Vince Scappatura, 'The US «Pivot to Asia», the China Spectre and the Australian-American Alliance', *The Asia-Pacific Journal*, Vol. 12, Issue 36, No. 3, September 9, 2014.

2. Michelguglielmo Torri, 'Declino e continuità dell'egemonia americana in Asia', *Asia Maior 2009*, p. 29.

rary accelerations of the process of decline, usually brought about less by a quickening of the long-term structural causes of decline than by a failure in leadership».³ In the same Introduction it was argued that that was exactly what appeared to have happened in 2017, during the first year of Donald Trump's presidency. One year later, nothing has happened to disprove the accuracy of that theory.



In order to put in context the significance of the break in US-China relations as represented by Donald Trump's foreign policy, it is necessary to briefly summarise the situation as it was on the eve of Trump's accession to the US presidency. As noted in the Foreword to the previous *Asia Maior* issue, the Obama administration had clearly perceived the problem posed by China's rise and reacted to it through a policy which could be either commended or criticised – the latter being the stand taken by most *Asia Maior* authors – but which, for all its limitations, was a well thought-out and coherent grand policy. As pointed out in that Foreword, it was based on two pillars: the «Pivot to Asia», namely the redeployment of the bulk of US military forces in the Asia-Pacific area, and the TPP (Trans Pacific Partnership), a 12-country free trade agreement.⁴ The TPP aimed at establishing a set of US-decided new rules, which would mould not only any future economic interexchange in the Asia-Pacific but the working itself of the local economies. As argued by Francesca Congiu, among others, in previous *Asia Maior* issues, the *political* aim of the whole exercise was the imposition of these new, US-made rules even on China. In fact, the new pact – from which China was excluded – meant Beijing faced the dilemma of accepting those Washington-dictated rules and entering the TPP, or being excluded from the advantages of trading with those countries included in the TPP.

As soon as Trump began his term as president, he destroyed one of the two pillars of the previous administration's China policy by abandoning the TPP. In spite of the damage caused by Trump's decision, the US foreign policy community, led by newly-appointed Secretary of State Rex Tillerson, tried to elaborate a new, overarching Asia policy, which would take the place of the Obamian Asia policy. In the new Asia policy, the geographical reference area, previously the Asia-Pacific, became the Indo-Pacific. This shift highlighted not only India's increased importance as an international player, but also Washington's hope of finally make India a key component in the

3. Michelguglielmo Torri, 'Asia Maior in 2017: The unravelling of the US foreign policy in Asia and its consequences', *Asia Maior 2017*, p. 8.

4. In 2016 the TPP included Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States.

strategy of encirclement and containment of China.⁵ The new Indo-Pacific strategy was shrouded in the rhetoric of a «free and open Indo-Pacific», based on cooperation, aimed at promoting prosperity in the region and excluding no nation.⁶ However, just like the Obamanian pivot, it was squarely focused on containing China, «not only as a leading global power, but also as a major maritime actor».⁷

This objective, which was already clear in the first statement delineating the new policy, namely the speech on US-India relations, given by Rex Tillerson on 18 October 2017,⁸ was made even more explicit in the National Security Strategy (NSS) released on 18 December 2017,⁹ and in the National Defense Strategy (NDS), whose summary was made public on 19 January 2018 by US Secretary of Defense James Mattis.¹⁰ A few months later, Mattis announced that the US-Pacific Command was being renamed US Indo-Pacific Command (31 May 2018).¹¹ As noted by Jean-Loup Samaan, the renaming of the Asia-Pacific Command was «a symbolic measure that was read in the region as an indicator that the Indo-Pacific strategy was pri-

5. This has been a main foreign policy aim of all US administrations since 2005. See Michelguglielmo Torri, 'Le ambizioni di grande potenza dell'India', *Asia Maior 2005-2006*, pp. 157 ff.

6. As claimed by Vice President Mike Pence in a speech on 16 November 2018. See The White House, *Remarks by Vice President Pence at the 2018 APEC CEO Summit | Port Moresby, Papua New Guinea*, 16 November 2018 (<https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea>).

7. Robert Manning, 'U.S. Indo-Pacific Strategy. Be Careful What You Wish For', *Russia in Global Affairs*, 17 January 2019.

8. 'Defining Our Relationship with India for the Next Century: An Address by U.S. Secretary of State Rex Tillerson', *CSIS – Center for Strategic & International Studies*, 18 October 2017.

9. The White House, *National Security Strategy of the United States of America*, December 2017 (<https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>).

10. On the 2017 NSS document see Michelguglielmo Torri, 'Asia Maior in 2017: The unravelling of the US foreign policy in Asia and its consequences', *Asia Maior 2017*, p. 15. The National Defense Strategy is a detailed strategy, developed by the Department of Defense «in support of the President's National Security Strategy», whose aim was «to build a more lethal Joint Force and Defense enterprise to deal with national security challenges today and in the future». The NDS document is classified, but its summary was made public on 19 January 2018 and its contents explained by US Secretary of Defense James Mattis the same day. See National Defense Strategy 2018 (<http://nssarchive.us/national-defense-strategy-2018>); National Defense Strategy 2018 Unclassified Summary, (<http://nssarchive.us/wp-content/uploads/2018/01/2018-National-Defense-Strategy-Summary.pdf>); Idrees Ali, 'U.S. military puts «great power competition» at heart of strategy: Mattis', *Reuters*, 19 January 2018.

11. U.S. Department of Defense, *Pacific Command Change Highlights Growing Importance of Indian Ocean Area*, 30 May 2018 (<https://dod.defense.gov/News/Article/Article/1535808/pacific-command-change-highlights-growing-importance-of-indian-ocean-area>).

marily a military enterprise aiming at containing China's expansion» both in the Pacific and Indian Ocean regions.¹²

The new Indo-Pacific policy «could be seen as the culmination of the Obama administration's 'pivot' or 'rebalance'».¹³ The continuity with the previous policy was made clear by the fact that, as pointed out by Mira Rapp-Hooper, «the portion of the U.S. defense budget devoted to the region has remained stable, and planned defense investments suggest that the Pentagon is truly prioritizing competition with China».¹⁴ However, there were some fundamental differences between the Obamian strategy and the new one.

The first was that the new strategy was openly confrontational towards China. This confrontational standing was highlighted and theorised in both the NSS document of 18 December 2017 and the presentation of the NDS by Mattis on 19 January 2018. As stated by Mattis, «great power competition, not terrorism» was now «the primary focus of U.S. national security». In this situation, the challenge to US national security came from China and Russia, namely two «revisionist powers» seeking to establish «a world consistent with their authoritarian models».¹⁵ This new openly confrontational strategy had among its goals that of forcing Asian states to make a clear-cut choice between either Washington or Beijing. In fact, as argued by Jean-Loup Samaan, the «bellicose tone of the administration and the explicit use of Cold War rhetoric in documents such as the National Security Strategy [...] framed the regional environment as a zero-sum game, according to which local states have to position themselves vis-à-vis two distinguishable blocs.»¹⁶

The second fundamental difference between the Obamian strategy and the new one is the lack of an economic dimension, which was at the forefront of the former, being represented by the promotion of the TPP. Obama had not forced the countries bordering the Pacific and Indian Oceans to take sides with or against China. However, well aware of the importance of building the widest possible alliance to contain Beijing, he had enticed these states to side with the US by offering them the prospect of the economic advantages reputedly accessible through the TPP. Once Trump had the US leave the TPP, Washington's economic lever vis-à-vis the Indo-Pacific states was thrown away.

12. Jean-Loup Samaan, 'Confronting the flaws in America's Indo-Pacific strategy', *War on the Rocks*, 11 February 2019.

13. *Ibid.*

14. Mira Rapp-Hooper, 'The Indo-Pacific Vision in Strategic Limbo. A Foreign Policy Case Study for the Trump Era', Ifri Center for Asian Studies (Notes de l'Ifri – Asia.Visions 102), November 2018.

15. Idrees Ali, 'U.S. military puts «great power competition» at heart of strategy: Mattis'.

16. Jean-Loup Samaan, 'Confronting the flaws in America's Indo-Pacific strategy'

Confronted by the loss of the TPP leverage, the US foreign policy community formulated its new Asia policy, being well aware of: (a) the importance of building a wide network of alliances and partnerships, pulling together the states of the Indo-Pacific area; (b) the opportunity to give an economic dimension to the Indo-Pacific policy; and (c) the fact that the attainment of the two previous objectives was complementary.

During the summer of the year under review, the new Secretary of State, Mike Pompeo, announced a set of new economic initiatives aimed at engaging Asian countries. However, quite apart from the fact that the new US economic initiatives were «modest in design and resources»,¹⁷ the whole new US Asian policy – moulded by Tillerson, Mattis and Pompeo himself – was «overshadowed», and *de facto* undermined, by Donald Trump. The president, giving in to his «heterodox instincts», pursued foreign policy goals that were conflicting with many core elements of the official Indo-Pacific strategy.¹⁸

As pointed out in the Foreword to the previous year's Asia Maior issue, Donald Trump's abandonment of the TPP was the first step in a policy based on the idea that multilateral trade organisations and pacts – including those previously promoted by the US – were mere hurdles on the way to the realisation of his «America first» policy. In turn, the «America first» policy was to be implemented by forcing nations with a favourable commercial balance vis-à-vis the US to tilt it towards parity, lest Washington imposed punitive tariffs on the imports from those countries unwilling to comply with the US diktat. This was a kind of declaration of (trade) war not only on China, but on most US formal allies and non-treaty partners in the Indo-Pacific region. Hence this policy could not but make increasingly difficult the existence of that wide alliance, which, in the new Indo-Pacific strategy, exactly as in the Obamian «pivot», was one of its main props.



Although «badly conceived» and «designed to either hurt or alarm even long-term or potential US allies»,¹⁹ Trump's China policy at least appeared to be based on a rational calculation, albeit a mistaken one. No rational calculation, however, not even a mistaken one, seems – at least at first sight – to be at the basis of Trump's Iran policy. As shown by Luciano Zaccara in this and in the previous Asia Maior volume, in 2017 and 2018 the new US president's previously unclear attitude towards Iran gradually became increasingly adversarial, epitomised by a series of progressively tougher public warnings (October 2017, January and March 2018). Finally,

17. *Ibid.*

18. Mira Rapp-Hooper, 'The Indo-Pacific Vision in Strategic Limbo'.

19. Michelguglielmo Torri, 'Asia Maior in 2017: The unravelling of the US foreign policy', p. 11.

on 8 May 2018, Trump officially took the decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA). This was the multilateral agreement on the Iranian nuclear program reached in Vienna on 14 July 2015 between Iran, the five permanent members of the United Nations Security Council (China, France, Russia, United Kingdom, and the United States) plus Germany and the European Union. The decision was followed not only by a wave of direct sanctions on Iran, but also by the imposition of secondary sanctions that, starting on 4 November 2018, were aimed at companies and countries unwilling to break their economic connections with Tehran.

Trump justified his decision arguing that Iran had not conformed to the conditions set in the nuclear deal and that it had remained the «world's leading state sponsor of terrorism».²⁰ Both claims, however, appeared highly dubious and were not accepted by the other JCPOA signatories. According to the International Atomic Energy Agency (IAEA), in fact, Iran had faithfully complied with its JCPOA obligations. Moreover, as far as Iran's attitude towards international terrorism is concerned, there is no gainsaying that Iran had been playing an important part in the struggle against and the victory over the self-styled Islamic State, becoming, as a result, a victim of its terrorist activities.

Trump's decision to withdraw the US from the JCPOA had the purported goal of forcing Tehran to accept a «better» nuclear deal, where «better» stands for a deal dictated by Washington. Also, as declared by Secretary of State Mike Pompeo on 5 November 2018: «The Iranian regime has a choice: It can either do a 180-degree turn from its outlaw course of action and act like a normal country, or it can see its economy crumble».²¹ Where, of course, acting like «a normal country» meant behaving as an obedient third world vassal state of the American superpower. Ultimately, however, these (arrogant) declarations were only a smokescreen, crudely concealing Trump's real objective: regime change in Iran.

If the trade war against most Indo-Pacific countries had had the net result of isolating the US in most of Asia, the sanctions war on Iran had the same outcome in relation to most of the world, particularly Europe. The European signatories of the JCPOA announced the creation of a Special Purpose Vehicle (SVP) to screen their own companies from US secondary sanctions, making possible the continuation of the deal. For its part – as pointed out by Michelguglielmo Torri in this same volume – India, a main oil importer from Iran, put in place a financial mechanism to pay for its Iranian imports, which was beyond the reach of US secondary sanctions.

Diplomatic isolation, however, did not dissuade Trump from doggedly

20. U.S. Department of State, *Countering Iran's Global Terrorism*, 13 November 2018 (<https://www.state.gov/countering-irans-global-terrorism>).

21. Ishaan Tharoor, 'Why Trump's Iran strategy will backfire', *The Washington Post*, 6 November 2018.

continuing along the confrontational anti-Iran path that he had taken. The announced objective to reduce Iranian oil exports to zero was not reached in the year under review. However, the European promise to create an SVP did not translate into anything tangible, which caused many important companies to give up their Iranian operations. Therefore, although unable to achieve its ambition of bringing Iranian oil exports to zero, US sanctions caused their drastic diminution. This badly impacted on the Iranian economy which – as pointed out by Luciano Zaccara in this and previous Asia Maior issues – was in a difficult situation even before the renewal of the US sanctions.

In the year under review, the net (political) result of Trump's anti-Iranian policy was the weakening of the (moderate) Rouhani administration and the strengthening of the most conservative and hard-line anti-American forces. A rather paradoxical result, unless, of course, Trump's real ultimate goal was the creation of a scenario legitimating war against Iran. This, on the other hand, was an objective openly avowed by John Bolton, the man whom Trump named as his new security advisor on 9 April 2018. That same objective – making war on Iran – was eagerly pursued by Israel and Saudi Arabia, the only two states siding with the US on the Iranian question.



The confrontational stand that appears to be Trump's trademark in his foreign policy had been present also in his transactions with North Korea during his first year in office. As pointed out by Marco Milani in this Asia Maior issue, relations between the US and North Korea in 2017 were characterised by a very dangerous escalation of tension. However, things changed spectacularly in the year under review, when, mainly as a result of South Korean President Moon Jae-in's mediation, for the first time in history a sitting American president met with a North Korean leader (Singapore, 12 June 2018). The meeting was characterised by a high degree of cordiality, and the concluding communique indicated that «the DPRK [Democratic People's Republic of Korea] commits to work toward complete denuclearization of the Korean Peninsula.»²²

President Trump, who, as Marco Milani reports, «immediately tweeted that North Korea was no longer a nuclear threat», presented the meeting and its results as an undeniable and resounding personal triumph. However, the Singapore meeting could not but be just the opening move in a complex negotiation designed to tackle and resolve the political dif-

22. The White House, *Joint Statement of President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the Democratic People's Republic of Korea at the Singapore Summit*, 12 June 2018 (<https://www.whitehouse.gov/briefings-statements/joint-statement-president-donald-j-trump-united-states-america-chairman-kim-jong-un-democratic-peoples-republic-korea-singapore-summit>).

ferences between Washington and Pyongyang. These included not only the problem of the denuclearisation of North Korea, but the denuclearisation of the whole peninsula, the conclusion of a peace treaty between the US and the DPRK and the cessation of American sanctions. In other words, the Singapore meeting was the opening move in a process that would replicate the one carried out by the Obama administration with Iran, which had concluded with the JPCOA. The same JPCOA that Trump was then publicly threatening to unilaterally and unreasonably terminate and which he indeed succeeded in so doing a few months later. Accordingly, again as pointed out by Marco Milani, the fact that the negotiations between the US and the DPRK in the ensuing months rapidly reached a stalemate should not come as a great surprise. Clearly Kim Jong Un, in agreeing to meet Trump in Singapore, was in search of international legitimisation which he reaped in full. But the little trust that was to be invested in any agreement with the US must have been clear to Kim Jong Un as to anybody else endowed with even a bare modicum of common sense. Trump himself – even while negotiations with the DPRK were ongoing – had made clear the flimsiness of US guarantees, by his threats to put an end to the nuclear agreement with Iran. Therefore the hope that Kim would really give up the North Korean nuclear arsenal – namely his only life insurance and guarantee to remain in power – in exchange for US pledges, written on water, was simply a pipe dream.



As shown by Barbara Onnis in this *Asia Maior* issue, in 2018 China reacted to the Trumpian challenge in its usual cautious but steady way. Beijing actively consolidated its international role, hosting three major global events and playing a central role in the peace process taking place on the Korean peninsula. Also – as explained by Onnis – Beijing continued to increase its engagement with the EU countries. In so doing, it took advantage of the weakness of the EU itself, due not only to Brexit but also to the attitude of the US, aimed at undermining European unification.²³ Beijing built on the pre-existing flourishing economic interconnection between China and the EU, characterised by the boom of Chinese investment in Europe, which, since 2014, has become progressively much higher than European investment in China.²⁴ Also, while proactively pursuing the implementation of its Belt and Road Initiative (BRI), Beijing looked forward to filling the political void created by the withdrawal of the US from international insti-

23. 'Amid the Trumpian Chaos, Europe Sees a Strategy: Divide and Conquer', *The New York Times*, 13 July 2018; 'Trump wants to 'DESTROY and divide Europe' warns Francois Hollande', *Express*, 18 July 2018.

24. E.g. Thilo Hanemann & Mikko Huotari, 'Chinese FDI in Europe in 2017. Rapid recovery after initial slowdown', *Mercator Institute for China Studies*, 17 April 2018.

tutes such as the Geneva-based UN Human Rights Council and the UN's cultural arm, UNESCO.²⁵

All in all, even in 2018 it remained true that Trump's foreign policy only facilitated the continuing rise of China. However, there was no continuity in the response of the two other major Asian countries – Japan and India – to Trump's policy. As noted in the Foreword to the 2017 Asia Maior volume, the «disorder under the heaven» caused in Asia by the new US foreign policy, «allowed – or, rather, forced upon – other major Asian countries, namely Japan and India, an increasingly proactive role in the attempted containment of China».²⁶ In 2018, however, both Tokyo and New Delhi, as a consequence of the increasingly negative impact of Trump's policy on their own national interests, began a cautious reorientation of their respective foreign policies, guardedly distancing themselves from the US and prudently and gradually moving from China containment to China engagement.

As Giulio Pugliese and Sebastian Maslow explain in their essay in this volume, Japanese businesses were worried about the repercussions deriving from a US-China trade war and Trump's policies aimed at reshoring supply and assembly industrial lines back into the United States to help domestic manufacturers. As a consequence, to offset the economic risks created by the protectionist Trump administration, the Japanese government signed a series of major trade deals in 2017 and 2018²⁷ and agreed to finalise negotiations for a Regional and Comprehensive Economic Partnership (RCEP), which included China. In spite of the unresolved tensions between Japan and China, during 2018 Beijing softened its stance towards Japan and, in April 2018, restarted the Japan-China Economic Dialogue.

A similar evolution occurred with India's position. As pointed out by Michelguglielmo Torri in his article on Indian foreign policy in this volume, India was negatively affected by the US sanctions against Iran and Russia. The risk was that Washington would impose secondary sanctions on New Delhi if it failed to cut its economic connections with Tehran and Moscow. This put New Delhi in a bind, as Tehran was a main oil supplier and Moscow a most important weapon provider. Also, India's economic interests were threatened by the imposition of US tariffs on steel and aluminium, and by the menace of further US provisions diminishing both the access of India's goods to the American market and the opportunity for Indian professionals to work in the US.

The increasing difficulties characterising the India-US connection led to a readjustment of India's China policy, which resulted in a distinct

25. 'China starts to assert its world view at UN as influence grows', *The Guardian*, 24 September 2018.

26. Michelguglielmo Torri, 'Asia Maior in 2017: The unravelling of the US foreign policy', p. 9.

27. In 2017 and 2018 Japan signed economic partnership agreements (EPAs) with 14 countries, plus ASEAN and the EU.

thawing of relations between the two Asian giants. Also, US pressure on the Asian countries resulted in the heightened relevance of regional alliances and multilateral ententes, such as the Shanghai Cooperation Organisation (SCO) and the Russia-India-China entente (RIC), which being *de facto* in competition with the Washington-dominated world order, served as a shield against the brutal exhibition of US power.



Other examples of the reaction to Trump's policy in Asia are represented by the responses of South Korea, Vietnam, Thailand, Pakistan and Taiwan.

As pointed out by Marco Milani, relations between Seoul and Washington were affected both by US insistence on reviewing the free trade agreement between the two countries (KORUS) which entered into force in 2012, and on asking that South Korea contributed a higher share of the costs of the US military presence in the country. As if this were not enough, relations between the two allies became tense because of the disagreement on the denuclearisation strategy. Despite Trump's flashy summit with Kim Jong Un, and notwithstanding Seoul's recognition of Washington's essential role in containing the nuclear threat from North Korea, Seoul's irritation at the lack of any further progress by the US towards the relaxation of the sanctions regime became evident.

Vietnam also had to redefine its partnerships, in response to US policies. In the last ten years Hanoi has been strengthening its commercial partnership and military collaboration with the US, as part of its anti-Chinese positioning. However, as explained by Nicola Mocci in his article on Vietnam in this Asia Maior issue, the Hanoi government, in a startling departure from its recent policy, accepted Beijing's project aimed at reinvigorating the cross-border economic cooperation between Vietnam and China. The imposition of US tariffs on Chinese goods, in fact, pushed Chinese companies, in particular low value-added ones, to relocate in areas close to the Vietnamese border. This process was facilitated by the «Two Corridors and One Circle» project, begun in 2007 but completed and revitalised in 2018, aimed at realising a free trade cross-border economic cooperation area. In this way, even Hanoi, which had never accepted its inclusion in the BRI, became officially part of the Chinese initiative.

Similar developments took place in Thailand. In his essay in this Asia Maior issue, Pietro Masina focuses on the Junta's difficult attempt to maintain a balance between military cooperation with the US and commercial partnership with China.

As far as Pakistan is concerned, Marco Corsi explains that the Trump administration's announcement of the suspension of US\$ 900 million military aid, due to the allegedly ineffective support provided by the country in combating militants in Afghanistan, translated into a closer China-Pakistan relationship. This was the end result of a series of frictions that in the last ten years

have led Pakistan to a radical shift in its foreign policy. This is no longer based on the western axis, but on its military and commercial alliance with China.

Finally, the annoyance and concerns raised in Taiwan by Trump's protectionist measures must be highlighted. As pointed out by Aurelio Insa in this volume, no doubt, Sino-American strategic competition contributed to a noticeable strengthening of Taiwan's relations with the US, especially its security dimension. Taipei, however, was put under pressure by the Trump administration, due to its trade surplus with Washington and, even after repeated pleas, the Tsai administration was unable to obtain an exemption from the US steel and aluminium tariffs imposed in March 2018.



Excluding the case of Malaysian Prime Minister Mahathir Mohamad, who preferred to break free from too tight an embrace with China, in the year under review the Trump-promoted anti-China strategy did not reap any great success. Rather, it encouraged the signing of several free trade agreements (FTA) which involved many Asian countries and excluded the US.

Japan and Vietnam signed their biggest free trade deal with the EU (EVFTA).²⁸ Even more important, under the leadership of Japan the 11 Asia-Pacific countries which, together with the US, had been part of the TPP, resuscitated it by signing, in the absence of the US, what was called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).²⁹ Several other countries were also expected to join the CPTPP. South Korea, which had not been one of the CPTPP original signatories, decided to join the pact, waiting only for the opportune moment to do so.³⁰ Indonesia, Thailand, and even the United Kingdom expressed interest in joining the accord.³¹ Funnily enough, even President Trump, strongly encouraged by Japan, on several occasions suggested interest in joining the CPTPP.³²

Again as mentioned above, in 2018 Asian countries accelerated negotiations for the Regional Comprehensive Economic Partnership

28. In August 2018, the EU and Vietnam agreed on final texts for the EU-Vietnam trade and investment agreements. The agreements have been formally approved by the European Commission and need to be agreed upon by the Council and the European Parliament before they can enter into force. The EU and Japan's Economic Partnership Agreement was signed on 17 July 2018 and will enter into force on 1 February 2019.

29. This agreement was signed on 8 March 2018 in Chile and is expected to come into effect in 2019, once ratified by at least six of the 11 member countries. The 11 countries are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

30. 'S. Korea Decides to Join CPTPP', *BusinessKorea*, 16 August 2018.

31. 'Indonesia making preparations to join TPP', *Nikkei*, 12 June 2018; 'Thailand preparing CPTPP application', *Bangkok Post*, 2 March 2019.

32. Robert Manning, 'U.S. Indo-Pacific Strategy. Be Careful What You Wish For'.

(RCEP). This is a trade agreement that includes the ten members of the Association of Southeast Asian Nations (ASEAN) and six of ASEAN's dialogue partners (Australia, China, India, Japan, South Korea, and New Zealand). Since 2013, RCEP negotiations have involved several rounds of meetings, but debate has persisted, as India remains concerned over its growing trade deficit with China and wants other countries to open up their service sectors in exchange for further trade liberalisation.



In 2018, in spite of the adverse impact of the commercial war between the US and China, Asia still remained the world's most dynamic region, propelled not only by the seemingly impressive Indian growth, but, more generally, by the burgeoning economy of the South Asian and Southeast Asian countries. In the year under review, in fact, this part of Asia produced more than one-third of manufactured goods,³³ attracted more Foreign Direct Investments than any other developing region,³⁴ and recorded the highest increase in trade (+8.1).³⁵

Having said this, particular attention has been given in this issue to China's and India's growth, the former on a lower although still remarkable positive trend, the latter impetuously on the ascent, at least apparently.

For the first time since 1990, the Chinese growth rate in 2018, 6.6%, was the lowest in 28 years. This was mainly due to several factors, some of which are outside the control of China's policymakers. These factors were: flight of capital and relocation of Chinese companies abroad, which restricted local investments; a rapidly ageing population due to the falling birth rate; quantitative tightening, applied by the US Federal Reserve; and the slowing of the global economy. As Francesca Congiu points out in her article on Chinese domestic policies, this resulted in the rise of unemployment and social inequalities, bringing about a heightened risk of social conflict.

This being the situation, investment in the Belt and Road Initiative (BRI) was not enough to sustain growth; hence, to tackle the effects of the worsening economic situation, the party-state launched two main strategies. The first was a profound institutional reorganisation, aimed at making the bureaucratic machine more efficient and at the same time favouring pro-market structural reforms. The second was the strengthening of propaganda and social control, aimed above all at mitigating dissent and propping up the legitimacy of the party-state, under threat by widespread workers' protests.

33. Elaborated by the authors on the basis of the data in UNIDO, *Statistical Indicators of Inclusive and Sustainable Industrialization, Biennial Progress Report 2019*.

34. According to the UNCTAD's *World Investment Report 2018*, in spite of a large reduction of global foreign direct investment (FDI) flows (23%), those to developing Asia remained stable, which made it the largest FDI recipient in the world. See, p. 9.

35. World Trade Statistical Review 2018, p. 10.

Contrary to what was happening in China, the economic situation in India was on a positive trend. Indeed, according to official data, in 2018 the Indian economy was the fastest growing among the major world economies. However, as pointed out by Michelguglielmo Torri and Diego Maiorano in their joint contribution in this Asia Maior issue, the economic data produced by the Indian government has been questioned by many economists and conflicts with the situation on the ground. This appeared decidedly less rosy than what was to be expected from a growth rate of more than 7%. Economic uncertainty dovetailed with the worsening of the democratic climate in the country: institutions were steadily and systematically eroded; freedom of expression constrained and dissenting voices silenced, in at least one case through murder. In many other cases silence was achieved through arrests of dubious legality. The lynching of people mostly belonging to minorities, generally on unsubstantiated charges of consuming or trading beef, assumed the dimension of an epidemic.



In spite of Trump's trade and sanctions war on Asia, in 2018 the Asian economies continued to grow – although, as exemplified in the case of India, maybe less rapidly than that conveyed by the official macroeconomic data. However, social conditions were not as positive as they should have been. This was apparent in the case of the FTAs. While FTAs allegedly offered great opportunities as far as the expansion of international trade is concerned, they tended to readjust downwards the protection systems of workers in the countries involved. This development is alluded to in Nicola Mocci's article on Vietnam in this Asia Maior issue. The same problem is discussed by Chang Dae-oup, who argues that, although Asia is increasingly integrated into global capitalism, throughout this region unwaged workers and workers in informal employment are increasing in number.³⁶ These workers lack legal, institutional and, most of all, union protection. The reasons for this situation are several, and their analysis is beyond the scope of this Foreword. Here it suffices to emphasise that, as emerges from some essays in this volume and the most recent literature on the topic, FTAs risk limiting the progress of workers' rights. In fact, FTAs do not impose effective limits on labour exploitation, generally shielding international investors from local labour legislation. This, of course, consolidates a situation that, as far as labour is concerned, is critical in its own right.³⁷

36. Dae-oup Chang, 'From Global Factory to Continent of Labour: Labour and Development in Asia', *Asian Labour Review*, Vol. 1, 2015, pp. 1-48.

37. On these problems see James Harrison, Mirela Barbu, Liam Campling, Ben Richardson, & Adrian Smith, 'Governing Labour Standards through Free Trade Agreements: Limits of the European Union's Trade and Sustainable Development Chapters', *Journal of Common Market Studies*, 2018, pp. 1-18; Daniela Sicurelli, 'The EU as a Pro-

More generally, if one takes into account social conditions in Asia, different criticalities, particularly inequality in income, are evident. While Taiwan, Japan and South Korea policies have been very successful in promoting social equality, as shown by the fact that those countries have reached their lowest Gini indexes (0.33 in 2014 in the case of Taiwan; 0.34 and 0.35 in 2015 in the case of Japan and South Korea respectively),³⁸ the situation of most other Asian nations is starkly different. The World Inequality Report 2018 – produced by the World Inequality Lab, a research centre at the Paris School of Economics – states that income inequality has increased rapidly in North America and Asia (despite China growth) since 1980.³⁹ According to the last Inclusive Development Index 2018, China comes last in terms of income equality (with a Gini index of 51%, some 20 points below the peer group average).⁴⁰ In India, the inequality was even worse, according to an Oxfam report released in 2018.⁴¹

In this same Oxfam report, there are some worrying data related to Indonesia. Despite a remarkable reduction in poverty since 2012, from approximately 50% of the population to 33% today, wealth remains highly concentrated (Gini index 84%). Also, income disparity is almost as severe (62nd) and has deepened since 2012.⁴²

Finally, it is worth recalling that, in Asia, 1.3 billion people – or 68.2% of the employed population in Asia-Pacific – are part of the so-called informal economy, namely those economic activities, enterprises, jobs and workers that are not regulated by the state or protected by trade

motor of Human Rights in Bilateral Trade Agreements: The Case of the Negotiations with Vietnam', *Journal of Contemporary European Research*, 11, 2, 2015, pp. 230-245; Kevin Kolben, 'A New Model for Trade and Labour? The Trans-Pacific Partnership's Labour Chapter and Beyond', *New York University Journal of International Law and Politics* (JILP), 49, 4, 2017, pp. 1063-1104; Madelaine Moore & Christoph Scherrer, 'Conditional or Promotional Trade Agreements – Is Enforcement Possible? How International Labour Standards Can Be Enforced through US and EU Social Chapters', Singapore: Friedrich-Ebert-Stiftung Office for Regional Cooperation in Asia, 2017.

38. For Japan and South Korea's Gini indexes see OECD Data, *Income inequality* (<https://data.oecd.org/inequality/income-inequality.htm>). For Taiwan, see Central Intelligence Agency, *The World Factbook* (<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>). The Gini index was developed in 1912 by Italian sociologist and statistician Corrado Gini. It measures wealth distribution within societies: its value ranges from 0 (or 0%) to 1 (or 100%), with the former representing perfect equality (wealth distributed evenly) and the latter representing perfect inequality (wealth held in few hands).

39. Facundo Alvaredo, Lucas Chancel, Thomas Piketty, Emmanuel Saez & Gabriel Zucman (eds.), *World inequality report 2018*, Harvard: Harvard University Press, 2018.

40. For this report the World Economic Forum (WEF) gathered data from the World Bank, the Organisation for Economic Co-operation and Development among other sources. World Economic Forum (WEF), *The Inclusive Development Index 2018*, p. 9.

41. Oxfam India, *Widening Gaps. India inequality report 2018*, p. 6.

42. *Ibid.*, p. 6.

unions.⁴³ Almost all agricultural employment (94.7%) is informal in the region, and it reaches a peak of 99.3% in Southern Asia. In South Asia and Southeast Asia, employed women are more likely to engage in informal work than men. Informality is also prevalent among the young population aged 15-24, with 86.3% of young workers in informal employment compared with 67.1% of adult workers (25+). The higher the education level, the higher the chance to obtain formal employment; 31% of tertiary-educated workers are in formal employment compared to 90% of workers with primary-only education who are in informal employment.⁴⁴



Summing up, Asia Maior in 2018 offers the image of a region placed under «maximum pressure» by Donald Trump's policies, both the trade war on China and other main Asian economies, and the sanctions war on Iran. This «maximum pressure» has had the unforeseen result of pulling together nations such as China on one side and India and Japan on the other; which, up to the previous year, appeared on a collision course. Also, it is clear that under this pressure – and in spite of the slowing down of China's economy and the spurious data signalling an exceptional Indian growth – the Asian economies appear to be on a path of steady growth, indeed the strongest one worldwide. Nevertheless, this steady growth – hitherto unhindered or scarcely so by Trumpian policies – badly conceals a high degree of inequality and exploitation. In turn inequality and exploitation may result in heightened social conflict, which could threaten the grasp on power of the ruling élites. They are responding with a series of complex policies, that vary radically from one country to another, going from institutional reorganisation and the strengthening of propaganda and social control, as in the case of China, to the deployment of Fascist-like, religion-grounded ideologies, as in the case of India.

No doubt, at the end of the day – and as shown in this volume – Asia Maior appears to be a «polytropos» region, namely a «much-wandering» region, able to «turn many ways». What these ways will actually be will be the result of two different, although somewhat interlocked struggles. One is the challenge counterpoising America's fading imperial power to the Asian ruling élites; the other is the confrontation between these same élites and their own peoples.

Michelguglielmo Torri & Nicola Mocchi

43. International Labour Organisation, *Women and men in the informal economy: A statistical picture. Third edition*, 30 April 2018. It is worth noting that ILO in the Asia Pacific region includes 36 countries, from Afghanistan to the Pacific Islands and from Mongolia to New Zealand and Australia.

44. *Ibid.*, passim.

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This article attempts to explain how and why the year 2018 represented a major turning point for Chinese domestic politics, characterized by the transition from a collective authoritarianism to a centralized, repressive and personalistic authoritarian leadership. It analyses the institutionalization and systematic legalization of the centralized Communist party's authority in the political, economic and social sphere. For this purpose, the article contains a description of the major 2018 institutional reforms, through which the Chinese leadership rebuilt its centralized authoritarianism into state and social institutions. Much attention has been devoted to the establishment of party and state supervisory commissions, the establishment of «super ministers», the reinforcement of political Marxist education, and the subordination of judicial power to the party's will. Furthermore, the paper argues that one of the main reasons behind the creation of this repressive and authoritarian stance was the emergence of multiple sources of social and political instability. The final part of the article focuses on the beginnings of an embryonic alliance between workers and students and on the increase of nationwide strikes.

1. Introduction

The year under review is specifically focused on China's domestic politics, its domestic economy and on some of the numerous social questions that have been threatening the country's social and political stability for at least two decades.

China has suffered a severe economic downturn since 2009-2010. This in turn brought about a major slump in exports and the closure or reallocation of thousands of factories, followed by strikes and other forms of labour protests in the industrial and service sectors. Especially in rural areas, the central leadership had to deal with enormous ecological problems which together with local policies of land expropriation caused major forms of popular resistance. In addition there were growing tensions among ethnic minorities.

After two decades of the peaceful succession of top leaders, pre-emptively organized by Deng Xiaoping (from Jiang Zemin to Hu Jintao), Xi Jinping's rise to power in 2012 has been characterized by demanding factional conflicts. These caused the expulsion of Xi Jinping's main rival, the Chongqing Party leader, Bo Xilai, and the beginning of a long and

never-ending period of severe purges, all in the name of the fight against official corruption.¹

Since 2012, the Chinese party and state, led by Xi Jinping, have found their own way to deal with social conflicts and inner-party struggles. The years 2017, and 2018 in particular, were major turning points in domestic politics, marking the institutionalization of a change in governance strategies. As was evident during the 19th Party Congress in 2017 and the 13th National People's Congress in March 2018, Xi Jinping's doctrine of the «Chinese dream» definitively replaced economic growth as the major source of political legitimacy. As explained in the previous issue of this journal, the «Chinese dream» was a nationalist ideology aimed at reducing social inequality at home, and making the international order a more democratic system in which developed and developing countries could have the same voice.² According to this official ideology, the realization of the «Chinese dream», in terms of economic prosperity, struggle against poverty, equality, social harmony, democracy in international relations, mainly depended on the party and on the respect of its leader's thought. Strengthening the party and Xi Jinping's line inside it, was designed to enable the party itself (and especially the Politburo Standing Committee) to control every state, party and social organization at local and national level. This ensuing pervasiveness and omnipresence of the party once characterized the Maoist period, however, unlike the Maoist period, in the year under review, it became institutionalized and meticulously disciplined by law. More importantly, this new asset was conceived as the main guarantee of global capitalism.

This was in stark contrast to Deng Xiaoping's original plan of the decentralization of party and state power, and the separation of party from state institutions, in an effort to make the legislative, executive and judicial powers more independent from the party's will. In the Maoist era, the excessively centralized Party authority was the cause of a major crisis of political legitimacy. Political reforms had to demonstrate serious intent on reducing the omnipresence of the party. Furthermore, notwithstanding the fact that inner-party struggles were considered a major problem to be contained, Deng Xiaoping's and his followers' strategies aimed at creating a collective leadership able to promote compromises among factions. Factions were not eliminated by accusations of corruption or purges from the party; rather

1. Francesca Congiu, «Due sistemi politici un'economia»: autoritarismo cinese e democrazia taiwanese alle prese con il neoliberalismo', *Asia Maior* 2013; 'La Cina sull'orlo di una crisi politica internazionale: l'anno del 18° congresso del PCC', *Asia Maior* 2012; 'Il ritorno dello Stato centrale e le implicazioni per la politica interna ed estera cinese' *Asia Maior* 2011; 'Cina: lavoro al centro', *Asia Maior* 2010.

2. Francesca Congiu & Christian Rossi, 'China 2017: Searching for Internal and International Consent', *Asia Maior* 2017, pp. 59-70.

their rivalries found conciliation through the politics of compromise and harmony.

Deng Xiaoping's strategies succeeded for more than two decades. Then in 2012, these strategies began to be substituted by a centralized and personalistic authoritarianism. Partly because of its systematic legalization, this seems to have resulted in a more repressive stance than was ever the case in the Maoist era.

In the following pages, the article describes the major institutional reforms which took place in 2018, through which the Chinese leadership established its authoritarianism, and the social protests which, for different reasons, represent a threat to social and political stability. The last part of the article will focus on an emerging alliance between workers and students in major strikes and demonstrations and on the increase of nationwide strikes in the service sector.

2. Domestic Politics: Centralizing Political Power

This section analyses the year under review's major institutional reforms across the political system (party and state institutions). These reforms have produced two specific interconnected outcomes: 1) an institutionalization, legalization, and legitimization of a reinforcement of the centrality of the Communist Party of China's authority over society, the economy and the overall political arena; 2) a parallel institutionalization, legalization, and legitimization of a severe shift from collective to individual power inside the party itself.

According to the Chinese scholar Bo Zhiyue, the main objective of the process of political institutionalization as launched by Deng Xiaoping in 1978, was to produce a convergence between real political power and official positions in the party and state organizations, in order to counteract personalistic informal power, thus granting the attainment and management of political power only to those holding official positions.³

During Jiang Zemin and Hu Jintao decades, this process was accompanied by the need to build a collective and impersonal leadership in order to facilitate the cohabitation among different political currents inside the party, to reinforce their ability and legitimacy in representing diverging social interests and to build independent state institutions. Ever since 2012, however, that process has been accompanied by the need to build a single-oriented and personal leadership. The new leadership seeks reassurance by eliminating rival political factions instead of promoting com-

3. Bo Zhiyue, 'The institutionalization of elite management in China', Barry J. Naughton & Dali L. Yang (eds.), *Holding China Together: Diversity and National Integration in the Post-Deng Era*, Cambridge: Cambridge University Press, 2010.

promise and cohabitation. The result has been that the process of political institutionalization, which in the People's Republic of China has been largely party-driven, has facilitated the legitimacy of one-man rule. Xi Jinping is not driving Chinese politics by means of informal and charismatic power, as Mao and Deng did. As demanded by the institutionalization process, Xi correctly occupies those official positions strictly connected to his real power. He has created by law the necessary conditions in order to be legally legitimized to be in charge of all the key decision-making points. Not only he is president of the PRC, secretary of the Party and chief of the Military Commission but he is also at the head of the quasi totality of the new central organs that have been created in order to centralize the political power. In these paradoxical circumstances, institutionalization has become functional to a convergence of duties and roles between the Party and the State and has produced a legal legitimization of the centrality of the Party.

2.1. Institutional reforms across the political system

In February 2018, the 19th Central Committee's Third Plenum adopted a so-called «Plan of deepening reform of party and state institutions» (深化党和国家机构改革方案) and the National People's Congress' session in March approved the plan. The plan was divided into eight parts and was meant to produce significant institutional changes in the party, as well as in the National People's Congress, the State Council, the Chinese People's Political Consultative Conference, the military and in the public security sector, in mass and local organizations.

From the analysis of official documents and press comments it is clear that the leadership was sufficiently aware of China's critical issues of the period which Xi Jinping defined as the «new era». ⁴ China was indeed dealing with a lack of impetus in economic growth, official corruption, environmental degradation, a growing gap between rich and poor and growing social and religious conflicts. Systematically legalizing a continuous consolidation of the Party's unified authority and centrality in every field of the governance was deemed to be the safest solution to the impending social instability.⁵

The planned massive institutional re-organization of Chinese politics was indeed aimed at strengthening and centralizing the Communist Party of China's (CPC) role in politics, society, the economy and international relations throughout the reinforcement of Xi Jinping's political influence inside

4. Francesca Congiu & Christian Rossi, 'China 2017: Searching for Internal and International Consent', *Asia Maior 2017*, pp. 59-70.

5. Dong Xiaoyu, 'New Round of Institutional Reforms – Comprehensively Modernizing China's System and Capacity for Governance', *China Today*, 9 March 2018.

the party, and intended to bring about a drastic reduction of inner-party conflicts. As specified in its preamble, the plan served the need «to preserve the authority of the party, to centralize and unify its leadership with Xi Jinping as the core [...]».⁶ A statement provided in March by the Chinese state press agency, *Xinhua*, further reinforces the plan's ambitions and scopes.

Forming a CPC leadership system that ensures the Party always provides overall leadership and coordinates the efforts of all involved, [...]. Promoting coordinated actions and resultant forces among the people's congresses, governments, political advisory bodies, and supervisory, judicial and prosecutorial organs, people's organizations, enterprises, public institutions, and social organizations under the unified leadership of the CPC [...]. The Party exercises overall leadership over all areas of endeavor in every part of the country. A primary task of deepening reform of the Party and State institutions is to strengthen the CPC's leadership in every sector [...]. The Party's leadership should be strengthened over areas including deeper reform, the rule of law, economy, agriculture and rural work, disciplinary inspection and supervision, organization, publicity, theory and culture, national security, political and legal affairs, united front, ethnic and religious affairs, education, science and technology, cyberspace affairs, foreign affairs and auditing.⁷

Among the several reforms established in the plan, it is worth mentioning the creation of national supervisory commissions both at the party and state level and of national and local commissions in every field of governance. The institution of supervisory commissions was meant to deal with the long-lasting struggle against the corruption of party and state officials as well as the promotion of party and state discipline. The intention behind the creation of any kind of local or national commission, was to create a convergence of decision-making power into single larger institutions, thus reducing the risk of power fragmentation and the emergence of diverging points of view.

At the party top level,⁸ three new central committee commissions were established and chaired by Xi Jinping: a Comprehensively Governing according to Law Commission; an Audit Commission; and a National Supervisory Commission. According to Chinese official media, these three top

6. The central committee of the communist party of China issued the 'Deepening Party and State Institutional Reform Plan' (中共中央印发深化党和国家机构改革方), full text, in the *state council official website* (www.gov.cn), 21 March 2018, in Chinese.

7. 'CPC issues decision on deepening reform of Party and State institutions', *State Council website* (gov.cn), 5 March 2018.

8. The role and the establishment of commissions at the state top level will be analysed in the following paragraphs.

commissions were being established in order to strengthen the process of centralization and unification of the leadership of the Party, and to centralize its role in the building of a law-based governance. Its remit is to monitor the whole party system in order to improve its financial and economic order and the efficiency of funds.⁹ The four Central Committee Leading Small Groups — the Small Group for Comprehensively Deepening Reform, the Finance and Economy Group, the Cyber Security Group, and the Foreign Affairs Group — were elevated to the rank of commissions (委员会); all of them chaired by Xi Jinping. The Central Committee Leading Small Groups (领导小组) are old informal institutions of the party system which have existed since 1958. They are directly subordinated to the party secretariat, reporting to the Politburo and its Standing Committee. Their mission has always been to advise the Party Politburo on policy-making by formulating political programmes, and to coordinate the implementation of policy decisions taken by the Politburo itself across state, party and military bodies. Being part of a commission means dealing with the entire process of policy-making in key political areas: the economy and finance; cyber security; foreign affairs. Moreover, the former Leading Small Groups were usually formed by one member of the Politburo Standing Committee (who headed the group) and by other relevant representatives of the government and party elite. In the newly transformed commissions, there are between two and four members of the Politburo Standing Committee in each group, with Premier Li Keqiang acting as deputy head of all commissions.¹⁰

2.2. *Party institutional reforms and political education: «make China Marxist again»¹¹*

The first part of the «Plan of deepening reform of party and state institutions» is dedicated to party institutional changes. The 5th, 7th and 8th paragraphs are specifically committed to reforming education. The 5th paragraph foresees the establishment of a small central committee leading group for education, whose secretary would be located in the Ministry of Education in order to

strengthen the centralised and unified leadership of the party central committee on education, comprehensively implement the party's educational policy, strengthen party building in the field of education, do a good job in ideological and political work in schools [...].

9. 'Party to have stronger rule of law role', *China Daily*, 25 August 2018; 'Xi: Audits to bolster clean governance', *China Daily*, 24 May 2018.

10. 'The Remodeling of Chinese Policy-Making', *ChinaUS Focus*, 19 September 2018.

11. Timothy Cheek & David Ownby, 'Make China Marxist Again', *Dissent*, Fall 2018.

review national education development strategies, and major education policies.¹²

The seventh paragraph deals with the foundation of a New Party School. The school is the main institution for the education and training of leading cadres of the party as well as the conduction of research on theoretical and practical issues, the promotion of Xi Jinping's thought and the cultivation of Marxist theory. Party members were, indeed, invited to study selections of Marx's works, particularly *The Communist Manifesto*.¹³ In the 8th paragraph, the plan foresees the establishment of a «Central Party History and Literature Research Institute» (中央党史和文献研究院) as a specific institution of the party central committee with the aim of enlarging and strengthening party control in the construction of the party's history and theoretical background. By these means the party would have been able to lead and coordinate party history research, literature editing, and the compilation of resources. Along the institute were converging and merging the Central Party History and Research Office, the Party Documents Research Office and the Central Compilation and Translation Bureau. The main duties of the new institute were supposed to be: to research on Marx's theories, Xi Jinping's thought and Party history.¹⁴

Throughout the year under review, Xi Jinping made a great effort to set out the reason behind the party's wide institutional plan to strengthen political education among its members. In April, for example, during a Politburo study session, Xi Jinping explained to its members the importance of reinforcing the study of Marxism in order to «enhance the party's ability to use Marxist principles to solve the problems facing contemporary China». Its invitation was clearly addressed also to the «broad masses of party members».¹⁵

It seems clear that in part, the CPC was deeply engaged in strengthening Marxism while at the same time embracing capitalism and riding an evident wealth gap and high levels of inequality: a third of the country's wealth was owned by 1% of households and 25% of the poorest owned just 1% of China's wealth.¹⁶ According to the Hurun Global Rich List 2018 from the Hurun Report, China's billionaires increased to 819, 40% more than in the United States. Interestingly, a significant number of billionaires (more or less 45) were occupying seats in the National Assembly and in the party's top advisory body, the Chinese People's Political Consultative Conference,

12. 'Deepening Party and State Institutional Reform Plan' (中共中央印发深化党和国家机构改革方).

13. Timothy Cheek & David Ownby, 'Make China Marxist Again'.

14. 'Deepening Party and State Institutional Reform Plan'.

15. 'A new class struggle: Chinese party members get back to Communist Manifesto basics', *South China Morning Post*, 29 April 2018.

16. 'Report: China's 1 Percent Owns 1/3 of Wealth', *The Diplomat*, 15 January 2016.

there were 59. This organ included not only entrepreneurs but academics who, although they accounted for only 2% of the approximately 5,000 members, in total controlled US\$ 624 billion¹⁷. Hence, it is not too far from reality to imagine that, after the 1978 economic opening, party members (not only the billionaires) no longer, as in the Maoist past, analysed or dealt with contemporary social and political issues through a communist vision. It is common knowledge that, since the 1980s, there has been among intellectuals but also party members, a wide circulation of ideas such as liberalism, constitutionalism, separation of powers and multi-party state systems. This epic transformation of the economy, society and ideas has produced, as often stated in this journal, great political instability inside the party which, on several occasions, has been an evident source of social instability. Xi Jinping's Marxist propaganda was thus just another strategy to unify the party around a national ideology and to «hold in this way China together». The president's state Marxism was a strong determinant in China's historical battle for international redemption, necessary to build the contemporary «Chinese dream» together with a strong party and a strong leader which presented themselves as the sole guarantee of China's political, economic and international success: a prosperous, civilized society at home, and a world power abroad.

2.3 State institutional reforms: the 2018 revision of the constitution of the People's Republic of China and the PRC Supervisory Law

In March 2018, the 13th National People's Congress approved the fifth revision of the Chinese 1982 constitution. These revisions (in 1988, 1993, 1999, 2004 and 2018) have substantially served the need to adapt the constitutional text to the radical social, economic and political changes that have occurred in China since the launching of Deng Xiaoping's reforms in 1978. Alongside previous revisions, the constitution has, for example, included the protection of private property rights; the importance of the rule of law; the protection of human rights. The specificity of the 2018 constitutional revision has been its contribution in further strengthening and centralizing the Chinese communist party's role into the state organization.

One of the new amendments is, indeed, related to the abolition of the two five-term limits on the positions of president and vice-president of the People's Republic of China (PRC). It should be noted that the abolition of the term limits did not include the posts of premier, vice-premier, National People's Congress chairman and vice-chairman. It would seem that the main scope of this change has been the extension of the term limit, beyond 2023, of the PRC president, Xi Jinping, who was also, at the same time, the CPC gen-

17. Hurun Report, Hurun Global Rich List 2018, Hurun Report website, 28 February 2018 (<http://www.hurun.net/EN/Article/Details?num=2B1B8F33F9C0>).

eral secretary and the chairman of the Central Military Commission. Those last two positions – and not the presidency – were the real sources of political power. In fact, according to the constitution, presidential powers are mostly formal and politically not very effective. It specifies that the president has the duty to sign legislation adopted by the NPC and that the NPC continues to be, as in the Maoist past, a rubber-stamp for the Chinese Communist Party's directives. The same proposal for the 2018 constitutional revision came, indeed, from the party's top level before being implemented by the National People's Congress in March. Quite significantly, the abolition of the two five-term limits followed the important fact that the 19th Party Congress in October 2017 did not produce, as in the past, the name of a potential successor to Xi Jinping as party chief for the following 20th Party Congress in 2022.

A second amendment that better illustrates this issue and that perhaps is even more significant than the abolition of the term limit, is the introduction of the centrality of the CPC leadership into the main text of the constitution. From 1982 until 2018, CPC centrality was indeed clarified in the constitution's preamble: only during the most radical Maoist era had the role of the party been included in the main constitutional text (the 1975 constitution for example). The scope of Deng Xiaoping's economic and political reforms included a distinct separation between the powers of the state and the powers of the party; the independence of the constitutional law from the party's will was one of Deng's major political reforms. Under the 2018 revision, the CPC supra-constitutional role was openly restored and regulated into the constitutional main text through the amendment of the second paragraph of article 1: the sentence «the socialist system is the fundamental system of the PRC» was followed by «the leadership of the CPC is the most essential characteristic of socialism with Chinese characteristics (中国共产党领导是中国特色社会主义最本质的特征)».¹⁸

Furthermore, «Xi Jinping's thought for the new era of socialism with social characteristics» was written into the constitution's preamble, replicating its addition to the party constitution at the 19th Party Congress¹⁹. Likewise, some of the major themes that characterized Xi Jinping's political discourse – such as the «great rejuvenation of the Chinese nation» (中华民族伟大复兴) or «building a community of common human destiny» (构建人类命运共同体) – were included in the preamble.²⁰

The creation of Supervisory Commissions, already mentioned above (§ 2.1) was itself the subject of the 2018 constitutional revision. In the third

18. National People's Congress, *Constitution of the People's Republic of China (2018 Amendment)*, 11 March 2018, in www.lawinfochina.com, in Chinese and English.

19. Francesca Congiu & Christian Rossi, 'China 2017: Searching for Internal and International Consent', pp. 64-70.

20. National People's Congress, *Amendments to the Constitution of the People's Republic of China (2018)*, 11 March 2018, in www.lawinfochina.com, in Chinese and English.

chapter of the constitution, entitled «Structure of the State», a new section was introduced, section number 7 entitled «Supervisory Commissions» (监察委员会). At the same time, Supervisory Commissions were also introduced and disciplined through a national law: the «PRC Supervision Law» (中华人民共和国监察法).²¹ Constitutional amendments and the new law established a new supervisory organ of the state, the New National Supervision Commission, which was supposed to become the supreme supervisory organ of the state. The new legal framework also foresaw the establishment of supervisory commissions at all sub-national levels, including provinces, autonomous regions, municipalities, autonomous prefectures, counties, autonomous counties, cities and districts. These local and national commissions, provided with extremely wide and undefined powers of surveillance, inspection, investigation and sanction, were in charge of monitoring the all-Chinese public administration activities and officials in the name of fighting corruption. Among the administrative officials to be monitored, the law explicitly mentioned CPC members, NPC members, State Council members, state-owned enterprise managers, and judges. Furthermore, the law granted supervisory commissions the power of detention in custody in investigating serious corruption cases. The period of detention in custody had not to exceed six months. The law provided a few procedural requirements for the protection of the detainees, such as notifying the detainee's family within 24 hours unless such notification may obstruct the investigation, and guaranteeing the detainee food, rest, and safety. In keeping with the law, the commissions had to exercise their powers independently from any judicial organs and free of any interference by administrative and social organizations, or individuals.

According to the Chinese law specialist Renzo Cavalieri, the main issue at stake was the clear intention of promoting and facilitating a convergence of resources and tasks between state and party supervisory commissions. The result was an extension of the CPC internal disciplinary system to the whole of the public administration, to be institutionalized as an ordinary disciplinary method of the entire state. Indeed, one of the outcomes of the establishment of supervisory commissions was a severe weakening of the judiciary power and the cracking down on its independence from the party.²² A similar opinion was shared by Amnesty International which stated that the PRC Supervisory Law «by-passes judicial institutions by establishing a parallel system solely run by the Chinese Communist Party with no outside checks and balances».²³

21. *PRC Supervision Law*, adopted by NPC on 20 March 2018, in www.lawinfochina.com, in Chinese and English.

22. Renzo Cavalieri, 'La revisione della Costituzione della Repubblica Popolare Cinese e l'istituzionalizzazione del «socialismo dalle caratteristiche cinesi per una nuova era»', *Note e commenti – DPCE on line*, n.1, 2018, p. 310.

23. Amnesty International, 'China: New Supervision Law a systemic threat to human rights', *Amnesty International Latest News*, 20 March 2018.

3. *The Domestic Economy*

3.1. *An overview of the main data*

In July 2018, the International Monetary Fund (IMF) released its *China's Economic Outlook in Six Charts*. The first chart is related to China's GDP whose rate of growth was estimated at 6.6% in 2018. Furthermore the chart focused on the rise of Chinese living standards, estimating that, since the launch of Deng Xiaoping reforms – whose 40th anniversary was celebrated in China throughout the year – more than 800 million people have moved out of poverty. The second shows a shift from high-speed growth to high-quality growth and forecasts China's GDP overtaking that of the United States by 2030. The third chart focuses on Chinese government and household debt rising as a percentage of GDP. The fourth elects China as the global leader in e-commerce and financial technology industries which, according to the IMF, were fundamental in the reshaping of China's economic model. Finally, in the last two charts, the IMF suggests an increase in government spending for health and education financed by taxes on income, property and carbon emissions. This, according to the IMF, would help reduce inequality and pollution and speed up structural economic reforms, above all in the field of inefficient state-owned enterprises.²⁴ In September, a new IMF chart on China revealed the country's rising inequality. The Gini coefficient has indeed risen by 0.15 in 1990 to 0.50 in 2018.²⁵

Chinese official data, released in October 2018, revealed that Chinese economic growth slowed to 6.5% year-on-year in the third quarter of 2018 to the lowest level since 2009, contrary to previous expectations. It is worth underlining that since 2011, when the economic growth rate touched 10.15% thanks to an enormous state financial stimulus, China's economy has seen a significant slowdown with huge consequences for domestic production and the labour force, with the growing phenomenon of factory closures and/or relocation, accompanied by minimum or zero compensation for employees. One of the main reasons for this unexpected further slowdown in 2018 was the ongoing trade war between China and the United States that, according to US data on trade deficit, effectively brought about a reduction of the US trade deficit with China year-on-year from US\$ 375.576 million in 2017 to US\$ 344.470 million in 2018.²⁶ In addition to GDP, China released other economic data: year-on-year, in-

24. IMF, *China's Economic Outlook in Six Charts*, Country Focus, 26 July 2018.

25. According to this unity of measure of inequality 0 represents perfect equality where 1 represents total inequality. 'Chart of the Week: Inequality in China', *IMFBlog*, 20 September 2018.

26. United States Census Bureau, 'Trade in Goods with China', United States Census Bureau website.

dustrial production grew 5.8%; retail sales rose to 9.2%; fixed-asset investment from January to September grew 5.4%.²⁷

According to a statement by Yi Gang, the head of the People's Bank of China, given in October 2018 before the International Monetary and Financial Committee, the Chinese authorities were focusing not so much on the quantity as on the quality of economic growth. In the first half of 2018 consumption contributed 78.5% to GDP growth, an increase of 14.2% year-on-year; contribution of the service sector to GDP increased to 60.5%, 1.4% more year-on-year; the use of clean energy too has increased. In the same statement, Yi Gang described the People's Bank of China's options in a series of opening-up measures in the financial sector, including easing restrictions on the establishment of foreign financial institutions in China.²⁸

3.2. *A reorganization of economic institutions: centralizing economic decision-making powers*

The Chinese Communist Party's third plenum held in February 2018 and the 13th National People's Congress held in March 2018, also produced a quite significant change in the reorganization of the economic institutions in the state council.

First of all, there has been a general strengthening and rationalization of several ministries by focusing on different duties hitherto dispersed among other ministries and agencies. One of the main consequences has been a reduction in the powers of the National Development and Reform Commission whose duties have been assigned to the new Ministry of Natural Resources, the new State Administration for Market Regulation and the Ministry of Ecology and Environment.²⁹ The result has been the development of so-called «super ministries» among which we have to add the Ministry of Science and Technology. According to the economist Barry Naughton, «Each ministry is designed to have exclusive control over an issue area so that it can be an effective instrument for the top leader's aspirations».³⁰ As previously mentioned, inside the party structure there had been an institutionalization of the former Leadership Small Groups dealing with economic policy-making during the first mandate of Xi Jinping. They have

27. 'China reports economic growth below expectations – its worst pace since the financial crisis', *CNBC*, 18 October 2018.

28. IMFC Statement by Yi Gang Governor, People's Bank of China People's Republic of China, *International Monetary and Financial Committee*, Thirty-Eighth Meeting, 12-13 October 2018.

29. '中共中央关于深化党和国家机构改革的决定' ('Decision of the Central Committee of the Communist Party of China on Deepening the Reform of the Party and State Organizations'), 新华网 (*Xinhuanet*), 4 March 2018; '国务院机构改革方案' ('State Council Administrative Reform Plan'), *Gov.cn*, 17 March 2018.

30. Barry Naughton, 'Xi's System, Xi's Men: After the March 2018 National People's Congress', *China Leadership Monitor*, n. 56, 2018, p. 8.

been transformed into effective and formal commissions: the new Central Commission on Comprehensively Deepening Reform and the new Central Commission on Finance and Economics. This serves to strengthen their authority in economic decision-making. The first deals with the restructuring of Chinese society, politics and economy. The second one serves the need to concentrate the Chinese Communist Party's control on financial risks by reducing the leverage ratio of local government and companies, especially of state-owned enterprises, on poverty-reduction strategies, and on the fight against pollution.³¹

During the 13th Session of the National People's Congress, four new vice-premiers were appointed revealing a plan for major changes in the economy, and, according to the assigned powers and portfolios, more favourable to pro-market structural reforms. The NPC appointed Han Zheng, also a member of the Politburo Standing Committee. Han Zheng's political career was built in Shanghai, where he was also born, as mayor (2003-2012) and as party secretary (2012-2017). Han is widely recognized as being a member of the so-called «Shanghai gang», the party political wing highly in favour of structural pro-market economic reforms and the one closer to Xi Jinping. His main portfolio, as vice-premier, is to be in charge of Hong Kong and Macau affairs. However, in addition he is, among the several offices, deputy head of the Central Leading Group for Comprehensively Deepening Reforms and head of the Central Leading Group for the «Belt and Road Initiative» construction.³² The NPC also appointed Liu He who has already been Xi Jinping's key economic adviser for the past five years. By becoming vice-president, Liu has assumed oversight of international commercial relations, especially with the United States, the technology policy and policy coordination between the central bank and banking and security regulators. Among the other offices, it is important to note that he was head of the Financial Stability and Development Committee of the State Council; of the Leading Group for Building an Advanced Manufacturing Industry and for the Promotion of Small and Medium-sized Enterprises of the State Council. Liu is a close friend and trusted collaborator of Xi Jinping and his economic outlook is liberal. He contributed significantly to the elaboration of Xi Jinping's economic paradigms such as the «economic new normal» and the «supply-side reform».³³ The third appointed vice-premier is Hu Chunhua,

31. 'Why China's new economic commission cements Xi Jinping's grasp on levers of power', *South China Morning Post*, 3 April 2018; 'Xi stresses efforts to win «three tough battles», *People's Daily*, 3 April 2018; 'Xi presides over 3rd meeting of central committee for deepening overall reform', *Xinhuanet*, 7 July 2018.

32. 'Chinese Vice-premier Han Zheng the «right» man in charge of Hong Kong affairs as city shuns political gridlock for economic growth', *South China Morning Post*, 28 June 2018; Han Zheng Profile, *Brookings*, March 2018.

33. 'China's Liu He takes broad economic role as vice-premier', *Financial Times*, 19 March 2018; Liu He Profile, *Brookings*, March 2018.

taking over the portfolio on poverty alleviation. His career has been recently concentrated in Guangdong as Guangdong party secretary from 2012 to 2017. According to his biography, he comes from a very humble and poor family and has constructed his political career on patron-client ties with Hu Jintao in the Youth League and on his career in Tibet. He was presumed to be a potential successor of Xi Jinping but contrary to all expectations he was not allowed to enter in the 19th Politburo Standing Committee³⁴. The fourth vice-premier appointed was Sun Chunlan, responsible for education and health and holding considerably less power in comparison to Liu He and Han Zheng. She was widely considered to be a protégé of Hu Jintao and like him, more prone to social policy reforms such as housing, social welfare for low-income families, and poverty reduction.³⁵

In March 2018, the State Council appointed its ministers and head of public institutions. Liu Kun was appointed as minister of finance and Yi Gang as head of the People's Bank of China. On more than one occasion, the minister of finance has declared his commitment to the granting of assistance measures for those companies affected by the trade war between China and the United States. The aim is to reduce taxes and fees and to support the real economy and technological innovation.³⁶

4. Social issues: Labour and Student Activism

4.1. The party and its «Marxist propaganda»

During 2018, party institutional reforms concerning political education [§. 2.1] have been flanked by President Xi Jinping's profound commitment to strengthen the fundamental role of Marxism for the formation not only of party cadres but also of citizens. Ahead of China's youth day (the celebration of the anniversary of the 4th May 1919 movement) and the 120th anniversary of Beida (Beijing University), the president delivered a speech during an inspection tour of Beida.³⁷ He stated that Marxism should be consolidated as the guiding ideology of the Chinese communist party, and promoted in campuses, classrooms and among students. He added that all universities' schools of Marxism should pursue a political orientation. Zhang Huifeng, an associate professor at Beijing University's School of Marxism, explained the meaning of Xi Jinping's speech to the *Global Times*

34. Hu Chunhua Profile, *Brookings*, March 2018.

35. Sun Chunlan Profile, *Brookings*, March 2018.

36. 'China to adopt more proactive fiscal policy: finance minister', *Global Times*, 8 October 2018.

37. It has to be said that the Beida had just set up the first School of Marxism in all China and that in January 2018 it had established the research institute on Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. 'Xi inspires students with insight into education, Marxism', *Global Times*, 3 May 2018.

Elements of Marxism should be added to moral education in universities to teach our students to strive for ideals of Marxism and the happiness of humankind. In the future, Marxism education should be reflected in the overall curriculum.³⁸

In 2018, the celebration of China's youth day coincided with the 200th anniversary of the birth of Karl Marx (5 May). In a speech at the Great Hall of the People in Beijing, Xi Jinping commemorated Karl Marx, as «the greatest thinker in the history of mankind» and instructed all party members to take up the reading of Marxist works and study Marxist theories as a «way of life».³⁹ Karl Marx's celebration in China permeated state media with chat shows and cartoons for the young audience. The chat show «马克思是对的» («Marx was correct» or «Marx got it right») was on CCTV 1 (China Central Television, China's main state-run television broadcaster) beginning on 27 April 2018, for five episodes. Its aim was to persuade Chinese teenagers that the Marxist theories they were asked to study still held true despite the great economic and social transformations that have characterized China since the launch of Deng Xiaoping's capitalist reforms.⁴⁰ A Chinese cartoon on Karl Marx, entitled *The Leader* (领风者), and co-produced by the central government's Marxism office, was shown by video streaming website Bilibili.com.⁴¹ The aim was to tell younger students about Karl Marx's life, his marriage and his friendship with Friedrich Engels.⁴²

4.2. Workers and «Marxist» students joined in protest: the Jasic mobilization

The Jasic mobilization took place between May and December at Shenzhen Jasic Technology, a private firm specialized in the manufacturing of welding machinery. In terms of the intensity of workers' involvement, strike organization abilities and requests for better working conditions, the mobilization has been part of serious labour unrest in Shenzhen over the current decade. However, its uniqueness is related to the fact that it has evoked an emerging and unusual alliance between workers and students and that, in a similar way to the 2010 Honda labour protests, recognizes the emerging need to autonomously establish a trade union.

A group of workers has collected, in a short period of time, almost 90 co-workers' signatures (representing 10% of the factory workforce) for a pe-

38. *Ibid.*

39. 'Stick to Karl Marx's true path, Xi Jinping tells China's communist in speech to mark 200th birthday of «greatest thinker of modern times»', *South China Morning Post*, 4 May 2018.

40. CCTV website: news.cctv.com/special/Marx/index.shtml.

41. See the series in the website: <https://www.bilibili.com/bangumi/media/md4313622/?from=search&seid=18360488373211115553>.

42. 'China produces Karl Marx cartoon series to mark 200th anniversary of his birth', *South China Morning Post*, 19 December 2018.

tion demanding the permission to autonomously establish a factory-level union in order to see their grievances – such as illegally manipulating work schedules, using a punitive system of fines, underpaying social insurance and housing funds and stringent workplace regulations – represented before the company and local authorities.

The company reacted by creating its own «workers representatives' committee», which excluded candidates nominated by the workers, dismissed activists, and made use of security guards against the growing workers' protests caused by those dismissals. However, defence of the worker-led unionization has grown, gaining supporters and sympathizers among other workers, Chinese leftist groups (such as the Marxist website «Utopia»), and those students who were organizing solidarity actions not only in Shenzhen but also in Beijing and several other cities. University students, proclaiming themselves «Marxist and Maoist students», organized themselves into a «Jasic Worker Support Group» and flocked to the factory to demonstrate solidarity with workers attempting to resist police assaults and prosecution.⁴³

At the end of 2018, the Jasic worker-led unionization and its defence across China was forced to come to a halt: workers' activists were arrested and the factory was placed under heavy police surveillance; students were interrogated, investigated, in some cases expelled from their universities, or even disappeared after police raids. At the international level, several well-known Marxist scholars, such as Noam Chomsky and Slavoy Zizek, issued personal statements supporting Marxist students' labour activism and stated their intention to boycott China's official Marxist conferences in an effort to delegitimize CPC «Marxist propaganda».⁴⁴

As the Jasic mobilization clearly demonstrated, there was a growing and openly public militiam among Chinese university students and leftist activists in general. Xi Jinping's intention had been to use Marxism as a national flag and an instrument to strengthen the Chinese Communist Party's authority over society, as it had in the past with economic growth (§. 2.2). Chinese university students and leftist activists, however, were trying to use Marx's thought in order to understand China's main social questions and, above all, in order to organize strategies of social and political unrest. The Chinese authorities, which proclaim themselves «Marxist», did not appreciate the students own alternative interpretations of Karl Marx's thought. In November 2017, some months before the Jasic unrest, the police detained

43. 'Police raid student group as support for Shenzhen Jasic workers grows', *China Labour Bulletin*, 24 August 2018; 'China's student activists cast rare light on brewing labor unrest', *Reuters*, 15 August 2018. See also a video-document of the Jasic protests: Sacom (Students and Scholars Against Corporate Misbehaviour - 大學師生監察無良企業行動), 'We want a real union – Jasic workers in struggle', Youtube, 31 July 2018, (https://www.youtube.com/watch?time_continue=44&v=nYj-irbNMvo).

44. 'Noam Chomsky joins academics boycotting China Marxism conferences', *Financial Times*, 27 November 2018.

two recent graduates and four students who were attending a reading group at the Guangdong University of Technology in Guangzhou. The self-declared Marxist reading group was organizing critical discussions of social and political issues. Most members were soon released but the organizers (Zhang Yunfan and Ye Jianke) were detained for «gathering crowd to disturb social order». In the following months, during the beginning of the year under analysis, more reading groups' members were interrogated, detained and afterwards released.⁴⁵

Paradoxically, university Marxist societies, which according to Xi Jinping could have had a pivotal role in the spreading of Marxism in China, were also under heavy surveillance for their activism. A student-led Marxist society of Beijing University, in particular, was threatened with closure because it could not get the necessary backing from the faculty to renew its official registration as a civic organization.⁴⁶

4.3. *Workers in the service sector: nationwide strikes of crane operators and truck drivers*

During the year under review, some of the most conspicuous and significant forms of workers' activism have been in the non-manufacturing sector. Its significance is related to the fact that strikes and protests in that sector seemed much more geographically widespread and less locally based than usual factory-based industrial unrest. An example of this phenomenon was the crane operators' and truck drivers' disputes analysed below. Local authorities' reaction alternated between repressive methods, such as arrest and detention of activists, and corporate strategies such as the granting of some workers' requests and the spread of unionization in the service sector. In September 2018, the All-China Federation of Trade Unions had about 303 million members, 140 million of whom were migrant workers.⁴⁷

As revealed by the annual report on Chinese migrant workers, released in April by the National Bureau of Statistics, there was a gradual increase of migrant worker occupation in the service sector (+1.3%)⁴⁸. And

45. See 'Locked up for reading books: voices from the November 15th incident', *Chuang.org*, 18 January 2018; 'Let the people themselves decide whether we're guilty', *Chuang.org*, 14 June 2018. (https://www.youtube.com/watch?time_continue=44&v=nYj-irbNMvo).

46. 'No Place for Real Marxists in Communist China', *The Diplomat*, 6 October 2018; 'Peking University students clash with campus guards over control of Marxist society', *South China Morning Post*, 28 December 2018.

47. Chinese crane operators protest for better pay, working conditions', *Global Times*, 1 May 2018.

48. 国家统计局 (National Bureau of Statistics), 2017年农民工检测调查报告 (2017 Migrant Workers Monitoring Survey Report), April 2018 (http://www.stats.gov.cn/tjsj/zxfb/201804/t20180427_1596389.html).

as China's economy moved away from export-oriented manufacturing, labour unrest diminished. Workers' collective actions in the service industries surpassed those in manufacturing for the first time since 2016, accounting for 21% of all collective action cases.⁴⁹

In 2018, strikes and protests in the non-manufacturing sector expanded. In March and April, more than 2,000 sanitation workers in Shanghai, Liuzhou in Guangxi and Taiyuan in Shanxi went on strike to protest against cuts to their income and the lack of any safety equipment. Local authorities responded by making several arrests which they would then temper by accepting some of the requests. Consequently, in Shanghai the minimum wage has been raised and workers receive their meal subsidy entitlement and shift allowances.⁵⁰ Teachers have since organized at least 19 protests over pay, performance bonuses and pensions.

Between April and May, crane operators in the construction sector organized a nationwide strike demanding better pay and better working conditions. China Labour Bulletin, the Hong Kong labour NGO, recorded at least a dozen strikes and protests in Sichuan, Gansu, Henan, Fujian, Hunan, Jiangsu, Guizhou, Jiangxi, Hubei and Guangxi. In the city of Chengdu alone, at least 10,000 workers joined the protest. Workers' demands included: salary increases to compensate inflation, increased overtime payments, formal labour contracts, regular monthly wage payment, social insurance, pensions. Crane workers organized through closed groups on instant messaging apps such as QQ, and published videos and songs to widen support and consent. One of the main issues at stake, apart from concrete economic demands, was the role of the Chinese trade union, which was criticized for giving insufficient support to the strike.⁵¹

Lastly, in June, thousands of trucks drivers, at least in a dozen places across the nation, used their trucks to block roads in protest against rising fuel costs. In November and December, they rose up again against the decision of several major cities and provinces to ban trucks with high emissions in order to fight air pollution. Although truck drivers agreed with the anti-pollution campaign, they denounced the consequential sharp drop in their income and the absence of government support for their businesses.⁵² It should be underlined that truck drivers are, interestingly, the «lifeblood of a delivery system that sustains China's e-commerce industry. And e-com-

49. 'As China's economy shifts to services in Q3, so too does labour unrest', *China Labour Bulletin*, 21 October 2016.

50. 'Sanitation workers are out on strike again in China', *China Labour Bulletin*, 6 April 2018.

51. 'Tower crane operators across China organise Labour Day strike over low pay', *China Labour Bulletin*, 2 May 2018. See also 'Chinese crane operators protest for better pay, working conditions'.

52. 'China's truck drivers strike over stagnant pay, high fuel costs and arbitrary fines', *China Labour Bulletin*, 11 June 2018; 'China's truck drivers on strike again in protest at government emissions policy', *China Labour Bulletin*, 3 December 2018.

merce is central to the Chinese government's efforts to shift the economy away from export-led growth towards consumer domestic spending». ⁵³ For this reason, the truckers' activism has the potential to paralyze the logistics behind e-commerce. Moreover, it represents a real threat to the successful performance of the Chinese political economy whose strategic aim was to avoid social and political instability.

53. 'Why protests by China's truck drivers could put the brakes on the economy', *South China Morning Post*, 25 June 2018.

CHINA'S FOREIGN POLICY 2018: IMPLEMENTING THE CHINA DREAM

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In 2018, China's foreign relations were dominated by the centralization of its foreign policy-making, designed to strengthen the hold of the Chinese Communist Party and the Chinese president himself on the decision-making system. The aim was to create a more efficient system that could better serve the interests of the country, eager to realize its national dream. At the same time, however, China appeared occupied in the exercise of its diplomacy of great power with Chinese characteristics, both at home – hosting three major global events – and internationally – playing a central role in the peace process that took place on the Korean peninsula. In this sphere China's foreign policy witnessed a quite unexpected, but long awaited success; the North Korean leader's repeated visits to the country that marked the end of years of speculation concerning the state of their brotherhood alliance and Beijing's weak grip on its ally. Meanwhile, during the year under review, China had to manage very troubled relations with the US as a direct consequence of the trade war unleashed by the Trump administration, which went far beyond trade imbalances and commercial issues. Interestingly, the tense situation created by the US had some surprising effects: a definitive thawing of relations between China and Japan, on the one hand; and a strengthening of those between China-EU, on the other.

At the closing of the period under review, all the pieces of the puzzle appeared to be in the right place, and China was in a position to declare, without hesitation, that no-one could afford to dictate to the Chinese people what should or should not be done, as Xi Jinping opined at the conference celebrating the 40th anniversary of the reform and opening-up, on 18 December.

1. Introduction

The present article focuses on China's foreign policy which, in the year under review, was marked by a process of centralization, and culminating with the strengthening of the Chinese Communist Party (CCP) and the Chinese president himself on the decision-making system. The purpose was to forge a more efficient system that could better serve the interests of the country, eager to fulfil its national «dream» by 2049, on the occasion of the centenary of the People's Republic of China (PRC).¹

1. The concept of «China dream» (中国梦) or national «dream» is closely associated with Xi Jinping, who began promoting the term as a slogan in a high-profile visit

This process was begun by Xi Jinping when he came to power and was confirmed by the 19th Party Congress (October 2017), and later by the annual session of the National People's Congress (NPC), in March 2018. The key element of this process was the reform of the Chinese decision-making system, which included both the reorganization of institution building and the amendment of the former procedures of foreign policy decision-making.

In its new demeanour – which can be summarized in the new concept of «great power diplomacy with Chinese characteristics» (中国特色大国外交) – China hosted three key global events, namely the annual conference of the Boao Forum for Asia, the 18th edition of the Shanghai Cooperation Organization (SCO), and the 7th Forum on China-Africa Cooperation (FOCAC). All three events demonstrated China's growing assertiveness and confirmed its central role on the international scene, with special reference to Asia and Africa. At the same time China was able to play a central role in the Korean peninsula peace process which, ostensibly at least, took great leaps in the year under review.

Beyond Beijing's strong diplomatic activism, two main facts dominated Chinese foreign relations in 2018, highlighting the highs and lows of the process of realizing the national «dream». The most surprising, and unexpected one, was the sudden rapprochement between Beijing and Pyongyang, symbolized by the North Korean leader's frequent visits to China – three in less than three months – which marked the end of the never-ending speculation concerning the state of the brotherhood alliance between the two countries and Beijing's weak grip on its ally.

The second event regarded the PRC's troubled relations with the United States of America. Indeed, China was at the centre of a trade war unleashed by Donald Trump's administration which went far beyond any commercial issues. On the one hand it contributed to the thawing in relations between China and Japan, while at the same time facilitated the revival of the trilateral negotiations for a Free Trade Agreement (FTA) between China, Japan and South Korea. On the other hand, it stimulated the strengthening of relations between China and the European Union (EU), as shown by the positive re-

to the Beijing National Museum of China, in the aftermath of his promotion to the top Communist Party post, in November 2012. But the propaganda storm began soon after he became president in 2013, Xi having used the term numerous times in his first address to the nation as head of state on 17 March. Since then the concept has been widely disseminated in official statements, becoming an integral part of the political ideology of Xi Jinping. Xi interprets the «China dream» as a process of «great rejuvenation» of the Chinese nation (中国复兴) and describes it as achieving «two centenary goals» (两个一百年奋斗目标): the material goal of becoming a «moderately well-off society» (小康社会) by 2021, which marks the CCP's 100th anniversary, and the modernization goal of transforming China into «a wealthy and strong socialist country» (富强的社会主义国家) by about 2049, which will mark the 100th anniversary of PRC's founding. To achieve both goals China has to resort to an active diplomacy (积极外交) while definitively abandoning Deng Xiaoping's low profile strategy (韬光养晦).

sults of 20th EU-China Summit, resumed in its final Joint Statement, even despite the growing tensions around the Belt and Road Initiative (BRI) and its impact especially in Central and Eastern Europe (CEE) countries.

The article concludes with an update on the ubiquitous BRI, that in 2018 celebrated its 5th anniversary, amid continuing expansion and growing criticism. This could in the long term potentially derail China's carefully laid plans, as clearly demonstrated by the attitude of India in the SCO.

2. *Towards the centralization of foreign policy decision-making*

Since coming to power Xi Jinping has asserted himself as a strong leader and has impressed a strong guide both domestically and internationally, inaugurating a new era of proactive foreign policy, mainly symbolized by the launch of significant international initiatives. At the same time, he has strived to represent China as a responsible «global citizen», committed to the defence of free trade, multilateralism, the environment, respect for the principle of legality, while guaranteeing the country's «right to speak» (话语权), namely the power to dictate international rules and set the political agenda.²

Little wonder that some observers interpreted his opening speech at the 19th Chinese Communist Party (CCP)'s Congress as confirmation of the end of the era of low profile, and the beginning of a new one characterized by greater self-confidence, increasing objectives and an unequivocal desire to occupy a global leadership position together with the United States and other major powers.

Such interpretation was corroborated by Xi Jinping's 2017 New Year speech, broadcast simultaneously on CCTV and CGTN (the main overseas Chinese broadcaster), with English subtitles, when he declared that «as a great responsible country, China has something to say», and pledged without hesitation that his country «will be the keeper of the international order».³ Again in his speech at the conference celebrating the 40 years of «reform and opening-up» (改革开放) on 18 December 2018, Xi Jinping de-

2. 'Xi Jinping to be first Chinese president to attend Davos World Economic Forum', *South China Morning Post*, 11 January 2017; 'Xi's Davos visit shows Chinese wisdom, confidence', *China Daily*, 20 January 2017; 'Xi says China stays committed to upholding world peace', *Xinhuanet*, 19 January 2017; Huang Zheping, 'Chinese President Xi Jinping has vowed to lead the «new world order»', *Quartz*, 22 February 2017; Charlotte Gao, '«A Community of Shared Future»: One Short Phrase for UN, One Big Victory for China?', *The Diplomat*, 5 November 2017.

3. Charlotte Gao, '2018: China Vows to Be the Keeper of International Order', *The Diplomat*, 2 January 2018. Although it is not entirely clear whether Xi Jinping was referring to the present Western liberal order created by the US and its allies, or to a new international order anchored to China's ambitions, culture and desires, his reference to the promotion of a «community of shared future for mankind for the benefit of all people in the world», induces observers to believe he was referring to the latter. For

clared in a very straightforward way that «No one is in a position to dictate to the Chinese people what should or should not be done».⁴

In order to sustain this new more visible and strong profile in foreign relations, the Chinese leadership undertook a process of centralizing foreign policy-making, giving Xi Jinping and the CCP greater control to «provide strong support for opening new horizons in China's diplomacy» (为开创对外工作新局面提供坚强保障).⁵

The process started with the establishment of an unprecedented National Security Commission (NSC), in April 2014, chaired by Xi, aimed at solving the coordination problems of both domestic and foreign policy decision-making. It continued with the concentration of power in the hands of the Chinese president who collected so many significant positions to merit the designation «chairman of everything», and later being hailed as the party «core» (核心) leader.⁶

In 2018 the continuation of this process was reflected both in the changes of the foreign policy leadership team as defined at the 19th Party Congress and confirmed during the annual session of the NPC in March 2018, and in the upgrade of the Central Leading Small Group on Foreign Affairs (中央外事工作领导小组), headed by Xi, to Central Foreign Affairs Commission (外事委员会).

As analyzed in Francesca Congiu's article in this same issue of *Asia Maior*,⁷ this concentration of power affected the party. The factions close to former leaders Hu Jintao and Jiang Zemin were largely marginalized, while the personnel appointments to top foreign policy-making positions were all closely linked with the Chinese president and his major concepts and initiatives. The new Politburo Standing Committee members Wang Huning and Wang Yang, and the new Politburo member Yang Jiechi, had been deputy leaders of the BRI leading group since 2014; Wang Huning, being one of the top political theorists, was also supposed to be behind the concept of the «China Dream».⁸

As for the reshuffle of government and party institutions, it involved the upgrade of four Central Leading Small Groups (中央领导小组) – including the one for Foreign Affairs – to the rank of commissions (委员会), with

more information on China's new imagined international system see Bradley A. Thayer & John M. Friend, 'The World According to China', *The Diplomat*, 3 October 2018.

4. Lili Kuo, 'Xi Jinping: president warns other nations not to «dictate» to China', *The Guardian*, 18 December 2018.

5. '中央外事工作会议在京举行' ('The Central Conference on Work Relating to Foreign Affairs was Held in Beijing'), 人民日报 (*People's Daily*), 30 November 2014.

6. Wang Shicheng, 'Xi Jinping's centralization of Chinese foreign policy decision-making power', *East Asian Policy*, September 2017, pp. 34-42.

7. Francesca Congiu, 'China 2018: Bringing the Party back into State Institutions'.

8. Thomas Eder, 'China's New Foreign Policy Setup', *The Diplomat*, 1 August 2018.

the aim of strengthening the authority of the Communist Party and improving policy coordination across the departments. All the commissions were put under the chair of Xi Jinping, while the other members of the Politburo Standing Committee served as his deputy.⁹

Of particular interest for the purpose of this article is the Central Foreign Affairs Commission's replacement of the former Central Leading Small Group on Foreign Affairs as the central institution in charge of coordinating China's foreign policy. It is useful to underline that the Central Leading Small Group on Foreign Affairs was set up in its present form at the beginning of the 1980s with the precise goal of coordinating China's often disjointed foreign policy. That said, its general office, which was located inside the Ministry of Foreign Affairs, was reportedly often bypassed by other government agencies because it was seen as low-ranking and ineffective, and the group appeared to be incapable of coordinating China's foreign policy. The same Ministry of Foreign Affairs has been troubled for a long time by its inability to behave coherently due to the presence of a «cacophony of voices», i.e. multiple actors striving to influence foreign policy.¹⁰

The new Commission held its first meeting on 15 May 2018, shedding light on the top policy-making body for the future country's diplomacy, as well as its direction.¹¹ Xi Jinping was revealed as its head, Premier Li Keqiang its deputy head, while Vice President Wang Qishan (CCP's former anti-corruption chief), Wang Huning, and Vice Premier Han Zheng were included in its membership.

In his opening speech Xi Jinping called for enhancement of the Party's centralized and unified leadership on foreign affairs and pledged to continue promoting the BRI – which in the meantime had been included in the party constitution and identified with the «China Dream.»¹² In particular, Xi called for a correct understanding and dealing with the changes of the current international situation, and to forge ahead in opening up new prospects of «major-country diplomacy with Chinese characteristics», so as to make a greater contribution to the realization of the two centenary goals and the Chinese dream of great national renewal.¹³

9. Helena Legarda, 'In Xi's China, the center takes control of foreign affairs', *The Diplomat*, 1 August 2018. 崔士方, '从“小组治国”到“委员会治国” | 外交部', 大纪元时报 (Cui Shifang, 'From «group governance» to «Commission governing the country»', *The Epoch Times*, 22 March 2018.

10. For an in-depth analysis about the topic, see Linda Jakobson & Dean Knox, *New Foreign Policy Actors in China*, SIPRI Policy Papers, vol. 51, September 2010.

11. 'New Foreign Affairs Commission Sets Tone for China's Diplomacy', *Caixin*, 16 May 2018.

12. This was all the more important since, as already pointed out by Francesca Congiu in her article in this same issue, the «China Dream» had definitely taken the place of economic growth as a major source of political legitimation.

13. 'Xi stresses centralized, unified leadership of CPC Central Committee over foreign affairs', *China Daily*, 15 May 2018.

In so doing the leadership was sending a clear message, namely that the party alone controlled China's foreign affairs and that it would not tolerate policies or actions that might compromise China's efforts to become a global power by 2049, the centenary of the PRC.

That said, a more coordinated foreign policy could prove to be a great advantage not only for Beijing, but also for its diplomatic counterparts, since it would help eliminate the conflicting messages resulting from the presence of a multitude of actors, reduce the instances of diplomatic misunderstanding and thus assure a better comprehension of the Chinese system.

3. *The «great power diplomacy with Chinese characteristics» at work*

As already seen in Francesca Congiu's essay in this same issue of *Asia Maior*, during the first session of the 13th NPC, «Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era» (习近平新时代中国特色社会主义思想) was introduced into the PRC's constitution. According to some Chinese experts in the foreign policy context, the «New Era» (新时代) concept indicates a transition to a more active approach to diplomacy, while the emphasis on «Chinese characteristics» (中国特色) implies that the Chinese government would conduct its international affairs consistent with traditional Chinese cultural values, rather than align with Western models and principles.¹⁴ That was exactly what the new concept of «*great power diplomacy with Chinese characteristics*» (中国特色大国外交) implied.¹⁵

The events that best showcased China's new diplomatic concept and China's opening-up drive were the three key global events the country hosted during the year under review, namely the Boao Forum for Asia, the Shanghai Cooperation Organization, and the Forum on China-Africa Cooperation. Interestingly, they each presented new features as compared to previous editions.

14. The «Chinese characteristics» are frequently used by Chinese leaders to indicate the adaptation of foreign ideologies or concepts to Chinese specific conditions. This tendency began with the process of sinization of Marxism (马克思主义中国化) by Mao Zedong, and continued with the affirmation of the «socialism with Chinese characteristics» (中国特色社会主义) with Deng Xiaoping. In foreign policy the «Chinese characteristics» refer to China's ambition to shape the global order according to its national interests.

15. Zhang Lihua, Ye Zicheng, Wang Hongxu, *et al.*, 'What does «great power diplomacy with Chinese characteristics» mean?', Carnegie-Tsinghua, Center for Global Policy, 20 April 2018. For further details see 郑泽光, '新时代的中国特色大国外交', 国际问题研究 (Zheng Zeguang, 'The diplomacy of great powers with Chinese characteristics in the new era', *Research on international issues*) n. 3, 2018.

3.1. *The Boao Forum for Asia annual conference*

The Boao Forum for Asia (BFA) annual conference, which took place in Boao, a town in the southern island province of Hainan, from 8 to 10 April, was the first since Xi Jinping was «unanimously re-elected» as Chinese president and the first since China's commitment to building a «community with a shared future for humanity» (人类命运共同体) was written into the country's constitution in March.

According to Chinese foreign minister Wang Yi, Xi's attendance at the BFA annual conference at that historic moment – 2018 marked the 40th anniversary of «reform and opening-up» and the beginning of the implementation of the decisions taken at the 19th Party Congress – was of great significance in further promoting the «major-country diplomacy with Chinese characteristics in the new era», building «a community with a shared future» for Asia and humanity, and advancing the cause of peace and development.¹⁶

Indeed, in his keynote speech delivered at the opening ceremony, Xi Jinping vowed non-stop effort in continuing the process of «reform and opening-up» and called for people around the world to work together to build a «community with a shared future for mankind» and make Asia and the world peaceful, prosperous and open, since China and the world could not develop without each other.¹⁷

Beyond this rhetoric, Xi's speech was focused on four main themes – improvement in the market environment; market access for foreign firms; investment opportunities for foreigners, and the creation of a strengthened intellectual property protection regime in China for the benefit of foreigners and the domestic economy. It was praised by both US experts and other Western observers.¹⁸ It is worth quoting the International Monetary Fund (IMF) managing director Cristine Lagarde's comments: «Xi's speech added certainty and hope to the world today, and the world needs leadership like China».¹⁹

3.2. *The 18th Shanghai Cooperation Organization summit*

The 18th SCO summit, held between 9-10 June in East China's coastal city of Qingdao, was the first following the crucial membership expansion to include India and Pakistan in June 2017; these were grounds enough to

16. 'Chinese president to address opening ceremony of 2018 Boao Forum', *Xinhuanet*, 3 April 2018.

17. 'Transcript: President Xi Addresses the 2018 Boao Forum for Asia in Hainan', *US-China Perception Monitor*, 11 April 2018.

18. Chen Weihua, 'US experts praise keynote speech at Boao', *China Daily*, 16 April 2018; 'Analysis of President Xi Jinping's Boao Forum speech', *The Telegraph*, 20 April 2018.

19. 'Xi says China will continue to support free trade', *Xinhuanet*, 10 April 2018.

consider it a historical summit. Here the peculiar position of India must be highlighted, it being a member of the revived quadrilateral entente, or «Quad», which besides India, includes Australia, Japan, and the US.

For these reasons, since its formal inclusion in the SCO there has been an intense debate among observers mainly focused on doubts relating to India's readiness to join the Organization while jointly safeguarding Western interests, as well as the kind of contribution New Delhi might make to it.²⁰

Unsurprisingly, India was the only member state that did not endorse the BRI programme, as revealed in the «Qingdao Declaration», which named all member states, except one, as «reiterating support for China's BRI» project.²¹ In defense of his position, as when in 2017 New Delhi declined China's invitation to join the first Belt and Road Forum in Beijing,²² Indian prime minister Narendra Modi spoke of the need to «respect sovereignty» in dealing with infrastructure projects. He was clearly signalling his government's objection to a portion of the BRI, that is the China-Pakistan Economic Corridor (CPEC) – one of the six economic corridors under the Initiative – which passes through Pakistan-occupied Kashmir. Modi also specified that his country welcomed new connectivity projects «that are inclusive, sustainable, transparent, and those that respect the sovereignty and territorial integrity of nations», adding that «connectivity with SCO and neighbours is a priority for India».²³ In other words Modi made clear that India could not accept a project that would ignore its core concern on sovereignty and territorial integrity – two main pillars of PRC's foreign policy – and that would have the potential to greatly strengthen one of his country's historical enemies.

That said, Beijing was reportedly successful in obtaining India's participation in its effort to rally support for China in the trade dispute with the Trump administration,²⁴ a matter of no secondary importance. Of even greater importance was the fact that India declined the invitation to be

20. Zamir Avan, 'What will India's role be in the SCO?', *Asia Times*, 28 May 2018.

21. 'Qingdao Declaration of the Council of Heads of State of Shanghai Cooperation Organization', 10 June 2018, (<http://eng.sectsc.org/documents>). It should be noted that India was among the 50 countries that signed the agreement to establish the AIIB on 29 June 2015.

22. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', *Asia Maior 2017*, pp. 267-280, esp. p. 285.

23. Saibal Dasgupta, 'India only SCO member to oppose China's BRI', *The Times of India*, 10 June 2018. For a better understanding of India's position on the BRI, see Vinai Kaura, 'Understanding India's response to China's Belt and Road', *The Asian Times*, 10 June 2017; Musarat Amin & Rizwan Naseer, 'Indian Opposition to Chinese Belt and Road Initiative: Response, Rationale and Action', *Central Asia Journal*, No. 81, Winter 2018, pp. 13-34.

24. Saibal Dasgupta, 'India only SCO member to oppose China's BRI', *The Times of India*, 10 June 2018.

part of a US-led trilateral initiative (including also Japan and Australia), launched on 30 July to fund infrastructure projects in order to counter-balance the BRI in the Indo-Pacific region.²⁵ A decision that, according to specialists, was consistent with the country's emphasis on multipolarity in the Indo-Pacific region and non-bloc security architecture, but reflected at the same time Modi's government efforts to stabilize India's relations with the PRC. This was in line with the positive tone that characterized bilateral relations in the final phases of 2017.²⁶ The two countries held a series of engagements during the year under review, starting with Indian prime minister's informal summit with Xi Jinping in Wuhan on April 27-28.²⁷ Another two meetings took place on the sidelines of major events, in addition to the SCO, such as the BRICS summit in Johannesburg in July, and the G-20 in Buenos Aires at the end of November. In particular, during their last encounter both leaders agreed that there had been a «perceptible improvement» in bilateral ties over the year.²⁸

3.3. *The 7th Forum on China-Africa Cooperation*

The 7th Forum on China-Africa Cooperation (FOCAC) opened in Beijing on 3 September at the Great Hall of the People with a keynote speech delivered by the Chinese president, entitled significantly «Work Together for Common Development and a Shared Future» (合作共赢携手构建更加紧密的中非命运共同体). During the speech Xi announced that China would implement eight major initiatives with African countries in the following three years and beyond, covering fields such as industrial promotion, infrastructure connectivity, trade facilities, and green development, in an evident attempt to rebrand China's policy in Africa, and definitively dispel the accusation of neocolonialism.²⁹

The state of relations and the different level of cooperation between the two parties were clearly shown in a promotional video produced by China Global Network Television (CGNT) from China Media Group and aired at the start of the opening ceremony. Despite the banality and rhetoric of the title – «A Shared Dream, A Shared Future» (同心筑梦命运与共) – the video was a compilation of the many activities that China pursues in Africa on different levels, and in many ways is emblematic of China's definitive

25. Dipanjan Roy Chaudury, 'India not to join US-led counter to China's BRI', *The Economic Times*, 7 August 2018.

26. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', *Asia Maior 2017*, pp. 288-290.

27. Sutirtho Patranobis, 'Wuhan Summit highlights: Narendra Modi invites Xi Jinping to India for informal summit in 2019', *Hindustantimes*, 28 April 2018.

28. 'Modi, Xi say perceptible improvement in India-China relations post-Wuhan summit', *The Hindu Business Line*, 1 December 2018.

29. Shannon Tiezzi, 'FOCAC 2018: Rebranding China in Africa', *The Diplomat*, 5 September 2018.

success on the continent.³⁰ A symbolic aspect of that success is the fact that after Burkina Faso cut ties with Taiwan, at the end of May,³¹ there remained only one country which failed to recognize the Republic of China (ROC), namely the Kingdom of Eswatini (formerly Swaziland).

In fact the former Swaziland was the only African country absent at the important summit in September.³² Speaking at a news briefing, China's special envoy for Africa, Xu Jinghu, said that the issue of Eswatini and its lack of ties to Beijing was «an important question», but it was up to them to take the initiative. «On this issue we won't exert any pressure. We'll wait for the time to be right», he said, adding that he was convinced that that day would come sooner or later.³³

Interestingly, the 7th FOCAC was preceded in June by an unprecedented China-Africa Defense and Security Forum, a two-week conference hosted by China's Ministry of National Defense in Beijing. The Forum, which focused on the security situation in Africa and the goal of deepening military cooperation between China and African nations, was attended by military leaders from nearly 50 African countries, clearly reflecting the expanding influence of China's military on the continent.³⁴ Contrary to the vision of the majority of experts who considered China's relations with African states to be mainly economically focused and far less interested in military matters, the Forum was a demonstration of China's growing military ties with Africa,³⁵ symbolized by the inauguration of the country's first overseas «military base» in Djibouti in August 2017,³⁶ and Beijing's increasing contribution to UN peacekeeping missions.³⁷

30. <https://www.youtube.com/watch?v=NnVYlp2eL0>

31. 'Burkina Faso cuts diplomatic ties with Taiwan after intense pressure from China', *The Telegraph*, 24 May 2018.

32. Rick Noak, 'All of Africa is now competing for Chinese money. Except for one country', *The Washington Post*, 3 September 2018.

33. Ben Blanchard, 'China says not putting pressure on Taiwan's last Africa ally', *Reuters*, 1 September 2018.

34. 'China-Africa security forum concludes in Beijing', *Africa Times*, 11 July 2018.

35. Lina Benabdallah, 'China-Africa military ties have deepened. Here are 4 things to know', *The Washington Post*, 2 July 2018. For an overview of China's growing involvement and the substantial changes of its participation in the UN peacekeeping operations, see 'China's Role in UN Peacekeeping', *ISDP*, March 2018.

36. The Chinese government prefers the use of the more neutral term when referring to the Djibouti base, such as «support base» (保障基地), «logistical facility» (后勤设施), or «protective facility» (防护设施).

37. Lina Benabdallah, 'China-Africa military ties have deepened. Here are 4 things to know'.

4. *China-North Korea: the long-awaited renewal of the brotherhood alliance*

In 2018 Sino-North Korean relations underwent major changes, the most striking of which related to the North Korean leader's repeated visits to China. These visits marked the end of years of speculation concerning the state of the brotherhood alliance between the two countries, and Beijing's weak grip on its ally.³⁸ The events that occurred on the Korean peninsula confirmed the centrality of China, and Beijing's intention to assert its role, contradicting what Chinese officials had often reiterated in the last few years, namely that Beijing had very limited influence on the entire situation and that the US, not China, held the key to solving the North Korean nuclear issue.³⁹ The meetings between the Chinese and North Korean leaders not only reinvigorated bilateral relations but underscored the necessity of respecting China's interests and role vis-à-vis the Korean Peninsula. That is why according to Scott Snyder and See-won Byun: «China's rapid revival of its traditional role as North Korea's staunchest supporter might prove to be the more strategically significant development».⁴⁰

Kim Jong Un's three visits in less than three months – the first in Beijing on March 27-28, the second in Dalian on May 8, following the inter-Korean summit of 27 April, and again in Beijing on June 19-20, in the aftermath of the historical Singapore summit between Kim Jong-un and Donald Trump – were of great symbolic significance for Beijing, and Xi Jinping in particular. For seven years the two allies never met. In 2014, Xi's first visit to the Korean Peninsula as the PRC's president had been to Seoul, not Pyongyang. North Korea's best friend had snubbed it for its most bitter rival.⁴¹

Given the relevance of the issue for both parties, it may be interesting to briefly analyze the individual visits, focusing on the salient aspects of each of them.

The first two trips were both «unofficial» and followed the tradition of China state media placing a moratorium on the announcement until the Democratic People's Republic of Korea (DPRK) leader was on his way home. The third was similar to the time-honoured visits of foreign heads of state, and as such heavily covered in newspapers and television news bulletins. Symbolically the most important visit was the first, in terms of both its timing and unexpectedness. Most probably the Chinese leadership had reached its decision to issue the invitation at the beginning of March after

38. Yun Sun, 'The State of Play in Sino-DPRK Relations', *38° North*, 5 September 2018.

39. Xuan Loc Doan, 'China's contradictions over the Korean Peninsula Issue', *Asia Times*, 16 May 2018.

40. Scott Snyder & See-won Byun, 'China's Multiple Roles in the Korean Drama', *Comparative Connections*, vol. 20, no. 2, pp. 83-92, esp. p. 84.

41. Marco Milani & Barbara Onnis, 'Penisola coreana 2014: «ombre» all'inter-no e «luci» all'esterno', *Asia Maior 2014*, p. 128.

the surprise announcement that the US president would meet Kim Jong Un to discuss Pyongyang denuclearization; Beijing risked possible marginalization in what were likely to be historical talks. One striking aspect concerned the style of the visit. Kim and his wife were «treated lavishly and showered with luxury gifts» by Xi Jinping (including expensive alcohol banned under UN sanctions).⁴² But of utmost importance was the deference showed by Kim Jong Un⁴³ and the words pronounced by the North Korean leader in his toast to the Chinese president, as reported by the North Korean state news agency *KCNA*: «It is appropriate that my first trip abroad is in China's capital, and my responsibility to consider continuing North Korea-China relations as valuable as life».⁴⁴ That was a worthy accolade for all of China's previous efforts, and one that allowed Beijing to save its face, finally.

The second meeting, on 8 May in Dalian, projected quite strangely the image of an already well-established relationship between the two leaders, despite the fact that it was «newborn», about to prepare for the Kim-Trump meeting. Chinese reports quoted Kim Jong Un as reiterating his country's longstanding position that: «As long as relevant parties abolish their hostile policies and remove security threats against the DPRK, there is no need for the DPRK to be a nuclear state and denuclearization can be realized», and referring to «phased and synchronous measures» to «eventually achieve» a formal peace treaty.⁴⁵ For his part, Xi was reportedly emphasizing the restoration of the «traditional friendship» as fellow socialist countries, underscoring the «irreplaceably significant» role of high-level exchanges to the development of strategic communication, mutual trust, and the safeguarding of common interests, and pledging to strengthen people-to-people exchanges between the two countries.⁴⁶ At the same time Xi expressed China's willingness «to continue to work with all relevant parties and play an active role in comprehensively advancing the process of peaceful resolution of the peninsula issue through dialogue, and realizing long-term peace and

42. Kim Jin-myung, 'Xi Showered Kim Jong-un with Gifts During Visit', *The Chosun Ilbo*, 5 April 2018.

43. The Chinese state press agency *Xinhua* reported that during the encounter Xi referred to Kim as 你, while Kim referred to Xi as 您. Both pronouns mean 'you', but 您 is more polite and respectful than 你. See Katsuji Nakazawa, 'Kim Jong Un's 21-car train was packed with gifts and much more', *Asia Nikkei Review*, 9 April 2018.

44. Emily Rauhala, 'North Korea leader meets with Chinese president's during «unofficial visit» to Beijing', *The Washington Post*, 27 March 2018. Asked for a comment on the visit, Aiden Foster Carter, honorary senior research fellow at Leeds University, said it would have been almost unthinkable for Kim to meet with Moon Jae-in and Donald Trump having never met Xi Jinping. James Griffiths, 'Why Kim Jong Un Made a Secret Visit to China', *CNN*, 5 April 2018.

45. Scott Snyder & See-won Byun, 'China's Multiple Roles in the Korean Drama', p. 84.

46. *Ibid.*

stability in the region».⁴⁷ Above all, the main message of the Dalian meeting, as pointed out by Scott Snyder and See-won Byun, was that Beijing would be included «in the process designed to pave the way for new political arrangements on the peninsula».⁴⁸ The «Panmunjom Declaration» made explicit reference to a peace treaty among three or four parties (North Korea, South Korea, the United States, and China).⁴⁹ Not surprisingly Xi Jinping emphasized more the geostrategic importance of the renewed bilateral ties than the Peninsula's denuclearization.

For the third visit on 19-20 June, as before, Kim Jong Un arrived in China much like any other foreign leader, landing at Beijing's international airport and being driven by limousine to the city centre. Contrary to the previous two visits though, China state media announced that the Korean leader would be visiting Beijing for two days, shortly after his arrival in the capital⁵⁰ and released photographs of Kim Jong Un meeting with Xi Jinping at the Great Hall of the People – where foreign head of states are usually greeted – while the visit was in progress. The Chinese state press agency *Xinhua* reported that the two leaders «agreed to safeguard, consolidate and develop China-DPRK relations, and jointly push forward the sound momentum of peace and stability of the Korean Peninsula to make a positive contribution to safeguarding world and regional peace, stability, prosperity, and development», with almost no mention of denuclearization. In fact, analysts agreed that Kim went to China to brief Xi on the Singapore summit, seek economic assistance, as well as show respect and deference to Beijing, which for its part was eager to underline its crucial role in talks between Pyongyang, Washington and Seoul.⁵¹

In the eyes of many international observers China proved to be the biggest winner of the Singapore summit for two main reasons. On the one hand, the agreement adopted by Trump and Kim which granted a *de facto* dual suspension of North Korean tests and US-ROK joint military exercises (so called «freeze-for-freeze approach») was similar to the proposals that Beijing had been promoting for months. On the other hand, the US president gave assurance of China's inclusion in the formal replacement of the armistice with a Korean peace treaty.⁵²

47. 'Xi Jinping, Kim Jong-un hold talks in Dalian', *The Global Times*, 8 May 2018.

48. Scott Snyder & See-won Byun, 'China's Multiple Roles in the Korean Drama', p. 84.

49. '[Full Text] Panmunjeom Declaration', *The Korea Times*, 27 April 2018.

50. On previous visits by North Korean leaders, including those of Kim Jong Un' father and grandfather, the visits were not announced until after they had left the country and were on their way home.

51. Lili Kuo, 'Kim Jong-un meets Xi Jinping for third time', *The Guardian*, 19 June 2018.

52. Scott Snyder & See-won Byun, 'China's Multiple Roles in the Korean Drama', p. 85.

At the same time, according to Andrei Lankov, one of the world's leading Korea experts, and director of the Korea Risk Group, visiting China for the third time in such a short period, Kim might be seeking to take advantage of the trade conflict between China and the US, and trying to deepen their rivalry to ensure they could not join forces against him, as happened with UN sanctions over North Korea's weapons programme. In this regard, according to Lankov, Kim Jong Un was turning out to be a «very good diplomat». ⁵³ Last but not least, Pyongyang might be hoping Beijing would ease up on sanctions following the summits with Seoul and Washington. In any case, the support of its main ally was probably seen as essential for the redefinition of the North Korean foreign strategy.

A further step in the consolidation of the renovated Sino-North Korean strategic ties involved Li Zhanshu, chairman of the NPC, who attended the 70th anniversary celebration of the DPRK's founding in Pyongyang in September, as Xi's special representative. ⁵⁴ Previous reports had suggested Xi Jinping would travel to Pyongyang to meet with Kim Jong Un in what would have been the fourth summit between the two leaders in 2018, and the first visit by a Chinese leader to North Korea in over a decade. ⁵⁵ Reportedly there was intense debate in Beidaihe during the so-called «summer summit», ⁵⁶ about Xi visiting Pyongyang for the celebrations. Not surprisingly the main focus of the debate was how his visit to North Korea might affect China's difficult relations with the US. ⁵⁷ In fact, the Chinese president's trip would have taken place at a time when the US President was pointing fingers at China for «[...] [not] helping with the process of denuclearization», due to trade tensions. ⁵⁸ But Xi Jinping's decision to send a representative might also be related to concerns about China appearing to support North Korea's nuclear weapons programmes, especially considering that Kim might choose to show off his nuclear-capable ballistic missiles at the parade.

Ultimately, the three visits reinforced China's view that it was a driving force behind developments on the peninsula. This bolstered Beijing's

53. Jane Perlez, 'Kim Jong-un returns to China, this time with leverage', *The New York Times*, 18 June 2018.

54. Mo Jingxi, 'Anniversary Celebrations show importance of DPRK ties, experts say', *China Daily*, 10 September 2018; 'China's top legislator visits DPRK, attends Foundation Day celebrations', *Xinhuanet*, 10 September 2018.

55. Ankit Panda, 'China's Li Zhanshu to Visit North Korea As Xi Jinping's Special Representative', *The Diplomat*, 5 September 2018.

56. The Beidaihe meeting – held annually in the resort town in Hebei province – is where China's leaders and elders from earlier generations meet in an informal setting in summer time for closed-door discussions that will set the tone for major domestic issues.

57. Katsuji Nakazawa, 'Xi-Kim honeymoon exposed as a façade', *Asia Nikkei*, 13 September 2018.

58. Yun Sun, 'The State of Play in Sino-DPRK Relations'.

confidence in its relations with North Korea, thus averting its initial fear of exclusion and confirming its centrality in the issue.⁵⁹

As to the substance of the renewed bilateral ties, Andrei Lankov did not hesitate to express his reluctance since in his view there was no love lost between the two powers: «Let's not have illusions. China and North Korea don't see each other with any kind of mutual sympathy. There are zero warm feelings between the two countries». For Lankov, «China is seen as a potential threat, almost as much as the US is. The Chinese see North Korea as irrational, unreliable, ungovernable, highly dangerous». ⁶⁰ Put another way, considering the long history of scepticism and tension between the two sides, they could be considered at least «partners of convenience».

5. *Strained relations between China and the US: beyond the iron fist on tariffs*

As in the year 2017, in 2018 relations between China and the US presented many ups and downs, with strong deterioration on the commercial side. In particular, the second part of the year under review was mainly characterized by the open hostility of the Trump administration towards China, as clearly shown by the trade war and the deep-rooted distrust between the two countries in many chapters of their foreign policy agenda, with special reference to the Korean peninsula.

Since China's inclusion in the list of countries that «challenge American power, influence, and interests, attempting to erode American security and prosperity» and «are determined to make economies less free and less fair, to grow their militaries, and to control information and data to repress their societies and expand their influence» (mentioned in the first Trump administration's National Security Strategy⁶¹), the US president never ceased to underline his intentions of promoting American national interests, frequently repeating the «America First» mantra, while defending his right to do so. Accordingly, Washington launched what the Chinese Ministry of Commerce considered as the «largest trade war in economic history» (经济史上规模最大的贸易战).⁶²

The dispute started in January 2018 when the US approved controversial tariffs on imported washing machines and solar panels to «defend

59. 'Is China being marginalized on Korean peninsula?', *The Global Times*, 28 May 2018.

60. 'Xi and Kim's Marriage of Convenience', *Foreign Policy*, 22 June 2018.

61. The White House, *National Security Strategy of the United States of America*, December 2017 (<https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>), p. 12.

62. 商务部新闻办公室 (Ministry of Commerce Press Office), '商务部新闻发言人就美国对340亿美元中国产品加征关税发表谈话' ('Ministry of Commerce spokesperson speaks on US tariffs on US\$ 34 billion in Chinese products'), 6 July 2018.

American workers, farmers, ranchers and businessmen»,⁶³ in what was seen as Trump's most significant trade move since his decision to abandon the Trans-Pacific Partnership (TPP) and renegotiate the North American Free Trade Agreement (NAFTA). The move was highly criticized by both China and South Korea. In particular Samsung called the tariffs «a tax on every consumer who wants to buy a washing machine», while China, being the world's biggest solar panel manufacturer, complained it would further damage the global trade environment.⁶⁴

But the «real» war started at the beginning of July and was aimed in the eyes of the American president at resolving some long-standing issues that went far beyond trade imbalances with the PRC. Trump was especially keen to punish Beijing for years of unfair trade policies, including stealing American intellectual property for the benefit of the Chinese economy, and the end of the policy of subsidy and state support to the technology and innovation programmes of Chinese state-owned enterprises.

Washington imposed three rounds of tariffs on Chinese products, totaling US\$ 250 billion worth of goods. China retaliated in kind, imposing tariffs on items worth US\$ 110 billion.⁶⁵ Despite its brevity – it ended with a «90-day truce» signed in Buenos Aires by the two countries' presidents on the sidelines of the G20⁶⁶ – it risked damaging the global economy. At the beginning of October, the IMF released a report which projected a downturn in the global economy growth, a result of Trump's trade policies.⁶⁷

In the midst of growing trade tensions, other factors contributed to further deteriorate bilateral relations.⁶⁸ In the second half of September Washington imposed sanctions against a unit of China's Defense Ministry (China's Equipment Development Department, EDD) and its government director (Li Shangfu) for purchasing Russian military equipment, in violation of a US sanction law punishing Moscow for meddling in the 2016 US elections. The sanctions blocked the EDD and his director from applying for export licenses and participating in the US financial system. The US also added them to the Treasury department's list of specially designated individuals with whom Americans were barred from doing business.⁶⁹ At

63. US slaps «America First» tariffs on washing machines and solar panels', *BBC news*, 23 January 2018.

64. *Ibid.*

65. Dorcas Wong & Alexander Chipman Koty, 'The US-China Trade War: A Timeline', *China Briefing*, 10 January 2019.

66. Mark Landler, 'U.S. and China Call Truce in Trade War', *The New York Times*, 1 December 2018.

67. Yen Nee Lee, 'IMF cuts its global growth forecasts, citing trade tensions between the US and its trading partners', *CNBC*, 8 October 2018.

68. Mark Valencia, 'Are the US and China on the brink of a cold war?', *Asia Times*, 2 October 2018.

69. Lesley Wroughton & Patricia Zengerle, 'U.S. sanctions China for buying Russian fighter jets, missiles', *Reuters*, 20 September 2018.

the same time Washington announced the sale of US\$ 330 million worth of military equipment to Taiwan.⁷⁰ In mid-October the US despatched two US Air Force B-52 bombers to fly over the hotly-contested South China Sea, thus sending a clear message about China's determination to continue to fly and sail «whenever international law allows».⁷¹ It should be noted that those flights came just a few weeks after a showdown between a Chinese destroyer and a US navy warship near the Spratly Islands.⁷² Meanwhile, the US president and Vice President Mike Pence accused Beijing of meddling in the upcoming American mid-term elections.⁷³

The prevailing mood at the G20 Summit in Argentina was tense, especially considering the open hostility between the two parties during the APEC Summit in Papua New Guinea (17-18 November), where Mike Pence warned countries in the Indo-Pacific region not to fall into the trap of Chinese debt diplomacy, instead encouraging them to choose «the better option» of American development financing.⁷⁴ During his sharply-worded speech Pence also stated that «Authoritarianism and aggression have no place in the Indo-Pacific», clearly referencing China.⁷⁵

Xi Jinping and Donald Trump's encounter in Buenos Aires, on the sidelines of the G20 Summit, was the first face-to-face meeting between the two leaders in nearly one year, and the first since Trump began the trade war.⁷⁶

Many observers in their analysis pointed to the importance of the leaders' personal chemistry as a means of dispelling the possibility of a new Cold War.⁷⁷ According to Ni Feng, a specialist on Sino-US relations at the Chinese Academy of Social Sciences, «In the history of China-US relations, it has always been determined by the top leaders.»⁷⁸ Zhang Baohui, an international

70. 'U.S. approval of \$330 million military sale to Taiwan draws China's ire', *Reuters*, 24 September 2018.

71. Ryan Pickrell, 'US B-52 bombers tore through the South China Sea in a power play ahead of a sit-down between the US and the Chinese defence chiefs', *Business Insider*, 18 October 2018.

72. Ryan Pickrell, 'A Chinese warship reportedly threatened a US Navy destroyer in the South China Sea', *Business Insider*, 4 November 2018.

73. 'China-US Relations: What's Next?', *The Diplomat*, 5 October 2018; 'Mike Pence accuses China of meddling in US elections despite lack of evidence', *The Guardian*, 4 October 2018.

74. 'Apec summit: Pence warns Indo-Pacific region against China's debt diplomacy, says US offers «better option»', *The Straits Times*, 17 November 2018.

75. Daniel Hurst, 'From Japan, US VP Denounces «Authoritarianism and Aggression»', *The Diplomat*, 16 November 2018.

76. Zhou Xin & Jun Mai, 'Xi Jinping, Donald Trump agree to talks at G20 summit next month, source says', *South China Morning Post*, 19 October 2018.

77. Mark Landler & Jane Perlez, 'At Stake When Xi and Trump Meet: The Possibility of a New Cold War', *The New York Times*, 30 November 2018.

78. Catherine Wong, 'Will Donald Trump and Xi Jinping rekindle their «great chemistry» at the G20 summit?', *South China Morning Post*, 26 November 2018.

relations expert at Lingnan University in Hong Kong also agreed, arguing that a successful meeting would at least «slow down the momentum of a new Cold War», while a bad one would «make that irreversible.»⁷⁹ In this sense, the meeting was considered as «a testament to how much trade and the personal chemistry between Mr. Trump and Mr. Xi have come to dominate the relations between the United States and China. While these are only subplots in a larger drama that also includes a military contest in the Pacific and nuclear negotiations with North Korea, they could also define the next chapter in that relationship».⁸⁰

After dinner, both presidents appeared satisfied with their «highly successful meeting». In particular, Trump referred to «an amazing and productive meeting with unlimited possibilities for both the United States and China».⁸¹

That said, at exactly the same moment the two leaders were dining together in Buenos Aires and agreeing to a «90-day trade truce», Meng Wanzhou, top executive and daughter of the founder of the Chinese tech giant Huawei, was arrested in Canada, at the request of the United States, for alleged violations of US sanctions to Iran.⁸² Meng was charged with conspiring to violate sanctions on Iran by doing business with Teheran through a subsidiary (Skycom) which she had tried to conceal. If the accusations were confirmed she risked a maximum penalty of 30 years in prison. It was immediately evident to observers and analysts that Meng was a mere «hostage» in the Sino-American trade war.⁸³

Tensions between US authorities and Huawei have been high since 2016. Washington has long viewed Huawei and its close ties to the Chinese government as a threat to national security and the US has been investigating Huawei for possible violations of UN sanctions on Iran. The charges include bank fraud, obstruction of justice, and theft of technology.⁸⁴ As reported by Hu Xujing, editor in chief of the Chinese and English editions of the *Global Times*, the US was trying to find a way to attack Huawei and destroy its reputation. In other words, Meng's arrest was not simply a case about the arrest of a woman, or about a company, but strictly related to the two giants' technological rivalry, in particular the creation of the new-generation

79. *Ibid.*

80. Mark Landler & Jane Perlez, 'At Stake When Xi and Trump Meet: The Possibility of a New Cold War', *The New York Times*, 30 November 2018.

81. 'Statement from the Press Secretary Regarding the President's Working Dinner with China', 1 December 2018.

82. *The White House, Statement from the Press Secretary Regarding the President's Working Dinner with China*, 1 December 2018 <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-regarding-presidents-working-dinner-china>.

83. Karishma Vashwani, 'Huawei arrest of Meng Wanzhou: A «hostage» in a new US-China tech war', *BBC news*, 6 December 2018.

84. Rob Price & Troy Wolverton, 'Canada arrested Huawei's CFO, and the US is seeking to extradite her', *Business Insider*, 5 December 2018.

5G computer and phone market and Huawei's role in them. According to specialists and observers, this provided the rationale for Meng Wanzhou's arrest. This was evident by the lively debate unleashed on social media by the intervention of the well-known economist Jeffrey Sachs. On 10 December, Sachs published a story entitled «The war on Huawei» stating that the Trump administration was unfairly targeting Meng Wanzhou. Washington had only ever levied heavy fines against senior executives of US companies similarly accused of violating its sanctions regime.⁸⁵

6. «Two dogs strive for a bone, and the third runs away with it»: the unexpected consequences of the Sino-American trade war

One of the most interesting consequences of the China-US trade war was the thawing in relations between China and Japan. It was preceded by the revival of the trilateral negotiations for a Free Trade Agreement (FTA) between China, Japan and South Korea. Another important effect was the joint strengthening of relations between China and the EU, despite some frictions related to the BRI.

6.1. China-Japan: the pragmatic rapprochement

Interestingly, concern for the global economy caused by the unilateral US trade moves, especially its growing protectionist measures and trade aggression, favoured the revival of the long-stalled China-Japan-South Korea FTA talks, as well as improving relations between Beijing and Tokyo.

At a forum held in Beijing on 19 September, representatives from China, Japan and South Korea vowed to accelerate negotiations for a trilateral FTA, begun in 2012, which had seen slow progress due to political and economic differences among the three countries. Addressing the forum, Kim Jeongil, director general of the FTA Policy Bureau at South Korea's Ministry of Trade, Industry and Energy, stated that the world was witnessing growing trade protectionism, which created urgency for completing talks on the China-Japan-South Korea FTA and other multilateral trade pacts.⁸⁶

Chinese economist Chen Zilei, director of the Research Center for Japanese Economics at the Shanghai University of International Business and Economics, agreed that while the acceleration of the trilateral FTA should not be considered a direct countermeasure against the US – given

85. Keegan Helmer, 'US economist Jeffrey Sachs retreats from Twitter after criticising US' treatment of Huawei CFO Meng Wanzhou', *South China Morning Post*, 1 January 2019. For a complete reading of Sachs's story, see 'The war on Huawei', *Project Syndicate*, 11 December 2018.

86. Wang Cong, 'Chaos caused by US trade aggression spurs faster regional FTA talks', *The Global Times*, 19 September 2018.

that Seoul and Tokyo remained close allies of Washington – nonetheless, growing US trade aggression and the protectionist climate promoted by the Trump presidency provided the catalyst to resume talks.⁸⁷ As mentioned, during the year under review other regional trade pacts have also seen accelerated negotiations, including the Regional Comprehensive Economic Partnership (RCEP), a trade pact between 16 Asian economies. At the same time many countries pursued bilateral trade deals; among them China accelerated FTA talks with the EU, New Zealand,⁸⁸ while Japan signed a trade agreement with the EU. In Chen's words: «This is the bright side of the US trade protectionism. It has pushed all these countries to accelerate FTA talks and try to set up a firewall against the US actions».⁸⁹

Related to Trump's aggressive stance on trade was the Japanese prime minister's more convincing rapprochement to China, after the timid gestures in 2017.⁹⁰ It concluded with Abe Shinzo's visit to China at the end of October, the first formal bilateral visit by a Japanese leader to the country in nearly seven years.⁹¹ Though nominally intended to commemorate the 40th anniversary of the China-Japan Treaty of Peace and Friendship, the visit completed a quiet process of mutual accommodation over the year,⁹² reflecting realism and self-interest on both sides.

The event underscored Chinese president Xi Jinping's efforts to reduce his country's exposure to the US market but it indicated a certain amount of pragmatism on the part of the Japanese prime minister too. By reporting to journalists after meeting with Xi, Abe declared: «From competition to coexistence, Japanese and Chinese bilateral relations have entered a new phase», adding that he wanted «to carve out a new era for China and Japan». For his part, the Chinese president stated that the two neighbours had to move in a «new historic direction» by working together at a time of growing global «instability and uncertainty».⁹³

87. *Ibid.*

88. In the last few years China has intensified its efforts to build a global trade network with greater use of FTAs in order to diversify its markets and counter protectionism. So far it has signed 17 FTAs with 25 countries and regions and is in talks over 12 new or upgraded FTA deals. In addition, there is a list of FTAs under consideration. For the list of China's FTA agreements see the official website of the Ministry of Foreign Affairs at <http://fta.mofcom.gov.cn/english/index.shtml>.

89. Wang Cong, 'Chaos caused by US trade aggression spurs faster regional FTA talks'.

90. Sebastian Maslow & Giulio Pugliese, 'Japan 2017: Defending the domestic and international status quo', *Asia Maior 2017*, pp. 98-100.

91. Charlotte Gao, 'Amid US-China Tensions, Xi and Abe to Meet in Beijing', *The Diplomat*, 24 October 2018;

92. J. D. Pollack, 'Abe in Beijing: The Quiet Accommodation in China-Japan Relations?', *The Brookings Institution*, 25 October 2018.

93. Anna Fifield, 'China and Japan pledge to take their relationship in «new historic direction»', *The Washington Post*, 26 October 2018.

In other words, while for Beijing the meeting was about pacifying its neighbourhood so that it could concentrate on challenges coming from the US, for Tokyo it was an important occasion to recalibrate Sino-Japanese relations, focusing on deepening economic exchanges while putting aside political problems. Japan was aware that despite the security concerns, the country's return to economic growth had been in part fueled by the Chinese economy's growth, and that any sustained economic growth in Japan would necessarily include more, not less, trade and engagement with China.⁹⁴

The meeting in Beijing was preceded by another bilateral encounter on 12 September during Abe and Xi's visit to Vladivostok to attend the Eastern Economic Forum. Abe reported that the Japan-China relationship had «return to normal track». This was especially so after an important agreement had been reached in May, following a decade of talks regarding the establishment of a security hotline to defuse maritime confrontations.⁹⁵ Besides the hotline, the agreement provided for regular meetings between both nations' defense officials and a mechanism for their naval vessels to communicate at sea to avert maritime incidents. This agreement served to enhance bilateral ties strained by historical animosity as well as the dispute concerning ownership of islets in the East China Sea. The October meeting was a clear demonstration of both sides being able to reach a mutual accommodation, «under the shadow of Trump».⁹⁶

6.2. *The enemy of my enemy is my friend. The consequences for China-EU relations*

The China-US trade war, and more generally Trump's attacks against the global system, represented an occasion for China to strengthen its relations with Brussels,⁹⁷ despite the growing tensions between the two parties. These were due to both the disruptive effects of the BRI on the continent, and the Chinese strategy towards the Central and South European countries, carried out with the so-called 16+1 Group (or CEEC+1 Forum, 中国与中东欧国家合作).⁹⁸ This was particularly evident during the 20th China-EU Summit.

94. Stephen R. Nagy, 'Can Japan-China relations return to «normal»?', *The Japan Times*, 23 October 2018.

95. 'Japan and China agree on security hotline after a decade of talks', *CNBC*, 9 May 2018.

96. K. Olsen, 'Japan's Abe will meet China's Xi – under the shadow of Trump', *CNBC*, 23 October 2018.

97. Ruth Berschens & Sha Hua, 'EU and China find new rapport in Beijing, amid US trade disputes', *Handelsblatt*, 17 July 2018.

98. The 16+1 Forum is an initiative established by Beijing in 2012 aimed at intensifying and expanding cooperation with 16 Central Eastern European countries (CEE), in various fields (investment, transport, finance, science, education, and culture). Among the 16 CEE countries, 11 are EU members (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and five are Balkan countries (Albania, Bosnia and Herzegovina, Macedonia, Monte-

The China-EU Summit was preceded by Trump's declarations during an interview with CBS at the President's golf resort in Turnberry (Scotland) – aired on «Face the Nation» on 15 July – when he defined the European Union as a «foe» of the United States.⁹⁹ That statement became part of Washington's constant criticism of NATO's European allies for not spending enough on defense.¹⁰⁰ Although it was not new for a US president to push NATO members to spend more on defence, nonetheless the harshness and frequency of Trump's attacks were without precedent.¹⁰¹

The importance of the 20th EU-China Summit was manifest in its lengthy final Joint Statement; due mainly to disagreements over granting «market economy» status to China, and other disputes over the South China Sea and trade, the previous two summits had ended without joint statements. Interestingly, at 2018's summit, China mentioned neither the market-economy topic nor the issue of the arms embargo.¹⁰²

On paper, the main achievement of the summit was a Chinese agreement that the World Trade Organization had to be reformed if it was to survive the «Trumpian times».¹⁰³ During a meeting with Donald Tusk (president of the European Council) and Jean-Claude Juncker (president of the European Commission) on the sidelines of the summit, Xi Jinping told his guests that China and the EU could not watch the old world order be destroyed and a vacuum being created. For his part Tusk, referring to the Helsinki meeting between Trump and Putin, stated that «the architecture of the world is changing before our very eyes» and urged Europe, China, Russia and America «not to destroy this order but to improve it».¹⁰⁴ That said, the summit was characterized by a particular closeness between China and the European Union, which was by no means obvious.

The fact that the 16+1 Group summit – held in Sofia on 6-7 July – was postponed by almost half a year from its original schedule, at Beijing's initiative, to only a few days before the EU-China Summit, irritated many

negro, and Serbia). Among these last, four are recognized as candidates to membership (Albania, Macedonia, Montenegro, and Serbia), while Bosnia and Herzegovina is officially recognized as potential candidate, Sarajevo having submitted a membership application. In the framework of the Initiative, China has defined three potential priorities areas for economic cooperation, i.e. infrastructure, high technology, and green technologies, all key issues within the BRI.

99. M. Vasquez, «Trump calls the European Union a «foe» of the United States», *CNN*, 16 July 2018.

100. «Worried Nato partners wonder if Atlantic alliance can survive Trump», *The Guardian*, 8 July 2018.

101. Christopher Woody, «Here's how Donald Trump took shots at NATO in 2018 – and it spurred Jim Mattis to quit in protest», *Business Insider*, 21 December 2018.

102. European Union External Action, «Joint Statement of the 20th China-EU Summit», 17 July 2018.

103. «Amid Tensions with America, China is turning to Europe», *The Economist*, 19 July 2018.

104. *Ibid.*

officials in Brussels and left some EU 16+1 members embarrassed.¹⁰⁵ For example, Poland – the biggest European 16+1 economy – was represented in Sofia by its deputy prime minister, while its prime minister stayed home to attend a pilgrimage.¹⁰⁶

The main reason for the postponement resided in the fact that Beijing remained unmoved by the loud calls from Berlin, Brussels and Paris to tone down its 16+1 activities.¹⁰⁷ Rather, China had sought an intensification and broader institutionalization of the Group, while welcoming the interest expressed by Austria and Greece (16+1 observers) to full membership of the format. Furthermore, Beijing had not given up the idea of establishing additional sub-regional grouping in both Northern and Southern Europe.¹⁰⁸

But the majority of frictions were to be found in the perceived aggressiveness of the BRI, since the vast majority of BRI projects in the CEE region remained firmly in the hands of Chinese leaders and companies. It was apparent that China's BRI-related infrastructure projects were creating an economic and financial instability in the EU's regional neighbourhood, through the so-called «debt trap», i.e. the debts incurred by countries as they took on BRI loans from Beijing, leaving them vulnerable to China's influence.¹⁰⁹ Moreover, in the majority of cases those projects did not respect EU rules and standards for building large-scale infrastructures, from transportation to energy and communications. These were some of the reasons why, in April, the overwhelming majority of EU members' ambassadors to China –with the exception of the Hungarian – signed an internal report sharply criticizing China's new Silk Road project, denouncing it as «designed to hamper free trade and put Chinese companies at an advantage».¹¹⁰ In the report, leaked to the German newspaper *Handelsblatt Global*, the 27 EU ambassadors blamed China's intention to shape globalization to suit its own interests. Additionally, they warned that European companies would refuse to sign any contract if China failed to adhere to the European principles of transparency in public procurement, as well as environmental and social standards. At the same time, EU officials accused China of attempting to divide Europe in reference to its strategy with individual member states, such as Hungary and Greece, which both

105. Jan Weidenfeld, 'China's Europe Policy Poses a Challenge to EU Cohesion', *The Diplomat*, 16 August 2018.

106. Bartosz Kowalski, 'What's Next for the China-CEE 16+1 Platform?', *The Diplomat*, 13 July 2018.

107. Richard Q. Turcsanyi, 'Growing Tensions Between China and the EU Over 16+1 Platform', *The Diplomat*, 29 November 2017.

108. Jan Weidenfeld, 'China's Europe Policy Poses a Challenge to EU Cohesion'.

109. Francesca Congiu & Christian Rossi, 'China 2017: Searching for internal and international consent', *Asia Maior 2017*, pp. 59-92, esp. 79-82. See also Brahma Chellaney, 'China's debt trap diplomacy', *Project Syndicate*, 23 January 2018.

110. 'EU ambassadors band together against Silk Road', *Handelsblatt*, 17 April 2018.

relied on Chinese investments, and had in the past shown their susceptibility to Beijing's pressures.¹¹¹

The Ambassadors' report was intended to be presented during the China-EU summit in July, but reportedly it was not. Maybe the trade war unleashed by Trump and more generally his widespread offensive against the multilateral system of the last seven decades, and his attacks on the European allies, contributed to question everything.¹¹²

Many of the criticisms made by the US president in defense of his protectionist stance were, as always, that the European countries had been moving to China for a long time.

7. *The Belt and Road Initiative on its 5th anniversary*

In 2018, as China's Belt and Road Initiative turned five years old, it continued to develop and become more widespread and to growing criticism.

During those five years, the BRI has experienced a great evolution, from an initiative solely focused on infrastructure to one which also includes industry, technology, cultural, legal and environmental components. At the same time, the BRI has been enlarging its geographical scope by shifting its focus from the historic Silk Road region to the entire globe. Chinese leaders have also been setting increasingly ambitious goals for the Initiative: from economic development to constructing a «community of shared destiny for all mankind». Finally, its inclusion in the party constitution confirmed its status as a long-term project, much like Deng Xiaoping's «reform and opening-up» policy.

According to *Xinhua*, in the year under review Beijing signed 123 cooperation documents on BRI development with 105 countries (in Asia, Africa, Europe, Latin America, and the South Pacific region) and 26 similar documents with 29 international organizations.¹¹³

In particular, the 2018 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) gave China the opportunity to sign Memorandum of Understandings (MoUs) with 37 African countries (and the African Union), which, according to Xia Qing, an official with the National Development and Reform Commission (NDRC), accounted for 70 percent of the 53 African nations attending the summit.

111. *Ibid.*

112. Pierre Haski, 'Face à Trump, la Chine est-elle un ami ou un ennemi de l'Europe?', *L'Obs*, 22 juillet 2018.

113. 'China signs MOUs with 37 African countries, AU on B&R development', *Xinhuanet*, 7 September 2018.

On 5 December, Portugal joined the list of European countries to sign such a memorandum.¹¹⁴ Interestingly, Lisbon not only signed, despite pressure against doing so from both the European Union and the US State Department, but the communiqué stated that both parties agreed to jointly encourage the strengthening of the EU-China Strategic Partnership, and work towards developing «synergies» between the BRI and EU connectivity and investment strategies.¹¹⁵

At the same time, views on the BRI grew increasingly polarized, not only between countries, but also within them. The most emblematic cases regarded the US, with the Secretary of State Mike Pompeo issuing a warning to Panama and other nations in the region about the potential dangers of accepting Chinese investments,¹¹⁶ and the EU, with the aforementioned letter of condemnation of the BRI signed by 27 of the 28 EU ambassadors in Beijing (see § 6.2.).

A remarkable example of the growing polarization within countries occurred in the Australian state of Victoria. In October it independently joined the BRI by signing a MoU with Beijing, despite the resistance of Canberra.¹¹⁷

7.1. *The growing focus on debt and international standards*

As already analysed in the previous issue of *Asia Maior*,¹¹⁸ China's financing and building infrastructures in developing countries, labelled «debt-trap diplomacy», and the inadequacy of Chinese projects which did not respect international standards, were the subject of severe criticism.

This is why some countries have actively resisted China's calls for them to sign BRI MoUs, while simultaneously trying to work with Beijing to improve the debt sustainability of the Initiative and ensure it meets international standards. To this end, the British government appointed Sir Douglas Flint, former Chairman of HSBC, as its BRI envoy, to ensure that projects become more bankable and open to financiers from around the world.¹¹⁹

114. In addition to the overwhelming majority of countries belonging to the CEEC group, Greece, Malta and Romania (<https://www.beltroad-initiative.com/memorandum-of-understanding-belt-and-road-initiative>).

115. 'Portugal Officially Joins the Belt and Road Initiative', *Executive Intelligence Review*, 5 December 2018.

116. Owen Churchill, 'Mike Pompeo warns Panama and other nations about accepting China's «belt and road» loans', *South China Morning Post*, 20 October 2018.

117. Michael Smith, 'Victoria goes it alone with support for China's Belt and Road', *Financial Review*, 26 October 2018.

118. Francesca Congiu & Christian Rossi, 'China 2017: Searching for internal and international consent', pp. 79-81.

119. Cecily Liu, 'BRI helps companies build global bridges of connectivity', *China Daily*, 13 November 2018.

Much of that criticism continues to focus on the debt incurred by countries as they take on BRI loans from China.¹²⁰ A study conducted by three researchers from the Washington-based think tank Center for Global Development (CGD), confirmed that BRI elevates sovereign debt risks in some countries involved in the Initiative.¹²¹ In particular, of the 68 countries identified as potential borrowers, 23 were found to be already at a «quite high» risk of debt distress. Among those countries was Sri Lanka, which in December 2017 transferred the control of Hambantota port, built using Chinese loans, to China Merchants Port Holdings, a state-owned port operator.¹²² Furthermore, the study revealed that eight of those 23 countries, namely, Djibouti, the Maldives, Laos, Mongolia, Montenegro, Pakistan, Tajikistan and Kyrgyzstan, would most likely face difficulties in repaying their debt because of future financing related to BRI projects. Pakistan was considered by far the largest country at high risk, with Beijing reportedly financing about 80 percent of its estimated US\$ 62 billion additional debt. Laos was no better, considering its several BRI-linked projects which included a US\$ 6.7 billion China-Laos railway that represented nearly half the country's GDP, leading the IMF to warn that it might threaten the country's ability to service its debts.¹²³ The eight-countries list also included a European country – Montenegro – that saw a sharp increase in its debt after accepting a Chinese loan in order to construct a highway linking the port of Bar to Serbia. However, the project risked collapse as Podgorica's debt was expected to approach 80 percent of gross domestic product (GDP) by the end of 2018. Again, the IMF intervened stating the country could not afford to take on any more debt to finish the ambitious project.¹²⁴

These episodes were symptomatic of the multiple setbacks and failings that Xi Jinping's Initiative face. Furthermore, they have the potential to derail China's carefully-laid long term plans for achieving its national «dream».

120. Cheang Ming, 'China's mammoth Belt and Road Initiative could increase debt risk for 8 countries', *CNBC*, 5 March 2018.

121. John Hurley, Scott Morris & Gailyn Portelance, 'Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective', *CGD Policy Paper*, No. 121, March 2018.

122. Kiran Stacey, 'China signs 99-year lease on Sri Lanka's Hambantota port', *Financial Times*, 11 December 2017

123. 'China's mammoth Belt and Road Initiative could increase debt risk for 8 countries'.

124. Noah Barkin & Aleksander Vasovic, 'Chinese 'highway to nowhere' haunts Montenegro', *Reuters*, 16 July 2018.

KOREAN PENINSULA 2018: THE CALM AFTER THE STORM

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The year 2018 represented a real turning point for the Korean peninsula. After years of increasing tension related to the North Korean nuclear and missile programme, the diplomatic process begun after Kim Jong Un's New Year address marked a clear change from the previous decade, with consequences for both domestic and international politics of the two Koreas. The newly elected South Korean President Moon Jae-in invested much of his political capital in the rapprochement with North Korea, with successful results in terms of popularity in the first part of the year. When dialogue with Pyongyang started to stagnate, the disappointing economic results became a factor of major concern for the government and affected Moon's approval rating. In North Korea, Kim Jong Un's opening towards South Korea and the United States marked also the beginning of a new approach of the regime to economic development, in line with the second pillar of Kim's byungjin policy line. The new emphasis on economic growth led the North Korean regime to pursue both cooperation with the South and a relaxation of international sanctions.

The North Korean «diplomatic offensive» represented a new-start for inter-Korean dialogue. After the participation of North Korea in the Pyeongchang Olympic Games, the two leaders met for the third inter-Korean summit in history, in April, for a meeting full of symbolism and hopes for future cooperation. The joint declaration signed by Moon and Kim in Panmunjom represented a key step for inter-Korean reconciliation. The two leaders met again in May and for a third summit in September, when Moon travelled to Pyongyang. This new series of inter-Korean summits made possible new rounds of inter-Korean cooperation projects in culture and sport, as well as military confidence-building measures. However, the economic sanctions still in place hindered opportunities for substantial advancements in economic cooperation.

The opening of North Korea towards the international community dominated also the foreign policy agenda of the two countries. For the first time in history, a North Korean leader met with a sitting American president, when Kim Jong Un met Trump in Singapore on 12 June, thanks mainly to the diplomatic mediation of South Korean President Moon Jae-in. After the summit, however, the diplomatic process stalled again over the practical steps towards denuclearisation and the corresponding measures from the US.

The «diplomatic offensive» of North Korea was not limited to South Korea and the United States. In fact, Kim met with Chinese president Xi three times over the course of the year, in a successful attempt to revive the crucial alliance between Pyongyang and Beijing.

1. Introduction

The resumption of diplomacy and dialogue on the Korean peninsula during 2018 certainly represented a major change both in terms of foreign and domestic politics. The conservative decade that started with the election of Lee Myung-bak in South Korea, in 2007, and continued with Park Geun-hye in 2012 had gradually but inexorably led to the freezing of every kind of inter-Korean dialogue and cooperation. At the same time, Kim Jong Un invested most of North Korea's resources in developing nuclear weapons and long range missiles, as a deterrent against external attacks or interferences, and also as a means to reinforce its legitimacy at home. The combination of these two trends, together with the election of Donald Trump in the United States, led to the security crisis of 2017, during which the peninsula seemed to be on the brink of a military conflict.

For this reason, the unexpected opening proposed by the North Korean leader Kim Jong Un during his New Year's speech (1 January 2018) came as a surprise, compared to the escalation of threats that had been taking place a few weeks earlier. In reality, a shift in this direction by the leadership in Pyongyang was not that surprising. In November 2017, the regime had declared the completion of its nuclear and missile programme. Moreover, since 2013 the policy line launched by Kim, called *byungjin*, focused on the parallel development of nuclear weapons and the country's economy. After having declared its success regarding the first pillar of the strategy, the regime predictably started to direct its attention towards the second one. Kim's speech on 1 January followed exactly this path.

South Korean President Moon Jae-in, who had invested political capital on a rapprochement with Pyongyang since his election in May 2017, welcomed the «olive branch» extended by Kim towards the South, and in just one month the two sides agreed on the North's participation to the Pyeongchang Olympic Games and on marching together at the opening and closing ceremony. Pyongyang also dispatched a high-level delegation to the South that met with President Moon and proposed a summit between the two leaders. These rapid and unexpected developments gave Moon an important boost in terms of domestic popularity. His approval rating reached 80% between April and May, leading the way for a landslide victory of the Democratic Party at the local elections and parliamentary by-elections in June. The political bet of the South Korean president, however, began to prove counterproductive in the second half of the year. Moon's popularity, closely linked to progress in reconciliation with the North and in the negotiations between Washington and Pyongyang on the denuclearisation, declined sharply in the second half of the year, following the stalemate of diplomacy with North Korea and the consequent limitation of inter-Korean cooperation. In this second phase the problems related to the country's

economic growth and unemployment sank Moon's popularity, creating an important challenge for his future agenda.

In North Korea, the opening towards the international community present in Kim Jong Un's New Year speech corresponded to a new emphasis on the country's economic growth. This policy shift was made official by the leader in April, during a meeting of the central committee of the Party. In order to pursue this goal, Kim pushed for restarting economic cooperation with the South both at the first summit with Moon in Panmunjom and at the third in Pyongyang. The South Korean president was eager to implement new inter-Korean economic projects; however, the strong sanctions regime imposed against North Korea impeded cooperation in this field. For this reason the relaxation of sanctions became the priority for Kim in his negotiations with the United States and quickly turned into the main point of contention. The Singapore summit between Kim and Trump (12 June 2018) – the first time in history that an American sitting president met with a North Korean leader – represented a historic diplomatic breakthrough between the two countries. The short joint declaration stated a few principles upon which relations should be based in the future, and included the commitment of the two leaders «to cooperate for the development of new U.S.–DPRK relations and for the promotion of peace, prosperity, and security of the Korean Peninsula and of the world»¹. When the lights of the summit went out, however, the implementation of the principles agreed upon by the two leaders proved to be more complicated than expected.

The three summits between Kim and Moon completely changed the landscape of inter-Korean relations. Starting from the first one, held on 27 April at the border village of Panmunjom, the two leaders clearly demonstrated their willingness to pursue dialogue and cooperation, for a process of national reconciliation. For the first time, a clear commitment towards the creation of a peace regime on the peninsula – i.e. the signing of a peace treaty – was included in the joint declaration and practical steps towards easing military tension along the border were implemented. After the third meeting in Pyongyang, from 18 to 20 September, the two Koreas jointly began to remove landmines from the De-militarized zone, dismantle guard posts and conduct a joint survey for the reconnection of rail and road lines. Despite this enthusiasm, the efforts to upgrade cooperation to more substantial levels were hindered by the sanctions still in place.

North Korea's «diplomatic offensive» involved not only South Korea and the United States. In 2018, Kim Jong Un met Chinese President Xi Jinping three times, in order to reinforce the strategic alliance between the two partners and to strengthen North Korea's negotiating position with the United States. For the same reason, Pyongyang reached out to Russia

1. White House, *Joint Statement of President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the Democratic People's Republic of Korea at the Singapore Summit*, 12 June 2018.

several times over the course of the year. For South Korea, foreign policy proved to be complicated in 2018. Aside from the agreement regarding North Korea, relations between Seoul and Washington were affected by the American insistence on reviewing the Free Trade Agreement between the two countries and on sustaining a higher share of the costs of US military in the country. While an agreement concerning free trade was signed by the two presidents in September, the division of the US military costs remained a disputed point. As for regional relations, South Korea continued the process of rapprochement with China that began in the second half of 2017, after the controversies over the deployment of the Terminal High Altitude Area Defense (THAAD) anti-missile system. Relations with Japan, on the other hand, turned sour after several disagreements between the two countries on controversial points related to the colonial period.

2. Domestic politics

2.1. The two faces of South Korean domestic politics in 2018

After his landslide victory in the May 2017 presidential elections, Moon Jae-in focused on a more active role for civil society and on a progressive economic agenda that emphasised the importance of state action to create new jobs and protect low-wage workers. During Moon's first months in office, this approach contributed to his incredibly high rates of public approval. Under the auspices of this popularity, a new and very confident South Korean government began 2018 with a crucial event, not only for domestic politics, but also for the country's international image and prestige: the 2018 Pyeongchang Winter Olympic Games.

When the International Olympic Committee elected Pyeongchang as the host city for the 2018 Winter Olympics, in July 2011, it was a compelling moment for South Korea. After having twice lost the bid for holding the Winter Olympics (2010 and 2014), the 2018 success represented a sort of coronation for Seoul's «Global Korea» strategy, aimed at having South Korea recognised as a global middle power. The «Global Korea» strategy - launched by President Lee Myung-bak in 2008 - specifically aimed at re-branding the country's international image as a thriving, developed and technological-advanced country.² One of the main goals of the policy was to distance South Korea from the shadow of North Korea's nuclear threats and to establish its own identity in the eyes of the international community. From this perspective, Pyeongchang Olympic Games were considered as the ideal continuation of the process that began with the 1988 Seoul Olympic Games: in 1988 Korea

2. Jojin V. John, 'Globalization, National Identity and Foreign Policy: Understanding «Global Korea»', *The Copenhagen Journal of East Asian Studies*, Vol. 33, No. 2, 2015, pp. 38-57.

opened up to the world; in 2018 it would show the extraordinary results achieved in the economic, technological and cultural fields.

The sudden advances towards South Korea made by North Korean leader Kim Jong Un during his New Year's Speech completely changed the narrative. Since his election, Moon had made clear that one of the key points of his political agenda was to restart inter-Korean dialogue and cooperation after a decade characterised by crises and growing mutual distrust. The «olive branch» extended by Kim at the beginning of 2018 represented a window of opportunity for Moon to put forward his strategy of rapprochement, after months of escalating tension due to the nuclear and missile tests. In this context, the Olympic Games seemed to represent a perfect opportunity to renew inter-Korean cooperation through sport diplomacy.³

Boosted by the success of the Pyeongchang Olympic Games and of the renewed dialogue with North Korea, Moon's popularity remained at very high levels for the first months of 2018.⁴ The political achievements and positive media exposure of the Panmunjom summit and mediation for the Singapore summit contributed to fuel the «honeymoon» between the South Korean government and public opinion. Moon consciously decided to invest most of his political capital in his new strategy of inter-Korean relations. However, this exposed the president to the risks and external variables outside his control; for example the behaviour of Kim Jong Un or that of Donald Trump, or the developments in relations between North Korea and the United States.

The popularity enjoyed by President Moon translated into political success in the local and parliamentary by-elections held on 13 June. Moon's Democratic Party won control of 14 out of 17 metropolitan cities and provinces, and 11 out of 12 seats in the National Assembly, including in the traditionally conservative south-east.⁵

Despite these achievements, South Korea's domestic political life remained afflicted by the traditional divide between progressives and conservatives and by the relatively weak position of Moon's party in the National Assembly. Moon's plan to revise the country's presidential system, which included replacing the existing single term of five years with two four-year terms, was blocked by the opposition within the National Assembly.⁶

3. Udo Merkel, 'The Politics of Sport Diplomacy and Reunification in Divided Korea', *International Review for the Sociology of Sport*, Vol. 43, No. 3, 2008, pp. 289-311.

4. 'Moon's approval rating rises to 74 percent thanks to improved ties with N. Korea', *Yonhap News Agency*, 16 March 2018.

5. 'South Korea's ruling party wins a landslide victory in local elections', *The Economist*, 14 June 2018.

6. U-Jean Jung, 'Moon Jae-in's first year as South Korea's president', *Al Jazeera*, 10 May 2018.

A further element that reinforced Moon's domestic position in the first half of 2018 was represented by the arrest, prosecution and conviction of two former conservative presidents. Former President Park Geun-hye, impeached and arrested in 2017, was sentenced to 24 years in prison in early April, on several charges that included corruption, abuse of power and leaking of government secrets.⁷ In a separate case in July, Park was sentenced to eight more years for the loss of government funds, while in August a court of appeal extended the first sentence to 25 years.⁸ The verdicts on Park's case put an end to the scandal that began in November 2016, when millions of demonstrators took to the streets, and continued with her impeachment which led to the election of Moon. In addition to Park Geun-hye, in 2018 another former conservative president, Lee Myung-bak, was arrested and convicted on charges of corruption, embezzlement and tax evasion. After his arrest in March, Lee was then sentenced to 15 years in jail.⁹ The discrediting of his predecessors helped to improve Moon Jae-in's public image. After his election, Moon distanced himself from the style of previous conservative presidents, becoming more accessible, open to policy input from the public and promoting a more accountable style of government.

The contrast between Moon and his conservative predecessors was most apparent with regard to economic policies. Starting from his speech at the National Assembly on 12 June, Moon affirmed his preference for an «income-led growth», which focused on the creation of new jobs and raising workers' income, reversing the conservative assumption that jobs are created as a result of growth.¹⁰ While the conservative approach emphasised the importance of creating a favourable environment for business – through a simplification of the legislation and tax cuts for example – the former aimed at boosting domestic consumption through an increase in purchasing power. This shift in strategy was also directed towards the progressive goal of improving «economic democratisation» in the country. In turn this implied the reduction of economic inequalities as well as the power and influence of big conglomerates, which often led to corruption. It also aimed at the improvement of the living standards of those on low-income and the enhancement of small and mid-sized enterprises.¹¹

7. Jo He-rim, 'Park Geun-hye sentenced to 24 years in prison', *The Korea Herald*, 6 April 2018.

8. Joyce Lee, 'South Korean court raises ex-president Park's jail term to 25 years', *Reuters*, 24 August 2018.

9. Choe Sang-hun, 'Former South Korean President Gets 15 Years in Prison for Corruption', *The New York Times*, 5 October 2018.

10. Kyle Ferrier, 'Moon Jae-in's Economic Agenda Three Months In', *Korea Economic Institute of America*, undated document.

11. Cheong Wa Dae (Office of President of South Korea), 'Opening Remarks by President Moon Jae-in at Fair Economy Strategy Meeting', 9 November 2018 (<https://english1.president.go.kr/BriefingSpeeches/Speeches/92>).

The three main pillars of this new approach were: the creation of jobs, especially in the public sector; the expansion of social security and income for the disadvantaged sectors of society, and the reform of large industrial conglomerates. In order to achieve the first two goals, Moon substantially increased public spending. One of his key economic initiatives was raising the minimum wage, with the twofold goal of improving living conditions of low-earners and boosting businesses and investments through consumption.

Turning these policies into practical economic results proved to be harder than expected. During the second half of 2018, the shortcomings of this approach were evident. In particular, the increase in the minimum wage reduced the creation of new jobs and the growth rate started to decrease. In July and August the number of jobs created was only 5,000 and 3,000 respectively, and the unemployment rate reached its highest level since the aftermath of the 1999 financial crisis.¹² The hourly minimum wage was raised by 16.4% (US\$ 6.64) in 2018 and was set to increase by 10.9% in 2019 (US\$ 7.37), with an estimated number of beneficiaries varying from 2.9 to 5 million workers.¹³ Concurrently, the government reduced the maximum working hours from 68 to 52 per week. Both these measures were intended to improve the living conditions of the low earners, but the unintended effects were a reduction of employment, especially for mid and small-sized enterprises, with fewer margins to absorb the rising costs.¹⁴ Paradoxically a policy intended to «democratise» the economy, was spawning economic disparity.

The negative trend in economic development continued after the summer and Moon's approval rating consequently declined. After the Singapore summit and the last inter-Korean summit of the year, in September, the diplomatic activism of South Korea lost momentum and public opinion began to focus on the government's poor economic results. President Moon's decision to invest most of his political capital on inter-Korean relations started to backfire leading to a much more difficult second half of the year for the government. In an effort to revive his approval rating, on 9 November the president decided to replace the finance minister and the presidential chief of staff for economic policy, Jang Hae-sung, the architect of the «income-led growth» strategy. Despite the new appointments, Moon reiterated his commitment to build a fairer economy along the lines of «economic democratisation».¹⁵

12. Evan Ramstad, 'South Korea's Stalling Job Market and Moon's Economic Push', *CSIS*, 18 September 2018.

13. Ministry of Employment and Labour, '2019 minimum wage set at 8,350 won per hour, 820 won (10.9%) increase from 2018', 14 July 2018 (http://www.moel.go.kr/english/poli/poliNewsnews_view.jsp?idx=1497).

14. Sang-young Rhyu, 'Korea's Moon is waning in the face of vested interests', *East Asia Forum*, 28 November 2018.

15. Bryan Harris, 'South Korea's president replaces top economic officials', *Financial Times*, 9 November 2018.

The economic problems of South Korea, together with the inertia of negotiations between the United States and North Korea on the nuclear issue, caused Moon's approval rating to further plummet towards the end of 2018. In December the number dropped to 45%, having reached 80% in the immediate aftermath of the first summit with Kim Jong Un.¹⁶ The conservative opposition took advantage of this downturn of the country's economic performance and approval rating, accusing the president of focusing too much on inter-Korean relations and neglecting the domestic economic difficulties. This trend reconfirmed the high volatility of political consensus in South Korea. In particular, it resembled the political dynamics of previous progressive administrations, under Kim Dae-jung and Roh Moo-hyun, which suffered a sharp decrease in popularity when progress on their inter-Korean policy stalled. Moon's decreasing popularity, the economic slowdown and the problems that emerged towards the end of 2018 in the diplomatic rapprochement between United States and North Korea, indispensable for the advancement of inter-Korean cooperation, represented crucial challenges for the South Korean government.

2.2. The new emphasis on economic development in North Korean domestic politics

After several years in which the development of nuclear weapons and military tension with the United States and South Korea dominated North Korean domestic politics, economic development in 2018 became the main priority for the regime. After having announced the complete development of North Korea's nuclear deterrent in his New Year address, Kim Jong Un emphasised the importance of raising the living standards of North Korean people. The «diplomatic offensive» initiated in 2018 was aimed at relieving the country from international sanctions and pursuing economic cooperation, starting with inter-Korean projects.

One day before the opening ceremony of the Olympic Games in Pyeongchang, North Korea staged a military parade for the 70th anniversary of its armed forces, the Korean People's Army. Compared to the previous year, this parade was considered smaller in scale. Moreover, contrary to what happened on previous occasions, video footage of the event was not available live and foreign journalists were not invited. These decisions might have signalled that the regime did not want to create tension with the international community at a very sensitive diplomatic moment such as the opening ceremony of the Olympics, with the two Koreas marching together and the participation of a high-level delegation from the North.¹⁷

16. Sotaro Suzuki, 'Moon's approval rating underwater on slowing economy', *Nikkei Asian Review*, 22 December 2017.

17. 'North Korea stages military parade on eve of Olympics', *Al Jazeera*, 8 February 2018.

The parade was probably intended for a domestic audience, to celebrate the military prowess of the country and reinforce the leader's position in the eyes of the population.

During a meeting of the Party's Politburo in April, Kim Jong Un for the first time mentioned the dialogue with South Korea and the United States, giving formal ratification of the negotiating process through domestic political institutions. The regime scheduled a plenary meeting of the central committee of the Workers' Party of Korea, in order to «discuss and decide the policy issues of a new stage in line with the demand of the important historic period of the developing Korean revolution».¹⁸ Kim Jong Un declared that the country's nuclear development was complete and that the regime no longer needed to perform nuclear or missile tests and also that it was ready to close the nuclear site of Punggye-ri, where previous nuclear tests had taken place. The statements about the nuclear strategy of the country attracted international attention, as they were considered part of a new approach to build trust before the upcoming summits with Moon Jae-in and Donald Trump. This development was welcomed both by South Korea and the United States, and it certainly helped in creating a favourable environment. However, Kim emphasised the completion of the nuclear forces as part of the *byungjin* two-track policy, launched by the leader in 2013. The speech did not make any direct reference to complete denuclearisation or to giving up existing nuclear weapons.¹⁹

The crucial point of Kim's address to the central committee was a shift in the country's strategy towards economic development, the second pillar of the *byungjin* policy, stating that «the party's [new] strategic course is to focus all of its energy on building a socialist economy».²⁰ The main obstacle to economic development was represented by international sanctions against the nuclear programme. Despite the fact that North Korea had demonstrated in the past its capacity to survive – and in some cases slightly grow – under strong sanctions, these limitations hindered economic development. The North Korean economy data released in July by the Bank of Korea seemed to confirm this, highlighting a contraction of the economy in 2017 of 3.5%, the sharpest in 20 years.²¹

The focus of the regime's efforts towards economic development was reflected also in the dialogue with South Korea and the United States. With regards the summits with Moon Jae-in, North Korea pushed

18. 'N. Korea's ruling party set for meeting on key policy decisions', *Yonhap News Agency*, 19 April 2018.

19. Lee Je-hun, 'Economic development becomes a priority for North Korea', *Hankyoreh English Edition*, 23 April 2018.

20. *Ibid.*

21. Cynthia Kim & Hayoung Choi, 'N.Korea economy declines at sharpest rate in 20 yrs in 2017', *Reuters*, 20 July 2018.

for a resumption of inter-Korean cooperation projects, in particular the Kaesong industrial complex and Kungang tourism. As for the United States, Kim's main priority was to obtain a relaxation of the sanctions regime. The intention of the North Korean regime was not exclusively to seek humanitarian aid and assistance. To expand economic development, North Korea needed to trade with neighbouring countries and to attract investments and technology, under the strict control of the government, to reinforce its industrial production. China and South Korea demonstrated a strong interest in this strategy, but the international sanctions still in place created insuperable barriers for this kind of engagement. For this reason, the theme of sanctions relaxation and economic cooperation represented a crucial aspect of inter-Korean relations during 2018 and also of the process of rapprochement between North Korea and the United States.

3. Inter-Korean relations

3.1. Inter-Korean relations and the Pyeongchang Olympic Games

The participation of North Korea in the 2018 Winter Olympic Games in Pyeongchang represented a crucial turning point for inter-Korean relations. This possibility was first proposed by North Korean leader Kim Jong Un in his New Year address in which he explicitly referred to the Olympic Games as a very important event for South Korea, also signalling his willingness to dispatch a delegation and adopt all the necessary measures, in close coordination with South Korean authorities.²²

This unexpected move from the North Korean regime was warmly welcomed by the South Korean government, which had been striving to achieve this goal through secret diplomacy in the previous months. Kim Jong Un's announcement was preceded by a series of meetings between officials of the two Koreas in which the South clearly demonstrated its willingness to host a North Korean delegation at the Olympics. For instance, the governor of the Gangwon province, where the Olympic venue was located, met North Korean officials during an international junior sport event in China, in December 2017.²³ This move had the twofold goal of putting inter-Korean dialogue back on track and also of securing peaceful conduct of the event, without threats from North Korea that could destabilise the situation. For this reason, it was not surprising that the day after the New Year speech, the South Korea government proposed working-level meetings to discuss the participation of a North Korean delegation to the Winter Games. In addition, following a phone

22. 'Kim Jong Un's 2018 New Year Address', *The National Committee on North Korea*, 1 January 2018.

23. Marco Milani, 'Korean Peninsula 2017: Searching for new balances', p. 47.

call between President Moon and President Trump, South Korea and the US agreed to postpone their joint military exercises until after the conclusion of the Olympic and Paralympic Games.²⁴

In the first week of January, dialogue between the two Koreas proceeded swiftly. On 9 January, two high-level delegations met in Panmunjom to discuss the possibility of North Korea's participation in the Olympics. The high profile meeting was reinforced by the presence of South Korea's Unification Minister Cho Myung-gyon and his North Korean counterpart Ri Son Gwon. The joint declaration that came out of the meeting focused on the issue of Olympic participation stating that: «In this regard the north side agreed to send a delegation of the National Olympic Committee, sports team, a cheer group, an art troupe, a Taekwondo demonstration group and a press corps along with a high-level delegation to the Olympic, and the south side agreed to provide conveniences needed for them.»²⁵ The remaining part of the declaration addressed the issues of reducing military tension, creating a peaceful environment on the peninsula and promoting national reconciliation, signalling a continuation of dialogue and cooperation beyond the Olympic event.²⁶ In the following weeks the two Koreas also agreed on further steps to consolidate the process of rapprochement related to the Olympic games with the decision to march together during the opening ceremony, to hold joint ski training sessions in North Korea and to field a joint Korean women's ice hockey team. Although none of these were first-time events – for example the two Koreas marched together for the Olympic opening ceremony in Sidney (2000), Athens (2004) and Turin (2006) and had a joint team for the table-tennis world championship in 1991 – the symbolic value of holding them in the Korean peninsula, after two years of open hostility and military confrontation, made the decision particularly important.

The weeks preceding the Olympic Games were characterised by a positive atmosphere for inter-Korean relations. On 21 and 22 January, North Korea sent a high-level delegation to the South which also included the leader of the Moranbong band – an all-female music group, whose members are reportedly personally selected by Kim Jong Un and whose key singer had been the member of the Central Committee of the Workers' Party of Korea Hyon Song Wol. During the visit, Hyon was pursued by the South Korean media and treated as a celebrity.²⁷

24. Den Lamothe & Simon Denyer, 'Trump agrees to delay military exercise with South Korea until after Winter Olympics', *The Washington Post*, 4 January 2018.

25. Ministry of Unification of the Republic of Korea, 'The two Koreas released the following joint press statement at the end of the high-level talks held on Tuesday, January 9', 9 January 2018 (https://www.unikorea.go.kr/eng_unikorea/news/news/?boardId=bbs_0000000000000033&mode=view&cntId=54348).

26. *Ibid.*

27. Tara Francis Chan, 'One of North Korea's most-influential women is attracting a lot of attention – which is exactly what Kim Jong Un wants', *Business Insider*, 22 January 2018.

The Olympic diplomacy between the two Koreas followed two equally important tracks. One was represented by the cultural-symbolic aspect. The opening ceremony on 9 February saw athletes of the two Koreas marching together under the so-called Korean Reunification flag, with two standard-bearers, one from the North and one from the South. Among the South Korean public, the sense of shared identity with the North and awareness of belonging to the same cultural community that constitutes a fundamental part of inter-Korean relations was very much in evidence. Despite the presence of some limited and sporadic protests by conservative groups, the participation of the North Korean delegation was hailed a great success. Even the controversy at the announcement of the joint women's ice-hockey team disappeared when the athletes began to play, and the enthusiasm in the audience remained very high despite the disappointing results on a sporting level.

The second important track was represented by the political dimension of the rapprochement between the two Koreas. As already stated in the joint statement of 9 January, the Olympic diplomacy was considered a first step towards a general improvement in inter-Korean relations. The two Koreas used the occasion to restart high-level dialogue. The presence of Kim Jong Un's sister, Kim Yo Jong, was interpreted as a clear signal of the importance that the leader was attaching to this event. In addition to being alternate member of the Politburo of the Party's Central Committee, Kim Yo Jong was regarded as one of the closest aids of the leader. She was part of a delegation formally headed by the President of the Presidium of the Supreme People's Assembly – and official head of state – Kim Yong Nam, but the most important member of the delegation. After attending the ceremony, Kim Yo Jong met with President Moon for three hours, during which she extended an invitation from her brother for him to visit Pyongyang. The South Korea president's response was positive, but cautious.²⁸ In this first phase, in fact, North Korea diplomatic efforts were aimed mostly toward South Korea, while relations with the US remained tense, as clearly demonstrated by Vice President Pence's attitude towards the North Korean delegation during the opening ceremony.²⁹ President Moon, well aware of the importance of restoring dialogue but also of the crucial role of the US in this context was cautious, stating that the times were not ripe yet for an inter-Korean summit.

At the closing ceremony of the Olympic Games, the North Korean delegation was headed by the powerful former director of the intelligence service Kim Yong Chol, who reportedly affirmed his government's willingness to open a dialogue with the United States. The weeks that

28. Benjamin Haas, 'Kim Jong-un's sister invites South Korean president to Pyongyang', *The Guardian*, 10 February 2018.

29. Motoko Rich & Choe Sang-Hun, 'Kim Jong-un's Sister Turns On the Charm, Taking Pence's Spotlight', *The New York Times*, 11 February 2018.

followed saw an incredible series of events that led to unprecedented developments in inter-Korean relations. During the first week of March, South Korea sent a delegation to the North headed by the director of the National Security Office, Chung Eui-yong, and the director of the National Intelligence Service, Suh Hoon. The two officials met with Kim Jong Un just a few hours after their arrival at Pyongyang airport for a four-hour long meeting followed by a banquet. The visit proved to be a ground-breaking event. The South Korean envoys reported that the two parties had agreed to hold the third inter-Korean summit in late April, on the southern side of the border village of Panmunjom – the first time a North Korean leader had set foot in the South after the Korean war. A direct telephone line between the two leaders was installed. In addition, Chung and Suh reported that the North Korean leader stated his willingness to open a dialogue including also the issue of denuclearisation – usually considered taboo – and to suspend all missile and nuclear tests for the duration of the talks.³⁰ After returning from North Korea the two South Korean delegates flew to Washington to brief President Trump about the meeting with the North Korean leader and to forward the proposal for a summit from Kim Jong Un. The American president immediately accepted the proposal and stated the summit should be held before the end of May.³¹

The diplomatic activity after Kim's speech had completely changed the situation on the peninsula in just two months, demonstrating the Olympic participation was just a first step in a broader strategy. The South Korean government's promptness to proactively work towards dialogue and negotiation also played a crucial role. Moon Jae-in's electoral pledge that South Korea would take back its position in the driver's seat of inter-Korean relations was becoming reality.

3.2. The third inter-Korean summit and the «Panmunjom declaration»

After the sudden and unexpected developments of the Olympic diplomacy the expectation and preparations for the third inter-Korean summit, 12 years after the second, dominated the agenda between North and South Korea. During a working-level meeting in late March at the border village of Panmunjom the date for the summit was set for 27 April. In early April the two Koreas again played the card of cultural diplomacy, to improve their relations and prepare the terrain for the upcoming event. From 1 to 3 April a troupe of South Korean artists travelled to North Korea, to reciprocate the artistic performances which took place in South Korea during the Olympics. The South Korean delegation, which included

30. Joshua Berlinger & Sophie Jeong, 'Kim Jong Un wants to «write new history» on South Korea reunification', *CNN*, 7 March 2018.

31. 'Trump, Kim agree to meet by May: Seoul envoy', *Yonhap News Agency*, 9 March 2018.

celebrity K-pop bands, performed two concerts in Pyongyang; Kim Jong Un attended the first one, posing for a picture with South Korean artists at the end of the performance.³² These cultural exchanges reconnected the two Koreas at the cultural and social level, emphasising the common cultural traits that are shared by the population of the entire peninsula, despite more than 70 years of division. These exchanges had positive repercussions at the political level. The image of North Korea – and also of its leader – improved considerably according to South Korean public opinion, as demonstrated by surveys taken immediately after the summit;³³ at the same time, the North Korea official propaganda began to portray South Korea more positively.

The third inter-Korean summit that took place in Panmunjom on 27 April can certainly be regarded as a turning point for the two Koreas. For the first time after the Korean war a North Korean leader set foot in South Korea; the powerful image of Kim Jong Un and Moon Jae-in crossing the boundary line together twice, hand in hand, represented a historical event of enormous symbolic value. Moon and Kim were then welcomed to the Peace House by a military guard in traditional uniform of the Chosŏn period, another important symbol of the unity of the Korean nation before the Japanese colonisation and the subsequent division. Inside the building, the two leaders then paused before a painting of Mount Kungang, an important symbol for both Koreas, and the site of one of the main inter-Korean cooperation projects (the Mount Kungang Tourism Project). In the afternoon the two leaders attended a ceremony in which a tree, originally planted within the de-militarised zone in 1953, was replanted with water and earth from symbolic places of both the South and the North.³⁴ This elaborate ceremony, full of the symbolism of unity and reconciliation played a fundamental role in celebrating the historical significance of the event, but also in underlining the importance of the historical-cultural aspects that the two Koreas still share today, after more than 70 years of division and confrontation.

This summit was relevant not only from a symbolic perspective. As in 2000 and 2007, at the end of the summit the two leaders presented a joint declaration, aimed at reiterating the basic principles of the inter-Korean reconciliation process and the themes discussed in the summit agenda: inter-Korean cooperation, peace, and the denuclearisation of the peninsula. The first two points occupied most of the «Panmunjom declaration», as the document was named, including also practical guidelines on short and

32. Choe Sang-hun, 'Onstage, South Korean K-Pop Stars. In the Balcony, Kim Jong-un, Clapping', *The New York Times*, 1 April 2018.

33. Hyonhee Shin & Haejin Choi, 'South Korean trust in North jumps after feel-good summit', *Reuters*, 30 April 2018.

34. Khang Vu, 'Deciphering symbols at the inter-Korean summit', *The Interpreter*, 28 April 2018.

medium-term developments in these areas.³⁵ As for inter-Korean relations, the two leaders agreed to set up a liaison office in Kaesong, another place of great symbolic significance both from the historical point of view and for inter-Korean cooperation, to restart family reunions on 15 August, the day commemorating the liberation of the peninsula from Japanese colonial rule, and adopting practical steps for the connection and modernisation of the railways and roads between the two Koreas. The two leaders agreed to work to eliminate military tensions along the de-militarised zone, by ceasing all hostile acts against each other and undertaking practical military confidence-building measures, and to create a «maritime peace zone» in the disputed waters in the Western sea. In addition, the two Koreas agreed to work to reach a new definitive solution to the precarious 1953 armistice agreement, collaborating with the United States and China, the other actors involved in the conflict. As largely expected, the last point concerning denuclearisation of the peninsula remained rather vague.³⁶ For North Korea it was considered a final step in a much broader effort to improve security relations on the peninsula and in the region. Also, Pyongyang has consistently affirmed that negotiations regarding the nuclear programme must be between North Korea and the United States. For this reason, it was not surprising that the declaration focused more on inter-Korean relations. Nevertheless, the fact that denuclearisation was included in the declaration represented an important confirmation of Kim Jong Un's willingness to discuss the issue. It also confirmed the role that South Korea was playing as facilitator between the US and North Korea on the nuclear programme issue, as previously demonstrated by the successful «shuttle diplomacy» of Chung Eui-yong and Suh Hoon in March.

This development represented an important change from the previous negotiation framework of the «Six Party Talks» that was put in place to address the second nuclear crisis from 2003 to 2008 in which China played the role of main mediator, while South Korea's role was marginalised.³⁷ This trend was clearly demonstrated by a second inter-Korean summit which took place soon after the 27 April meeting.

On 26 May, Moon and Kim met again in Panmunjom to re-arrange the summit between Trump and Kim Jong Un, abruptly called off by the American president on 24 May because of the hostility demonstrated by North Korea in the previous weeks. This surprise Moon-Kim summit lasted

35. Ministry of Foreign Affairs of the Republic of Korea, 'Panmunjom Declaration for Peace, Prosperity and Unification of the Korean Peninsula', 27 April 2018 (<http://www.mofa.go.kr>).

36. *Ibid.*

37. The Six Party Talks was a diplomatic multilateral framework created in 2003 to address and possibly resolve the second nuclear crisis in North Korea. The framework included North and South Korea, the United States, China, Russia and Japan.

only two hours and unlike the previous one was not publicised.³⁸ In the role of mediator, Moon shortly afterwards issued a statement: «Chairman Kim made clear once again his intentions to completely denuclearise the Korean Peninsula, as he did in the Panmunjom Declaration. He expressed his willingness to work together to promote peace and prosperity as well as to put an end to the history of war and confrontation through the success of a North Korea-United States summit.»³⁹ The second summit also demonstrated that after 26 April relations between the leaders of the two Koreas could be carried forward in a much more informal way, signalling the higher level of mutual trust and also their commitment to address and resolve any obstacles to the diplomatic process. This was made clear by President Moon when stating: «Yesterday's summit was held like a routine meeting between friends. We agreed to communicate and to sit together to have candid discussions whenever necessary.»⁴⁰ Once again, Moon Jae-in confirmed his commitment take a proactive role in addressing the political issues regarding the peninsula.

3.3. *The restart of inter-Korean dialogue and cooperation*

The inter-Korean dialogue that started with the Olympic diplomacy and culminated with the third summit in Panmunjom led to the resumption of inter-Korean cooperation. During the summer the two Koreas held several important meetings in order to address specific principles enshrined in the «Panmunjom declaration». From mid-June onwards, North and South Korea resumed high-level and working-level military talks, agreeing to fully restore a direct military hotline and communication lines between the two navies. In addition the two Koreas reached a broad agreement about disarming the Joint Security Area and reducing the number of guard posts on the border.⁴¹ Concurrently, cooperation began in other fields. In late June, the two parties agreed to conduct preliminary inspections for the reconnection of cross-border railroads and roads, while the Red Cross agreed to hold family reunions at the Mount Kungang resort on 20 to 26 August, for the first time in three years. Sports cooperation also continued to be at the forefront of inter-Korean cooperation, following the Olympic Games. The South Korean basketball team flew to Pyongyang in July for a friendly game against the North's team. During the Asian Games in Indonesia in August, the two Koreas marched together at the opening ceremony and competed with joint teams in women's basketball, dragon boat racing and three rowing events.⁴²

38. Hamish MacDonald, 'Moon Jae-in and Kim Jong Un hold surprise second summit at Panmunjom', *NK News*, 26 May 2018.

39. Sohn JiAe, 'NK remains committed to US dialogue, denuclearization: president', *Korea.net*, 27 May 2018.

40. *Ibid.*

41. Aidan Forster-Carter, 'Sunshine 2.0: Good start – but how far can it go?', *Comparative Connections*, Vol. 20, No. 2, 2018, pp. 75-76.

42. *Ibid.*

These first practical examples of cooperation demonstrated the willingness of both Koreas to resume the process of reconciliation of the decade of the so-called «Sunshine policy» (1997-2007), implementing cooperation projects and events relatively easy to manage in terms of logistics and security. However, the strict sanctions implemented by the UN Security Council resolutions and unilateral sanctions remained in place, even after the summit between Kim Jong Un and Donald Trump, limiting more substantial cooperation, especially in economic projects.

One of the most important steps in this early phase of renewed inter-Korean cooperation was represented by the opening of a permanent liaison office between the two Koreas in Panmunjom on 14 September, as agreed during the first Moon-Kim meeting. The new office, with a resident staff of 15 to 20 officials from each country, enabled instant communication between the two Koreas on a wide range of matters and constituted a clear example of the process of institutionalisation of inter-Korean cooperation through the creation of permanent channels of communication.⁴³

The leaders of the two Koreas met again for the third time in less than five months from 18 to 20 September, when Moon Jae-in travelled to Pyongyang for a three-day visit, as agreed in the «Panmunjom declaration», becoming the third South Korean president to visit Pyongyang. As with the first summit, symbolism played a key role. Moon and the first lady, Kim Jung-sook, were greeted at the airport by Kim and his wife Ri Sol Ju with a guard of honour. The two couples then paraded through the streets of Pyongyang greeted by thousands of North Korean citizens. Significantly, these images were broadcast live from Pyongyang for a global audience, not through the national Korean Central Television but a South Korean TV pool.⁴⁴ A further event full of symbolic value was the short speech that President Moon gave in front of a North Korean audience of 114,000 people, when the two leaders attended a modified version of the famous mass games «Glorious Country», that emphasized the importance of peace, reconciliation and national unity.⁴⁵ But probably the most significant event that took place during Moon's trip was the surprise visit of the two leaders and their wives to Mount Paektu, Korea's highest mountain, and considered a sacred peak by Koreans. The two leaders took pictures together in a very informal atmosphere, reinforcing the idea of friendship and familiarity already displayed in the first two meetings.⁴⁶

43. Ock Hyun-ju, 'Two Koreas open joint liaison office in North', *The Korea Herald*, 14 September 2018.

44. Martyn Williams, 'North Korean Media: KCTV's Coverage of Kim Jong Un's Diplomatic Push in 2018', *38 North*, 27 December 2018.

45. Ock Hyun-ju, 'Moon Jae-in attends mass games in Pyongyang', *The Korea Herald*, 20 September 2018.

46. Benjamin Haas, '«Dream come true» for Moon as Korean leaders make mountain pilgrimage', *The Guardian*, 20 September 2018.

Moon's visit to Pyongyang was not only about reconciliation and Korean national unity however. On the second day of the summit, the leaders of the two Koreas signed a joint declaration, the «Pyongyang declaration», which listed the further steps necessary to improve inter-Korean cooperation in the spirit of the previous «Panmunjom declaration». The joint document was composed of five points, with a sixth which only contained Moon's invite for Kim to visit Seoul at an early date. The first four points addressed specific fields of inter-Korean cooperation.⁴⁷ The first point reiterated the agreement included in the previous declaration on the cessation of military hostility and confrontation along the border. However, this time the declaration included an annex, signed by the ministers of defence of the two Koreas, with practical measures towards this goal.

The so-called «Agreement on the Implementation of the Historic Panmunjom Declaration in the Military Domain» prescribed a series of practical confidence building measures such as the removal of guard posts from the de-militarised zone (DMZ), joint operations for demining and searching for remains of soldiers within the DMZ, the establishment of a no-fly area and the cessation of military exercises along the border.⁴⁸ According to Chung Eui-yong the document was tantamount to a non-aggression agreement between the two Koreas.⁴⁹ The points from two to four focused on economic, humanitarian and cultural cooperation, with some very specific steps, such as road and rail reconnections, joint forestry projects, exchanges between separated families and the promotion of cultural and sport events (including the possibility of a joint hosting of the 2032 Summer Olympic Games).

Interestingly, the point concerning economic cooperation included an explicit reference to the flagship projects of the Kaesong industrial complex and the Mount Kumgang Tourism Project, both inaugurated by progressive presidents in the years of the Sunshine policy and later suspended due to the increasing tension in inter-Korean relations. In spite of the fact that the sanctions in place prevented the re-opening of the projects, the document clearly expressed the shared will of the two leaders to work towards their resumption – and implicitly for South Korea to pursue a relaxation of the international sanctions regime.

The fifth point of the declaration addressed the thorny issue of denuclearisation of the peninsula. While in Panmunjom the two leaders' declaration was limited to a general shared engagement to work towards denuclearisation, in Pyongyang the agreement included specific measures

47. 'Pyongyang Joint Declaration of September 2018', *The National Committee on North Korea*, 19 September 2018.

48. Aidan Foster-Carter, 'An unprecedented year, but will progress continue?', *Comparative Connections*, Vol. 20, No. 3, 2019, p. 74.

49. Daryum Ji, 'Two Koreas agree to end military exercises near border, withdraw GPs in DMZ', *NK News*, 19 September 2018.

such as the dismantlement of the Tongchang-ri missile engine test site and launch platform and the possibility to permanently dismantle the nuclear facilities in Yongbyon, on condition of the United States taking corresponding measures. This final point provided useful information regarding the connection between inter-Korean relations and the denuclearisation issue. The fact that the nuclear issue had been included in the declaration explicitly signalled that South Korea played a key role in the mediation between North Korea and the US, as demonstrated by Moon's role in brokering the summit between Kim and Trump. In addition, it confirmed the idea that for upgrading inter-Korean to a more substantial level, namely from cultural and humanitarian cooperation to economic cooperation, South Korea has to work in tandem with the US and secure progress on the denuclearisation issue, which in turn could lead to a relaxation of the sanctions regime. Lastly, the point of the declaration, with the explicit reference to the United States, could be seen as a sort of diplomatic message sent to Washington, highlighting the specific practical steps that Pyongyang was ready to take in exchange for mutual concessions.

The Pyongyang summit and the joint declaration gave new impetus to inter-Korean cooperation in the final months of the year. The two Koreas began a joint operation of demining in the DMZ on 1 October, in preparation for the search for the remains of missing-in-action (MIA) soldiers. After demining and the removal of military guard posts from the DMZ, the two Koreas and the United Nations Command verified the completed disarmament of the Joint Security Area (JSA).⁵⁰

At the end of November, a South Korean technical squad was sent to North Korea for the joint inspection of the North's railroad system in light of the future reconnection. Despite the slow speed and bad condition of the rails, the inspections were generally thorough and covered both the east and west coast lines up to the borders with China and Russia. In December a second squad carried out a similar survey of the road system. After completion of the inspections, the two Koreas held a ceremony in Kaesong on 26 December to celebrate the new beginning of inter-Korean cooperation in transportation. The difficulties in obtaining an exemption from the sanctions to conduct the inspections demonstrated once again the limits that sanctions pose to inter-Korean cooperation, and thus the necessity to advance the denuclearisation issue as a means of upgrading cooperation projects to a higher level.⁵¹

The year ended with a letter sent by Kim Jong Un to Moon Jae-in in which the North Korean leader regretted the fact that he could not visit the South before the end of the year and expressed his desire to meet

50. 'Koreas, UNC complete JSA disarmament verification', *Yonhap News Agency*, 28 October 2018.

51. Min Joo Kim & Simon Denyer, 'North and South Korea hold ceremony to link railways, but sanctions block way', *The Washington Post*, 26 December 2018.

frequently with his counterpart during 2019, and his willingness to resolve the denuclearisation of the peninsula together.⁵² The advancements in inter-Korean relations that were achieved during 2018 were unthinkable only a few months earlier. A decade of conservative governments in South Korea and the increasing tension due to the North's nuclear and missile programmes had dismantled the entire framework for inter-Korean cooperation and dialogue that had previously been built. Even during the first months of Moon's presidency, despite his strategy of engagement toward Pyongyang, inter-Korean dialogue was impeded by controversies over the nuclear issue. For this reason, the sudden turn of events that followed Kim Jong Un's New Year speech was unexpected. Nonetheless, the South Korean government was ready to take advantage of the opportunity. The symbolic value of these initiatives, albeit important, was a reminder that sanctions over the nuclear issue and the involvement of the United States remained an unavoidable element, inhibiting relations between the two Koreas. For this reason, Moon and his government are bound to pursue substantial improvements during 2019, in order to stabilise the situation on the peninsula and to start implementing cooperation projects in more substantial fields, such as economics.

4. International Relations

4.1. The Singapore summit and its consequences

After years of deadlock, during which Pyongyang had been able to considerably advance its nuclear and missile programmes, and following the first year of Trump's presidency characterised by a very dangerous escalation of tension, the historic summit between an American sitting president and the leader of North Korea (12 June 2018) appeared to lead to a negotiated solution to the nuclear issue and a new era of positive relations between the two countries.

In spite of this, 2018 did not start with a rapprochement between North Korea and the United States. During his New Year speech, Kim Jong Un opened the door to inter-Korean dialogue but at the same time maintained his threatening rhetoric towards Washington, stating that North Korea had completed its nuclear development, that the nuclear button was always on his desk and ready to defend the country from external attacks, confirming once again the «defensive» character of North Korea's nuclear programme. Trump's response to this threat followed the same pattern as previous months, with a tweet in which the American president compared the North Korean nuclear programme to the American one, boasting

52. Chad O'Carroll, 'In letter, Kim Jong Un says he wants to meet Moon Jae-in «frequently» in 2019', *NK News*, 30 December 2018.

that it was much more powerful.⁵³ During the first weeks of the year, the renewed dialogue between the two Koreas, channelled through the Olympic diplomacy, apparently did not bear positive results for the relations between Pyongyang and Washington. During his State of the Union address, in late January, Trump made explicit references to the violations of human rights in North Korea.⁵⁴ In addition, when Vice-President Mike Pence attended the opening ceremony of the Olympic Games he explicitly avoided any kind of contact with the North Korean delegation, despite being seated a few meters away.

The situation started to change in the second half of February, after President Moon publicly stated that North Korea had expressed its availability to open a dialogue with the United States. From then on, Moon led the mediation, first with a phone call to Trump on 1 March followed by a trip to Washington of South Korea special envoys Chung and Suh. Trump, rather surprisingly, immediately accepted Kim's offer to meet. According to the American president, his decision was due to the high level of confidence that he placed on his ability to negotiate directly with the North Korean leader, and break the existing stalemate. At the same time, the unprecedented nature of the meeting gave Trump the opportunity to outshine his predecessors. This was, however, a hazardous decision leaving little time for the American negotiating team to prepare.

The summit was initially planned for May. Shortly after the announcement the American president reshuffled key positions of his foreign and security policy team. Secretary of State Rex Tillerson was replaced by former CIA director Mike Pompeo, and National Security Adviser H.R. McMaster by John Bolton. Both Pompeo and Bolton were more «hawkish» towards North Korea than either of their predecessors. Bolton had previously referred to the unreliability of the North Korean leadership and even advocated military intervention.⁵⁵

Despite these new appointments, the summit began positively. In mid-April, Pompeo visited North Korea for the first time. There he met not only the North Korea official in charge of negotiating with the United States, Kim Yong Chol, but also Kim Jong Un. On 29 April, South Korea announced that Kim Jong Un agreed to close the nuclear site in Punggye-ri and invited foreign experts and journalists to witness the event.⁵⁶ As a

53. Peter Baker & Michael Tackett, 'Trump Says His «Nuclear Button» Is «Much Bigger» Than North Korea's', *The New York Times*, 2 January 2018.

54. Robert R. King, 'North Korean Human Rights in the 2018 and 2019 State of the Union Addresses – What a Difference a Year Makes', *CSIS Commentary*, 7 February 2019.

55. Uri Freedman, 'McMaster Is Out, an Even Bigger North Korea Hawk Is In', *The Atlantic*, 22 March 2018.

56. Kim Tong-hyung, 'North Korea offers to give up nukes if US vows not to attack', *Associated Press*, 29 April 2018.

further gesture of goodwill, in early May, the North Korean regime decided to release three American citizens detained in the country during the Secretary of State's second visit. On 10 May, Trump officially announced that the summit would take place in Singapore on 12 June.

The honeymoon between the two countries seemed to have evaporated by mid-May. The North Korean regime cancelled a scheduled meeting with South Korea in protest at its joint military exercises with the US, resumed on a smaller scale after the Olympic Games. In addition, Pyongyang threatened to call off the summit between the two leaders if the United States continued to support an immediate and unilateral denuclearisation – the so-called «Libya model» – publicly supported by newly-appointed National Security Adviser John Bolton.⁵⁷ The rapid deterioration of the situation led Trump to cancel the summit on 24 May, citing the provocative and derogatory statements of North Korean officials. Pyongyang refrained from escalating the situation and the intervention of South Korea restored harmony. On 1 June, Kim Yong Chol flew to the United States and met with Trump at the White House, carrying a personal letter from Kim Jong Un. After the meeting, the American president announced that the 12 June summit was back on track. These provocative exchanges on the eve of the summit were probably part of a signalling tactic aimed at reinforcing the respective negotiating positions and, in the case of North Korea, showing displeasure towards some possible members of the American delegation.

Trump and Kim arrived in Singapore on 10 June and each met separately with Singapore Prime Minister Lee Hsien Loong. In a further effort to rebrand his image abroad, Kim Jong Un visited some of the most iconic attractions of Singapore the day before the summit, smiling for informal pictures with Singapore Foreign Minister Vivian Balakrishnan.⁵⁸ The summit was held on 12 June at the Capella Singapore hotel on Sentosa Island. After the historic and highly choreographed handshake, Kim and Trump held a private meeting, followed by another which included the two leaders' closest advisors. The friendly atmosphere of the summit ended with the signing of a short joint declaration. The document was comprised of four points that affirmed the shared goal of working towards a new era of relations based on peace and prosperity, joint efforts to build a peace regime on the peninsula – interpreted as the starting point of a peace treaty to formally end the Korean War – and the North Korean commitment to work towards the denuclearisation of the peninsula. According to Pyongyang, this last point included not only its own nuclear programme, but also the possible deployment of US nuclear weapons in South Korea or surrounding areas, where they could represent a threat to North Korea. The fourth point

57. Choe Sang-hun & Mark Landler, 'North Korea Threatens to Call Off Summit Meeting With Trump', *The New York Times*, 15 May 2018.

58. Linette Lai, 'North Korean leader Kim Jong Un visits Singapore attractions on eve of Trump-Kim summit', *The Straits Times*, 11 June 2018.

addressed the issue of recovering and repatriating the remains of American soldiers who fought in the war.⁵⁹ In addition, it is worth noting that the point regarding denuclearisation was listed as third in the document and did not explicitly refer to the North Korean nuclear programme, but rather to the denuclearisation of the entire peninsula. During the press conference that followed the summit, Trump surprisingly announced the suspension of joint military exercises between the United States and South Korea, which he defined as expensive «war games».⁶⁰ According to his critics, Trump had conceded too much to Pyongyang. The absence of a specific and shared definition of complete denuclearisation, as well as any form of specific commitment from North Korea was seized upon. Despite these criticisms, the historical significance of the event, the attention of the media and the cordial atmosphere of the meeting gave Trump the opportunity to claim unprecedented success at the summit. Back in Washington, Trump immediately tweeted that North Korea was no longer a nuclear threat.⁶¹

North Korea emerged from the Singapore summit strengthened. The unilateral suspension of the joint military exercises represented a major diplomatic success, as well as the fact that the declaration explicitly suggested working towards a peace treaty – a long-awaited goal for Pyongyang – and that it was prioritised ahead of denuclearisation. But the most relevant result for Kim Jong Un was international recognition as a credible and legitimate leader. From a domestic point of view, the summit glorified the leader as a great statesman on the world stage. The key word for Kim was therefore legitimisation, and from this perspective the result obtained was of the highest level.

The immediate aftermath of the summit maintained a positive momentum for US-North Korea relations. Pompeo visited North Korea in early July to discuss the implementation of the joint declaration. A few weeks later, American and North Korean generals met in Panmunjom to discuss the repatriation of the remains of American soldiers who fought during the Korean War. On 27 July the remains of 55 soldiers were brought to a US base in South Korea.⁶²

However, towards the end of the summer the situation slipped into a new diplomatic stalemate. After the positive effects of the summit, North Korea and the United States started to find difficulties in translating the leaders' commitments into practical steps.

59. 'The Trump-Kim Summit Statement: Read the Full Text', *The New York Times*, 12 June 2018.

60. Josh Smith & Phil Stewart, 'Trump surprises with pledge to end military exercises in South Korea', *Reuters*, 12 June 2018.

61. Paul Sonne, 'Trump says North Korea is «no longer» a nuclear threat. The Pentagon budget suggests otherwise', *The Washington Post*, 13 June 2018.

62. 'Korea remains: Pyongyang returns US troops slain in Korean War', *BBC News*, 27 July 2018.

On 23 August, the US administration announced the appointment of Stephen Biegun as the new special envoy for North Korea, replacing Joseph Yun who had retired earlier in the year. The day after the appointment, Trump announced the cancellation of Pompeo's visit to Pyongyang while the new special envoy cited lack of progress from North Korea regarding denuclearisation and the lack of assistance from China in enforcing sanctions.⁶³ This decision signalled the difficulties of implementing the vague prescriptions of the Singapore declaration. Despite the setback, the diplomatic channel remained open, though with scarce practical results. Pompeo met with North Korean Foreign Minister Ri Yong Ho on the side-lines of the UN General Assembly in late September, and flew to Pyongyang in October, where he met Kim Jong Un and discussed the possibility of a second summit with Trump in the near future. On this occasion the North Korean leader offered international inspections to the closed nuclear site of Punggye-ri, but the two sides were unable to reach agreement on other US requests, such as the provision of a complete inventory of North Korea's nuclear and missile weapons, and production and storage sites.⁶⁴

Despite the good relationship between the two leaders, the distance on the way forward in the implementation of the Singapore declaration remained. As a further demonstration of the difficulties, in November the two sides postponed a scheduled meeting between Pompeo and Kim Yong Chol.⁶⁵ The developments of the previous months demonstrated the shortcomings of the diplomatic process between the US and North Korea. In order to break the stalemate, the two countries started to work towards a new summit, to be held in early 2019. North Korea continued to seek the support of partners more willing to cooperate and to put pressure on the US to reduce sanctions.

4.2. Kim Jong Un's «diplomatic offensive»

The «diplomatic offensive» launched by the North Korean leader, Kim Jong Un in his New Year address was a key factor of change for North Korea's foreign policy in 2018. The previous year's continued nuclear and missile testing had strongly affected the country's relations with the United States, with an escalation of tension that culminated with Trump's address to the UN General Assembly in which he threatened to destroy North Korea.⁶⁶

63. Katrina Manson, 'Donald Trump cancels Mike Pompeo visit to North Korea', *Financial Times*, 24 August 2018.

64. Choe Sang-hun & David E. Sanger, 'North Korea Agrees to Allow Inspectors Into Nuclear Testing Site, Pompeo Says', *The New York Times*, 7 October 2018.

65. Austin Ramzy, 'Pompeo Meeting With North Korean Diplomat Postponed', *The New York Times*, 7 November 2018.

66. Marco Milani, 'Korean Peninsula 2017: Searching for new balances', *Asia Maior 2017*, p. 51.

Similarly, China's decision to enforce new rounds of international sanctions approved in 2017 damaged relations between Pyongyang and Beijing.⁶⁷

The new tone of North Korea's foreign policy that was set by Kim's speech was translated into practical diplomatic steps in the first months of 2018. The first opening, directed toward South Korea and the improvement of inter-Korean relations through the Olympic Games, was followed by a broader strategy of engagement towards other partners. At the end of March, Kim Jong Un met with President of the International Olympic Committee (IOC) Thomas Bach, in Pyongyang. The discussion between the two focused mostly on sport issues. During the meeting, Kim and Bach reconfirmed the importance of Olympic diplomacy in building peace on the peninsula. The IOC president also obtained the commitment of the North Korean regime to participate in the upcoming Olympic Games in Tokyo (2020) and Beijing (2022).⁶⁸

North Korea's «diplomatic offensive» was also directed at China. The Sino-North Korean relationship represents a cornerstone of Pyongyang foreign policy. In addition to the historical, ideological, political and military ties between the two communist regimes, which can be traced back to the Chinese military intervention during the Korean War, the two countries still shared a formal military alliance and Beijing accounted for more than 90% of the total trade volume of North Korea.⁶⁹ For these reasons, the role of China has always been crucial. Despite this, prior to 2018 the leaders of the two countries, Kim Jong Un and Xi Jinping, had never met. In recent years, the relationship has been affected by friction over the North Korean nuclear and missile programmes. Beijing considers the North Korean nuclear programme a source of instability in the region which in turn has led to an increasing US military presence in the peninsula, as shown by the deployment of the THAAD anti-missile system in South Korea.⁷⁰

Shortly after the announcement of the summit with Trump and one month before the first summit between Kim and Moon Jae-in, the North Korean leader travelled to Beijing to meet Xi Jinping, in his first visit abroad after taking office in 2011. The meeting, from 25 to 28 March, reconfirmed the key role of China in North Korea's foreign relations at a time when Beijing appeared to have been side-lined by Seoul and Washington. The visit was kept secret by the media and government of both countries until Kim left Beijing on his armoured train. No agreements or joint documents were made public and those comments reported by

67. *Ibid.* p. 55.

68. 'IOC president says Kim committed to Tokyo, Beijing Olympics', *Associated Press*, 31 March 2018.

69. Eleanor Albert, 'The China-North Korea Relationship', *The Council of Foreign Relations*, 28 March 2018.

70. Marco Milani, 'Korean Peninsula 2016: The never-ending crisis', *Asia Maior* 2016, pp. 110-112.

the media made no specific references to the upcoming summits or the possibility of denuclearisation.⁷¹ The meeting confirmed the «special relationship» between the two countries and of China's key role. This inclusion of China as moderator of Pyongyang's behaviour was welcomed by both South Korea and the United States.

The diplomatic engagement of North Korea continued in the following weeks, when its foreign minister, Ri Yong Ho, travelled to China to meet his counterpart, Wang Yi, and subsequently to Russia to meet Russian Foreign Minister Sergei Lavrov in Moscow. The positive outcomes in terms of inter-Korean reconciliation were also emphasised during Ri's speech at the Non-Aligned Movement meeting in Azerbaijan.⁷²

North Korea maintained the renewed diplomatic channel with China throughout April and May, in order to coordinate its evolving strategy towards South Korea and the United States. In early May, Wang Yi travelled to Pyongyang and met Kim Jong Un soon after the inter-Korean summit of 27 April to strengthen communication between the two countries.⁷³ The following week the two leaders met again in Dalian, for a second meeting, in between Kim's summits with Moon and Trump. The meeting celebrated the restoration of the «traditional friendship» between the two allies and of a strategic partnership based on mutual trust and common interests.⁷⁴ The informality of the two leaders walking together on a beach represented a clear sign of the renewed friendship. The second meeting and its strategic placement between two crucial events for North Korea confirmed China's centrality in the international engagement with Pyongyang. This centrality had become even more relevant after the Panmunjom summit and the prospect of replacing the armistice agreement with some form of peace declaration, from which China could not be excluded, not only because of its military role during the Korean War, but also for its strategic role in the region.

A few days after the Singapore summit Kim and Xi met in Beijing for the third time in less than three months. In spite of the fact that China was not actively involved in the summit – if we exclude the fact that Kim Jong Un travelled to Singapore on an Air China 747 – the outcome was very favourable for Beijing. The final declaration included a commitment to work towards peace and denuclearisation on the peninsula, two goals that were perfectly aligned with China's traditional position of «no war and no instability» at its border. In addition, President Trump announced the suspension of joint

71. Jane Perlez, 'Kim Jong-un's China Visit Strengthens His Hand in Nuclear Talks', *The New York Times*, 28 March 2018.

72. Scott Snyder & See-won Byun, 'Moon's Olympic Diplomacy', *Comparative Connections*, Vol. 20, No. 1, 2018, p. 86.

73. 'China expresses support for DPRK-U.S. dialogue, improvement of inter-Korean relations', *Xinhua*, 3 May 2018.

74. 'Xi Jinping, Kim Jong Un hold talks in Dalian', *Xinhua*, 8 May 2018.

military exercises between US and South Korea, a traditional source of concern for Beijing. In the end, North Korea and the US followed the path of the «dual freeze» – suspension of nuclear and missile tests in exchange for the suspension of military exercises. This was an arrangement that China had proposed one year earlier, in the midst of hostilities between Washington and Pyongyang, only to be rebuffed by both parties.⁷⁵

But the goal of the third meeting between Xi and Kim was not just to brief the Chinese president about the outcome and the discussions of the Singapore summit. Given the relevance of China for North Korea's trade and exchanges, economic development also represented a key issue. During his trip Kim visited the Chinese Academy of Agricultural Sciences and a subsidiary of the Beijing Infrastructure Investment Company, two organisations that are part of the ambitious Chinese plan of development «Belt and Road Initiative».⁷⁶ With the reduction of military tension after the rapprochement with the United States, North Korea began to focus on the opportunities for developing the country's economy, a fundamental goal for Kim Jong Un's strategy and domestic legitimacy. In addition to inter-Korean cooperation, still limited by the sanctions regime, Kim turned towards China to seek economic assistance from a partner that has historically been reluctant to enforce sanctions against North Korea.

Beijing advocated a reduction of sanctions immediately after the Singapore summit, supported also by Russia. On this specific point, coordination between North Korea, China and Russia started to emerge as an important factor: Moscow supported the diplomatic efforts of Kim Jong Un, including the summit with Trump, but also called for corresponding measures from Washington. When Russian Foreign Minister Sergei Lavrov visited Pyongyang, two weeks before the summit, he explicitly called for a phased lifting of sanctions as part of the solution to the nuclear issue.⁷⁷ In order to strengthen this coordination, high-ranking officials from North Korea, China and Russia met on 9 October in Moscow for three-way talks, during which the three parties identified a step-by-step approach, accompanied by corresponding measures, as the way forward for peace and denuclearisation.⁷⁸ This collaboration helped North Korea in its request for a relaxation of the sanctions regime; but it also gave China and Russia more relevance on the issue and the chance to counter US strategy in the region.

75. Jung E-gil, 'Kim Jong-un's third visit to China this year reflects importance of North Korea-China relations', *Hankyoreh English Edition*, 20 June 2018.

76. Jane Perlez, 'As Kim Ends Beijing Visit, China and North Korea Craft New Messages', *The New York Times*, 20 June 2018.

77. Julian Ryall, 'Russia enters North Korean diplomatic fray as Lavrov calls for phased lifting of sanctions on visit', *The Telegraph*, 31 May 2018.

78. Scott Snyder & See-won Byun, 'China reaffirms tradition: DPRK friendship and recovery of South Korean ties', *Comparative Connections*, Vol. 20, No. 3, 2018, p. 85.

4.3. South Korea's diplomacy under Moon Jae-in

Since the election of Moon Jae-in, in May 2017, South Korea's foreign policy has focused on the rapprochement with North Korea. This new strategy began to bear fruit in 2018 with the reopening of the diplomatic channel with Pyongyang for the Olympic Games and the following three summits between Moon and Kim Jong Un. The Singapore summit brought this strategy to an even higher level, envisioning a new course of relations between North Korea and the United States and a possible way towards the resolution of the nuclear issue and a formal end to the Korean War. The focus on inter-Korean relations dominated South Korea's foreign policy throughout 2018 and influenced relations with the other regional powers.

Despite the active role of mediation pursued by President Moon between Pyongyang and Washington, culminating in the Singapore summit, relations between South Korea and the United States revealed some frictions. In the first months of 2018 the two allies seemed to be on different tracks on how to deal with Pyongyang. The ceremonies that preceded the Olympic Games were treated rather sceptically in Washington, as demonstrated by the references to North Korea's human rights abuses in Trump's State of the Union address and by Pence's attitude in Pyeongchang. Even after the announcement of the summit between Trump and Kim, a difference of positions remained throughout the year. Moon's government kept pushing for a more cooperative approach from the United States, especially for what concerned granting exemption from sanctions in order to pursue substantial inter-Korean cooperation. The American administration for its part remained firm on its position that relief from sanctions was conditional on the complete denuclearisation of North Korea. In order not to endanger the alliance with the United States and keep its mediating role in US-North Korea relations, Seoul continued to abide by the international sanctions regime, but also attempted to seek exemptions for specific inter-Korean projects aimed at implementing the Panmunjom declaration.⁷⁹

South Korean Foreign Minister Kang Kyung-wha reiterated this position in October.⁸⁰ Limited exemptions were granted in the case of the joint inter-Korean survey of the North's rail and road systems; however, major projects such as the reconnection of these transportation systems or the reopening of the joint industrial complex in Kaesong remained out of reach.

In addition to these differences on how to deal with North Korea, two major issues arose within the South Korea-US alliance. The first one was represented by the revision of the KORUS Free Trade Agreement (FTA)

79. Jung Hyo-sik, Yoo Jee-hye & Lee Sung-eun, 'Seoul needs sanctions exemption, official says', *Korea JoongAng Daily*, 23 July 2018.

80. Lee Youkyung, 'South Korea May Seek Sanctions Relief for North Korea Projects', *Bloomberg*, 4 October 2018.

between the two countries. As part of his efforts to reduce the American trade deficit, Trump pledged to revise trade agreements that he considered harmful to the United States. One of the main targets of the president's attacks since his electoral campaign was the agreement with South Korea, which became operational in 2012. A round of bilateral talks regarding the revision of the agreement was held in early January without any major breakthrough. A few days later, the United States decided to impose tariffs on washing machines and solar panels, hitting South Korean companies such as Samsung and LG.⁸¹ During a further round of talks in January and February, the South Korean negotiators complained about the tariffs. In March, the US adopted new tariffs on imports, this time on aluminium and steel. South Korea was among several American allies that were hit by the new imposition. The situation started to improve at the end of March, when Washington granted South Korea an exemption from this latest round of tariffs in view of a final revision of the KORUS FTA. Probably the decision was taken also to preserve an atmosphere of positive cooperation within the alliance in preparation of the Panmunjom and Singapore summits.

After the third round of negotiations, on 26 March, the two countries announced an agreement in principle on how to revise the FTA. The revised version was then signed by the two presidents during Moon's visit to the US for the UN General Assembly in September. The revisions regarded mostly the automobile market, with an increase in the number of exports of American cars to South Korea and an extension of US tariffs on South Korean trucks. In addition, Seoul granted limited concessions to pharmaceutical and steel products. The revisions made limited adjustments to the trade regime already in place between the two countries.⁸² However it was an important achievement because it eliminated a potential source of tension between the two allies.

The second issue that raised concerns between Seoul and Washington was related to the cost-sharing deal regarding American troops stationed in South Korea. This issue was also connected to the broader problem of the US military commitment in the peninsula and in the region. Trump repeatedly advocated that the Asian allies should bear a higher share of the cost for their defence.⁸³ The decision to suspend the joint military exercises announced unilaterally by Trump after the Singapore summit, and his specific remark about the costs of the exercises, raised the issue of the US commitment to the peninsula. The bilateral talks to revise the cost-sharing agreement, which was due to expire at the end of 2018, started in

81. David Lawder & Nichola Groom, 'Trump slaps steep U.S. tariffs on imported washers, solar panels', *Reuters*, 22 January 2018.

82. Justin Fendos, 'KORUS Revision Does Little for US, Less for Koreans', *The Diplomat*, 27 September 2018.

83. Marco Milani, 'Korean Peninsula 2017: Searching for new balances', *Asia Maior 2017*, pp. 52-52.

March; after ten rounds of negotiations the two sides were not able to reach an agreement, as announced in December by the South Korean defence minister.⁸⁴

South Korea's relations with its two main regional partners, China and Japan, in 2018 continued to follow a similar trend to that prevailing in the second half of the previous year. After the dispute that involved Seoul and Beijing over the deployment of the US anti-missile THAAD system in 2016 and 2017, ties between the two countries were restored after Moon's election. The rapprochement was epitomised by Moon's visit to Beijing in December 2017. South Korea's new conciliatory policy toward the North was welcomed in China, which had consistently advocated a resumption of dialogue with Pyongyang. The alignment regarding North Korea, with an emphasis on peaceful denuclearisation, contributed to a further improvement of China-South Korea relations during 2018. When the two leaders met on the side-lines of the APEC meeting in Papua New Guinea, on 17 November, they emphasised the common strategic interests of peace and stability and the importance of bilateral coordination.⁸⁵ This renewed agreement at the political level led to an improvement also of economic and cultural exchanges between the two countries.⁸⁶

South Korea's diplomatic efforts towards the North were also supported by Japan, albeit with less enthusiasm than China. Prime Minister Abe remained sceptical about the possibilities of dialogue for denuclearisation, as he made clear during the bilateral summit with Moon on 9 February. On that occasion, Abe called for a change to North Korea's behaviour and for resumption of the US-South Korea joint military exercises, suspended for the Olympic Games. Moon Jae-in promptly rejected the call, considered an inappropriate interference in Korean domestic affairs,⁸⁷ a very sensitive issue for South Korea given the historical legacy of Japanese colonisation in the peninsula. When President Trump accepted Kim Jong Un's proposal for a summit and the US joined South Korea in its diplomatic approach towards Pyongyang, Japan's support for the initiative also increased. After the Panmunjom summit, Abe welcomed the positive outcome and South Korea's efforts, but he also returned to the idea that Pyongyang had to take concrete steps.⁸⁸ A joint declaration was issued by Abe, Moon and Chinese

84. Noh Ji-won, 'South Korea and US fail to reach agreement on shared defense costs within 2018', *Hankyoreh English Edition*, 16 December 2018.

85. Scott Snyder & See-won Byun, 'China reaffirms tradition: DPRK friendship and recovery of South Korean ties', p. 86.

86. Scott Snyder & See-won Byun, 'China's Multilateral Role in the Korean Drama', *Comparative Connections*, Vol. 20, No. 2, 2018, pp. 87-88.

87. 'Moon rejects Abe's call to resume Korea-U.S. military drills', *Yonhap News Agency*, 10 February 2018.

88. 'Japan, China welcome inter-Korean summit agreement', *Yonhap News Agency*, 27 April 2018.

Prime Minister Li Keqiang after their trilateral meeting on 9 May in Tokyo.⁸⁹ After the Singapore summit, Japan's support for a diplomatic approach towards North Korea increased, to the point that during his speech at the UN General Assembly in September, Abe stated his availability to meet Kim Jong Un; the same message that was delivered by Pompeo to Kim during his visit in October.⁹⁰ The softer position towards Pyongyang, however, did not represent a real change in Japan's strategy. In fact, it was dictated more by fear of exclusion from the diplomatic process which involved the other five former members of the «Six Party Talks», and by the political will to align Tokyo's approach to that of the United States.

Over the course of 2018, relations between South Korea and Japan were also affected by the resurfacing tension related to the historical legacy of Japanese colonialism in the peninsula. The first diplomatic dispute emerged in January, when the South Korean government announced that it had come to the conclusion that the agreement reached by the two countries in 2015 regarding the comfort women issue⁹¹ did not take a victim-oriented approach and failed to take into consideration the victims' point of view. Japan responded rejecting the possibility of any revision to the agreement, citing the fact that the two countries agreed to resolve the dispute finally and irreversibly with that deal.⁹² No practical steps were implemented by the South Korean administration to change or cancel the agreement, which had been opposed by a large portion of public opinion since the beginning.

In October and November a new dispute emerged, when the South Korean Supreme Court held two Japanese industrial conglomerates, Mitsubishi Heavy Industries and Nippon Steel & Sumitomo Metal, accountable for employing forced labour during Japanese colonisation of Korea, and ordered that the labourers be compensated. The decision exposed the Japanese companies to the risk of seizure of their assets in South Korea, if they decided not to compensate the plaintiffs. The Japanese government reacted stating that the decision was unacceptable and reiterated its position that the 1965 normalisation treaty between the two countries had already settled all the legal claims for compensation. The hard-line position of Tokyo ignited an equally harsh response from the South Korean government, which called for respect of the decision of

89. Ministry of Foreign Affairs of Japan, *Joint Statement on the '2018 Inter-Korean Summit' by the Leaders of Japan, the People's Republic of China and the Republic of Korea*, 9 May 2018 (https://www.mofa.go.jp/a_o/rp/page4e_000818.html).

90. Ji-Young Lee & Mintaro Oba, 'Japan-Korea Relations: Unfortunate Circumstances and Escalating Tensions', *Comparative Connections*, Vol. 20, No. 3, p. 104.

91. Barbara Onnis & Marco Milani, 'Korean Peninsula 2015: One step forward and two steps back', *Asia Maior 2015*, pp. 78-79.

92. Yuki Tatsumi, 'The Japan-South Korea 'Comfort Women' Agreement Survives (Barely)', *The Diplomat*, 11 January 2018.

the Court.⁹³ The highly emotional nature of Japan's colonial past on the Korean peninsula quickly turned a judicial dispute into a diplomatic one between the two countries, with the potential to inflame relations in the months ahead.

93. Ji-Young Lee & Mintaro Oba, 'Japan-Korea Relations: Unfortunate Circumstances and Escalating Tensions', p. 106.

JAPAN 2018: FLESHING OUT THE «FREE AND OPEN INDO-PACIFIC»
STRATEGIC VISION*

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This year-in-review essay highlights the Abe administration's attempts at defining its Free and Open Indo-Pacific grand strategic vision with like-minded parties. It assesses Japan's engagement with states that have demonstrated active interest in the concept: the United States, Australia, India, France and the United Kingdom. The essay underscores the tension between Trump's extortionist and transactional instincts and the need for the US to engage multilaterally in the region, but also suggests that China has softened its stance towards Japan in light of a more confrontational US China policy. The essay will open with an assessment of Japanese domestic politics and the Abe administration's economic agenda, because domestic stability has allowed Abe's signature foreign policy initiatives. Abe consolidated power as he secured his third term as LDP president, despite a string of political scandals. Along with his aspirations for a powerful and prosperous Japan, he implemented structural reforms of the labour market including new caps on overtime work and a new immigration law that potentially opened Japan's doors to low- and high-skilled workers. In the year under review, and in line with his administration's Free and Open Indo-Pacific vision, Abe issued new defence guidelines that have set Japan further on track towards an active military role. The guidelines outline measures to enhance Japan's capabilities in «cross-domain operations» in cyber, space and electromagnetic warfare and a comprehensive modernization of conventional defence equipment which includes new missile systems, advanced fighter jets and aircraft carrier capabilities in direct response to China's military rise. Finally, Abe confirmed his determination to revise Japan's war-renouncing constitution, however unlikely the attainment of that goal is, at least in the near future and in the face of persistent popular opposition.

1. Introduction

This essay highlights the Abe administration's attempts at defining its Free and Open Indo-Pacific grand strategic vision with like-minded parties. For this reason, the essay assesses Japan's engagement with states that have demonstrated active interest in the concept: the United States, Australia,

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India, France and the United Kingdom. It underscores the tension between Trump's extortionist and transactional instincts and the need for the US to engage multilaterally in the region but notes that China has softened its stance towards Japan in light of US countermeasures. Given the salience of Trump's protectionist bully tactics, this essay will highlight how Japan has responded to the US president's economic offensive. Furthermore, it will provide a bird's eye view of Japan's military and diplomatic activism according to its Free and Open Indo-Pacific vision; in the process, it will stress the tension between Trump's extortionist and transactional instincts and the need for the US to engage multilaterally in the region.

The essay opens, however, with an assessment of Japanese domestic politics and the Abe administration's economic agenda, because domestic stability has permitted Abe's signature foreign policy initiatives. Prime Minister Abe Shinzō's consolidation of power has confirmed earlier analyses that he will become modern Japan's longest-serving head of government. In September 2018 Abe won a third and final mandate as the president of the ruling Liberal Democratic Party (LDP), suggesting he will remain at the helm of the Japanese ship of state until 2021. In line with the ambitious Abenomics agenda, the Bank of Japan has maintained its expansive monetary policy to prop up inflation and induce economic activity. Moreover, the Abe government confirmed its economic pragmatism by pushing for a labour reform that caps overtime work and for its most important structural reform to date: a new immigration law that might allow a substantial opening of Japan's doors to low- and high-skilled workers. Confirming his pledge to restore a strong Japan, Abe renewed his promise to revise the pacifist constitution by 2020.

In the meantime, the LDP-led government approved new long-term defence guidelines. Including the largest defence budget post-war Japan has ever announced, the new guidelines outline the development of multi-dimensional military capabilities in response to an «uncertain regional security» environment created by China's growing military role, and North Korea's missile and nuclear programme. Consequently, the Abe government has continued its course of military modernization with a focus on cyber security measures as well as new missile technology and aircraft carrier capabilities. Yet, political controversies continued to beset the Abe administration in 2018. In addition to the fallout of the Moritomo Gakuen scandal which has resulted in the resignation of a top Ministry of Finance official, revelations of systematic discrimination against women at medical university entrance exams and the use of false wage data in government reports, have threatened to undermine public trust in Abe's gender and economic reform policies.

Finally, as Japan prepares for the end of the Heisei period, and the 2020 Tokyo Olympics, Osaka's successful bid for the 2025 World Expo has provided a further potential boost for the economy and for the Abe government.

2. Entrenching one-party dominance amid political discontent

As forecast in previous essays,¹ Prime Minister Abe succeeded in further consolidating the conservative rule of his Liberal Democratic Party (LDP) in government and thus *de facto* one-party dominance in Japan. Winning a landslide in the 2017 lower house elections, Abe has placed his LDP in solid control of the Diet. In September 2018, Abe gained the political support to renew his leadership as LDP president. His third three-year term as party leader has provided Abe the opportunity to implement his ambitious agenda of revising Japan's pacifist constitution. Though his term will end in 2021, if he remains in power until November 2019, Abe will become Japan's longest serving prime minister, surpassing early 20th century (Meiji) leader Katsura Taro.

2.1. Deflecting crisis and the consolidation of Abe's leadership

Abe survived the fallout from a series of political scandals in 2017. The consolidation of his leadership in the year under review should be considered evidence for the dominance of the LDP, the successful crisis management by the *Kantei* (PM office), and a weak opposition. A key legacy of Abe's leadership is political stability in a country marked by a quick succession of prime ministers until his return as PM in 2012. In fact, for most of post-war Japan, the average tenure of prime ministers was two years, while during the period 2007 (the year Abe resigned as prime minister) until 2012 (the year of Abe's political comeback) leadership changed hands at disruptive intervals of once a year. Pledging a «Japan filled with hope and pride», Abe defeated his LDP-internal rival Ishiba Shigeru securing 553 out of a total of 807 votes.² Yet, this margin conceals the broad support Ishiba received from local LDP organizations with close to 45% casting votes in favour of Abe's rival.³ This indicated a growing discontent with Abe's leadership and the progress of his reform agenda.⁴ Questioning the results of «Abenomics», Ishiba emphasized a stronger focus on supporting revitalization of Japan's rural areas while urging his party to not rush constitutional revision.⁵ Securing extension of his

1. Sebastian Maslow & Giulio Pugliese, 'Japan 2017: Defending the Domestic and International Status Quo', *Asia Maior 2018*, pp. 93-112.

2. Motoko Rich, 'Shinzo Abe Gets One Step Closer to Becoming Japan's Longest-Serving Premier', *The New York Times*, 20 September 2018.

3. Tomohiro Osaki, 'Abe tops Ishiba in Liberal Democratic Party election and secures historic third term', *The Japan Times*, 20 September 2018.

4. 「1強への不満直視を=政治部長・佐藤千矢子」(Focus on Dissatisfaction with Dominant Power=Chief Political Correspondent Satō Chiyako), *Mainichi Shinbun*, 21 September 2018.

5. 「安倍・石破氏 一騎打ち 自民党総裁選が告示」(Fierce Competition between Abe and Ishiba as Race for LDP Presidential Election Begin), *Yomiuri Shinbun*, 8 September 2018.

tenure as LDP president, Abe then reshuffled his cabinet in October to restore the momentum and public support for his political agenda.⁶

The year under review began with Abe embroiled in ongoing allegations over influence-peddling scandals. In 2017 Abe publicly stated that he would resign as prime minister and Diet member if evidence emerged of his personal involvement in steering the purchase of land in Osaka by Moritomo Gakuen, a local school operator. In March 2018, however, reports surfaced which suggested that the Ministry of Finance (MOF) falsified evidence in internal documents on the land deal. Initially deleted sections of the internal report documented the close links of Abe's wife Akie to Moritomo Gakuen. The private school administration is known for its revisionist curriculum and its close links to the ultra-conservative Nippon Kaigi organization. While Akie reportedly supported the land deal as she was «moved to tears by the school's education policy», PM Abe was forced to publicly apologize for the scandal as he admitted that the new report «could undermine trust in the entire government».⁷ This caused the opposition to immediately increase pressure on Abe and his LDP. In crisis management mode, the government forced Sagawa Nobuhisa, the National Tax Agency chief to resign. The incident unfolded as Abe was already under fire after he failed to secure exemption from Trump's tariffs on steel and aluminium, as elaborated below.

Amidst growing political discontent, Ishiba in the run-up to the September elections made sure the public associated PM Abe with a growing lack of trust in Japan's political caste.⁸ As a result, the government's support plummeted by 12 points to 33% between February and March 2018 (even conservative newspapers recorded a slump in the support rate in March), and thus casting doubts over a prolonged Abe leadership beyond the September LDP presidential race.⁹

With Japan's opposition parties fragmented, Abe's support rates recovered as he successfully deflected criticism over his political leadership and cronyism. Support for the cabinet grew from 42% to 45% in May and June.¹⁰ Amidst the recovery of public support for Abe, the LDP-backed can-

6. For a list of the fourth Abe cabinet's members see 「第4次安倍改造内閣関係等名簿」 Kantei, 2 October 2018 (https://www.kantei.go.jp/jp/98_abe/meibo/index.html).

7. Daniel Hurst, 'Japan: Shinzo Abe's political future in doubt as wife linked to cronyism scandal', *The Guardian*, 12 March 2018.

8. Motoko Rich, 'Shinzo Abe of Japan Back in Spotlight Over Tampered Documents', *The New York Times*, 12 March 2018.

9. 「内閣支持率33% 12ポイント減」 (Cabinet support 33%, decline by 12 points), *Mainichi Shinbun*, 18 March 2018; 「内閣支持、3ポイント増の42%...読売世論調査」 (Cabinet support, raise by 3 points to 42%, Yomiuri Survey), *Yomiuri Shinbun*, 21 May 2018.

10. 「内閣支持、3ポイント増の42%...読売世論調査」 (Cabinet support, raise by 3 points to 42%, Yomiuri Survey), *Yomiuri Shinbun*, 21 May 2018; 「内閣支持率45

didate won in gubernatorial elections in Niigata Prefecture. Hanazumi Hideo was elected new governor in early June, as his predecessor Yonemaya Ryuichi was forced to resign over a sex scandal. Yonemaya was an opponent of Abe's energy policy and rejected the restarting of nuclear power plants in his prefecture. With nuclear energy the central issue in the elections, Hanazumi has remained cautious in expressing his stance on nuclear energy.¹¹ Yet, his election was critical for shifting the tide towards restarting Japan's largest nuclear power plant located in Niigata's Kashiwazaki-Kariwa and operated by Tokyo Electric Power Company (TEPCO). It should be noted that in 2018 under Abe's watch, Japan restarted five nuclear power plants, though not including the Kashiwazaki-Kariwa reactors.¹² Emphasizing the importance of this election for Abe after a string of scandals and declining government support, LDP Secretary-General Nikai Toshihiro affirmed that «[i]t's certain that favourable winds have begun blowing» for the prime minister and his ruling party.¹³

Finally, torrential rain in western Japan in July claiming the lives of 200 people, the execution of 13 Aum Shinrikyō cult members including its founder Asahara Shōkō (born Matsumoto Chizuo) also in July, and a magnitude 6.7 earthquake hitting Hokkaido on 6 September, helped redirect media and public attention away from the Abe scandals and thus contribute to the LDP-led government's recovery. However, Abe and his LDP's dominance remain challenged in Okinawa as the stand-off with the Abe government over the relocation of the Futenma Marines airbase and construction of a new US military airbase at Henoko continued.¹⁴ Following the sudden death of governor and military-base opponent Onaga Takeshi in August, the LDP lost the gubernatorial election against an «All Okinawa» coalition led by Tamaki Denny.¹⁵ While Abe insisted on the importance of US military bases on the island for the sake of sustaining deterrence provided by the US-Japan alliance and thus Japan's national security¹⁶, the LDP's defeat

%, 3か月ぶり「不支持」上回る」(Cabinet support 45%, surpasses disapproval for the first time in 3 months), *Yomiuri Shinbun*, 17 June 2018.

11. 'Nuclear issue again takes center stage in Niigata election', *The Asahi Shimbun*, 25 May 2018.

12. Corey Wallace, 'Negotiating political uncertainties in Japan', *East Asia Forum*, 20 December 2018.

13. 'LDP-backed candidate wins governor's race in Niigata', *The Asahi Shimbun*, 11 June 2018.

14. Ra Mason, 'Okinawa Narratives: Delineating rhetoric, policy and agency', *Japanese Studies*, forthcoming.

15. 'Onaga's death leaves leadership void in fight against U.S. base', *The Asahi Shimbun*, 9 August 2018; Kiyoshi Takenaka & Linda Sieg, 'In blow to Japan PM, son of U.S. Marine wins Okinawa governor vote', *Reuters*, 30 September 2018.

16. Paul O'Shea, 'Strategic narratives and US military bases in Japan: How «deterrence» makes the Marine base on Okinawa «indispensable»', *Media, War & Conflict*, 2018.

marked the first high-profile election setback after Abe secured his third term as the party's president. With renewed local support, in November Tami announced a referendum on the central government's plan to relocate the Futenma base and to construct a new airbase in Henoko.¹⁷ The referendum, scheduled for 24 February 2019, though legally non-binding, has ensured that critical voices against the Abe administration's heavy-handed approach towards the military base relocation remain part of the public discourse.

2.2. *Abenomics, structural reform, and the slow progress of «womenomics»*

Seemingly undamaged by political scandals that have plagued his administration throughout 2017 and the first quarter of the year under review, Abe remained focused on implementing his economic agenda. By December 2018 Abe had governed over the second longest period of uninterrupted economic expansion in post-war Japan. In fact, government data suggests that the current period of economic growth began in December 2012 and thus overlaps with the return of Abe.¹⁸ If so, this would indicate a positive impact of Abenomics. However, in March, reports indicated that Japan's economy shrank by 0.6%, thus putting a sudden halt to the extended growth period of eight consecutive quarters. This has forced the Japanese government to lower its estimated growth for 2018 from 1.6 to 0.6%. The economic slowdown was traced to a decline in exports. This illustrates that economic performance has remained fragile as Japan has found itself entangled in a potential trade dispute with the US.¹⁹ Following its introduction in 2013, experts have thus urged that the Japanese government review Abenomics in order to sustain the momentum for economic revitalization.²⁰

The policy kernel of Abenomics is a monetary policy of quantitative easing and massive purchase of assets to reach a 2% inflation target.²¹ Early in 2018, the Bank of Japan (BoJ) again postponed its inflation target. Instead, the BoJ remains committed to its easy money policy and its negative interest rates, thus causing concern of sustained damage to Japan's banking

17. Kazuyuki Ito, 'Okinawa decides to hold Feb. 24 referendum on U.S. base issue', *The Asahi Shimbun*, 27 November 2018.

18. 'Japan confirms economy in second best stretch of post-war growth', *Reuters*, 13 December 2018.

19. 'Japan's Economy Shrinks, in a Setback for «Abenomics»', *The New York Times*, 15 March 2018.

20. Yuko Takeo, 'Abenomics Revamp Needed to Sustain Japan Recovery, IMF Says', *Bloomberg*, 4 October 2018.

21. For an excellent overview of the BOJ's monetary policy under Abenomics see Gene Park, Saori N. Katada, Giacomo Chiozza, & Yoshiko Kojo, *Taming Japan's Deflation: The Debate over Unconventional Monetary Policy*, Ithaca: Cornell University Press, 2018.

sector and the emergence of speculative bubbles.²² Between 2013 and 2018 Japan's debt-to-GDP ratio increased to 18%, while estimates for economic growth remained low. Moreover, Japan's fiscal crisis is amplified by its growing social welfare spending, which has reached 55% (US\$ 298 billion) in 2018 and will continue to grow as Japan's population ages.²³ This highlights the need for fiscal restructuring and structural reform, both of which had indeed been picked up by Abe as an essential part of his Abenomics. After his re-election as LDP president Abe confirmed his intention to raise consumption taxes from 8 to 10% as planned in October 2019.²⁴ And yet, doubts remain on Abe's fiscal restructuring: the administration proposed cashback schemes to compensate for the tax hike and thus spur economic growth.²⁵

In addition, the LDP-led government has employed the opposition's single-issue focus on Abe's scandals of early 2018 to move controversial bills through the Diet. In July 2018 the parliament approved laws initially introduced in 2016 that allow the building of casino resorts. Despite concerns over the potential increase in gambling addiction and the opposition's attempts to filibuster the bill, the Abe government has sold the casino bills as crucial to its reform agenda of revitalizing Japan's economy and tourism.²⁶ Moreover, the Abe government did the US president a big favour, since the casino bills potentially favour the casino magnate Sheldon Adelson, one of Trump's biggest donors.²⁷

Arguably the two most important reforms yet implemented as part of Abenomics' structural reform agenda in 2018 were a labour reform and new immigration laws. Abe proposed the bill to accommodate the diversification of working styles and to adjust the labour market from «the viewpoint of workers». Essentially, this reform of work styles (*hatarakikata kaikaku*) establishes a legal cap on overtime work, «equal pay for equal work» for non-regular and regular workers, while lifting regulations for working hours of high-skilled professional labour. Yet, following demands by business groups, the deregulation of overtime work restrictions has attracted broad criticism as labour unions and others fear an increase in work-related health issues, death by overwork (*karoshi*) or stress and depression-related suicides.²⁸

22. James McBride & Beina Xu, 'Abenomics and the Japanese Economy', Council on Foreign Relations, 23 March 2018.

23. Yuri Okina, 'Abenomics after five years', *East Asia Forum*, 24 September 2018.

24. 'Abe set to confirm Japan consumption tax hike for late 2019', *Nikkei Asian Review*, 15 October 2018.

25. Robin Harding, 'Japan plans cashback scheme to offset rise in consumption tax', *Financial Times*, 15 October 2018.

26. 'Japan Parliament OKs law to allow up to 3 casino resorts', *The Asahi Shimbun*, 21 July 2018.

27. 'Trump tried to help a Republican megadonor build a casino in Japan', *Vox*, 10 October 2018.

28. 'Japan enacts labor reform bill amid concern over long working hours', *Kyodo News*, 29 June 2018.

The new immigration law reform was introduced to address the need for new blue-collar workers in a rapidly ageing national economy. The law, passed in December, and scheduled to start in spring 2019, has opened Japan to an influx of 340,000 foreign workers in low-skilled professions. What some observers have called a «quiet revolution that shifted the fabric of the country»²⁹ has divided society causing fears of a sudden influx of foreigners. It has also triggered broad criticism as the law lacks specific measures to address a series of cases of exploitation, poor working conditions, and other severe human rights' violations under Japan's current foreign trainee programme. By 2017, the number of foreign workers in Japan had risen to 1.28 million. However, as many are students or workers in special training programmes, the previous legal system had made it difficult to issue long-term working visas which would allow foreign labour to fill the shortages, particularly in agriculture, manufacturing, and caregiving.³⁰ Thus despite the many unaddressed social and legal concerns, the LDP has pushed the bill through the Diet explaining that the measures «must be enacted swiftly based on thorough and efficient discussions at the Diet in an age when Japan grapples with serious labor shortages», while PM Abe in Diet deliberation has called the opening up of Japan's labour market an «urgent matter».³¹

Addressing Japan's labour shortage, Abe has also pledged to improve gender equality and to empower women. He has pledged to fill 30% of Japan's leadership positions with women by 2020. Only 4% of managerial positions in Japan are occupied by women.³² Consequently, «womenomics» gained attention as a central pillar of Abe's reform agenda. Little progress has been made so far. Female labour participation has improved slowly from 46.2% in 2012 to 50% in 2017, while women are paid 24.5% less than their male co-workers (in 2013, the ratio was 26.6%).³³ Japan's thick glass ceiling, preventing women's pursuit of gender parity, became visible when in August the systematic discrimination of female students at entrance exams at Tokyo Medical University were

29. Hiroshi Marutani, 'Shinzo Abe's quiet social revolution', *Nikkei Asian Review*, 12 September 2018.

30. Robin Harding, 'Japan demand for labour sparks immigration debate', *The Financial Times*, 6 November 2018.

31. Motoko Rich, 'Bucking a Global Trend, Japan Seeks More Immigrants. Ambivalently', *The New York Times*, 7 December 2018; Tomohiro Osaki, 'Japan passes controversial immigration bill paving way for foreign worker influx', *The Japan Times*, 7 December 2018.

32. Isabel Reynolds, 'Japan Gender Bias Report Deals New Blow to Abe's Women's Agenda', *Bloomberg*, 14 December 2018.

33. Shoko Oda & Isabel Reynolds, 'What Is Womenomics, and Is It Working for Japan?', *Bloomberg*, 20 September 2018.

revealed.³⁴ In December a report by the Ministry of Education, Culture, Sports, Science and Technology stated that three out of 81 of the country's medical schools discriminated against female applicants by manipulating the results of entrance exams.³⁵ Ranking 110th among 149 nations in gender equality as of 2018, the university admissions scandal has again amplified the need for additional measures to reduce sexism and gender discrimination throughout Japan's education, economic and political institutions.³⁶ The slow progress in advancing female participation and gender equality became even more visible when Abe reshuffled his cabinet in 2019. The new 20-member cabinet featured only one woman, Katayama Satsuki, who was appointed Regional Revitalization and Gender Equality minister.

The year under review concluded with the breaking of yet another major scandal in Japan, as media reports emerged in late December revealing the use of false wage data by the government. Dismissing sampling standards in compiling its monthly wage data reports, the Ministry of Health, Labour and Welfare excluded large portions of Tokyo's businesses for most of the last 15 years. Used as an indicator to measure economic progress, the scandal has raised serious concerns over the credibility of Abenomics.³⁷

2.3. Japan's new defence guidelines and potential constitutional revision

Abe's return to power in 2012 was accompanied by his pledge to restore a «strong Japan». His main objective is the modernization of Japan's defence capabilities and revision of the war-renouncing constitution. Announcing his security doctrine of a «proactive contribution to peace», in 2014, Abe had already reinterpreted the constitution to allow for Japan's participation in collective self-defence operations in support of security allies. In addition, Abe established a National Security Council, strengthened the US-Japan alliance, and expanded Japan's geostrategic role in Asia through new partnerships, as well as Tokyo's Free and Open Indo-Pacific vision to respond to China's growing role.³⁸ Throughout 2018, Abe continued to alter Japan's post-war security system by introducing new long-term

34. Hifumi Okunuki, 'Tokyo Medical University scandal is a throwback to when discrimination against women was the norm', *The Japan Times*, 26 August 2018; 'EDITORIAL: Glass ceiling for Japanese women still remains too hard to smash', *The Asahi Shinbun*, 20 December 2018.

35. Reynolds, 'Japan Gender Bias Report Deals New Blow to Abe's Women's Agenda'.

36. Yu Yoshitake, 'Japan ranks 110th among 149 nations in gender equality', *The Asahi Shinbun*, 18 December 2018.

37. Tetsushi Kajimoto, 'Japan wage data credibility in doubt over erroneous sampling', *Reuters*, 9 January 2019.

38. Sebastian Maslow, 'Japan's «Pivot to Asia»: Tokyo discovers the Indo-Pacific', *Policy Forum*, 1 August 2018.

defence guidelines to replace the 2013 National Defence Program Guidelines (NDPG).

The new defence outlook underwrites Japan's commitment to an active defence posture.³⁹ Specifically in response to China's military expansion in the region, the new NDPG and Mid-Term Defence Program continues to concentrate on Japan's southern defence perimeters countering China and highlights the need for the building of new capabilities to conduct «cross-domain operations» in cyber, space and electromagnetic warfare. This includes the development of new land-based surveillance as well as command and communication systems and networks. Yet perhaps the clearest indicator of Abe's continued attempt to counter the shifts in Asia's balance of power can be found in the new defence strategy, involving an upgrade of Japan's defence equipment.⁴⁰ The NDPG outlines the use of the Maritime Self-Defence Force's helicopter carrier JS Izumo for deployment of F-35B stealth fighters. This is possible because the F-35B features short take-off and vertical landing (STOVL) capabilities. Japan has announced the purchase of 147 F-35 jets, of which 42 will be of the F-35B series to replace its ageing F-15 fleet.⁴¹ Earlier defence planning had already determined the deployment of 42 F-35s by 2012. In addition, Japan will go on to deploy the AEGIS Ashore ballistic missile defence system by 2023, while developing its own hypersonic missiles.⁴²

To achieve these goals, the Abe administration has allocated US\$ 240 billion for advancing Japan's defence capabilities over the next five years, while for the fiscal year 2019 alone, Abe's defence budget request rose by 1.4% to a record US\$ 48 billion.⁴³ Though strategically aimed at China, Japan's purchase of US military equipment may also contribute to easing tensions between Tokyo and the Trump White House over Japan's trade deficit. The year 2018 provided plentiful evidence that Abe has continued Japan's course of departing from its post-war «defence-orientated defence» (*senshu bōei*) posture towards an active military role.⁴⁴

39. An English translation of the 2018 NDPG is available here: http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218_e.pdf.

40. Sheila A. Smith, 'Japan's Active Defenses', *Asia Unbound* (Council on Foreign Relations), 20 December 2018.

41. Robin Harding, 'Japan to expand military with 100 more F-35 stealth fighters', *Financial Times*, 18 December 2018.

42. Alina Ragge, 'Japan: plans for electronic-warfare and hypersonic capabilities', *IJSS Military Balance Blog*, 3 December 2018.

43. Thisanka Siripala, 'Japan's Defense Budget Swells to Counter China's Growing Military Threat', *The Diplomat*, 26 December 2018; Tim Kelly, 'Japan's government approves record defense spending, seventh straight annual hike', *Reuters*, 21 December 2018.

44. Eric Heginbotham & Richard J. Samuels, 'Active Denial: Redesigning Japan's Response to China's Military Challenge', *International Security*, Vol. 42, No. 4, pp. 128-169.

Finally, as the cornerstone of his political agenda, PM Abe has restated his determination to revise Japan's 1947 constitution by 2020. The timeline for constitutional revision was initially set in May 2017. The LDP's revision proposal aims at changing Article 9 in order to acknowledge the existence of the Self-Defence Forces (SDF), and thus reduce the legal constraints and ambiguities surrounding the deployment of the SDF.⁴⁵ Currently, the article declares that Japan renounces war as a sovereign right and the possession of any military capabilities.⁴⁶ Yet, the hurdles for constitutional revision remain high. Abe requires a two-thirds majority in the Diet and a majority in any public referendum to implement constitutional revision. While Abe and his LDP command large majorities in the Diet, the Japanese public remains opposed to a change of Japan's postwar constitution. According to an annual survey, 58% of voters oppose constitutional revision as proposed by Abe; in 2017 the number was 50%. Opposition to Abe's plans has not fundamentally changed as the debate continued throughout the year.⁴⁷ Moreover, it remains yet to be seen if the LDP's coalition partner Kōmeito will embrace Abe's plan. To mobilize voters, Kōmeito depends on the support of Soka Gakkai; yet, Soka Gakkai members remain largely devoted to the Buddhist movement's pacifist stance.⁴⁸

The end of the Heisei-era looms as Japan prepares for the transition of emperors on 1 May 2019. The ending of the Heisei-era is closely associated with the «lost decades» of economic crisis and political instability. Abe faces a series of electoral challenges in the forthcoming year including elections of the upper house to be held in July. With regards the scheduled consumption tax hike in October 2019, the voting results will determine if Abe is granted the opportunity to further shape his legacy and the outline of a new era.

3. *Japan's international relations in 2018*

In 2018 the Trump administration posed a rapid succession of political and economic challenges to the Japanese government. With an eye on

45. Ellis Krauss, 'Sound and Fury: Does Abe's Constitutional Revision Really Matter', *Global Asia*, 24 December 2018.

46. 'Abe remains set on 2020 target for amending Constitution', *The Asahi Shimbun*, 11 December 2018.

47. 'Poll: 58% oppose constitutional revisions with Abe in charge', *The Asahi Shimbun*, 2 May 2018; '51% oppose Abe's plan to submit constitutional revision plan to Diet: poll', *The Japan Times*, 21 September 2018.

48. Adam P. Liff & Ko Maeda, 'Why Shinzo Abe faces an uphill battle to revise Japan's constitution', *Monkey Cage* (Washington Post), 12 December 2018; Axel Klein & Levi McLaughlin, 'Kōmeito 2017: New Complications', in Robert J. Pekkanen, Steven R. Reed, Ethan Scheiner, & Daniel M. Smith (eds.), *Japan Decides 2017: The Japanese General Election*, New York: Palgrave Macmillan, 2018, pp. 53-76.

the mid-term elections and putting into practice US President Donald J. Trump's deep-held beliefs, the White House embarked on a series of economic offensives to extract economic and trade concessions from US partners and rivals alike. The US steel and aluminium tariffs' opening salvo of March 2018 was followed by the threat of hefty tariffs on US imports of automobiles and their components. Moreover, Japanese business worried about the repercussions deriving from a US-China trade war, given Japan's deep enmeshment in regional production networks. To offset the economic risks of the protectionist Trump administration, the Japanese government signed major trade deals in 2018, such as the EU-Japan Economic Partnership Agreement and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which entered into force in February 2019 and December 2018 respectively. In the same year Tokyo agreed to finalize negotiations for a Regional and Comprehensive Economic Partnership (RCEP), which included China. At the same time, the Japanese government's reliance on US military protection and its dependency on US extended deterrence informed a flexible posture towards Washington. This was demonstrated by Abe's assent to bilateral negotiations aimed at a US-Japan trade agreement, his fawning demeanour vis-à-vis Trump, and his government's unwillingness to initiate a formal complaint of Trump's aluminium and steel tariffs at the World Trade Organization's (WTO) dispute settlement body.

With regards to international politics, the Abe government met the unexpected US-DPRK détente with dismay. The historic summit between Donald Trump and Kim Jong-un provided an incentive for a reboot of Japan-North Korea relations, to no avail. Trump's U-turn from maximum pressure to «falling in love» with Kim Jong-un was an eloquent example of the US administration's temperamental and transactional foreign policy.⁴⁹ In light of this precedent, Abe worried that the US might cut similar bargains with China and agreed to stage a long-sought, if mostly symbolic, bilateral summit with Xi Jinping together with a three-day diplomatic visit to China on October 25 and 27; this testified to Japan wanting to improve Sino-Japanese relations. At the same time, Japan's diplomatic activism continued unabated. The Abe government comprehensively deepened the strategic partnerships with Australia and India and courted Russian president Vladimir Putin, trying to convince him to return two of the disputed Northern Territories and sign a peace treaty. The Japanese government also expanded a variety of military, economic and communication initiatives under the rubric of a «Free and Open Indo-Pacific» (FOIP), the latest embodiment of earlier grand diplomatic initiatives – such as the 2006-07 Arc of Freedom and Prosperity – devised by Abe's diplomatic taskforce. In contrast, Japan's relations with South Korea have begun another downward spiral as both South Korea's progressive Moon Jae-in government and Japan's Abe ad-

49. «Trump on Kim Jong-un: «we fell in love»», *BBC News*, 30 September 2018.

ministration have clashed on the historical issues of «comfort women» and «forced labour». As result, the bilateral dispute between Tokyo and Seoul has undermined the US-Japan-ROK security triangle.

3.1. Japan-China relations under the shadow of Trump

During the year under review, Trump's economic policy hardened considerably. The White House witnessed the departure of key voices of moderation, such as National Economic Council director Gary Cohn, and the empowerment of trade hawks, such as Peter Navarro, head of Office of Trade and Manufacturing Policy, and US Trade Representative Robert Lighthizer.⁵⁰ *Prima facie*, the Trump administration was merely interested in rectifying trade imbalances by extracting trade and investment concessions to claim victory and score political points back home. The swift and shallow renegotiation of the Korea-US (KORUS) Free Trade Agreement may hint at the symbolical qualities of some of these deals.⁵¹ Yet Trump also aimed at forging new trade deals and enacting a series of punitive measures that would halt economic «predation» and unfair economic practices at the expense of the United States. In Navarro's own words, Trump's policies aimed at protecting the defence industrial base, protecting US technology and intellectual property rights and, more ambitiously, at re-shoring supply and assembly lines back into the United States to help domestic manufacturers.⁵² This consistent concern with the manufacturing industry and real assets, rather than the US powerful service industry, also reflected the very personal background of Trump and his team, such as steel industry lawyer Lighthizer.

Since China was now seen within Washington DC solely as a US strategic adversary, it became the principal target of Trump's initiatives. Worryingly, Trump acted upon conspiratorial analyses, according to which Beijing had a secret masterplan to become a global hegemonic power.⁵³ In short, the White House pursued an economic offensive against China to level the economic playing field and to curb Beijing's economic catch-up.

50. Bob Woodward, *Fear: Trump in the White House*, London: Simon & Schuster, 2018.

51. Conversation with US Trade Representative official, 9 February 2019, Washington DC; The US-Canada-Mexico FTA, which may supplant the North American Free Trade Agreement (NAFTA), instead included more important provisions, some coming straight from the TPP, others from US negotiators (e.g. sterner rules of origin and mechanisms to prevent trade deals with non-market economies, notably China).

52. Center for Strategic and International Studies, *Economic Security as National Security: A Discussion with Dr. Peter Navarro*, 9 November 2018. Transcript available here: <https://www.csis.org/analysis/economic-security-national-security-discussion-dr-peter-navarro>.

53. Ben Schreckinger & Daniel Lippman, «The China hawk who captured Trump's «very, very large brain»», *Politico*, 30 November 2018.

For that purpose, by September 2018 Trump slapped tariffs on US\$ 250 billion-worth of Chinese imports with the threat of steady increases if Beijing and Washington fail to reach a deal. Policymakers in Beijing were caught by surprise by the US offensive, and Chinese retaliation ignited a bilateral trade war.⁵⁴

The White House also aimed at other major economies, including Japan. While policymakers on both sides of the alliance largely agree that the personal relationship between «Shinzo» and «Donald» is good, Trump surprised Abe during his visit to Washington DC by remarking «I remember Pearl Harbor» before lashing out at Japan's trade policies towards the US.⁵⁵ Specific to US-Japan relations, Abe had tried to assuage the US president early on with symbolic economic carrots: ahead of the November 2018 midterm elections Trump showcased to US public opinion, figures of recent Japanese investments, which – judging from the slide's mediocre font and format – were likely handed to the US president by Japanese policymakers.⁵⁶ Yet, in March 2018 the US president surprised Abe by not excluding Japan from steel and aluminium tariffs and by threatening a 25% tariff on autos and car components, the imposition of which was linked with the pace of negotiations towards a US-Japan trade agreement. By linking US security guarantees to and potential auto tariffs against Japan with economic concessions, Trump acted on the transactional logic spelt out in his *Art of the Deal* credo: «The best thing you can do is deal from strength and leverage is the biggest strength you can have. Leverage is something the other guy wants. Or better yet, needs. Or best of all, simply can't do without».⁵⁷

In light of Trump's veiled threats, the Japanese government backtracked from its earlier proud refusal to negotiate a bilateral trade deal with the United States.⁵⁸ Moreover, to satisfy Trump's appetite for deals, Tokyo has moved forward with the acquisition of two powerful (and expensive) US-produced radars for its Aegis Ashore land-based ballistic missile defense

54. 'China hits back at Trump with tariffs on \$60bn of US goods', *BBC News*, 18 September 2018.

55. John Hudson & Josh Dawsey, '«I remember Pearl Harbor»: Inside Trump's hot-and-cold relationship with Japan's prime minister', *The Washington Post*, 28 August 2018.

56. Notably, in his 18 October 2018 tweet: «Prime Minister @AbeShinzo of Japan has been working with me to help balance out the one-sided Trade with Japan. These are some of the investments they are making in our Country - just the beginning!» (<https://twitter.com/realDonaldTrump/status/1053070661302669312>).

57. Donald Trump & Tony Schwartz, *Trump: The Art of the Deal*, London: Arrow Books, 1987, p. 53.

58. 'Japan has no interest in trade deal with just U.S., top government spokesman says', *The Japan Times*, 23 July 2018.

systems,⁵⁹ as well as signaling its intention to procure up to one hundred Lockheed Martin F-35s, one of the world's most advanced (and certainly the most expensive) military aircrafts.⁶⁰ In the words of a Japanese government official: «Aegis will be a big-ticket purchase; it will be a nice gift for President Trump»,⁶¹ but as the purchase was already in the making Abe was essentially pandering to Trump's ego-narcissism. At the same time, nevertheless, Japan found it beneficial to stage a symbolic rapprochement with China that highlighted, above all, economic cooperation.

Japan and China showcased a series of official visits culminating in the October 2018 bilateral summit in Beijing. In April 2018 China rushed to restart the Japan-China Economic Dialogue and provide a degree of momentum to Northeast Asian political and economic coordination.⁶² China, in particular, was on a tactical charm offensive to hedge against the risks of a potentially disruptive US-China confrontation over trade, Taiwan and maritime interests, to the point that it pressured President Moon Jae-in to hasten his participation in the Japan-China-South Korea forum, held in Tokyo on May 2018.⁶³ In response to Trump's quest for a «reverse Nixon-goes-to-China» policy, whereas Washington's overtures to Moscow would have allowed the US to better deal with a powerful China,⁶⁴ the notoriously hawkish and nationalist *Global Times* extolled the merits of China responding in kind with better relations with Japan⁶⁵ Thus, in light of growing tensions between the US and China, Beijing mended fraught relations with some of its neighbours, notably India and Japan, and was on a charm offensive elsewhere in the Eurasian landmass.⁶⁶ In an apparent jab to Trump, the Japan-China-South Korea summit participants made a joint declaration in favour of an open world economy

59. 'Japan to buy advanced U.S. radar for missile-defense system', *The Japan Times*, 1 July 2018.

60. 'Japan eyes buying up to 100 more stealth fighters', *The Straits Times*, 30 November 2018, Corey Wallace, 'Negotiating political uncertainties in Japan', *East Asia Forum*, 20 December 2018.

61. 'Japan to buy advanced U.S. radar for missile-defense system', *The Japan Times*, 1 July 2018.

62. '中国、日本に急接近 米中摩擦乗り越える「突破口」狙う' (China Rapidly Approaches Japan Aims at Breakthrough to Circumvent US-China Frictions), *Sankei Shinbun*, 9 May 2018.

63. Interviews with: Tsugami Toshiya, Tsugami Research Center, 2 July 2018; Magara Akihiro, Asian Forum Japan, 3 July 2018.

64. Bethany Allen-Ebrahimian et alia, 'Henry Kissinger Pushed Trump to Work with Russia to Box In China', *The Daily Beast*, 25 July 2018.

65. Editorial Board, '基辛格撮特朗普「联俄抗中」了吗?' (Editorial: Kissinger urged Trump to Engage Russia to Confront China?), 环球时报 (*Global Times*), 2 August 2018.

66. On the India-China side of the equation: Michelguglielmo Torri, 'India 2018: The Resetting of New Delhi's Foreign Policy?', in this same *Asia Major* issue; 'China and India agree to boost trade and lower the temperature on shared border', *South China Morning Post*, 26 November 2018.

and, following that, Premier Li Keqiang ventured into a three-day diplomatic tour of Japan.⁶⁷

Japan has taken full advantage of this strategic vacuum, based on a cautiously positive assessment of two broad dynamics: Xi's domestic power consolidation and, especially, tense international dynamics feeding into a relative rethink of China's aggressive foreign policy towards Japan.⁶⁸ Abe's foreign policy team acted on the belief that China respects strength and China's recent charm offensive partly validated that thinking. Under Abe, Japan has invested heavily in security reforms, deepening strategic partnerships and building a personal rapport with Trump to confront an assertive neighbour.⁶⁹ Yet, Abe's recent official visit to Beijing, likely to be reciprocated by Xi in 2019, also constituted a small form of hedging against excessive dependence on US desiderata. After all, while Japan and the US have agreed in September to initiate bilateral negotiations aimed at a Trade Agreement on Goods (although the US side insisted that this was really a Free Trade Agreement), the US president has not abandoned the idea of levying auto tariffs on its security partner.⁷⁰ Given the expediency of the tactical détente for both governments it remains to be seen what will be the real trend in Japan-China relations. The two governments agreed to the setting up of a hotline on air and maritime incidents, *but* the mechanism didn't include communication between the two coast guards, which were at the forefront of signalling in the East China Sea.⁷¹ The summit in Beijing delivered a modicum of economic and financial cooperation, such as bilateral currency swap agreements and the semblance of Sino-Japanese coordination in development assistance. Moreover, the two governments resumed dialogue and bilateral exchange. Real political concessions may materialize only around Xi's eventual state visit to Japan; these concessions, or lack thereof, will testify to the state of Japan-China relations under the leadership of two proud nationalists.

67. Ministry of Foreign Affairs of Japan, *Premier of the State Council of China Li Keqiang Visits Japan. Japan-China Summit Meeting and Banquet*, 9 May 2018 (https://www.mofa.go.jp/a_o/c_m1/cn/page3e_000857.html)

68. Recent publications by the former Japanese Ambassador to China and the Dean of Japan's National Defense University aptly exemplify this thinking: 宮本雄二 (Miyamoto Yūji), *強硬外交を反省する中国* (China Recriminates its Aggressive Foreign Policy), Tokyo: PHP Institute, 2017; 國分良成 (Kokubun Ryōsei), *中国政治から見た日中関係* (Japan-China Relations Through the Prism of Chinese Politics), Tokyo: Iwanami shoten, 2017.

69. Sebastian Maslow & Giulio Pugliese, 'Japan 2017: Defending the Domestic and International Status Quo', *Asia Maior 2018*, pp.93-112.

70. '「日本車に20%関税を」トランプ氏が警告' (Trump warns he'll slap Japanese cars with a 20% tariff), *Yahoo/Nihon TV News*, 28 October 2018.

71. 'Japan, China launch maritime-aerial communication mechanism', *Mainichi Shinbun*, 8 June 2018.

The Abe administration has undertaken more substantive international countermeasures to neutralize Trump's bilateralism and protectionist trade practices. The Japanese government mostly matched words in favour of preservation of the liberal economic order with deeds. Following Trump's ascension and his rebuttal of the Trans-Pacific Partnership agreement, the Abe government was in the driver's seat of the new Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) between 11 Asia-Pacific countries. Japan was instrumental in excluding from the CPTPP deal many US-sponsored provisions, which were present in the TPP and were believed to be invasive of smaller economies.⁷² This hastened the CPTPP adoption: the deal was signed in March 2018 and came into effect on 30th of December 2018 as six signatories swiftly ratified the multilateral treaty into law.⁷³ In addition, Japan concluded the EU-Japan Economic Partnership Agreement and in 2018 it was pushing for an early ratification process together with the EU: the deal should enter into force in early 2019.⁷⁴ Finally, to maintain momentum for free trade agreements, Japan and China agreed on concluding a 16 member-strong Regional and Comprehensive Economic Partnership by the end of the year.⁷⁵ It is worth noting that India, a major economy, will likely pose exceptions to a number of goods and services for fear of Chinese competition, suggesting that the agreement will be «comprehensive» only in name.⁷⁶ At any rate, the eventual implementation of the above free trade agreements would put US exporters at a disadvantage because their products would face higher tariffs and be less competitive. For Trump's protectionist actions there were equal and opposite multilateral reactions in defence of a free and open world economy.

While extolling the merits of a free world economy and of a rules-based order, the Japanese government was not immune to its own double-standards. Japan's decision to resume commercial whaling and to abandon the International Whaling Committee was one such case.⁷⁷ Less noticed, Japan's unwillingness to join most of the targeted countries (the

72. Albert Keidel, 'Improving China-Japan Relations: Implications for Economic and Strategic Multilateralism in Asia', George Washington University, Washington DC, 26 February 2019.

73. 'Asia-Pacific trade deal signed by 11 nations', *BBC News*, 8 March 2018; Ankit Panda, 'The CPTPP Trade Agreement Will Enter Into Force on December 30', *The Diplomat*, 1 November 2018.

74. 'Japan, EU to work toward early ratification of FTA', *Nikkei Asian Review*, 22 October 2018.

75. 'RCEP交渉の年内妥結へ 中国側と協力で一致' (Towards Completion of RCEP Negotiations by the End of the Year – Agreement on Cooperation with China), *NHK News Web*, 26 October 2018.

76. Conversation with US State Department officials in charge of economic affairs, US Embassy, Tokyo, 1 February 2019.

77. 'Shinzo Abe's harpoon hits the wrong target', *Financial Times*, 3 January 2019.

EU, Norway, Mexico, Turkey, China, Russia)⁷⁸ and formally complain about Trump's aluminium and steel tariffs at the World Trade Organization's (WTO) dispute settlement body, testified to the primacy of strategic calculations surrounding the US-Japan alliance over principles. Finally, and perhaps more importantly, the Abe administration acted on a clear distinction between the *economic* international liberal order, where Japan retained substantial vested interests, and a *political* international liberal order. The below sections provide evidence of Japan's realist flexibility on the latter, specifically political involution in Southeast Asian countries, and consistent engagement of international rules-bending Russia.

Nevertheless, most of the above events confirmed the importance of the Prime Minister's Office in determining Japan's foreign policy and economic initiatives. For instance, with regards to the reset of Japan-China relations, business interests played only a marginal role in influencing the rapprochement. Ultimately, these summits are high on symbolism of bilateral economic cooperation and promises that bilateral relations were transitioning «from competition to cooperation».⁷⁹ Interestingly, governmental pressure demanded that the business community come up with ideas for private collaborations and memorandums of understanding (MOUs) between Japanese and Chinese companies in third party countries, such as Thailand.⁸⁰ Moreover, according to a Japanese researcher based at the Institute of Developing Economies, the Japanese government simply re-branded pre-existing government financing going to Thailand as cooperative financing with China.⁸¹ In short, there was no new money, but the gesture highlighted cooperation to assuage both countries' public opinion and smooth China-Japan relations.

The government push was evident from the major Japanese business actors' decision to disengage from a large railway project in Thailand.⁸² Finally, amidst all the pomp granted to Abe and the Japanese government officials' diplomatic tour of China, Abe did not make formal pronouncements in favour of Japanese cooperation with the Belt and Road initiative; in fact, his past statements from mid-2017 qualified the perimeters of cooperation along the need for economic viability, transparency, openness, fiscal sustainability, financial transparency, fairness, environmental considerations

78. The other notable absent was South Korea, hinting at the United States' substantial security leverage in Northeast Asia. 'Europe, U.S. Escalate Trade War With New Disputes at the WTO', *Bloomberg News*, 18 October 2018.

79. 'Japan and China pledge move from «competition to collaboration»', *Nikkei Asian Review*, 26 October 2018.

80. '日中 第三国協力は政治の産物 急ごしらえ課題山積' (Japan-China: Cooperation in Third Countries is a Political Gift), *Mainichi Shinbun*, 26 October 2018.

81. Conversation with IDE-Jetro researcher, 20 March 2019.

82. 'Sino-Japanese cooperation thrown off track over Thai rail project', *Nikkei Asian Review*, 16 December 2018.

and debt sustainability.⁸³ Interviews with China watchers and Chinese interlocutors based in Japan revealed an ongoing distrust of Abe's goals, to the extent that some Chinese policymakers considered Tokyo's four conditions for cooperation with Beijing as a rhetorical instrument to emphasize the differences between Japan and China,⁸⁴ not unlike Washington's *pro forma* overtures to the Soviet Union when it first unveiled the Marshall Plan.⁸⁵

In short, the Abe government maintained its own reservations on China's role in international relations, as did China on Abe's Japan. Indicative of this, summer celebrations for the 40th anniversary of the signing of the Japan-China Treaty of Peace and Friendship were distinctly underwhelming. Events were confined to a minor symposium with former statesmen at the Chinese Academy of Social Sciences and to the exchange of congratulatory messages between Abe and Li.⁸⁶ Both of these events went unnoticed in China and Xi's notable absence was indicative of ongoing strategic and personal mistrust in Japan-China relations.

With regard to the situation in the East China Sea, the year under review had begun with the publicized entry of a Chinese nuclear attack submarine in the contiguous zone of the Senkaku/Diaoyu Islands (perhaps in connection with Japanese submarine engagement in the South China Sea, see below).⁸⁷ But it ended with *no* entry whatsoever by Chinese vessels in the territorial waters surrounding the islands in December 2018 and, according to Japanese officials, with more restrained Chinese behaviour at sea.⁸⁸ It is worth noting, however, that the incursions resumed as of writing

83. 'Abe offers conditional cooperation with China's Silk Road initiative', *The Japan Times*, 5 June 2017.

84. 'ASEM首脳会議 安倍首相、日中協力含み 海外インフラ整備、透明性要求' (ASEM Summit: Prime Minister Abe Requests Transparency for Overseas Infrastructure Improvement, Including Japan-China Cooperation), *Maimichi Shinbun*, 20 October 2018. Interviews conducted in Tokyo with: Yaming Tang, 21 January 2019; Prof. Zhu Jianrong, 2 February 2019; Mori Yasuhiro, 1 February 2019; Prof. Shin Kawashima, 2 February 2019.

85. Melvyn P. Leffler, 'Divide and Invest: Why the Marshall Plan Worked', *Foreign Affairs*, July/August 2018, Vol. 97 (4), pp.170-5; p. 173.

86. '中日平和友好条約締結40周年記念シンポジウム、友好協力の深化が共通の声' (Symposium on the 40th Anniversary of the Signing of the China-Japan Treaty of Peace and Friendship, Joint Calls for Deepening Friendly Cooperation), 中国国際放送 (*China Radio International*), 11 August 2018; '安倍首相、年内訪中に意欲 友好条約40周年で祝電交換' (Prime Minister Abe Willing to Visit China Within the Year; Exchanges of Congratulatory Messages on Occasion of 40-Year Anniversary from Friendship Treaty), *Asahi Shinbun*, 12 August 2018.

87. Ankit Panda, 'Japan Identifies Chinese Submarine in East China Sea: A Type 093 SSN', *The Diplomat*, 16 January 2018.

88. Japan's Ministry of Foreign Affairs, *Trends in Chinese Government and Other Vessels in the Waters Surrounding the Senkaku Islands, and Japan's Response*, February 2019, (<https://www.mofa.go.jp/files/000170838.pdf>); conversation with Japanese expert on Japan-China relations, Washington DC, 1 March 2019.

and, since January 2018, the Chinese government has sent four rather than three vessels, *de facto* mixing détente with increased pressure. Conversely, the Japanese government has discontinued statements according to which «there is no dispute over the Senkaku Islands», while government officials mandated the continued publicity of the Chinese incursions on NHK, the country's public broadcasting service.⁸⁹ The year under review closed with hints of ongoing Sino-Japanese tensions: Japan joined several countries in denouncing Chinese APT10 hacking activities and China's development of gas fields straddling the Japan-claimed median line demarcating the two countries' Exclusive Economic Zones in the East China Sea.⁹⁰ At any rate, Abe and his Chinese counterparts have refrained from stoking tensions over the history issue: for instance, throughout the year under review, China's unwillingness to play up historical grievances with South Korea was a clear example of its tactical overtures to Japan.

3.2. *Fleshing out Japan's Free and Open Indo-Pacific: military and economic declinations*⁹¹

As recounted in earlier years, Japanese leaders – especially Abe and his diplomatic entourage – viewed China as Japan's foremost strategic problem, to the extent that threat perceptions in Tokyo were reportedly still higher than those in Washington DC,⁹² perhaps excepting decisionmakers from the White House (except the transactional Trump) and from the Department of Defense. Indeed, China's excessive maritime and territorial claims in the China Seas are not expected to abate. Thus, Japan concurrently pushed for a «Free and Open Indo-Pacific Strategy» (subsequently rechristened a «Free and Open Indo-Pacific Vision», see below) that, among other things, entailed greater security and economic cooperation with like-minded parties, including Australia, the United States and, to a lesser extent, India and European partners. At the military level, Japanese decisionmakers promised an expansion of the Japanese navy's strategic port of calls in the

89. Interview with government official in charge of strategic communications, 3 August 2018.

90. 'Japan slams alleged China-based hackers after cyberattacks on government, firms and colleges', *The Japan Times*, 21 December 2018; 'Tokyo protests Beijing's new activities in East China Sea gas field', *The Japan Times*, 3 December 2018.

91. Small portions of section 3.2 are reprinted from: Giulio Pugliese, 'The Economic Dimension of the Free and Open Indo-Pacific', *China-US Focus*, 31 August 2018.

92. Paul Midford, 'Japan's New Security Partnerships: Book Launch', *Daiwa Anglo-Japanese Foundation*, 26 November 2018. Prof. Midford recounted recent fieldwork interviews in the US capital, suggesting a wide consensus over the persistent «China gap» between Japan and its counterparts: Wilhelm Vosse & Paul Midford (eds.), *Japan's new security partnerships: Beyond the security alliance*, Manchester: Manchester University Press, 2018.

Pacific and Indian Oceans.⁹³ This series of firsts testified to Japan's steady military engagement in the widening region: in January 2018, for the first time in 16 years, the Japanese minister of foreign affairs visited Sri Lanka, where the Japanese Maritime Self-Defense Forces later docked its second helicopter carrier – the *Kaga*.⁹⁴ This warship, Japan's largest, was on a two-month tour across the Indian and Pacific Oceans, which included military exercises with British and US warships;⁹⁵ and in the South China Sea the carrier performed anti-submarine warfare exercises with two destroyers and a Japanese submarine, another notable first (according to publicly available information).⁹⁶ While Japan refrained from performing freedom of navigation operations (FONOP, i.e. sailing warships within 12 nautical miles off the coast of artificial «islands») around the South China Sea's contested rocks and reefs, Tokyo was comforted by the deepening military engagement of France and the United Kingdom in the area, which began in 2016 and 2017 respectively.⁹⁷

Amidst fiscal strains on military budgets and ongoing security tensions closer to home, France and Great Britain's activities were somewhat surprising. Unrelenting Chinese assertiveness in the China Seas, a deepening strategic partnership with Japan, as well as French and British regional interests informed these policies. France retained a constellation of small territories in the Indian and Pacific Oceans, while the United Kingdom, with post-Brexit in mind, was looking ahead to negotiate ambitious free trade deals with Japan, the United States and Commonwealth partners in the Asia-Pacific as quickly as possible. Interestingly, European governments signalled their support of freedom of navigation by allowing their military officers to board French vessels navigating the South China Sea.⁹⁸ To give a sense of perspective, it is worth noting that US warships were the only vessels performing FONOPs in the narrow sense, while US allies limited

93. 'Japan to expand MSDF «strategic port calls» in Indian, Pacific oceans to boost free navigation', *The Mainichi Shimbun*, 17 January 2018; Policy Research Council of the Liberal Democratic Party of Japan, 新たな防衛計画の大綱及び中期防衛力整備計画の策定に向けた提言 (Proposals Ahead of new National Defense Policy Guidelines and Mid-term Defense Planning), 29 May 2018.

94. 'Japan FM in Sri Lanka pushes for «open Indo-Pacific strategy»', *CGTN*, 5 January 2018;

95. 'As Chinese influence grows, Japanese warship visits Sri Lanka', *Reuters*, 1 October 2018.

96. 'Japanese carrier drills with British warship heading to contested South China Sea', *Reuters*, 27 September 2018; 'In first, Japanese submarine conducts drills in disputed South China Sea', *Japan Times*, 17 September 2018.

97. Emanuele Scimia, 'French and British navies draw closer in the Pacific. Should China worry?', *South China Morning Post*, 4 June 2018; Participant in closed-door workshop: *Between «America First» and «Chinese dream»: What the EU and Japan can do together*, 13-14 December 2018, Rome.

98. Participant in closed-door workshop: *Between «America First» and «Chinese dream»: What the EU and Japan can do together*, 13-14 December 2018, Rome.

themselves to less sensitive «operations in support of FONOPs», ranging from «innocent passage» to simply sailing through international waters.⁹⁹ Military engagement in favour of the so-called rules-based order, even just a formal one, ensured that London's voice be heard in future economic negotiations with regional players;¹⁰⁰ in the authors' opinion, London's security apparatus constitutes an important source of leverage for much-coveted trade deals. Moreover, the US and CPTPP-11 markets are bigger than the Chinese economy, with good rules that allow a level playing-field. Thus, the British Army and the British Navy conducted their first military drills with Japanese counterparts in 2018.¹⁰¹ That being said, London had to walk a fine line in its China-aimed military signalling as Chinese state media warned about the fate of the UK-China trade deal amidst UK «provocations» in the South China Sea.¹⁰² Interestingly, the Royal Air Force's Red Arrows were on a second tour of China in 2018 following an earlier one in 2016,¹⁰³ and London allowed the sale of military radar technology to China.¹⁰⁴ In the authors' opinion, Europe, the UK and France's strategic commitment to the Indo-Pacific region may pick up momentum but is unlikely to prove either meaningful or sustainable, considering the massive inward pressure to which they are subjected. This includes small economic growth in Western Europe, a hotly contested Brexit deal, yellow vest demonstrations in Paris, the ongoing immigration challenge throughout the EU, and the perceived Russian threat. The British navy's 19 frigates and destroyers will likely be kept busy by a more assertive Russia.

Thus, Japan relied on the support of major regional partners and, especially, the United States. The Abe administration welcomed Trump's more muscular approach towards China, because «Beijing would only listen to the United States»;¹⁰⁵ in other words, Abe played good cop to Trump's bad cop. While Japanese security specialists and military officials welcomed the administration's «peace through strength» China policy, this also reflected mounting consensus within Washington: the December 2018 Asia Reassurance Initiative Act, with its annual US\$ 1.5 billion

99. Eleanor Freund, 'Freedom of Navigation in the South China Sea: A Practical Guide', *Belfer Center for Science and International Affairs*, June 2017, also Christian Wirth, 'Whose «Freedom of Navigation»? Australia, China, the United States and the making of order in the «Indo-Pacific»', *The Pacific Review*, 2018.

100. Conversation with British diplomat, 30 July 2018.

101. 'SDF to conduct first joint military exercises in Japan with British Army', *Japan Times*, 15 September 2018.

102. 'China warns Britain «provocation» in South China Sea puts post-Brexit trade deal at risk', *The Independent*, 7 September 2018.

103. British Consulate General Guangzhou, *The Red Arrows visit Southern China to strengthen UK-China links*, 8 November 2018.

104. 'Britain to sell China «unlimited» amount of military radar equipment, technology', *South China Morning Post*, 1 November 2018.

105. Japanese diplomat, 28 February 2019, Washington DC.

appropriation for military, economic and diplomatic engagement in the Indo-Pacific, testified to bipartisan consensus.¹⁰⁶ All the same, Abe's Japan consistently pursued logistical and intelligence cooperation, deeper inter-operability, access to foreign military bases, logistical and rear-area commitments to enhance its strategic partnerships and, in the process, expand Japan's strategic commitments and provide a credible match against Chinese coercion at sea.

The year under review testified to deepening Japan-India and Japan-Australia relations: this was exemplified by Abe's historic visit to Darwin, Australia and the intimate Modi-Abe summit in Abe's hometown province of Yamaguchi, cleverly timed one day after Abe's stiffer diplomatic tour in China.¹⁰⁷ Nonetheless, at a time of a more consistent Chinese charm offensive – aptly symbolized by the April 2018 Wuhan Summit – the Modi government rhetorically watered down components of its own definition of the Free and Open Indo-Pacific strategy and avoided mention of «freedom of navigation and overflight»; the quadrilateral forum between Australia, Japan, India and the United States officially met twice (at director-general level) on June 7 and November 15, 2018, always producing parallel statements, never a joint one.¹⁰⁸ Moreover, India still refused to grant Australia's accession to its signature Malabar exercises and refused to include Prime Minister Scott Morrison in the US-Japan-India trilateral summit which took place on the fringes of the G20 Summit in Buenos Aires.¹⁰⁹ Momentum for *ad hoc* «Quad» alignment seemingly continued, but in 2018 India was clearly playing by its non-alignment book: Modi assuaged China at the Shangri-La Dialogue by emphasizing that «India does not see the Indo-Pacific Region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate. And by no means do we consider it as directed against any country» and in Buenos Aires he agreed to a trilateral summit with Xi and Vladimir Putin.¹¹⁰ Moreover, the Japanese government toned down the potential zero-sum aspects of the strategy by relabelling the Free and Open In-

106. Ankit Panda, 'What ARIA Will and Won't Do for the US in Asia', *The Diplomat*, 14 January 2019.

107. 'Japan, Australia move to cement ties', *The Straits Times*, 17 November 2018; 'Modi-Abe summit to pave way for closer security cooperation', *Nikkei Asian Review*, 26 October 2018.

108. Ian Hall, 'Modi plays by the «rules» at Shangri-La', *Lowy Institute*, 4 June 2018; Ankit Panda, 'US, Japan, India, and Australia Hold Senior Official-Level Quadrilateral Meeting in Singapore', *The Diplomat*, 8 June 2018; Alyssa Ayres, 'The Quad and the Free and Open Indo-Pacific' *Council on Foreign Relations*, 20 November 2018.

109. Ministry of Foreign Affairs of Japan, *Japan-U.S.-India Summit Meeting*, 30 November 2018 (https://www.mofa.go.jp/sa/sw/in/page3c_000969.html).

110. Michelguglielmo Torri, 'India 2018: The Resetting of New Delhi's Foreign Policy?', in this same *Asia Major* issue.

do-Pacific strategy as a «vision» and by stressing ASEAN's centrality.¹¹¹ The relabelling was also sold by the government of Japan as a means to assuage Chinese fears of containment.¹¹² In all likelihood, however, the principal goal was to allay worries of Southeast Asian governments, which were unwilling to choose between the Chinese and American camps.

For the above reasons, while emphasizing maritime security and greater military coordination between the US, Japan, Australia and India, the Free and Open Indo-Pacific vision rested primarily on economic foundations. According to the Asian Development Bank (ADB), the Asia-Pacific is reportedly in need of US\$ 26 trillion-worth of infrastructure investment between 2016 and 2030. As argued in a recent paper, the Japanese government has been an early driving force of connectivity through grants and loans aimed at high-quality infrastructure in the region.¹¹³ Yet, China's entry into the game through its Belt & Road initiative has prompted the Japanese government to devote a substantial amount of resources into overseas infrastructure investments, either through its own agencies or via the ADB. Abe steadily increased Japanese funding for regional infrastructure, doubling his earlier pledge in favour of US\$ 110 billion-worth of investments, and providing an additional US\$ 50 billion to the ADB. In 2018 the government of Japan was happy about ASEAN governments' desire to diversify donors, as evident by completion of the latest extension of Cambodia's Sihanoukville harbour, the unveiling of an ambitious Tokyo Strategy 2018 at the 8th Mekong-Japan Summit and the newly-elected Malaysian government's decision to postpone major China-led infrastructure projects.¹¹⁴ While the rhetoric surrounding the Free and Open Indo-Pacific extolled its participants' willingness to uphold the so-called liberal international order, the reality was much more complicated. Japan's fears of Chinese economic influence in Southeast Asia, for instance, informed sustained engagement with states that registered substantial political involution, such as Cambodia, if not state-sanctioned violence, Duterte's Philippines and a genocidal, if democratic, Myanmar.¹¹⁵ Japan's «values-based diplomacy» was essen-

111. 'Quad leaders stress ASEAN's centrality in their Indo-Pacific visions', *The Straits Times*, 17 November 2018.

112. '対中配慮、消えた「戦略」 領海侵入棚上げで融和加速' (Consideration Towards China, Disappearing «Strategy», Hastening of Détente with Shelving of Incursions in Territorial Waters), *Kyodo News*, 26 October 2018.

113. Nikolay Murashkin, 'Not-so-new silk roads: Japan's foreign policies on Asian connectivity infrastructure under the radar', *Australian Journal of International Affairs*, Vol. 72, No. 5, 2018, pp. 455-472.

114. 'Cambodia's biggest port sees China coveting Japan's dominant role', *Nikkei Asian Review*, 3 August 2018; 'New Japan-Mekong strategy aims to boost quality infrastructure', *Mainichi Shinbun*, 9 October 2018; 'Malaysia's Mahathir cancels China-backed rail, pipeline projects', *Reuters*, 21 August 2018.

115. 'Japan, China battle for ODA influence in the Philippines', *Devex*, 20 November 2018; 'Japanese investment in Myanmar soars to all-time high', *The Japan*

tially realist in spirit and its push for infrastructure projects aimed at killing two birds with one stone: blunt its political rival's financial inroads in the region, while aiding its own industries abroad.

These monies would allow Japan to preserve a degree of political leverage vis-à-vis recipient countries, especially those in the immediate neighbourhood as well as strategic states. India, for instance, by virtue of being a great power with shared borders and a complicated relationship with China is the biggest recipient of Japanese Official Development Assistance (ODA), making Japan India's biggest bilateral donor. Yet, it's not clear whether returns on government financing abroad will prove economically sustainable for both China and, albeit to a lesser extent, Japan. After all, some of these projects are strongly clouded by political considerations and potentially-noxious proximity between public and private actors. The Japan-sponsored mammoth Ahmedabad-Mumbai highspeed railway project is a case in point:¹¹⁶ the size of Japan's generous yen-denominated ODA loans for that project alone – US\$ 13 billion – amount to *one third* of Japan's ODA committed to India since 1958 (US\$ 39 billion), and a little less than half of the amount of all Japanese ODA loans to China (US\$ 30 billion) between 1979 and 2013.¹¹⁷

More recently, the United States has been fleshing out its economic participation to the Free and Open Indo-Pacific vision. Following US secretary of state Pompeo's underwhelming offer of US\$ 113 million for the Indo-Pacific region, representatives from the Australian government and Japan's and the United States' policy banks have inaugurated a trilateral partnership for infrastructure investment in the region.¹¹⁸ Japan's Bank for International Cooperation (JBIC) and the United States' Overseas Private Investment Corporation (OPIC) will coordinate infrastructure financing, and an OPIC representative will be based in Tokyo for this purpose. Finally, the United States created a «mega-OPIC» through the Better Utilization of Investments Leading to Development Act that more than doubled its budget to US\$ 60 billion, thus allowing the new US policy bank to work hand-in-hand with JBIC and its budget of roughly US\$ 100 billion. As declared by Vice-President Pence during the Papua New Guinea APEC Summit, Japan and the US will devote US\$ 10 billion for infrastructure building.¹¹⁹ In fact,

Times, 29 May 2018; 'Japan stands by Myanmar, lest China gain favour', *Nikkei Asian Review*, 16 January 2018.

116. 'Is the Indo-Japan rail project a boondoggle?', *Japan Times*, 25 April 2018.

117. These numbers should be adjusted for inflation to make proper comparisons of scale. Japanese Ministry of Foreign Affairs, 国別地域別政策・情報 (ODA by Region and Country – Policies and Information) (<https://www.mofa.go.jp/mofaj/gaiko/oda/region/index.html>).

118. The White House, *Joint Statement of the Governments of the United States of America, Australia, and Japan*, 17 November 2018 (<https://www.whitehouse.gov/briefings-statements/joint-statement-governments-united-states-america-australia-japan>).

119. 'Pence firm on China at PNG conference', *NHK World*, 17 November 2018.

in 2018 Japan signed a Memorandum of Understanding with Australia for joint regional financial cooperation that will function along the above lines.¹²⁰

Yet, some of these initiatives are embryonic and it remains to be seen how they will pan out. The 2019 G-20 summit in Japan will emphasize connectivity cooperation and projects that will include also EU-Japan joint efforts through the recent Strategic Partnership Agreement, which still remains toothless. India's presence in these multilateral economic efforts too should be understood, at best, as rhetorical support (e.g. the Modi-Abe summit refrained from mentioning the earlier Japan-India Asia-Africa Growth Corridor initiative). In fact, India is clearly a net recipient of Japanese and American economic diplomacy. Moreover, the Trump administration's economic instincts are clearly in conflict with the Indo-Pacific's economic leg: the US is reportedly more inward-looking in terms of financing infrastructure building, to the extent that Japan considered creating a sovereign wealth fund to invest in the US in order to assuage Trump.¹²¹ As per above, Trump is much more interested in extracting trade concessions and is unlikely to recommit the US to the Trans-Pacific Partnership, a free trade agreement that set new standards for 21st century trade and investment that also aimed at shielding medium-size economies from economic dependency, vis-à-vis China. Time will tell whether the US, Japan and likeminded countries will be able to push for effective multilateral economic cooperation in the region.

3.3. *Beyond the Indo-Pacific: Japan's quest for a new chapter in its relations with Russia and North Korea*

In spite of Japan's rhetoric, presenting itself as the bastion of the so-called rules-based international order, the Abe government gave proof of its realist colours with its overtures towards the Democratic People's Republic of Korea and Russia. Trump's surprise U-Turn from «maximum pressure» to a semblance of détente with North Korea entailed a historic US-DPRK summit in Singapore and a freeze on Pyongyang's provocative nuclear and missile testing.¹²² One notable effect of the US-North Korea summit and of the concomitant amelioration in DPRK-South Korea and DPRK-China relations has been the Japanese government's scramble for a DPRK-Japan summit.¹²³ Yet, Abe's active attempts to closely align Japan's DPRK policy with Trump's agenda to engage North Korea have lead nowhere: the Abe gov-

120. Minister for Foreign Affairs (Australia), 'Greater cooperation with Japan', 16 November 2018, (https://foreignminister.gov.au/releases/Pages/2018/mp_mr_181116b.aspx?w=E6pq%2FUhzOs%2BE7V9FFYi1xQ%3D%3D).

121. Iori Kawate, 'Japan plans sovereign wealth fund to finance US infrastructure', *Nihon Keizai Shimbun*, 3 August 2018.

122. Van Jackson, *On the Brink: Trump, Kim and the Threat of Nuclear War*, Cambridge: Cambridge University Press, 2018.

123. 'Abe repeats desire to hold summit with North Korea on abduction issue', *The Japan Times*, 11 June 2018.

ernment's insistence on resolution of the abduction issue was a non-starter and prompted Pyongyang to openly snub Tokyo's overtures.¹²⁴

Abe also feared the results of Trump's North Korea policy, as the US president froze some expensive military drills around the peninsula, entertained the possibility of reducing US forces stationed south of the 38th parallel with the possibility of making a deal with Pyongyang on the exclusive removal of inter-continental ballistic missiles, all at the expense of US regional allies.¹²⁵ Moreover, US priority over addressing the threat posed by long-range missiles and nuclear weapons over Japan's key concern of DPRK short and mid-range missiles and chemical and biological weapons also raised concerns in Japan over a dealignment of alliance security interests. Another negative spill-over effect of the new pattern in US-DPRK relations was the decrease in phone calls between Trump and Abe to exchange information and coordinate response over missile and nuclear tests, widely understood as an informal source of Japanese leverage over US foreign policymaking.¹²⁶ Domestically, the defusing of tensions around the Korean peninsula meant that the Abe government had to cancel the J-Alert warnings and duck-and-cover evacuation drills that were, by the admission of most specialists interviewed in Japan, more likely aimed at increasing its citizens' security awareness.¹²⁷ While for many years public opinion in Japan was locked on the abduction issue, most recently the majority of Japanese is more concerned with the DPRK's missiles and nuclear arms.¹²⁸ Abe is thus faced with a dilemma. While Japan welcomes peace and stability on the Korean peninsula, a US-led resolution of the North Korea threat would remove a critical pillar in his argument for the need to modernize Japan's military and to change the country's pacifist constitution.¹²⁹ As a consequence, Abe has been and is likely to remain constrained

124. 'North Korea steps up criticism of Japan, seeking redemption for past', *Kyodo News*, 4 July 2018; Yuki Tatsumi, 'Can Abe Solve Japan's «North Korea» Dilemma?', *38North*, 26 October 2018.

125. 'What are the US-South Korea war games?', *BBC News*, 30 August 2018; 'Republicans buck Trump on Korea troop pullout talk', *Politico*, 13 June 2018.

126. A cursory examination of Japan's Ministry of Foreign Affairs webpage devoted to US-Japan relations suggests that most of the summit telephone talks between Abe and Trump took place ahead of the 12 June US-DPRK summit: Ministry of Foreign Affairs of Japan, Areas: United States of America (<https://www.mofa.go.jp/mofaj/area/usa/index.html>).

127. 'Tokyo's first ballistic missile drill gets mixed reaction', *Japan Times*, 22 January 2018; 'Japan to cancel missile evacuation drills following Trump-Kim summit', *Mainichi Shimbun*, 21 June 2018. Interviews with Japanese academics and foreign diplomats in Tokyo, July-August 2018.

128. '外交に関する世論調査 (Public Opinion concerning [Japan's] Foreign Policy)', Cabinet Office, October 2018 (<https://survey.gov-online.go.jp/h30/h30-gai-ko/2-1.html>).

129. Sebastian Maslow, 'Abe's North Korea Dilemma', *East Asia Forum*, 2 July 2018.

in his options to secure an active role for Japan in international efforts to denuclearize the DPRK. At any rate, the unresolved question of a North Korean denuclearization and the concomitant advance of the Democratic Party in the House of Representatives means that Trump's half-baked détente with Pyongyang is ready to crumble anytime in the near future.

Japan's role in shaping security affairs in the Korean peninsula was further stalled by the deterioration of relations with South Korea and, by extension, the US-Japan-ROK security triangle. The bilateral crisis reached its climax in November 2018 with the Moon administration's unilateral decision to dissolve the institution established by both governments to compensate South Korean «comfort women». In fact, the one billion yen fund provided by Japan constituted a key pillar of Abe's agreement with Park Geun-he to irrevocably resolve the «comfort women» issue in 2015.¹³⁰ Moon's decision was preceded by another spat, again politicized by South Korea, over the use of the Rising Sun flag by Japan's Maritime Self-Defence vessels resulting in the cancellation of bilateral naval drills in October. It is worth noting that, according to a respected security specialist, the post-war Japanese navy had certainly flown its flag, which dates back to its imperial days, while performing earlier port calls in South Korea.¹³¹ Moon's decision was then followed by a ruling of the South Korean Supreme Court that ordered the Japanese steel-makers Nippon Steel and Sumitomo Metal to compensate four South Korean individuals who were forced to work for these companies during Japanese colonial rule. Then in late November another Supreme Court ruling ordered similar payments from Mitsubishi. The court's verdicts triggered a harsh response from Japan as PM Abe called the ruling «impossible in the light of international law»; his Foreign Minister Kōno Tarō rendered the rulings as «extremely regrettable and totally unacceptable» as the verdicts would not only violate the 1965 treaty framework on normalizing Japan-ROK relations but also «open the Pandora's box» that will allow similar claims against Japanese companies throughout formerly-occupied Asian countries, not just South Korea.¹³²

Finally, the Abe administration explored ways to engage Moscow. Following stalemate in the longstanding Southern Kuriles/Northern Territories dispute, the Japanese government softened its approach towards Russia by agreeing to a resumption of negotiations aimed at a Peace Treaty along the

130. 'South Korea to dissolve Japan-funded «comfort women» foundation', *The Japan Times*, 17 November 2018; Yosuke Onchi, 'Tokyo and Seoul drift further as «comfort women» foundation dies', *Nikkei Asian Review*, 22 November 2018.

131. Conversation with Dr. Alessio Patalano, Reader in War Studies, King's College London.

132. Simon Denyer, 'New South Korean court ruling angers Japan, deepening crisis between America's closest Pacific allies', *The Washington Post*, 29 November 2018; also '賠償命令「パンドラの箱開けた」元徴用工訴訟、識者は' (Order for Compensations «Opens Pandora's box»: An Expert's View on the Forced Labour Ruling), *Asahi Shinbun*, 30 October 2018.

1956 joint declaration between the Soviet Union and Japan.¹³³ In practice, Japan expected Russia to hand over the smaller islands of Habomai and Shikotan to Japan, while Tokyo would quietly relinquish its claims on the remaining two islands. The two governments would set up the new framework and the respective negotiation teams with the explicit aim of signing off a peace treaty.¹³⁴ Most experts on Japan-Russia relations and the vast majority of Japan's diplomatic establishment saw slim chance of a successful deal, given the likely backlash back home, the conditions attached to a potential return of even just two islands, and the fact that roughly 2,000 Russians still lived in Shikotan. At the same time, Abe was clearly resolute about leaving a personal legacy on Japan-Russia relations. Moreover, both Putin and Abe were (in all likelihood) in their final mandate, they had strong domestic political support and needed international openings to broaden their strategic horizons. This was particularly true of Russia, which could not even count on the most Russia-sympathetic US president in its post-war history, as US domestic politics cornered the administration into a default Russophobic policy. Given the above, Japan avoided substantial criticism of Russia's alleged poisoning of a former intelligence officer based in the UK,¹³⁵ and of Russia's Ukraine offensive in late 2018.¹³⁶ As the resumption of commercial whaling and engagement of Russia demonstrate, when national interests clashed with the preservation of the so-called international (political) liberal order, Abe's *Realpolitik* clearly trumped his insistence on Japan as a bastion of the «rules-based order».

133. 'Japan-Russia peace talks to focus on 2 of 4 disputed islands', *The Asahi Shimbun*, 15 November 2018.

134. '日ロ、交渉枠組み合意へ 平和条約 首脳会談で担当者決定' (Japan-Russia, Towards Agreement on the Negotiation Framework – Decision of Key Negotiators for the Peace Treaty During a Summit), *Hokkaido Shinbun*, 28 November 2018.

135. As well as poisoning of his daughter, of a police officer and the inadvertent murder of a woman who had used the lethal Novichok nerve agent. James DJ Brown, 'Japan and the Skripal poisoning: The U.K.'s fair-weather friend', *Japan Times*, 27 March 2018.

136. 'Tokyo avoids criticizing Moscow over Ukraine issue ahead of talks on Russian-held islands off Hokkaido', *Japan Times*, 28 November 2018.

TAIWAN 2018: HEAVY SETBACKS FOR THE TSAI ADMINISTRATION*

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Relations between Taiwan and the People's Republic of China remained frozen, as President Tsai Ing-wen continued to refuse Beijing's diktat to accept the 1992 Consensus as a roadmap for national unification. With no breakthrough in sight, both sides across the Strait remained firmly entrenched in their positions, relying on military signalling to communicate their commitment to their respective agendas. The escalation of the Sino-American strategic competition also contributed to shape the course of cross-Strait relations, as Taipei consolidated its security relations with Washington against Beijing's threat. The support of the Trump administration partially balanced a string of diplomatic defeats that Taiwan suffered throughout the year, as the government of the People's Republic of China further shrank Taiwan's international space, poaching diplomatic allies and excluding the self-governed island from international organisations. Despite stronger ties with Washington, Taipei neither avoided the Trump tariffs, nor recommenced negotiations for a free trade agreement with the United States. Similarly, the maintenance of stable and friendly relations with the Abe administration was not sufficient to obtain Japan's support for access to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership free trade agreement.

Burdened by the need to implement painful structural reforms to the economy, and unable to guarantee short-term windfalls to an impatient electorate, the Democratic Progressive Party (DPP) suffered a devastating defeat in the November electoral round, which merged local elections with referenda on themes relevant to the long-term success of the Tsai agenda. The elections saw an impressive performance of the Kuomintang but also raised concerns over China's capability to infiltrate and affect Taiwan's democratic processes. The magnitude of the DPP's defeat appeared to have severely hindered Tsai's prospects for re-election in 2020.

* Relevant terms and expressions are reported in English followed by a transcription in Chinese characters. Traditional characters are used for terms and statements drawn from Taiwanese sources, while simplified characters are used for terms and statements drawn from PRC's sources. Given the lack of a standardised system for proper nouns in Taiwan, people's names and place names are transliterated either in Wade-Giles or in Gwoyeu Romatzyh, following their most common usage. Proper nouns from the PRC are transliterated in Hanyu Pinyin.

1. Introduction

This essay explores the developments which occurred in the Republic of China (Taiwan) – hence ROC – in the fields of cross-Strait relations, regional politics, domestic politics and the economy in 2018. The section on cross-Strait relations, which constitutes the bulk of the essay, consists of three segments. The first assesses the articulation of the Taiwan policy of the People's Republic of China (PRC), and its impact on the ROC's international presence. The second provides an analysis of the triangular relations between China, Taiwan, and the United States, with a focus on political communication, military signalling, and the impact of the Sino-American trade-war. The third stands as a counterpart to the first, examining the development of the defence policy of the administration of President Tsai Ing-wen 蔡英文.

The second part of the essay – section three – analyses Taiwan's role as a regional actor in the Indo-Pacific. This section starts with a synopsis of the development of relations between Washington and Taipei beyond the cross-Strait dimension, focusing on trade relations. Successively, it discusses the evolution of Taiwan's relations with Japan and its implications for Taipei's request to access the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Finally, it examines the evolution of the Tsai administration's policy of engagement with its regional neighbours in the context of the New Southbound Policy initiative started in 2016.

The last part of the essay, section four, covers domestic economics and politics, revolving around the key political events of the year, local elections and the referendum held on 24 November. While the cross-Strait and regional ramifications of the electoral results are analysed in the previous sections, this portion of the essay informs such events to the domestic social, political, and economic processes occurring in Taiwan. In order to do so, it is divided into three segments. The first segment delivers a general sketch of the main structural challenges testing the economy of the ROC in recent years, and presents estimates and official data on the performance of the local economy in 2018. Against this backdrop, the second segment discusses the policies of the Tsai administration and of the major opposition forces in the period leading up to the election. Finally, the third segment maps the result and short-term implications of the November vote.

2. Cross-Strait Relations in 2018

Throughout the year, President Tsai predictably continued to reject Beijing's unification agenda under the banner of the so-called «1992 Con-

sensus».¹ Firmly entrenched in their respective positions and unwilling to allow any room for manoeuvre, Taipei and Beijing remained trapped in the same conflictual logic that emerged after Tsai's victory in 2016. The PRC persisted in adopting a variety of diplomatic and economic tools aimed at punishing the Tsai administration on the global stage, while the ROC continued to muster resources and advance a multidimensional agenda aimed at enhancing its capacity to withstand the PRC threat. In doing so, Taipei found support in a Trump administration squarely looking at Beijing as a strategic competitor. By the end of the year, the two sides across the Strait were as far as ever from a reset of their relations.

2.1. China's Taiwan policy

The PRC government remained determined to suffocate the ROC's feeble international presence as well as shape the attitudes of Taiwanese public opinion in its favour.² Between May and August, with the support of generous packages of loans and investments, Beijing established relations with three former diplomatic allies of the ROC – the Dominican Republic, Burkina Faso, and El Salvador – leaving Taipei with just 17 countries providing diplomatic recognition.³ Further concerns over Taiwan's «diplomatic survival» emerged after the signature of the historical Sino-Vatican Provisional Agreement on the Appointment of Bishops between Beijing and the Holy See in September. Fears of a switch of diplomatic recognition by the Vatican, however, were quelled by the announcement of a 2019 pastoral visit of Pope Francis to the ROC few weeks later.⁴ China also continued to bar Taiwanese officials from participating in a variety of international and

1. On the origins, the emergence and the evolution of the «consensus» during the Ma presidency, see: Aurelio Insisa, 'Taiwan 2012-2016: From Consolidation to the Collapse of Cross-Strait Rapprochement', *Asia Maior 2016*, pp. 54-56.

2. Aurelio Insisa, 'Taiwan 2012-2016', pp. 70-72; Aurelio Insisa, 'Taiwan 2017: Stalemate on the Strait', *Asia Maior 2017*, pp. 115-117.

3. Ministry of Foreign Affairs of the People's Republic of China (FMPRC), *Joint Communiqué on the Establishment of Diplomatic Relations between the People's Republic of China and the Dominican Republic*, 1 May 2018

(https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1555850.shtml); FMPRC, *People's Republic of China, Republic of El Salvador Establish Diplomatic Ties*, 21 August 2018 (https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1587195.shtml); FMPRC, *China, Burkina Faso Agree to Open New Chapter of Bilateral Friendly Cooperation*, 31 August 2018 (https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1591291.shtml); 'Taiwan Says China Dangled \$3 Billion to Grab Ally Dominican Republic', *Reuters*, 1 May 2018.

4. Holy See Press Office, *Communiqué Concerning the Signing of a Provisional Agreement between the Holy See and the People's Republic of China on the Appointment of Bishops*, 22 September 2018 (<https://press.vatican.va/content/salastampa/en/bollettino/pubblico/2018/09/22/180922d.html>); 'Pope Francis Responds Favorably to Invitation to Visit Taiwan: VP', *Focus Taiwan*, 16 October 2018.

multilateral meetings, from UN climate talks, to the World Health Organization and Interpol annual general assemblies.⁵ Noticeably, the continuous exclusion of Taiwan from international organisations affected the island's security. For instance, in early January Beijing announced the beginning of northbound flights over the pre-existent M503 flight route located close to the median line of the Taiwan Strait, a unilateral move which exploited the ROC's exclusion from the ICAO (International Civil Aviation Organisation).⁶ The security implications of such a move emerged in May, when ROC sources reported a People's Liberation Army Air Force (PLAAF) electronic surveillance aircraft deviating from the M503 route to reach the proximity of the Strait's median line.⁷

In addition to diplomatic pressure, the Chinese government also stepped-up the weaponisation of its consumer market to further limit the ROC's «international footprint». Beijing coerced numerous international companies, such as hotel-sector giant Marriott, fast-fashion retailer Zara, and the US airlines American, Delta, and United, into changing their policy of listing Taiwan as a separate country on their Chinese websites.⁸ Noticeably, the intensification of China's punishing campaign against the Tsai administration served to highlight the different treatment that Beijing reserved for the Taiwanese people. Building upon plans first unveiled in 2017, the PRC openly attempted to co-opt the Taiwanese, especially those with business, professional, and educational interests on the Mainland. The centrepiece of this effort was the «Several Measures to Promote Cross-Strait Economic and Cultural Exchange and Cooperation» (关于促进两岸经济文化交流合作的若干措施), a set of initiatives aiming at benefitting Taiwanese businesses and people which came into force on 28 February.⁹ The package, usually described on Chinese media as the «31 Measures» (31 措施), provides Taiwan-funded businesses «equal treatment» (同等待遇) to their Mainland counterparts regarding a range of initiatives including the «Made

5. 'Taiwan Shut Out of WHO Assembly for Second Year', *Nikkei Asian Review (NAR)*, 9 May 2018; Chris Horton, 'As U.N. gathers, Taiwan, frozen out, struggles to get noticed', *The New York Times*, 21 September 2018; 'Taiwan Says Shut Out of U.N. Climate Talks Due to China Pressure', *Reuters*, 14 November 2018; 'Interpol Kowtows to China by Rejecting Taiwan's Assembly Bid', *Taiwan News*, 19 October 2018; 'Tai-chung Stripped of Right to Host East Asian Youth Games in Taiwan Due to Chinese Pressure', *Taiwan News*, 24 July 2018.

6. For a detailed synopsis of the events concerning the opening of the M503 and the ROC's response see: 'A Primer on M503 and Civil Aviation in East Asia', *Asia Maritime Transparency Initiative - CSIS*, 14 March 2018.

7. 'Chinese Shaanxi Y-8 Aircraft Traces Center of the Taiwan Strait, M503 Flight Path', *Taiwan News*, 14 May 2018.

8. Chris Horton & Shuhei Yamada, 'How Beijing enlists global companies to pressure Taiwan', *NAR*, 26 July 2018.

9. The initiatives were first unveiled in March 2017, see: Aurelio Insisa, 'Taiwan 2017', pp. 115-116.

in China 2025» strategic plan, the reform of China's State Owned Enterprises (SOEs), and Belt and Road-related projects. It also enables Taiwanese people resident in Mainland China to access a variety of national schemes, funds, and examinations for professional qualifications, previously available only to PRC nationals.¹⁰

PRC President Xi Jinping 习近平 himself emphasised this «sticky power» dimension of China's Taiwan policy later in April during a meeting with a delegation led by former ROC Vice-President Vincent Siew Wan-cheng 萧万长 on the side lines of the Boao Forum for Asia, when he affirmed China's will to share the «tangible benefits» (实实在在的好处) of its economic development with Taiwanese business.¹¹ The efficacy of the 31 Measures remains, however, debatable. A year after this announcement, China's Taiwan Affairs Office (TAO) issued a statement vaunting the success of the benefit package, but failed to provide detailed data.¹² A subsequent statement by the ROC's Mainland Affairs Council (MAC) predictably played down the TAO's claims, stressing instead the decrease of Taiwanese investments to the Mainland in 2018 and disputing Chinese accounts of preferential treatment for Taiwanese businesses and people.¹³

On a parallel track, Beijing kept fostering a network of alternative platforms to sustain cross-strait ties, bypassing the ROC institutions controlled by the Democratic Progressive Party 民主进步党 (DPP). Among numerous initiatives, it is worth mentioning the first Cross-Strait Roundtable Forum (两岸民间圆桌论坛) held in Beijing weeks before the ROC's local elections in late November, which functioned as a platform to sponsor the 31 Measures and cross-strait cooperation.¹⁴ Indeed, the result of the Tai-

10. Taiwan Affairs Office of the State Council PRC (TAO), 国台办发布实施「关于促进两岸经济文化交流合作的若干措施」的相关情况 (*TAO Issues Relevant Information on the Implementation of the «Several Measures for the Promotion of Cross-Strait Economic and Cultural Exchange and Cooperation»*), 28 February 2018

(http://www.gwytb.gov.cn/31t/qwjtd/201805/t20180518_11956028.html).

11. ‘习近平会见萧万长一行’ (‘Xi Jinping Meets Delegation Led by Vincent Siew’), *Xinhua*, 10 April 2018.

12. TAO, 国台办: 以「钉钉子」精神持续做好«31条措施»落实工作 (TAO: We Continue to Do Our Best in the Spirit of «Pinning One Nail after Another» for the Implementation of the «31 Measures»), 27 February 2019 (http://www.gwytb.gov.cn/wyl/201902/t20190227_12142935.htm).

13. Mainland Affairs Council, ROC (Taiwan), 中國大陸公布「對臺31項措施」周年, 其實施成果「言過其實」, 所謂「惠臺融合」意在「利中促統」(*A Year After Mainland China Announced the 31 Taiwan-Related Measures, the Implementation Results are Overstated, and the so-called «Favour Taiwan and Encourage Integration» Intends to «Benefit China and Promote Unification»*), 27 February 2019 (https://www.mac.gov.tw/News_Content.aspx?n=05B73310C5C3A632&sms=1A40B00E4C745211&s=29884F260639C6E3).

14. ‘首届两岸民间圆桌论坛举行「牵起两岸交流合作的线」’ (The First Cross-Strait Roundtable Forum Held to «Sustain Cross-Strait Exchange and Cooperation»), *Xinhua*, 31 October 2018.

wanese local elections, which saw the resounding defeat of Tsai and her DPP and the surprising success of Kuomintang 國民黨 (KMT) candidates, emboldened this agenda. Thus, Beijing green-lighted the intensification of inter-city relations with non-DPP local administrations at the end of the year.¹⁵ For example, the 2018 annual Taipei-Shanghai Twin-City Forum, hosted in December by the independent administration of the mayor Ko Wen-je 柯文哲, saw the participation of a sizeable 135-man Shanghainese delegation. Around the same time, reports of Chinese plans to implement a surge of Mainland tourists to KMT-ruled cities emerged in the Taiwanese media.¹⁶ President Tsai publicly pushed back against the consolidation of these ties between local administrations and the PRC, stating that the management of cross-Straits policy remains the prerogative of the central government. However, it is unclear whether Taipei will be able to rein in local administrations.¹⁷ This predicament points to CCP-KMT relations and to contacts between the PRC and ROC local administrations as being possible hotspots of cross-Straits relations in 2019.

2.2. *The Beijing-Taipei-Washington triangle*

Three inter-related dynamics further shaped the course of relations between Taipei and Beijing: the entrenchment of the respective positions over the issue of unification symbolised by the 1992 Consensus; the intensification of military signalling on both sides; and the stepping-up of American support for Taipei within the broader context of the Sino-American trade war and strategic confrontation. These processes placed the Beijing-Taipei-Washington triangle at the centre of international politics in 2018.

During the annual Taiwan Affairs Meeting of the Chinese Communist Party Central Committee held in February, the Politburo Standing Committee member Wang Yang 王洋 broke the litany of standard pledges to national unification with an assertive quote from a Mao Zedong poem, affirming that it was now necessary to act with a «time waits for no man, seize the day seize the hour» attitude (以时不我待、只争朝夕的精神状态).¹⁸ Wang's quote sparked a month-long debate among Chinese commentators on state media on the possibility of forcing national unification by 2049, on the oc-

15. 'Beijing Seeks to Build Ties with Taiwanese Cities', *South China Morning Post (SCMP)*, 25 November 2018.

16. Hsiao Yu-hsin and William Hetherington, 'KMT-led cities to see surge in Chinese tourism: source', *Taipei Times*, 22 December 2018; 'Taipei-Shanghai Twin-City Forum Opens in Taipei', *Focus Taiwan*, 20 December 2018.

17. 'Cross-Straits Policy Is the Responsibility of Central Government: Tsai', *Focus Taiwan*, 27 November 2018.

18. TAO, 2018年对台工作会议在京召开汪洋出席并讲话 (*The 2018 Taiwan Affairs Meeting Opens in Beijing: Wang Yang Attends and Delivers a Speech*), 2 February 2018 (http://www.gwytb.gov.cn/wyly/201802/t20180202_11919672.htm).

casation of the centennial of the PRC foundation.¹⁹ This debate was arguably allowed to flourish on Chinese media to increase the pressure on Taiwanese decision-makers and local public opinion. The cross-strait debate was successively monopolised by ROC Premier William Lai Ching-te's 賴清德 statements on Taiwan independence. Pressed by pro-independence Legislative Yuan (LY) members during a session on 20 March, Lai reaffirmed his past claim of being a «political worker for Taiwan independence» (台獨政治工作者). However, the Prime Minister added that «Taiwan is a sovereign and independent country» (台灣是主權獨立國家), a «fact» (事實) that cannot be changed by any external force.²⁰ Lai attempted to pivot from endorsing the establishment of a «Republic of Taiwan», a position popular among the DPP hardliners to which he pandered during his days as mayor of Tainan, to a status-quo approach, which equates «Taiwan independence» to the ROC's self-rule, in line with the cross-strait policy of President Tsai. The Premier's rhetorical contortionism mainly aimed at maintaining his credentials in the Pan-Green camp without damaging the Tsai administration, but he ultimately ended up highlighting the unresolved tensions within the DPP on Taiwan's status. Moreover, his words damaged Tsai's more nuanced approach to the issue, and bolstered Beijing narratives portraying the ROC President as a supporter of independence in disguise.²¹

Indirectly responding to Lai a few days later, President Xi, during the Chinese Party-State Two-Sessions event, admonished Taiwan's «separatist forces» claiming that they would «receive [...] the punishment of history» (受到...历史的惩罚).²² This speech marked the beginning of more direct involvement of Xi in the cross-strait rhetorical battleground throughout 2018, a dynamic partially explained by the concurrent consolidation of Washington's support for Tsai as the Sino-American trade war unfolded. Moreover, the People's Liberation Army Navy (PLAN) aircraft carrier Liaoning passed through the Taiwan Strait following Xi's Two-Sessions statement, highlighting a pattern in which assertive statements were followed by

19. For the details of this debate, see: Hong Chi-chang, 'China's new approach on Taiwan', *Taipei Times*, 10 February 2018.

20. '疑回应习近平对台重话赖清德: 台湾找不到九二共识' (Taiwan Doesn't Get the 1992 Consensus, Says Lai Ching-te in Reply to Xi Jinping's Key Speech on Taiwan), 多维新闻 (*DW News*), 20 March 2018. Lai also repeated his statement in April, see: '賴清德講「務實」: 台灣是主權獨立國家不必宣布獨立' (Lai Ching-te Clarifies «Being Pragmatic»: Taiwan Is a Sovereign Independent Country, There Is No Need to Declare Independence), *UDN*, 16 April 2018.

21. See: Aurelio Insisa, 'Taiwan 2012-2016', pp. 64-65, 67-68.

22. '以习近平总书记对台工作重要思想引领新时代对台工作' (General Secretary Xi Jinping's Important Ideas on Taiwan Affairs Ushers a New Era in Taiwan Work), *Xinhua*, 15 March 2018; '习近平: 我们伟大祖国的每一寸领土都绝对不能也绝对不可能从中国分割出去' (Xi Jinping: It Is Utterly and Absolutely Unacceptable to Separate from China Any Single Inch of Our Great Fatherland's Territory), *Xinhua*, 20 March 2018.

military signalling.²³ The Liaoning deployment was followed by the PLAN first live-fire exercise in the Strait since 2015 on 18 April, in an area 45 km from the ROC-controlled Kinmen archipelago.²⁴ Importantly, the Taiwan Affairs Office explicitly framed the live-fire drills as a message destined for the pro-independence forces on the island.²⁵ Chinese military signalling continued in mid-May with a series of PLAAF encircling patrols both southward, above the waters of the Bashi Channel between Taiwan and the Philippines, and northward, on the Miyako Channel between the island and Japan.²⁶ Arguably, the widening scope and the routinization of PLA operations close to the ROC's territorial waters and airspace constituted one of the most relevant developments in cross-Strait relations in 2018. Indeed, the ROC National Defense Ministry publicly acknowledged the emergence of this «new normal» in December.²⁷

Taipei articulated its response to Chinese military signalling by upholding a full schedule of exercises throughout the year, with major drills staged in January, June, September, and October.²⁸ Among them, the 2018 annual Han Kuang exercise staged in June stood out as being the largest

23. 'China Sends Carrier through Taiwan Strait after Xi Warning', *SCMP*, 21 March 2018.

24. Kensaku Ihara, 'China conducts live-fire drills in Taiwan Strait', *NAR*, 19 April 2018. The live-fire drills were announced in concomitance with the 12 April PLAN South China Sea parade.

25. '国台办谈解放军台湾海峡水域军演: 我们有意志、信心和能力挫败任何形式「台独」' (TAO Talks about the PLA Military Exercise in the Waters of the Taiwan Strait: We Have the Will, the Confidence, and the Capacities to Foil Any Form of «Taiwan Independence»), *Xinhua*, 12 April 2018; TAO, '国台办新闻发布会辑录 (2018-05-16)' (*Minutes of the TAO Press Conference on 16 May 2018*), 16 May 2018, (http://www.gwyttb.gov.cn/xwfbh/201805/t20180516_11955430.htm).

26. 'Beijing Again Flexes Muscle, Sending Fighter Jets, Bombers around Taiwan', *SCMP*, 11 May 2018. PLAAF aircrafts started operating in the Bashi Channel in 2015. On the strategic significance of these exercises for the PLA, see: Ankit Panda, 'China's Air Force Revisits the Bashi Channel. Here's Why That Matters', *The Diplomat*, 13 September 2016.

27. '共军频向海峡中线靠近国防部: 严密监控' (The PLA Gets Closer to the Taiwan Strait's Median Line – National Defence Ministry: We Are Closely Monitoring), 大纪元 (*The Epoch Times*), 3 December 2018. A noticeable exception to this process of routinization occurred in the weeks immediately before and after the November elections, during which PLA forces suspended the encircling patrols operations. The PLA resumed operations only in mid-December. See: 'Chinese Military Aircraft and Ships Appear Close to Southern Taiwan', *Taiwan News*, 18 December 2018.

28. 'Taiwan Mounts Live-Fire Drills to Test Defences against Invasion', *SCMP*, 30 January 2018; 'Taiwan Concludes 4-Day National Security Drill', *Focus Taiwan*, 11 September 2018; 'Taiwan Hosts Paraguayan Leader at Military Drill amid Rising Tensions with Mainland China', *SCMP*, 9 October 2018; 'Taiwan War Games Simulate Attack by Mainland Forces', *SCMP*, 16 October 2018.

ever conducted on the island.²⁹ On that occasion, ROC forces practised anti-landing drills in the north, anti-airborne drills in the south, and joint air-sea operations, following the guidelines of the 2016 Quadrennial National Defense Review and the 2017 National Defense Report.³⁰ Moreover, President Tsai echoed Taiwan's military preparedness with defiant statements. In August, before leaving for a diplomatic tour of the ROC's Latin American allies, she stated that «no one can obliterate Taiwan's existence» (沒人可抹滅台灣的存在).³¹ On the occasion of the ROC National Day on 10 October, she dubbed the Beijing authorities «a source of conflict» (衝突的來源), and vowed to «establish Taiwan's irreplaceable strategic importance» (建構台灣不可取代的戰略重要性) in global affairs.³²

At the same time, the Tsai administration reiterated its willingness to restart cross-strait relations, free from the straitjacket of the 1992 Consensus. Tsai expressed her wish to meet Xi in April, while the MAC voiced its efforts to organise a Tsai-Xi meeting in July.³³ These overtures, however, were designed exclusively with the intent to project an image of Taiwan as the responsible stakeholder in the current crisis, without any realistic expectation of success. Indeed, deaf to Taiwanese calls for a cross-strait reset, the Chinese authorities remained, as expected, entrenched in their position. Days after the Mainland Affairs Council publicised its attempt to set a breakthrough meeting, President Xi, on the occasion of former KMT Chairman Lien Chan's 連戰 visit to the Chinese capital, spoke instead of «four unswerving adherences» (四个坚定不移) guiding Beijing's cross-strait policy.³⁴ Xi's new «formulation» (提法) on Taiwan did not introduce any innovative content but merely reinstated the Chinese Party-State's commitment to unification and national «rejuvenation».

Against this backdrop, the Trump administration's confrontational China policy became an increasingly relevant factor in the unfolding of cross-strait relations during the year. In March, President Trump signed into law the Taiwan Travel Act, encouraging American officials of «all levels» to travel to the island, and «high-level» ROC officials to enter the US.³⁵ Days later, Deputy Assistant Secretary of State Alex Wong visited Taiwan for three days.

29. Michal Thim, 'Three loud and clear messages from Taiwan's military exercise', *SCMP*, 10 June 2018.

30. See: Aurelio Insisa, 'Taiwan 2017', p. 119.

31. '蔡: 沒人可抹滅台灣的存在' (Tsai: No One Can Obliterate Taiwan's Existence), 自由時報 (*Liberty Times Net, LTN*), 12 August 2018.

32. '國慶日蔡總統談話全文' (Full Text of President Tsai Ing-wen's National Day Speech), *CNA*, 10 October 2018.

33. 'Taiwan Leader Tsai Ing-wen Willing to Meet Xi Jinping for «Peace and Stability»', *SCMP*, 28 April 2018; 'MAC Pushing for Tsai-Xi Meeting', *Focus Taiwan*, 2 July 2018.

34. '习近平对两岸关系提出4个«坚定不移»' (Xi Jinping Introduces 4 «Unswerving Adherences» to cross-strait relations), 中国日报 (*China Daily*), 14 July 2018.

35. Library of Congress, *H.R.535 - Taiwan Travel Act*, 16 March 2018, (<https://www.congress.gov/bill/115th-congress/house-bill/535/text>).

Initiating the flow of high-level visits of ROC officials to the US, the Minister for Health and Welfare Chen Shih-chung 陳時中 met his counterpart in Washington in August.³⁶ This course of US policy over Taiwan was also symbolised by the opening of the new, imposing headquarters of the American Institute in Taipei, the *de facto* embassy on the island.³⁷ The momentum of American pro-activism in the Strait accelerated in early July as the Sino-American trade war flared up with new American tariffs on Chinese goods.

On 7 July, the day after the imposition of additional tariffs on Chinese goods, two US Navy destroyers passed through the Taiwan Strait for the first time in more than a year, responding to increasing Chinese activity in the area.³⁸ Predictably, China responded with a six-day PLAN exercise in the East China Sea explicitly designed to «test combat strength against Taiwan».³⁹ In turn, the Assistant Secretary of Defense for Asian and Pacific Security Affairs Randall Schriver described Taiwan as a «partner» of the US Indo-Pacific strategy the day after the Chinese announcement of the exercise.⁴⁰ Later in August, the US' Congress passed the 2019 National Defence Authorization Act (NDAA). The new defence bill framed Beijing as a US' long-term strategic competitor, and, in line with the previous version of the bill, outlined a series of provisions for supporting Taiwanese military forces.⁴¹ The passing into law of the NDAA coincided with what was arguably the most high-profile stopover in the US of a ROC President since the end of diplomatic relations. On her way to an official tour to Paraguay and Belize, Tsai was permitted to visit the Reagan Library in Los Angeles as well as a high-profile visit to the NASA Johnson Space Center in Houston.⁴² In addition, the US guaranteed a

36. American Institute in Taiwan, *Deputy Assistant Secretary of State Alex Wong to Taiwan March 20-22, 2018*, 20 March 2018 (<https://www.ait.org.tw/deputy-assistant-secretary-state-alex-wong-taiwan-march-20-22-2018>); 'U.S. and Taiwan Health Ministers Hold Unprecedented Meeting in Washington', *Taiwan News*, 30 August 2018

37. 'U.S. Shows New De Facto Embassy in Taiwan amid China Tensions', *Reuters*, 12 June 2018.

38. 'U.S. Warships Pass through Taiwan Strait amid China Tensions', *Reuters*, 7 July 2018. The US Navy conducted similar operations also in October and November. See: 'U.S. Warships Pass through Taiwan Strait amid China Tensions', *Reuters*, 22 October 2018; 'Two U.S. Navy Ships Pass through Taiwan Strait, Opposing China', *Reuters*, 29 November 2018.

39. 'Beijing Launches Live-Fire Drill to «Test Combat Strength against Taiwan»', *SCMP*, 18 July 2018.

40. 'American Official Deems Taiwan Partner in U.S. Indo-Pacific Strategy', *Focus Taiwan*, 19 July 2018.

41. Library of Congress, *H.R. 5515 - John S. McCain National Defense Authorization Act for Fiscal Year 2019*, 13 August 2018 (<https://www.congress.gov/bill/115th-congress/house-bill/5515/text>).

42. Office of the President of the Republic of China (Taiwan) (OPROC), *President Tsai Visits Ronald Reagan Presidential Library*, 14 August 2018, (<https://english.president.gov.tw/News/5476>); OPROC, *President Tsai Visits NASA Space Center in Houston, Texas*, 20 August 2018 (<https://english.president.gov.tw/News/5489>).

modicum of international relevance to Taiwan at the APEC 2018 meeting in Port Moresby, during which the Taiwanese envoy Morris Chang 張忠謀 was allowed to meet with Vice President Mike Pence.⁴³

Further signals of the Trump administration's willingness to disrupt post-1979 approaches to US-Taiwan relations emerged in September when the State Department, in an unprecedented move, recalled its chiefs of mission to El Salvador, the Dominican Republic, and Panama, in response to those countries' switch of diplomatic recognition from the ROC to the PRC.⁴⁴ However, the most concrete evidence of American support was the approval in September of a new US\$ 330 million military sale, the second in two years. While it mostly consisted of spare parts for jet fighters, this round of arms sales marked the shift from the occasional bundle sales to regular annual sales, as stated by Randall Schriver later in October.⁴⁵ Finally, on 31 December, Trump signed the Asia Reassurance Initiative Act (ARIA). Within the framework of a broader Indo-Pacific strategy aimed at China, the ARIA reinstated the American commitment to regularise arms sales to Taiwan and to enhance relations in accordance with the Taiwan Travel Act.⁴⁶

2.3. *The Tsai defence agenda: progress and setbacks*

Parallel to the consolidation of security relations with Washington, the Tsai administration also continued to pursue a strategy of internal balancing against the threat of Chinese military intervention. Following this blueprint, the Lai cabinet proposed an expansive NT\$ 346 billion (US\$ 11 billion) defence budget for 2019, recording a 7% increase over the previous fiscal year.⁴⁷ The planned rise of defence spending under the

43. 'Taiwan's APEC Envoy Meets with Pence', *NAR*, 17 November 2018.

44. U.S. Department of State, *U.S. Chiefs of Mission to the Dominican Republic, El Salvador, and Panama Called Back for Consultations*, 7 September 2018, (<https://www.state.gov/r/pa/prs/ps/2018/09/285792.htm>).

45. 'U.S. Approval of \$330m Military Sale to Taiwan Draws China's Ire', *NAR*, 25 September 2018; 'U.S. Moves Toward Normal Military Sales to Taiwan: Official', *Focus Taiwan*, 12 October 2018. Conversely, the Obama administration allowed only two arms sales, in 2011 and 2015.

46. Library of Congress, *S.2736 - Asia Reassurance Initiative Act of 2018*, 31 December 2018 (<https://www.congress.gov/bill/115th-congress/senate-bill/2736/text/toc-HBC83E05F3CB54A088207211061CF43FA>).

47. Directorate General of Budget, Accounting, and Statistics, Executive Yuan, ROC (Taiwan), *The General Budget Proposal of Central Government – Summary Comparison Table for Annual Expenditures by Agencies – FY2019* (<https://eng.dgbas.gov.tw/public/Attachment/8927114561GB4GCIN.pdf>). The final total budget approved by the Legislative Yuan suffered a 1.19% decrease compared to the proposed amount. See: 'Legislature Approves NT\$1.998 Trillion Government Budget for 2019', *Focus Taiwan*, 10 January 2019. At the time of writing, official data on how the total budget reduction may have affected the defence budget have not been released yet.

Tsai presidency, in turn, drove the expansion of the Taiwanese defence industry. Thus, a variety of weapon systems were scheduled for construction for the period 2019-2021: one amphibious transport ship, armoured vehicles, extended and medium-range missiles, jet trainers, navy corvettes, and prototypes for a future small assault boat fleet.⁴⁸ However, the «holy grail» of Taiwan's indigenous defence remained the construction of a new fleet of submarines. A first key step was the decision in April of the US State Department to grant the licence to sell Taiwan the necessary technology for the submarine project.⁴⁹ This was rapidly followed by the first Taiwan-US Defense Industry Conference in May, which enhanced contacts with US defence contractors.⁵⁰ Due to these developments, the target date of the project is expected to be from 2027 to 2025.⁵¹

Beyond the military dimension of internal balancing, new institutions enabled the ROC to strengthen its frontline in an increasingly distressful regional environment. In April the Executive Yuan (EY) established the Ocean Affairs Council, a new minister-level organisation tasked with coordinating maritime policy, which includes issues ranging from cross-Strait tensions to territorial and fishing disputes.⁵² Chinese interference in the ROC electoral process constituted however the most pressing and immediate security challenge. Beijing used the November electoral round as a testing ground for the presidential elections of 2020, mostly through the funding of pro-PRC candidates via local businessmen with ties to the Mainland, and by shaping voters' opinions via information warfare on social media.⁵³ The

48. «Made-in-Taiwan» Amphibious Transport Ship to Begin Construction This Year', *Taiwan News*, 16 April 2018; 'Taiwan Begins Assembly of New Advanced Jet Trainers', *Focus Taiwan*, 1 June 2018; 'Taiwan Military to Expedite Production of New Navy Corvettes', *Taiwan News*, 14 May 2018; 'Taiwan Set to Mass Produce Missiles Capable of Reaching Beijing: Reports', *Taiwan News*, 24 April 2018; 'Taiwan to Manufacture 284 Armored Military Vehicles', *Taiwan News*, 24 October 2018; 'Taiwan Lawmakers Say Yes to Navy Micro-Boats, but Want to See a Prototype First', *SCMP*, 12 December 2018.

49. 'US Gives Boost to Taiwan's Plans to Build Submarines', *SCMP*, 8 April 2018.

50. Kensaku Ihara, 'Taiwan invites US defense contractors as diplomatic chess heats up', *NAR*, 11 May 2018.

51. Aurelio Insisa, 'Taiwan 2017', p. 120; Matthew Strong, 'Taiwan to complete first domestic submarine in 2025', *Taiwan News*, 1 September 2018.

52. Executive Yuan, ROC (Taiwan) (EY), '海洋委員會28日成立賴揆：系統性統合海洋事務' (*The Oceanic Affairs Council Will Be Established on the 28th – Prime Minister Lai: It Will Systematically Unify the Management of Oceanic Affairs*), 26 April 2018 (<https://www.ey.gov.tw/Page/9277F759E41CCD91/fd6a23af-7a01-45c2-8c59-4a4bb48cb442>). The establishment of the agency had been originally planned by the Ma Ying-jeou administration in 2015. Law & Regulations Database of the Republic of China, *Organization Act of the Ocean Affairs Council*, 1 July 2015 (<https://law.moj.gov.tw/ENG/Law-Class/LawAll.aspx?pcode=D0090030>).

53. J. Michael Cole, 'Chinese Interference in Taiwan's Elections is Part of a Two-Pronged Attack on Democracy', *Taiwan Sentinel*, 24 October 2018. See also: 'PRC

Tsai administration and the DPP majority in the LY reacted to this threat in the months immediately before and after the elections. In July, the EY established the National Center for Cyber Security Technology. In September the Lai cabinet proposed a NT\$ 1.5 billion (US\$ 489 million) budget to counter Chinese hacking, while in October the DPP lawmakers proposed a controversial «anti-fake news bill».⁵⁴ With the elections approaching, the national authorities attempted then to raise attention among the public, speaking of the «national security threat» posed by the spread of Chinese fake news among social media.⁵⁵ Finally, weeks after the elections, DPP lawmakers in the LY proposed a new bill banning the foreign purchase of political advertisements.⁵⁶

The electoral results, and in particular the mayoral election in the traditional DPP stronghold of Kaohsiung, did not bode well for the ruling party's aim to fend off Chinese interference. Fringe KMT candidate Han Kuo-yu 韓國瑜 unexpectedly won the election in the southern city following a Chinese disinformation campaign characterised by the spread and diffusion of fake news aimed at the DPP candidate Chen Chi-mai 陳其邁.⁵⁷

3. *Taiwan's Position in the Indo-Pacific*

Against a backdrop of protracted deadlock in cross-Strait relations, the Tsai administration continued to pursue a foreign policy agenda aiming to transform Taiwan into a relevant regional actor in the Indo-Pacific region, by further enhancing relations with the US, Japan, and the target countries of its New Southbound Policy (NSP) initiative.

The Sino-American strategic competition contributed to a noticeable strengthening of Taiwan's relations with the US, especially its security dimension, but Taipei still needed to recalibrate its trade relations with the Trump administration due to its trade surplus with Washington. However, even after repeated pleas, the Tsai administration was not able to obtain an exemption from the American steel and aluminium tariffs im-

Funding of Campaigns Probed', *Taipei Times*, 23 October 2018.

54. ROC National Center for Cyber Security Technology, *About the NCCST* (<https://www.nccst.nat.gov.tw>); 'Taiwan Proposes NT\$1.5 Billion in Budget to Counter Chinese Hacking', *Taiwan News*, 5 September 2018; 'Taiwan's Bid to Tackle «Fake News» Raises Fears over Freedom of Speech', *SCMP*, 1 October 2018.

55. 'Taiwan Officials: Spread of Fake News a «National Security Threat»', *Taiwan News*, 24 October.

56. 'Taiwan Moves to Ban Foreign Purchase of Political Advertising', *Taiwan News*, 7 December 2018.

57. '網傳政見會戴耳機 陳其邁: 沒有戴' (Internet Spreads Rumor of Earphones-Supported Political Presentation – Chen Chi-mai: I Did Not Wear Earphones), *LTN*, 22 October 2018; J. Michael Cole, 'Chinese Interference in Taiwan's Elections is Part of a Two-Pronged Attack on Democracy'.

posed in March.⁵⁸ In addition, the two sides failed to restart negotiations of their prospective bilateral free trade agreement (FTA), the Trade and Investment Framework Agreement, previously stalled during the Obama administration. The continued ban on pork imports from the US, due to local producers' vested interests and health concerns among the Taiwanese population, proved to be a major obstacle for resuming trade talks.⁵⁹ An attempt to soften the Trump administration was made in November, with the decision to considerably raise soybean imports from Minnesota and Iowa in 2019, two states crucial to Trump's re-election prospects, but weeks later the Ministry of Foreign Affairs (MOFA) confirmed that the two sides had failed to reach agreement.⁶⁰ On a more positive note, Taiwan appeared ready to take advantage of Sino-American trade tensions, and, more broadly, of China's increasing labour costs. Amazon and Microsoft followed the path of fellow US tech giants Google and IBM by opening AI research centres on the island.⁶¹ Investments such as these are of particular importance for the future of the local economy, as mainland companies have been systematically poaching the Taiwanese qualified labour force to the Chinese semiconductor industry.⁶² At the same time, widespread concern on the impact of the trade war led major Taiwanese companies such as Advantech and Ta Chen, to plan the relocation of production from the Mainland to the US.⁶³ The Tsai administration also tapped into these broader structural trends by supporting, through a plan of fiscal incentives, the relocation of Taiwanese business from China.⁶⁴

Since Tsai came to power in 2016, Tokyo and Taipei have enjoyed particularly warm relations rooted in their commitment to a rules-based international order. This synergy, however, failed to translate into immediate, tangible benefits for Taiwan, such as access to the Tokyo-led CPTPP free trade agreement. In order to facilitate negotiations with Tokyo, and to soften the transactional stance of the Trump administration, in October

58. 'No Exception for Taiwan Steelmakers', *Taipei Times*, 31 August 2018.

59. 'Pork Ban an Obstacle to Potential Taiwan-US Trade Deal: Academics', *Taiwan News*, 18 November.

60. Kensaku Ihara, 'Taiwan courts Trump by boosting soybean imports from US', *NAR*, 17 October 2018; 'Taiwan-US Trade Talks Unlikely This Year: MOFA', *Taiwan News*, 6 December 2018.

61. Kotaro Hosokawa & Kensaku Ihara, 'US tech companies return to Taiwan as China ties sour', *Financial Times*, 20 June 2018.

62. 'US Fears Attempts by Chinese Chipmakers to Grab Top Talent', *Financial Times*, 2 November 2018.

63. '«Made in USA» Push is Here to Stay: Taiwan Tech Giant', *NAR*, 7 August 2018; 'Taiwan Company Buys US Aluminum Plant to Skirt Trump Tariffs', *NAR*, 3 October 2018.

64. 'Trade War Fuels Taiwanese Producers' Withdrawal from China', *NAR*, 23 August 2018; 'Taiwan Keen on Luring Businesses Back from Mainland China', *NAR*, 15 September 2018; Chris Horton, Lauly Li, & Cheng Ting-fang, 'Trade war traps Taiwan between two superpowers', *NAR*, 6 December 2018.

Taipei decided to change its largely obsolete status of «developing country» in the World Trade Organization (WTO) to that of «developed country». This decision allowed Taipei to nominally renounce the «special and differential» treatment associated with its developing status.⁶⁵ As publicly stated by ROC Minister of Economic Affairs Shen Jong-chin 沈榮津, this change of status aimed to facilitate Taiwan's negotiations to the trans-continental trade agreement.⁶⁶ However, the result of the November referendum on the continuation of the food imports ban from areas affected by the Fukushima disaster dramatically jeopardised the negotiations with Tokyo. Shortly after the referendum, Japanese Ministry of Foreign Affairs Kōno Tarō stated that its result «has made it unlikely for Taiwan to join the partnership».⁶⁷

Another obstacle in Taipei-Tokyo relations was the renewal of tensions between Taiwanese and Japanese fishermen operating in the shared fishing area established in 2013 around the Diaoyu/Senkaku Islands, controlled by Tokyo but claimed by both the PRC and the ROC. Both the seventh and eighth Taiwan-Japan Fishing Commission meeting, held in March and October respectively, failed to resolve grievances.⁶⁸ The result of the November referendum also affected maritime cooperation. Days after Kōno's statement, the Japanese Coast Guard disseminated reports claiming a three-fold rise in Taiwanese intrusions in Japanese territorial waters, in violation of the bilateral agreement signed in 2013.⁶⁹ This situation created a climate of uncertainty over the third Taiwan-Japan Maritime Cooperation Dialogue, held in Tokyo on 27 December and resulted in two memoranda of understanding on maritime cooperation of minor relevance.⁷⁰ Against these setbacks, disaster assistance provided the Tsai

65. Kensaku Ihara, 'Taiwan quits «developing economy» status in WTO with eye on China', *NAR*, 18 October 2018.

66. 'WTO定位已開發國家經長: 為加入CPTTP鋪路' (WTO Developed Economy Status – Minister: It Will Pave the Way to Join the CPTTP), *Epoch Times*, 24 October 2018.

67. 'Trade Bid Derailed by Japan Food Ban', *Taipei Times*, 8 December 2018.

68. Ministry of Foreign Affairs, ROC (Taiwan) (MOFA), 「第7次臺日漁業委員會」在臺北順利舉行 (*The «Seventh Meeting of the Taiwan-Japan Fishing Commission» Was Successfully Held in Taipei*), 17 March 2018 (https://www.mofa.gov.tw/News_Content.aspx?n=8742DCE7A2A28761&s=22BBBDBA1DB8793B); 「台日漁業我方提八重山海域漁業署: 僅民間交流非正式」 (Our Side Mentioned the Yaeyama Water Area at the Taiwan-Japan Fishing Commission – The Fisheries Agency: Only People-to-People Unofficial Exchanges), *UDN*, 23 October 2018.

69. 'マグロ目当て? 尖閣領海に台湾船急増...警告3倍' ('Searching for Tuna? Surge of Taiwanese Ships in the Territorial Waters of the Senkaku Islands... Warnings Triplicated'), 読売新聞 (*Yomiuri Online*), 19 December 2018; 'Taiwan Reiterates Claim over Diaoyutais amid Japan Protest', *Focus Taiwan*, 20 December 2018.

70. MOFA, 第三屆「臺日海洋事務合作對話」圓滿舉行, 會中簽署「走私及非法入出國應處合作」及「海洋科學研究合作」備忘錄 (*The Third Taiwan-Japan Maritime Cooperation Dialogue Was Held Successfully. MOUs Regarding «Cooperation on Smuggling and Cross-Border Trafficking» and «Cooperation on Maritime Sci-*

administration opportunities to maintain solid ties with Tokyo. In the aftermath of the February earthquake in Hualien, the Tsai administration snubbed Chinese offers of help, accepting instead Japanese relief. Then following the June earthquake that hit Osaka, Japanese Prime Minister Abe Shinzō thanked Taiwan for its support with a post on Twitter written in Chinese.⁷¹ Taiwanese authorities also donated JP¥ 20 million (US\$ 180,000) following the torrential rains that hit the country in July.⁷²

Given its «people-centred» approach, long-term goals, and the impact of Chinese diplomatic pressure on target countries it remains difficult to assess the effectiveness of the New Southbound Policy (NSP), now in its third year. The Tsai administration clearly designed the initiative in 2016 with the aim of fending off security threats from China and to detach the island from the economic orbit of its giant neighbour.⁷³ ROC sources reported in October (just before the elections) a notable 5.5% increase in the volume of trade between Taiwan and the NSP target countries between January and August 2018, amounting to US\$ 77.07 billion. This was coupled with an increase in the number of public projects won by Taiwanese firms in the same countries (from 17 to 20), and by a 16.9% increase in the number of visitors from NSP-countries to the island.⁷⁴ The NSP's capacity to benefit Taiwan's security environment remains disputable. For example, Taipei failed to sign any new relevant bilateral agreements with NSP target countries in 2018, with the sole exception of an updated investment agreement with India.⁷⁵ In fact, the press revealed that another target country, Australia, had scrapped a planned FTA with Taiwan after direct pressure from the Chinese Minister of Foreign Affairs Wang Yi 王毅 in a series of meetings between 2017 and 2018.⁷⁶ Ultimately, this indicates that an underlying issue of «power conversion» affects the NSP. More time and data are needed to assess the actual feasibility and success of the detachment of Taiwan's economy from the Chinese market. In addition, given China's geo-economic influence in the region and Taiwan's particular

ence Research» *Were Signed in the Meeting*), 27 December 2018, (https://www.mofa.gov.tw/News_Content_M_2.aspx?n=8742DCE7A2A28761&sms=491D0E5BF5F4B-C36&s=C06409A9B9C36C47). Representatives of the newly established ROC Oceanic Affairs Council (see note 52) also attended the meeting.

71. 'Japanese Quake Rescue Team Arrives after Taipei Rejects Beijing's Offer', *SCMP*, 8 February 2018; 'Japanese Prime Minister Thanks Taiwan President Tsai in Twitter Post in Wake of Osaka Quake', *Taiwan News*, 20 June 2018.

72. 'Foreign Aid Rushes into Japan after Deadly Rains', *NAR*, 19 July 2018.

73. For a synopsis of the objectives and past achievements of the NSP initiative, see: Aurelio Insisa, 'Taiwan 2012-2016', pp. 82-83; Aurelio Insisa, 'Taiwan 2017', p. 125.

74. 'Southbound Policy Boosts Trade, Tourism', *Taipei Times*, 15 October 2018. At the time of writing there are no year-long data.

75. 'Taiwan, India Update Investment Pact', *Focus Taiwan*, 18 December 2018.

76. Fergus Hunter, 'Australia abandoned plans for Taiwanese free trade agreement after warning from China', *The Sydney Morning Herald*, 24 October 2018.

diplomatic status it remains questionable whether the NSP will provide the necessary boost to effectively change Taiwan's international status.

4. *Taiwan's Domestic Politics and Economy in 2018*

Cross-Strait and regional developments in 2018 illustrate the limits of any analysis of Taiwanese politics which rigidly separates external and internal affairs. Nonetheless, there are inherent domestic dynamics that deserve to be singularly assessed, such as the unfolding of the Tsai administration's agenda of economic reforms, and its negative perception among the local electorate, which resulted in a clear rejection of Tsai and the DPP in the local elections and referenda held in November.

4.1. *The Taiwanese economy in 2018*

Since the 1990s, diminishing international competitiveness, an unsustainable pension system, and stagnating wages, in the context of increased cost of living and difficult access to housing, have plagued the Taiwanese economy. In its attempt to confront this challenge, former president Ma Ying-jeou's 馬英九 administration introduced unpopular reforms on taxes, pensions, and inefficient State Owned Enterprises (SOE), while also reducing national energy subsidies. However, widespread public opposition as well as from KMT lawmakers in the Legislative Yuan (LY) sank the Ma agenda.⁷⁷ The failures of the Ma administration were exacerbated by a cross-Strait policy appearing to sacrifice Taiwan's autonomy vis-à-vis Beijing on the altar of uncertain economic benefits.⁷⁸ Because of this, the Taiwanese electorate punished the KMT in 2014 and 2016 at local and national level, providing a broad mandate to Tsai and the DPP. The necessity to implement structural reforms, however, did not diminish. The Ma administration had pursued a de-facto economic unification with the mainland under the ECFA agenda in order to generate the windfalls necessary to render unpopular structural reforms more palatable. Conversely, the Tsai administration has been trying to achieve the same result by means of disengaging the island's economy from China, thus repositioning Taiwan as an Indo-Pacific regional actor.

Major economic indicators in 2018 did not provide encouraging signs of the effectiveness of this economic agenda. Real GDP growth was estimated at 2.6% in 2018, compared to the 3.1% registered in 2017.⁷⁹ Estimates of the 2018 current-account balance indicate a US\$ 77.3 billion surplus, compared to US\$ 82.9 billion recorded in 2017. The 2018 current-account percent-

77. Aurelio Insisa, 'Taiwan 2012-2016', pp. 76, 79-80.

78. *Ibid.*, pp. 58-59.

79. Economist Intelligence Unit, 'Country Forecast: Taiwan', January 2019, p.12.

age of GDP, an indicator of international competitiveness, was estimated at 12.9% compared to 14.4% the previous year.⁸⁰ Average consumer-prices inflation instead was estimated at 1.4% compared to 0.6% in 2017.⁸¹

Labour force estimates saw a small contraction in the growth rate of employment from 0.6% in 2017 down to 0.4% in 2018 respectively, and a small decrease in the unemployment rate from 3.8% to 3.6% of the total workforce.⁸² Significantly, Taiwanese exports to China during the year totalled US\$ 138,390.8 million, compared to US\$ 130,279.9 million in 2017, up 6.2%.⁸³ Imports from the PRC instead totalled US\$ 55,207.2 million compared to US\$ 51,561.8 million recorded the previous year, up 7%.⁸⁴ While broader long-term structural trends indicate a decrease of Taiwanese investments across the Strait, these data suggest that piloting a detachment of the island from the Chinese market remains a gargantuan task.

In response to uncertain regional forecasts and persistent domestic challenges, the Tsai administration has planned an expansive 2019 budget, with expenditure growing by 2.8% to reach US\$ 71 billion.⁸⁵ Beyond the previously mentioned focus on national defence and cyber security, the new budget guarantees funding for the plethora of projects introduced at the beginning of the administration: the New Southbound Policy, the Asian Silicon Valley, the Industry 4.0 initiative, and the Forward-looking Infrastructure Development Program.⁸⁶ Despite its efforts, the proactive macroeconomic agenda of the Tsai administration in its first two years in office failed to produce perceivable benefits for the Taiwanese public. The heavy defeat in the local administrative elections dramatically highlighted these shortcomings.

4.2. Domestic politics leading up to the November elections

Throughout the year, consistently negative approval rates for President Tsai forecast an electoral catastrophe for the DPP in the November local elections.⁸⁷ Widespread, cross-party popular opposition for the controversial Labor Standards Act passed in late 2017 had set the tone for a difficult 2018 for the Tsai administration. In March, the administration tried to address

80. *Ibid.*, p. 14.

81. *Ibid.*, p. 13.

82. *Ibid.*

83. Ministry of Finance, ROC (Taiwan), *Monthly Statistics of Exports and Imports*, (<https://www.mof.gov.tw/Eng/Detail/Index?nodeid=259&pid=57876>).

84. *Ibid.*

85. Chen Yu-fu and Jake Chung, 'Premier details budget for fiscal 2019', *Taipei Times*, 27 October 2018. The final budget approved by the LY in January amounted to NT\$ 1.98 trillion, 1.19% less than the original plan. See: 'Legislature Approves NT\$1.998 Trillion Government Budget for 2019', *Focus Taiwan*, 10 January 2019.

86. Chen Yu-fu & Jake Chung, 'Premier details budget for fiscal 2019'.

87. Taiwanese Public Opinion Foundation (TPOF), '2018 年終台灣重大民意走向' (2018 Year-End Report on Major Public Opinion Trends in Taiwan), December 2018, p. 5.

popular concerns by partially backtracking on the original version of the Act with a package of amendments that softened some of the most unpopular measures through the introduction of mechanisms of employee consent.⁸⁸ By spring, however, the domestic political conversation was monopolised by a comprehensive reform of the pension system, which drastically reduced pensions for veterans, public-school teachers, and civil servants, all traditional KMT constituencies which had enjoyed generous retirement packages in the past. According to government estimates, the reform will save US\$ 45.8 billion and guarantee the viability of the Taiwanese pension system up to 2030.⁸⁹

Another flashpoint in the domestic debate was the new national energy plan, which aimed to phase-out nuclear power plants by 2025, reduce carbon emissions and raise the consumption of renewable sources.⁹⁰ The plan addressed widespread environmentalist concerns on the island, but the government appeared unable to maintain a coherent energy policy throughout the year, as it allowed the opening of a new coal-fired power plant in 2018, a move that alienated sympathizers and traditional constituencies on the left of the Taiwanese political spectrum.⁹¹

The DPP's problems in implementing the much-needed structural reforms promised and never delivered by the Ma administration, created new opportunities for the other major political forces in the country. The KMT's path to the elections was particularly complex. Since 2017, under the chairmanship of Wu Den-yih 吳敦, the party had shifted from the deeply unpopular pro-unification agenda of former Chairwoman Hung Hsiu-chu 洪秀住 to a more moderate stance. Wu aimed to realign the party's cross-Straits policy to the «three noes policy» (三不政策) of former President Ma Ying-jeou, which called for opposing independence, unification, and military intervention.⁹² The KMT Chairman clearly stated this position in an interview with the Financial Times in May saying that «we

88. Nathan Snyder & Jeffrey Lien, 'Taiwan's latest labor standards act amendments', *Taiwan Business TOPICS*, 6 March 2018. See also: Aurelio Insisa, 'Taiwan 2017', pp. 126-127.

89. On the details of the pension reform for teachers and public servants, see: Michael Katz, 'Taiwan enacts deep pension cuts for teachers, civil servants', *Chief Investment Officer*, 12 July 2018. Estimates on the impact of the reform for veterans were reported in: 'New Pension Systems Come into Force Sunday', *Focus Taiwan*, 30 June 2018. For government studies comparing the ROC's pension system to those of the OECD countries, see: Pension Reform Office of the EY, 年金制度國際比較 (*International Comparison of Pension Systems*), 2013.

90. Department of International Cooperation, Ministry of Economic Affairs, ROC (Taiwan), *Taiwan's New Energy Policy*, (https://www.moega.gov.tw/MNS/ietc_e/content/Content.aspx?menu_id=21511).

91. The government had already green-lighted the re-opening of two nuclear power plants in 2017. See: 'Taiwan's President Has Upset both Business and Workers', *The Economist*, 26 May 2018; Lisa Tai, 'Taiwan Takes a Step Back with New Coal Plant', *The Diplomat*, 12 May 2018.

92. See: Aurelio Insisa, 'Taiwan 2017', p. 128.

don't think that right now is the time to talk about cross-Strait reunification». ⁹³ Thus, in the months leading up to the elections, KMT candidates mostly focused on domestic issues and the lacklustre performance of the economy. Cross-Strait issues and the 1992 Consensus were then generally mentioned only in vague terms but meaningfully so, in order to put the blame for the current cross-Strait freeze and local economic woes squarely on the Tsai administration; a move explicitly denounced by DPP candidates during the campaign. ⁹⁴ At the same time the KMT was re-energised by the successful mobilization of its «local factions» (地方派系) in major urban centres, thanks largely to former LY speaker and party heavyweight Wang Jin-pyng 王金平. ⁹⁵ The sudden rise in popularity and eventual victory of the KMT candidate Han Kuo-yu in Kaohsiung, vindicated such tactics, though in his case the influence of the anti-DPP Chinese fake news, previously discussed, should be taken into account. ⁹⁶

The KMT also benefited from the successful campaign to obtain a referendum on the continuance of the food imports ban from the Fukushima prefecture. It allowed the party to link local environmental concerns to the disruption of the Tsai administration's foreign policy agenda, which relied on Tokyo for access to the CPTPP. ⁹⁷ Furthermore, even though the KMT was not directly involved in the campaign for a referendum to stop the new energy policy of the central government, the main figure behind the Nuclear Myth Buster (核能流言終結者) committee, Huang Shih-hsiu 黃士修, had in the past been part of the KMT political machine. ⁹⁸

93. 'Taiwan Opposition Ditches Pro-China Overtures Ahead of Polls', *Financial Times*, 8 May 2018. The KMT contested the interpretation of Wu's statement by the British newspaper. Party sources stated that the KMT remains committed to reunification and claimed that 'the content of the interview is not exactly in line with the news story's title'. See: National Policy Foundation, *KMT Denies British Media FT's Reference to Ditching Pro-China Stance*, 10 May 2018, (<http://www.taiwannpfnews.org.tw/english/page.aspx?type=article&mnum=112&anum=20946>). The *Financial Times'* interpretation, however, is correct: in the first months of the Wu chairmanship the KMT downplayed the issue of reunification compared to the period under the short-lived leadership of Hung Hsiu-chu.

94. '陳其邁：九二共識變來變去韓國瑜瑞共' (Chen Chi-mai: the 1992 Consensus Changes All the Time, Han Kuo-yu Must Explain Where He Stands), *UDN*, 9 November 2018.

95. Liu Lan-shu, '九合一大選民進黨慘敗 關鍵：中間選民與王金平' (The Key Factors behind the DPP's Crushing Defeat in the Nine-in-One Elections: Centrist Voters and Wang Jin-pyng), *天下雜誌 (Common Wealth Magazine)*, 24 November 2018. On local networks in Taiwan politics see: Stefan Braig, 'Local Factions', in Gunter Schubert (ed.), *Routledge Handbook of Taiwan Politics*, Abingdon: Routledge, 2016, pp. 137-152.

96. Kensaku Ihara, 'Taiwan's ruling party faces unexpectedly tough battle in local elections', *NAR*, 23 November 2018

97. Kensaku Ihara, 'Tsai's Taiwan foes aim to put Fukushima on the ballot', *NAR*, 25 July 2018.

98. '「一中同表」？洪秀柱背後的青年人' («One China, Same Interpretation»?) The Young People behind Hong Hsiu-chu, 端 (*The Initium*), 26 October 2015.

At the same time, the Tsai administration also faced mounting opposition from its left flank. The left-wing of the DPP, the New Power Party 時代力量, and the other pro-independence groups that coalesced in April in the Formosa Alliance (喜樂島聯盟), severely criticised the status-quo-pursuing China policy of the Tsai administration.⁹⁹ The Taiwanese left achieved a minor victory in October, when it obtained the necessary signatures to hold a referendum to change the name of Taiwan in international sports competitions from «Chinese Taipei» (中華臺北) to «Taiwan» (臺灣). The referendum was conceived as a proving ground for a future independence referendum, to change the country's name from «Republic of China» (中華民國) to «Republic of Taiwan» (台灣共和國).¹⁰⁰ Beyond the issue of Taiwan independence, the post-Sunflower Movement political galaxy attacked the DPP for its centrist, pro-business economic agenda unable to provide the necessary improvement in living conditions for Taiwanese youth, a segment of the population particularly affected by low wages and difficult access to housing.¹⁰¹ Extremely cautious political tactics also damaged the DPP's standing among the younger generations. The main example was the refusal to pass a bill on same-sex marriage despite a favourable ruling by the Constitutional Court, in order to maintain the support of the Presbyterian Church in Taiwan.¹⁰² The staging of two separate popular rallies – one in Taipei requesting an independence referendum, and an «anti-annexation» (反并吞) one in Kaohsiung organised by the DPP – on 20 October, weeks before the electoral round, highlighted the faltering of the diverse political coalition that guaranteed the DPP's victory in 2016.¹⁰³

4.2. *The November elections and their impact*

The DPP suffered a predictably heavy defeat in local elections and the referenda held in November. The ruling party lost to the KMT seven of the 13 municipalities and counties which it previously controlled, while the independent candidate and incumbent mayor Ko Wen-je won in Taipei City with a razor-thin margin over the KMT candidate. The most shocking defeat for the DPP occurred in Kaohsiung, where the victory of the KMT

99. Kensaku Ihara, 'Pro-independence forces in Taiwan align to push referendum', *NAR*, 9 April 2018.

100. 'Referendum Petition on Name Change Passes Signature Threshold: CEC', *Focus Taiwan*, 8 October 2018.

101. Edward White, 'Taiwan's youth shun government ahead of local polls', *Financial Times*, 24 October 2018.

102. Bruce Jacobs, 'Analyzing the DPP Electoral Debacle', *Taiwan Insight*, 4 December 2018.

103. 'Taiwanese Protesters Set Up Calls for Independence', *Financial Times*, 20 October 2018; 'DPP Holds Parallel Taiwan Independence March in Kaohsiung', *Taiwan News*, 20 October 2018.

candidate Han Kuo-yu ended two decades of DPP rule.¹⁰⁴ Moreover, while referenda campaigners did not strictly align with the KMT and DPP camps, the final result of the consultations did not favour progressive and localist groups. The referendum for adopting the name Taiwan instead of Chinese Taipei in international sports competitions did not reach the quorum. Taiwanese voters also rejected same-sex marriage and public education on homosexuality; they favoured the continuance of the ban on food imports from Fukushima and other Japanese prefectures affected by the 2011 disaster; and rejected, in another group of three referendum-questions, the government's plans to phase-out nuclear energy on the island.¹⁰⁵

Focusing on the implications of the vote for cross-strait relations, early interpretations ranged from a flat-out refusal of Tsai's cross-strait policy, to depictions of a Brexit-like scenario emphasising voters' fascination for unrealistic electoral promises, a scarce familiarity with the intricacies of the 1992 Consensus, and concern about Chinese infiltration in the Taiwanese democratic process.¹⁰⁶ Predictably, the official responses of the Chinese and Taiwanese authorities reflected such analyses. The Chinese Taiwan Affairs Office interpreted the vote as punishment by the Taiwanese electorate for the pro-independence policies of the Tsai administration.¹⁰⁷ Conversely, the MAC readily minimized the cross-strait relevance of the vote.¹⁰⁸ Days later President Tsai herself reiterated that the electoral result would not change her administration's policy towards Beijing.¹⁰⁹

104. Central Electoral Commission, EY (CEC), 公告107年直轄市長、縣(市)長、直轄市議員、縣(市)議員選舉當選人名單 (*Announcement of the List of Elected Candidates in the 2018 Elections for Special Municipalities Mayors, County Magistrates, Provincial Cities Mayors, Special Municipalities Counsellors, County and Provincial Cities Counsellors*), 30 November 2018

(<http://db.cec.gov.tw/histQuery.jsp?voteCode=20181101A1B1&qryType=ctks>).

105. CEC, '中選會發布全國性公民投票案第7案至第16案投票結果公告' (*The Central Electoral Commission Issues the Announcement of the Results of the National Referenda on the Propositions from Number 7 to Number 16*), 30 November 2018 (<https://www.cec.gov.tw/central/cms/107news/29588>).

106. See: Lawrence Chung, 'Taiwan's leader is asking for more misery at the polls if she plays the «America card», analysts warn', *SCMP*, 10 December 2018; Keoni Everington, 'After Electing Han, Kaohsiung Voters Madly Google «1992 Consensus»', *Taiwan News* 26 November 2018; Winston Chiu, 'Why Taiwan's Referendum May Have Been Swayed by an Ill-Informed Public', *Hong Kong Free Press*, 26 January 2019.

107. TAO, '国台办发言人: 团结广大台湾同胞, 走两岸关系和平发展道路' (*TAO Spokesperson: Unite Taiwanese Compatriots, Proceed towards the Peaceful Development of Cross-Strait Relations*), 25 November 2018, (http://www.gwytb.gov.cn/wyly/201811/t20181125_12115704.htm).

108. 'MAC Urges Beijing Not to «Misjudge» Voting Results', *Focus Taiwan*, 25 November 2018.

109. '选后首谈两岸蔡英文: 维持现状不变' (Tsai Talks for the First Time after the Elections about Cross-Strait Relations: There Will be No Changes in the Upholding of the Status-Quo), 中時電子報 (*China Times*), 30 November 2018.

More nuanced and non-partisan analyses stressed the interplay of different factors such as the specific local dimension of the elections, the perceived shortcomings of the economic agenda of the Tsai administration, the growing gap between the DPP and the post-Sunflower Movement, and the DPP leadership's strategic mistakes in the referenda campaigns.¹¹⁰ Against this backdrop it is particularly difficult to evaluate the specific significance of the vote for the future of cross-Strait relations. End-of-year polls by the Election Study Center of the National Chengchi University showed a slightly encouraging shift in public opinion for Beijing. For instance, the KMT overtook the DPP for the first time since 2013: the Nationalists polled at 25.4% while Tsai's party plummeted to 20.1%, the lowest since 2009. However, 49.1% of those polled identified as independent or preferred not to respond.¹¹¹ Similar trends emerged in polls on the preferred future outcome of cross-Strait relations. Support for a «maintain status quo, move towards unification» stance reached 12.8% – the highest recorded since 2002, whilst support for a «maintain status quo, move towards independence» stance decreased to 15.1%, the lowest since 2012. To provide a further benchmark, the two positions stood at 8.5% and 18.3% respectively at the end of 2016, after the first eight months of the Tsai presidency. However, the «maintain status quo, decide at later day» and the «maintain status quo indefinitely» options remained the most favoured, polling 33.4% and 24% respectively.¹¹²

The electoral result obviously reshaped the prospects of the 2020 presidential election contenders. In the DPP, the resignation of Tsai Ing-wen from the party chairpersonship raised speculations over the emergence of a new presidential candidate.¹¹³ Lai Ching-te rapidly appeared as the DPP frontrunner as he left office in early January 2019 in an attempt to distance himself from Tsai and her administration.¹¹⁴ Han Kuo-yu looked instead as the most exciting presidential prospect in the KMT, after the

110. Richard C. Bush, 'Taiwan's Local Elections: Explained', *Brookings*, 5 December 2018; Bruce Jacobs, 'Analyzing the DPP Electoral Debacle'.

111. Election Study Center, National Chengchi University, *Changes in the Party Identification of Taiwanese as Tracked in Surveys by Election Study Center, NCCU (1994-2018.12)*, 28 January 2019 (https://esc.nccu.edu.tw/pic.php?img=165_d7861944.jpg&dir=news&title=Image).

112. Election Study Center, National Chengchi University, *Changes in the Unification – Independence Stances of Taiwanese as Tracked in Surveys by Election Study Center, NCCU (1994-2018.12)*, 28 January 2019 (https://esc.nccu.edu.tw/pic.php?img=167_8a40dd84.jpg&dir=news&title=Image).

113. 'Tsai Resigns as DPP Chairwoman for Election Setback', *Focus Taiwan*, 25 November 2018.

114. Kensaku Ihara, 'Taiwan's cabinet to resign, as Premier Lai eyes presidency', *NAR*, 8 January 2019. Former PM Su Tseng-cheng 蘇貞昌 assumed office after Lai's resignation. Lai had previously offered his resignation immediately after the vote in November but withdrew it under pressure from Tsai. 'Su Tseng-chang takes up post as premier (update)', *Focus Taiwan*, 14 January 2019.

surprising victory in Kaohsiung. Polls in December projected him as the second most popular political figure in Taiwan, with an approval rate of 62.1%.¹¹⁵ The November vote, however, mainly strengthened the national profile of the re-elected mayor of Taipei, Ko Wen-je. Skilfully following contemporary populist blueprints, Ko gained re-election by successfully engaging with local public opinion mainly via social media, presenting himself as a disruptive, independent candidate distant from the traditional parties of Taiwanese politics. By the end of the year, he was the most popular politician on the island with an approval rate of 65.8%, placing him in a uniquely advantageous position for the 2020 elections.¹¹⁶

Running for mayoral positions, neither Ko nor Han needed to put cross-Strait relations at the centre of their campaigns, but neither candidate could propose his vision of economic revival without proposing a way out of the current deadlock with Beijing. Han publicly endorsed the 1992 Consensus before and after the elections.¹¹⁷ Ko, instead, maintained broad popular approval while pursuing an ambiguous China policy, oscillating between parroting Beijing's language on unification to echoing Tsai's proposals, all in the space of a few months.¹¹⁸ Ultimately, it is telling that Ko and Han achieved widespread credibility at a national level while sponsoring – or at least providing a platform for – positions on the unification issue, which are at best ambiguous and at worst simply unrealistic. Their success, even after taking into account their different campaigning style and constituencies, demonstrates that after the two terms of Ma Ying-jeou and two years of the Tsai presidency, the Taiwanese electorate has not come to terms yet with the increasingly zero-sum trajectory of cross-Strait relations.

115. Taiwanese Public Opinion Foundation (TPOF), '2018 年終台灣重大民意走向' (2018 Year-End Report on Major Public Opinion Trends in Public Trends), December 2018, p. 18.

116. *Ibid.*; Kensaku Ihara, 'Taipei mayor emerges as contender for Taiwan presidency', *NAR*, 24 October 2018.

117. See for instance: '高雄選戰 韓國瑜直認「九二共識」' (Kaohsiung Electioneering: Han Kuo-yu Directly Recognizes the «1992 Consensus»), *大公報 Ta Kung Pao*, 21 November 2018; '韓國瑜: 兩岸關係 強調九二共識、一中各表和中華民國' (Han Kuo-yu: Cross-Strait Relations Stress 1992 Consensus, One China – Respective Interpretations Principle, and the Republic of China), *UDN*, 25 December 2018.

118. '「兩岸一家親」已深入台灣民心' (The «One Family on Both Sides of the Strait» Concept Is Already Deeply Rooted in the Hearts of the Taiwanese), *Xinhua*, 16 May 2018. '柯文哲: 九二共識、兩岸一家親在台灣已被污名化' (Ko Wen-je: The 1992 Consensus and the One Family on Both Sides of the Strait Concepts Have a Tainted Reputation in Taiwan), *早報 (Zaobao.com)*, 28 December 2018.

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The year 2018 saw a significant transformation in Malaysian domestic politics, with the Pakatan Harapan (PH) coalition winning Malaysia's 14th general election, and a first time loss for the former ruling coalition Barisan Nasional (BN - National front). Even though the incumbent prime minister, Najib Razak had recently been implicated in a serious corruption scandal involving state investment, it was nonetheless a surprising and stunning victory.

Throughout the campaign, Najib attempted to strengthen his rule by leveraging the powers of the state. Not only did he introduce a draconian legal framework constraining the opposition and critics, but he mobilized the Election Commission to gerrymander electoral boundaries, thus creating more safe seats for the ruling BN coalition. Najib also brought about a growing polarization of society in an attempt to demonstrate that the United Malay National Organisation (UMNO) was the only party able to represent the interests and privileges of the Malay majority. These strategies, however, were not only insufficient to overcome the problems BN faced, but further undermined the legitimacy of the regime. They were perceived as being too authoritarian.

Though PH won convincingly in 2018, the role of prime minister-in-waiting Anwar Ibrahim, the mixed results in delivering its promises, and division within the coalition have led to much uncertainty. An increasing reliance on identity politics by UMNO has been leading to its revitalization, suggesting it still poses a significant threat to PH despite initial speculation that the loss of the election would lead to the party's destruction. However, the economy and foreign policy remained relatively stable.

1. Introduction

On 9 May 2018, the Pakatan Harapan (Alliance of Hope – PH) coalition, against all odds, won Malaysia's 14th general election, making Mahathir Mohamad prime minister once again after his previous 22-year tenure (1981-2003).¹ Due to the significance of this event, I will begin this article with an overview of the election results. I will then analyse domestic politics between 2016 and 2018, arguing that, despite an increasing polarization focused on Malay primacy and the co-option of legal and electoral institutions

1. Scott Edwards, 'Malaysia's first new government in six decades revels in a shocking victory', *The Conversation*, 10 May 2018.

by Barisan Nasional (National Front BN), the former ruling coalition lost all legitimacy due to its increased authoritarianism and serious corruption scandals. This loss of legitimacy provided the opportunity for a stronger opposition coalition, united under Mahathir, to position itself as the only option for much-needed change. Following this analysis of pre-election politics, I will analyse the extent of the transformation post-election, and argue that the promises of a «Malaysia Baharu» (New Malaysia) have failed to materialize as quickly as expected, in part as a result of BN's troubled legacy, but also problematic relationships between the constitutive political parties. Furthermore, the government has been facing a daunting opposition in the form of UMNO (United Malay National Organisation) and PAS (Malaysian Islamic Party), who have been leveraging identity politics to maintain support and direct criticism towards PH, providing further challenges to «Malaysia Baharu». Finally, I will provide an overview of changes in economic and foreign policy.

2. Domestic Policy

2.1. The 14th general election

The 14th general election was expected in late 2017, but was delayed until 9 May 2018 following the dissolution of parliament on 6 April with nominations not taking place until 28 April.² This election came to be a watershed moment in Malaysia's political history due to the fact that BN, who had been in power for six decades, was defeated by PH.³ It lost its majority in parliament, gained its lowest popular vote share ever (33.8%), and retained only two of 12 state governments.⁴ Astonishingly, PH, comprised of Parti Keadilan Rakyat (People's Justice Party – PKR), Parti Primbumi Bersatu Malaysia (Malaysian United Indigenous Party – Bersatu), Democratic Action Party (DAP) and Parti Amanah Negara (National Trust Party – Amanah), along with their allies Parti Warisan Sabah (Sabah Heritage Party – Warisan), won the election and formed a government on 10 May with Mahathir returning as prime minister.⁵

2. 'GE14: It's on, Parliament will dissolve on Saturday', *The Star*, 6 April 2018. 'Malaysia's general election to take place on May 9: Election Commission', *Channel News Asia*, 10 April 2018.

3. John Funston, 'Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

4. James Chin & Bridget Welsh 'Introduction: The 2018 Malaysian General Elections: The Return of Mahathir and the Exit of UMNO', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

5. 'Malaysia GE: Malaysia's King invites Mahathir to form next government', *The Straits Times*, 10 May 2018.

Table 1 - The 14 th general election	
Party	Seats won
PH (PKR, DAP, Bersatu, Amanah)	113
Warisan (Allied to PH)	8
BN (UMNO, MCA, MIC, PBB, SUPP + others)	79
PAS	18
Solidariti	1
Independents	3
Source: 'Dashboard: Pilihan Raya Umum 14', <i>Election Commission of Malaysia</i>	

Throughout election night there were fears that such a transition might not be peaceful; military vehicles were (incorrectly) reported to be in Putrajaya.⁶ Najib failed to appear in public, instead calling the UMNO leadership to his house.⁷ Media platforms reporting the election results were often blocked,⁸ and the Electoral Commission delayed confirmation that PH had surpassed the 112 seats required for absolute majority in the 222-seat parliament.⁹ BN also delayed its press conference until the following morning,¹⁰ leading to speculation that the party was attempting to persuade opposition partners in Sabah to leave PH.¹¹ It was later confirmed that BN tried to persuade PH members to defect by making Islamist and ethnic appeals.¹² As will be demonstrated in the following analysis, UMNO has long made appeals to ethnicity by arguing that it is the only party that can represent Malay interests in a country where politics has always been analysed and practiced in reference to the «race paradigm», with different parties perceived to represent the interests of different ethnicities.¹³ It was not just BN trying to prevent Mahathir's return; the palace delayed

6. 'Don't be fooled by photographs showing army, tanks in Putrajaya, say police', *New Straits Times*, 9 May 2018.

7. 'Barisan Nasional leaders gather at PM Najib's home for «high-level meeting»: Reports', *The Straits Times*, 10 May 2018.

8. 'Study confirms Malaysiakini's GE14 results page blocked', *Malaysiakini*, 17 May 2018

9. 'Malaysia GE: Mahathir says BN delaying announcement of results, unlikely to form government', *The Straits Times*, 9 May 2018.

10. 'Malaysia GE: PM Najib fails to appear at Umno headquarters for press conference on election results', *The Straits Times*, 10 May 2018.

11. Scott Edwards, 'Malaysia's Elections: Corruption, Foreign Money, and Burying-the-Hatchet Politics', *Al Jazeera for Studies*, 10 June 2018.

12. 'Dr Mahathir exposes May 9 political maneuvering', *New Straits Times*, 20 November 2018.

13. Anthony Milner, Abdul Rahman Embong & Tham Siew Yean, *Transforming Malaysia: Dominant and Competing Paradigms*, Singapore: ISEAS, 2014

confirming Mahathir as prime minister.¹⁴ There were rumours that Wan Azizah Wan Ismail, Anwar Ibrahim's wife and a senior PKR figure, was instead offered the premiership, which, according to professor Bridget Welsh, points to a resistance inside the system to acceptance of Mahathir's political mandate.¹⁵ On his part, Dr Muhamad Nadzri Bin Mohamed Noor argues that the transition came about peacefully as a result of Inspector General of Police Fuzi Harun and Chief Secretary to the Government Ali Hamsa deciding to uphold the results, thus preventing any attempt to declare a state of emergency.¹⁶

The 92-year-old Mahathir was sworn in as prime minister, making him the world's oldest sitting elected leader. Prior to the election, the vast majority of political analysts were sceptical about regime change,¹⁷ as confirmed by the polls.¹⁸ On the night itself when the electoral result became known, Najib was reported to be in a state of total disbelief when the results of each constituency were announced.¹⁹ Especially shocking were BN's losses in areas traditionally safe for the coalition. Johor is the birthplace of UMNO and is an area where it has always succeeded in the past, due to a strong rural Malay population that constitutes its traditional voters.²⁰ However, BN only retained 19 seats, while PH walked away with 36.²¹ In Sarawak, previously considered a BN «vote bank»,²² while it managed to hold a major-

14. 'Palace denies delaying Mahathir's appointment', *The Star*, 11 May 2018; Andrew Harding, 'Reforms in Electoral Management and Government Appointments Badly Needed in Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018.

15. Bridget Welsh, 'Malaysia's political transformation(s): preliminary reflections', *new mandala*, 23 May 2018.

16. Muhamad Nadzri, 'The 14th General Election, the Fall of Barisan Nasional, and Political Development in Malaysia, 1957–2018', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

17. Scott Edwards 'Malaysia's first new government in six decades revels in a shocking victory'; 'BN to romp home to GE14 victory, analysts predict', *The Sun Daily*, 7 May 2018; Francis E. Hutchinson, 'Malaysia's 14th General Election: Drivers and Agents of Change', *Asian Affairs*, Vol. XLIX, No. IV, 2018.

18. 'Malaysia General Elections XIV: Outlook, Prospects and Outcome III', *Merdeka Centre*, 2018; Ibrahim Suffian, 'Why Opinion Polls Failed to Predict the Fall of BN in Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018; Kok Leong Chan, 'Forecasts in Malaysia's Poll Skewed by Islamist Party's Unpredictable Impact', *The Roundtable*, Vol. 107, No. 6, 2018.

19. 'Exclusive – Malaysia's Anwar says «shattered» Najib called him twice on election night', *Reuters*, 17 May 2018.

20. 'Malay tsunami unlikely to happen; Johor to remain UMNO stronghold: Analysts', *Channel News Asia*, 4 May 2018.

21. 'Dashboard: Pilihan Raya Umum 14', *Election Commission of Malaysia*, 2018.

22. Lee Hock Guan, 'All Signs Point to Sarawak being 'Fixed Deposit' for BN in GE14', *ISEAS Perspectives*, 31 March 2017; Bridget Welsh, 'All quiet on the Sarawak front', *Malaysiakini*, 27 April 2018; Lee Poh Onn, 'GE14: A Victory for Barisan Nasional in Sarawak', *ISEAS Perspectives*, 7 May 2018.

ity, it lost six seats to PKR and DAP. The opposition won 12 out of 31 seats.²³ These were not just the Chinese-majority constituencies expected to be won by PH due to ethnic-Chinese disillusion with BN's Malay First focus, but also six Dayak-majority seats - an ethnicity with constitutional privileges that UMNO has generally protected.²⁴ Sabah too was considered safe for BN, who had won 22 out of 25 seats in 2013;²⁵ in 2018, however, BN managed to retain only ten seats.²⁶ These seats were instead picked up by Warisan, PKR and DAP who won 14.²⁷ In addition PH maintained its dominance in Penang, Kuala Lumpur and Selangor, where urban and modern voters most focused on change once again chose PH.²⁸ This resulted in the party gaining 122 seats, the largest proportion of the popular vote (48%), and winning seven out of 12 state governments (Kedah, Penang, Selangor, Perak, Negeri Sembilan, Malacca and Johor) with an eighth state government won by Warisan (Sabah). BN was down from 133 seats in GE13 to just 79.

While the election result was bad for UMNO, it was even worse for other BN member parties. The Malaysian Chinese Association (MCA) president, Liow Tiong Lai, lost his seat, while his party retained only one seat.²⁹ The Malaysian Indian Congress (MIC) president, Subramaniam Sathasivam, also lost his seat, while his party retained just two seats.³⁰ In addition, all the key Chinese-based Sabah BN parties collapsed.³¹ PAS managed to win 18 seats and two state governments, those of Terengganu and Kelantan. These are two states which are conservative in their religious outlook and have traditionally chosen PAS due to its policies of making Malaysia more Islamic.³² This was not enough to allow it to act as «kingmaker» at the national level, as PAS had hoped to do before the election, because neither PAS nor BN had enough seats to form a majority.³³

Following the election the cabinet was constituted by members of all parties within the PH coalition.³⁴ PKR President Wan Azizah Wan Ismail was

23. 'Dashboard: Pilihan Raya Umum 14', *Election Commission of Malaysia*.

24. Neilson Ilan Mersat, 'The Sarawak Dayaks' Shift in Malaysia's 2018 Election', *The Roundtable*, Vol. 107, No. 6, 2018; James Chin, 'Sabah and Sarawak in the 14th General Election 2018 (GE14): Local Factors and State Nationalism', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

25. *Ibid.*

26. 'Dashboard: Pilihan Raya Umum 14', *Election Commission of Malaysia*.

27. *Ibid.*

28. *Ibid.*

29. 'Liow loses Bentong to Wong Tack', *The Star*, 10 May 2018.

30. 'BN's big names toppled, one after another', *The Straits Times*, 10 May 2018.

31. James Chin, 'Sabah and Sarawak in the 14th General Election 2018 (GE14): Local Factors and State Nationalism', *Journal of Current Southeast Asian Affairs*, Vol. 37, No 3, 2018.

32. 'Dashboard: Pilihan Raya Umum 14', *Election Commission of Malaysia*.

33. 'PAS says vying to become 'kingmaker' in Malaysia election', *The Straits Times*, 31 March 2018.

34. 'Cabinet Members', *Prime Minister's Office*, 2018.

appointed deputy prime minister to Mahathir, as well as becoming minister of Women, Family and Community Development. PKR was given six cabinet positions, the most notable being that of minister of Foreign Affairs, which went to Saifuddin Abdullah, and that of minister of Economic Affairs, which went to Mohamed Azmin Ali. Bersatu gained six cabinet positions including that of minister of Home Affairs, for Muhyiddin Yassin, and that of minister of Youth and Sports, for Syed Saddiq Syed Abdul Rahman. DAP Secretary-general Lim Guan Eng was made minister of Finance, with DAP members being appointed to six cabinet positions, including that of minister of Transport (Anthony Loke Siew Fook). Amanah was given five positions including that of minister of Defence (Mohamad Sabu – known as Mat Sabu). PH allies Warisan and HINDRAF (Hindu Rights Action Force) were given four positions between them.

2.2. Domestic policy pre-election

2.2.1. The development of the opposition

One of Malaysia's watershed events was Mahathir leaving UMNO, and later joining PH. He left UMNO after his son Mukhriz was forced to resign as chief minister of Kedah on 3 February 2016.³⁵ This was seen as a reprisal for his criticism of Najib, who stood accused of embezzling money from the country's 1MDB investment fund into his personal bank accounts.³⁶ As a result of UMNO's continued support for Najib, Mahathir left the party on 29 February 2016.³⁷ While he did not initially join the opposition, he did begin to build connections with them. On 4 March 2016 he launched a 37-point Citizens Declaration which called for the resignation of Najib and wider institutional changes.³⁸ The launch event was attended by opposition leaders such as PKR Deputy President Azmin Ali and DAP senior leader Lim Kit Siang.³⁹ Anwar had served as Mahathir's deputy prime minister from 1993 to 1998, but was dismissed and arrested for sodomy – an accusation widely viewed as politically motivated. Not surprisingly, Wan Azizah declined

35. 'Mukhriz Mahathir resigns as Kedah Menteri Besar; Ahmad Bashah to take over', *The Straits Times*, 3 February 2016.

36. 'Mukhriz: I was removed for criticising Najib', *Free Malaysia Today*, 3 February 2016

37. 'Dr Mahathir quits Umno, again', *The Star*, 29 February 2016.

38. 'Malaysia's Mahathir and opposition sign declaration to oust Najib', *New Straits Times*, 4 March 2016.

39. 'Kit Siang: Citizens' Declaration worth trying, win or lose', *Free Malaysia Today*, 7 March 2016; 'Bersih to organise town hall meets on Citizens' Declaration', *Malaysiakini*, 7 March 2016.

to attend due to her and Anwar's suspicion over Mahathir's intentions.⁴⁰ Despite this, the meeting represented a reconciliation between those allied to Mahathir and Anwar, and provided an opportunity for the opposition to regather itself around these largely respected figures.⁴¹ It was important that the opposition did so because, prior to 2016, it became divided after the withdrawal of PAS and the reimprisonment of Anwar, following the 2013 general election. This limited the opposition ability to target rural Malay voters and left them without credible leadership.

Several secret meetings were held between Mahathir and the PH leadership, which concluded that a new political party was needed to strengthen the opposition.⁴² Two parliamentary by-elections in Kuala Kangsar and Sungai Besar on 18 June 2016 served as a warning of the necessity for the opposition to build tighter and more formalized relations among its different parts.⁴³ In fact BN managed to comfortably win both seats, despite Mahathir helping the opposition.⁴⁴ This was considered particularly embarrassing as the BN candidate in Kuala Kangsar was observing the Islamic teaching that forbids a widow from going outside the house for four months after the death of her husband.⁴⁵

Mahathir formed Bersatu on 10 August.⁴⁶ It was officially registered by former UMNO member and former Deputy Prime Minister Muhyiddin Yassin.⁴⁷ On 5 September 2016 Mahathir met Anwar for the first time in 18 years. Anwar recognized the need to include Bersatu in a united opposition if he were to win the Malay vote.⁴⁸ Bersatu announced its intention to join

40. Muhamad Nazri, 'The 14th General Election, the Fall of Barisan Nasional, and Political Development in Malaysia, 1957–2018'.

41. John Funston, 'Change and Elections: 1969 and 2013 Similarities', in James Gomez & Bridget Welsh (eds.), *Regime Resilience in Malaysia and Singapore*, Kuala Lumpur: SIRD, 2018.

42. Muhamad Nazri, 'The 14th General Election, the Fall of Barisan Nasional, and Political Development in Malaysia, 1957–2018'.

43. 'Malaysia's Sungai Besar, Kuala Kangsar by-elections: Voters go to the polls', *The Straits Times*, 18 June 2016.

44. 'Malaysia by-elections: BN retains seats in Sungai Besar, Kuala Kangsar', *Channel News Asia*, 18 June 2016.

45. 'BN eyes sympathy votes for widow', *The Straits Times*, 11 June 2016.

46. 'Dr Mahathir's new political party to be known as PPBM', *Channel News Asia*, 9 September 2016.

47. 'Parti Pribumi Bersatu Malaysia officially registered', *The Sun Daily*, 9 September 2016; 'UMNO sacks former Malaysian DPM Muhyiddin Yassin and Mukhriz Mahathir', *Channel News Asia*, 24 June 2016; 'Najib sacks DPM, four ministers and A-G', *The Straits Times*, 29 July 2015; 'Sacked Malaysian DPM Muhyiddin backs Dr Mahathir's new party', *Channel News Asia*, 16 July 2016;

48. 'I should not have acted against Anwar: Tum Mahathir', *The Sun Daily*, 14 March 2018; Scott Edwards, 'Malaysia's Elections: Corruption, Foreign Money, and Burying-the-Hatchet Politics'; 'Mahathir, Anwar meet for first time in 18 years', *The Straits Times*, 6 September 2016; Scott Edwards, 'Malaysia's Elections: Corruption, Foreign Money, and Burying-the-Hatchet Politics'

the PH coalition in November.⁴⁹ It formed an electoral pact in December,⁵⁰ and formally joined PH 14 March 2017.⁵¹

Bersatu came to be a credible alternative to UMNO for Malay voters, due to the party ideology of prioritizing Malay interests.⁵² As mentioned, the 'race paradigm' dominates Malaysian politics due to tensions between the different ethnicities in Malaysia (Malay, Chinese, and Indian) and UMNO had gained legitimacy over the 60 years by presenting itself as the true defender of Malay primacy.⁵³ UMNO had long argued that Malays would lose their privileges if it ever lost power, and continued to suggest that a government which included the Chinese-dominated DAP would be hostile towards them.⁵⁴ Survey evidence suggests that such concerns resonated strongly with rural Malays, for whom communal interests remain a high priority.⁵⁵ In the past PAS had been a member of the opposition coalition, and could claim to speak for the Malay electorate due to their strong Islamic focus. Since PAS left, however, PH has not been able to convincingly claim that it represents semi-urban and rural Malay interests. Amanah, which split from PAS, has been unable to secure votes from this group. However, Bersatu, led by former UMNO members who had in the past attacked the progressive agenda of PH, could legitimately claim to represent Malay concerns⁵⁶, making it an essential addition to the PH coalition.⁵⁷ The view that Muhyiddin would be an important factor in seizing Johor,⁵⁸ and Mukhriz would be crucial to PH's efforts in Kedah, was indeed validated.⁵⁹ The coalition

49. 'Dr M: Pribumi will join Pakatan', *The Star*, 13 November 2016.

50. 'Harapan and Bersatu formalise electoral pact', *Malaysiakini*, 13 December 2016.

51. 'PPBM officially part of Pakatan Harapan', *Malay Mail*, 20 March 2017.

52. Saleena Saleem, 'Malaysia's New Opposition Party Bersatu: Balancing Potential with Public Image', *RSIS Commentary*, 2017.

53. Michael Barr & Anantha Raman Govindasamy, 'The Islamisation of Malaysia: religious nationalism in the service of ethnonationalism', *Australian Journal of International Affairs*, Vol. 64, Issue 3, 2010.

54. 'Umno-PAS attacks fuel anti-DAP sentiments among Malays, study finds', *The Edge Markets*, 7 January 2016.

55. 'Malaysian Voter Values Survey 2010 - Political Typology', *Merdeka Centre*, 2010.

56. Kai Ostwald, Paul Schuler & Chong Jie Ming, 'Triple Duel: The Impact of Coalition Fragmentation and Three-Corner Fights on the 2018 Malaysian Election', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

57. Bridget Welsh, '«Saviour» Politics and Malaysia's 2018 Electoral Democratic Breakthrough: Rethinking Explanatory Narratives and Implications', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

58. 'Muhyiddin banks on 40-year ties to win Johor town for opposition', *The Straits Times*, 21 April 2018.

59. Mohd Azizuddin Mohd Sani, 'Will Kedah remain a BN stronghold?', *MyS-inChew*, 26 February 2018.

implemented a strategy to win over the «Malay heartlands», to cause a «Malay tsunami».⁶⁰

While these dynamics were essential in the peninsula, also of importance was PH's ability to spread its appeal into Sabah. In 2016 it was agreed that Warisan, led by Shafie Apdal, would be approached by PH⁶¹ and cooperation was formally agreed in 2018.⁶² Shafie had been a senior figure in UMNO before he too was dismissed from the federal cabinet in the split that emerged over 1MDB.⁶³ Shafie became party leader in September⁶⁴ and Warisan quickly gained popularity as it emphasized Sabah nationalism.⁶⁵ One of its key demands was the return of 40% of Sabah's taxes collected by the federal government.⁶⁶ By allying with Warisan, PH became more representative in the Eastern state.⁶⁷

It is also my contention that Bersatu's inclusion contributed to much needed leadership in PH. While Anwar was still in prison, Mahathir - with his 22 years of experience and continuing popularity among many Malaysians - was seen as a credible leader.⁶⁸ Indeed, as Professor Welsh highlights, Mahathir's goals were labelled as a «Saving Malaysia» initiative.⁶⁹ This was formalized in July 2017, when PH announced its leadership line-up – Mahathir becoming chairman, Anwar supreme leader, and Wan Azizah president.⁷⁰ Mahathir was named prime minister-designate in January 2018 with an agreement that Anwar would be his eventual successor.⁷¹ Mahathir's experience was

60. Joceline Tan, 'Malay tsunami – fact or psywar?', *The Star*, 27 August 2017; Chin Tong Liew, 'How I Could See the Malay Tsunami Incoming', *The Roundtable*, Vol. 107, No. 6, 2018.

61. 'DAP vows to stay in Sabah, willing to talk', *Free Malaysia Today*, 23 December 2016.

62. 'Warisan and Pakatan Harapan team up in Sabah for Malaysia elections', *The Straits Times*, 2 April 2018.

63. 'Shafie Apdal axed in Cabinet shakeup', *Malaymail*, 28 July 2015.

64. 'Parti Warisan Sabah is new name of Shafie-led Sabah-based party', *The Borneo Post*, 18 October 2016.

65. 'Warisan rides on «Sabahans for Sabah» concept», *Malaysiakini*, 24 October 2017; Farish A. Noor, 'A New Player in Sabah Politics', *RSIS Commentary*, 19 October 2016.

66. 'Warisan to pursue 40% state revenue that it is entitled to', *The Star*, 25 July 2018.

67. Muhamad Nazri, 'The 14th General Election, the Fall of Barisan Nasional, and Political Development in Malaysia, 1957–2018'.

68. Bridget Welsh, «Saviour» Politics and Malaysia's 2018 Electoral Democratic Breakthrough: Rethinking Explanatory Narratives and Implications'; Sophie Lemièrre, 'The Downfall of Malaysia's Ruling Party', Vol. 29, Issue 4, October 2018, pp. 114-128.

69. *Ibid.*

70. 'Pakatan Harapan announces leadership line-up; Anwar is de facto leader, Dr M chairman', *New Straits Times*, 14 July 2017.

71. 'Dr Mahathir unanimously chosen as Pakatan Harapan PM candidate', *The Star*, 7 January 2018.

highlighted throughout the campaign, as well as his sacrifice in returning to politics at an elderly age in order to save Malaysia from Najib.⁷²

This is not to say there were not divisions between coalition members, but a coherent message emerged. PH focused on reforming governance along the lines of *reformasi* (reform), overthrowing Najib, abolishing the Goods and Service Tax (GST) and focusing on the cost of living and the prevention of corruption.⁷³ Indeed, delaying the election throughout 2017 into 2018 gave PH the opportunity to present its message to the population. There were nationwide road tours and *ceramahs* (public talks) held by the top leaders and its manifesto, the «Book of Hope», incorporated these messages into a policy plan.⁷⁴ It included limiting the number of portfolios politicians could hold – especially the prime minister, who would also be bound by a two-term limit – as well as reducing the size of the prime minister's department; giving parliament and institutions such as the Malaysian Anti-Corruption Commission (MACC) a greater role; abolishing oppressive legal instruments and making the judiciary more accountable; making elections more transparent; and building an inclusive and moderate nation.⁷⁵ While the economy will be discussed later, it is important to note that PH's focus on the rising cost of living resonated with a large number of voters, as well as, particularly, its emphasis on the GST and UMNO's self-enrichment. Opposition to corruption and governance reform, therefore, attracted wide support throughout the later stages of the run up to the general election, and there was an opportunity for the opposition to go on the offensive in order to secure votes based on programmatic appeals.⁷⁶

The opposition was also helped by the fact that it was aligned with NGOs such as Bersih, which gave PH credibility while emphasising the shortcomings of BN's governance.⁷⁷ Particularly important was the Bersih 5 rally held following the US Department of Justice's announcement of action against 1MDB in 2016.⁷⁸ It began with a nationwide «convoy» from

72. Bridget Welsh, «Saviour» Politics and Malaysia's 2018 Electoral Democratic Breakthrough: Rethinking Explanatory Narratives and Implications»; Sophie Lemière, «The Downfall of Malaysia's Ruling Party».

73. «What mattered in GE14: campaigns, Islam, 1MDB, cost of living», *new mandala*, 10 May 2018.

74. John Funston, «Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate»; Tommy Koh, «Promises of the «book of hope»: influences on the new Malaysian government», *Asia Pacific Bulletin*, No. 443, 2018.

75. «The people's manifesto: the people's pact, the people's hope», *Pakatan Harapan*, 2018.

76. Chan Tsu Chong, «Democratic Breakthrough in Malaysia – Political Opportunities and the Role of Bersih», *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018.

77. *Ibid.*

78. Khoo Ying Hooi, «Malaysia's Bersih 5 rally: protesters weigh the cost of action under a repressive regime», *The Conversation*, 18 November 2016.

October onwards, and culminated in a mass rally of 120,000 participants on 19 November 2016.⁷⁹ Of significance was a visibly increased participation by Malay youths, as Bersih had been seen as Chinese dominated in the past.⁸⁰ Bersih 5 highlighted the need for free and fair elections, a clean government, and called for the resignation of Najib.⁸¹ PH worked closely with Bersih to mobilize and organize logistics for the rally, which Mahathir attended, and again in 2018 they worked together to increase electoral transparency.⁸² This gave PH the opportunity to spread its message to those voters sceptical of its commitment to reform, providing credibility despite Mahathir's previous lack of commitment to democracy.⁸³

2.2.2. *Najib's unpopularity and the proliferation of scandals*

BN seemed relatively strong in 2016, when, as noted, it comfortably won two by-elections.⁸⁴ Another tangible indicator of BN's continuing strength was its victory in the May 2016 Sarawak state election.⁸⁵ Under Adenan Satem, Sarawak BN won 72 out of 82 seats in the assembly.⁸⁶ This included all the majority Muslim constituencies and almost all of the Dayak majority constituencies.⁸⁷ Adenan focused on nationalism,⁸⁸ with emphasis on regaining rights that had been agreed upon under MA63.⁸⁹

79. 'PRESS STATEMENT (20 NOVEMBER 2016): After BERSIH 5 rally, the fight for free and fair elections and institutional reforms continues', *Bersih 2.0*, 20 November 2016.

80. Hew Wai Weng & Maszlee Malik, 'Bersih 5 and the Growing Discontent among the Malays', *ISEAS Perspective*, 15 December 2016.

81. 'Bersih 5', *Global Bersih*, 2016.

82. Chan Tsu Chong, 'Democratic Breakthrough in Malaysia – Political Opportunities and the Role of Bersih'; 'Mahathir shows up for Bersih 5, gives thumbs up', *Malaysiakini*, 19 November 2016.

83. Khoo Gaik Cheng, 'Bersih & Civic Empowerment in Malaysia', in James Gomez and Bridget Welsh (eds.) *Regime Resilience in Malaysia and Singapore*, Kuala Lumpur: SIRD, 2018.

84. Rashaad Ali, 'Malaysian By-Elections: Najib's Winning Ways', *RSIS Commentary*, 30 June 2016.

85. Lee Hock Guan, 'Impressive Results Await BN in Sarawak State Elections', *ISEAS Perspectives*, 3 May 2016; Faisal S. Hazis, 'Adenan Will Win Big in Sarawak State Election, but Long-Term Effects on Malaysian Politics are Unclear', *ISEAS Perspectives*, 4 May 2016.

86. '11th Sarawak Election: Full official results', *New Straits Times*, 7 May 2016.

87. James Chin, 'Sabah and Sarawak in the 14th General Election 2018 (GE14): Local Factors and State Nationalism'.

88. Lee Hock Guan, 'Impressive Results Await BN in Sarawak State Elections'.

89. MA63 is the Malaysia Agreement of 1963, which set out the terms for Sabah, Sarawak, and Singapore's merger with Malaya to form Malaysia. It guarantees Sabah and Sarawak certain privileges, such as autonomy in areas like education and management of state resources. These privileges, however, have been eroded since 1963; Yu Ji, 'Sarawak nationalism to dominate', *The Star*, 9 March 2016.

Despite this outward sign of strength, however, Najib's popularity was declining.⁹⁰ The well-documented IMDB financial scandal⁹¹ was not expected to have much impact among rural Malay voters, being seen by UMNO officials as too complex.⁹² However, the issue escalated throughout the pre-election period, especially after Switzerland, Singapore, and the US Department of Justice (DoJ) began investigations into IMDB.⁹³ Corruption is hardly a new feature of Malaysian society or politics;⁹⁴ scandals have mired most prime ministers. Scandals during Najib's tenure though led to a perception of party individuals enriching themselves on a greater scale than ever before, especially at a time of growing inequality.⁹⁵ IMDB was just one of a number of scandals. The lack of government accountability led to electoral backlash, facilitated by the fact there was a viable opposition. Much of the hostility was directed at Najib and his wife Rosmah Mansor, who was spending excessive amounts on luxuries.⁹⁶ Other UMNO members were unable to distance themselves from the scandal, though some did try.⁹⁷ Any suggestion that it was a problem for Najib only was met with scepticism, especially as UMNO did not publicly voice any criticism.⁹⁸

2.2.3. BN's (failed) strategies of winning support and maintaining control

BN pursued two strategies in order to win the election – increasing ethnic appeals and an authoritarian tightening of law enforcement. I argue, however, that these strategies were inadequate for deflecting attention from the scandals, as it became clear that UMNO was pursuing them at the expense of programmatic reforms and greater inclusion, which much of the population desired.

Appeals to ethnicity had long been a pillar of legitimacy for BN, but polarization grew during this period. Of note were the events held by the 'Red Shirts', led by Sungai Besar UMNO Division Chief Jamal Yunos. They

90. 'BN's night of despair and delusion', *The Malaysian Insider*, 28 May 2018.

91. Kay Tat Ho, 'IMDB: Breaking News that Broke a 61-Year-Old Government', *The Roundtable*, Vol. 107, No. 6, 2018.

92. The Yik Koon, *From BMF to IMDB: A Criminological and Sociological Discussion*, Kuala Lumpur: SIRD, 2018.

93. Tom Wright & Bradley Hope, *Billion Dollar Whale: The Man Who Fooled Wall Street, Hollywood and the World*, New York: Hachette Books, 2018.

94. 'Corruption Perceptions Index', *Transparency International*, 2017.

95. 'Report: Najib spent US\$ 15m on holidays, shopping and jewellery', *Malaysiakini*, 31 March, 2016.

96. 'Malaysians celebrate the downfall of Rosmah Mansor, the big-spending, reviled wife of ousted PM Najib Razak', *South China Morning Post*, 19 May 2018; Sophie Lemièrre, 'The Downfall of Malaysia's Ruling Party'.

97. Kean Wong, 'Notes from the campaign: election day's dues', *new mandala*, 10 May 2018.

98. James Chin, 'Sabah and Sarawak in the 14th General Election 2018 (GE14): Local Factors and State Nationalism'.

held various publicity stunts and protests throughout 2016 and 2017.⁹⁹ Their overall expressed aim was to defend Malay and Islamic rights, but their rhetoric was often the ‘epitome of racism’ and grounded in veiled threats that its followers may lose control and resort to violence.¹⁰⁰

UMNO also began to more vocally express its desire for Malay Muslim dominance (*Ketuanan Melayu*),¹⁰¹ and increasingly pandered to Malay Islamic NGOs like *Ikatan Muslimim Malaysia* (Malaysian Muslim Solidarity – ISMA), *Pekida*, and *Perkasa*.¹⁰² This increasing polarization corresponds with growing concerns of an ‘Arabization’ of Malaysian Islam, with its emphasis on a more exclusivist viewpoint.¹⁰³ UMNO began strengthening Islamic religious agencies,¹⁰⁴ and aligned more closely with the Malay rulers and Islamic bureaucracies.¹⁰⁵ At the 2016 UMNO assembly Najib emphasized that the Malay electorate would face dire threats to its special position and to Islam if the PH were to take power, even though Bersatu also claimed to represent the status of the Malays.¹⁰⁶ Mahathir was accused of being manipulated by DAP, which would then lead him to sell out the Malay race and remove their privileges.¹⁰⁷ The mufti of Pahang even went as far as to state that Muslim supporters of DAP were *kafir harbi* (infidels against whom war can be waged) due to its opposition to *hudud* (namely those punishments that, under Islamic law, are commanded by God).¹⁰⁸ This was designed to create a siege mentality among Muslim Malays.¹⁰⁹

This reliance on ethnic and religious identity as a pillar of legitimacy also explained growing linkages between UMNO and PAS, a strategy used

99. ‘Silat guru condemns red-shirts martial arts display’, *Malaysiakini*, 9 November 2016. ‘Jamal smashes bottles of beer outside S’gor secretariat building’, *The Star*, 6 October 2017.

100. Zan Azlee, ‘Malaysia’s «Red Shirts» were born of ignorance’, *Asian Correspondent*, 21 November 2016.

101. John Funston, ‘UMNO - From Hidup Melayu to Ketuanan Melayu’, in Bridget Welsh (ed.), *The End of UMNO?*, Kuala Lumpur: SIRD, 2016.

102. Clive Kessler, ‘UMNO: Then, Now and Always?’, in Bridget Welsh (ed.), *The End of UMNO?*, Kuala Lumpur: SIRD, 2016.

103. Norshahril Saat, ‘Exclusivist Attitudes in Malaysian Islam Have Multifarious Roots’, *ISEAS Perspectives*, 5 July 2016; Asmiati Malik & Scott Edwards, ‘Saudi Arabia’s influence in Southeast Asia – too embedded to be disrupted?’, *The Conversation*, 9 November 2018.

104. Bridget Welsh, ‘Change without Change: Malaysia after GE13’, in James Gomez & Bridget Welsh (eds.), *Regime Resilience in Malaysia and Singapore*, Kuala Lumpur: SIRD, 2018.

105. John Funston, ‘UMNO - From Hidup Melayu to Ketuanan Melayu’.

106. ‘Najib burnishes PM credentials, warns against rule by Chinese-dominated opposition at Umno assembly’, *The Straits Times*, 1 December 2016.

107. ‘DAP plan to manipulate Dr M revealed: PM’, *New Straits Times*, 2 May 2018.

108. Maszlee Malik, ‘«Kafir Harbi» in Malaysia: Another Path to Polarization’, *ISEAS Perspective*, 12 January 2017.

109. Maszlee Malik, ‘Turning Malaysia off Inter-Faith Strife’, *ISEAS Perspectives*, 3 November 2016.

to give UMNO the upper hand in rural constituencies.¹¹⁰ This was not only demonstrated by Najib's sympathetic consideration of PAS' plans to introduce *hudud*,¹¹¹ but, in 2016, by his decision to preside over a 10,000-strong rally in support of Burmese Muslim Rohingya refugees alongside PAS leader Abdul Hadi bin Awang.¹¹² In return PAS publicly claimed that it no longer intended to remove BN at the federal level.¹¹³ Hadi expressed a desire to see PAS govern the states of Kedah, Kelantan, Perak, Selangor, and Terengganu, while leaving the rest for UMNO.¹¹⁴ While PAS continued to contest the election independently, BN assumed that any three-way contest would split the anti-incumbent vote and assist in BN's victory.¹¹⁵ This was demonstrated by the BN funding of PAS. The Sarawak Report alleged that top PAS leaders had received millions in cash from UMNO,¹¹⁶ and PAS youth leader Nik Abduh discussed how UMNO money helped PAS achieve victory.¹¹⁷ Cooperation also extended to informal coordination in some PAS strongholds and policy concessions.¹¹⁸

By focusing on Malay dominance BN did not invest as much effort on programmatic appeals. Najib and other UMNO officials such as Annuar Musa and Ahmad Zahid Hamidi said that there was no anti-UMNO Malay tsunami during the election, instead pointing to the fact they still had strong Malay support of between 46-60%.¹¹⁹ A survey by the Merdeka Centre put Malay support for the PH and Warisan at only 25-30%, while PAS was said to have received 30-33% and UMNO 35-40%.¹²⁰ While this was significant, it still represented a decline of Malay support in favour of PH.¹²¹ This demonstrates that PH's emphasis of a needs-based approach, rather than a race-based one, was an important factor and that UMNO's alternative strategy was unsuccessful. As argued by Hew Wei Weng of Universiti Kebangsaan Malaysia, polarizing tactics were not enough as PH could also

110. James Chin & Bridget Welsh, 'Introduction: The 2018 Malaysian General Elections: The Return of Mahathir and the Exit of UMNO'.

111. John Funston, 'Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate'.

112. John Funston, 'UMNO - From Hidup Melayu to Ketuanan Melayu'.

113. Kai Ostwald, Paul Schuler & Chong Jie Ming, 'Triple Duel: The Impact of Coalition Fragmentation and Three-Corner Fights on the 2018 Malaysian Election'.

114. *Ibid.*

115. *Ibid.*

116. 'As Najib Denies All Over IMDB, Let's Not Forget His Many Other Criminal Connections', *Sarawak Report*, 6 August 2016.

117. '«Everyone Took UMNO's Money!» PAS Youth Chief's Alleged Admissions', *Sarawak Report*, 3 April 2018.

118. Kai Ostwald, Paul Schuler & Chong Jie Ming, 'Triple Duel: The Impact of Coalition Fragmentation and Three-Corner Fights on the 2018 Malaysian Election'.

119. John Funston, 'Malay dominance remains despite UMNO's rout', *new mandala*, 25 October 2018.

120. *Ibid.*

121. *Ibid.*

compete for the votes of pious urban Muslims by mobilizing discourses on political Islam.¹²² He used the example of Bangi constituency (in Selangor) where Amanah organized a dialogue featuring Ustaz Nik Omar, the eldest son of the late PAS spiritual leader Nik Aziz. Omar argued that his father had been in favour of dakwah, namely «an “Islamic outreach” towards the broader Muslim community and non-Muslims as well». Accordingly, taking a stand for inclusiveness, Nik Omar emphasised «the need to engage with broader societies while upholding an Islamic agenda» and stated that, «compared to “inward-looking” PAS, PH a better platform for dakwah».¹²³ In this situation, polarizing discourses not only served to alienate still relevant non-Muslim sectors of society, but were also not persuasive enough to capture the majority of the Malay vote, especially as Najib’s declining popularity led to questions about whether he really represented them.¹²⁴ Instead, Malay nationalists had a viable alternative in Bersatu, and Islamists could select Amanah and PKR.

BN’s second strategy, namely the tightening of legal enforcement, also failed, as it was not strong enough to cripple the opposition. I argue instead that this strategy undermined BN legitimacy as the new laws became too draconian, upsetting the balance between authoritarian control and democratic legitimacy.¹²⁵

In early June 2016 Najib introduced the National Security Council Act,¹²⁶ which allowed him to implement emergency powers at any designated security site.¹²⁷ Just one month before the election he introduced the Anti-Fake News Bill.¹²⁸ It was perceived by the opposition and civil society to be a tool to restrict criticism of the government, especially in relation to IMDB.¹²⁹ The bill covered social media such as Facebook and WhatsApp – two of the most popular forms of information in Malaysia.¹³⁰ In addi-

122. Hew Wai Weng, ‘The struggle for political Islam in «new Malaysia»’, *new mandala*, 25 June 2018.

123. *Ibid.* See also Hew Wai Weng, ‘Will Malaysia’s New Islamist Party Reshape the Political Landscape?’, *ISEAS Perspectives*, 26 September 2016.

124. John Funston, ‘Malaysia’s 14th General Election (GE14) – The Contest for the Malay Electorate’.

125. Amanda Whiting, ‘Rebooting the Emergency: Najib’s Law «Reform» and the Normalisation of Crisis’, in Sophie Lemièrè (ed.), *Illusions of Democracy*, Kuala Lumpur: SIRD, 2017.

126. ‘National Security Council Act’, *SUARUM*, 2016.

127. Federal Gazette, *Laws of Malaysia: Act 776 – National Security Council Act 2016*.

128. Mohd Azizuddin Mohd Sani, ‘Alarm bells sound as Malaysia passes anti-fake news bill’, *East Asia Forum*, 17 April 2018.

129. Gulizar Hacıyakupoglu, ‘The «Fake News» Label And Politicisation Of Malaysia’s Elections’, *Defence Strategic Communications*, Vol. 5, 2018.

130. Ross Tapsell, ‘New Media, Old Rule in Malaysia’, in James Gomez and Bridget Welsh (eds.) *Regime Resilience in Malaysia and Singapore*, Kuala Lumpur: SIRD, 2018.

tion to its alleged role in side-lining criticisms concerning 1MDB, the Anti-Fake News Act granted BN greater control over information.¹³¹ The law was used against Mahathir and PKR Vice-President Rafizi Ramli days before the election; Mahathir was being investigated for claims that his plane had been sabotaged,¹³² and Ramli for claiming that an opposition candidate was unable to file his nomination papers.¹³³ The law failed to silence the opposition, and instead energized it. Muhyiddin accused BN of leveraging the «fake news» label «as an excuse».¹³⁴

This message quickly emerged as a promising campaign discourse for PH, which argued BN was curtailing freedom of speech and dissent. Mahathir claimed that the Act was part of the ruling coalition's «political agenda» and called on BN not to «use this law to cover up the truth».¹³⁵ The opposition's promise to repeal the Anti-Fake News Act was popular, and presented a more tolerant coalition.

Older laws were also used throughout this period to create an atmosphere of BN control, but were decried as desperate measures by the opposition. In response to Bersih 5 the Peaceful Assembly Act was used to punish the Bersih leaders.¹³⁶ The Special Measures Act (SOSMA) was also used to arrest and detain Bersih 2.0 Chairperson Maria Chin,¹³⁷ who later became an independent MP supporting PH.¹³⁸

It was not just politicians and opposition activists who were targeted under BN's tightening grip. Cartoonist Zulkiflee Anwar Haque (Zunar) was arrested for sedition, but actually for his political cartoons lampooning the prime minister.¹³⁹ The same happened to artist Fahmi Reza for her portrait of Najib as a clown.¹⁴⁰ Each of these events drew a great deal of criticism and gave rise to the belief that BN was becoming too authoritarian.

131. Gulizar Hacıyakupoglu, The «Fake News» Label And Politicisation Of Malaysia's Elections'.

132. 'Malaysia opposition leader investigated under fake news laws', *The Guardian*, 3 May 2018.

133.

134. Gulizar Hacıyakupoglu, The «Fake News» Label And Politicisation Of Malaysia's Elections'.

135. 'Don't use fake news law to cover up truth, says Dr M', *Free Malaysia Today*, 6 February 2018.

136. Amanda Whiting, 'Rebooting the Emergency: Najib's Law «Reform» and the Normalisation of Crisis'.

137. 'Maria Chin's detention under Sosma is in accordance with the law, says AG', *Malay Mail*, 25 November 2016.

138. 'Maria Chin Abdullah to quit Bersih, run in GE14 under Pakatan', *The Star*, 4 May 2018.

139. 'Malaysian cartoonist arrested for criticism of prime minister Najib Razak', *The Guardian*, 27 November 2016.

140. 'Fahmi Reza jailed one month, fined RM30,000 over offensive caricature of PM', *The Star*, 20 February 2018.

This was also true in relation to BN's manipulation of governmental institutions. Posts that were meant to be independent were filled with political appointees. In January 2016 attorney general Mohamed Apandi Ali, who had been an active UMNO member, confirmed that money in Najib's personal accounts, believed to have come from IMDB, was from a Saudi donor.¹⁴¹ Another notable example of the BN's manipulation of governmental institutions was the fact that the Electoral Commission, working under the auspices of the prime minister's office, completed a re-delineation exercise of the electoral constituencies. The re-delineation, which was done with the evident goal of favouring the electoral prospects of BN, was passed in parliament just five weeks before the election.¹⁴² While publicly the opposition and civil society were vocal in their criticism of the BN coalition's gerrymandering of electoral boundaries in order to create more safe seats, they were unable to initiate any sort of formal debate.¹⁴³ There was opposition from state governments to the constitutional validity of re-delineation, resulting in stay orders which temporarily prevented the EC from re-delineating boundaries in some states. However, the appeals from the EC against the stay orders were fast-tracked in court, and the state governments were ruled against.¹⁴⁴ The EC also allowed for irregularities in the electoral roll and ignored any protests.¹⁴⁵ For example, in 2018 it refused to gazette over 100,000 enrolments, and allowed the transfer of military voters into three army camps that did not yet exist.¹⁴⁶ Due to registering difficulties in 2013, by 2018 there were 3.6 million eligible citizens not yet registered to vote.¹⁴⁷

The Electoral Commission went out of its way in its attempts to assist BN in the election.¹⁴⁸ It chose a weekday for the day of the vote, incon-

141. 'Malaysia's Attorney-General clears Najib of corruption over cash gift from Saudi royals', *The Straits Times*, 27 January 2018.

142. 'EC's redelineation report now available online', *The Star*, 31 March 2018.

143. 'Redelineation: Voters led by Maria Chin accuse EC of fraud', *Free Malaysia Today*, 26 March 2018; John Funston, 'Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate'.

144. '10,000 Selangor voters fail court challenge against EC redelineation report', *Malay Mail*, 20 April 2018; Ambiga Sreenevasan & Wei Jiet Lim, 'Selangor Upset Najib's Redelineation Game', *The Roundtable*, Vol. 107, No. 6, 2018.

145. Chan Tsu Chong, 'Democratic Breakthrough in Malaysia – Political Opportunities and the Role of Bersih', *Journal of Current Southeast Asian Affairs*, Vol. 37, Issue 3, 2018; Hong-Yee Seah, 'A Long Menu of Electoral Roll Fraud in Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018.

146. John Funston, 'Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate'.

147. 'EC: 3.6 million yet to register as voters', *Free Malaysia Today*, 17 January 2018.

148. Wee Tak Lee, 'Making Sure Votes Count: Polling and Counting Agents in Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018.

veniencing an estimated 1.7-3.5 million voters;¹⁴⁹ voters are required to vote in their constituencies, which can be far from their workplace. The nominations were only confirmed on 28 April, which meant many overseas Malaysians could not return their postal ballots in time.¹⁵⁰ Actions by the EC directed against PH were excessively vindictive and unfair, and, as pointed out by Professor Welsh, this resulted in disgust and outrage.¹⁵¹ These issues were continuously highlighted by both the opposition and civil society organisations such as Bersih, which served as an unofficial election monitor.¹⁵² According to Bersih activist Chan Tsu Chong, this monitoring helped counter the vote-buying culture and misuse of government resources by shaming the offenders.¹⁵³ Considering that reforms were unlikely to take place, Bersih pushed the narrative that the only way to defeat electoral fraud was by voters coming out in overwhelming numbers, to oust the incumbent party.

Domestic policies employed to strengthen BN power were practices involving patronage and distribution of financial incentives. Najib announced the increment of the 1Malaysia People's Aid (BR1M) funds before the election.¹⁵⁴ He also announced an additional one-year annual increment in the salaries of public servants,¹⁵⁵ and gave cash cards worth RM 53.6 million (US\$ 13 million) of public funds to taxi drivers.¹⁵⁶ This allowed for «money politics» to proliferate; UMNO engaged in pay-outs through money raised by resource rents, party holding companies, as well as that laundered from 1MDB.¹⁵⁷ It also spent more during the election itself, especially distributing gifts and food at political rallies. There were 517 accusations of vote-buying, abuse of government machinery, kickbacks, and biased institutions.¹⁵⁸

While the domestic media was increasingly co-opted by BN in an attempt to silence any critical voice, this did not prevent a proliferation of news concerning the scandals in which BN was involved. Much of the

149. Francis Hutchinson, 'MALAYSIA'S 14TH GENERAL ELECTIONS: DRIVERS AND AGENTS OF CHANGE', *Asian Affairs*, Vol. 49, Issue 4, 2018.

150. 'Malaysia election: Malaysians abroad fret over whether their postal votes can reach on time', *The Straits Times*, 5 May 2018.

151. Bridget Welsh, '«Saviour» Politics and Malaysia's 2018 Electoral Democratic Breakthrough: Rethinking Explanatory Narratives and Implications'.

152. Chan Tsu Chong, 'Democratic Breakthrough in Malaysia – Political Opportunities and the Role of Bersih'.

153. *Ibid.*

154. 'BN manifesto: Double joy for BR1M recipients', *The Star*, 7 April 2018.

155. 'Najib promises salary hike for civil servants', *The Straits Times*, 3 April 2018.

156. 'Najib: 67,000 taxi drivers get RM800 each with 1Malaysia taxi welfare card', *The Star*, 13 April 2018.

157. Bridget Welsh, 'GE14 – show me the money', *Malaysiakini*, 7 May 2018.

158. Shahrul Aman Mohd Saari, 'Corrupt Practices in Malaysia's Election Campaigns: An Account by Domestic Observers', *The Roundtable*, Vol. 107, No. 6, 2018.

traditional media favoured the ruling regime due to various forms of formal and informal ownership.¹⁵⁹ There was also a crackdown on what was left of independent media. In 2015, access to the *Malaysian Insider* website was blocked to Malaysian users, although it remained accessible for users outside Malaysia. In this situation, the website was forced to shut down a year later for commercial reasons.¹⁶⁰ The Malaysian Communications and Multimedia Commission (MCMC) aggressively monitored the spreading of news and information on the internet and via social media.¹⁶¹ Throughout 2016 and 2017, 1375 websites were blocked for allegedly circulating «false content».¹⁶² The government then established two portals that could be used for fact-checking and the provision of «accurate» information related to the election.¹⁶³ When launching one of these two portals, rakyat.com, Najib decried the opposition's focus on 1MDB as 'fake news' and published BN's version of the truth.¹⁶⁴ The crack-down on social media was also intended to prevent the penetration of international news by limiting the extent to which it was shared.¹⁶⁵ Popular politicians such as Mahathir, Anwar and Muhyiddin, however, were extremely vocal in criticizing both 1MDB and Najib's involvement.¹⁶⁶ During the introduction of the 2017 budget, opposition politicians staged a walkout.¹⁶⁷ The Public Accounts Committee (PAC), a parliamentary committee tasked with oversight of public accounts, reported major shortcomings and implicated Najib.¹⁶⁸ It made clear that UMNO had become the vehicle of Najib and his personal enrichment.¹⁶⁹ The opposition had strong social media accounts, especially in comparison to UMNO's relatively weak presence, and

159. James Gomez, Mustafa Anuar & Yuen Beng Lee, *Media and elections : democratic transition in Malaysia*, Kuala Lumpur: SIRD, 2018.

160. 'Independent Malaysian news site closes amid government clampdown on media', *The Guardian*, 15 March 2016.

161. Gulizar Hacıyakupoglu, 'THE 'FAKE NEWS' LABEL AND POLITICISATION OF MALAYSIA'S ELECTIONS'.

162. 'MCMC: 167 cases of Internet abuse investigated till Feb', *Malay Mail*, 8 March 2017.

163. The portals were *sebenarnya.my* and *rakyat.com*. See 'Government portal *sebenarnya.my* an online hit', *New Straits Times*, 23 October 2017.

164. Gulizar Hacıyakupoglu, 'THE 'FAKE NEWS' LABEL AND POLITICISATION OF MALAYSIA'S ELECTIONS'.

165. 'Malaysia dubs foreign reporting on 1MDB as fake news', *The Malaysian Insight*, 11 March 2018.

166. 'Former Malaysian premier Mahathir sues PM Najib over 'abuse of power'', *The Guardian*, 23 March 2016.

167. 'Malaysia: Opposition leaders walk out on PM Najib's Budget 2017 speech', *Asian Correspondent*, 22 October 2016.

168. 'In a nutshell: The PAC's report on 1MDB', *Malay Mail*, 7 April 2016.

169. Bridget Welsh, 'Malaysia's political transformation(s): preliminary reflections', *new mandala*, 23 May 2018.

Mahathir presented his speeches on Facebook live.¹⁷⁰ In Malaysia the use of social media, especially Facebook and WhatsApp, proliferated in this period due to the spread of smartphones in geographical areas wider than the urban base that was already well-informed about the scandal.¹⁷¹ The Reuters Institute for the Study of Journalism 2018 report observed that 72% of Malaysians received their news from social media.¹⁷² It was used to spread the message that patronage only benefits those with UMNO links, and no longer the wider Malay community that constituted UMNO's traditional support. Indeed, Dr Ross Tapsell argues that the main «gossip» in the context of the election was Najib and Rosmah's personal wealth linked to IMDB.¹⁷³

3. Domestic Policy Post-Election

3.1. Malaysia Baharu (New Malaysia)

While there was much hope of a new Malaysia becoming a more democratic, transparent and efficiently governed state as promised by PH, I argue that the transformation faced many obstacles throughout 2018. There was initially a great deal of optimism, as represented by the popularity of Tabung Harapan (Hope Fund) – a crowdfund which aimed to reduce Malaysia's national debt.¹⁷⁴ Thus far, there have been demonstrations of greater democratic credentials which validate this optimism. There was an almost immediate change in the greater freedom of the press;¹⁷⁵ bans against the *Sarawak Report* and the *Medium* were revoked by the MCMC.¹⁷⁶ Other limitations imposed by BN were quickly lifted, including that towards cartoonist Zunar who had his travel restrictions lifted.¹⁷⁷ The Anti-Fake News Act was repealed, though it is currently being stalled by the BN-dominated

170. Cassey Lee 'Facebooking to Power: The Social Media Presence of Malaysian Politicians', *ISEAS Perspectives*, Issue No. 74, 2017.

171. Ross Tapsell, 'The Smartphone as the «Weapon of the Weak»: Assessing the Role of Communication Technologies in Malaysia's Regime Change', *Journal of Current Southeast Asian Studies*, Vol. 37, No. 3, 2018.

172. Nic Newman, Richard Fletcher, Antonis Kalogeropoulos, David A. L. Levy & Rasmus Kleis Nielsen, 'Reuters Institute Digital News Report 2018', Reuters Institute for the Study of Journalism.

173. Ross Tapsell, 'The Smartphone as the «Weapon of the Weak»: Assessing the Role of Communication Technologies in Malaysia's Regime Change'.

174. 'Tabung Harapan breaks RM200mil mark', *The Star*, 26 December 2018.

175. 'Pakatan Harapan to allow greater space for press freedom, says Saifuddin', *The Star*, 14 July 2018.

176. 'MCMC confirms lifting ban', *The Star*, 19 May 2018.

177. 'Travel ban on cartoonist Zunar lifted', *The Star*, 14 May 2018.

senate.¹⁷⁸ There were, at times, remnants of «Old Malaysia» which PH was quick to discourage. Mahathir, for example, was insulted online and a police report filed, but the case was dismissed.¹⁷⁹ The only continuing limitation seemed to be any questioning of the Malaysian monarchy and Islam.¹⁸⁰ One landmark occurrence was that Anwar was released from prison after he received a full pardon.¹⁸¹ In his first days as a free man he called on PH supporters and other Malaysians to act as watchdogs over the conduct of elected ministers. Mahathir, for example, initially announced his intention to be minister of education, which went against the PH pledge of the PM holding only one portfolio. There was a great amount of criticism, and Mahathir quickly changed course.¹⁸²

The government has also been extremely critical of corruption. Mahathir has made many comments regarding transparency, MACC has been strengthened considerably, and amendments have been made to codes of ethics so that MPs must declare all gifts exceeding RM 500 (US\$ 122).¹⁸³ The most significant event showcasing this has been the arrest and subsequent charging of Najib. His arrest came less than a week after police announced that 12,000 items of jewellery, 567 handbags and suitcases full of cash were among the list of items seized at raids of properties belonging to him.¹⁸⁴ He was charged with criminal breach of trust and abuse of power concerning SRC international's fund of RM 42 million (US\$ 10,282,850) and the trial is expected in April 2019. After repeated arrests and six court appearances Najib faced 42 charges including counts of money laundering.¹⁸⁵ He has been prevented from travelling, and there have been suggestions that there was enough evidence (or what Mahathir calls an «almost perfect case») to result in successful court prosecutions in early 2019.¹⁸⁶ Notable charges linked to the ongoing 1MDB case have been filed against Goldman Sachs and two

178. Amanda Whiting, 'Human Rights in Post-Transition Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018.

179. 'Dr M disagrees with police action to arrest man over FB insults', *The Star*, 18 May 2018.

180. 'Lawyer who questioned monarchy hauled up by cops a second time', *The Star*, 12 July 2018.

181. 'Anwar Ibrahim released after years in prison in «new dawn for Malaysia»', *ABC News*, 16 May 2018.

182. 'Dr M: Ok, I won't be education minister, unless you ask me to', *New Straits Times*, 18 May 2018.

183. Scott Edwards 'The implications of Najib Razak's arrest for Malaysia: The good, the bad, and the ugly', *Asia Dialogue*, 10 July 2018.

184. *Ibid.*

185. 'Najib charged again on three counts of money laundering', *The Edge*, 28 January 2019.

186. '1MDB: Mahathir claims he has 'an almost perfect case' against former PM Najib', *The Guardian*, 20 June 2018.

former executives for their alleged involvement.¹⁸⁷ Rosmah has also been arrested and charged with money laundering after a number of appearances at MACC, one lasting 13 hours.¹⁸⁸ Other UMNO senior officials have not escaped this anti-corruption crackdown. Zahid was arrested on various corruption charges.¹⁸⁹ However, other allegations, such as those against Abdul Taib Mahmud in Sarawak, have been ignored, – allowing the perception that BN officials are being targeted.¹⁹⁰

There also seems to be a greater movement towards good governance. Lim Guan Eng, who is ethnically Chinese, was given the influential minister of finance portfolio. Tommy Thomas, ethnically Indian and a Christian, was the first ever non-Malay attorney general. These were significant appointments, which, despite others' misgivings, were not opposed by Mahathir, in spite of his pro-Malay political agenda.¹⁹¹

3.2. *Limitations of the ruling coalition*

Success in transforming Malaysia, however, has been hampered by the limited ability of the ruling coalition with regard to meeting expectations, leadership divisions, the inheritance of BN-leaning institutions, as well as the role of ethnicity. Moreover, many questions surrounded the return of Anwar.

Following an international speaking tour, Anwar marked his return to politics with the PKR MP of Port Dickson vacating his seat.¹⁹² The by-election that resulted was significant for two reasons. First, it showed the limitations of PH's willingness to advance democracy in Malaysia. There were some vocal criticisms of this process, with some activists arguing it was undemocratic for the seat to be made available for Anwar.¹⁹³ Some of the election practices were criticized as being reminiscent of the tactics that UMNO used; the abuse of government assets being one of them.¹⁹⁴ This also occurred at two

187. 'Malaysia files criminal charges against Goldman Sachs and two former executives', *ABC News*, 17 December 2018.

188. 'Ex-Malaysian PM Najib Razak's wife Rosmah Mansor arrested by anti-graft commission', *The Straits Times*, 3 October 2018.

189. 'Zahid facing about 40 charges', *New Straits Times*, 19 October 2019.

190. 'AG urged to order probe into Taib Mahmud's wealth', *Free Malaysia Today*, 7 July 2018.

191. 'Dr M says Tommy Thomas sole AG nominee, won't name others', *Malay Mail*, 3 June 2018.

192. 'Speaker's office confirms Port Dickson MP's resignation', *Malay Mail*, 12 September 2018.

193. 'Bersih: Beyond dynasty claim, Anwar's PD move highlights electoral flaw', *Malaysiakini*, 17 September 2018.

194. 'PH tops election offences in PD by-election, says Bersih', *Free Malaysia Today*, 26 October 2018.

other by-elections held in 2018 – Seri Setia and Balakong.¹⁹⁵ The second reason for its significance is that Anwar won with a significant majority.¹⁹⁶ Indeed, the by-election seemed historic in the sense that Mahathir campaigned for Anwar during the by-election, appeared on stage with him for the first time in 20 years,¹⁹⁷ and pledged that he would step down after two years to allow Anwar to become the next Malaysian prime minister.¹⁹⁸

The show of unity on display at Port Dickson, however, masked some problems for PH. Analysts have expressed concern about leaders' abilities to remain united, given their problematic histories, masked by an anti-incumbent agenda that is no longer required.¹⁹⁹ Mahathir's personal relationship with his coalition members, most importantly with Anwar (as well as his wife Wan Azizah and daughter Nurul, a member of parliament), is particularly important. Anwar has good reason to hold misgivings against Mahathir for instigating the cruel treatment he faced during the initial arrests, especially as Mahathir has commented on Anwar's immoral behaviour and lack of moral fibre.²⁰⁰ Anwar has said he would not be comfortable being in Mahathir's cabinet, based on their past relationship. As noted above, Mahathir has promised that Anwar will be the next prime minister. Originally it was suggested that this would be after two years, but Mahathir seems to have backtracked and has since said it could be longer.²⁰¹ Despite this, Anwar has been conciliatory.²⁰² When asked if he trusts Mahathir, he argued that they have to move on. Anwar has stated that it is his job to support Mahathir, and that while it was not easy for him to agree to cooperate with him, he was satisfied that Mahathir had accepted the reform agenda of PH and was atoning for past mistakes.²⁰³ This also seems to be the case with the relationships between Mahathir and Lim Kit Siang, Lim Guan Eng, Mat Sabu

195. 'Bersih warns Pakatan against repeating «BN's tactics» in PD by-election', *Malay Mail*, 4 October 2018.

196. 'Anwar wins with huge majority', *The Star*, 14 October 2018.

197. 'Malaysia's Mahathir stumps for Anwar Ibrahim in Port Dickson by-election', *The Straits Times*, 8 October 2018.

198. 'PM Mahathir says he will honour agreement to hand power to Anwar after two years', *The Straits Times*, 3 September 2018.

199. Ng Qi Siang, 'Pakatan Harapan spats more than just teething issues', *Today Online*, 2 January 2019.

200. 'Sworn enemies Mahathir and Anwar toppled Najib, but pose new risk to Malaysia', *The Straits Times*, 15 May 2018.

201. Scott Edwards, 'Malaysia's Elections: Corruption, Foreign Money, and Burying-the-Hatchet Politics'.

202. Yang Razali Kassim, 'IN CONVERSATION WITH ANWAR IBRAHIM: On Mahathir, Reconciliation & Political Transition', *RSIS Commentary*, 13 September 2018.

203. 'Not being PM now? It's a blessing in disguise, says Anwar', *Free Malaysia Today*, 4 June 2018.

and Yunus Ali.²⁰⁴ They were all arrested during Mahathir's 1987 Operation Lalang, and were vocal critics during Mahathir's previous tenure as prime minister. Lim Kit Siang argues that Mahathir is aware of his past mistakes, however, and that all seems to be forgiven between them.²⁰⁵ Mahathir has admitted that Operation Lalang was primarily political, but that he was an unwilling participant.²⁰⁶ While some doubt his sincerity, especially as he has not apologized,²⁰⁷ there has been a demonstration of unity based on the reform agenda and a perceived integrity of Mahathir's commitment.²⁰⁸ Despite this, there is an irony that Mahathir has been forgiven, and some concerns that he is now leading the reform movement even though he was authoritarian during his previous tenure as prime minister.

The coalition is also struggling to formulate a collective policy with regards to Malay rights and Islamic values. These were prioritized by Bersatu and reaffirmed at their second annual general assembly in December 2018,²⁰⁹ but questions remain how these can be reconciled with a progressive agenda. This is demonstrated by the difficulties in ratifying the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD).²¹⁰ Initially the government's intention appeared to be that of ratifying ICERD. Contributing to the progressive agenda, it was hoped that ICERD would serve to progress human rights in Malaysia and advance the creation of an inter-ethnic society. There were vocalized concerns, however, that the values represented by ICERD were against Malay culture and the values of Islam. In fact these concerns appeared to be originated by the seemingly unfounded view that ICERD would undermine the constitutional privileges enjoyed by the Malay Bumiputera («sons of the soil», a term to denote those 'originally' from Malaysia) under Article 153.²¹¹ Eventually, the government cancelled its intention to ratify the treaty, due to the backlash received from a proportion of the Malay popula-

204. Scott Edwards, 'Malaysia's Elections: Corruption, Foreign Money, and Burying-the-Hatchet Politics'.

205. 'Dr Mahathir aware of past wrongdoings, says Kit Siang', *The Malaysian Insider*, 28 May 2018.

206. 'Police responsible for Ops Lalang, Mahathir says', *The Straits Times*, 28 October 2017.

207. 'Dr M: I have never made any formal apologies to Anwar', *The Star*, 2 October 2018.

208. Scott Edwards, 'Malaysia's Elections: Corruption, Foreign Money, and Burying-the-Hatchet Politics'.

209. 'Mahathir says his Parti Pribumi Bersatu Malaysia will protect Malay interests', *The Straits Times*, 29 December 2018.

210. 'Minister: Govt to ratify convention on racial discrimination, five other treaties in Q1 2019', *Malay Mail*, 24 October 2018.

211. Asmiati Malik & Scott Edwards, 'From 212 to 812: Copy and Paste Populism in Indonesia and Malaysia?', *The Diplomat*, 18 December 2018.

tion.²¹² Another indication of the challenge represented by the protection of Malay rights was the debate concerning Universiti Teknologi MARA (UiTM), namely Malaysia's biggest University, which has a policy of admitting only Bumiputera students. Some have called for the university to be opened to non-Bumiputera, but others have suggested that this change would be too fast.²¹³ Clearly, the government faces difficulties in accommodating the interests of the non-Malay, who overwhelmingly supported PH and who are hungry for change, while at the same time allaying anxieties of the bulk of the Malay electorate, who are wary of the coalition in power and worried for the perceived loss of privileges.²¹⁴

All this poses problems for the coalition's unity – especially as Bersatu has been accepting former UMNO members into its ranks. Former UMNO member Mustapa Mohamed, commonly known as Tok Pa, joined Bersatu, and many others have announced their intention to do the same.²¹⁵ The concern is that Bersatu will become a dominating, corrupt, and power hungry «UMNO 2.0», which would perpetuate Malay privilege at the cost to other members of the coalition.²¹⁶ Mahathir himself has recognized this danger and argued that only «clean» members will be accepted.²¹⁷

There are also former-UMNO stalwarts on the Council of Eminent Persons, an unelected advisory group seen to wield significant power.²¹⁸ That the coalition may incorporate a party, Bersatu, which is on its way to become UMNO 2.0, has been suggested as the reason explaining «Princess of Reform» Nurul Izzah's decision to resign as PKR vice president and relinquish her federal government roles after having pointed out that party-hopping was a «betrayal of mandate given the 9th of May, [which] insults those who are loyal to the cause».²¹⁹ Her resignation may also be in response to the divisive PKR internal election beginning on 22 September 2018, which

212. 'Faced with opposition, Mahathir backtracks on KL ratifying UN human rights treaty ICERD', *The Straits Times*, 23 November 2018; Prashant Waikar, 'ICERD and Old Politics: New Twists in Post-Election Malaysia?', *RSIS Commentary*, 21 December 2018.

213. Mohd Tajuddin Mohd Rasdi, 'UiTM should be for Malays only, but...', *Free Malaysia Today*, 29 May 2018.

214. Hwok Aun Lee, 'New regimes, old policies and a bumiputera reboot', *new mandala*, 16 September 2018.

215. 'Tok Pa joins Bersatu, as was expected', *The Star*, 26 October 2018.

216. Mohsin Abdullah, 'Remaking Malaysia: Should Bersatu accept an Umno influx?', *The Edge*, 16 November 2018.

217. '«Bersatu now Malays' party of choice», *New Straits Times*, 28 December 2018.

218. 'Malaysia's Council of Eminent Persons won't be dissolved yet: PM Mahathir', *The Straits Times*, 16 August 2018.

219. 'Malaysia's «princess of reform» Nurul Izzah quits party posts', *The Straits Times*, 17 December 2018.

focused on who would become deputy president.²²⁰ While both challengers claimed loyalty to Anwar, Azmin Ali, the incumbent, was seen as being closer to Mahathir and harbouring his own ambitions for becoming party president.²²¹ Azmin won, but Rafizi was appointed vice-president while Saifuddin Nasution Ismail, seen as a Rafizi ally, was retained as secretary-general. Yang Razali Kassim, a Senior Fellow with the S. Rajaratnam School of International Studies, argues that the PKR internal election unleashed new instability in the party, affecting both its unity and the wider PH coalition.²²² This is especially true as the elections were close and beset by many difficulties such as money politics, dirty tactics, and even physical altercations. All this was seen as testing the party strength and raising questions about PKR's ability to deliver on *reformasi*, when it could not even keep its internal elections clean.²²³

These concerns involving unity and strength aroused serious scepticism regarding PH's ability to deliver on some of its promises, as well as convince the population that it was meeting their high expectations.²²⁴ For example, Wan Saiful Wan Jan apologized for failing to keep the promise to abolish the National Higher Education Corporation Fund (PIPTN) loans.²²⁵ He had promised that those who had taken PIPTN loans, which fund higher education, and earn less than RM 4000 (US\$ 980) would be able to defer their payments. There was also a failure to ensure a minimum of 30% of executive and legislature positions for women.²²⁶ Mahathir admitted that not all promises can be met – and out of ten chosen in the first 100 days²²⁷ only five were achieved.²²⁸ Some believe that the minor movement towards strengthening human rights and accountability are demonstrative of a lack of political will.²²⁹ This has led to civil society calling for more

220. 'Making sense of PKR's election: What we know so far', *Malay Mail*, 20 October 2018.

221. Yang Razali Kassim, 'Bumps in Malaysia's planned political transition', *East Asia Forum*, 1 February 2019; Yang Razali Kassim, 'Anwar's Rise, Fall and Rise Again: Tests in Malaysia's Succession', *RSIS Commentary*, 26 November 2018.

222. *Ibid.*

223. 'Making sense of PKR's election: What we know so far'.

224. Tommy Koh, 'Promises of the «Book of Hope»: Influences on the New Malaysian Government', *Asia Pacific Bulletin*, Number 443, 17 October 2018.

225. 'PIPTN chairman says sorry over failure to keep promise', *New Straits Times*, 10 November 2018.

226. Pey Jung Yeong, 'How Women Matter: Gender Representation in Malaysia's 14th General Election', *The Roundtable*, Vol. 107, No. 6, 2018.

227. '10 promises in 100 days: Pakatan Harapan's countdown timer starts now', *Channel News Asia*, 10 May 2018.

228. Serina Rahman, 'Many unrealised promises to tackle, as the Pakatan Harapan government approaches 100 days in office', *Channel News Asia*, 5 August 2018.

229. Amanda Whiting, 'Human Rights in Post-Transition Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018.

PH accountability²³⁰ as well as criticisms that the government focuses too much on BN's past wrongdoings and too little on good governance.²³¹ The suggestion that the current government is at least doing better than the former one is seen as weak justification for failure to deliver on promises.²³² Concerns remain that the coalition does not have the strength or ability to successfully continue to govern in future.

3.3. Viability of BN (and UMNO)

The election results which left BN decimated and UMNO the only real power in the coalition, as well as the arrest of Najib and the criminal charging of some of UMNO's leadership, made the viability of BN and UMNO a common theme in domestic policy. However, despite their crisis, BN and UMNO, soon after the elections, began to show signs of recovery, mounting an effective opposition to the new government and proving to be an obstacle to PH meeting its promises. Clearly, early perceptions of BN's irrelevance seem to have been misguided.

Sabah BN parties abandoned the coalition following the results – the United Pasokmomogun Kadazandusun Murut Organisation (UPKO) as early as the night of the election, joining the PWS-Sabah PH Alliance.²³³ This was followed by the Liberal Democratic Party (LDP), Parti Bersatu Sabah (PBS), and Parti Bersatu Rakyat Sabah (PBRS).²³⁴ While Sarawak BN retained the state government, the Sarawak parties who had left BN came together in a political alliance, the Gabungan Parti Sarawak (GPS), after Mahathir refused to allow them to join PH.²³⁵ While MIC and MCA have not left BN, there have been significant debates concerning whether they would be best served by remaining in it, especially as their power is significantly reduced due to their lack of seats.²³⁶ UMNO itself was also significantly weaker, and while it won 54 parliamentary seats, there have so far been 17 defections from UMNO by MPs, who have either joined PH parties or become independents, leaving UMNO with only 37 seats.²³⁷ A large number of defections also occurred at

230. Thomas Fann, 'Challenges and Opportunities Facing Civil Society Organisations in the New Malaysia', *The Roundtable*, Vol. 107, No. 6, 2018.

231. 'Harapan govt must stop the blame game and deliver on promises, says Daim', *The Star*, 8 November 2018.

232. Nurul Izzah Anwar, 'Malaysia's Reformasi has just begun', *The Round Table*, Vol. 106, No. 6, 2018.

233. 'Upko quits Sabah BN, exodus could follow', *Free Malaysia Today*, 10 May 2018.

234. 'PBRS becomes third party to leave Sabah BN; begins efforts to join PH', *New Straits Times*, 12 May 2018.

235. John Teo, 'Can GPS Deliver?', *New Straits Times*, 17 January 2019.

236. 'Malaysia's Chinese opposition party MCA to decide whether to quit BN coalition on Dec 2', *The Straits Times*, 1 December 2018.

237. '6 more Umno MPs leave the party, adding to recent exodus', *The Straits Times*, 14 December 2018.

the state assembly level. Notable UMNO defections were those of Mas Ermeyati Samsudin (former head of Puteri UMNO), Mustapha Mohamad (former trade minister), and Anifah Aman (former minister for foreign affairs).²³⁸ Other senior figures were under pressure. Musa Aman, UMNO Sabah leader, left abruptly for London following failed attempts to form a state government.²³⁹ While this was claimed to be for medical treatment, he has since been charged with corruption.²⁴⁰ Jamal of 'Red-Shirts' fame was later arrested in Indonesia and imprisoned in Malaysia.²⁴¹

The issues surrounding senior figures, and the public's strong determination to bring Najib to justice, have led to serious questions concerning the UMNO leadership. Indeed, even its party-members were disillusioned by the extent to which the party was acting in the interests of a small minority.²⁴² Despite this, the UMNO party assembly in June 2018 saw Najib-aligned leaders taking most leadership positions – including Zahid as UMNO president.²⁴³ Support for the party may not endure, however. Both Najib and Zahid face prosecution. Indeed, Zahid quickly stepped down following further defections.²⁴⁴

Despite signs of weakness, the selection of Zahid over Khairy Jama-luddin Abu Bakar (also known as KJ) at the UMNO elections demonstrated that it may still cause problems for the PH government.²⁴⁵ Khairy represented a more multi-ethnic and progressive agenda, with suggestions that UMNO could be opened up to non-Malay members.²⁴⁶ This was rejected and, by choosing Zahid, UMNO signalled its desire to pursue an exclusivist and anti-pluralist Malay First politics, widely seen by the party-members as a conceivable path to the resumption of power.²⁴⁷

238. John Funston, 'Malaysia's 14th General Election (GE14) – The Contest for the Malay Electorate'.

239. 'Musa Aman says he's in UK and not on the run', *The Star*, 26 June 2018.

240. 'High Court reverses Sessions decision, Musa Aman is grounded', *The Star*, 19 January 2019.

241. 'Once fugitive, Jamal Yunos back to business in Umno', *Malay Mail*, 2 August 2018.

242. 'Khairy: Umno members must accept the reality of 1MDB', *The Star*, 18 November 2018.

243. Scott Edwards, 'Battles for legitimacy: the arrest of a former prime minister and what's next after Malaysia's historic election', *British International Studies Association*, 2018.

244. 'Zahid steps aside as Umno president, hands over duties to deputy', *The Star*, 18 December 2018.

245. Scott Edwards, 'The implications of Najib Razak's arrest for Malaysia: The good, the bad, and the ugly'.

246. 'KJ's proposal that Umno be opened up to other races may backfire, says Zahid', *Malaysian Insight*, 23 June 2018.

247. Bridget Welsh, 'Malaysia's political transformation(s): preliminary reflections'; Norshahril Saat, 'UMNO Revival: Reaffirmation of Ideology or Reform?', *IS-EAS Perspectives*, 15 November 2018.

The increasing appeals to ethno-nationalism as a basis for support can be seen in three events other than the selection of Zahid at the UMNO elections. First, the discourse surrounding Najib's innocence following his arrest emphasized race and religion. Najib ended his video response (which featured clips of him praying) by stating: «I will face all the challenges with strength. After all, Allah is all-knowing, merciful and caring».²⁴⁸ His day in court witnessed supporters engaging in candle-lit vigils, singing «*Allah Selamatkan Kamu*» (Allah save you) and heckling the attorney general for not using the Malay language.²⁴⁹ Second is UMNO's growing links with PAS. In the Sungai Kandis by-election on 4 August 2018, PAS did not field a candidate and urged supporters to choose UMNO.²⁵⁰ Divisions within PAS concerning how strongly to align with UMNO seem to be favouring the alliance,²⁵¹ as there are increasing calls for PAS to work together with UMNO from within the Islamic party.²⁵² Finally, and linked to this, were the rallies against the introduction of ICERD. On 8 December there was Himpunan 812 (Gathering 812) where 60,000 people rallied.²⁵³ Initially, it was organised to protest against ICERD, but after the government changed its stand on this topic, Himpunan 812 became an opportunity to demonstrate Malay and Islamic unity,²⁵⁴ marshalling it against events such as recognizing the United Examination Certificate (a standardized test for the independent Chinese high school sector in Malaysia), bilingual street signboards, holding Oktoberfest events, and debates concerning LGBT rights, which are all seen to undermine Islamic and Malay primacy.²⁵⁵ As Hew noted, many of those present supported a Malay-dominated leadership and/or an Islamic-oriented government, and UMNO supporters were mobilized to highlight the Malay agenda.²⁵⁶ Najib and Zahid attended the rallies, as did Hadi, and while Zahid stated that Gathering 812 is not a political partnership, the rally clearly showed an attempt to build a political narrative centred on its joint ability to represent Muslims as a means of returning UMNO to

248. Scott Edwards, 'Battles for legitimacy: the arrest of a former prime minister and what's next after Malaysia's historic election'.

249. Scott Edwards, 'The implications of Najib Razak's arrest for Malaysia: The good, the bad, and the ugly'.

250. 'Syed Umar Ariff Sg Kandis by-election: Will Pas supporters abide by instruction to vote BN?', *New Straits Times*, 29 July 2018.

251. Bridget Welsh, 'Malaysia's political transformation(s): preliminary reflections'.

252. 'PAS must unite with Umno for Malays' sake, says Youth chief', *The Malaysian Insight*, 27 December 2018.

253. Asmiati Malik & Scott Edwards, 'From 212 to 812: Copy and Paste Populism in Indonesia and Malaysia?'.

254. Hew Wai Wang, 'Himpunan 812 and a new rivalry in Malay politics', *new mandala*, 12 December 2018.

255. Hew Wai Wang, 'Malay anxiety, exclusion, and national unity', *new mandala*, 18 September 2018.

256. Hew Wai Wang, 'Himpunan 812 and a new rivalry in Malay politics'.

power.²⁵⁷ As such, UMNO leadership was able to foster a growing Islamist backlash to PH's «liberal» «anti-Islam» and «anti-Malay» government.²⁵⁸

In December Zahid stepped down over the number of UMNO members who had left the party to join Bersatu.²⁵⁹ His replacement by Mohamad Hasan, a technocrat considered a moderate politician, was initially seen as a change towards a more democratic program, based on «nurturing a Malaysian democratic system through principled leadership as an opposition political party; raising UMNO's credibility as a respected opposition political party; combating money politics; turning ideas into political capital and reviewing the Malay agenda».²⁶⁰ However Hasan also stated that: «The new UMNO is only for those who are clean and who will fight for and loves [sic] his/her race.»²⁶¹ Therefore, the fight for Malay primacy has remained the core UMNO strategy, giving it continuing political relevance. This translates into the fact that UMNO, despite some weakening, still represents a danger for the PH regime. ICERD was wildly unpopular among many Malay voters. Together with other events which have angered portions of Malay society, this shows that PH is so far unable to reconcile differences over the role of Islam and Malay privileges with a progressive agenda. By focusing on ethno-nationalistic issues, UMNO cannot fail to gain support, while at the same time highlighting the weakness of the coalition. This resonates with many Malay voters. Conservative Islamic followers feel increasingly marginalized and point out the tolerance shown by the current government as the reason for their feelings of insecurity.²⁶² While the means by which UMNO exerted control have largely been removed, it has managed to remain a significant issue for the ruling government and is not yet irrelevant in Malaysian politics.

4. *The Economy*

There has been some transformation in the economy, but the uncertainty that characterized the 2016-2017 period has not diminished. The diminishing gas and oil prices, on which much of the government revenue

257. Asmiati Malik & Scott Edwards, 'From 212 to 812: Copy and Paste Populism in Indonesia and Malaysia?.'

258. *Ibid.*; Serina Rahman, 'Should Malaysia Expect an Islamist Backlash?', *ISEAS Perspectives*, 11 September 2018.

259. 'Zahid can't stop Umno from bleeding, but is fresh leadership the answer?', *Malay Mail*, 20 December 2018.

260. Jocelin Tan, 'New Umno No.1 aims to stop the bleeding', *The Star*, 22 December 2018.

261. 'Mohamad Hasan outlines strategy to rejuvenate UMNO', *The Edge*, 31 December 2018

262. Scott Edwards & Asmiati Malik, 'How powerful is ethno/religious populism in Indonesia and Malaysia?', *British International Studies Association*, 2019.

is dependent, was of concern to Malaysia. The resulting shortfall in government revenues, however, has mostly been covered by Goods and Services Tax (GST).²⁶³ There has been steady growth and an overall rise in the GDP rate of growth. According to World Bank data, Malaysian GDP dropped from 6.007% in 2014 to 5.092% in 2015 and 4.223% in 2016, but rebounded to 5.897% in 2017.²⁶⁴ In 2018, the GDP rate of growth went down once again, to 4.7%. Interestingly, however, the GDP per capita rate of growth was on a steady positive trend since 2015. The rate of growth of per capita GDP, which was 2.9% in 2014, had plummeted to -13.6% in 2015 and a further -1.4% in 2016, to rebound to 4.8% and a remarkable 11.3% in 2017 and 2018 respectively.²⁶⁵ More generally, predictions on the economic outlook of the country were positive.²⁶⁶

Lower income households²⁶⁷ have endured spiralling costs of living, of concern even before the election. These costs are related to rising commodity prices, falling prices of saleable goods such as palm oil, and an extremely expensive property market.²⁶⁸ This was exacerbated by GST and the ending or reduction of commodity subsidies. This higher cost of living has only served to heighten economic vulnerabilities.²⁶⁹ Under Najib's rule there were attempts to tackle this, particularly through Transformasi Nasional 2050 (TN50) – a bottom-up process to long term development – but little progress was made.²⁷⁰

Malaysia experienced record levels of inflation during Najib's tenure, hitting an annual rate of 3.8% in 2017. While income inequality has decreased, Malaysia remains in the top tier of those countries suffering from inequality in Southeast Asia.²⁷¹ As a consequence, there has been a significant decline in social mobility and the growth mentioned above has not seen parallel job expansion and wage increases. Furthermore, International

263. Yeah Kim Ling, 'Malaysia's 2018 Budget: Balancing Short Term Needs and Long Term Imperatives', *ISEAS Perspectives*, 24 November 2017.

264. World Bank, *GDP growth (annual %)*, Malaysia 1961-2017.

265. 'Malaysia GDP - Gross Domestic Product', *countryeconomy.com*, 1 December 2018.

266. Yeah Kim Ling, 'Malaysia's 2018 Budget: Balancing Short Term Needs and Long Term Imperatives'; Shankaran Nambiar, 'The Malaysian economy faces turbulence abroad after regime change', *new mandala*, 20 December 2018.

267. Allen Ng, Tan Zhai Gen, & Alia Muhammad Radzi, 'Beyond Inflation: How Rising Costs of Living Affects Different Malaysian Households', *Khazanah Research Institute*, 1 November 2018.

268. Lim Tech Ghee, *Challenging Malaysia's Status Quo*, Kuala Lumpur: SIRD, 2018.

269. Bridget Welsh, 'Malaysia's political transformation(s): preliminary reflections'.

270. Lee Hwok Aun, 'Malaysia's Transformasi Nasional 2050 Brings Bold New Style, but to What End?', *ISEAS Perspectives*, 11 May 2017.

271. Allen Ng & Tan Kar Man, 'Improving Income Inequality: Fact or Fiction?', *Khazanah Research Institute*, 27 November 2018.

Labour Organization estimates suggest that youth unemployment reached 10.8% in 2017, a marginal increase over the past three years and especially problematic for fresh university graduates.²⁷²

Pakatan Harapan promised to solve these problems through a wide programme of reforms, and it is hoped that this might raise much of the population out of near-poverty. In the face of criticism, the coalition repealed GST as it left the government with a shortfall of revenue – estimated at RM 20 billion (US \$4.9 billion).²⁷³ It was replaced with Sales and Service Tax, perceived to be equally problematic, with many questioning the difference. Another measure to tackle cost of living were proposed fuel subsidies and initiatives to build affordable housing. However, the continuing massive drop in commodity prices, such as rubber and palm oil, was creating problems for those dependent on agriculture, further alienating rural voters and preventing economic advancement for these populations. PH's policies have done little to tackle the rising cost of living.

Race inevitably plays a role in economics just as it does in politics, and this shows no sign of changing despite expectations that PH would implement a needs-and-merit based economic policy. In an attempt to make the economy more open Lim Guan Eng affirmed an open tender policy for federal public procurement. However, the government was careful to show that it would not side-line Malay contractors.²⁷⁴ Dr Hwok Aun Lee argues this «continual reservation of small contracts for Bumiputera firms satisfies [some electoral constituencies]» as Bumiputera firms have always traditionally being more competitive in regards to small contracts, while non-Bumiputera firms compete for larger contracts.²⁷⁵ What this means in effect is that the new government is not yet broadening the ways it develops Malay competitiveness.²⁷⁶ The Mid-Term Review of the 11th Malaysia plan also recommitted to economically supporting Bumiputera empowerment, but signalled a new awareness of the needs of minorities.²⁷⁷ At the end of the day, while the government recognized the need for the introduction of a needs-based economic policy that addresses inequalities, its continuing focus on affirmative action for the Malay population negated any such progress.

One of the first moves that Dr Mahathir made after taking office was to reverse the decision on some of the huge infrastructure projects. They were perceived as being of greater financial benefit to China than Malay-

272. Bridget Welsh, 'Malaysia's political transformation(s): preliminary reflections'.

273. Shankaran Nambiar, 'The Malaysian economy faces turbulence abroad after regime change'.

274. Hwok Aun Lee, 'New regimes, old policies and a *bumiputera* reboot'.

275. *Ibid.*

276. *Ibid.*

277. Lee Hwon Aun, 'Mid-Term Review of 11th Malaysia Plan: Reaffirming Bumiputera Policy, But Also Signalling New Attention to Minority Needs', *ISEAS Perspectives*, 24 January 2019.

sia. Two such cancelled projects were the RM 55 billion (US\$13.5 billion) East Coast Rail Link, and the RM 9 billion (US \$2.2 billion) Multi-Product Pipeline and Trans-Sabah Gas Pipeline.²⁷⁸

There were concerns that the US-China trade war could impact on the Malaysian economy, especially if intermediate goods exports are affected or there is a slowdown in growth and trade.²⁷⁹ Lim Guan Eng has revealed that the Ministry of Finance (previously headed by Najib) has been paying IMDB loan settlements and liabilities, and that the country's debt is much more significant than previously announced. PH redefined national debt to include federal government debt, contingent liabilities, and lease payments for public-private projects. According to this new methodology, Malaysia now has debts in excess of RM 1 trillion (US\$ 350 billion).²⁸⁰ This was used as justification to reduce spending, but has led to questioning the soundness of the Malaysian economy.

PH's first ever tabled budget was deemed sensible and flexible, as it did not impose a further fiscal burden on the people but still provided opportunities for economic expansion.²⁸¹ The budget settled for a deficit of 3.7% of GDP, and increased spending by 10.4%, which, though, was made possible by the extra revenue related to a one-off tax refunds.²⁸² With some modification, the cash grant scheme for the underprivileged was retained. It did not necessitate the introduction of austerity, but was more restrained than hoped for, and the uncertainty of the past few years has not diminished.

5. International Relations

Malaysia's international reputation has unquestionably suffered due to repeated «shaming» with regards the IMDB scandal, Najib having been declared one of the most corrupt leaders in the world by Time magazine in 2016. However, the country is now viewed more positively as a result of its intention to transition to full democracy.²⁸³

278. Shankaran Nambiar, 'The Malaysian economy faces turbulence abroad after regime change'.

279. Alyssa Farha Jasmin & Aidonna Jan Ayub, 'Amidst the Giants: Malaysia and the Trade War', *Khazanah Research Institute*, 23 August 2018.

280. Shankaran Nambiar, 'The Malaysian economy faces turbulence abroad after regime change'.

281. *Ibid.*

282. Yeah Kim Leng, 'Malaysia's Budget 2019: The New Government's Fiscal Priorities, Challenges and Opportunities', *ISEAS Perspectives*, 13 December 2018.

283. Much of the literature discusses Malaysia as an electoral authoritarian or hybrid state, highlighting the fact that, despite there being elections, Malaysia does not meet the requirements for democracy, as fixed by academic theory. For an introduction to this problem see William Case, 'Electoral authoritarianism in Malaysia: trajectory shift', *The Pacific Review*, Vol. 22, Issue 3, 2009, pp. 311-333.

Relations with the US have remained stable despite the realization that Malaysia has been hedging between China and the US.²⁸⁴ The two countries had elevated their ties to that of a comprehensive partnership under Obama, and, while there have been challenges posed by the election of Donald Trump, these appeared to have been managed by Najib.²⁸⁵ One of those challenges was Trump pulling out of the Trans-Pacific Partnership (TPP); this would have given a boost to Malaysia's economy.²⁸⁶ However, a meeting between Najib and Trump in September 2017 seemed to restore relations. Prior to that, there had been a growing estrangement between the US and Malaysia as a result of the US Department of Justice's investigation into Najib financial misdeeds.²⁸⁷ Cooperation between the two countries has primarily been focused on counter-terrorism. Mahathir's return to power raised questions about whether this momentum will continue, considering that the new Malaysian premier has been critical of Trump. There have also been high level meetings between Secretary of State Mike Pompeo and Mahathir in Malaysia, and between Mat Sabu and (former) US Defense Secretary Jim Mattis.

Under Najib, relations with China were becoming closer through his pursuit of Chinese foreign direct investments (FDI)²⁸⁸ together with his willingness to buy arms from China. He also granted the Chinese navy limited access to a port in Sabah. As a result of this policy, Malaysia emerged a major beneficiary of the Belt and Road Initiative (BRI).²⁸⁹ Malaysia has not been among the more vocal countries criticizing China's policy in the South China Sea,²⁹⁰ even when Chinese ships encroached into Malaysian waters. Since Mahathir came to power, the relationship has endured,²⁹¹ albeit Malaysia has been «cautious rebalancing» its approach towards China.²⁹²

284. Yang Razali Kassim, 'Is Malaysia Tilting Towards China?', *RSIS Commentary*, 30 December 2016.

285. Prashanth Parameswaran, 'Mahathir Visit Spotlights US-Malaysia Relations Under New Government', *The Diplomat*, 25 September 2018.

286. Murray Hiebert, 'Trump-Najib Meeting Gives Malaysia-U.S. Relations Shot of Adrenaline', *Centre for Strategic and International Studies*, 14 September 2017.

287. Chan Xin Ying & David Han, 'Najib's United States Visit: What is Going On?', *RSIS Commentary*, 11 October 2017.

288. Evelyn Devadason, 'Malaysia's «cautious rebalancing» approach towards China', *Asia Dialogue*, 31 July 2018.

289. Cassey Lee, 'Deepening of Malaysia's Economic Ties to China: What Are the Implications?', *ISEAS Perspectives*, 20 December 2016; Tham Siew Yean, 'Chinese Investment in Malaysia: Five Years into the BRI', *ISEAS Perspectives*, 27 February 2017; Johan Saravanamuttu & David Han, 'Malaysia-China Relations: A New Turn?', *RSIS Commentary*, 4 November 2016; Johan Saravanamuttu, 'Malaysia's East Coast Rail Link: Bane or Gain?', *RSIS Commentary*, 31 August 2017.

290. David Han, 'Malaysia's South China Sea Policy: Contradictions or Domestic Confusion?', *RSIS Commentary*, 19 April 2016.

291. Chan Xin Ying, 'Sino-Malaysian Relations: A Brand-New Engagement in a New Era', *Asia Dialogue*, 21 July 2018.

292. Evelyn Devadason, 'Malaysia's «cautious rebalancing» approach towards China'.

The question of China's role in Malaysia featured heavily throughout the election campaign.²⁹³ As aforementioned, Mahathir, once in power, asked for a re-evaluation of the major Chinese developments.²⁹⁴ No doubt, however, some of them will be allowed to be completed.²⁹⁵ Mahathir stated: «We will be friendly to China but we don't want to be indebted to China». This new attitude was the consequence of the negativity towards China's infrastructure investment, brought about by its financial association with the BN government.²⁹⁶ It has become clear that Malaysia will adopt a more robust approach in the South China Sea in future, with less deference being shown to China than during the Najib era.²⁹⁷ On his official visit to Japan, Mahathir announced he would be reviving his Look East policy, first introduced when he previously held office in 1981.²⁹⁸ Despite this focus on Japan, Mahathir's visit to China was accorded equal importance.²⁹⁹

Other relationships cultivated by Najib seemed to be suffering reversals such as those in the Islamic world, including Saudi Arabia. Najib had strengthened and expanded the connection with Saudi Arabia throughout the final two years of his tenure. Malaysia extravagantly welcomed King Salman in 2017,³⁰⁰ and this was reciprocated by a high-profile trip to Saudi Arabia by Najib. Their close relations drew attention when Najib claimed that money suspected to be from 1MDB was deposited as a donation from the Saudi royal family. While this is increasingly recognized as being false, Saudi governmental figures did in fact corroborate Najib's claims.³⁰¹ This close relationship between the two states³⁰² became increasingly important, especially with regard to Saudi investment in Petronas and the devel-

293. 'Selling the country to China? Debate spills into Malaysia's election', *Reuters*, 27 April 2018.

294. Scott Edwards, 'Back to the future: Old friends and rivals returning in Malaysia's «new» foreign policy direction?', *Asia Dialogue*, 1 August 2018.

295. Tham Siew Yean, 'The Belt and Road Initiative in Malaysia: Case of the Kuantan Port', *ISEAS Perspective*, 15 January 2019.

296. Hong Liu & Guanle Lim, 'The Political Economy of a Rising China in Southeast Asia: Malaysia's Response to the Belt and Road Initiative', *Journal of Contemporary China*, 2018.

297. Scott Edwards, 'Back to the future: Old friends and rivals returning in Malaysia's «new» foreign policy direction?'.

298. *Ibid.*

299. Lye Liang Fook, 'Mahathir's China Visit and Malaysia-China Relations: The View from China', *ISEAS Perspectives*, 7 September 2018.

300. Norshahril Saat, 'Malaysia Capitalizes on Saudi King Salman's Visit', *ISEAS Perspectives*, 17 March 2017.

301. Scott Edwards & Asmiati Malik, 'Saudi Arabian Relations Under Strain in Southeast Asia', *The Diplomat*, 7 November 2018.

302. Norshahril Saat, 'Malaysia Capitalizes on Saudi King Salman's Visit'; Saleena Salem, 'Expanding KL-Saudi Ties: Benefits and Risks for Malaysia', *RSIS Commentary*, 9 March 2017.

opment in refineries.³⁰³ The biggest symbol of their cooperation was the joint anti-terrorism centre, the King Salman Center for International Peace (KSCIP). At the time then-Defence Minister Datuk Seri Hishammuddin Hussain said it was an essential development in countering extreme ideologies. In other security developments Malaysia joined a Saudi-led coalition, seen by some as a military bloc against Iran, supporting Saudi intervention in Yemen.³⁰⁴ Since then disagreements over Yemen have spurred growing scrutiny of Saudi money and influence. Key figures in the new government, such as Mat Sabu, have been critical of Saudi policies in the past, arguing that following the Saudi line so closely had undermined Malaysia's neutrality with regards Iran. This has led to a tangible change in Malaysia-Iran relations as well as a decline in cooperation. Minister of Defence Mat Sabu closed the KSCIP,³⁰⁵ and removed Malaysia's troops from Saudi Arabia.³⁰⁶

Subsequent meetings between Saudi Foreign Minister Adel al-Jubeir and Mahathir, during which al-Jubeir sought to reassure Mahathir that the funds given to Najib did not come from the Saudi government or royal family, have been seen as an attempt to appease Malaysian sensitivities.³⁰⁷ Saudi Arabia has also offered to cooperate with the IMDB investigation, and has extended an invitation to Mahathir to visit the Kingdom so as to reassure the new government that its support for Najib was not malevolent.³⁰⁸ Malaysia meanwhile was focusing its efforts on neutrality and realignment with the wider Islamic world, not wishing to be too closely associated with Saudi politics. This means opportunities for increasing ties with Iran, and in particular participating in the Developing-8 (D-8) conference. Iran has already expressed an interest in Malaysia taking a greater international and regional role at a meeting between the Iranian president Hassan Rouhani and Mahathir at the UN (27 September 2018).

The final non-ASEAN relationship of interest which underwent change throughout this period was with North Korea. Until 2017 - when North Korean President Kim Jong Un's brother was assassinated in Kuala Lumpur International Airport (KLIA) using a chemical weapon - relations

303. Scott Edwards & Asmiati Malik, 'Saudi Arabian Relations Under Strain in Southeast Asia'.

304. 'Malaysia joins Saudi-led military alliance against terrorism', *The Star*, 15 December 2015; 'Saudi Arabia announces 34-state Islamic military alliance against terrorism', *Reuters*, 15 December 2015.

305. Asmiati Malik & Scott Edwards, 'Saudi Arabia's influence in Southeast Asia - too embedded to be disrupted?.'

306. *Ibid.*

307. Scott Edwards & Asmiati Malik, 'Saudi Arabian Relations Under Strain in Southeast Asia'.

308. Scott Edwards, 'Back to the future: Old friends and rivals returning in Malaysia's «new» foreign policy direction?.'

between the two countries had been relatively close.³⁰⁹ As a consequence of the assassination, Malaysia closed its embassy in Pyongyang, as Kuala Lumpur believed the North Korean regime to be responsible for the assassination. Resulting from this, Malaysian diplomats were prevented from leaving Pyongyang.³¹⁰ Trade was terminated, and Malaysia refused to join any North Korean events.³¹¹ Mahathir has since expressed his desire to re-normalize relations.³¹²

With regards its neighbours, relations with ASEAN countries have been stable while cooperation continues to grow. Mahathir chose Indonesia as the first ASEAN country to visit and while little of substance resulted from his meeting with Indonesian President Joko Widodo, signs are that it was a positive.³¹³

The exceptions to the friendly relations between Malaysia and the other ASEAN countries are represented by Kuala Lumpur relations with Naypyidaw and Singapore. In 2016, then Prime Minister Najib Razak, breaking with ASEAN non-interference policy in the domestic affairs of the member countries, sternly rebuked Myanmar for the military-led crackdown on Muslim Rohingyas. He went so far as to accuse Naypyidaw of genocide.³¹⁴ Since then Malaysia had been highly critical of Myanmar. This policy did not change after Najib's fall from power, as shown by the fact that Mahathir accused Myanmar's de facto leader Aung San Suu Kyi to «defend the indefensible» over the atrocities committed by the country's military against Rohingya Muslims (13 November 2018).³¹⁵

While relations with Singapore were good under Najib, they have begun to suffer under Mahathir. «The people of Singapore - Mahathir observed, during an interview with a well-known British daily - like the people of Malaysia, must be tired of having the same government, the same party

309. Mustafa Izzuddin, 'Reviewing Malaysia's Relations with North Korea', *ISEAS Perspectives*, 8 May 2017; David Han & Shawn Ho, 'Kim Jong Nam's Death: What It Means For Malaysia', *RSIS Commentary*, 12 April 2017.

310. 'Malaysia planning to shut embassy in North Korea in latest sign of frayed relations', *South China Morning Post*, 14 October, 2017.

311. 'Malaysia further downgrading ties with North Korea a year after airport assassination: sources', *Reuters*, 13 February 2018.

312. 'Malaysia PM expresses readiness to normalize ties with North Korea', *Kyodo News*, 26 June 2018.

313. Scott Edwards, 'Back to the future: Old friends and rivals returning in Malaysia's «new» foreign policy direction?'; Emirza Adi Syailendra, Oh Ei Sun & Santi H. Paramitha, 'Jokowi and Najib: Can They Bring Indonesia and Malaysia Closer?', *RSIS Commentary*, 13 January 2016.

314. 'Malaysia PM opens thorny debate in accusing Myanmar of genocide', *Reuters*, 9 December 2016.

315. '«Defending the indefensible»: Malaysia's Mahathir slams Suu Kyi over Rohingya crisis', *Reuters*, 13 November 2018.

since independence». ³¹⁶ This criticism has been coupled by actions which could not but be negatively received by Singapore, such as the cancellation of a high-speed rail link between the two countries, and a return to the controversial question of the price Singapore pays for Malaysian water (a sensitive issue considering Singapore is not yet self-sufficient in its water supplies). ³¹⁷ Tensions over port access, resulting in an open dispute, have worsened relations considerably and created even further uncertainty. ³¹⁸

316. 'Mahathir Mohamad charts new democratic path for Malaysia', *Financial Times*, 29 May 2018.

317. *Ibid.*

318. 'Singapore, Malaysia maritime dispute: A timeline', *Channel News Asia*, 6 December 2018.

THAILAND 2018: A COUNTRY SUSPENDED BETWEEN AN ILLIBERAL REGIME
AND THE HOPE OF A DEMOCRATIC TRANSITION

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In May 2014 the Thai army seized power from the elected government led by Yingluck Shinawatra. The military coup promised to restore peace and harmony in the country and to allow political elections within one or two years. However, in 2018 Thailand was still under military rule and elections were expected only for early 2019. Before returning the power to a civilian government, the army tried to complete a comprehensive reform of Thai politics and the economy, thus enforcing a new constitution, creating new parties and promoting a long-term economic strategy. These reforms had the objective of allowing pro-junta political forces to win elections or, in any case, to constrain the action of future governments. Two initiatives in the economic sphere were expected to create consensus for the junta-sponsored political party: the launch of the Eastern Economic Corridor, promoting infrastructural development in the national key industrial area to increase FDI attraction; and the adhesion of Thailand to the Comprehensive and Progressive Trans-Pacific Partnership (the trade agreement that replaced the TPP after the US withdrawal).

1. Introduction

Thailand was seldom in the international news in 2018. The exception was the story of the boys and their football coach trapped in the Tham Luang caves in late June and then saved after a complex rescue operation. Nevertheless, this was an important year for the country as significant measures were adopted to influence the country's political and economic life in the years ahead. The military junta which had seized power in May 2014 finally took concrete steps towards general elections at the beginning of the following year. The reform of the legal framework for holding new elections – electoral law, electoral districts revision, etc. – was completed while a new pro-junta political party was created to help the army to retain power after the vote. Furthermore, the military government adopted a long-term economic strategy that was legally binding for future administrations. More subtle, but equally important, was another step adopted by the junta: the promotion of a discourse for which good governance was not connected to a democratic process but, quite the contrary, was guaranteed by righteous people who were above the inherently-corrupted political life.

2. *An interim year in Thai politics – the military junta prepares for political elections*

In May 2014 a military coup seized power in the name of «peace» and «political reconciliation», promising to return the government to civilian rule within a couple of years. The date for the new political elections, however, was repeatedly postponed.¹ Eventually it was set for 24 March 2019,² after almost five years of military rule. While military dictatorships had been widespread in different regions in previous decades, since 2014 Thailand has been conspicuous as being one of those rare nations in which democracy had been officially suspended. The Thai case could be put in perspective as part of a wider democratic regression but still remained notable as an isolated case in which the authoritarian regime was imposed by the army through the use of force.³ The military rule since 2014 also stands apart from the coup of September 2006. In the latter case the aim of the military intervention was to remove from government Prime Minister Thaksin Shinawatra, and new democratic elections were held in little over a year (Thaksin's party won again). The coup of May 2014 had a more comprehensive objective, besides seizing the power from Prime Minister Yingluck Shinawatra (Thaksin's sister): it aimed at re-engineering Thai political life for years to come. The army (and likely the palace) intended to create new conditions – a new constitution, a new electoral system, new political parties – to put to an end the dominant influence exerted by Thaksin and his allies on Thai politics. This complex ambition motivated Prayut Chan-o-cha (also spelled Prayuth Chan-ocha), the leader of the military junta and self-imposed prime minister, to suppress democratic institutions for an extended period. The year 2018 was a phase in which the military junta tried to complete the institutional and political transformation of the kingdom.

At the end of January 2018, Prime Minister Prayut explained that he needed more time in office to prepare the country for a general election. The words he used were revealing: «Please give me some time to lay the foundation for the country, that's all».⁴ The supposed justification for the repeated postponement of the election was so as to complete the implementation of the election law, whose enforcement had been suspended by the military-appointed parliamentary assembly for a further three months. The real motive, however, was to ensure that Prayut himself or one of his allies would continue ruling the country after the elections.

1. 'Abhisit, academics criticise «risky» new election delay', *The Nation*, 9 October 2017.

2. 'It's Official: Thailand Has an Election Date', *The Diplomat*, 24 January 2019.

3. '«I can be it all»: Thailand awaits elections but will Prime Minister Prayuth Chan-ocha be willing to cede power?', *South China Morning Post*, 16 January 2018.

4. 'Thailand's PM Prayut Chan-o-cha says he needs more time in office to prepare for election', *The Straits Times*, 30 January 2018.

2.1. *The new constitutional system and a new authoritarian consensus*

The first objective to be reached by the military junta was the adoption of a new constitution leading the country towards a «guided democracy» framework in which the army, together with the king, could maintain control over key levers/operations. A radical constitutional reform was considered necessary to put an end to almost two decades of confrontation that had threatened to undermine the political and economic interests of the traditional national elite, organised around the «network monarchy».⁵ The army's determination to use its strength to reengineer political life also through constitutional reforms, was not a novelty in Thai history.⁶ The need of a far-reaching intervention was justified in the eyes of the junta and its allies by the repeated failed attempts to oppose a popular political movement perceived as an anti-systemic force.

A democratic constitution had been adopted in 1997, just a few months after a severe financial crisis had unfolded in the kingdom (and eventually escalated to a regional level). The rationale was to reduce the traditional fragmentation of the Thai Parliament, which systematically resulted in less than transparent post-election deals among political groups and lobbies.⁷ The 1997 constitution allowed the creation of stronger political parties and, in the aftermath of the regional economic crisis, facilitated the rise of a new leadership led by the telecommunications tycoon Thaksin Shinawatra.⁸ His Thai Rak Thai party won elections in 2001 on the basis of a populist agenda that found a strong consensus among the poor, especially in the North of the country. Thaksin was a successful entrepreneur and former police officer from a wealthy family background. However, he represented a challenge to the traditional national elite and the power network connected to the monarchy. In new general elections in February 2005 the Thai Rak Thai further increased its popular support, obtaining 374 out of 500 seats in the lower house of parliament with a programme promoting debt relief for poor farmers and a universal healthcare scheme.⁹ After the elections, however, a strong opposition formed against Thaksin: the accusations ranged from corruption and conflicts of interests, human rights abuses (for extra judiciary killing of drug dealers), to authoritarian control of the media. To challenge Thaksin

5. The so-called network monarchy refers to the complex web of relations and interests linking the palace to the army and to powerful economic elite. The definition is based on the pioneering Duncan McCargo, 'Network Monarchy and Legitimacy Crises in Thailand', *The Pacific Review*, Vol. 18, Issue 4, December 2005.

6. Federico Ferrara, *The Political Development of Modern Thailand*, Cambridge: Cambridge University Press, 2015.

7. Thanet Aphornsuvan, 'The Search for Order: Constitutions and Human Rights in Thai Political History', Faculty of Liberal Arts, Thammasat University, 2001.

8. Kevin Hewison, 'Thaksin Shinawatra and the reshaping of Thai politics', *Contemporary Politics*, Vol. 16, Issue 2, 2010.

9. 'The rise and rise of Thaksin', *BBC News*, 7 February 2005.

was a spurious coalition of forces – eventually named People’s Alliance for Democracy and more commonly known as Yellow Shirts – led by a media mogul who was a former ally of the prime minister. It included representatives of the Bangkok bourgeoisie, human rights groups, royalists, trade unions from state-owned enterprises, and intellectuals.¹⁰

Under pressure from the Yellow Shirts and conservative forces connected with the palace, Thaksin decided to call for new elections in 2006 to prove he still had a majority consensus in the country. However, in September 2006 his government was deposed by a *coup d’état* while Thaksin was attending a UN meeting in New York.¹¹ The 1997 constitution was abrogated and eventually a new one was adopted, which reduced the power of government and parliament while strengthening the role of the bureaucracy and legal institutions (Supreme Court, Constitution Court, Electoral Commission, etc.) directly responding to the Monarchy. The elected Senate was replaced by an appointed one and the electoral system was changed. Furthermore, the Constitutional Court dissolved the Thai Rak Thai and banned 111 of its members from participating in new elections for the next five years.¹² Crucially, however, all these changes did not prevent Thaksin continuing to dominate the kingdom’s political life. Once the military junta allowed new elections to be held in December 2007, Thaksin allies regrouped in the proxy People’s Power Party (PPP) and won again.¹³

The events of 2006-2007 demonstrated that the army had wasted a coup and the lesson was learned by the military putschists in 2014. After the 2007 election the political crisis became even more intricate. A new government formed by the PPP faced heated street protests organised by the conservative and royalist Yellow Shirts – which went as far as to occupy government offices and Bangkok international airport. Eventually, in December 2008, a «white coup» operated by the Constitutional Court dissolved the PPP and stripped many of its leaders of political rights for five years (including Prime Minister Somchai Wongsawat, Thaksin’s brother-in-law),¹⁴ a repeat of what happened to the Thai Rak Thai two years earlier. With many MPs removed from their seats, the leader of the opposition Democrat Party, Abhisit Vejjajiva, was able to form a new government.¹⁵

The overturning of the electoral results through the creation of the new Abhisit government further ignited political tension.¹⁶ In April 2008

10. Seth Mydans, ‘Power of the People Fights Democracy in Thai Protests’, *The New York Times*, 11 September 2008.

11. ‘With Premier at UN, Thai Military Stages Coup’, *The New York Times*, 22 September 2006.

12. Federico Ferrara, *The Political Development of Modern Thailand*, p. 239.

13. ‘Thaksin ally wins Thai election’, *BBC News*, 23 December 2007.

14. ‘Ousting the prime minister’, *The Economist*, 2 December 2008

15. ‘New Thai prime minister elected’, *BBC News*, 15 December 2008.

16. ‘Question loom over new Prime Minister’s legitimacy’, *The Nation*, 17 December 2008.

the pro-Thaksin Red Shirts movement launched large demonstrations demanding the resignation of the unelected government. The Red Shirts also supported Thaksin's denouncement of Privy Council President Prem Tinsulanonda as the mastermind of the military coup and the instigator of the Abhisit administration.¹⁷ The crisis further escalated in the Spring of 2010, when the army violently suppressed large demonstrations in Bangkok killing 90 protesters and injuring several hundred.¹⁸

New political elections were held in July 2011. Once again a Thaksin-sponsored party, this time called Pheu Thai, won an absolute majority.¹⁹ Thaksin's younger sister Yingluck Shinawatra became the new prime minister. Political unrest was momentarily subdued due to the worst floods to hit the country in 50 years. In November 2013 demonstrations resumed with the aim of ousting Premier Yingluck. On 7 May 2014 Yingluck and nine ministers were removed by a ruling of the Constitutional Court.²⁰ A few days later, the army declared martial law and then appointed a new government presided over by General Prayut Chan-o-cha.²¹

The protracted crisis, with an implacable clash between contraposed parties, explains what happened in 2014. Each election held since 2001 had been won overwhelmingly by Thaksin and his allies. A military coup in 2006, mass demonstrations, and repeated interventions of the Constitutional Court against elected governments had not succeeded in reducing the popular consensus of the self-exiled former premier. Furthermore, the confrontation also directly involved the palace, with Thaksin openly accusing the Privy Council of unjustifiable interference. With the revered King Bhumibol in frail health and a delicate royal transition ahead, the army choose to adopt bolder steps than those taken in 2006.

The adoption of a new constitution in 2017 created an institutional framework able to harness the democratic process by assigning key powers to the Senate, the Constitutional Court and other institutions, directly referring to and appointed by the monarchy. For the political parties loyal to the army (and the palace) it would be enough to get 25% of the seats in the House of Representatives as the unelected Senate would participate in the selection of the new prime minister and the new government. Furthermore, a binding 20-year economic strategy adopted by the junta would serve to constrain the policies of any future elected government.²²

17. 'Thai protesters bring Bangkok to a halt', *The Telegraph*, 9 April 2009.

18. 'Rights group criticises «interfering» Thai army chief', *BBC News*, 23 August 2012.

19. 'Thaksin party wins Thai election by a landslide', *Reuters*, 3 July 2011.

20. 'Yingluck removed, Niwatthamrong acting PM', *Bangkok Post*, 7 May 2014.

21. 'Thailand military seizes power in coup', *BBC News*, 22 May 2014; 'Coup leader General Prayuth is Thailand's new PM', *Southeast Asia Post*, 22 August 2014.

22. See Pietro P. Masina, 'Thailand 2017: Political stability and democratic crisis in the first year of King Vajiralongkorn', *Asia Maior 2017*.

The adoption of the final pieces of legislation, such as the Election Bill, needed to allow «safe» elections, was completed in the first months of 2018 by the army-appointed Legislative Assembly, although the process was intentionally protracted to buy time for the junta.²³

The constitutional reform did not merely represent a change in the legal framework: it promoted a different vision of the democratic process, aiming at creating the consensus of the middle classes for an authoritarian political system. Redistributive policies favouring the masses were presented as vote-buying, which corrupted the electoral democracy. In the words of a well-informed analyst, the polar star guiding the authoritarian reform was the idea that «elections themselves become a corrupt practice, one that favours populist leaders who, through policies, gain popular support without necessarily producing “good governance”».²⁴ Technocratic institutions were presented as a better and less corrupt alternative. In the Thai contest, the moral superiority of a technocratic form of government «was translated by conservative political ideologues as *thammarat*, the governance of *Dhamma*, transforming good governance into righteous governance, a governance that does not rely on electoral support but rather on alignment with the monarch, the *thammaraja*».²⁵ The idea that poor and uneducated peasants could easily be manipulated, voiding the democratic process of its fundamental legitimacy, had in fact been present in the Thai political debate for decades. However, the post-2014 coup authoritarian discourse allowed the elite to take one step further in allowing itself the right to lead the country. The new constitution, therefore, was part of a wider ideological project aiming at institutionalising a «system of elite rule with elections».²⁶

2.2. Political repression and new parties

The second objective to be reached by the junta was securing favourable conditions for maintaining the power after parliamentary elections. The constitutional reform and the new electoral system favouring smaller parties was an important prerequisite, which was achieved in early 2017. The next step was the formation of a party under whose banners candidates close to the army could participate in the elections. This party was established in March 2018 as Palang Pracharath, (also spelled Palang Pracharat, meaning People’s State Power) by cronies of Premier Prayut.²⁷ Although other smaller

23. ‘Thailand election could be delayed to 2019’, *The Nation*, 21 January 2018.

24. Claudio Sopranzetti, ‘Southeast Asia’s middle classes and the spectre of authoritarianism’, *New Mandala*, 27 March 2018.

25. *Ibid.*

26. Michael H. Nelson, ‘Authoritarian Constitution-Making in Thailand, 2015-16: Elite (aphichon) Capture Turns a «Dual Polity» into a «System of Elite Rule with Elections», or a «Thai-style Authoritarianism»’, Southeast Asia Research Centre (SEARC), Working Paper Series No. 188, 2016.

27. ‘New Party Wants to Recruit Prayuth’, *Khaosod English*, 12 March 2018.

parties expressed their support for Prayut as a possible post-election civilian prime minister, the Palang Pracharath became the official pro-junta party as it had among its leaders several junta cabinet members and advisers.²⁸ The new party also became an instrument of the junta to expand its consensus through the co-optation cooperation of provincial bosses with local influence as well as politicians previously connected with the Thaksin network, or the Red Shirts movement.²⁹

By the end of November 2018 up to 150 former MPs had joined the Palang Pracharath, among whom a large number were ex-Thaksin supporters; several came from the Democrat Party.³⁰ The party became very popular also among the economic elite, as witnessed by the success of its fundraising campaign: a lavish banquet hosted by the party leader, Industry Minister Uttama Savanayana, on 19 December was able to raise the record sum of US\$ 20 million in one evening.³¹ However, this fundraising initiative led the opposition to level two accusations at the junta. The first was that government officers had abused their position to obtain financial support for the pro-regime party; the second was that the entire event lacked transparency.³²

Among the accusations against the military government regarding conflict of interest and unfair support of the Palang Pracharath, notable was the «gerrymandering controversy», in which the junta was alleged to have delayed the definition of electoral districts so as to favour its sponsored party.³³

In preparation for a return to the ballot box, the government also took steps to increase its support in poor areas in which Thaksin Shinawatra had long dominated. A new scheme – social welfare cards – was launched in October 2017 to provide 200-300 baht (US\$ 6.26-9.39) a month to those who earned less than 100,000 baht a year – some 11 million people. The initiative proved popular among the rural population as it targeted the poorest. The policy promoted by Yingluck Shinawatra to support poor farmers by buying rice at higher than market prices had in fact been criticised because it addressed only those who had some rice to sell and excluded the

28. 'PM allows ministers to back parties', *Bangkok Post*, 26 September 2018.

29. Prajak Kongkirati, 'Why Thailand's generals fail to co-opt elections', *New Mandala*, 15 January 2019.

30. '150+ Politicos Defect to New Pro-Junta Party', *Khaosod English*, 27 November 2018.

31. 'Thailand's new pro-junta party raises \$20m in one night', *Nikkei Asian Review*, 27 December 2018.

32. 'Bellies full, but who paid?', *The Nation*, 21 December 2018.

33. 'New EC boundary ruling under fire', *Bangkok Post*, 18 November 2018; 'EC under microscope for gerrymandering over designing of boundaries', *The Nation*, 23 November 2018.

poorest families.³⁴ Allegations, however, indicated that government officers used the welfare cards scheme to force recipients to join the Palang Pracharath.³⁵ With the creation of a pro-regime party in March, Premier Prayut and other members of the cabinet began to tour the country to promote their political agenda. However, the government maintained its ban on political activities until September, when some restrictions were eased.³⁶ Only in December key activities such as assembling and fundraising were allowed – but even then, the government still avoided setting a firm date for elections and banned electoral campaigning.³⁷ Notwithstanding the restrictions still imposed by the junta, in Spring 2018 the opposition tried to resume its work after four years of hard repression. In mid-May, the opposition Pheu Thai Party (PTP) called a press conference, denouncing the delays in holding new elections and criticising the junta for its failure to keep its promises. News of this press conference reverberated both at home and abroad. In response the junta filed a complaint with the police against the PTP: five senior members were charged with violating the ban on political activities and three more with sedition.³⁸

The level of popular support that the Pheu Thai Party was still able to command after four years of military dictatorship was difficult to predict for all the concerned parties. The new electoral system was explicitly devised to undermine the grip that Thaksin Shinawatra had exerted in the Northern regions, hitherto allowing his parties – the Thai Rak Thai, then the People's Power and finally the Pheu Thai – to win the majority of seats in those areas. After years of harsh repression of the Red Shirts movement, aiming at weakening its leadership and frightening its militants,³⁹ the new tactic to attract former Pheu Thai MPs also represented a challenge for the party in view of the 2019 general elections. The Pheu Thai leadership, however, remained confident as the party continued to be seen as the strongest opponent to the military regime. Bottom of Form.⁴⁰

Spring 2018 saw the attempt to reorganise the oldest Thai party – the Democrat – which had been the main contender for power against

34. 'Thailand's heartland is surprisingly keen on the military junta', *The Economist*, 18 January 2018.

35. 'EC to speed up poll breach probes', *Bangkok Post*, 25 December 2018.

36. 'Thailand's junta eases politics ban in step toward polls', *Associated Press*, 14 September 2018.

37. 'Thailand lifts ban on political activity as election approaches', *The Straits Times*, 12 December 2018.

38. Neil Thompson, 'Thailand's Junta Cracks Down on Thaksin's Pheu Thai Party', *The Diplomat*, 23 May 2018; 'Thailand's military government targets opposition for criticising election delays', *South China Morning Post*, 18 May 2018.

39. Claudio Sopranzetti, 'Southeast Asia's middle classes and the spectre of authoritarianism'.

40. 'Rising from the dead: Shinawatrass' Pheu Thai Party registers members for 2019 elections', *South China Morning Post*, 20 July 2018.

the Pheu Thai before the military coup. Although the Democrat Party had officially condemned the junta for the suppression of civil liberties, many of its exponents were in fact in favour of the military intervention that had removed from power Thaksin's sister; so much so that some of its members openly supported Prayut as post-elections prime minister.⁴¹ Primary elections in early November, however, confirmed the leadership of Abhisit Vejjajiva and a platform of non-commitment for the participation in future coalitions.⁴² Abhisit's line was to verify after the election which majority could be formed by the lower house and, eventually, if suitable conditions existed, «join a government that we feel will take the country in the right direction».⁴³

Given the bitter rivalry that had opposed the Democrats to the Pheu Thai, including the violent repression of the Red Shirts movement by the Abhisit cabinet in 2010, the likelihood of a coalition between these two parties appeared quite low. It was possible, instead, that the Democrats could join forces with the pro-junta Palang Pracharath, and the leadership of such a government would depend on the election results.

A new contender – possibly an ally for the Pheu Thai Party after the elections – emerged in March after the electoral commission allowed new parties to register for the first time in five years. The new Future Forward was funded by the young and charismatic Thanathorn Juangroongruangkit, a left-wing billionaire, whose fortune was connected to the automotive sector. This party was expected by many observers to appeal to the educated, urban youth.⁴⁴

When the 39-year-old Thanathorn announced his intention to step aside from business and commit himself full-time politics, he was candid about the possibility that he and his party might face retaliation from the military junta. A few months later these fears were confirmed when the police charged five Future Forward leaders with violating the computer crime law, which could result in five-year prison terms.⁴⁵

Repression of dissent had been a hallmark of the junta soon after it took power in May 2014, with the Red Shirts as the main target.⁴⁶ Political repression continued in 2018, but with some changes. In the previous years all political activities were banned, as well as the gathering of more than five persons. Opposition political leaders and activists were system-

41. 'Does it matter who leads the Democrat Party?', *The Nation*, 15 October 2018.

42. 'What's next for the Democrat Party?', *Bangkok Post*, 17 November 2018.

43. 'Thai Democrats open to coalition that moves «in right direction»', *Nikkei Asian Review*, 26 December 2018.

44. '«I might go to jail tomorrow» – Thai tycoon takes on junta', *The Guardian*, 1 April 2018.

45. 'Founders of Thailand's newest political party charged with computer crime', *South China Morning Post*, 23 August 2018.

46. Kevin Hewison, 'Thai junta's election facade a political throwback', *East Asia Forum*, 22 April 2018.

atically intimidated, often detained, sometimes condemned to lengthy prison terms under spurious accusations.⁴⁷ In the year before the general elections, intimidations and threats continued but political trials became less frequent. As we will discuss in the following paragraph, the junta had previously used the Thai draconian *lèse-majesté* law – which punishes those who insult the king or the heir to the throne with up to 15 years in jail – to silence the opposition; in 2018, however, no one was prosecuted on the basis of this law.⁴⁸ However, authoritarianism continued to inform the way in which the junta prepared the country for the general elections, to be held early in the following year. Political parties continued to be restricted in their operations until late in the year and then arbitrary rules were adopted.⁴⁹

Although less frequent than in the previous four years, a number of incidents demonstrated that the regime still relied on discretionary use of the law to silence dissent. A prominent case was the prosecution of 39 pro-democracy activists after they had peacefully protested against military rule at a rally in Bangkok on 27 January. Seven of them faced charges of sedition and, if convicted, risked up to seven years in prison.⁵⁰

Another notable case occurred in October, when the son of former Premier Thaksin Shinawatra was indicted of money laundering and then granted bail of 1 million baht (US\$ 41,909).⁵¹ Although the business activities of the family had been less than transparent, Thaksin's sympathisers saw this as yet another case of politically motivated charges.

The most surprising judiciary case took place at the beginning of the year and involved nine former leaders of the royalist Yellow Shirts movement. They were indicted for anti-government protests in 2013 and 2014, against the administration then led by Yingluck Shinawatra. Among those charged was Suthep Thaugsuban, a former Democrat vice premier under Abhisit. The same Suthep eventually became a supporter of the military junta and created a pro-Prayut faction within the Democrat Party.⁵²

47. Pietro P. Masina, 'Thailand 2017: Political stability and democratic crisis in the first year of King Vajiralongkorn'.

48. Kevin Hewison, 'Another year of military dictatorship in Thailand', *East Asia Forum*, 18 December 2018.

49. 'Thailand «not free» since coup', *Bangkok Post*, 13 April 2018.

50. 'Thailand: 39 Democracy Activists Charged', *Human Right Watch*, 2 February 2018.

51. 'Thai court grants bail to son of former PM Thaksin in money laundering case', *The Straits Times*, 11 October 2018.

52. 'Thailand charges nine in anti-government protests dating to 2013', *Reuters*, 24 January 2018.

2.3. Completing the monarchic transition

At the time of the coup, King Bhumibol – who had reigned for 70 years and was seen by many as the symbol of national unity – was ill and frail. Although there was no doubt on the possible succession, Crown Prince Vajiralongkorn did not command the same popularity as his father and even within the palace there was fear that he may not be up to the task.⁵³ However, after the death of his father and his ascent to the throne in December 2016, Maha Vajiralongkorn proved his ability to consolidate his position through a series of bold initiatives. At the time of the solemn cremation of late King Bhumibol, in October 2017, the new King Vajiralongkorn was firmly established in power. The final step of the royal succession – the coronation ceremony – was expected to take place in mid-2019.

In 2018, while King Vajiralongkorn's power continued to increase, he tried to promote himself as a benign monarch. The palace and the junta endorsed several public events sponsored by the king. In a bike ride led by the king, participants donned free shirts designed by Vajiralongkorn himself.⁵⁴ Furthermore, the junta and palace sanctioned the creation of an official royal support group, known as Volunteer Spirit, which reportedly had some four million members.⁵⁵

Probably part of this goodwill campaign in the year ahead of the royal coronation was the sudden cessation of *lèse-majesté* charges in 2018. After the 2014 coup the junta routinely justified political repression using section 112 of the criminal code, which prescribes jail terms of up to 15 years for each count of offending the king, queen, heir or regent: at least 94 people were prosecuted for *lèse-majesté* and as many as 43 were sentenced.⁵⁶ The absence of a new prosecution in 2018 and the dismissal of ongoing cases may suggest that the junta felt strong enough not to need such drastic measures any more. Likely it also reflected the explicit will of King Vajiralongkorn not to tarnish his reign ahead of the coronation.⁵⁷

One prominent case regarded the pro-Red Shirts publisher Somyot Prueksakasemsuk, who had been sentenced to a ten-year jail term in 2013. This was reduced by the Supreme Court in 2017 and he was released from prison in April 2018.⁵⁸ The direct intervention of King Vajiralongkorn was decisive in dropping charges against the elderly scholar Sulak Sivaraksa,

53. Pietro P. Masina, 'Thailand 2016: The death of King Bhumibol and the deepening of the political crisis', *Asia Maior* 2016.

54. Kevin Hewison, 'Another year of military dictatorship in Thailand'.

55. *Ibid.*

56. 'Thailand frees former magazine editor jailed for royal insult', *Reuters*, 30 April 2018.

57. Kevin Hewison, 'Another year of military dictatorship in Thailand'.

58. 'Thailand frees former magazine editor jailed for royal insult'; 'Thailand can do without lese majeste statute', *The Nation*, 1 May 2018.

who opposed the military junta but remained a radical royalist.⁵⁹ According to Sulak, who was interviewed after an audience with the king, Vajiralongkorn had sent a written message to the Supreme Court and the Attorney General instructing them not to file any charge of *lèse-majesté* without the consent of the palace.⁶⁰

Significant measures were adopted by new King Vajiralongkorn in 2017 to establish personal control over the palace administration and royal finances.⁶¹ New steps were taken during the year under review, in particular asserting the king's direct ownership of the assets previously administered by the Crown Property Bureau and estimated to amount to US\$ 30 billion. In a statement in June 2018 the Crown Property Bureau said that it was required «to return whatever asset of the Crown property previously under its charge, to His Majesty so that His Majesty may take decisions on all matters pertaining to their charge and management at his discretion».⁶²

A new Crown Property Law which entered into force in November 2018 took a further step in the direction of an absolutist conception of the monarchy with a reference to «ancient royal traditions» preceding the adoption of a constitutional monarchy in 1932. With this law, «any dispute over what assets are considered Crown Property under the royal ancient traditions must be referred to His Majesty's judgment».⁶³

The ascent to the throne of a new king also involved a reassessment of that symbiotic relationship between the monarchy and military that has characterised much of recent Thai history.⁶⁴ While in 2018 Vajiralongkorn continued to consolidate his power in various directions – from new appointments to the Privy Council to quadrupling police force protecting the royal house⁶⁵ – there was no hint to suggest that this symbiotic relationship was at stake. On the contrary, the palace continued to secure royal legitimacy to the military junta in the difficult preparation of political elections, which were meant to further consolidate the power of Prayut and his allies.

59. Michael Ruffles, 'Lese-majeste is dead. Long live lese-majeste', *The Sydney Morning Herald*, 22 November 2018.

60. Shawn W. Crispin, 'A lighter royal touch for Thailand', *Asia Times*, 16 October 2018.

61. Pietro P. Masina, 'Thailand 2017: Political stability and democratic crisis in the first year of King Vajiralongkorn'.

62. 'Thai king takes control of some \$30bn crown assets', *BBC Online*, 16 June 2018.

63. 'New Crown Property Law comes into effect', *Khaosod English*, 5 November 2018.

64. Andrew Alan Johnson, 'New networks in Thai royal politics', *New Mandala*, 12 February 2019.

65. Kevin Hewison, 'Another year of military dictatorship in Thailand': 'Thailand's king to have 1,600-strong royal police security force', *The Straits Times*, 5 October 2018.

At the same time, in September 2018 the appointment of General Apirat Kongsompong as the new chief of the Thai army seemed to be a further sign of the strengthening of the relationship between the king and the military. General Apirat, considered to be a close ally of the junta leader Prayut, belonged to the King's Guard faction in the First Infantry Division of the First Army Region – a group at the very heart of the royalist military establishment.⁶⁶

3. Navigating difficult waters: balancing relations with China and the United States

During the Cold War, Thailand was considered one of the US's closest allies. As China started to re-establish its regional prominence and became the kingdom's largest economic partner, Bangkok had to rebalance its relations. This realignment had already been in place for several years when the 2014 coup complicated interaction with the Obama Administration.⁶⁷ Strained relations with the US and the European Union further motivated the military government to intensify its interaction with China, while at the same time trying to maintain a balance among major partners. A breakthrough for the junta in 2017 was Premier Prayut's invitation to Washington by President Trump – custom decrees that military dictators are not invited to the White House.⁶⁸ The year 2018 did not see any significant change in Bangkok's relationship with its two main partners: military cooperation with the US returned to pre-coup levels, but economic exchanges continued to tilt the balance towards closer integration with China.

In February 2018, Washington decided to join the Cobra Gold – Asia's largest multilateral military exercise, hosted by Thailand – by sending its biggest military force since the 2014 coup despite controversy over the Thai junta's invitation to neighboring Myanmar's army, which has been accused of ethnic cleansing.⁶⁹ Later in the year, the appointment of Gen. Apirat Kongsompong as the new Thailand's army chief was also seen by some as a sign that the kingdom aimed at closer relations with Washington as the

66. 'New army chief takes over as Thailand prepares for return of civilian rule', *ABC CBN News*, 28 September 2018.

67. Kevin Hewison, 'Thailand: an old relationship renewed', *The Pacific Review*, Vol. 31, Issue 1, 2018.

68. Pietro P. Masina, 'Thailand 2017: Political stability and democratic crisis in the first year of King Vajiralongkorn'.

69. Shawn W. Crispin, 'Biggest U.S. force in years joins Thai military exercise', *Reuters*, 13 February 2018.

general was considered staunchly pro-American.⁷⁰ Even in the field of military cooperation, however, Bangkok continued to play both sides, purchasing Chinese weapons and discussing plans for joint facilities in Thailand to manufacture and repair armaments.⁷¹

In a country highly polarised on most policy issues, foreign relations under the military government were substantially consistent with the line adopted by previous administrations. In an interview for *Time* magazine, Prime Minister Prayut was quite candid in reporting that Washington was an important ally but China was the «partner number one».⁷² The words of the retired general, however, reflected more the evidence of the stronger role of China as an economic partner than a strategic policy choice. The attempt to resist an excessive Chinese influence was particularly notable in the very slow construction of the China-Thailand railway, an 873-kilometer high-speed line projected to link Thailand's east coast ports and industrial zones to China's southern city of Kunming, travelling through neighbouring Laos. The project, considered one of the most important components of the Chinese Belt and Road Initiative, saw in 2018 only a very modest development, while the Thai government gave priority to infrastructures in and around Bangkok.⁷³

4. Economy: the Eastern Economic Corridor and the CPTPP

Once projected to be part of an «East Asian Miracle», Thailand has never resumed pre-1997 regional crisis growth rates. Since the 2010s, the country has often been presented as stacked in a so-called «middle-income trap», which has contributed to its enduring political crisis.⁷⁴ To address this trap the military junta launched a series of initiatives under the brand name Thailand 4.0, aiming to take the kingdom's industries up the value-added ladder by luring investment into ten designated high-tech sectors. The final piece of this wider strategy – the US\$ 43 billion Eastern Economic Corridor (EEC) – was approved by the National Legislative Assembly in February

70. 'Thailand mends US military ties after post-coup tilt to China', *Nikkei Asian Review*, 30 July 2018.

71. 'What's Behind the New US-Thailand Military Facility Hype?', *The Diplomat*, 5 January 2018.

72. Charlie Campbell, 'Exclusive: Thailand PM Prayuth Chan-ocha on Turning to China Over the U.S.', *Time*, 2 June 2018.

73. 'China can't always get what it wants Thailand', *Asia Times*, 12 September 2018.

74. Pietro P. Masina, 'An Uneven development trap in Southeast Asia and its implications for labour', in Silvia Vignato & Matteo C. Alcano (eds.), *Searching for Work: Small-Scale Mobility and Unskilled Labor in Southeast Asia*, Chiang Mai: Silksworm Books, 2018.

2018.⁷⁵ The new law provided tax breaks for investors in the EEC project and target investment into hi-tech industries. It also enabled investors to rent land for up to 99 years.⁷⁶

The idea behind the EEC was to replicate the success of Thailand's first-generation Eastern Seaboard development in the 1980s. The Eastern Seaboard was implemented by the military government of Gen. Prem Tinsulanonda and became the lynchpin for Thai export-led growth for more than a decade prior to the 1997-98 economic crisis.⁷⁷ The six priority infrastructure projects included a 220 kilometre high-speed airport rail link, from U-Tapao Airport in Rayong province to the two airports serving Bangkok (Suvarnabhumi and Don Mueang); the modernisation of U-Tapao Airport; a maintenance, repair and overhaul (MRO) facility at U-Tapao; the expansion of Laem Chabang Port and Map Ta Phut Port; and construction of a «Digital Park» in Chonburi.⁷⁸ Chinese investments were particularly targeted for the EEC development.⁷⁹

In preparation for the next general election, the military government took another important decision: it decided to bring Thailand within the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).⁸⁰ Thailand had not participated in the negotiation for the US-led Trans-Pacific Partnership agreement. The TPP was eventually transformed into a CPTPP when 11 nations decided to resume the project after Trump had announced that the US would not become part of the deal. The government justified its policy change indicating that the new trade pact was more flexible in crucial areas for Thailand such as medicine patents.⁸¹ Concerns remained among stakeholders, particularly those regarding agriculture, but the government estimate was that advantages would compensate losses.⁸² The official demand for joining the CPTPP was expected to be formulated in early 2019, before the elections.

A debate in Thailand was provoked by a controversial report by the Credit Suisse Global Wealth Databook 2018, which listed the Kingdom as

75. Peter Janssen, 'Thai junta rushes to keep it plans on track', *Asia Time*, 12 June 2018.

76. 'Thailand approves law for \$45 billion Eastern Economic Corridor', *Reuters*, 8 February 2018.

77. Thitinan Pongsudhirak, 'Eastern Economic Corridor must continue', *Bangkok Post*, 7 December 2018.

78. Peter Janssen, 'Thai junta rushes to keep it plans on track'.

79. 'Thailand invites Chinese entrepreneurs to invest in Eastern Economic Corridor', *China Daily*, 27 August 2018.

80. 'Thailand wants to join CPTPP trade pact this year: deputy PM', *Reuters*, 29 March 2018.

81. 'Somkid: Thailand eyes becoming CPTPP member', *Bangkok Post*, 30 March 2018.

82. 'Despite seed concerns, CPTPP study to proceed', *Bangkok Post*, 1 October 2018.

the country with the largest – and rising – inequality.⁸³ While the World Bank estimates that the national Gini Index is in line with other countries at the same level of development, it also recognises that inequality remains very high.⁸⁴ The military government, whose main supporter is the national elite, was unable and unwilling to address the problem and concrete steps for reducing inequality were very limited and ineffective. An inheritance law was adopted soon after the coup, but its effects on reducing inequality and increasing tax revenues were expected to be quite limited.⁸⁵ A so-called Land and Building Tax was approved in November 2018,⁸⁶ but only after several revisions had watered down its redistributive effects to preserve the interests of rich land owners.⁸⁷ A 2% increase in minimum wage – the first since 2013 – was not expected to have a major impact in reducing inequality.⁸⁸

5. Society: social reforms and long-term concerns

Two progressive initiatives were taken in Thailand in 2018, which contrast with the typical image of a country under a repressive military rule. The first was the permission of marijuana for medical purposes.⁸⁹ The second was the government approval of a bill for the recognition of same-sex civil partnerships. If confirmed by parliament after the general elections, Thailand would become the first country in the region to approve a similar legislation. Some activists opposed the bill due to limitations in the rights it would offer, while others welcomed it as a step towards marriage equality.⁹⁰ The country is generally considered to be relatively friendly towards LGTB people, but a recent World Bank report suggested that there are still high levels of discrimination, especially in jobs and housing.⁹¹

83. 'Report: Thailand most unequal country in 2018', *Bangkok Post*, 6 December 2018.

84. World Bank, Thailand Economic Monitor: Inequality, Opportunity and Human Capital, January 2019.

85. 'Kingdom's new inheritance tax and gift tax explained', *The Nation*, 28 August 2015.

86. 'Land and building tax legislation passed by NLA', *Bangkok Post*, 16 November 2018.

87. Peter Janssen, 'Wealth gap remains under Thai junta rule', *Asia Times*, 6 September 2018.

88. 'Thailand to boost minimum wage nationwide for first time since 2013', *The Straits Times*, 18 January 2018.

89. 'Thailand to Allow Medical Marijuana, a First in Southeast Asia', *The New York Times*, 26 December 2018.

90. 'Thai government backs same-sex civil partnership bill', *The Guardian*, 27 December 2018.

91. 'Thailand steps closer to recognising same-sex civil unions', *The Telegraph*, 28 December 2018.

A far more complex problem for Thailand, and the way in which it has been singled out by both the US and the European Union, is the treatment of workers in the fishing industry.⁹² In 2018 Thailand was the first country in the region to ratify the ILO Convention on Work in Fishing (No 188), but strong concerns remained regarding implementation, especially for those immigrant workers who still face slavery-like conditions.⁹³

The most prominent news in the international media on Thailand in 2018 regarded the rescue of 12 teenage football players and their coach who had remained trapped inside Chiang Rai's Tham Luang Nang Non cave. The rescue operation was quite complex and dangerous. It involved over 1,000 people, including a large number of foreign experts and not only attracted large international coverage but became very relevant in national politics.⁹⁴ The successful rescue of the football team was a boost for the junta. The teenagers, and particularly the young coach, were hailed as national heroes for their bravery. However, the event ironically also exposed the condition of statelessness and marginalisation affecting almost half a million people of migrant descent, as three of the rescued children and their coach belonged to this group.⁹⁵ The lack of citizenship had deprived them of some basic rights and benefits, including the right to travel outside the northern Chiang Rai province – home to ethnic minorities with roots in neighbouring Myanmar. Although the rescued teenagers were eventually granted citizenship, the national problem remained.⁹⁶

92. Pietro P. Masina, 'Thailand 2017: Political stability and democratic crisis in the first year of King Vajiralongkorn'.

93. 'Thailand ratifies ILO convention on «work in fishing»', *Asia Times*, 3 December 2018.

94. Edoardo Siani, 'Myth and politics in Thailand's cave rescue operation', *New Mandala*, 3 July 2018.

95. 'Thailand grants citizenship to the stateless boys and their coach rescued from a cave', *Time*, 9 August 2018.

96. 'Cave rescue highlights plight of Thailand's stateless people', *Reuters*, 14 July 2018.

VIETNAM 2017-2018: STRENGTHENING THE LEGITIMACY OF THE VCP*

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The aim of this article is to analyse the main political processes in Vietnam during the two years 2017-2018. After the reshuffle of the leadership following the 12th Congress of the Vietnamese Communist Party (VCP), the new party's elite worked to strengthen the VCP's legitimacy to achieve two objectives: first, to reverse the progressive decline of the party hegemony, which had been ongoing for ten years; second, to ensure the stability of the country at international level and so assuage the concerns of foreign investors. It was crucial to boost the economic Foreign Direct Investment-export led model. Even though this model has ensured a continued GDP growth, it has not only failed to resolve some social criticalities, but has worsened them. On the international stage, this put the party-state on a knife-edge, spurred on by foreign investor pressure and the need for an adjustment to the counterpoising forces of China's assertiveness and the US's unpredictability.

1. Introduction

In Vietnam, the period 2017-2018 was marked by the Communist leadership' attempt at strengthening the legitimacy of the Vietnamese Communist Party (VCP) at both national and international level. This strategy firstly aimed at reversing the previous ten years' progressive decline of the party hegemony. Secondly, the Vietnamese leadership tried to ensure the stability of the country at international level, particularly in the aftermath of its own renewal (on this see below). In the context characterised by a steady flow of foreign direct investments (FDI), influential analysts, such as those writing for the Economist Intelligence Unit, have been warning investors since 2016 about the dangers represented by new leadership. The new leadership was considered more conservative than the previous one; as a consequence foreign analysts pointed out the danger that it could implement policies, thus negatively affecting investments.¹ Investors needed confirmation by the new

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1. See all different bulletins «Alert-Risk scenario on Vietnam» released periodically by EIU, since 2016.

leadership of its resolve to adhere to *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy*. This was the manifesto of the Post-Washington Consensus development economics, jointly signed by former Vietnamese Prime Minister Nguyen Tan Dung and World Bank President Jim Yong Kim, in 2016.²

The process of strengthening party legitimacy was pursued through two intertwined strategies. The first aimed at ensuring economic growth, implementing a development model based on the increase of foreign direct investment and export. The second strategy was the anti-corruption campaign within the VCP, which attempted to present itself as a party both willing and capable of reform in terms of morality. In fact, it was evident that the anti-corruption campaign had a further and politically equally important goal: that of silencing domestic opposition to the leadership.

Finally, the process aimed at strengthening the legitimacy of the VCP was coupled by the centralisation of executive power in the hands of the general secretary of the party. For the first time since Ho Chi Minh's death, a VCP secretary, Nguyen Phu Trong, was elected president of the Republic, and came to embody those two crucially important roles.

The economic system's dependence on FDI determined the need of the party-state to strengthen international relations with major investor countries, chiefly the United States and its main allies – Japan, Taiwan and South Korea –, as well as the US's main competitor, China.

In order to ensure the export of Vietnam's manufactured goods to a wider community of countries, the party-state implemented the sustained policy of free trade agreements (FTA). As a result, in 2018 the European Union-Vietnam Free Trade Agreement (EVFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) were signed.

This model of development, although resulting in a high level of GDP growth, had unfortunate consequences both at the economic and social levels. The Vietnamese economy was stuck in the «middle income trap», like most of the South East Asia economies.³ Statistical data reveal that the proportion of manufactured goods in relation to GDP has been declining since Vietnam's admission to the WTO (11 January 2007). For these reasons,

2. World Bank and Ministry of Planning and Investment of Vietnam, *Vietnam 2035: Toward Prosperity, Creativity, Equity, and Democracy*, Hanoi: World Bank, 2016. Supplying counselling for strengthening the Socio-Economic Development Plan 2016–20 and the Socio-Economic Development Strategy 2021–30 was the objective of this programme. This wide study provides a very comprehensive analysis of current challenges and promotes an agenda for policy reforms.

3. In 2009 Professor Kenichi Ohno introduced the debate on the «middle-income trap» in Vietnam. Together with a wide group of colleagues from the Japanese JETRO and the Vietnamese National Economic University he tried to combine the «middle-income trap» approach with policy proposals more in line with the developmental state East Asian tradition. See Kenichi Ohno, 'Avoiding the Middle-Income Trap: Renovating Industrial Policy Formulation in Vietnam', *ASEAN Economic Bulletin*, Vol. 26, No 1, 2009, pp. 25-43.

some analysts suggested that the challenges facing the country's industrial development were connected with both an excessive dependence on foreign capital and the weakness of national industrial policies.

On this basis, the first part of this article will analyse the reasons and consequences of the VPC hegemonic decline and the actions taken to reverse it. In the second part, the characteristics of the development model and the problems that emerged will be discussed. Finally, the third part will focus on the analysis of the new trends which came to characterise Vietnam's foreign policy in the years under review.

From a methodological point of view, as the VCP's internal affairs have always been distinguished by a high level of secrecy and lack of primary sources, the analyst's work must be based first on the few available official documents, the analysis of press reports on the party, and confidential notices leaked to the public. It is also necessary to focus on the analysis of available statistical data, on interviews with key stakeholders, as well as literature on history, current affairs and development studies.

2. The Vietnamese party-state and its legitimisation deficit

In the so-called advanced democracies, it is possible to measure the degree of legitimacy of a leader, a party or a coalition government through the analysis of electoral votes and polling numbers. In one-party systems, such as the Vietnamese, where the choice of leaders and policies takes place within the party, it is necessary to interpret alternative indicators. One of these is the internal dynamics, as reported by official sources. Another is the history of the party, not only its internal evolution but also its relation with a plurality of social and economic actors, both at national and international level. As noted by Carlyle Thayer: «Vietnam's one-party political legitimacy rests on multiple sources including responsiveness to challenges from within and below to speed up the pace and scope of political and social change».⁴

From its inception in 1930, and at least until 1975, the VCP tied its legitimisation to military heroism, the victories obtained in the anti-colonial and anti-imperialist wars against France, the United States, the Khmer Rouge and China. The legitimacy of the VCP, on an internal level, was strengthened in the 1980s when it withstood the embargo imposed by the United States, China's military aggression and the end of Soviet aid. Even in adversity, the VCP continued to play an undisputed leading role and to be a fundamental reference point for the entire population. However, this element also produced a paternalistic attitude, which manifested itself in

4. Carlyle A. Thayer, 'Political Legitimacy in Vietnam: Challenge and Response', *Politics & Policy*, 2010, Vol. 38, No. 3, pp. 423-44; Le Hong Hiep, 'Performance-based Legitimacy: The Case of the Communist Party of Vietnam and Doi Moi', *Contemporary Southeast Asia*, Vol. 34, No. 2, August 2012, pp. 145-172.

the strong belief that «the party knows best», which in turn made criticism either impossible or unlawful.⁵

The thaw with Western countries began in 1993, with the visit of President François Mitterrand in Hanoi, who rescheduled Vietnam's hard currency debt. The following year, on 3 February 1994, US President Bill Clinton lifted the 19-year-old trade embargo against Vietnam, allowing the country to begin a process of integration with the international economy. The Vietnamese «open doors» policy, launched that year, definitively allowed the VCP to regain a broad international legitimacy and, at the same time, to strengthen its internal one. On the domestic side, with the third generation of leadership, the VCP progressively replaced military heroism with economic growth as its main source of legitimacy.

However, following integration into the global economy and the adoption of the Oriented Export Industrialization development model, the VCP only partially managed to link the strengthening of internal legitimacy to economic growth. In fact, while the adopted development model allowed a gradual increase in general wealth, it created a series of socio-economic problems. Industrial strikes and protests in the countryside between 2006 and 2011 only highlighted the VCP's difficulties in managing the social consequences of the industrialisation process.⁶ Marking these difficulties, Adam Fforde summarised the decline of the VCP in an article whose meaningful title, the «The End of the party», referred both to the political crisis of the party and to the legitimacy deficit.⁷

It is difficult to establish the extent to which the decline in the internal legitimacy of the VCP was related to socio-economic problems. From this point of view, scholars in the field have presented their own interpretation. Edmund J. Malesky believes that, vis-à-vis the party-state, other actors such as the National Assembly have strengthened themselves.⁸ According to Malesky, the role of the National Assembly is more assertive now than during the cold-war period, when it was just a rubber stamp parliament that ratified the decisions of the executive. This evolution took place thanks to a better selection of members, to their greater participation in the political debate and their improved knowledge of legislation.⁹

5. Martin Gainsborough, 'Political change in Vietnam: in search of the middle class challenge to the state', *Asian Survey*, Vol. 42, No. 5, 2002, pp. 694-707.

6. Kaxton Siu & Anita Chan, 'Strike Wave in Vietnam, 2006-2011', *Journal of Contemporary Asia*, Vol. 45, No. 1, 2015, pp. 71-91.

7. Adam Fforde, 'Vietnam in 2012: The End of the Party', *Asian Survey*, Vol. 53, No. 1, Jan/Feb 2013, pp. 101-108.

8. Matthieu Salomon, 'Power and representation at the Vietnamese National Assembly: the scope and limits of political doi moi', in Stéphanie Balme & Mark Sidel (eds.), *Vietnam's New Order: International Perspectives on the State and Reform in Vietnam*, Basingstoke: Palgrave Macmillan, 2007, pp. 198-216.

9. Edmund Malesky, Paul Schuler & Anh Tran, 'The Adverse Effects of Sunshine: A Field Experiment on Legislative Transparency in an Authoritarian Assembly', *The American Political Science Review*, 106, 2012, pp. 762-786.

Adam Fforde also argued that the VCP role – and, in general, the party-state role – has always been very weak. Consequently, in many crucial phases of its life other actors determined choices that the party-state merely ratified.¹⁰ As different historical or social researchers have shown, Vietnamese contemporary history has been characterised by political phenomena driven by spontaneous social processes or influenced by non-state actors. As analysed by Adam Fforde and Stephen de Vylder, the emergence of the market economy was a social process that stemmed from the below and only in its second phase was institutionalised by the party-state through the *Đổi Mới* reforms (adopted in 1986).¹¹

Benedict J. Tria Kerkvliet, in his research on decollectivisation in rural Vietnam, argued that «communist government's capacity to coordinate programs and implement policies is considerably weaker than what dominating state or mobilizing corporatist view would argue.»¹² This highlights how the dialogic character of the party-state, aimed at maintaining active dialogue with social actors is itself a source of legitimacy. For this reason, Martin Gainsborough, relying on his experience as an analyst with the UNDP (United Nations Development Programme) in the 1980s and his subsequent field research, stated that the centrality of the party-state of Vietnam is nothing more than a myth, fuelled partly by the VCP itself and partly by scholars and analysts.¹³ For the VCP, the narrative in which the party-state is at the top of the chain of command was essential to the preservation of that role.

Questioning the centrality of the party-state is not an exclusively theoretical exercise but has practical consequences on the analysis of VCP internal political dynamics and, therefore, on the legitimacy of the party-state itself. There is no question that, in recent years, state actors such as the main investor and non-state entities, for example the international development agencies (World Bank and International Monetary Fund), have influenced the political development of states such as Vietnam. Furthermore, the integration of the Vietnamese industrial system in the global supply chain and its adherence to the FTAs have determined the need for the party-state to adapt its regulations to international standards. In

10. Adam Fforde, 'Vietnam in 2012: The End of the Party', *Asian Survey*, 107, 2013, pp. 101-108. In a recent article, Fforde examined in-depth the concept of authority in relation to the VCP, arguing that the ruling party actually has little authority. Adam Fforde & Lada Homutova, 'Political Authority in Vietnam: Is The Vietnamese Communist Party a Paper Leviathan?' *Journal of Current Southeast Asian Affairs*, Vol. 36, Issue 3, 2017.

11. Adam Fforde & Stephen de Vylder, *From Plan to Market: The Economic Transition in Vietnam*, Boulder: Westview Press 1996.

12. Benedict J. Tria Kerkvliet, *The Power of Everyday Politics: How Vietnamese Peasants Transformed National Policy*, Cornell University: Ithaca, NY, p. 36.

13. Martin Gainsborough, 'The Myth of a Centralised Socialist State in Vietnam: What Kind of a Myth?', *Journal of Current Southeast Asian Affairs*, Vol. 36, No. 3, pp. 119-143.

much the same way, a galaxy of NGOs, engaged in various sectors, became active and supportive of dissenting voices, especially in industry and in rural areas, where the land-grabbing phenomenon was more widespread.¹⁴

Moreover, in a context characterised by a continuous FDI flow, the last ten years has seen competition among local notables, often marginal on the party hierarchical scale, who aimed at promoting the economic development of their own province or district. Periodically, the Vietnam Chamber of Commerce and Industry released the Provincial Competitiveness Index (PCI), which measured how local governments catered for the needs of the private sector. The 2017 PCI report, for instance, showed significant progress in reducing the administrative and regulatory burden and a decline in corruption.¹⁵ In an attempt to satisfy personal ambitions and those of small and large cliques, local authorities strengthened their position by attracting investment. This led to a personalisation of power and a weakening of the party's role, to the detriment of the party's leadership and the principle of democratic centralism.

Reacting to this shift, in 2016 the new general secretary of the VCP, Nguyen Phu Trong, began a progressive centralisation of power and a tightening of the political space for dissent, in an attempt to limit the eccentricity of the decision-making centres. Furthermore, through a vast anti-corruption campaign, Nguyen has tried to pursue a dual objective: first, to reintroduce morality and consequently strengthen the legitimacy of the party and, second, to remove his main opponents, in particular the so-called Tan Dung clique. The epiphenomenon of the secretary's centralising strategy was his unprecedented election to the presidency of the Republic, in October 2018. In the following paragraphs, these aspects will be explored in depth.

3. The shake-up in VCP's elite leadership and the strengthening of the general secretary role

With the 12th Congress of the VCP (20-28 January 2016), a long period of in-fight in the VCP ended, in particular the tug of war between the party secretariat and the government. Among the four leaders – or «4 pillars» – leading the party-state (officially Vietnam has no paramount ruler), only party secretary Nguyen Phu Trong was confirmed for a second term. The prime minister, Nguyen Tan Dung was replaced by Nguyen Xuan Phuc; Nguyen Thi Kim Ngan was elected to the presidency of the National

14. Angie Ngog Tran, Jennifer Bair & Marion Werner, 'Forcing change from the outside? The role of trade-labour linkages in transforming Vietnam's labour regime', *Competition & Change*, Vol. 21, No. 5, 2017, pp. 397-416.

15. 'Vietnam economy: Local business-environment scores get a boost', *Economist Intelligence Unit*, 11 May 2018.

Assembly; finally, on 2 April 2016, Tran Dai Quang became president of the Republic.¹⁶

Nguyen Phu Trong began to strengthen his role as party secretary from his accession after the 12th party Congress. Once his main rival Prime Minister Nguyen Tan Dung had been eliminated, Trong started a profound renewal of the leadership, of the party organisation and, in part, the political line of the party. The renewal of leadership was endorsed by an intense anti-corruption campaign, which marginalised those members most hostile to the party secretary line, including those closest to the «clique» of former Prime Minister Tan Dung. In this context, a novel event occurred in October 2018, when, as previously mentioned, General Secretary Nguyen Phu Trong was elected president of the Republic, uniting the two offices into a single role. Below, we will examine in depth the shake-up of the leadership and the election of Trong to the presidency of the Republic.

3.1. *The ups and downs of the Party's elite*

During the VI Plenary Session (4-11 October 2017) and the VII Plenary Session (7-12 May 2018) of the Central Committee, there was an unprecedented shake-up in Vietnam's leadership. Several high profile officials were replaced due to illness or premature death and many others following their arrest for corruption, economic mismanagement, deliberate violations of state regulations, embezzlement, and abuse of power. In 2017 Secretary Trong seized this opportunity to strengthen his loyalist group: Phan Dinh Trac, head of the Central Department of Internal Affairs and Standing Vice Chairman of the Central Steering Committee on anti-corruption, and Nguyen Xuan Thang, director of Ho Chi Minh National Institute of Politics¹⁷ were both elected as members of the Secretariat.¹⁸

On 1 August 2017, the replacement of Dinh The Huynh, officially for health reasons, created a stir as he was considered the candidate who should have served as general secretary.¹⁹ Huynh, being the executive secretary of the Secretariat, was one of the country's five key leaders (along with the

16. Michela Cerimele, 'Vietnam 2016: The aftermath of the 12th Congress, between continuities and changes', *Asia Maior 2016*, pp. 199-219.

17. Phan Dinh Trac replaced another rising star, Nguyen Bá Thanh. The latter was a powerful member of Da Nang's party, involved in many scandals. He died of natural causes in February 2015 at the age of 61. '2 thành viên mới của Ban Bí thư Trung ương Đảng' (2 new members of the Party Central Committee Secretariat), *Cafef*, 6 October 2017; Alexander L. Vuving, 'The 2016 Leadership Change in Vietnam and its Long-Term Implications', *Southeast Asian Affairs*, Vol. 2017, pp. 421-435.

18. Nguyen Manh Hung, 'Vietnam in 2017: Power Consolidation, Domestic Reforms, and Coping with New Geopolitical Challenges', *Southeast Asian Affairs*, IS-EAS-Yusof Ishak Institute, Vol. 2018, pp. 407-428.

19. 'Ông Đinh Thế Huynh «điều trị bệnh»' (Mr. Dinh The Huynh «treated»), *BBC News Tiếng Việt*, 1 August 2017.

general secretary, the president, the prime minister, and the chairman of the National Assembly).

In October 2016, Dinh The Huynh led two high level diplomatic missions. The first in Beijing (19-20 October), where Huynh reviewed the overall state of bilateral relations – including the restoration of political trust and «properly handling» of their disputes over the South China Sea – with China’s President Xi Jinping.²⁰ The second mission, a week later, was in Washington, where he met US Secretary of State John Kerry, to continue the TPP negotiations as well as seek assurances from the US that China’s presence in the South China Sea was being checked.²¹

The fact that both missions were led by the executive secretary of the VCP’s Secretariat and not by the foreign minister, although the latter was part of the two delegations, had dual significance. The first was to introduce a member of the VCP into the highest ranks of international diplomacy, effectively formalising his candidacy to the post of party secretary. The second was to strengthen the legitimacy of the VCP (and not of the government) in the eyes of the Vietnamese people, given the broad media coverage in Vietnam to these two events. However, the fact that Huynh was removed as executive secretary and not as member of the Politburo appeared completely inexplicable.²²

3.2. *The unprecedented double appointment: VCP’s secretary and president Socialist Republic of Vietnam*

The President of the Republic Tran Dai Quang died on 21 September 2018. Despite his young age, his death was not unexpected. In August 2017, reports emerged about the poor health of Quang, who had disappeared from public view. Immediately after publication of this news, rumours began circulating regarding the candidates who could replace Quang.²³ No analyst hypothesised or even predicted that the VCP’s solution would be Secretary Nguyen Phu Trong’s election, denying even the most authoritative predictions that Trong would remain in office for half a mandate only and would

20. ‘VN hails China ties: Party official’, *Việt Nam News*, 21 October 2016; ‘Vietnam and China to make effort in maintaining East Sea’s peace and stability’, *Hanoi Times*, 21 October 2016.

21. Vì sao ông Đinh Thế Huynh thăm Mỹ? (Why did Mr. Dinh The Huynh visit the US?), *BBC News Tiếng Việt*, 27 October 2016.

22. Ông Trần Quốc Vượng chính thức làm thường trực Ban Bí thư’ (Did not Mr. Huynh attend any meeting during last two years?, *BBC Tiếng Việt*, 5 March 2018. ‘Hội nghị trung ương 7 và dấu hỏi Đinh Thế Huynh’ (The 7th Central Conference and the questions about Dinh The Huynh), *VOA news*, 16 May 2018.

23. ‘Vietnam president’s mysterious absence raising eyebrows’, *Nikkei Report*, 25 August 2017.

resign prematurely given his advanced age.²⁴ The erroneous predictions arose from the fact that the separation of the «4 pillars» had never been questioned. In fact, since the birth of the VCP, Ho Chi Min had refused a concentration of power, as in the Soviet Union, and wanted the four key offices to remain strictly separate.

The collective leadership system in Vietnam was designed to avoid the creation of a personality cult, and it served that purpose. Although the powers of the president were limited, they were far from negligible, including the chairmanship of the party's Central Military Commission, the nation's highest body on military affairs.²⁵

The party's official press completely eluded this issue and presented the election to the national presidency of the VCP secretary as a normal event, justified by his fight against corruption.²⁶ In fact, Trong's election as president of the Republic strengthened the legitimacy of the secretary's political line at a time when it was necessary to reform both the party and the institutions, the latter to govern the problematic economic development model.

In 2017, for example, one of the most important and difficult reforms was the abolition of regional steering committees.²⁷ These three committees for the Northwestern, Southwestern and Central Highlands regions were established in 2004 to help the Politburo implement its policy on socio-economic development and defence of the country's key border areas. Trong justified the repeal of the committee as affirmation of the necessity for smaller and more efficient political machinery capable of synchronising political and economic reforms. The aim was the promotion of a «socialist-oriented market reform» and the integration of the Vietnamese economy with the world economy.²⁸ A series of further reforms were adopted to regulate staff employed by members of the Central Committee, promoting meritocracy, transparent mechanism in recruitment, appointment, and promotion of officials, in order to attract moral and competent talent for government organisations.²⁹

Trong's reorganisation of the party is in line with the PCV's cyclical attempts to apply the Leninist principle of democratic centralism on the part of the incumbent secretaries. Democratic centralism implies that, on the one hand, the democratic participation of the militants must be guar-

24. Zachary Abuza, 'The Fault Lines in Vietnam's Next Political Struggle', *The Diplomat*, 23 December 2016.

25. 'Is Vietnam's new leader taking cues from China's Xi Jinping?', *South China Morning Post*, 24 October 2018.

26. 'Voters express support for election of Vietnamese President', *Nha Dang*, 24 October 2018.

27. 'Vietnam to disband regional steering committees in bid to downsize public sector', *The world & Vietnam Report*, 12 October 2017.

28. *Ibid.*

29. 'Vietnamese Party concludes sixth plenum, disbanding three regional steering committees', *Tuoi Tre News*, 12 October 2017.

anteed, keeping connections between the membership base and the leadership; on the other, centralisation and respect for the political line of the party must also be guaranteed which implies fighting fractional activities and any other activity seen as contrary to party discipline. In theory, defence of the unity of the party reflects the unity of the interests of the working class, so there may be differences of opinion, but always within the limits of class interests. In fact, according to the PVC Leninist ideology, the break-up of unity generates two deviations: bureaucratic and military centralism on one side, anarchist and individualist democracy on the other.³⁰

A similar situation was experienced in 1987, following the reforms of the Doi Moi, when strong dissenting voices were raised within the party. By early 1987, newspapers and radio focused on party failures, highlighting the need to expel corrupt and inadequate/deficient members.³¹ Beyond the problem of corruption, the newly-elected secretary, Nguyen Van Linh, had had to struggle to impose a new political line. The new line prohibited both changes to the democratic centralism principle and state subsidies to businesses. But it resulted in a new economic policy, based on the attempt to find a balance between the market organised and managed by the state and the «spontaneously developed» one. The new line also tried to promote a more efficient division of labour between the central political authorities and the managers running the strategic sectors of the economy.³²

During that phase Linh maintained stability through three actions: strengthening the party base, at that point on the brink of atrophy; eliminating clandestine organisations within the party's executive structures; mobilising the party base in support of the reforms. In essence, Linh managed to improve the «transmission belt» connecting the party leadership with a reinvested party base.³³

In 2017-2018 Trong's VCP found itself in a not dissimilar situation. This resulted in the secretary launching a new political line, rather different though from the one followed by Linh. Trong's line aimed at suppressing any dissenting voice, eliminating factionalism and reinforcing the secretary's political strength and leadership role.

30. On the difference between democratic centralism and bureaucratic centralism, Antonio Gramsci wrote: «The functioning of the Party provides discriminating criteria: when the party is progressive it works 'democratically' (in the sense of democratic centralism), when the party is regressive it functions 'bureaucratically' (in the sense of a bureaucratic centralism). In this second case, the Party is an unthinking executor. It is then technically a policing organism and its name of 'political party' is a pure metaphor of mythological character.» [English translation by the author.] Antonio Gramsci, *Quaderni del carcere*, a cura di V. Gerratana, Einaudi: Torino 2014, Quaderno 14 (I), § 34.

31. Lewis M. Stern, 'Party Plenums and Leadership Style in Vietnam', *Asian Survey*, Vol. 35, No. 10, Oct., 1995, pp. 909-921.

32. *Ibid.*

33. *Ibid.*

3.3. *The anti-corruption campaign*

The anti-corruption campaign officially started in 2016 but its most significant results were recorded in 2017 and 2018. The «hot furnace», Nguyen Phu Trong's metaphor for the anti-corruption campaign, targeted prominent figures, both incumbent and retired, who had dominated local government, national ministries, and state-owned enterprises.³⁴ Concluding the 9th plenum of the 12th Central Party Committee on 26 December, Nguyen Phu Trong stated that more than 60 party cadres, including past and present members of the Central Party Committee, had been disciplined since 2016 in a bid to restore public trust in the party's leadership.³⁵ The most glaring cases regarded Dinh La Thang and Trinh Xuan Thanh.

Once considered a rising political star, Dinh La Thang was the first former politburo member in decades to face prosecution.³⁶ He had been Minister of Transport (2011-2016), member of the Politburo from 27 January 2016, secretary of the Ho Chi Minh City party committee from 5 February 2016 and, reputedly, very close to ex-Prime Minister Nguyen Tan Dung. Dinh was removed from the Politburo after suspicion of wrongdoing on 7 May 2017³⁷ and shortly after dismissed from his post of secretary of Ho Chi Minh City. On 28 March 2018 Dinh was sentenced to 31 years in jail (in two separate processes) on corruption charges related to his role as chairman of PetroVietnam, the national oil and gas company.³⁸

The long trials, followed by national media, culminated in Dinh La Thang's admission that his conduct had been authorised by former Prime Minister Nguyen Tan Dung, and had been in accordance with the political line of the Politburo.³⁹

The second sensational case affected Trinh Xuan Thanh, one of Dinh La Thang's assistants. Between 2007 and 2013 Trinh Xuan Thanh had been a senior government official and former state-owned enterprise (SOE) executive at PetroVietnam Construction Joint Stock Corporation, controlled by the giant SOE PetroVietnam. He was also the former deputy-chairman of the Hậu Giang Provincial People's Committee. On 9 June 2016, Thanh was

34. 'Is Vietnam Going the Way of China?', *The Diplomat*, 22 February 2018.

35. '2018 – another special year', *VGP News Online Newspaper of the Government*, 28 December 2018.

36. 'Vietnam: The Curious Fall of a Communist Leader', *The Diplomat*, 16 May 2017.

37. 'Dinh La Thang removed from Politburo', *VGP News*, 8 May 2017.

38. 'Former Vietnam Politburo member Dinh La Thang jailed for 18 years over S\$45.6m losses', *Reuters*, 29 March 2018.

39. 'Lời khai của ông Đinh La Thăng dẫn đến cựu Thủ tướng Nguyễn Tấn Dũng và Bộ Chính Trị' (Dinh La Thang's testimony related to former Prime Minister Nguyen Tan Dung and Politburo), *REA*, 10 January 2018; 'Đinh La Thăng đã khai báo về Nguyễn Tấn Dũng?' (Did Dinh La Thăng issue any declaration about Nguyễn Tấn Dũng), *Chân Trời Mới Media*, 10 January 2018.

investigated on charges of financial mismanagement that caused losses of US\$ 147 million, but before the process he flew to Germany, seeking political asylum. On 23 July 2017, Xuan Thanh Trinh and his companion were stopped in a Berlin park and forced into a vehicle. According to a spokesperson of the German foreign minister, Xuan Thanh Trinh was kidnapped by Vietnamese intelligence and taken to Vietnam where he was formally arrested.⁴⁰ Two weeks later, he appeared on Vietnamese television declaring that he had returned to Vietnam voluntarily.⁴¹

His statement was highly improbable. In several posts on social media he claimed his innocence, stating that charges against him were fabricated, and that the ongoing prosecution was politically inspired. On 7 December he was expelled from the party and given two life sentences.⁴²

In Dinh La Thang's case and especially Xuan Thanh Trinh's, it is legitimate to believe that the motivation behind their prosecution went beyond the fight against corruption. The dramatic events in Germany, risking a serious diplomatic incident, illustrated the urgency of the party to silence an inconvenient person. It is no coincidence, in fact, that even Thanh Trinh was linked to the group of Prime Minister Tan Dung and in all likelihood in possession of very sensitive information.

3.4. The difficult reforms and the conflicts related to the integration of the international production chain

The close integration in FDI-led production networks under neoliberal globalisation, together with the signing of a series of FTAs, required a series of reforms, which in turn affected the economy, the environment⁴³ and human rights. From this point of view, it is interesting to analyse how the party-state acted under the international community's pressure. We believe that an analysis of two new generations of FTAs signed by Vietnam can shed light on these topics, especially with regard to labour legislation.

In 2018, Vietnam signed the EVFTA (EU-Vietnam Free Trade Agreement), and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) that substituted the TPP (Trans-Pacific Partnership) agreement. Concerning the former agreement, it must be noted that Vietnam and the EU reached a consensus on the EVFTA after three years of negotiations, in December 2015, and concluded its legal review in June

40. 'Vietnamese man arrested over Cold War-style Berlin kidnapping', *Reuters*, 24 August 2017.

41. 'Vietnam TV Shows Oil Executive Who Germany Says Was Abducted', *The New York Times*, 3 August 2017.

42. 'Vietnamese oil executive kidnapped in Berlin gets second life sentence', *Deutsche Welle*, 5 February 2018.

43. On the governance of the environmental issues in Vietnam, see Stephan Ortmann, *Environmental Governance in Vietnam. Institutional Reform and Failures*, Palgrave MacMillan, 2017.

2018.⁴⁴ This agreement is expected to be signed and ratified by the end of 2019.⁴⁵ The EVFTA will immediately eliminate 65% of import duties from the EU to Vietnam, and 71% of import duties from Vietnam to the EU, with the remainder removed over the next ten years. The negotiations with Vietnam were «the first undertaken by the E.U. since its adoption of the Strategic Framework on Human Rights and Democracy in 2012, which emphasized the inclusion of human rights norms in E.U. foreign policy».⁴⁶

The CPTPP was signed on 8 March 2018 in Santiago, Chile, by 12 countries.⁴⁷ Vietnam ratified the CPTPP on 12 November 2018⁴⁸ and the agreement will enter into force on 14 January 2019.⁴⁹ CPTPP's member countries agreed to eliminate duties on between 97%-100% of tariff lines for imports.⁵⁰ Vietnam committed to eliminate duties on 66% of tariff lines upon the CPTPP coming into force, and to raise the percentage of duty-free tariff lines to 86.5% within three years, while maintaining tariff quotas on sugar, eggs, salt, and used automobiles.⁵¹

In addition to the purely economic aspects, one of the most relevant features present in both FTAs was the specific and unprecedented chapter on labour legislation.

The key labour provisions of both EVFTA and CPTPP were those committing trading partners to the International Labour Standards (ILSs or core labour standards) as set out in 1998 by the International Labour Organization (ILO) and the Declaration of Fundamental Principles and Rights

44. 'Legal Review of EU-Vietnam FTA Completed', *Nhan Dan Online*, (27 June 2018).

45. On the technical issues that, on the European side, delayed progress towards ratification, and on the procedure to adopt the agreement see European Parliament, 'EU-Vietnam Free Trade Agreement (EVFTA)' (<http://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-vietnam-fta>).

46. Tran et al., 'Forcing Change from the Outside?', p. 405. See Daniela Sicur-elli, 'The EU as a Promoter of Human Rights in Bilateral Trade Agreements: The Case of the Negotiations with Vietnam', *Journal of Contemporary European Research*, Vol. 11, No. 2, 2015, pp. 230-245.

47. Australian Government, Department of Foreign Affairs and Trade, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (<https://dfat.gov.au/trade/agreements/in-force/cptpp/Pages/comprehensive-and-progressive-agreement-for-trans-pacific-partnership.aspx>).

48. 'Vietnam Becomes Seventh Country to Ratify Trans-Pacific Trade Pact', *Reuters*, 12 November 2018.

49. Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. For Australia, Canada, Japan, Mexico, New Zealand, and Singapore it entered into force, following ratification, on 30 December 2018.

50. 'CPTPP goes live in Vietnam', *Vietnam Investment Review*, 14 January 2019.

51. *Ibid.*

at Work (DFPRW).⁵² Vietnam had not yet ratified three of the eight ILO's Fundamental Conventions (nos. 87, 98, 105).⁵³ They concern freedom of association and the effective recognition of the right to collective bargaining (nos. 87 and 98) and the elimination of all forms of forced or compulsory labour (no. 105). In view of the fact that these are fundamental principles, the EU, ILO and other partners have pressured Vietnam to ratify the conventions and to reform its labour legislation before the FTA enters into force.⁵⁴

Another challenge for the CPV in 2018 was the public opposition to two draft bills tabled for debate in the National Assembly. The first, a bill on Special Administrative and Economic Zones, provided for the establishment of three special economic zones – Van Don in the north, Bac Van Phong in the centre and Phu Quoc in the south. The second bill, on Cyber Security, consolidated scattered pieces of legislation in an attempt to regulate the internet.⁵⁵

The three new economic zones were established in December 2016,⁵⁶ but only in June 2018 did the first protests erupt throughout the country, including Hanoi and Ho Chi Minh City. In September, further protests ignited the squares and, in Binh Thuan province, turned violent as protesters began vandalising state office buildings, burning cars and clashing with the authorities.⁵⁷ Workers, too, went on strike in two industrial zones in Long An

52. Core labour standards are based on eight ILO core conventions: 1) freedom of association and the effective recognition of the right to collective bargaining (ILO Convention 87 and 98); 2) the elimination of all forms of forced or compulsory labour (ILO Convention 29 and 105); 3) the effective abolition of child labour (ILO Convention 138 and 182); and 4) the elimination of discrimination in respect of employment and occupation (ILO Convention 100 and 111).

53. International Labour Organization, *Promoting ILO Fundamental Conventions towards Ratification of Convention 87, 98, 105, and Actions to Eliminate Discrimination and Forced Labour in Viet Nam (NIRF/EU Project)* (https://www.ilo.org/hanoi/Whatwedo/Projects/WCMS_635722/lang--en/index.htm.)

54. However these pressures were exercised through very bland conditionalities that did not call into question the ratification of the FTAs. On this issue see Madeleine Moore & Christoph Scherrer, 'Conditional or Promotional Trade Agreements – Is Enforcement Possible? How International Labour Standards Can Be Enforced through US and EU Social Chapters', Singapore: Friedrich-Ebert-Stiftung Office for Regional Cooperation in Asia, 2017.

55. Carlyle A. Thayer, 'Weighing up political developments in Vietnam', *East Asia Forum*, 11 December 2018.

56. Ministry of Planning and investment of the Socialist republic of Vietnam, *Resolution No. 103/NQ-CP dated December 05th 2016 on the Government's regular meeting - November 2016* (<http://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=35717&idcm=121>).

57. 'Vietnam police halt protests against new economic zones', *Reuters*, 10 June 2018; 'Public criticisms are welcomed but must comply with law', *Vietnam Law & Legal Forum*, 4 July 2018. 'Vietnam's economic zones derailed by anti-China protest', *Nikkei Asian Review*, 3 September 2018.

and Tien Giang provinces.⁵⁸ The reason for the protests was the granting of a 99-year lease of industrial parks to Chinese investment groups, probably for the construction of weapons and highly polluting chemical products. Moreover, contrary to the new generation of TFA agreements, in the bills there was no reference to ILO fundamental conventions. Consequently, as reported by the analyst Angie Ngoc Tran, «Vietnamese workers will have ambiguous or no protection for their rights and interests guaranteed in the Vietnamese Labour Code».⁵⁹ Following the protests, the discussion of the law was postponed for the first time to the session of October 2018, and subsequently postponed to May 2019.⁶⁰

The second law that caused protests regarded cyber security. In this case, the protests came from the global social media as well as email and e-commerce providers. News spread among users that the law would restrict free speech on social media. All these companies, in fact, were expected to store data on Vietnamese internet users in-country and not on foreign servers, as the likes of Facebook and Google usually do. The bill was introduced for the first time in 2016 in response to a series of cyber-attacks across the country. The provision, approved by the National Assembly in June 2018, had a long gestation because of vigorous protests by the big providers. To give an example of the threat to lobbyists' interests, Bloomberg falsely reported protests in the streets of Ho Chi Minh City. Moreover, photos of protests relating to the establishment of new economic zones were published.⁶¹

The bill conflicted with the CPTPP agreement, which provided that member states ensure the free flow of information and was, in principle, against data localisation rules.⁶² The bill was enacted on 12 June 2018, in spite of violent protests in several parts of the country and the resulting law entered into force on 1 January 2019.⁶³

4. *Some economic aspects: The criticalities of the industrialisation model*

During the period under review, Vietnam confirmed itself as one of the largest attractors of FDI in the region, thanks to a series of benefits

58. Angie Ngoc Tran, 'Workers say no to Vietnam's «Special Exploitation Zones»', *new mandala*, 18 July 2018.

59. *Ibid.*

60. Tom Fawthrop, 'Sons of Revolution: Vietnam's New Protest Movement', *The Diplomat*, 17 December 2018.

61. 'Vietnam Parliament Passes Cyber Law Denounced in Street Protests', *Bloomberg*, 12 June 2018.

62. See Article 14.11, par. 2, of the CPTPP, state «Each Party shall allow the cross-border transfer of information by electronic means, including personal information, when this activity is for the conduct of the business of a covered person».

63. 'Vietnam lawmakers approve cyber law clamping down on tech firms, dissent', *Reuters*, 12 June 2018.

granted to investors (e.g. low tax levels, export facilities etc.) and to the availability of a young and reasonably educated labour force.

Since 2010 foreign direct investment into Vietnam had already risen by 6.2% year-on-year and in December 2018 reached an all-time high of US\$ 19.10 billion.⁶⁴ The strengthening of the FDI export-led development model produced a series of positive data such as a rapid GDP rate of growth (+ 6.8 in 2017 and in 2018)⁶⁵ and a positive balance of trade (+US\$ 6.8 billion in 2018).⁶⁶

Beyond these positive quantitative outcomes, it is worth also to consider the qualitative impact of the FDI flows in Vietnam. According to a survey conducted by United Nations Industrial Development in 2011, enterprises funded by FDI procure only 26% of the value of their total input (22.5% for TNCs) from domestic manufacturers. However, the main part of the input derives from foreign countries or from foreign suppliers with a base in Vietnam, with a very limited vertical backward linkages as a consequence.

Vertical forward linkages also is little subsidized by foreign investors, as 71.9% (73.2% for TNCs) of their production in terms of value is directly exported and only a very limited amount is sold as intermediate goods for local firms.⁶⁷ This explains why, in spite of the sustained positive GDP growth, the development of a national supporting industry has remained very limited. According to research carried out by Pietro Masina and Michela Cerimele, the main problem is not related to the «middle-income trap» but rather to «a failure to industrialize».⁶⁸

Indeed, the fact that Vietnam has become an important manufacturing hub has not avoided two negative results: firstly, no expansion of national industry has occurred, with a limited growth only in the foreign-invested, export-oriented sector. Secondly, no substantial change has happened in the composition of the national labour force through an expansion of industrial employment able to absorb redundant labour from rural areas.

In fact, the main problems of this model of industrialisation essentially concern working life.⁶⁹

64. Trading Economics, 'Vietnam Foreign Direct Investment'.

65. World Bank, 'Vietnam's economic prospects improve further, with GDP projected to expand by 6.8 percent in 2018', 14 June 2018.

66. 'Gouvernement: créer un groupe de travail spécial', *Le Courrier du Vietnam*, 7 December 2018.

67. UNIDO and Ministry of Planning and Investment of Vietnam, *Viet Nam Industrial Investment Report 2011: Understanding the Impact of Foreign Direct Investment on Industrial Development*, Hanoi: UNIDO, 2011, pp. 118-130.

68. Pietro Masina & Michela Cerimele, 'Patterns of Industrialisation and the State of Industrial Labour in Post-WTO-Accession Vietnam', *European Journal of East Asian Studies*, Vol. 17, 2018, pp. 289-323.

69. Pietro Masina, 'An Uneven Development Trap in Southeast Asia and Its Implications for Labor', in Silvia Vignato & Matteo C. Alcano (eds.), *Searching for Work: Small-Scale Mobility and Unskilled Labor in Southeast Asia*, Silkworm Books: Chiang Mai 2019.

Fieldwork recently conducted in five Red River Delta's industrial parks, specialising mainly in electronics and garments, shows poor working conditions, in particular among female migrant workers. These surveys uncovered the dark side of the Vietnamese industrialisation model exposing the many social criticalities related to stressful working conditions: widespread use of short-term contracts (unlawfully used even for long-term workers), permanent positions systematically turned into «short term» ones, high degree of self-exploitation to keep the job and have access to permanent positions.⁷⁰

The survey showed that female workers' lives are completely incompatible with generational reproduction, due to their situation of economic and gendered exploitation. According to Michela Cerimele, female workers are exploited both from an economic point of view (low salaries) and gender. In a strongly repressive environment, female workers usually work up to the age of reproduction. In fact, after maternity, reproductive activities are progressively and structurally incompatible with the requirements of the factory regime. As a result, female workers are fired or leave the job voluntarily, usually before the age of 30 and, to return to their places in some case.⁷¹

A report which received the most media coverage was the one by a network of NGOs in 2017, describing young women working at Samsung Vietnamese factories. It recorded fainting, fatigue and miscarriage associated with toxic chemicals afflicting the local female workforce.⁷² Although Samsung denied the findings of the report's data, the minister of labour nonetheless ordered inspections.⁷³

A series of workers' protests has continued uninterruptedly over the last ten years. Throughout 2018, in addition to workers' mass protests against the establishment of new special economic zones, were those against

70. For more details, including research methodology, see Michela Cerimele, 'Informalizing the Formal: Work and the Dual Dormitory Labor Regime in Hanoi's Thang Long Industrial Park', in Silvia Vignato & Matteo C. Alcano (eds.), *Searching for Work: Small-Scale Mobility and Unskilled Labor in Southeast Asia*, Silkworm Books: Chiang Mai 2019. In this case, fieldwork research was conducted between December 2013 and June 2014 in workers' living areas around the Park under the EU-funded SWORR and SEATIDE projects.

71. Michela Cerimele, 'Informalizing the Formal'. On this issues, see also Peter Lanjouw & Marleen Marra, 'Urban poverty across the spectrum of Vietnam's towns and cities', *World Development*, Vol. 110, 2018, pp. 295-306. On working conditions on the garment and textiles sector see: Do Quynh Chi, *Vietnam country study - Labour standards in the garment supply chain*, Research Center for Employment Relations (ERC), CNV International: Utrecht 2016 and Better Work Vietnam, *Guide to Vietnamese Labor Law for the Garment Industry*, Sixth Edition, 2018, in part. p. 22.

72. 'Korean President Moon called on to stop Samsung Vietnam abuse', *ITUC CSI IGB*, 21 March 2018.

73. 'Ministry inspects Samsung Vietnam over worker mistreatment', *Vietnam.net*, 27 November 2017; IPEN and COFED, 'Stories of Women Workers in Vietnam's Electronics Industry', Hanoi 2017.

the salary cuts by Taiwanese footwear companies.⁷⁴ Beyond the publicity, there were no adequate policies guaranteeing the improvement of industrial workers' conditions in general.

5. *International relations*

Even at international level, the party-state acted frantically in its attempt to expand alliances and strengthen existing ones in order to meet two objectives. The first was to support its export-led development model, while the second was to boost security ties with major powers, including the US, its allies and its partnership network in the containment of China in the international South China Sea dispute.⁷⁵ At the same time, Vietnam tried to find an accommodation in its relations with China.

In this difficult context, the Vietnamese official defence policy was to respect the «Three Nos» principle: no military alliances, no alignments with one country against another, and no foreign military bases on Vietnamese soil.⁷⁶ In recent years there have been too many exceptions to the three nos.

The US and Japan have been active for many years in providing financial, technical and training support to Vietnam to improve its maritime domain awareness. In February 2016, Vietnam and Japan conducted joint exercises aimed at searching and rescuing and at curbing illegal fishing (June 2017) in the South China Sea as part of the «Capacity Building Assistance» programme.⁷⁷ In April 2018 the two countries also signed a «Joint Vision Statement on Japan-Vietnam Defense Cooperation»,⁷⁸ and in May 2018 issued a joint statement that, inter alia, emphasised the importance of non-militarisation, urging all parties concerned not to take unilateral actions that could change the status quo and complicate the situation in the South China Sea (an implicit criticism of China).⁷⁹

74. Video and detail in 'Thousands of Vietnamese workers take to highway to protest wage cuts', 24 March 2018.

75. Lye Liang Fook & Ha Hoang Hop, 'Vietnam's Responses to China's Maritime Assertiveness in the South China Sea', Perspective, ISEAS, Issue 2018, No. 50.

76. The Three Nos first appeared in Vietnam's 1998 defence white paper and then reappeared in subsequent papers issued in 2004 and the most recent in 2009. The policy is also mentioned in Hanoi's new Law on National Defence, which was passed in June and took effect on 1 January.

77. Among several activities, punctually and regularly described on the Defence Ministry website, see for instance Ministry of Defense (Japan), *Capacity Building Assistance to Vietnam FY 2017: Air Rescue Seminar*, 27-29 June 2017 (https://www.mod.go.jp/e/d_act/exc/cap_b/vietnam/20170627.html).

78. 'Vietnam, Japan hold 6th defense policy dialogue', *People's Army Newspaper*, 5 July 2018.

79. Ministry of Foreign Affairs (Japan), *Japan-Viet Nam Joint Statement on the Occasion of the State Visit by the President of the Socialist Republic of Viet Nam to Japan*, 2 June 2018 (<https://www.mofa.go.jp/mofaj/files/000368992.pdf>).

In 2017-2018 Vietnam received support for military personnel training from Australia and, in April 2018, for the first time in 17 years, three Australian warships moored together at Ho Chi Minh City port.⁸⁰ Vietnam and India upgraded their ties to a comprehensive strategic partnership in September 2016, when Indian Prime Minister Narendra Modi visited Vietnam. Thereafter, in 2017 and 2018, the two countries further strengthened their cooperation, especially in defence and security. This cooperation involved human resources training, collaboration between the army, air force, navy and coast guards of the two countries, as well as cooperation in cyber security and information sharing. Vietnam took also part in MILAN, India's multinational naval exercise.⁸¹

5.1. *The fragile Vietnamese position on the fringe of the US-China conflict*

Hosting the APEC Year in Da Nang (Asia-Pacific Economic Cooperation, 10-11 November 2017) was one of the most important and outstanding diplomatic events in 2017 for Vietnam, though pundits claimed APEC cooperation was at a stalemate. However, as organiser of this event, Vietnam was invited for the first time to participate in the G20 Summit in Hamburg (7-8 July 2017). Furthermore, the APEC meeting had a lot of visibility due to the presence of US president Donald Trump and his announcement of the new national security strategy (Indo-Pacific Vision) that depicted a world characterised by extreme rivalries and potentially dangerous competition, especially from China.

Trump's speech was harshly critical of China, its attitude decried as hostile and disrespectful of international trade rules and freedom of navigation. The speech was even more significant, considering that Da Nang is the administrative seat of the disputed Hoàng Sa/ Xisha/ Paracel Islands. From that moment, tension increased between China and the United States.

In December 2017, China confirmed the deployment of J-11 strike fighters of the People's Liberation Army Air Force in its airstrip on Woody Island, in the Paracel island chain.⁸² Fighter jets had previously been spotted on the island in 2016. This was followed, in February 2018, with reports of the deployment of the J-20 stealth fighter not just entering active service, but conducting a limited air patrol in the South China Sea.⁸³ According to US military officials, as reported by the *The Wall Street Journal*, in April

80. 'Australian navy's warships visit HCM City', *Vietnam's People's Army Newspaper*, 19 April 2018.

81. 'Full Joint Statement between Vietnam-India', *Vietnam News Summary*, 22 December 2018; Harsh V. Pant, 'India and Vietnam: A «Strategic Partnership» in the Making', *Policy Brief*, April 2018.

82. 'China confirms deployment of fighters to South China Sea island for first time', *The Japan Times*, 2 December 2017.

83. 'China's J-20 Stealth Jet Lines Up For Combat Duty in Disputed South China Sea', *Sputnik*, 9 February 2018.

2018 China deployed communications and radar jamming equipment in Fiery Cross Reef, one of the largest of China's seven artificial island facilities in the Spratlys.⁸⁴

The US hit back immediately. In March 2018, for the first time since the end of the Vietnam war, a US aircraft carrier dropped anchor at Da Nang Port. Moreover, in May two US warships conducted a «freedom of navigation operation» (FONOP) near islands occupied by China in the Paracel Archipelago.⁸⁵

Vietnam created its own tension with China. In June 2017, after a delay of two and a half years, Vietnam finally granted Talisman Vietnam (a subsidiary of the Spanish energy firm Repsol) permission to drill for gas at the very edge of Hanoi's exclusive economic zone in the South China Sea.⁸⁶ However, Repsol's drill was soon suspended, by Vietnam itself. According to Repsol, the oil drilling infuriated Beijing.⁸⁷ It is no coincidence that Vietnam's decision to stop the activities came after China's deployment of a 40-ship naval flotilla off Hainan, just two days' sailing from the drill location.⁸⁸

Finally, on 3 April 2018, the state-owned oil company PetroVietnam made a rare public admission that the country's territorial disputes with China in the South China Sea were hurting the exploration of new fields and deterring potential foreign partners.⁸⁹ This did not prevent PetroVietnam from signing an agreement on 1 August 2018 with two Japanese firms, Idemitsu Kosan and Teikoku Oil, to sell gas from South China Sea oil blocks close to the area claimed by Beijing.⁹⁰ In all likelihood, however, these blocks are not close to the sea border claimed by China and, therefore, less likely to trigger Chinese protests.

84. 'China Installed Military Jamming Equipment on Spratly Islands, U.S. Says', *The Wall Street Journal*, 9 April 2018; 'China installs cruise missiles on South China Sea outposts: CNBC', *Reuters*, 3 May 2018.

85. 'South China Sea: Two US Navy Warships Conduct Freedom of Navigation Operation in Paracel Islands', *The Diplomat*, 28 May 2018.

86. 'The Week Donald Trump Lost the South China Sea', *Foreign Policy*, 31 July 2017.

87. 'Repsol says drilling suspended on Vietnam oil block disputed by China', *Reuters*, 2 August 2017.

88. 'Exclusive - Satellite images reveal show of force by Chinese navy in South China Sea', *Reuters*, 27 March 2018.

89. 'In rare comment, PetroVietnam says South China Sea tension to hurt offshore operations', *Reuters*, 3 April 2018.

90. 'PetroVietnam, Japanese firms sign South China Sea gas deal amid tensions with Beijing', *Reuters*, 1 August 2018.

5.2. *The difficult balancing relations with China*

Amid the tensions flowing from the militarisation of the South China Sea, Trọng proclaimed that «[Vietnam–China] relations are at their best».⁹¹ In fact, diplomatic relations between Hanoi and Beijing were on an upward trend, facilitated by the improvement in trade relations. The imposition of US tariffs on Chinese goods pushed Beijing to reinvigorate cross-border economic cooperation with Vietnam to favour the relocation of Chinese companies, in particular low value-added ones, in areas close to Vietnamese borders. This model, renamed «Two Corridors and One Belt», has been operational since 2016; it is part of the Belt and Road Initiative and is described as «two countries one zone, free trade with closed operation».⁹² The cross-border economic cooperation area will have functional subdivisions such as areas for manufacturing, processing, warehousing, goods clearance and commercial centres, etc.

It is worth noting that President Tran Dai Quang joined the high-level forum on the Belt and Road Initiative in Beijing for the first time in May 2017. On that occasion, the Vietnamese leader emphasised that sustainable development among nations should be based on the principles of consent, equality, voluntariness, transparency, openness, mutual respect, mutual benefit and compliance with the UN charter and international law. Quang's words sounded cautiously diplomatic because on the one hand Vietnam needs Chinese investment in infrastructure to support its FDI development model; on the other, however, in publicly endorsing the BRI, Quang made use of the opaque language of conditionalities to avoid provoking a political backlash in his own country, where anti-Chinese sentiments are strong.⁹³ «Two Corridors, One Belt» entered officially into the BRI framework in November 2017, during President Xi Jinping's visit to Hanoi, when the two countries signed a Memorandum of Understanding (MOU) regulating the question.⁹⁴

91. This phrase was uttered during the meeting with Trieu Lac Te, Politburo member of the Chinese Communist Party, 'TBT Trọng: «Quan hệ Việt-Trung đang tốt đẹp nhất' («TBT Weight: «Vietnam-China relations are the best»)', *BBC News Tiếng Việt*, 30 September 2018.

92. The 1st China-Vietnam Cross-border Economic Cooperation Forum was held in Nanning on 12 September 2016, 'The 1st China-Vietnam Cross-border Economic Cooperation Forum', *China-Asean Expo*, 14 September 2016.

93. Le Hong Hiep, 'The Belt and Road Initiative in Vietnam: Challenges and Prospects', *stars insights*, 18 April 2018.

94. Ministry of Foreign Affairs of People's Republic of China, *Xi Jinping Holds Talks with President Tran Dai Quang of Vietnam*, 13 November 2017. The two «economic corridors» - namely the Kunming-Lao Cai-Ha Noi-Hai Phong-Quang Ninh corridor and the Nanning-Lang Son-Ha Noi-Hai Phong-Quang Ninh corridor - aimed to improve connectivity between on the one side Yunnan and Guangxi Provinces and on the other side 12 cities and provinces in North Vietnam. Meanwhile, the Tonkin Gulf «economic belt» was meant to enhance economic cooperation between provinces of the two countries located around the Tonkin Gulf. Le Hong Hiep, 'Sino-Vietnamese Relations And President Xi's Hanoi Visit – Analysis', ISEAS - Yusof Ishak Institute, 18 December 2017.

In 2018, widespread anti-Chinese sentiments resulted in the Vietnamese press stigmatising the danger that Vietnam could become a «shelter» for Chinese goods against heavy US tariffs.⁹⁵ However, it is worth noting that, in the short term, Vietnam benefitted as cross border cooperation and Chinese delocalisation in Vietnam resulted in an increase in its exports.

95. 'Chinese goods exported to the US through Vietnam is it an opportunity or risk?', *Vietnam News Summary*, 13 July 2018. 'Trade war's tariffs may spur relocation of some Chinese textile factories to other Asian nations', *South China Morning Post*, 1 August 2018.

MYANMAR 2018: BOTCHED TRANSITION AND REPATRIATION PLAN

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The year was defined by the Rohingya crisis, which lingers on and remains unresolved. The agreement signed by the governments of Myanmar and Bangladesh in November 2017 had several aborted starts in 2018. Both governments came under the pressure of China to deal with the repatriation of the Rohingya refugees bilaterally, without the involvement of other (international) parties. What was evidently a forced repatriation plan was eventually halted in November. The outcry of human rights and refugee organisations continued unabated, as did western outrage against State Counsellor Aung San Suu Kyi, widely seen as callous and complicit in the military's atrocities against the Rohingya. As ties with the United States worsened, China's economic clout in Myanmar was consolidated, as evidenced by the expansion of economic projects and Beijing's leverage on Nay Pyi Taw during the crisis. At home, however, Suu Kyi remained personally popular. Despite some efforts at rebooting, her government's performance has oscillated between ineptitude and incompetence. Some personnel reshuffles and new strategic plans notwithstanding, its shortcomings remain well-known, being plagued by personalisation, the centralisation of decision-making and over-reliance on loyalty, to the detriment of expertise and professionalism. The NLD's cohabitation with the military has continued, but no open rifts have thus far surfaced.

1. Introduction

In response to the series of terrorist attacks in August 2017 by the Rohingya militant organisation named the Arakan Rohingya Salvation Army (ARSA), the Myanmar military carried out what it termed 'clearance operations', which in the space of a few weeks in September, and involving mass rape, arson and indiscriminate killings, led to one of the greatest refugee crisis in recent decades.¹ Approximately 750,000 Rohingya (representing the majority of this stateless, largely Muslim ethnic group) fled Rakhine state seeking refuge on the other side of the border, in the Chittagong district of eastern Bangladesh. The fallout within Bangladesh was that this impoverished South-East Asian country was confronted with a crisis with

1. Matteo Fumagalli, 'Myanmar 2017: The Rohingya Crisis between radicalisation and ethnic cleansing', *Asia Maior* 2017, pp. 227-243; Nicholas Farrelly, 'Assessing the Rohingya crisis', *New Mandala*, 13 June 2018.

which it could barely cope. Within the borders of Myanmar, physical destruction across Rakhine state was observed, yet there was also widespread support across most segments of Myanmar society for the way in which the authorities handled the crisis.

The agreement signed by the governments of Myanmar and Bangladesh in November 2017 went through several aborted starts in 2018. Both governments came under the pressure of China to deal with the repatriation of the Rohingya refugees bilaterally, without the involvement of other (international) parties. The outcry of human rights and refugee organisations continued unabated, as did western outrage against State Counsellor Aung San Suu Kyi, widely seen as callous and complicit in the military's atrocities against the Rohingya.

Of course, dealing with the Rohingya crisis and the repatriation issue was not the only issue faced by the Myanmar government in 2018, but the fallout from the violence continued to cast a long and dark shadow on the country's international image. Domestically, Aung San Suu Kyi remained personally popular, despite an overall poor government performance. Being about halfway into the National League for Democracy's (NLD) term in office, it is now a good time to assess the performance of the government in terms of its domestic, economic and foreign policy. Its performance has been rather disappointing. Always bound to disappoint in light of the unrealistically high expectations that accompanied it, the government led de facto by Aung San Suu Kyi has combined ineptitude, centralisation and personalisation of decision-making. Substantial time has been spent on drawing up strategic plans, and less on actually building up human capacity, expertise and turning plans into practice.

This article is structured as follows. First, it revisits developments in domestic policy. Stalled progress in the peace process and increasingly fraught relations with ethnic Rakhine suggest that despite some efforts at rebooting, transition has stalled.² The subsequent section reviews the mixed picture insofar as the economy is concerned. Lastly, it examines how the country's international ties have been affected by the crisis, enabling China to consolidate its already strong influence.

2. *Domestic policy*

The beginning of the year appeared to bear significant semblance to the late summer days of 2017, as ARSA carried out a new terrorist attack on

2. Justine Chambers & Gerard McCarthy, 'Myanmar transformed?', in Justine Chambers, Gerard McCarthy, Nicholas Farrelly, Chit Win (eds.), *Myanmar transformed? People, places and politics*, Singapore: ISEAS – Yusof Ishak Institute, 2018, pp. 3-22.

5 January.³ However, that was the only episode of its sort of 2018. With most of the Rohingya population abroad and focused on survival, it proved difficult for militants to mobilise ordinary Rohingya against Myanmar-related grievances, especially when living in Bangladesh. The issue was of course far from settled.

On the occasion of the 43rd Singapore lecture delivered in Singapore in August 2018, State Counsellor and de facto leader Aung San Suu Kyi appeared to be at her rhetorical best, excelling at capturing the intricacies of Myanmar's transformation while glossing over some of the key responsibilities of her own administration.⁴ Whilst referring to the current political trajectory as an 'intricate transition' and the fact that 'without peace [our] transition could not blossom and bear fruit',⁵ Suu Kyi has stubbornly refrained from acknowledging the disproportionate pain suffered by the Rohingya. Some concessions were made under international pressure, as the authorities established a so-called 'Independent commission of enquiry', chaired by Rosario Manalo a former foreign minister of the Philippines, on the violence in Rakhine state.

Tensions in Rakhine remained high, with relations between the central NLD-led government and local ethnic Rakhine increasingly fraught. The local Rakhine political parties appeared to be preparing for the 2020 parliamentary elections⁶ and commenced an early campaign based on grievances against a Bamar nationalist government.⁷ The more radical elements joined the ranks of the Arakan Army, the Rakhine militant organisation that constitutes part of the Northern Alliance, the umbrella group which brings together ethnic armed organisations like the United Wa State Army (UWSA) that are vehemently more opposed to Nay Pyi Taw's peace process. The government now appears to be mired in a three-cornered fight with the Rohingya and the ethnic Rakhine community.

At a broader level, throughout 2018 Myanmar had ample opportunities to reboot its government through personnel changes and long-overdue policy initiatives (see the following section on the economy). The nomination of a new president was one such opportunity for a reset. Htin Kyaw, who had held the largely ceremonial position since March 2016, suddenly resigned on 21 March. Swiftly, Win Myint was sworn in on 30 March. Widely known for being authoritative and outspoken, Win Myint, who held the deputy position

3. 'ARSA claims recent attack in northern Rakhine', *The Irrawaddy*, 8 January 2018.

4. Aung San Suu Kyi, *Democratic transition in Myanmar: Challenges and the way forward*, 43rd Singapore Lecture, Singapore, 21 August 2018, available at <http://www.globalnewlightofmyanmar.com/democratic-transition-in-myanmar-challenges-and-the-way-forward>.

5. *Ibid.*

6. 'Arakan Front Party rallies for 2020', *The Irrawaddy*, 14 November 2018.

7. '«Refugees» citizenship demands «impossible»: Myanmar gvt', *Frontier Myanmar*, 20 November 2018.

in the NLD, was rumoured to be an ‘anointed successor’ to the now 72-year old Aung San Suu Kyi, widely known for being ‘allergic’ to delegating tasks. Yet, the new president has thus far failed to make any significant impact. This is also possibly due to the fact that his staff is small and largely reports directly to Suu Kyi herself. Born in Danubyu in the Ayeyarwady Delta, Win Myint, a long-time political activist, was elected three times (first in 1990, then in the 2012 by-elections and finally in 2015).⁸ A member of the NLD central executive committee since 2010, Win Myint has been secretary of the Lower House’s ‘rule of law, peace and tranquillity committee’, and speaker of the lower house since 2016. His inauguration speech offered indication of both where his priorities lie and his more outspoken nature relative to his much more muted predecessor: ‘[t]hose government institutions which are lagging behind in the transformation process will need to be put under tight management controls.[...] more efforts need to be exerted to prevent human rights violations. [...] measures need to be taken to return confiscated farmland to farmers and to give compensation [...]’.⁹

Aung San Suu Kyi’s flagship project, the peace process, made no substantial progress, as violence continues across the country, especially in Kachin and Shan states. The military ascribed blame to the ethnic groups for the on-going skirmishes between the armed groups and the Tatmadaw. The 3rd session of the 21st century Panglong Union Peace Conference was held in mid-July, in the hope of making headway with its objective of bringing the many armed insurgencies to an end and forge a lasting peace among Myanmar’s ethnic groups.¹⁰ The event was attended by the 10 ethnic armed groups that have signed the nation-wide ceasefire agreement as well as government and military officials and the representatives of groups that are not NCA signatories. Violence in Kachin and Shan states, among others, has significantly hindered process. Two groups, the Karen National Union (KNU) and the Restoration Council of Shan State (RCSS), have temporarily withdrawn from the process, citing the need to consult with their members on the issues stalling the negotiations.¹¹ Commander-in-Chief Min Aung Hlaing stated that ‘delaying the peace process is further drowning [our] country, which has already lagged behind in development’¹².

Towards the end of 2018 Myanmar held a small number of by-elections, but it is impossible to draw any broad conclusions from the contesta-

8. ‘Who is U Win Myint, Myanmar’s likely new president?’, *The Irrawaddy*, 26 March 2018.

9. ‘I promise that you will see with your own eyes the changes that you have yearned for as I walk along this path together with you’, *Global New Light of Myanmar*, 31 March 2018.

10. ‘Myanmar opens new round of delicate peace talks with ethnic armies’, *Radio Free Asia*, 11 July 2018.

11. ‘Next peace talks slated for next month or early 2019’, *Myanmar Times*, 26 November 2018.

12. ‘Myanmar opens new round of delicate peace talks with ethnic armies’.

tion of just 13 seats out of a total of 1,156.¹³ Growing popular disillusionment with the National League for Democracy meant that of 11, the party only retained six, with the others being gained by the Union Solidarity and Development Party (USDP, 3 seats) and the Chin League for Democracy, with the Shan National League for Democracy retaining one and the Arakan National Party (a nationalist party in Rakhine) losing its seat to an independent.¹⁴ What this indicates is a widening chasm between the NLD, by now perceived as spearheading Bamar nationalism, and the country's ethnic minorities.

The atmosphere in the country remained tense and un conducive to reconciliation after the 2017 violence. Most Myanmar citizens obtain their information through social media.¹⁵ Facebook and other social media have facilitated the spread of rumours and have yet to face up to their responsibilities. If anything, they are exacerbating the situation, as the recent scandal engulfing the CEO of Twitter on vacation in the country shows, as he praised its beauty and hospitality of its people while foregoing the venom spread through social media.¹⁶

The decline in media freedom in Myanmar has been widely noted.¹⁷ In fact the issue appears to be twofold, with the effect of reducing the quality of debate and information in the country. On the one hand was the government's reliance on colonial or military-era laws to stifle dissent. The Official Secrets Act – dating back to 1923! – was used multiple times to hinder the work of journalists, as in the case of the two Reuters journalists, Wa Lone and Kyaw Soe Oo, who were arrested in December 2017 on the charge of possession of illegal official documents and sentenced to seven years in prison in September 2018. As noted elsewhere,¹⁸ the two journalists were arrested for reporting on the crimes perpetrated by the Myanmar military in its operations against the Rohingya in 2017. The journalists appealed against the court ruling in a case that drew worldwide criticism, but little sympathy from the Myanmar government.¹⁹

On the other hand we should mention the widespread reliance on social media for information. A large proportion of Myanmar's popula-

13. Of the 13 constituencies 5 were for seats in the lower and upper house (one in the Amyotha Hluttaw and four for the Pyithu Hluttaw) and the remainder for state and regional hluttaws. Han Too Khant Paing & Richard Roewer, 'Testing the water: the 2018 by-elections and Myanmar's political future', *Tea Circle*, 19 December 2018.

14. *Ibid.*

15. Lisa Brooten, 'Myanmar's media landscape needs more than press freedom', *East Asia Forum*, 18 April 2018.

16. 'Twitter CEO accused of ignoring plight of Rohingya in tweets promoting Myanmar', *The Guardian*, 9 December 2018.

17. 'Myanmar media landscape needs more than press freedom'.

18. 'Myanmar 2017', p. 242.

19. 'Lawyers for Reuters journalists files appeal to overturn sentence', *Myanmar Times*, 6 November 2018; 'Myanmar court hears appeal of convicted Reuters journalists', *Myanmar Times*, 24 December 2018.

tion owns a mobile device (typically a smartphone). Although print media are widely available across the country (as are TV and radio), it is the Internet (and Facebook most notably) that has become the main source of information (there being 18 million users in the country).²⁰ The problem, as is widely noted in the literature, is the fact that groundless, unverified information – rumours – circulate unchecked and unverified and so contribute to the venomous atmosphere of hatred and nationalism. Of course, hate speech has not been created by Facebook or Twitter, but it has been enabled by it, with social media contributing to the current atmosphere of radicalism and nationalism that is so widespread in the country.²¹ Finally, in late 2018 Facebook appeared to respond to pressure to crack down on hate speech, closing Facebook pages, accounts and groups linked to the Myanmar military, including the page of Commander-in-Chief Min Aung Hlaing.²²

The quality of Myanmar's Internet connection may have improved tremendously in recent years,²³ but the quality of debate has most certainly not.²⁴ Although cohabitation between the formally civilian government led by the NLD and the military continues, there appears to be little evidence of open rifts between the two, aside from the initial displeasure of the armed forces with both the decision to create the state counsellor position and the way in which this was rushed and pushed through the legislature in 2016.

20. 'Why Facebook is losing the war on hate speech in Myanmar', *Reuters*, 15 August 2018.

21. 'Facebook among firms named on Myanmar's human rights «dirty list»', *The Guardian*, 12 December 2018; John Reed, 'Hate speech, atrocities and fake news: the crisis of democracy in Myanmar', *Financial Times*, 22 February 2018; Francois-Guillaume Jaeck, 'What role has social media played in facilitating the spread of hard-line nationalist sentiment in Myanmar?', *Tea Circle*, 13 June 2018; Ashley S. Kinseth, 'Genocide in Modern Myanmar: Social Media and the Proliferation of Hate Speech in Myanmar', *Tea Circle*, 10 May 2018; Mish Khan & Sam Taylor, 'Facebook in Myanmar: a human problem that AI can't solve', *Tea Circle*, 6 November 2018.

22. The Internet giant shut down 18 Facebook pages, one Instagram account and two Facebook pages linked to the military in August, and it subsequently closed down another 13 pages. Finally, in December it removed 425 pages, 17 groups and 35 accounts (and another 15 Instagram accounts) on the grounds of spreading hate and disseminating unfounded information online in an organised fashion. 'Facebook shuts hundreds more pages linked to Myanmar military', *The Irrawaddy*, 19 December 2018; 'Pressure mounts for Rakhine solution', *Myanmar Times*, 21 December 2018.

23. Basheerhamad Shadrach, 'Upgrading Myanmar's internet connection', *East Asia Forum*, 16 June 2018.

24. 'Myanmar's media landscape needs more than press freedom'; Yaw Bawm Mangshang, 'Myanmar's freedom of expression as a broken promise of the NLD', *Tea Circle*, 30 May 2018.

3. *The economy*

Akin to the other issues examined in this article, in which the performance of Myanmar's government has been less than impressive, blame has been ascribed to poor management and leadership. Aung San Suu Kyi has surrounded herself with advisors (and ministers) better known for their loyalty than their competence.

A brief focus on foreign direct investment (FDI) highlights how Myanmar's opening in recent year has been a mixed blessing.²⁵ From a purely quantitative perspective, Myanmar's performance is strong, topping the league of the 40 least-developed countries (LDCs),²⁶ with US\$ 4.3 billion of FDI in 2017. This built on a decade of positive data in this area, with FDI at a meagre US\$ 1.4 bn in 2012-13 up to US\$ 9.5 bn in 2015-16 for a total of US\$ 27.7 billion for the 2011-2016 period.²⁷ The Thilawa Special Economic Zone appeared particularly promising, as investment in the region by 150 companies from 17 different countries, as the government expects investment in Thilawa to exceed US\$ 1.7 billion.²⁸ Singaporean, Chinese and Japanese companies appeared particularly keen on moving some of their manufacturing to Myanmar. A shift from a quantitative to a more qualitative assessment reveals a different picture, however. In the period between 2016 and 2018 – thus during the NLD's tenure in office – FDI was clustered in a few key sectors, with oil and gas attracting 56% of the country's overall foreign investment for that period. Manufacturing attracted 25%, with hotel and tourism and agriculture attracting a meagre 4% and 1%, respectively.

There were some promising developments in the energy sector.²⁹ Home to reserves of about 1,820 billion cubic feet of natural gas and 139 million barrels in oil, Myanmar's hydrocarbons sector holds considerable promise for the country's economic future. It is therefore no surprise that the bulk of foreign investment has been channelled to either oil, gas or power sectors (about 56% in 2018).³⁰ Particularly attractive to foreign investors from India, China, Australia, the Netherlands and Korea is the development of offshore oil and gas fields, some of which are located off the coast of Rakhine state. Thus far

25. Zaw Myat Lin, 'Foreign Direct Investments and their implications for sustainable human development in Myanmar', *Tea Circle*, 14 November 2018.

26. 'Myanmar tops poor nation FDI league as China cash flows in', *Nikkei Asian Review*, 21 November 2018.

27. 'Foreign Direct Investments and their implications for sustainable human development in Myanmar'.

28. 'More foreign companies invest in Thilawa Special economic zone', *Myanmar Insider*, August 2018.

29. Thal Sandy Tun, 'Two steps backward to move forward: The energy sector moves in the right direction', *Tea Circle*, 1 May 2018; Paing Soe Hlaing, 'The birth of the liquefied petroleum gas market in Myanmar', *Tea Circle*, 10 December 2018.

30. 'Foreign Direct Investment and their implications for sustainable human development in Myanmar'.

the government's priorities lie in importing liquefied natural gas for domestic consumption and export local gas to generate hard currency.³¹ Despite some promising changes in terms of realising the country's natural resource wealth's considerable potential, as Gabusi notes especially in relation to the country's periphery, profound challenges and problems remain, including pertaining to issues of resource access and management.³²

In September the governments of Myanmar and China signed an important agreement launching the China Myanmar Economic Corridor,³³ a set of initiatives falling, unsurprisingly, within China's Belt and Road Initiative, China President Xi Jinping's flagship initiative. Originally announced by China's Foreign Minister Wang Yi in January, the CMEC stretches over 1,700 km, connecting Kunming in Yunnan province to Mandalay and Yangon in Myanmar. The agreement, worth US\$ 2bn, encompasses in excess of 24 projects in infrastructure, telecommunications, agriculture, transport, finance, manufacturing and human resource development.³⁴

China continues to exert considerable leverage over Myanmar's foreign and domestic policy, as the following section also illustrates. The agreement has been met with doubt and scepticism inside Myanmar as the today infamous debt trap in which a growing number of smaller economies dependent on China's investment are becoming stuck as in the cases of Sri Lanka and Montenegro.

Fearing that its failure to lift living standards and deliver economic reform would cost it dearly in the 2020 elections, the government embarked on some changes to both personnel and policy.³⁵ In a move designed to boost the country's attractiveness to foreign investors and reshuffle macro-economic policy, the government created a new ministry for Investment and Foreign Economic Relations.³⁶ The move was subject to extensive criticism as – and in line with Myanmar policy-making (mal)practices – it was not subject to consultation or discussion in parliament, and the share of responsibilities between various ministries and organs remained blurred. On 19 November the government in fact announced the creation of a Ministry

31. 'Two steps backward to move forward: The energy sector moves in the right direction'.

32. Giuseppe Gabusi, 'Change and continuity: capacity, coordination and natural resources in Myanmar's periphery', in Justine Chambers, Gerard McCarthy, Nicholas Farrelly & Chit Win (eds.), *Myanmar transformed? People, places and politics*, 2018, Singapore: ISEAS – Yusof Ishak Institute, pp. 137-160.

33. Myat Myat Mon, 'Maximizing Benefit and Reducing Risk in the China-Myanmar Economic Corridor', *Tea Circle*, 10 October 2018.

34. 'Maximizing Benefit and Reducing Risk in the China-Myanmar Economic Corridor'.

35. 'Myanmar tries to jump-start policy with new economic team', *Asia Nikkei Review*, 19 November 2018; 'MIC Chair U Thaug Tun to lead new foreign economic relations ministry', *Frontier Myanmar*, 21 November 2018.

36. 'MIC Chair U Thaug Tun'.

for Investment and Foreign Economic Relations, to be chaired by Thang Tun.³⁷ Thang Tun's career in government has been rapid. A former diplomat, he was appointed National Security Advisor in January 2017, before becoming the Minister for the Office of the Union Government in November of the same year. Moreover, in June 2018 he was appointed Chair of the Myanmar Investment Commission, before taking up this new post later in 2018,³⁸ raising questions about what, if any, achievements one could possibly attain during such short tenures in office. In late December the government announced a number of economic reforms aimed at liberalising the insurance sector, easing restrictions on foreign banks and establishing a credit rating bureau in an attempt to kick-start the long-heralded but never-quite-delivered economic liberalisation.³⁹

4. Foreign policy

4.1. Myanmar, Bangladesh and the Rohingya crisis

This article deals with the Rohingya crisis in the foreign policy section not because it shares the Myanmar authorities' perspective that the Rohingya are 'somebody else's problem', but rather because with some 750,000 refugees now stationed in neighbouring Bangladesh, this has become a transnational issue. Insofar as the Rohingya issue is concerned, the year 2018 was marked by the planned (but failed) gradual and voluntary implementation of the November 2017 agreement between Dhaka and Nay Pyi Taw, which would have seen the repatriation of the Rohingya refugees back to Myanmar. According to the agreement, which constitutes a framework for repatriation rather than a detailed plan, the process would be completed 'preferably within two years', starting from 23 January 2018.⁴⁰ Bangladesh committed to a voluntary repatriation of the Rohingya, reiterating that it would not send any back against their will. The Myanmar authorities in turn stated that the physical infrastructure required for the refugees' repatriation was in place.⁴¹ As per the 2017 agreement, the authorities in Dhaka would send an initial list of 100,000 Rohingya to be verified by the Myanmar authorities. This list was supposed to be drawn from a database compiled by the Bangladeshi authorities, and did not include any household information, rendering it impossible to produce family-based lists, hence the proposal was dropped. On 15 January, Nay Pyi Taw provided Bangladesh with a list of 580 Hindu and 750 Muslim Rohingya,

37. *Ibid.*

38. *Ibid.*

39. 'Myanmar steps up financial reforms', *Bangkok Post*, 24 December 2018.

40. International Crisis Group, *Bangladesh-Myanmar: The danger of forced Rohingya repatriation*, Asia briefing 153, 12 November 2018, p. 3.

41. *Ibid.*

but given the lack of information regarding whether these had been contacted or wished to return, Dhaka did not proceed with their repatriation.⁴² In February Bangladesh handed over a list of 1,673 Rohingya to Myanmar, but given that key information remained omitted (whether they had agreed to return), this course of action was also dropped, and so was the Myanmar request that 675 Rohingya from such a list would be sent back.⁴³ Whether the Rohingya should, under the current circumstances, return to Myanmar has been a source of considerable controversy.

In November the two countries embarked on what soon appeared to be a plan for forced repatriation of the refugees from Bangladesh to Myanmar.⁴⁴ On 15 November 2018, the Bangladeshi authorities began implementing the agreement. On 30 November, Myanmar and Bangladesh agreed on a repatriation deal and established a joint working group in Dhaka.⁴⁵ According to the agreement, 485 families (2,260 individuals) would return to Myanmar, 150 per day. At such a rate, this would take some 10 years to complete. However, the plan sparked controversy as it was immediately evident that no consultations with refugee agencies (or the refugees affected) had taken place and that no criteria for selecting families and individuals to be repatriated first or where they would be resettled had been determined, with the very prospect of the return of the Rohingya eliciting angry reactions inside Rakhine state.⁴⁶

On paper the Myanmar authorities claim to be ready to take the refugees back. The conditions in the camps remain appalling and the refugees' mobility is restricted. Inside Myanmar, however, burned villages have been bulldozed to make space for new buildings. Some new housings have been built in some of the areas affected, but certainly not in sufficient numbers to accommodate all of the refugees should they choose to return. In fact, large areas of Maungdaw township and other regions of northern Rakhine state are

42. *Ibid.*

43. *Ibid.*

44. International Crisis Group, *Myanmar/Bangladesh: A humanitarian calamity and a two-country crisis*, Commentary, 31 January 2018; Nyan Lynn Aung, 'ASEAN, Myanmar to formalise cooperation on refugee repatriation', *Myanmar Times*, 19 December 2018; Syeda Naushin Parnini, 'The Rohingya crisis a test for Bangladesh-Myanmar relations', *East Asia Forum*, 24 March 2018; Pranab Kumar Panday, 'Rohingya repatriation destined to fail', *East Asia Forum*, 14 December 2018.

45. Bangladesh is neither part of the 1951 Convention on Refugees nor a signatory to the 1967 protocol. That said, it is bound by customary international law to ensure that the Rohingya's return, if and when it happens, is safe. See *Myanmar/Bangladesh: A humanitarian calamity and a two-country crisis*, p. 3.

46. 'Rohingya fears grow as refugees face forcible return to Myanmar', *The Guardian*, 11 November 2018; 'Rohingya refugees flee camps to avoid return to Myanmar', *The Guardian*, 13 November 2018; 'First Rohingya Are to Be Returned to Myanmar Killing Grounds', *New York Times*, 14 November 2018; 'Myanmar and Bangladesh to begin repatriating Rohingya Muslims', *Financial Times*, 14 November 2018.

depopulated.⁴⁷ Non-Muslim villages are expanding, land is being confiscated, and security infrastructure is being rolled out.⁴⁸ The plan is to make entire parts of Rakhine Muslim-free, as even local Kamans have been relocated to Yangon out of security and safety concerns.⁴⁹ There has been no consultation with the United Nations (UN) or other refugee agencies, whose access to the affected areas of Rakhine state remains restricted. The UN and other agencies remain opposed to the repatriation under current conditions.⁵⁰

Bangladesh has never recognised the Rohingya as refugees: not those of the 2017 wave, not the earlier ones in 1978, 1991-92 or 2015. It has not sought their local integration and has traditionally insisted that they must return to Myanmar.⁵¹ That being said, the Rohingya refugees have essentially been part of Bangladeshi life since the country's independence in 1971.

Dhaka held its national elections in late December 2018, and Sheikh Hasina's Awami League – which won another landslide victory – was keen to postpone the decision until after the elections in order to capitalise on some domestic sympathy for both the Rohingya and the government's objective difficulty in managing the crisis. However, the presence of such large numbers of refugees is starting to take a toll on the regions immediately bordering Myanmar. Those Rohingya not living in the camps are seen as undercutting wages by offering to be paid less than local Bangladeshi citizens, thus highlighting a predicament that is all too common in modern-day migration patterns.⁵²

Furthermore, the areas around Cox's bazar (the Ukhiya and Teknaf districts) represent one of the main tourist attractions of the country and the presence of such vast refugee camps is considered detrimental. For this and other reasons, the possibility of relocating the Rohingya to remote Bhasan island in the Bay of Bengal has been aired, despite the place being deemed unsuitable to human dwellings given the risk of the island flooding during the monsoon season.⁵³ Amidst all of this, the Rohingya have not been consulted and those who feared being resettled in Myanmar have either gone into hiding or left the camps. What is increasingly apparent, and of growing concern to Bangladeshi authorities and citizens alike, is that the Rohingya

47. International Crisis Group, *The long haul ahead for Myanmar's Rohingya refugee crisis*, Asia report 296, 16 May 2018, p. 13.

48. *Ibid.*

49. *The Long Haul Ahead*, p. 5. Kamans are a legally recognised ethnic group in Myanmar and hold full citizenship.

50. Amnesty International, *Remaking Rakhine*, 2018. Mark Inkey, 'The nightmare awaiting Rohingya returnees', *The Diplomat*, 19 September 2018; 'UN will not help Myanmar with long-term camps for Rohingya: document', *The Irrawaddy*, 14 November 2018.

51. *The Long Haul Ahead*.

52. *Ibid.*, p. 11.

53. 'Footage shows «prison-like units» built for Rohingya on Bangladeshi island', *The Guardian*, 28 November 2018.

may be on Bangladeshi territory for a long time.⁵⁴ Dealing with the refugee crisis and finding a future for the Rohingya has not even remotely begun.

Another 16,000 Rohingya left Myanmar in 2018, heading either to Bangladesh or elsewhere on dangerous boat trips towards supposedly safer havens like Malaysia.⁵⁵ Those who sought to return temporarily to check houses and property were confronted with threats, torture and arrest.⁵⁶

4.2. *The role of China*

As noted elsewhere,⁵⁷ Myanmar's efforts at diversifying its foreign policy ties in the early to mid-2010s were just that: an attempt to complement its strong – if not unproblematic – ties with China with a more diverse set of international engagements. Nay Pyi Taw was not keen on moving away from China. Of course there have been bumps in the China-Myanmar bilateral relationship, as evidenced by the Myitsone dam project coming to a halt under the Thein Sein presidency. At the same time, and on the whole, ties remain warm. Aung San Suu Kyi had few hesitations in turning to Beijing for protection when criticism of Myanmar's Rohingya minority stimulated international outcry. China remains Myanmar's main political and economic partner and depends on China's goodwill for progress in peace-building and reconciliation.⁵⁸ Proof of the immense leverage China retains on Myanmar and neighbouring Bangladesh – and the considerable economic interests it holds in both countries – is the effective pressure it exerted on both Nay Pyi Taw and Dhaka to settle the Rohingya issue bilaterally, without involving multilateral solutions. Beijing proposed a 'three-phase plan' to solve the Rohingya issue, first involving a ceasefire to prevent further refugee flows, followed by the establishment of a stable line of communication between the two governments (ties between which remain tense) to jointly tackle the crisis, and finally the development of a long-term solution to acknowledge poverty in Rakhine as a factor in the making of the crisis.⁵⁹

From Beijing's perspective of Myanmar, the country represents an important piece in its Silk Road Economic Belt component of the Belt and

54. Trevor Wilson, 'Rohingya refugees trapped in limbo', *East Asia Forum*, 18 October 2018; 'Bangladesh admits on Rohingya willing to take repatriation offer', *The Guardian*, 15 November 2018; *The Long Haul Ahead*.

55. 'Fears of boat exodus as smugglers prey on Rohingya desperation', *Frontier Myanmar*, 23 November 2018.

56. *The Long Haul Ahead*.

57. Matteo Fumagalli, 'South Korea's relations with Myanmar: a stepping stone towards global engagement', Washington, DC: Korea Economic Institute of America, 16 February, 2017.

58. Marc Lanteigne, 'Myanmar has changed, but China's dominance remains', *East Asia Forum*, 11 May 2018.

59. Niang Peng, 'China and Myanmar's budding relationship', *East Asia Forum*, 23 August 2018.

Road Initiative.⁶⁰ Maintaining an economic foothold enables Beijing to gain strategic outreach in the Bay of Bengal, as well as reminding geopolitical rival India of its presence.

4.3. *Ties with neighbours and the USA*

In the Trump era, the United States of America (USA) has not only pivoted away from Asia but has folded into isolationism. US-Myanmar ties have visibly deteriorated compared to the Obama era, when both the President and Secretary of State of the time, Hilary Clinton, repeatedly visited the country in local displays of support, whether staged or genuine. Different members of the Trump administration, such as Vice-President Mike Pence and former Secretary of State Rex Tillerson, criticised not only the way the country handled the Rohingya crisis but rebuked Aung San Suu Kyi for not doing more.⁶¹ The Trump administration reimposed sanctions on Myanmar's military and brought up the Rohingya issue to the UN Security Council,⁶² a move resented by the government in Nay Pyi Taw.

Closer to home, Myanmar's authorities suffered severe criticism from nearby Malaysia, with Prime Minister Mahatir Mohamad explicitly criticising the Myanmar authorities.⁶³ Even the Association of Southeast Asian Nations (ASEAN) took a stance, issuing a statement at a summit in Singapore in mid-November noting that the Rohingya crisis was 'a matter of concern', a rare departure from the regional organisation's policy of non-interference,⁶⁴ and a sign of the growing discomfort of members like Malaysia and Indonesia.

4.4. *Relations with the UN*

Relations with refugee organisations and human rights groups have remained tense. While accusing Myanmar government (including Aung San Suu Kyi personally) of being complicit in the military-perpetrated ethnic cleansing, Nay Pyi Taw stubbornly refused to grant them access to areas of greater concern and insisted that all operations carried out in September were a legitimate response to terrorist attacks, being designed to restore peace and stability.⁶⁵ At the same time, and with considerable difficulty, Nay

60. Myat Myat Mon, 'Maximising benefit and reducing risk in the China-Myanmar Economic Corridor', *Tea Circle*, 10 October 2018.

61. 'Pence Decries Violence Against Rohingya in Open Remarks to Daw Aung San Suu Kyi', *The Irrawaddy*, 14 November 2018.

62. 'China and Myanmar's budding relationship'.

63. 'Defending the indefensible': Malaysia's Mahatir slams Suu Kyi over Rohingya crisis', *The Irrawaddy*, 14 November 2018. 'Myanmar's neighbours call for «accountability» in Rakhine crisis: draft statement', *The Irrawaddy*, 14 November 2018.

64. 'Pressure mounts on Myanmar as ASEAN raises refugee crisis', *Asia Nikkei Review*, 15 November 2018.

65. 'Democratic transition in Myanmar'.

Pyi Taw sought to mend ties with the international community. In attempts to reboot international engagement with Myanmar's authorities, the UN appointed Ambassador Christine Burgener as special envoy of the UN Secretary General in April, a move that was welcomed by Nay Pyi Taw. The Myanmar government established what it called an 'independent commission of enquiry' into the 2017 violence in Rakhine. In May plans were announced to establish an Independent Commission of Enquiry led by Ambassador Rosario Manalo, an ASEAN diplomat, and the Commission met for the first time in Nay Pyi Taw on 15 August.

Aung San Suu Kyi's rapid fall from global icon of peace to pariah complicit in mass violence 'at best' – and genocide at worst – was epitomised in the number of prizes withdrawn one after the other across the globe. Indeed, the Freedom of Dublin, Edinburgh or Glasgow Awards to the Gwangju Human Rights Award in South Korea and, perhaps more embarrassingly, Amnesty International's Freedom of Conscience Award, were all withdrawn.⁶⁶ Calls for her Nobel Peace Prize to be withdrawn were also constantly voiced during the year, with some calling for charges to be pressed against her for her complicity in the ethnic cleansing of the Rohingya.

5. Conclusion

As noted in a recent report by the International Crisis Group, Myanmar's transition has, at best, 'stalled'.⁶⁷ Despite some belated yet welcome attempts at re-engaging the international community with the aim of restoring part of its irreparably tarnished international image and to deliver on promises of economic reform, the government has continued to under-deliver on what had always been unrealistically high promises and expectations of change. The election of a new president and the nomination of a new economic team have done little to tackle the well-known challenges of poor management and centralised leadership in Myanmar.

The country's potential to transform itself remains, with the people of Myanmar being capable and energetic, as Walton noted in a sober but fair assessment of the (lack of) progress thus far.⁶⁸ The country's government, however, continues to fail its people, citizens or otherwise.

66. 'Aung San Suu Kyi stripped of Amnesty's highest honour over «shameful betrayal», *The Guardian*, 12 November 2018; 'Amnesty International strips Myanmar's Suu Kyi of «conscience» award', *The Irrawaddy*, 13 November 2018; 'From peace icon to pariah: Aung San Suu Kyi's fall from grace', *The Guardian*, 23 November 2018.

67. International Crisis Group, *Myanmar's stalled transition*, Asia briefing 151, 28 August 2018.

68. Matthew Walton, 'Reflections on Myanmar under the NLD so far', in Justine Chambers, Gerard McCarthy, Nicholas Farrelly, Chit Win (eds.), *Myanmar transformed? People, places and politics*, Singapore: ISEAS – Yusof Ishak Institute, pp. 311-318.

BANGLADESH 2018: SHEIKH HASINA'S TRIUMPH

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Bangladesh's parliamentary elections, held on 30 December 2018, saw Sheikh Hasina's landslide victory. Hasina's fourth term and third consecutive mandate was a sign of undisputable continuity.

Throughout the year the government continued an intensive anticorruption campaign, started when the Awami League came back to power in 2009. As a result, at the beginning of 2018 the Bangladesh National Party's leader and former Prime Minister Khaleda Zia along with a number of party members were jailed.

The main opposition party was facing an unprecedented crisis, which did not necessarily depend on the government's anticorruption activity.

The economy continued to perform well and foreign policy took a more articulated shape, beyond a not always easy balance between India and China.

The Rohingya emergency alleviated, as the refugees' influx to Bangladesh significantly reduced, but hundreds of thousands of refugees were still living in camps and their future looked uncertain.

1. Introduction

At Bangladesh parliamentary elections held on 30 December 2018 Sheikh Hasina's Awami League won a landslide victory. On the one hand, the arrest of the incumbent prime minister's rival, Khaleda Zia, and of several other Bangladesh National Party (BNP) members silenced the opposition.¹ On the other hand, Bangladeshi voters apparently appreciated the government's capacity to foster economic growth and guarantee security. The allegations of voting irregularities were not enough to explain the Awami League's impressive victory, whose real reasons should be carefully analysed.

Sheikh Hasina aims to appear a secular leader and the champion of Bangladesh's development and democratization. However, her government has used an iron fist against the opposition and adopted controversial measures aimed at discouraging political dissent. Rather than a

1. 'Bangladesh court orders arrest of Khalida Zia for arson attack', *Economic Times*, 2 January 2018; 'Khaleda Zia jailed for five years in corruption case', *Al Jazeera*, 8 February 2008; 'Ex-Bangladesh PM Khaleda Zia Gets 7 Years In Jail In Corruption Case', *NDTV*, 29 October 2018; 'Khaleda Zia sentenced to 7 years in another graft case', *Economic Times*, 29 October 2018.

democracy, Bangladesh under the Awami League's rule appears to be a «hybrid regime», namely a state which, in spite of the existence of democratic structures such as elections, is fundamentally authoritarian. However, it is worth stressing that this kind of political system is increasingly catching on in Asia as the ideal formula to ensure political stability and economic development.²

Bangladesh's economic growth is considered, indeed, as the effect of political stability and the main factor of the government's broad consensus.

As far as foreign policy is concerned, Bangladesh continued to carry out a regional policy in balance between its two powerful neighbours, India and China.

The Rohingya crisis, sparked in 2017,³ received much less attention from domestic and international media, but, although alleviated in 2018, still persisted. Whereas the refugees' influx diminished, an estimated 693,000 Rohingya were still in Bangladesh in April 2018⁴ and only a few of them accepted the proposal of a safe return to Myanmar at the end of the year.⁵

2. *The government's iron fist against the BNP*

In 2018 the BNP faced the worst leadership crisis in its history. On 2 January 2018 the court ordered Khaleda Zia's arrest as the instigator of the bomb attack on a bus that killed eight people during anti-government protests in Comilla in 2015.⁶

Just the day before, the prosecutors demanded the death sentence for Zia's son and BNP leader Tarique Rahman,⁷ who lives in exile in London, and for four other people for their alleged involvement in cases of murder and bomb attacks. Rahman is also accused of masterminding an attack in

2. 'Democracy decaying in Bangladesh', *East Asia Forum*, 6 March 2018. See also Nisha Sharmeen Ali, 'Bangladesh: Democracy Stumbles', *The Diplomat*, 6 December 2013.

3. On the Rohingya crisis in Bangladesh, Marzia Casolari, 'Bangladesh 2017: The Rohingya's carnage', *Asia Maior 2017*, pp. 245-266.

4. 'Rohingya crisis' (https://www.unicef.org/emergencies/bangladesh_100945.html).

5. Anna Ellis-Petersen, Shaikh Azizur Rahman, Michael Safi, 'Bangladesh admits no Rohingya willing to take repatriation offer', *The Guardian*, 15 November 2018.

6. 'Bangladesh court orders arrest of Khalida Zia for arson attack', *The Economic Times*, 2 January 2018. Regarding the BNP involvement in 2015 riots and the bus attacks, see Marzia Casolari, 'Bangladesh 2015: The Emergence of Radical Islam', *Asia Maior 2015*, pp. 313 and 315-316.

7. The party named Tarique Rahman its acting chairman the day after Khaleda Zia's arrest: 'Bangladesh opposition names Zia's son acting head', *Daily Mail*, 9 February 2018.

2004, when ten grenades were thrown on a peaceful rally organised by the Awami League, then in opposition.⁸

Khaleda Zia is facing several charges in different courts for stirring up the protracted violent protests of 2015, where 125 people were killed, and for publicly expressing doubts regarding the casualty figures of the 1971 Liberation War against Pakistan.

The former prime minister and her son were also facing several charges of graft.⁹ On 8 February 2018 Khaleda Zia was sentenced to five years imprisonment charged with embezzling about Tk 21 million (approximately US\$ 252,000). The sum came from foreign donations intended for a charity named after Ziaur Rahman, Bangladesh's former president and Khaleda's husband, and it was supposed to be employed to finance an orphanage. The crime was committed under Khaleda Zia's tenure as prime minister, between 2001 and 2006.¹⁰

This sentence was considered politically motivated, aimed at preventing Khaled Zia from challenging Sheikh Hasina in the elections and at silencing the BNP.¹¹ However the case was filed by the Anti-Corruption Commission (ACC) in 2008, when the nonelected nonpartisan caretaker government - whose members neither represented any political party, nor were allowed to contest the elections - was in power, tasked with preparing that year's elections. It is also worth noting that the case took ten years to close.¹²

Apparently, the Zia Orphanage Trust case was just the tip of the iceberg, since the sum for which Khaleda and her son had been convicted was only a small part of the suspected wealth accumulated by Khaleda Zia's eldest son, often from invisible income sources, during the two decades of his mother's political engagement.¹³

Corruption is a rampant problem in Bangladesh and the Zia Orphanage case was the occasion for the government to demonstrate to the country

8. Hasina barely escaped the attack, but sustained permanent partial hearing loss. 'Bangladesh court orders arrest'; 'Bangladesh prosecutors seek death for opposition leader's son', *Gulf Times*, 1 January 2018; 'Bangladesh court hands life sentence to acting opposition party chief over 2004 blasts', *Reuters*, 10 October 2018. In the attack 24 people lost their lives and about 300 were injured.

9. 'Khaleda Zia jailed'; 'Ex-Bangladesh PM Khaleda Zia Gets 7 Years', *NDTV*, 29 October 2018; 'Khaleda Zia sentenced to 7 years'; Marzia Casolari, 'Bangladesh 2014: Old Patterns, New Trends', *Asia Major* 2014, pp. 227.

10. 'Bangladesh Parliamentary Election December 2018', *GlobalSecurity.org*, without date; 'Khaleda Zia jailed'.

11. 'Khaleda Zia jailed'; 'Bangladesh opposition parties including BNP to contest election', *Reuters*, 11 November 2018; Smruti S. Pattanaik, 'Can Bangladesh Nationalist Party (BNP) Overcome the Leadership Crisis?', *Institute for Defence Studies and Analyses (IDSA)*, 15 February 2018; 'The conviction of Khaleda Zia hobbles Bangladesh's opposition', *The Economist*, 8 February 2018, online edition.

12. 'BNP in crisis, not country: Quader', *The Daily Star*, 9 February 2018; 'On corruption and Punishment', *Daily Sun*, 10 February 2018.

13. *Ibid.*

that it was taking the problem seriously and putting in practice the principle «equal justice for all»,¹⁴ irrespective of political affiliation or social position. Of course, in doing this, the Sheikh Hasina-led government was also able to thwart the opposition. In fact, under Bangladesh's Constitution anyone jailed for more than two years cannot contest an election for five years.¹⁵ This conveniently excluded Khaleda Zia from the 2018 election. The BNP then considered boycotting the vote, as it did in 2014.¹⁶

After rejecting the decision of the lower court to free Khaleda Zia on bail for four months on 19 March 2018, in May the Supreme Court reconsidered this response, after Zia's lawyers requested her release for health reasons.¹⁷ This decision was a wise compromise with the opposition, since it could open the door to the BNP's participation in the elections.¹⁸ In fact, had the BNP boycotted the general election for the second time, its registration with the Election Commission would have been cancelled, preventing it from contesting any further parliamentary polls.¹⁹ The ruling party was concerned about another boycott, which could have taken the country back to the 2013 unrest and affected its stability, with great damage to Bangladesh's economy.²⁰

14. *Ibid.* Corruption is a devastating problem in Bangladesh and the government passed several laws to address it, especially after 2004, when the ACC was established. Public servants found to be guilty of corruption are punished under the Government Servants (Discipline and Appeal) Rules, 1976, under Section 161 of the Penal Code, 1860 and under the Prevention of Corruption Act (PCA), 1947. Section 5 of the PCA establishes that «if a public servant is found in possession of pecuniary resources or property in excess of his own or her declared sources of income and he or she fails to submit to the court a satisfactory explanation for the possession of such property, the person may be sentenced to a prison term extending up to seven years, and the property may be confiscated by the State». A list of relevant Bangladeshi Law on corruption is in 'Business ethics and anticorruption laws: Bangladesh' (www.northonrosefulbright.com). Regarding anti-corruption laws and the role of ACC, see Marzia Casolari, 'Bangladesh 2014', pp. 226-227. What the Bangladeshi government did in 2018 was upholding existing laws.

15. 'Khaleda Zia jailed for five years'; 'Bangladesh prime minister denies'; Smriti S. Pattanaik, 'Can Bangladesh Nationalist Party (BNP) Overcome the Leadership Crisis?'

16. 'Bangladesh ex-PM gets bail; party to consider poll boycott', *Reuters*, 12 March 2018.

17. 'Bangladesh Parliamentary Election'; Bangladesh court orders release of opposition leader Khaleda Zia', *The New Indian Express*, 16 May 2018.

18. 'Bangladesh ex-PM gets bail'.

19. 'Will BNP contest polls without Khaleda?', *Dhaka Tribune*, 8 August 2018.

20. 'Bangladesh ex-PM gets bail'. Regarding 2014 riots and their consequences, see Marzia Casolari, 'Bangladesh in fiamme: dallo scontro politico alla guerriglia urbana', *Asia Maior 2013*, pp. 167-180.

3. The 2018 parliamentary elections

The 11th parliamentary elections were held as scheduled before the end of 2018 and took place on 30 December, in spite of Khaleda Zia's objections and the BNP's attempts to postpone the date.²¹

The coalition led by the ruling Awami League obtained 96% of the vote and 288 of the 298 seats of Bangladesh's one chamber parliament.²² Voter turnout was 80%.²³

The date of the polls was announced only on 8 November. Initially it was scheduled for 23 December, but on 12 November it was postponed to 30 December.²⁴ The opposition demanded to defer the polls by a month and wanted a caretaker government to administer the election process, but the government refused any postponement and rejected the request of a caretaker government as unconstitutional.²⁵

21. 'Elections will not wait for anyone', *The Daily Star*, 6 January 2018.

22. 'Bangladesh's Sheikh Hasina set for landslide win as opposition demands new vote', *Dawn*, 30 December 2018; 'Bangladesh PM Hasina wins thumping victory in elections opposition reject as «farical»', *The Guardian*, 31 December 2018.

23. 'Bangladesh PM Hasina wins thumping victory', *ibid.*

24. 'Polls now on December 30', *The Daily Star*, 13 November 2018.

25. 'Bangladesh election campaign begins without an opposition candidate to challenge Prime Minister Sheikh Hasina', *South China Morning Post*, 10 December 2018; 'Bangladesh opposition parties including BNP'. The first caretaker government was introduced in Bangladesh to ensure free and fair parliamentary elections during the delicate transition from Hussain Muhammad Ershad's authoritarian government to democracy in 1991. It was adopted as a permanent arrangement by the Thirteenth Amendment of the Constitution, under opposition pressure during the BNP government. The caretaker government should be a non-political and non-partisan government, but it is a difficult task in any country to find neutral people to take up such government responsibilities in sensitive moments for the nation. The Thirteenth Amendment identified the president in charge as responsible for the caretaker government. This arrangement has at least two problems: the first is that a president is never a neutral person, but is the expression of a political party and has his own political persuasion; the second problem is that according to the Thirteenth Amendment 11 advisers are responsible only to the president, while the latter has absolute control over the defence forces. These are the features of a presidential and not a parliamentary form of government. The Thirteenth Amendment conferred absolute powers on the president. Considering that in 2007 the caretaker government was backed by the military and it took more than a year to finalise the electoral process, in Bangladesh there is a serious risk that, paradoxically, a caretaker government instead of being non-partisan, becomes dictatorial. It is therefore understandable why in 2011 the Awami League's government introduced the Fifteenth Amendment, aimed at eliminating the Thirteenth Amendment and, accordingly, the caretaker government system. Regarding the caretaker government in Bangladesh, see Shahjahan Hafez Bhuiyan, 'The Caretaker Government in Bangladesh: An Appraisal of its Formation', *Politics, Administration, and Change*, No. 40, July-December 2003, pp. 33-51. About the elimination of the caretaker government, see Marzia Casolari, 'Bangladesh. Crescita economica e mutamenti sociali in un paese «nuovo»: un bilancio', *Asia Maior 2011*, pp. 234-235.

Before the election, the Awami League formed a coalition, the Grand Alliance, which included 14 parties with liberal democratic and leftist leanings, some of them belonging to liberal political Islam²⁶ and others with liberal-democratic and republican leanings. A number of hard-core leftist parties²⁷ (including the Communist Party of Bangladesh), the Trinamool BNP,²⁸ founded in November 2018 by a group of BNP's dissidents, and the Jatiya Party of former military dictator Hussain Muhammad Ershad joined this heterogeneous coalition as well.²⁹ Paradoxically, the Jatiya Party joined the Awami League's camp, although it was in opposition in the parliament.³⁰

The BNP participated in the election with a coalition of 20 parties.³¹ It included the United National Alliance (UNA) and the Jatiya Oikya Prokriya, or Jatiya Oikya Front (National Unity Front). Rather than proper parties, they were blocks of parties or conglomerate parties, formed by 58 and 20 bodies respectively.³²

The Jamaat-e-Islami, the BNP's historical ally, did not contest the elections, since its status as a political party was revoked in 2013.³³

From the ideological point of view, there was no meaningful difference between the two camps: the BNP-led coalition was certainly more

26. 'Awami League to form new grand alliance', *Dhaka Tribune*, 23 October 2018. Some of the Islamic parties within the coalition are the Islamic Front Bangladesh, the Zaker Party and the Sammilita Jote, that share the ideals of what can be defined as liberal political Islam and oppose the Jamaat e-Islami (JI) as the BNP's main ally and for being responsible for the 1971 massacre. To know more about these parties, see 'Islamist party prefers AL-led alliance over JaPa', *Dhaka Tribune*, 4 May 2017; Anwar A. Khan, 'Sammilita Sangskritik Jote: A magnificent cultural organization for Bangladesh', *The Asian Age*, part 1-3, 24 and 31 July, 2 August 2018; further information can be found at the party's website: <http://zakerpartybd.com>.

27. They are Ganatantrik Andolan, the Ganatantrik Jote and the newly founded Bam Ganatantrik Jote, the Jago Dal, the Ekamot Andolon, the Krishak Sramik Janata League: 'Awami League to form'. Unfortunately, at present it is not possible to describe the features and reconstruct the history of Bangladesh's political parties, due to lack of available sources and information. The existing literature focuses on political and electoral processes, rather than tracing the history of Bangladesh's party system or describing their programmes.

28. 'Nazmul Huda's Trinamool BNP, eight other parties «joining» Awami League-led coalition', *bdnews24.com*, 19 July 2018.

29. 'Awami League to form'.

30. The Jatiya Party joined a coalition led by the Awami League also in the 2008 election: 'Mega alliance in the making', *The Daily Star*, 14 November 2018.

31. 'BNP-led 20-Party Alliance to participate in the election', *Dhaka Tribune*, 11 November 2018.

32. 'BNP confirms more of its candidates as it shares nominations for seats with allies', *bdnews24.com*, 22 August 2018; 'Politics may see new polarization', *The Daily Star*, 21 October 2018; 'Bangladesh opposition parties including BNP'.

33. 'Jamaat e-Islami stripped of right to contest Bangladesh elections', *bdnews24.com*, 29 October 2018; 'Bangladeshi court bans Islamist party from elections', *The Guardian*, 1 August 2013.

conservative, since it included Islamic radical parties like the Jamaat-e-Islami, the Khelafat Majlish and the Jamiyate Ulamaye Islam, that advocated the Islamisation of the state. But the same coalition included also parties like the Krishak Sramik Janata League (Peasants' and Workers' People's League), presided by Kader Siddique, who fought the Bangladesh Liberation War in 1971 as a militant of the Mukti Bahini, the guerilla freedom fighters.³⁴

To give an example of the contradictions of the Bangladeshi political scene, the Jatiya Oikya Front was formed by four main parties: the Gono Forum (also spelled Gano Forum), which originated from a split of the Awami League;³⁵ the Jatiya Samajtantrik Dal (JSD), with socialist ideals; the already-mentioned Krishak Sramik Janata League; the Nagorik Oikya, founded in 2012 by Mahmudur Rahman Manna, former organizer secretary of the Awami League.³⁶

The Jatiya Oikya Front and the Gono Forum were founded by Kamal Hossain (aged 82). One of the nation's founding fathers and a member of the Bangladesh Constituent Assembly, he was considered the champion of secular democracy in Bangladesh.³⁷

The Khelafat Majlish, for instance, in 2006 allied with the Awami League³⁸. Paradoxically, now these parties sit on opposite sides in the parliament.

The political situation in Bangladesh has traditionally been contradictory and fluctuating, with parties shifting very easily from one camp to the other. As already pointed out, most leaders of the main parties now allied with the BNP in the past have been linked to the Awami League.

Titled «Bangladesh on march towards poverty», the 2018 electoral manifesto of the Awami League was based on the party's declaration at the national conference in 2016; «building a developed and digital Bangladesh» was its vision. Development was indeed the key subject of the Awami League electoral campaign: building up the blue economy, developing information and technology, fostering youth education and fighting malnutrition were its key objectives. The party pledged to carry out mega infrastructural projects, develop energy and mineral sectors, and improve youth employment. Freedom from poverty, terrorism, political extremism and corruption were its long term goals. More concretely, the party promised to create jobs for 10 million youths, to increase the GDP rate of growth from 7.8% to 10%, to bring the poverty rate from 22% to zero by 2041, to take measures to protect the

34. 'Valour of three teenage freedom fighters', *The Daily Star*, 26 March 2018. Kader Siddique was 15 when he fought in the Liberation War.

35. 'Two decades of Gono Forum', *Probenews*, 4 February 2012.

36. 'Nagorik Oikya is now a political party', *The Daily Star*, 2 June 2017.

37. 'In Bangladesh, a Secular Icon and the Centre-Right Opposition Join Hands', *The Wire*, 14 October 2018.

38. 'Hasina warns of plot against AL', *New Age*, 24 June 2007.

minorities and formulate a media friendly law, aimed at preventing the misuse of information and promoting a journalism «loyal to social liabilities».³⁹

The BNP's electoral manifesto focused on politics, justice, development and social equality. Strengthening democracy, protecting freedom of speech and expression and ensuring the independence of the judiciary were the key issues, but there was no reference to the economy. The party promised to scrap what it defined «the black laws», like the Digital Security Act, the Special Powers Act and the Official Secrets Act. Unfortunately, the BNP had already made the promise to scrap the Special Powers Act in 2001 and, when it was in power, did not maintain its promise.⁴⁰ The BNP pledged to stop extrajudicial killings, a practice that began under its government, in 2001-2006. It also promised freedom of speech, expression and information, although it was the BNP government which enacted the Information Technology Act in 2006, containing a clause that seriously compromised the freedom of information.⁴¹

The pre-electoral period was very tense: since the announcement of the ballot, on 8 November and up to the election day, the official death toll was 21. Activists of both sides complained of attacks on supporters and candidates. Only in the capital the voting was largely peaceful, due to the massive deployment of security.⁴²

Violence marred the election day, when at least 17 people were killed in clashes between the police, BNP's and Awami League's supporters, in spite of tight security measures and 600,000 troops deployed across the country.⁴³

When the results of the elections were declared, controversy broke out. The opposition accused the ruling party of vote rigging, reporting stuffed ballots and intimidations in 221 of 300 polling stations. The BNP branded the polls as «farcical» and urged the Election Commission to void the results. Khaleda Zia announced that the five elected BNP members would not take the oath.⁴⁴ On the other side, though the polls were still not closed the opposition declared it would reject the results of the elections.⁴⁵

39. 'Awami League finalizes election manifesto', *Dhaka Tribune*, 24 November 2018; 'AL vows to make media friendly law', *bssnews.net*, 18 December 2018; 'Election pledges: Awami League manifesto. View our mistakes with kindness', *The Daily Star*, 19 December 2018.

40. 'Election pledges: BNP manifesto. No black laws, no revenge', *The Daily Star*, 19 December 2018.

41. *Ibid.* Section 57 of the Act provides for the punishment of a maximum jail term of 14 years for the deliberate publication and transmission in printed or electronic form of false or obscene material. But an authoritarian government can use a similar provision to limit the freedom of the press, as actually happened in Bangladesh, during both governments: 'The trap of Section 57', *The Daily Star*, 7 July 2017.

42. 'Bangladesh's Sheikh Hasina set for landslide win'.

43. *Ibid.*; 'Bangladesh PM Hasina wins thumping victory'.

44. 'Bangladesh Prime Minister Sheikh Hasina to form new cabinet', *China Daily*, 3 January 2019.

45. 'Bangladesh PM Hasina wins thumping victory'.

In spite of the opposition's claims, the Election Commission reported only a few allegations of irregularities.⁴⁶ Hasina denied the allegations, defining the election «totally free and independent» and rejected the call for a fresh vote, requested by the opposition.⁴⁷

The 71 year old Sheikh Hasina secured a record fourth term and third consecutive mandate, ushering in a new phase of stability.

The elected members of parliament were sworn in on 3 January, while Prime Minister Hasina was expected to form the new cabinet by 10 January 2019.⁴⁸

4. *The reasons of the Awami League's success and the BNP's crisis*

Domestic and international media criticised the Awami League and Sheikh Hasina for being increasingly authoritarian and intolerant of dissent, for cracking down on the opposition with objectionable means and for human rights abuse. They labelled Bangladesh as a «one party democracy».⁴⁹ The prosecution of Khaleda Zia and her son was considered as the main cause of the BNP's crisis and defeat.⁵⁰

However, explaining the landslide election results in favour of the Awami League only as the result of vote-rigging, intimidation and repression would be simplistic. This is not to deny all these factors, but they alone are not enough to understand what was going on in Bangladesh. Similarly, explaining the BNP's leadership crisis only on the basis of its chiefs' troubles with the law is also simplistic.

Defining Bangladesh as a «one party democracy» is inappropriate: Bangladesh parliamentary politics are based on a multiparty system; the point is

46. 'Bangladesh's Sheikh Hasina set for landslide win'; 'Bangladesh prime minister denies accusations of rigged vote', *The Washington Post*, 31 December 2018; 'Bangladesh PM Hasina wins thumping victory', *ibid.*

47. 'Bangladesh PM Hasina wins thumping victory', *ibid.*

48. 'Bangladesh Prime Minister Sheikh Hasina to form new cabinet'.

49. 'Why Bangladesh's landslide election result is bad for its democracy', *The Washington Post*, 31 December 2018.

50. 'Bangladesh ex-PM gets bail', *ibid.*; 'Bangladesh's Sheikh Hasina set for landslide win'; 'Bangladesh PM Hasina wins thumping victory'; 'Bangladesh Elections: Choice of «Lesser of Two Evils», Voters Say', *The New York Times*, 29 December 2018; 'Bangladesh elections 2018: What you need to know', *Al Jazeera*, 29 December 2018; 'Bangladesh Votes Today, Sheikh Hasina Seeks Fourth Term As Prime Minister', *NDTV*, 30 December 2018; 'Why Bangladesh's landslide election result is bad', *ibid.*; 'Bangladesh elections: Sheikh Hasina's party wins large majority amid accusations of vote-rigging', *The Independent*, 31 December 2018; 'A disputed election and a dangerous new era for Bangladesh' politics', *CNN*, 1 January 2019. A bitter comment came also from the British government, through the Foreign and Commonwealth minister Mark Field: 'Minister for Asia statement on Bangladesh elections', www.gov.uk, 1 January 2019.

rather how parties form alliances.⁵¹ The reasons of the Awami League's success and the BNP's failure lie with their respective capacity to attract political allies. From the pre-election dynamic it was clear that the Awami League's formula, almost entirely based on the country's development and economic growth, was much more attractive than the BNP's. The Awami League proved to be more capable to represent the interests of Bangladeshi economic sectors. It is no coincidence, in fact, that three of Bangladesh's biggest tycoons were connected to the Awami League. The first one, Syed Abul Hossain, has been a member of Bangladeshi parliament since 1991 and served as minister of the State Local Government, Rural Development and Cooperatives between 2009 and 2012.⁵² Hossain is the founder of SAHCO International Ltd, a company that has worked since 1975 in infrastructural works, industrial and urban development, trading, construction, information technology and telecommunication, power, land and water management.⁵³

The second tycoon, Salman Fazlur Rahman, is vice chairman of the Beximco Group (Bangladesh Export Import Company Limited). Founded in 1970, Beximco is the largest conglomerate in Bangladesh and one of the largest textile producers in Asia, listed on the London Stock Exchange. The brand has investments across a wide range of other fields, including marine food, construction, information and communication technology, hotel management and trading.⁵⁴ Rahman is also the president of the Association of Television Channel Owners (ATCO).⁵⁵ From 2009 to the present, Rahman has been serving as the private sector development affairs adviser to Awami League President and Prime Minister Sheikh Hasina; this in spite of previous charges of corruption and fraud, in 1996 and 2007, which put him in jail for one year between 2007 and 2008, when he was granted bail.⁵⁶

The third tycoon, Sajeeb Wazed, Harvard-educated son of Sheikh Hasina, is the president of the US-based Wazed Consulting Inc. and honorary, unpaid ICT prime minister's adviser.⁵⁷

51. Rounaq Jahan, 'Political Parties, Movements, Elections and Democracy in Bangladesh', Gyantapas Abdur Razzaq Distinguished Lecture, 27 January 2018.

52. 'Abul Hossain: Allegations against me were completely lies', *Dhaka Tribune*, 12 February 2017.

53. See the official site of SAHCO International Ltd, at www.sahco.biz

54. 'All to know about Salman F Rahman', *Corporate Bangladesh*, 4 January 2018. See also Beximco's official site: www.beximcoltd.com. Besides being listed among the world's billionaires, Rahman is described also as a visionary and a philanthropist.

55. 'Salman F Rahman new ATCO president', *The Independent*, 22 May 2017.

56. 'All to know about Salman F Rahman'; 'Salman F. Rahman remains Sheikh Hasina's adviser', *bdnews24.com*, 6 November 2016; 'Salman Rahman freed on bail', *The Daily Star*, 28 August 2008; 'Bangladesh's Other Banking Scam', *The New York Times*, 11 April 2016.

57. 'Joy appointed as honorary ICT adviser to PM', *Prothom Alo*, 20 November 2014; 'Joy reappointed as PM's honorary ICT adviser', *Dhaka Tribune*, 15 January 2019.

The above are just examples of the strict connection between politics and business in Bangladesh. Over the years, patronage has replaced ideology as a means of building consensus.⁵⁸ Patron-client relations continue to be the «cornerstone»⁵⁹ of politics and society in Bangladesh, but they do not represent a mechanism to «further the interests of the party in power» anymore.⁶⁰ Rather, the opposite is true. Today, to take power the parties must further the interests of economic players. In recent years, the Awami League has been able to do that better than its rivals.

Besides these factors, there are other reasons of the BNP's crisis, intrinsic to the party's story. Patronage is the main cause of the BNP's crisis, although it is endemic amongst all parties. The BNP became eager to grab state power and resources, which it succeeded in doing by building up an extensive patron-client network. However this was a process that could not but increase corruption, in its extreme forms: criminalisation and political violence.⁶¹

Tarique Rahman's case is a typical example: he was prosecuted for political murder and is believed to be the most corrupt politician in Bangladesh, blamed also by his party fellows for being responsible for the BNP's political disaster.⁶²

58. But not in the way described by David Lewis. See his, *Bangladesh. Politics, Economy and Civil Society*, New York: Cambridge University Press, 2011, pp. 90-108.

59. *Ibid.*, p. 99.

60. *Ibid.*, p. 107.

61. Rounaq Jahan, 'Political Parties in Bangladesh', *CPD-CMI Working Paper*, 8 August 2014, pp. 2 and 59. CPD and CMI are Center for Policy Dialogue, Dhaka, and Chr. Michelsen Institute, Bergen, Norway, respectively.

62. 'Tarique Rahman's unending hunger – he wants money from everyone', *Blitz*, 21 December 2018. It is very complex to reconstruct the intricate system of corruption managed by the Zia family and its entourage. The period 2001-2006, when Khaleda Zia was in power, is considered the darkest period in Bangladesh's history. Arafat Rahman Koko, Khaleda's youngest son, was charged for laundering approximately US\$ 2 million, including US\$ 180,000 from Siemens, through US and Singapore bank accounts. Both brothers were arrested in 2007. Siemens admitted to having bribed also the minister of Telecommunications Aminul Haque, in charge between 2001 and 2006. Haque was sentenced in 2007 to 31 years of prison for supporting the Jama'ul Mujahideen Bangladesh, responsible for the elimination of political opponents: David Montero, 'Bangladesh. Following the Siemens Bribery Trail', *jbs*, 1 April 2009. Also the FBI investigated bribery and money laundering activities of Tarique Rahman and BNP's vice-chairman Giasuddin Al Mamun, who received US\$ 750,000 from Nirman Construction Ltd. and from the Chinese Harbin Engineering Company. Tarique Rahman was sentenced to seven years imprisonment and a fine of Tk 200 million in 2016. These are just the main corruption cases involving the Rahman brothers, a number of other cases involved Khaleda Zia and several BNP politicians: 'Corruption of Zia Family and Bangladesh Nationalist Party (BNP)', *Bangladesh Awami League*, ([http://www.albd.org/articles/news/31472/Corruption-of-Zia-Family-and-Bangladesh-Nationalist-Party-\(BNP\)](http://www.albd.org/articles/news/31472/Corruption-of-Zia-Family-and-Bangladesh-Nationalist-Party-(BNP))), 6 February 2018.

According to the American Embassy in Dhaka

His [Tarique Rahman's] theft of millions of dollars in public money has undermined political stability in this moderate Muslim-majority nation and subverted U.S. attempt to foster a stable democratic government, a key objective in this strategically important region. [...] Embassy Dhaka has three key priorities for Bangladesh: democratisation, development, and denial of space for terrorists. Tarique's audaciously corrupt activities jeopardize all three. [...] In short, much of what is wrong in Bangladesh can be blamed on Tarique and his cronies.⁶³

On the basis of these considerations, the American Embassy suggested suspending Tarique Rahman's visa for the United States.⁶⁴ *

In the year under review, BNP appeared to be in the midst of the worst crisis in its history, second only to the one caused by Ziaur Rahman's assassination (30 May 1981), with its charismatic leader, Khaleda Zia, in jail and many of its senior leaders facing criminal charges. The acting chairman, Tarique Rahman, from his London exile, could not easily lead the party, which was left drifting.⁶⁵

5. *The economy*

In 2017-2018 Bangladesh's economy grew 7.86%, overcoming the provisional estimate of 7.65%. Industry grew 12.06%, the services 6.39% and agriculture 4.19%.⁶⁶ In 2018 Bangladesh's GDP surpassed Pakistan's and is likely to surpass India's by 2020.⁶⁷ Since Bangladesh's economy start-

63. Telegram from the American Embassy in Dhaka to the Secretary of State, 8 November 2018 (https://wikileaks.org/plusd/cables/08DHAKA1143_a.html). The document contains an extensive and very detailed description of the crimes committed by Tarique Rahman, the multi-million «ill-gotten» wealth he accumulated, his habit of frequently demanding bribes from businessmen in connection with government procurements, his «systematic pattern of extortion», also involving foreign firms, and the manipulation of judicial process.

64. *Ibid.*

65. Smruti S. Pattanaik, 'Can Bangladesh Nationalist Party (BNP) Overcome the Leadership Crisis?'

66. 'GDP growth reaches 7.86pc in final count', *The Daily Star*, 19 September 2018.

67. World Economic Forum, *This is what you need to know about Bangladesh's remarkable economic rise*, April 2018; 'At current rates, Bangladesh could top India's per capita income by 2020', *Business Standard*, 28 May 2018; 'Bangladesh may surpass India in three years', *The Financial Express*, 30 May 2018; 'Why is Bangladesh's economy booming?', *livemint*, 25 April 2018.

ed to rise in 2006, its GDP growth has exceeded Pakistan's of about 2.5% per year, while Bangladesh's population growth is 1.1% per year, compared to Pakistan's 2.5%.⁶⁸

Bangladesh's poverty rate stands at 21.8% and extreme poverty at 11.3%, against 23.1% and 12.1% respectively, in 2017; the government is expecting to bring it to zero by 2030. Per capita income in 2018 was US\$ 1,751.⁶⁹

Today Bangladesh's economy is among the fastest growing economies in the developing world, underpinned by strong domestic demand and structural transformation, aiming to create more and better jobs, boost private investment, diversify exports, build human capital, and create a business-friendly environment.⁷⁰

In spite of the recovery in garment exports and remittances, the deficit has increased because of the rise in imports. Account and fiscal deficits are expected to increase, although the risks of external and public debt distress are low. Inflation is expected to accelerate due to the increase of global commodity prices.⁷¹

Commenting on the election results, most media connected Hasina's victory to the country's impressive economic growth, relating it to political stability, which they described as fruit of authoritarian and repressive methods.⁷² Bangladesh's economic rise is therefore generally considered as the most meaningful result of an authoritarian and stable political system.

However, a more likely cause of Bangladesh's remarkable economic growth appears to be the progressive social policies carried out in recent years, namely education, of girls in particular, healthcare and female empowerment.⁷³

At the moment of writing, Bangladesh's integration in the global financial chain and supply markets is still limited; therefore the country does not appear to be totally immune from the effects of possible disruptive events, like negative financial market trends, increased trade protectionism, escalating geopolitical tensions, volatility in oil prices. These factors can have negative effects on global economic growth and, consequently, on Bangladesh's export prospects.⁷⁴

68. 'This is what you need to know'; 'Why is Bangladesh's economy booming?'

69. 'GDP growth reaches 7.86pc'.

70. The World Bank, *Bangladesh Development Update. Powering the economy efficiently*, 1 October 2018, p. VII.

71. *Ibid.*, pp. VII and IX.

72. 'Bangladesh election: Sheikh Hasina heads for tainted victory', *The Guardian*, 27 December 2018; 'Bangladesh election: PM Sheikh Hasina wins landslide in disputed vote', *BBC News*, 31 December 2018; 'Bangladesh's Sheikh Hasina set for landslide win'; 'Bangladesh PM Hasina wins thumping victory'; 'Bangladesh prime minister denies accusations'.

73. 'This is what you need to know'; 'Why is Bangladesh's economy booming?'

74. The World Bank, *Bangladesh Development Update*, pp. 22-23.

In order to reduce possible downward risks, the top policy priorities remain creating more and better jobs by enhancing private investment, building human capital, diversifying exports, improving financial and economic governance and enhancing infrastructural investment, especially in electricity supply, since energy efficiency is an essential condition for industrial growth.⁷⁵

6. Foreign policy

As noted by the analyst Ishrat Hossain of the University of Oxford: «As the strategic rivalry between India and China intensifies, Bangladesh increasingly finds itself embroiled in a great game along the Indian Ocean».⁷⁶ The escalation of India-China rivalry in the region has made Bangladesh a key battleground and has shaped Narendra Modi's foreign policy initiatives, like «Act East» and «Neighbourhood First».⁷⁷ Although the former is being labelled as the «old Look East wine put in a new bottle»,⁷⁸ it contains some innovations, introduced by the «Modi Doctrine».

The ambitious projects of the Indian prime minister aim to integrate South Asia with both Western Asia and Eastern Africa.⁷⁹ As the whole of South Asia is included in this frame, Bangladesh plays a key role in this geopolitical design.

The «Neighbourhood First» policy gives topmost priority to India's relations with neighbouring countries. India is aware that if it does not improve its relations with its neighbours, it will pave the way to China's growing influence in the region.⁸⁰

Bangladesh's relations with India warmed up when Sheikh Hasina came to power in 2009 and intensified after Narendra Modi's rise in 2014.⁸¹ Narendra Modi warmly welcomed Sheikh Hasina's electoral victory.⁸² In his

75. *Ibid.*, pp. VII, IX, 26-33.

76. Ishrat Hossain, 'Bangladesh balances between big brothers China and India', *East Asia Forum*, 6 June 2018.

77. *Ibid.*

78. *Ibid.*

79. Sudhanshu Tripathi, 'Why India is switching from a Look East to an Act East policy', *Asia Times*, 15 June 2017.

80. Vinay Kaura, 'Grading India's Neighbourhood Diplomacy', *The Diplomat*, 1 January 2018.

81. For an overview of Bangladesh-India relations in Modi's era, see Marzia Casolari, 'Bangladesh 2014', pp. 230-233; Marzia Casolari, 'Bangladesh 2015', pp. 336-338; Marzia Casolari, 'Bangladesh 2016', pp. 293-295; Marzia Casolari, 'Bangladesh 2017', pp. 261-262.

82. 'PM Modi congratulates Sheikh Hasina on landslide victory in Bangladesh elections', *India Today*, 31 December 2018; 'Delhi congratulates Dhaka for «successful elections»', *Dhaka Tribune*, 31 December 2018.

message to the Bangladeshi prime minister, Modi reiterated the importance India attaches to Bangladesh as a close partner for regional cooperation and as the central pillar of India's «Neighbourhood First» policy. However, in spite of bilateral cordial relations, the agreement on the sharing of the Teesta River waters is yet to be signed.⁸³

In April 2018 the Bangladeshi prime minister visited India: the Indian government used this occasion to announce a new credit line of US\$ 4.5 billion for Bangladesh and US\$ 500 million for Bangladesh's purchase of Indian defence hardware.⁸⁴

Bangladesh plays a key role in India's counterterrorism strategy.⁸⁵ The first joint training exercise at the transnational level under BIMSTEC-Milex 2018 took place in Pune (10-16 September 2018), with the participation of troops of all member states, except Nepal and Thailand, which sent observers.⁸⁶

Bangladesh is also the gateway for India's regional initiatives, namely the Bangladesh-Bhutan-India-Nepal (BBIN) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).⁸⁷ At the 4th BIMSTEC summit, held in Kathmandu on 30 and 31 August 2018, a MoU was signed on the establishment of the BIMSTEC Grid Interconnection to enhance energy cooperation among the seven member states.⁸⁸

From being the keystone of China's Belt and Road Initiative (BRI) in South Asia, recently Bangladesh has become the second largest importer of Chinese arms after Pakistan.⁸⁹ A huge contract for the supply of 23 Hogdu K-8W training aircraft to the Bangladesh Air Force was signed in Dhaka on 20 June. The amount of the deal was more than US\$ 200 million.⁹⁰

As far as the BRI is concerned, of the three planned mega projects, only the Payra coal power plant is under construction, while the Dhaka-Jessore railway and the Karnaphuli underwater tunnel are in the project phase.⁹¹

Bangladesh's foreign policy has been evolving: its engagement goes beyond relations with the traditional partners (India, China, Japan, UK,

83. Vinay Kaura, 'Grading India's Neighborhood Diplomacy'; Marzia Casolari, Bangladesh 2017, pp. 261-262.

84. Vinay Kaura, 'Grading India's Neighbourhood Diplomacy'.

85. *Ibid.*

86. 'MILEX-18: First military exercise of BIMSTEC countries held in Pune', *GKToday*, 11 September 2018 'Bimstec Milex 2018: Camaraderie, counter-terrorism operations on strong footing', *Hindustan Times*, 19 September 2018. The BIMSTEC countries include Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.

87. *Ibid.*

88. '4th BIMSTEC Summit concludes', *Economic Times*, 31 August 2018; Nazia Hussain, 'Can BIMSTEC Finally Become Relevant?', *The Diplomat*, 2 November 2018.

89. Ishrat Hossain, 'Bangladesh balances between big brothers'.

90. 'Bangladesh New Military Deal With China', *The Diplomat*, 27 June 2018.

91. Ishrat Hossain, 'Bangladesh balances between big brothers'.

US and Russia) and beyond its participation in the regional integration through SAARC, BIMSTEC, BBI, SASEC (South Asia Subregional Economic Cooperation) and BCIM (Bangladesh-China-India-Myanmar corridor). Recently Bangladesh has been looking at the European Union to increase economic ties, develop cooperation for democratisation programmes and enhance partnerships in areas of environment protection.⁹²

Multilateralism within the UN system has remained the pillar of Bangladesh's foreign policy.⁹³

7. *The aftermaths of the Rohingya crisis*

Considering the tremendous impact of the Rohingya crisis on Bangladesh in 2017,⁹⁴ the aftermath of the crisis in 2018 cannot be glossed over. At the end of May 2018 the UN struck a deal with Myanmar, allowing hundreds of thousands of Rohingya refugees in Bangladesh to return to Myanmar safely and by choice. Conditional for the finalisation of the agreement had been the acceptance by Myanmar of the concession of citizenship and human rights for the refugees returning to Myanmar. However, the deal did not guarantee freedom of movement outside the Rakhine state. Refugees' representatives and human rights organisations argued that the agreement still failed to ensure basic rights for the Rohingya.⁹⁵

In October the UN overturned its decision, with the discovery that the genocide against the Rohingya was still ongoing in Myanmar, although Bangladesh and Myanmar had already agreed to start the repatriation process.⁹⁶

Fortunately, the Bangladeshi government was totally committed to the principle of non-refoulement⁹⁷ and pledged to adhere to the principle of

92. 'FM outlines new priorities in Bangladesh foreign policy to face changing world', *bdnews24.com*, 10 January 2018.

93. *Ibid.*

94. Marzia Casolari, 'Bangladesh 2017', pp. 246-258.

95. Poppy McPerson & Zeba Siddiqui, 'Secret U.N.-Myanmar deal on Rohingya offers no guarantees on citizenship', *Reuters*, 29 March 2018.

96. Anna Ellis-Petersen & Shaikh Azizur Rahman, 'Rohingyas to be repatriated despite UN genocide warning', *The Guardian*, 30 October 2018.

97. The principle of non-refoulement prohibits States from transferring or removing individuals from their jurisdiction or effective control when there are substantial grounds for believing that the person would be at risk of irreparable harm upon return, including persecution, torture, ill-treatment or other serious human rights violations. United Nations, Human Rights, Office of the high commissioner, *The principle of non-refoulement under international human rights law*, without date (<https://www.ohchr.org/Documents/Issues/Migration/GlobalCompactMigration/The-PrincipleNon-RefoulementUnderInternationalHumanRightsLaw.pdf>).

voluntary repatriation only. The result was that, in spite of the preparations by the Bangladeshi authorities for a safe return, no Rohingya refugee accepted to go back to Myanmar.⁹⁸

98. Anna Ellis-Petersen & Shaikh Azizur Rahman, 'Rohingyas to be repatriated despite UN genocide warning'.

INDIA 2018: POLITICAL UNCERTAINTY AND ECONOMIC DIFFICULTIES*

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In 2018, India's internal evolution was characterised, at the political level, by two main developments, both a continuation of trends already visible the previous year. The first was the weakening of Modi's aura of invincibility, epitomised by a string of defeats suffered by the BJP in that year's state elections. The second was the alarming continuation in the erosion of democracy, highlighted, among other negative processes, by the attack on the independence of key state institutions, such as the Reserve Bank of India (RBI) and the Central Bureau of Investigation (CBI).

At the economic level the situation was characterised by the apparent recovery of the economy, after the difficulties experienced in 2017. However doubts emerged that this recovery was more apparent than real, as it was the result of untrustworthy government-released figures. Even accepting at face value these dubious figures, the fact remains that India's economic growth – whatever its real dimension may have been – appeared unable to resolve a set of major socio-economic problems, in particular the insufficient rate of job-creation and the ongoing agrarian crisis.

1. Introduction

This article focuses on the internal situation and the economic evolution of India in the year 2018. As far as the former topic is concerned, two main developments characterised the period, both a continuation of previous trends. The first development was the fact that – as these authors noted while analysing India's political scenario during 2017 – in the second part of that year, Narendra Modi's aura of invincibility seemed to be slowly falling apart.¹ This process continued in the year under review and, at the end of 2018, in the wake of the BJP's numerous electoral defeats – and only a few months ahead of the 2019 general elections – very little remained of that aura.

* The present article is the outcome of a joint research effort, every single part of it having been discussed by the two authors before being jointly written and revised afterwards. However, the final draft of parts 1, 3 and 4 has been written by Michलगuglielmo Torri, whereas the final draft of part 2 has been written by Diego Maiorano.

1. Michलगuglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', *Asia Maior* 2017, pp. 267-290.

The second trend, which these authors identified in their analyses of the Modi government's policies since 2014, was the continuing and substantial erosion of India's democracy. In the year under review, not only did the low level yet pervasive violence against Muslims and Christians continue, accompanied by the government pursuit of an increasingly radical *Hindutva* agenda, but there was the attempt to undermine the independence of key state institutions, such as the Reserve Bank of India (RBI) and the Central Bureau of Investigation (CBI).

Concerning the second topic of this article, namely the economic evolution of India, the situation appeared rather contradictory. On the one hand, in spite of the shocks administered by demonetisation and by the introduction of the Goods and Services Tax in 2017, in the year under review the GDP surged ahead with remarkable rapidity. However, this rapid growth concealed a host of small and large problems afflicting the Indian economy and society, some inherited from previous governments, but most created or worsened by the government in charge.

In this article we will analyse the two main developments characterising India's domestic politics in the year under review and we will try to shed light on the contradictory data characterising India's economic evolution. More precisely, we will start with an analysis of the string of electoral defeats suffered by the BJP in 2018. Then, after briefly touching on the low-intensity violence against the minorities – which has continued along the same lines since 2014 and which these authors have already analysed in previous articles² – the Modi government's attack on state institutions will be discussed. We will then highlight the positive data related to India's economic growth in 2018; this will be followed by a critical examination of these data; in so doing, some of the numerous contradictory indicators will be quoted. We will also show that the Modi government was not unaware of the underlying problems affecting the Indian economy; in fact the Finance Minister tried to tackle some of them in the 2018-19 budget, which will be examined. However, it will be shown that the measures taken in the budget were insufficient to turn around the two major negative problems affecting India's economic development: the insufficient growth in employment and the ongoing agrarian crisis.

2. State elections

During 2018, nine BJP states went to the polls. Table 1 summarises the results.

2. Michelguglielmo Torri & Diego Maiorano, 'India 2015: The uncertain record of the Modi government', *Asia Maior 2015*, pp. 376-382, and Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', pp. 269-70.

Table 1– Summary of state election results

State	Incumbent party	Ruling party 2018-	Chief Minister
Tripura	CPI(Marxist)	BJP	Biplab Kumar Deb
Meghalaya	INC	NPP & Allies*	Conrad Sangma
Nagaland	NPF	NDPP & Allies*	Neiphiu Rio
Karnataka	INC	INC & Allies	H. D. Kumaraswamy
Chhattisgarh	BJP	INC	Bupesh Baghel
Madhya Pradesh	BJP	INC & Allies	Kamal Nath
Mizoram	INC	MNF	Zoramthanga
Rajasthan	BJP	INC & Allies	Ashok Ghelot
Telangana	TRS	TRS	K. Chandrashekar Rao

Legend: CPI(Marxist): Communist Party of India (Marxist); BJP: Bharatiya Janata Party; INC: Indian National Congress; NPP: National People's Party; NPF: Naga's People Front; NDPP: Nationalistic Democratic Progressive Party; MNF: Mizo National Front; TRS: Telangana Rashtra Samithi.

*Include the BJP in the ruling coalition.

Source: Election Commission of India

The BJP won only one state – tiny Tripura – and lost three important ones that it had governed to the Congress. It also became a junior ally in two other small north-eastern states, Nagaland and Meghalaya.

There were four items of good news for the BJP. First, the success in Tripura was significant. The party, which had no seats in the previous assembly, secured an absolute majority; also, its vote share jumped from 1.5% to 43%. Tripura's result was significant also because it signalled the inroads that the BJP has made in the north-eastern region. In fact, after the 2018 Tripura elections, Modi's party governed on its own or as coalition partner in all the states of the area. However, this part of the country is relatively unimportant in electoral terms, as it elects only 24 MPs to the Lok Sabha.

Second, the BJP emerged as the single largest party in Karnataka (104 seats), even though the post-poll alliance between the Congress and the JD(S) prevented the BJP from forming a government.

Third, the BJP's resilience in Madhya Pradesh – where it had governed for 15 years – was impressive as the party ended with a vote share that, although significantly lower than five years ago, was still on par with the Congress's.

Fourth, the Telangana Rashtra Samithi (TRS) convincingly won the Telangana elections, defeating the (on paper) formidable alliance of the Congress-Telugu Desam Party (TDP). This must have pleased the BJP's leadership, not only because the TRS leader, K. Chandrashekar Rao, is one of the few possible allies of the saffron party in the South, but also because a

Congress-TDP alliance success would have boosted the two parties' effort to build up a large anti-BJP alliance for the 2019 general elections.

Overall, however, it is clear that the BJP had little to celebrate and was able to win only 392 seats out of a total of 1,080.

The 2018 state elections included four states where the contest was between the BJP and the Congress. For reasons of space, this article will examine these states only.

In Karnataka, the elections, held in May, resulted in a hung assembly. Table 2 summarises the results.

Alliance	Party	Seats won	Seat change	Vote share	Vote Swing
-	BJP	104	+64	36.22%	+16.3
INC-JD(S) (post-poll)	INC	78	-42	38.04%	+1.4
	JD(S)	37	-3	18.36%	-1.9
-	Others	3	NA	7.38%	
Total		222		100	

Legend: JD(S): Janata Dal (Secular)
Source: Election Commission of India

While the BJP's performance was disappointing, three factors played against the Congress. First, since 1985, no government in the state has been re-elected. Second, the support of the Congress party was spread across the state, whereas the BJP and the JD(S)'s voters were concentrated, which made it easier for them to convert votes into seats. Third, the state had been affected by at least three years of drought.³ Given these unfavourable initial conditions, it is significant that the Congress managed to retain control of the state, albeit as a coalition partner.

In fact, the Congress government was quite popular, as its stable vote share shows. The state government, under Chief Minister Siddaramaiah, had implemented a number of generous welfare schemes. These included the provision of free rice to the state's residents and free milk to schoolchildren; a loan-waiver targeted at the Congress's traditional supporters, the Scheduled Classes and Tribes and sections of the Other Backward Classes; and the setting up of the Indira Canteens, where food is provided at very low prices.⁴ Furthermore, the government had skilfully tried to break the

3. James Manor, 'Karnataka May Not Provide a Roadmap to the 2019 Elections', *The Wire*, 11 May 2018.

4. Ronojoy Sen, 'Karnataka Assembly Elections 2018: A Close Contest on the Cards', *ISAS Brief No. 570*, Institute of South Asian Studies, National University of Singapore.

main caste bloc of BJP voters, the Lingayats, by proposing to grant minority status to the community.⁵ Finally, the chief minister had tried to shift the focus of the elections to local issues – knowing that allowing Modi to campaign on the basis of a national narrative would be a big disadvantage for the Congress party. A prominent part of the (successful) attempt to «localise» the state elections had been the proposal of a new flag for the state of Karnataka.⁶

Shortly after the results were declared, the Congress and the JD(S) announced that they had formed an alliance and that JD(S)'s leader, H. D. Kumaraswamy, was their candidate for chief minister. This was an important concession by the Congress, considering that the party had won more than twice as many seats than the JD(S). It was even more important in the context of the forthcoming general elections, as it signalled that the Congress had come to terms with the fact that, given its reduced presence across the country, it could not expect to be viewed by its potential allies as the «natural» governing party and, therefore, must be ready to make significant concessions, although this will be subject to state-specific political considerations.

Despite the fact that the Congress-JD(S) had struck a deal, the governor of the state, Vajubhai Rudabhai Vala, a former minister in Modi's cabinet in Gujarat, invited the BJP to form the government. The governor's decision sparked protest by the Congress, the JD(S) and other regional parties across the country.⁷ Even more upsetting was the Vala's decision to grant 15 days to the BJP's state leader, former Chief Minister B. S. Yeddyurappa, to form a government. This was seen as an invitation to horse-trading to secure the seven legislators that the BJP needed to win a floor test. The Congress and the JD(S) sent all their elected MLAs to a resort in Kochi to prevent them being tempted by potential offers from the BJP.⁸ The issue was settled by the Supreme Court, which ordered that the floor test had to be conducted within 48 hours.⁹ Yeddyurappa, facing almost certain defeat, resigned, paving the way for the appointment of Kumaraswamy as the new chief minister. The BJP's gamble did not pay off, rather it backfired. On the one hand, it showed once again the scant respect that the saffron party – not unlike the Congress, particularly under Indira Gandhi – had for institu-

5. For an historical account of the basis of the proposal, see Gauri Lankesh, 'Making Sense of the Lingayat vs Veerashaiva Debate', *The Wire*, 8 August 2017.

6. James Manor, 'The Election Outlook in Karnataka', *Economic and Political Weekly*, Vol. 52, No. 5, 3 February 2018.

7. 'Karnataka issue fuels anti-BJP anger across party lines in southern states', *Live Mint*, 19 May 2018.

8. 'The Daily Fix: Why did the Karnataka governor give the BJP 15 whole days to prove its majority?', *scroll.in*, 18 May 2018.

9. A «floor test» is a constitutional mechanism under which a chief minister is asked by the governor of the state to prove to have the support of the majority of MLAs by moving a vote of confidence.

tional norms, and the degree to which it managed to politicise supposedly independent authorities like the governors. On the other hand, the attempt to prevent the Congress-JD(S) from forming a government sent a chilling message to other regional parties. This in turn gave some impetus to attempts to form a broad constellation of alliances in different states, with the objective of preventing the BJP from retaining power at the national level in 2019. In fact, several opposition leaders attended the swearing-in ceremony of Kumaraswamy.¹⁰

In the Hindi belt, the contest between the Congress and the BJP ended with a clear victory for the Congress, which secured all three states that went to polls: Rajasthan, Chhattisgarh and Madhya Pradesh. All three were formerly governed by the BJP (the latter two for three consecutive terms). Tables 3, 4 and 5 show the detailed results.

Alliance	Party	Seats won	Seat change	Vote share	Vote Swing
-	INC	68	+29	43%	+2.57
-	BJP	15	-34	33%	-8.04
BSP+JCC (J)	BSP	2	+1	3.9%	-0.37
	JCC(J)	5	NA	7.6%	NA
-	Others	0	NA	12.5%	NA
Total		90		100	

Legend: BSP: Bahujan Samaj Party; JCC (J): Janta Congress Chhattisgarh (J).
Source: Election Commission of India

Alliance	Party	Seats won	Seat change	Vote share	Vote Swing
-	INC	114	+56	40.9%	+4.11
-	BJP	109	-56	41%	-4.19
-	BSP	2	-2	5%	-1.42
-	Others	5	NA	13.1%	NA
Total		230		100	

Legend: SP: Samajwadi Party
Source: Election Commission of India

10. 'Opposition's massive show of unity steals limelight at Kumaraswamy's swearing-in', *India Today*, 23 May 2018.

Table 5 – Rajasthan election results

Alliance	Party	Seats won	Seat change	Vote share	Vote Swing
-	INC	99	+78	39.3%	+6.23
-	BJP	73	-90	38.8%	-6.37
-	BSP	6	+3	4%	+0.63
-	Others	21	NA	17.9	NA
Total		199		100	

Source: Election Commission of India

Despite the fact that the results in the three Hindi belt states were largely due to local factors – in particular, anti-incumbency sentiments – they nevertheless were characterised by a few common elements. First, there was quite a significant swing of votes away from the BJP (compared to the 2013 state elections), ranging from 8% in Chhattisgarh to 4% in Madhya Pradesh. The loss of votes was even sharper if compared to the results of the 2014 general elections in the three states, with the BJP losing as many as 15.7% in Chhattisgarh, 14% in Madhya Pradesh, and 12.1% in Rajasthan. In 2014, the BJP won 62 out of 65 seats in these three states. If the results of the 2019 general election are along the lines of those of the 2018 state elections – and, historically, in these states the results of national and state elections tend to coincide – the BJP’s seat tally could be halved.¹¹ However, the exceptionally high vote share of the BJP in these three states in 2014 also suggests that the «Modi factor» had been an important one in determining the results of the national polls. The erosion of the BJP’s support might well be due to anti-incumbency feelings against the state governments, rather than to declining popularity of the prime minister.

Second, it is clear that the rural distress that has engulfed the country in the last few years – bringing hundreds of thousands of farmers onto the streets¹² - had a profound impact on the election results. In fact, the BJP’s strike rates (defined as the proportion of seats that the party won among those it contested) dropped dramatically in rural areas, particularly in those with a high ratio of farmers.¹³ This is a major problem for the BJP, considering that not only 342 out of 543 seats of the Lok Sabha represent predominantly rural constituencies;¹⁴ but that, in 2017, the BJP suffered significant

11. ‘How this translates to Lok Sabha: BJP tally down 62 to 31 in three states’, *Indian Express*, 12 December 2018.

12. Arjun Srinivas, ‘Why farmer protests may be the new normal’, *Livemint*, 19 July 2018.

13. Neelanjan Sircar, ‘BJP strike rate drops in both rural, urban areas’, *Hindustan Times*, 12 December 2018.

14. According to the definition of the Election Commission.

losses in rural areas of Gujarat as well.¹⁵ This suggests that farmer distress could become a significant nation-wide factor in the coming 2019 general elections, seriously compromising the BJP's electoral prospects.

Third, the results in the Hindi belt sent contrasting messages in terms of the electorate's attitude towards secularism. On the one hand, the BJP deployed as one of its lead campaigners Uttar Pradesh's Chief Minister and ultra-radical Hindu priest Yogi Adityanath. His violent anti-Muslim rhetoric and hard Hindutva message, however, did not seem to win many votes across the Hindi belt, the region where this kind of politics is supposed to reap the highest rewards.¹⁶ Coupled with the disappointing results from Bihar in 2015 – where Modi and Shah had explicitly tried to polarise the electorate along communal lines¹⁷ – it seems that adopting a hard Hindutva agenda might not be the wisest strategy for the BJP after all. On the other hand, however, it is also clear that one of the pillars of the Congress's strategy in the last few years has been to make every effort to disprove the idea that it is a party that appeases Muslims at the expense of Hindus, as the BJP's propaganda machine claims. Not only has Rahul Gandhi visited numerous temples, swamis and godmen in what amounts to a very public display of his religiosity,¹⁸ but the Congress party made several electoral promises favouring Hindu religious sensibilities, which were hardly distinguishable from the BJP's. These promises included instituting cow shelters in every village of Madhya Pradesh¹⁹ and promising additional funds to existing cow refuges in Rajasthan.²⁰ Thus the voters in the three Hindi belt states were being asked to choose between a hard and a soft Hindutva agenda.

The electoral results in the three Hindi belt states have two main implications for national politics. The first, by showing that the BJP's popularity in the Hindi belt was declining, they questioned the BJP's ability to remain in power after 2019. The second implication is that the Congress party and its leader, Rahul Gandhi, emerged as credible players ahead of the 2019 elections. This will increase the party's leverage when seat-sharing arrangements are negotiated and will increase the likelihood that regional parties look at the Grand Old Party as a possible partner. Additionally, a number of regional parties allied with the BJP have left the alliance over the last few months of 2018, including Andhra Pradesh's Telugu Desam Par-

15. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China'.

16. Shaktar Gupta, 'Elevating Yogi Adityanath is becoming PM Modi's biggest blunder now, not demonetisation', *The Print*, 10 December 2018.

17. James Manor, 'How the BJP Lost Bihar', *Economic and Political Weekly*, Vol. 51, No. 10, 5 March 2016.

18. Suhas Palshikar, 'Temple entry, and exit', *Indian Express*, 30 November 2018.

19. 'It's cow politics all the way as BJP, Congress engage in one-upmanship in poll-bound Madhya Pradesh', *scroll.in*, 2 October 2018.

20. 'Rajasthan Elections: Farmers, Cows and Sanskrit the Focus of Congress, BJP Manifestos', *The Wire*, 30 November 2018.

ty²¹ and Assam's Asom Gana Parishad.²² Other allies have either distanced themselves from the BJP or are considering leaving the alliance, mainly because of the BJP's ultra-centralised decision-making process that leaves little room for allies to have a voice.²³ Conversely, the «humility» shown by the Congress in Karnataka – where it offered the chief ministership to a junior coalition partner – might help dispel the well-established notion that the Congress believes it has a natural right to be India's governing party and would not support regional leaders as prime minister. In fact, press reports indicated that the Congress was indeed prepared to support the likes of Mayawati or Mamata Banerjee as prime minister, were this necessary to keep the BJP out of power.²⁴

2.2. Erosion of institutions

Since the election of Modi in 2014, India's institutions have been steadily and systematically eroded. According to the *Varieties of Democracy Report 2018*, there have been growing signs of democratic erosion since 2014, which has resulted in a sharp decline of all the indicators used to measure the health of India's democracy.²⁵ In 2018, the trend accelerated.

As noted above, in the year under review the low level but pervasive violence against Muslims and Christians continued, accompanied by the government's pursuit of an increasingly radical *Hindutva* agenda. In particular, since Modi came to power, the rule of law has been undermined by Hindu extremists attacking and killing people, mainly Muslims, accused of consuming or trading cows.²⁶ Those responsible for these murders have in some cases enjoyed full support from Cabinet ministers or acted in collaboration with the

21. 'TDP leaves NDA amid dissent within, Chandrababu Naidu says PM has no time for allies', *Indian Express*, 17 March 2018.

22. 'AGP quits NDA as Cabinet approves citizenship bill', *Times of India*, 8 January 2019.

23. 'As allies abandon ship, is NDA also on the verge of collapse?', *National Herald India*, 19 December 2018.

24. 'Congress is «Open to Backing Mamata Banerjee or Mayawati as PM in 2019»', *The Wire*, 24 July 2018.

25. *Democracy for All? V-Dem Annual Report 2018*, Gothenburg: V-Dem Institute, 2018. Available at: https://www.v-dem.net/media/filer_public/3f/19/3f19efc9-e25f-4356-b159-b5c0ec894115/v-dem_democracy_report_2018.pdf

26. Rashmi Venkatesan, 'Laws Prohibiting Cow Slaughter Are Creating Both Vigilantes and Victims', *The Wire*, 15 September 2017; Zeba Siddiqui, Krishna N. Das, Tommy Wilkes & Tom Lasseter, 'Emboldened by Modi's ascent, India's cow vigilantes deny Muslims their livelihood', *Reuters*, 6 November 2017; Amy Kazmin, *Modi's India: the high cost of protecting holy cows*, *Financial Times*, 22 November 2017; Delna Abraham & Ojaswi Rao, '84% Dead In Cow-Related Violence Since 2010 Are Muslim; 97% Attacks After 2014', *IndiaSpend*, 28 June 2017 (Updated on 8 December 2017); Rana Ayyub, 'Mobs are killing Muslims in India. Why is no one stopping them?', *The Guardian*, 23 July 2018.

police.²⁷ Christians have also been subjected to intimidation and violence,²⁸ a trend which began with Modi's conquest of the national premiership.²⁹

Freedom of expression has diminished and dissenting voices have been silenced, sometimes through murder – as in the case of journalist Gauri Lankesh and author Malleshappa Kalburgi – sometimes through arrests of dubious legality, or threats by groups affiliated to or supported by the ruling party.³⁰

The office of the governor has been politicised, as evident from the drama that followed the Karnataka elections. Parliament has been repeatedly reduced to a rubber-stamp institution, as when, in March 2018, it passed the budget without discussion³¹ or when Lok Sabha Speaker Sumitra Mahajan (of the BJP) disallowed for over a month the discussion of a no-confidence motion tabled by the opposition.³²

Even the Army – historically a non-partisan institution – has assumed a controversial role when its chief – appointed by Modi's government in violation of the convention that the most senior general succeeds the retiring one – backed the government on sensitive issues, clearly «overstep[ing] into the political arena».³³

The Supreme Court – one of the most respected institutions of the country – suffered a crisis of credibility when four judges held an unprecedented press conference accusing the Chief Justice Dipak Misra – considered to be close to Modi – of discretionarily assigning politically sensitive cases to specific judges.³⁴

The Electoral Commission (EC) had hardly recovered the credibility that it lost in 2017, when it controversially postponed the announcement of the Gujarat election in what was widely seen as a favour to the ruling BJP. Conversely, in January 2018, the EC endorsed the newly introduced

27. Christophe Jaffrelot, 'Hindu Rashtra, de facto', *Indian Express*, 12 August 2018.

28. E.g. Divya Trivedi, 'Attacks On Christians. Church As Target', *Frontline*, 7 June 2018.

29. E.g. Michelguglielmo Torri & Diego Maiorano, 'India 2015: The uncertain record of the Modi government, p. 376-382, and Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', pp. 269-70, plus the sources quoted in these two articles. On increasing anti-Christian violence see Sarbeswar Sahoo, *Pentecostalism and Politics of Conversion in India*, New Delhi: Cambridge University Press, 2018.

30. Mahtab Alam & Neha Mehrotra, 'There is No Disputing the «Emergency-Like» Situation in the Country', *The Wire*, 29 July 2018.

31. Hartosh Singh Bal, 'India's Embattled Democracy', *The New York Times*, 30 march 2018.

32. P.D.T. Achary, 'The Speaker Is Wrong to Not Allow No-Confidence Move to Be Tabled', *The Wire*, 26 march 2018.

33. Suhas Palshikar, 'A general overstepping', *Indian Express*, 7 March 2018.

34. Madhav Khosla, 'The Supreme Court's reputation has been spiralling downward even before CJI Dipak Misra', *The Print*, 26 April 2018

electoral bonds³⁵ as a «step in the right direction» only months after having publicly denounced them as a measure that would further compromise electoral funding transparency.³⁶

Perhaps the two institutions that faced the most blatant attacks to their independence were the Central Bureau of Investigation (CBI) and the Reserve Bank of India (RBI). The CBI is not known for its independence from the political executive but the crisis that it went through during 2018 was unprecedented.

In October 2018, the government sent CBI Director Alok Verma and the organisation's number 2, Special Director Rakesh Asthana, on leave. This was the culmination of a tug-of-war within India's premier investigative agency that started when the government, despite Verma's objections, brought Asthana into the CBI. The latter, an Indian Police Service Gujarat cadre who is said to be close to Prime Minister Modi,³⁷ had filed a series of corruption accusations against Verma, who in turn had opened a file on Asthana, on the basis of the accusations of a businessman, Satish Sana, who claimed to have paid him a bribe to drop an investigation.

While both officials were on leave the government appointed an interim Director, Nageswara Rao, whose first orders were to transfer Verma's closest collaborators (most of whom were investigating Asthana).³⁸ The sudden move also brought to a halt a number of cases on which Verma was working. Two of them were particularly sensitive from a political point of view. One was on alleged irregularities in the so-called Rafale Deal. The Indian and French governments agreed in 2012 (two years before Modi became prime minister) to purchase 126 Rafale jets. However, soon after his election, Modi announced that a new deal had been reached with the French for the purchase of only 36 jets (at a much higher per-unit price).³⁹ Crucially, the partner would not be Hindustan Aeronautics Ltd (a publicly-owned enterprise) as per the previous deal, but Reliance Defence, a private company registered just two weeks prior to the Hollande-Modi meeting and which had no expertise in aircraft manufacturing. This led the opposi-

35. An electoral bond is a bank note payable to the bearer on demand and free of interest. It can be purchased by any citizen of India with a verified bank account (or KYC-compliant account) or by a body incorporated in India and can be donated to a party of choice. The electoral bond can then be cashed in via the party's verified account within 15 days. 'The Hindu Explains: What is an electoral bond and how do we get one?', *The Hindu*, 4 January 2018.

36. Milan Vaishnav, 'India's elite institutions are facing a credibility crisis', *Live-mint*, 20 February 2018.

37. 'Scroll Explainer: Why exactly is the CBI raiding the CBI?', *scroll.in*, 23 October 2018.

38. 'Nageswara Rao is CBI interim chief, shakes up agency amid corruption probe', *Hindustan Times*, 24 October 2018.

39. 'Modi's decision to buy 36 Rafales shot the price of each jet up by 41%', *The Hindu*, 18 January 2019.

tion to accuse Modi of favouring business magnate Anil Ambani (the owner of Reliance Defence), considered to be very close to the prime minister, who had accompanied him to France when the deal was announced. The controversy was a huge embarrassment for the government and has been repeatedly used by Rahul Gandhi to counter the government's narrative that it has been free of any large-scale corruption scandal during its term.

The second sensitive file was on the alleged role of Bhaskar Khulbe, secretary to the prime minister and one of Modi's most trusted aides, in a case of the allocation of coal mines when Khulbe was an advisor to the West Bengal government. According to an investigative report by Rohini Singh, Asthana had pushed to name Khulbe as a witness, rather than stand accused.⁴⁰

The nature of the files being investigated by CBI Director Verma when he was ousted caused a controversy, particularly because Verma had a fixed tenure of two years (due to expire in January 2019) and the government could not legally remove him. In fact, on 7 January 2019, the Supreme Court reinstated Verma, who was however removed again the following day by a high-powered selection panel chaired by Narendra Modi and including Congress leader Mallikarjun Kharge, as representative of the opposition and Supreme Court Justice, A. K. Sikri, delegated by Chief Justice of India Ranjan Gogoi. The panel – ostensibly basing its decision on the results of the Central Vigilance Commission (CVC)⁴¹ enquiry into Verma's supposed procedural irregularities – voted in favour of removing Verma with a 2 to 1 majority, overruling Kharge's objections. The representative of the opposition argued, in a dissenting note, that six of the 10 charges levelled against Mr. Verma were «unsubstantiated/false.» He also complained that Verma should have been given the opportunity to appear before the committee and represent his case.⁴²

Justice A. K. Patnaik, the retired Supreme Court judge who had been asked by the Supreme Court to supervise the CVC investigation on Alok Verma, on 11 January – namely the day after the decision by the Modi-led selection panel – said there was «no evidence of corruption» against Verma, and «what the CVC says cannot be the final word». He went on to criticise as «very, very hasty» the decision taken by the Modi-led panel.⁴³

40. 'Behind Civil War in CBI, Concern Over Fate of Top PMO Official Linked to Coal Probe', *The Wire*, 24 October 2018.

41. The CVC is an apex body for exercising general superintendence and control over vigilance administration, aimed at preventing or suppressing corruption. It is headed by the prime minister, the home minister and the leader of the opposition.

42. 'Prime Minister-led panel removes Alok Verma as CBI Director, Rao back in charge', *The Hindu*, 10 January 2019; 'Alok Verma removed as CBI chief by Modi-led panel, made fire services chief', *India Today*, 11 January 2019. On the whole Alok Verma imbroglio see: Ajoy Ashirwad Mahaprashasta & M. K. Venu, 'Exclusive: CBI Director Alok Verma's Responses to CVC Put Modi Government in the Dock', *The Wire*, 17 November 2018.

43. 'No evidence of corruption, decision of PM-led panel on Alok Verma very hasty: SC's monitor', *The Indian Express*, 11 January 2019.

The decision became even more controversial when *The Print* broke the story that Justice Sikri, whose vote had been crucial, had been offered by the government the prestigious post of president in the London-based Commonwealth Secretariat Arbitral Tribunal (CSAT).⁴⁴

The whole episode showed not only the influence of the Prime Minister's Office (PMO) on the functioning of the country's premier (and supposedly independent) investigative agency, but it also signalled the lengths the government would go to in order to remove officials who choose to exercise their independence. The government did not hesitate to remove Verma following a procedure that the Supreme Court found not to be legal; and, after Verma was reinstated, it managed to remove him again within a day, thanks to the support of a Supreme Court Justice – supposedly a guarantee of independence – whose impartiality should at least be questioned.

Another prominent example of the government's aversion towards independent institutions was the serious battle between the Finance Ministry and the RBI that unfolded during 2018 and that culminated in December with the resignation of the RBI Governor, Urjit Patel.⁴⁵ Patel was the second governor to leave the RBI during Modi's regime – Raghuram Rajan had decided not to stay for a second term as governor in September 2016.

Four issues were at the centre of the disagreement between the government and the RBI. First, the government inducted into the RBI Board Swaminathan Gurumurthy, who is mostly known as a RSS-affiliated ideologue and, many believe, one of the minds behind the demonetisation of November 2016.⁴⁶ This was seen by many as an attempt by the government to have its own «eyes and ears» inside the RBI Board.

Second, the RBI had restricted the lending capacity of some public sector banks, particularly those exposed to own non-performing assets, and of non-banking finance companies. The government did not welcome this in an election year, as the RBI decision limited the amount of liquidity in the economy and restricted the flow of credit, especially towards small and medium enterprises⁴⁷ – already hard hit by the demonetisation and the introduction of the Goods and Services Tax.⁴⁸

Third, the government proposed to set up a parallel regulatory agency (the Payment Regulatory Board) that would diminish the RBI's author-

44. 'Justice Sikri, whose vote decided Alok Verma's fate, gets Modi govt nod for plum posting', *The Print*, 13 January 2019. Justice Sikri later declared that he will not accept the post.

45. 'Urjit Patel resigns as RBI Governor', *Economic Times*, 11 December 2018.

46. 'The Importance and Unimportance of S. Gurumurthy', *The Wire*, 7 October 2017.

47. Vinod Rai, 'The RBI versus the Government: Much at Stake', *ISAS Brief No. 614*, Singapore: Institute of South Asian Studies, 14 November 2018.

48. Michelguglielmo Torri, 'India 2017: Still no *achhe din* (good days) for the economy', pp. 291-308.

ity over financial intermediation and to which RBI Governor Urjit Patel strongly objected.⁴⁹

Fourth, the Finance Ministry pushed to receive higher dividends from the Bank, which preferred instead to use surpluses to build up reserves.⁵⁰

While disagreement between the Finance Ministry and the RBI is not new, two factors contributed to the escalation of tension. The first was that, usually, disagreements are reconciled behind closed doors, and the current crisis took place in the public domain; RBI Deputy Governor Viral Acharya warned the government that undermining the Banks' independence would have «catastrophic» consequences – an unusually strong statement.⁵¹ The second factor to escalate tension was the government's threat to invoke Section 7 of the RBI Act, a provision that allows the government to direct the Bank to pursue a certain policy «in the public interest». This provision, never previously used, has contributed to a significant extent to the RBI's reputation as an independent institution.⁵² Clearly, Patel preferred to resign rather than follow the diktat of the government and implement decisions which he disagreed with.

While none of these episodes represented a deadly blow to India's democracy, it is clear that added together, they did represent a significant erosion of India's institutions. As political scientists Steven Levitsky and Daniel Ziblatt argue, democracies in the 21st century rarely die because of a coup; rather, they crumble largely at the hands of legitimately elected leaders who, by attacking democratic institutions, slowly but steadily reduce democratic processes to little more than a façade.⁵³

3. *An economically shining 2018 ...*

In 2018 the Indian economy appeared to be on an upward trend, which had begun the previous solar year with the second quarter (Q2) of the financial year 2017-2018 (July-September 2017). The GDP quarterly growth (year-on-year) was then 6.3% against 5.7% in the previous quarter. In the last quarter of 2017 – namely Q3 of 2017-18 – GDP growth accelerated to 7.2%. This was followed by a 7.7% and 8.2% GDP growth in January-March

49. 'Govt panel recommends setting up an independent Payments Regulatory Board', *The Hindu Business Line*, 18 September 2018.

50. Duvuri Subbarao, 'Ferment at the Reserve Bank of India: Resetting the Relationship with the Government', *ISAS Brief No. 636*, Singapore: Institute of South Asian Studies, 22 January 2019.

51. 'Modi government in public spat with Reserve Bank of India', *Financial Times*, 30 October 2018.

52. 'What is Section 7 and why it is being seen as an extreme step against the RBI', *Economic Times*, 31 October 2018.

53. Steven Levitsky & Daniel Ziblatt, *How Democracies Die*, London: Penguin, 2018.

and April-June 2018 respectively. Finally, in July-September – the last quarter for which data were available at the closing of this article – GDP growth, although slower than in the previous quarter – clocked a respectable 7.1%. Finally, in a report released on 8 January 2019, the World Bank forecast the GDP rate of growth for the whole financial year 2018-19 as equal to 7.3%.⁵⁴

Quarterly YoY			Yearly
Quarter	Actual	Forecast	
Q1 2014-15 (Apr.-June 2014)	5.7%	5.3%	7.2% (actual)
Q2 2014-15 (Jul.-Sept. 2014)	5.3%	5.1%	
Q3 2014-15 (Oct.-Dec. 2014)	7.5%	5.5%	
Q4 2014-15 (Jan.-Mar. 2015)	7.5%	7.3%	
Q1 2015-16 (Apr.-Jun. 2015)	7.0%	7.4%	7.93% (actual)
Q2 2015-16 (Jul.-Sept. 2015)	7.4%	7.3%	
Q3 2015-16 (Oct.-Dec. 2015)	7.3%	7.3%	
Q4 2015-16 (Jan.-Mar. 2016)	7.9%	7.5%	
Q1 2016-17 (Apr.-Jun. 2016)	7.1%	7.6%	7.11% (actual)
Q2 2016-17 (Jul.-Sept. 2016)	7.3%	7.5%	
Q3 2016-17 (Oct.-Dec. 2016)	7.0%	6.4%	
Q4 2016-17 (Jan.-Mar. 2017)	6.1%	7.1%	
Q1 2017-18 (Apr.-Jun. 2017)	5.7%	6.6%	6.6% (estimate)
Q2 2017-18 (July-Sept. 2017)	6.3%	6.4%	
Q3 2017-18 (Oct.-Dec. 2017)	7.2%	6.9%	
Q4 2017-18 (Jan.-Mar. 2018)	7.7%	7.3%	
Q1 2018-19 (Apr.-Jun. 2018)	8.2%	7.6%	7.3% (forecast for the whole financial year)
Q2 2018-19 (Jul.-Sept.2018)	7.1%	7.4%	
Source: 'India Gross Domestic Product (GDP) Quarterly YoY', <i>Investing.com</i> , last release available 30 November 2018 (https://www.investing.com/economic-calendar/indian-gdp-quarterly-434); Radikha Goel, 'Current Indian Economic Overview', <i>Anaheen</i> , 28 September 2018; sundry articles from the Indian press.			

54. Geeta Mohan, 'India fastest growing major economy in 2018-19, will grow by 7.3%: World Bank | 10 points', *India Today*, 9 January 2019. The sources for the other data are the same as table 6.

The above figures were not the only good news on the economic front. In June it became known that during the solar year 2018 India's GDP rate of growth (more than 7%) had overtaken that of China, which remained stationary at 6.8%.⁵⁵ This made India the fastest-growing major world economy.

Moreover, India had lost the dubious distinction of being the country hosting the largest number of people living in extreme poverty, shifting two places behind Nigeria and the Democratic Republic of Congo.⁵⁶

There was more positive news the following month when it became known that India had overtaken France as the world's sixth largest economy.⁵⁷ Given India's GDP high rate of growth and the slowing down of the United Kingdom's, which as a consequence of *Brexit* was projected to drastically contract in the next years, India looks set to overtake the United Kingdom and become the fifth largest world economy.

In September the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) presented their findings on multidimensional poverty in the world.⁵⁸ The report measured poverty on the basis of a Multidimensional Poverty Index, which takes into account not only income but nine other indicators, including health, education and living standards. According to the 2018 report, India had «made momentous progress in reducing multidimensional poverty.» In fact the incidence of multidimensional poverty «was almost halved between 2005/06 and 2015/16, decreasing to 27.5% [from 54.7%]». This progress had been made possible in particular by «faster progress among the poorest» and resulted in the exit from poverty of 271 million. As highlighted by the report, that was «a truly massive gain».⁵⁹

Finally, in October, the latest edition of the World Economic Forum's global competitiveness saw India classified as the 58th most competitive economy, up by five places from 2017, a progress that represented «the largest gain among G20 economies».⁶⁰ This was closely followed by the lat-

55. 'India's Economy Beats China', *Forbes*, 14 June 2018.

56. 'Nigeria overtakes India in extreme poverty ranking', *CNN*, 26 June 2018.

57. 'India Overtakes France As World's Sixth Largest Economy: World Bank', *Bloomberg*, 11 July 2018.

58. 'UNDP report lauds India's strides in reducing poverty in past decade', *The Indian Express*, 22 September 2018.

59. *Global MPI 2018 Report*, chapter 2: *MPI in India, A Case Study*, p. 23. The conclusions of the report, however, were criticised because of the data on which it was based. According to well-known economist Jayati Ghosh: «The bigger problem is that we don't really have too much of this data after 2011, 12. So I really don't know how the UNDP has managed to give us information for the last ten years». See Jerry-Lynn Scofield interview with Jayati Ghosh in 'Is India on Its Way Out of Poverty?', *Naked Capitalism*, 7 October 2018.

60. 'India is 58th most competitive economy in WEF index', *Business Line*, 17 October 2018.

est *Ease of doing business* ranking by the World Bank, which shifted India's position upward to 77, from 100 in 2017 and 130 in 2016.⁶¹

3.1. ... which shines on the basis of doubtful figures ...

Once the above-quoted exceptional statistics have been highlighted, and before dealing with the problems that they may conceal, a word of caution is in order on the figures themselves. The first is that the Indian economy is divided into a formal and an informal sector. Whereas the data related to the formal sector are gathered and analysed any single financial year, those related to the informal sector take up to two or three years to be gathered. Meanwhile informal sector data are simply inferred with reference to those available in the formal sector. This way of proceeding has its own statistical and economic logic, and, in normal times, is acceptable. The point is, however, that 2017, because of demonetisation and GST introduction, was far from being a normal year.⁶² Demonetisation in particular adversely impacted mainly on the informal sector – completely based on cash – as shown by an impressive volume of anecdotal evidence. Falling back on the data available for the formal sector in order to infer the growth of the informal sector is therefore rather problematic. This is not a small matter as, according to generally accepted estimates, the informal sector is the bigger part of the Indian economy, where some 90% of the Indian labour-force is active, where most new jobs have hitherto been created, and from where almost 50% of the national income is derived. This simply means that, before the actual figures on the evolution of the informal sector from 2017 onwards become available, any evaluation of the growth rate of the Indian GDP is basically unreliable. Estimates by international organisations such as the World Bank, the Asian Development Bank and the International Monetary Fund are only partially more reliable, because they are ultimately based on data provided by the Indian government.

3.2. The «back series data» imbroglio

In an interview published in May 2018, well-known economist Jan Drèze claimed that the central government had turned «into a propaganda

61. 'World Bank's ease of doing business ranking: India jumps 23 notches to 77th place, improves in 6 out of 10 indices', *FirstPost*, 31 October 2018.

62. For a synthetic discussion of the impact of demonetisation and GST on the Indian economy, see Michelguglielmo Torri, 'India 2017: Still no *achhe din* (good days) for the economy', *Asia Maior 2017*, pp. 291-308. For a more in-depth analysis of the introduction of GST and its results, see Govind Bhattacharjee & Debasis Bhattacharya, *GST and Its Aftermath. Is Consumer Really the King?*, New Delhi: Sage, 2018.

machine»; this made «hard to guess whether the statistical system has retained its usual independence.»⁶³

In fact the problem had two different aspects: one was that data furnished by the government appeared doubtful; another was that, particularly in the case of the most politically sensitive data, sometimes figures were not made available, as in the case of data on demonetisation-related death and farmers' suicides, whose publication continues to be delayed.⁶⁴

The unreliability of government-produced data became particularly evident in relation to the «back series data» imbroglio, which entered the public domain between July and November 2018. As this latter case is emblematic of the prevailing situation regarding the trustworthiness of Indian statistics, it is necessary to dwell on it.

It is a well-known fact that India's Central Statistics Office (CSO) changed the methodology by which India's GDP is calculated in February 2014. This has made difficult the comparison of the GDP rate of growth before and since 2014-15.

Up to the year under review, the Modi government had not released the «back series data», showing, according to the new methodology, the actual rate of growth of the Indian economy prior to the financial year 2014-15, namely before Modi's rise to power. Of course, these data could not but be politically sensitive, as they would allow an easy and quick comparison between the Modi years and the years when the Congress-dominated United Progressive Alliance (UPA) governments had been in power (2004-14). It is worth stressing that the comparison of the non-comparable data for the period before and since 2014-15 – glibly made by many pro-Modi politicians and commentators – conveyed the impression of a spectacular rise in the GDP rate of growth that coincided with the beginning of Narendra Modi's prime ministership. That interpretation had been contested by some analysts (including the authors of this essay). Nevertheless the fact remains that any contestation was weakened by the apparent consistency of the official data.

Eventually, in 2018, the National Statistical Commission, under the aegis of the Ministry of Statistics and Programme Implementation (MOPSI), published a report on 15 July analysing the back data since 1994-95 using the new methodology.⁶⁵ The report, published on the web, was discov-

63. 'NREGA Will Fade Away, if Wages Continue to Stagnate: Economist Jean Dreze', *News18*, 1 May 2018.

64. Abhishhek Dey, 'India has not published data on farmer suicides for the last two years', *Scroll.in*, 8 June 2018; Gaurav Vivek Bhatnagar, 'Two Years On, Modi Government Continues to Block Information on Demonetisation Deaths', *The Wire*, 8 November 2018.

65. Govt. Of India, *Report of the Coommittee [sic] on Real Sector Statistics. Constituted by National Statistical Commission*, 15 July 2018 (http://www.mospi.gov.in/sites/default/files/committee_reports/Report_committee_real_sector_statistics_25july18.pdf).

ered by the Indian press only in the second week of August. Only then did it become public knowledge that the economic record of both the first and second UPA governments compared favourably with that of Modi's.⁶⁶

Soon after this news hit the headlines, and for the first time, the government reacted by adding a disclaimer on the web page hosting the report, stating that their figures were provisional. Subsequently, the entire report was moved to a different webpage, without any link to the new one.⁶⁷

A few months later, on 28 November 2018, the CSO presented a new set of back data for the years 2005/06 to 2013/4. In other words, unsurprisingly, the revision had been done not for the same period analysed in the July estimate, but only for the years when the UPA had been in power, with the exclusion of the first year. According to this new data, the GDP rate of growth during those nine financial years was greatly inferior to the one shown in the July release, and, indeed, to the one prevailing in the Modi years. In fact, the new release downgraded the average rate of yearly GDP growth to 6.67%, lower than the 7.35% averaged in the four years ended 31 March 2018 under Modi's prime ministership.⁶⁸

In an unusual move, the presentation of this new set of figures was co-chaired by Rajiv Kumar, the vice-chairman of NITI Aayog, an organisation that, according to its own definition, is «the premier policy 'Think Tank' of the Government of India», and is chaired by the prime minister himself. This, together with the fact that the revised set of figures favoured the government in charge, put a question mark on its reliability. All this conveyed the distinct impression that, as wryly noted by Bloomberg opinion columnist Andy Mukherjee, India's GDP growth rate was now «crucially» dependent «on which party was in power when the [economic] activity occurred – and under which party it was measured».⁶⁹ In fact several commentators noticed that the revised back series did not square with other sets of data. The same Bloomberg columnist, for example, pointed out that the «annual earnings growth of 500 of India's biggest companies averaged 11% between 2006 and 2014 [namely in the last eight years of the UPA governments], plunging to half that rate in the four years under Modi».⁷⁰ As he pointed out, this by itself did not invalidate the revised rates of growth; as claimed by the Minister of Finance himself, they were indeed the result of analyses based on data «more inclusive» and «far more representative of the Indian economy» than

66. E.g. 'New GDP «Back Series Data» Shows Economy Grew Faster Under UPA', *The Wire*, 17 August 2018.

67. 'Report, which calculated back series GDP data, republished with disclaimer on ministry website', *Financial Express*, 20 August 2018.

68. 'Govt. releases GDP data back series: growth rates for majority of previous 10 years of UPA regime lowered', *First Post*, 28 November 2018.

69. Andy Mukherjee, 'Opinion / The GDP debate: Rewriting history blurs India's economy's future', *Livemint*, 29 November 2018.

70. *Ibid.*

those on which the pre-2014 evaluations were based.⁷¹ This might well be so, but there remained a major problem. According to several analysts, the post-2014 methodology, although more reliable from an abstract viewpoint than the previous one, took into account additional sets of variables for which the related databases *did not yet exist*, i.e. the years prior to 2014-15.⁷²

In other words, the new figures accredited an extensive set of assumptions, made arbitrarily by the statisticians in charge of collating the back data. At the end of the day, the sets of data for the period before 2014-15 and those for the period beginning with 2014-15 remained non-comparable. Therefore the official attempt to compare them, together with the false start of July, appeared to be a politically motivated exercise in obfuscation. It is worth stressing that if the incumbent government did indeed elaborate the data of previous GDP rates of growth arbitrarily, what assurance would there be of the correctness of their handling of the post-2014 period?

It comes as no surprise that the estimates provided by various government organisations and independent sources (which were ultimately dependent on the data furnished by the Indian government) arrived at significantly divergent estimates concerning the GDP rate of growth for 2017-2018 and 2018-2019, as shown in the following table.

Table 7: India's GDP rate of growth for the years 2017-2018 and 2018-2019 according to various government and independent organisations		
Organisations	2017-18	2018-19
NITI Aayog	6.9-7.0%	7.5%
Economy Survey 2016-17 (Finance Ministry)	6.75-7.50%	-
World Bank	7.0%	7.2%
International Monetary Fund (IMF)	6.7%	7.4%
Organisation for Economic Co-operation and Development (OECD)	6.7%	7.2%
Asian Development Bank (ADB)	7.0%	7.4%
Hong Kong and Shanghai Banking Corporation (HSBC)	6.0%	-
RBI (in 4th Bi-Monthly Monetary Policy)	6.7%	-
United Nations (UN, in May 2017)	7.1%	7.5%
Source: 'GDP Growth Rate of India in Current Financial Year (2017-18)', <i>Bankers Adda</i> , 26 October 2017 (https://www.bankersadda.com/2017/10/gdp-growth-rate-india-current-financial-year.html).		

71. 'New GDP back series data more credible, says Arun Jaitley', *Livemint*, 29 November 2018.

72. See, e.g., V. Anantha Nageswara, according to whom «It is difficult to replicate the calculations [behind the revised set of back data] and verify the growth numbers because several assumptions lie behind the calculations.» 'Opinion/The elusive quest for growth and truth', *Livemint*, 3 December 2018.

3.3. *The shadows behind the shining macroeconomic data*

Doubts on the reliability of the economic data showing India's apparently impressive growth are strengthened by a very simple observation. If the rate of growth of India's GDP was so favourable, other key economic indicators ought to be characterised by analogous rates of growth. But for most of them this was not the case. Quite the contrary. The available data reveal: weak export growth;⁷³ declining rates of investment;⁷⁴ decreasing foreign direct investment (which in 2017-18 financial year «plummeted to a five-year low»⁷⁵); a sharp decline in bank lending, ongoing for at least five years;⁷⁶ such a decline caused by the high volume of non-performing loans held by Indian banks;⁷⁷ high rates of unemployment;⁷⁸ a rise in the number of adults who claimed there were times when they did not have enough money to pay for food;⁷⁹ 78 of the largest Indian companies facing dissolution under the Indian Bankruptcy Code,⁸⁰ and finally, a deepening agrarian crisis accompanied by an increase in rural riots and protests.⁸¹

73. According to D.K. Srivastava, Chief Policy Advisor at EY India, «the contribution of net export growth to GDP has been zero or negative since the third quarter of 2016-17». 'YES, NO, IT'S COMPLICATED - Is the Indian economy on an upswing now?', *The Hindu*, 8 June 2018.

74. Mahesh Vyas, 'The long winter of new investments', *Centre for Monitoring Indian Economy*, 3 January 2019. The decline in new investment proposals had begun in Q1 2015-16 (April-June 2015).

75. Kamalika Ghosh, 'Numbers don't lie', *Quartz India*, 2 July 2018.

76. Ramana Ramaswamy, 'Is the Indian economy really that strong?', *The Hindu*, 19 April 2018.

77. «India's state-owned banks have a gargantuan Rs 13 trillion (\$178 billion) in delinquent loans. At least \$70 billion of these are "Non-Performing Assets" (NPAs), i.e., loans on which the banks have received no payment from borrowers for 90 days or more». Kranti Kumara, 'India seizes «shadow bank» to avert potential «catastrophic» impact on financial system', *World Socialist Web Site*, 20 October 2018.

78. Pragna Srivastava, 'Forget more jobs, employment fell in first 2 years of Modi government', *Financial Express*, 30 March 2018; Mahesh Vyas, 'Labour statistics disappoint in October: Unemployment rate rises to 6.9%', *Business Standard*, 5 November 2018.

79. «In 2017, the number of adults who said there were times in the past year when they did not have enough money to pay for food hit a high point of 37%, double the 18% who responded that way in 2012». Steve Crabtree, '«Indians» Life Ratings Depend on Which India they Live in', *Gallup World*, 30 August 2018.

80. Prem Shankar Jha, 'The «Indian Flu», or Why the Crash of the Economy Is Imminent', *The Wire*, 24 September 2018.

81. The ongoing agrarian crisis is too complex a phenomenon to be tackled here. The authors of this article have already briefly dealt on the origins of the crisis and the Modi government's (unsuccessful) attempts to deal with it in a previous article. See Michelguglielmo Torri & Diego Maiorano, 'India 2015: The uncertain record of the Modi government', *Asia Maior 2015*, pp. 351-357. For a first overview of the agrarian situation as it stood in the year under review, see *Green Paper on Farmers, Farming & Rural Economy 2018. 4 Years – 4 Budgets: What Has This Cen-*

Most of the above difficulties originated well before the beginning of the Modi government, but none of them had been resolved or even contained by it. The adverse impact of the two key economic reforms in 2017: demonetisation and the introduction of the Goods and Services Tax (GST) only served to exacerbate them and to continue the negative trend. The first reform was deeply flawed in its very conception, the second badly implemented, and their adverse effects on the Indian economy, in the year under review, was still very much in evidence.⁸² Correspondingly, the problems created by the poor working of the IT portal used for filing GST returns and the lack of clarity about refunds were still unfavourably affecting exports.⁸³

Even worse, independent enquiries showed that, irrespective of the actual rate of growth, an increasing share of the country's wealth was owned by the richest 10% of the population, and the majority of it by the richest 1%. According to an Oxfam report released in 2018, «the overall trends in inequality of consumption expenditure, income and wealth show that India is a high-inequality country, and among the most unequal in the

tral Government Delivered? 30 January 2018 (http://www.esocialsciences.org/Articles/ShowPDF/A2018131121559_20.pdf). For a non-exhaustive listing of other sources on the agrarian crisis and the related problem of farmers' suicides see: K. Nagaraj, *Farmers' Suicides in India: Magnitudes, Trends And Spatial Patterns*, Madras: Madras Institute of Development Studies, March 2008 (also available at http://www.macrosocan.org/anl/mar08/pdf/Farmers_Suicides.pdf); Sumit Chaturvedi, 'Land Reforms Fail: 5% of India's Farmers Control 32% of Land', *IndiaSpend*, 4 May 2016; Radhika Kapur, 'Progression of Agricultural Sector in India', *Acta Scientific Agriculture*, 2, 10, October 2018, p. 134; 'Sector-wise contribution of GDP of India', *Statistic Times*, 21 March 2017 (<http://statisticstimes.com/economy/sectorwise-gdp-contribution-of-india.php>); Ajay Dandekar & Sreedeeep Bhattacharya, 'Lives in Debt. Narratives of Agrarian Distress and Farmer Suicides', *Economic & Political Weekly*, LII, 21, 27 May 2017, pp. 77-84; Barun S. Mitra, 'As Indian agriculture expands, farmers and reform prospects suffer', *GIS – Geopolitical Intelligence Service*, 31 January 2018.

For the dismal record of the Modi government in coping with the agrarian crisis see, e.g.: Vijoo Krishnan, 'Illusions of bounty', *Frontline*, 2 February 2018; Kirankumar Vissa, 'For India's Farmers, Budget 2018 Is Nothing but a Hoax', *The Wire*, 2 February 2018; Bestin Samuel, 'Will India Listen to Its Protesting Farmers?', *Fair Observer*, 13 December 2018; Harish Damodaran, 'The Cost + 50% Swaminathan formula mirage', *The Indian Express*, 22 June 2017, and Kabir Agarwal, 'Why MSP at 1.5 Time Cost Is Another Empty Promise for Farmers'; Kabir Agarwal, 'Why MSP at 1.5 Time Cost Is Another Empty Promise for Farmers', *The Wire*, 4 February 2018; Zeenat Saberin, 'Why are Indian farmers protesting?', *Al Jazeera*, 5 June 2018; Soumik Dey, 'Growth rate of farmers' income halves in four years', *The Week*, 27 November 2018.

82. Mahesh Vyas, 'Demonetisation hit investment project completions', *Centre for Monitoring Indian Economy*, 2 January 2019.

83. 'Delay in GST refunds to exporters: Small businesses struggle for working capital', *Business Today*, 9 March 2018; 'What is causing delay in GST refunds to exporters?', *Business Today*, 4 June 2018; 'Refund mechanism still a pain point for exporters', *The Economic Times*, 2 July 2018; 'India's biggest ever tax reform hasn't kept its promise yet', *Quartz India*, 4 December 2018.

world.»⁸⁴ Furthermore, according to the Oxfam report, «the evidence from both primary and secondary sources of data strongly assert that the levels of inequality are not only high, but also rising over the last three decades.»⁸⁵

The Oxfam report findings dovetailed with the findings included in two 2018 Credit Suisse reports on global wealth.⁸⁶ According to these reports, the richest 1% in India owned more than 50% of the country's wealth in 2017 and 2018, up from around 48% in 2007. India was one of the most unequal countries in the world, after Russia and before Brazil.⁸⁷

3.4. *The 2018-19 budget: the promises*

The attempt to address many of the problems listed above appeared to be at the heart if not of the 2018-19 budget itself, at least of Finance Minister Arun Jaitley's «brisk and aggressive» budget presentation speech (1 February 2018).⁸⁸ The bulk of Jaitley's 110-minute speech «was devoted to addressing farm distress, the socially disenfranchised, affordable health-care, improving education and encouraging the small-scale sector (accounting for 72 of the 165 paragraphs of the speech)».⁸⁹ Also, in an effort to appear close to the humbler sector of the electorate, Jaitley, in his speech, sometimes shifted from English to Hindi.

From the social viewpoint three measures appeared to be particularly important. The first was the decision «to keep MSP [Minimum Support Prices] for the all unannounced crops of kharif [autumn] at least at one and half times of their production cost.»⁹⁰ This, at least in theory, was supposed to bring about a substantial increase in the farmers' earnings and meet a request continuously made by their associations, at least from 2006 onwards. Also, this measure was coupled with the promise that the government would actively intervene in the agricultural market to insure that the farmers would get «full benefit of the announced MSP».⁹¹

The second key measure was, in Arun Jaitley's own words, the launching of «a flagship National Health Protection Scheme to cover over 10 crore [100 million] poor and vulnerable families (approximately 50 crore [500

84. Oxfam India, *Widening Gaps. India inequality report 2018*, p. 6.

85. *Ibid.*

86. Credit Suisse, *Global Wealth Report 2018*, and *Global Wealth Databook 2018*, both downloadable at <https://www.credit-suisse.com/corporate/en/research/research-institute/global-wealth-report.html>.

87. Credit Suisse, *Global Wealth Report 2018*, Figure 5: Share of top 1% of wealth holders since 2007, selected countries, % of wealth, p. 9.

88. Anil Padmanabhan, 'Budget 2018: It's all about politics, politics, politics', *Livemint*, 2 February 2018.

89. *Ibid.*

90. *Budget 2018-2019: Speech of Arun Jaitley Minister of Finance*, 1 February 2018 (<https://www.indiabudget.gov.in/budget2018-2019/ub2018-19/bs/bs.pdf>), § 13.

91. *Ibid.*, § 14.

million] beneficiaries) providing coverage up to 5 lakh [500,000] rupees per family per year for secondary and tertiary care hospitalization.» Jaitley claimed that the newly announced National Health Protection Scheme would be «the world's largest government funded health care programme.»⁹²

The third key measure aimed at promoting employment through three main provisions. The first was the allocation of 3794 crore [37,940 million] «for giving credit support, capital and interest subsidy and [favouring the introduction of] innovations» to Medium, Small and Micro Enterprises [MSME] – indicated by Jaitley as «a major engine of growth and employment in the country».⁹³ This was followed by the announcement that the government had decided to pay 12% of the wages of new employees in the formal sector for the next three years.⁹⁴ Also explicitly related to the necessity to promote job creation was another, rather surprising, budget provision. This was the decision, in «a calibrated departure from the underlying policy in the last two decades», to increase custom duties on items such as mobile phones, some of their parts and accessories and certain parts of televisions.⁹⁵ This was a rather surprising move considering the stand in favour of unhampered international free trade which had always characterised Narendra Modi's stand and which he had reiterated in his speech at Davos just a few days earlier.⁹⁶

A further key feature of the budget was a (limited) slippage in the reduction of the fiscal deficit, mandated by the Fiscal Responsibility and Budget Management Act, 2003 (FRBMA). The fiscal deficit target for 2017-18 had been fixed at 3.2% of GDP, but had risen to 3.5%. In the 2018-19 budget that target was reduced to 3.3%.⁹⁷ However, doubts were expressed about the trustworthiness of the figures quoted by the finance minister. In fact, according to the estimate made by Central Statistics Office (CSO) just the day before the budget presentation speech, namely on 31 January, the fiscal deficit for 2017-18 «was likely to be 3.7% of GDP», rather than 3.5%.⁹⁸

3.5. *The 2018-19 budget: the reality behind the promises*

The fair promises made in the budget speech – particularly those aimed at rural constituencies – were made necessary by the increasing political difficulties of the ruling party (see above). However, keeping those

92. *Ibid.*, § 59.

93. *Ibid.*, § 71.

94. *Ibid.*, § 79.

95. *Ibid.*, § 160.

96. 'India At Davos: PM Modi flags «protectionism» as a threat, says globalisation is shrinking', *Financial Express*, 23 January 2018.

97. *Ibid.*, § 141. See also The Wire Staff, 'Budget 2018: Jaitley Indicates Fiscal Slippage as Messaging Tilts towards Agriculture and Health', *The Wire*, 1 February 2018.

98. Devangshu Datta, 'India's budget 2018: fiscal deficit set to widen', *Asia Times*, 5 February 2018.

promises would be exceedingly difficult, as the government had very little money to fund them. That was the direct result of the economic policies implemented in 2017: demonetisation; the introduction of the goods and services taxes (GST); and the decision to inject Rs. 2.11 lakh crore into the banking sector over the next three years, to help the banks to confront the problem of the non-performing assets (NPA).⁹⁹ The judgement on each of these measures may vary – a totally irrational one in the case of demonetisation, a badly implemented one in the case of GST, a useful and necessary one in the case of the financial injection into the banking system – but the end result at least in the short term was the same: a shortfall in tax revenue.

This underlying lack of resources explains the two main measures highlighted in the budget speech. The first was the promise to increase the MSP for crops at least at one-and-a-half times the cost. Here the problem was that – soon to become apparent and later confirmed by an anonymous source in the ministry of agriculture¹⁰⁰ – the production cost on which the promise was based was not the production cost requested by the farmers' organisations, which were much lower. By making use of the production cost to which Jaitley made (implicit) reference, the promise of increasing the MSP prices had already been honoured. This, however, had not improved the dismal economic situation of the Indian farmer. Moreover, the related commitment that the government would actively intervene in the agricultural market to ensure that farmers would benefit from the announced MSP increase was not supported by any concrete measures to facilitate this happening.

The second key promise in the budget was the launching of the gigantic health insurance scheme. The scheme – soon dubbed by the press «Modicare» – closely followed the US model, being insurance-based. One commentator's assertion that the US model of health care was «a grand racketeering scheme that promotes collusion between private insurance and health care companies»,¹⁰¹ was representative of the harsh criticism levelled by many at the government's choice, and based on the awareness that the European state-supported healthcare systems are far more efficient and cost-effective than the insurance-based US system. Some Indian critics of Modicare claimed that the policy aimed less at protecting the health of the Indian public than distributing money to insurance companies.¹⁰² While this

99. Michelguglielmo Torri, 'India 2017: Still no *achhe din* (good days) for the economy'.

100. Kabir Agarwal, 'Why MSP at 1.5 Times Cost Is Another Empty Promise for Farmers', *The Wire*, 4 February 2018.

101. V. Sridhar, 'Spectacle sans substance', *Frontline*, 2 March 2018.

102. For example Jayati Ghosh claimed that Modicare was «a scam that is going to benefit private healthcare companies» by providing healthcare insurance, based on the US model «instead of expanding a public health system which could actually provide [health care] much more cheaply, much more equitably and much more efficiently.». Jerry-Lynn Scofield interview with Jayati Ghosh in 'Is India on Its Way Out of Poverty?'.

accusation may have some merit, these authors believe that the reason for the Indian government's disconcerting and irrational choice lay elsewhere. It was the conjunction between the political need, in view of the coming 2019 general elections, to launch a grand project aimed at the poorest strata of the population, and the desperate lack of adequate state resources to fund it.

3.6. *The economic development after the 2018-19 budget*

The introduction of the 2018-19 budget was followed by a positive trend of macroeconomic indicators. However, the underlying problems of the economy remained. The two major ones were unemployment and the agrarian crisis.

In his 2018-19 budget presentation speech, Finance Minister Arun Jaitley claimed that: «Creating job opportunities and facilitating generation of employment» had been at the core of the government's policy-making, during «the last three years».¹⁰³ He went on to point out that «These measures have started showing results. An independent study conducted recently has shown that 70 lakh formal jobs will be created this year.»¹⁰⁴

The «independent study» - based on privileged information not in the public domain¹⁰⁵ - was authored by Professor Pulak Ghosh of the Indian Institute of Management, Bangalore, and Dr Soumya Kanti Ghosh, group chief advisor of the State Bank of India in Mumbai.¹⁰⁶ Its conclusions were disputed by some economists associated with the Congress, and defended by the authors themselves, together with scholars leaning towards the BJP.¹⁰⁷ Without dwelling on the terms of a debate which is too technical to be satisfactorily summarised here, the gist is that the claims by Ghosh and Ghosh appeared to be so wildly optimistic as to «take one's breath away».¹⁰⁸ Indeed the sudden positive progress in job creation they claimed was taking place was such that, as wryly pointed out by former UPA Finance Minister Palaniappan Chidambaram: «Soon, the problem will not be joblessness but lack of jobseekers!»¹⁰⁹

103. *Budget 2018-2019: Speech of Arun Jaitley Minister of Finance*, § 77.

104. *Ibid.*, § 78.

105. As noted by P. Chidambaram, 'Across the aisle: P Chidambaram speaks about payroll jobs in India', *Financial Express*, 28 January 2018.

106. Pulak Ghosh & Soumya Kanti Ghosh, *Beginning of Payroll Reporting in India*, Indian Institute of Management, Bangalore & State Bank of India, Mumbai, 26 April 2018.

107. For an introduction to the debate, apart from the sources quoted in the two previous footnotes, see Praveen Chakravarty & Jairam Ramesh, 'A misleading story of job creation', *The Hindu*, 22 January 2018; S. Nitesh, 'IIM professor rebuts Jairam Ramesh's politically motivated article on the payroll study', *Opindia*, 23 January 2018; Aviral Virk, 'Will India Create 70 Lakh Jobs as Claimed by Arun Jaitley', *The Quint*, 6 February 2018.

108. P. Chidambaram, 'Across the aisle: P Chidambaram speaks about payroll jobs'.

109. *Ibid.*

The Ghosh & Ghosh optimistic conclusions appeared to find confirmation in a background report prepared by economists Surjit Bhalla and Tirthatanmoy Das for the Prime Minister's Economic Advisory Council. According to their report, released at the beginning of September, the net job creation in 2017 was 22.1 million, namely «much better than the creation of 11 million jobs between 2004-05 and 2011-12 [the first 8 years of UPA governments]». ¹¹⁰

As in the case of the Ghosh & Ghosh report, the Bhalla and Das report was declared unsound. In particular it was pointed out that, in reaching its conclusions, it had relied «on cherry-picking of numbers or questionable assumptions». ¹¹¹

The Bhalla and Das report was closely followed by two other reports which, however, reached opposite conclusions. The first was the *State of Working India 2018*, released on 25 September 2018 by the Centre for Sustainable Employment of the Azim Premji University of Bengaluru. The report observed that a weaker employment-generation had become one of the distinguishing features of the Indian economy, pointing out that: «Since the 1990s, and particularly in the 2000s, GDP growth has accelerated to 7 per cent [per annum] but employment growth has slowed to 1 per cent or even less». This was a trend that, according to the report, had continued beyond 2015. Also, the Azim Premji University report, with a clear reference to the Bhalla and Das report, recalled that: «A recent study claims, to the contrary, that the economy generated 13 million new jobs in 2017». This was a conclusion that, according to the authors of the Azim Premji University report, had to be discarded, because: «Unfortunately, this optimistic conclusion depends on selective use of data and unjustified assumptions». ¹¹²

The pessimistic conclusions of the Azim Premji University report were strengthened and revised by a report by the Centre for Monitoring Indian Economy, made public on 8 January 2019. The report, trenchantly entitled *11 million jobs lost in 2018*, stated in a key passage

The count of unemployed has been increasing steadily. Over the year ended December 2018, it increased by a substantial 11 million. Correspondingly, the count of the employed is declining. In December 2018, an estimated 397 million were employed. This is nearly 11 million less than the employment estimate for December 2017. ¹¹³

Summing up, even if one accepts Arun Jaitley's (doubtful) claim that the creation of job opportunities had been at the core of the Modi govern-

110. Amit Basole & Anand Shrivastava, 'Did the Indian economy create nearly 13 million jobs in 2017?', *Hindustan Times*, 5 September 2018.

111. *Ibid.*

112. *Executive Summary. State of Working India 2018*, p. 17.

113. Mahesh Vyas, *11 million jobs lost in 2018*, Centre for Monitoring Indian Economy, 8 January 2019.

ment's policy-making, the dismal reality was that those policies had spectacularly failed in reaching their stated objective.

If this was the job creation situation which persisted during the year under review, the ongoing agrarian crisis was hardly better. The pro-farmer promises reiterated during Jaitley's presentation speech of the 2018 budget were either abandoned, or failed to result in any visible improvement of the situation on the ground. As pointed out in a research note by the State Bank of India (SBI), made public in early December 2018,

we maintain that the agriculture sector needs an immediate price intervention and subsequent better price discovery for the farmers. Agriculture prices continue to remain depressed and it is not clear how the minimum support price (MSP) may lift prices in the absence of an effective procurement scheme. The recent procurement scheme launched by the Government seems have made a very sedate beginning.¹¹⁴

The responsibility for this state of affairs was abundantly clear to the farmer organisations which, during the year under review, became increasingly militant. As pointed out by Jai Kisan Andolan National Convenor Avik Saha,

Prime Minister Narendra Modi came out with this huge announcement that he has given a historic price rise to farmers [...]

It was actually a fake price. He did not give the price which they had mentioned in the Bharatiya Janata Party's election manifesto [...].

So, PM Modi gave an incomplete price rise and publicised it as if he has completed his job.

And worse, there is no mechanism to ensure that farmers get that price.¹¹⁵

Farmer militancy, which had already become pronounced in 2017,¹¹⁶ in the year under review became increasingly organised, widespread and active. The year witnessed at least four major protests: the farmers' «long march» from Nashik to Mumbai in March; the coordinated protests in seven different states between 1-10 June; the Haridwar-Delhi march 23 September – 2 October; and the Kisan Mukti March organised by the All India Kisan Sangharsh Coordination Committee, a coalition of around 200 large and small farmer groups which converged on New Delhi from more than 100 districts across India on 30 November. Not surprisingly, among others, two requests stood out as crucial: fair and remunerative prices for agricultural products and loan waiver, namely the cancellation of debts.

114. 'GDP growth disappointing, agriculture remains worrying factor, says SBI', *Moneylife*, 3 December 2018.

115. 'Farmers don't believe Modi anymore', *Rediff.com*, 4 October 2018.

116. 'Interview: We are witnessing the beginning of a peasant rebellion in India, says Yogendra Yadav', *Scroll.in*, 4 October 2017.

4. Conclusion

The year under review was characterised by two developments at the political level and by two more at the economic level. At the political level, Narendra Modi's aura of invincibility was somewhat weakened by a string of electoral defeats at the state level. However, hopes that Modi was on the way out could be in vain: Indian elections have shown time and again that the political situation at the state level is not necessarily replicated at the national level.

The other key political development was the deterioration of Indian democracy, revealed by the very real and widespread violence against Muslims and Christians, by the sometimes deadly attacks on critics of Hindutva-inspired government policies and by the assault on the independency of key institutions such as the RBI and the CBI.

With regards the economic situation, the first development that must be stressed is the progress which at first sight characterised India's economy in the year under review, appeared to be based on dubious data. The second point worth mentioning is that, even if these data are taken at face value, the fact remains that the Indian economy is beset by problems, in particular an insufficient rate of job creation and an agrarian crisis. Neither problem had been generated by the policies of the Modi government, but the 2017 demonetisation and GST introduction certainly worsened them. More relevant from the limited standpoint of this article, the policies implemented by the Modi government seem incapable of remedying the problems besetting the economy. This is all the more damning if one considers that Modi was fully aware of their existence and relevance. A solution to them featured strongly among the promises that he and his party had freely made during the electoral campaign leading to the 2014 general elections.

INDIA 2018: THE RESETTING OF NEW DELHI'S FOREIGN POLICY?

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In 2018, India's foreign policy was characterised by two opposing trends. The pro-US approach, which had been a distinguishing feature of India's policy, in particular since the beginning of Narendra Modi's premiership, continued, at least as far as its military aspect was concerned. However, the growing closeness at the military level badly concealed a host of problems which were adversely affecting the New Delhi-Washington connection, mainly as a consequence of US President Donald Trump's protectionist policy.

The increasing difficulties characterising the India-US connection provide the backdrop to explaining a cautious but visible reorientation of New Delhi's foreign policy. This was characterised by a readjustment of India's China policy, which resulted in a distinct thawing in relations between the two Asian giants, and by the promotion of the importance of regional alliances and multilateral ententes, such as SCO and RIC (the Russia-India-China entente) – de facto in competition with the Washington-dominated world order.

Once all the above has been pointed out, the fact remains that, at the closing of the year under review there was no assurance that New Delhi's reorientation of its foreign policy was something permanent. The problems counterpoising India to China remained huge and far from being resolved, the most important among them being China's will to become the new hegemon in Asia, and India's determination not to accept a subordinate position vis-à-vis China.

I. Introduction

As noted elsewhere, since the beginning of Narendra Modi's premiership India's foreign policy has been characterised by the pursuit of two main goals: (a) strengthening the political, economic and military connection with the US, while attempting, with some success, not to damage the traditional ties of friendship with Russia; (b) pursuing a binary approach to China, based on the concomitant attempt at both engaging and containing it. It has also been noted that, throughout 2017, both goals somewhat mutated. As far as the US connection was concerned, the pursuit of a closer relationship with Washington appeared to become less related to the promotion of India's economic development, than to an increase *per se* of its military ties with the US. At the same time, India's China policy metamorphosed from one of engagement cum containment into one in which the adversarial

containment aspect was prevalent. These increasingly adversarial relations culminated in the Doklam standoff (18 June – 28 August), which apparently brought the two Asian giants close to an all-out military confrontation. It has also been noticed that, after reaching the peak of tension caused by the Doklam crisis, in the two concluding months of 2017, relations between New Delhi and Beijing somewhat eased. At the closing of 2017 it remained an open question if that improvement was to be short-lived or the beginning of a more long-lasting thaw in the relations between the two countries.¹

During the year under review, the trends that had become apparent during 2017, in the case of the US, and at the end of that year, in the case of China, continued unabated. Accordingly, in 2018, India's connection with the US appeared to become increasingly closer, but only at the military level. US President Donald Trump's arrogant and erratic foreign policy ran contrary to the economic interests of India – as well as of most other Asian countries and indeed the rest of the world. This caused India, like several other Asian countries, to quietly reassess its foreign policy. In New Delhi's specific case, this brought about the continuation and intensification of rapprochement with Beijing, and the regeneration of relations with Russia. These were two processes that fed into each other, as, during the same period, Russia and China continued to strengthen their relationship. Also, Japan – largely for the same reasons as India, namely the necessity to hedge against Trump's unpredictability – launched a new and less adversarial phase of its China policy.² As Japan and India had hitherto coordinated their policies aimed at containing China and competing with its Belt and Road Initiative (BRI), this itself encouraged New Delhi to proceed to détente with Beijing. Also, the shifting in India and Japan's positions vis-à-vis China undermined the prospect that the renewed Quad – the US-Australia-Japan-India multilateral security dialogue, de facto aimed at containing China – could play a significant role in bringing about an anti-Chinese balance of power in the Indo-Pacific area. That said, the fact remains that the New Delhi-Beijing rapprochement left unresolved the fundamental problems counterpoising India to China; neither China nor India suspended the many policies causing tensions between the two countries. At the end of the day – and at the end of the year under review – the relationship between the two countries appeared still so uncertain that some commentators began to speak of a new cold war – a cold war 2.0 – taking shape and counterpoising New Delhi to Beijing.

To negotiate the shifting landscape of India's foreign policy during the year under review, the following analysis will focus on a series of diplo-

1. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', *Asia Maior* 2017, pp. 282-290, and the sources there quoted.

2. Giulio Pugliese & Sebastian Maslow, 'Japan 2018: Fleshing Out Japan's Free and Open Indo-Pacific Strategic Vision', in this same *Asia Maior* issue.

matic key events: the «informal» Modi-Xi meeting at Wuhan (27-28 April); Modi's keynote speech at the Shangri-La Dialogue in Singapore (1 June); the Shanghai Cooperation Organisation meeting of heads of States in Qingdao (9-10 June); the inaugural 2+2 dialogue in New Delhi (6 September), involving the Indian and US foreign and defence ministers; the 19th India-Russia bilateral summit in New Delhi (4-5 October). The conclusion will draw together and try to coordinate the different and sometimes conflicting trends which became apparent during the above-listed diplomatic events.

2. *The Wuhan «informal» meeting*

In New Delhi, at the beginning of the year under review, a decision must have been taken to fast-track an early meeting between Indian Prime Minister Narendra Modi and Chinese President Xi Jinping. On 29 January, Vijay Gokhale – a former ambassador to China (and to Taiwan), who had played an important role in the resolution of the Doklam stand-off – was appointed as new foreign secretary. Less than one month later, Gokhale made an official visit to Beijing (23-24 February), to formally prepare a Modi-Xi meeting on the side-line of the SCO (Shanghai Cooperation Organisation) conference, scheduled for 9-10 June. The visit coincided with the Indian government's decision, taken at the prompting of the foreign ministry, to despatch a circular, asking all senior officials to abstain from taking part in the functions marking the 60th anniversary of the Dalai Lama's exile in India.³ This was followed by an even more momentous decision, related to the Malabar exercise, namely the naval war games, originally involving India and the US, which, since 2015 had become trilateral, including Japan. In connection with the resurgence of the Quad, many had expected the Malabar exercise to become a military extension of the Quad itself, which would have resulted in including Australia in the war games. Certainly Canberra had been lobbying to be included since 2015. At the very beginning of 2018, Canberra's request to join the Malabar exercise seemed about to be accepted; so much so that Australian Prime Minister Malcolm Turnbull had publicly stated that the related discussions with India were «progressing very well».⁴ However, on 26 April it became official that Canberra's request had been turned down.⁵

Clearly, the exclusion of Australia from the Malabar war games, as well the previously taken decision not to be involved in celebrating the Dalai

3. M. K. Bhadrakumar, 'Why America's «Quad» is not a priority for India', *Asia Times*, 6 March 2018.

4. 'Turnbull upbeat on regional naval exercise', *SBS News*, 23 January 2018.

5. 'Australia dumped from Indian Malabar naval exercises', *The Australian*, 27 April 2018; 'Malabar 2018: India deals a blow to Australia and «the Quad»', *Asia Times*, 1 May 2018.

Lama's exile in India, were conducive to creating a positive background to an early and unscheduled meeting between Modi and Xi. In fact the meeting took place in Wuhan, on the banks of the Yangtze, on 26-27 April, immediately after Australia's exclusion from Exercise Malabar became known, and in a climate of great cordiality.

The meeting was an «informal» one, as there was no pre-set agenda and much of the conversation between the two leaders was unstructured, at times taking place at informal events, where Modi and Xi were accompanied only by translators. The meetings lasted longer than anticipated and covered an exceptionally wide range of issues. Modi and Xi accepted the fact that their respective countries had common global interests. These common interests found a first conspicuous expression in the announcement of the «probability» of the two countries funding a «joint economic project» in Afghanistan. This in turn precipitated the acceleration of the completion of the Bangladesh-China-India-Myanmar (BCIM) Corridor project. Launched in 1999, the BCIM project – which aimed at the economic integration of the sub-region and the economic development of the area – had been marking time. Now the two leaders appeared willing to give it a push.⁶

That was followed by their decision to issue strategic guidelines to their respective militaries, to prevent the reiteration of those border incidents that had plagued relations between the two countries. The problem of the widening gap in trade flows connecting China to India, greatly disadvantaging the latter, was also discussed, even if whatever concrete measures that had been agreed remained unknown after the meeting.⁷ Also the crucial problem of the delimitation of mutually agreed borders between the two countries – one of the main stumbling blocks on the path to a full normalisation of the China-India relations – was discussed. According to a statement by Foreign Secretary Vijay Gokhale at a media event at Wuhan, the border question was to be resolved through a reactivation and implementation of the political parameters and guiding principles agreed by Beijing and New Delhi in 2005. Gokhale's Chinese counterpart, Vice Foreign Minister Kong Xuanyou, spoke of the building of mutual trust at the borders as being preliminary to the final solution of the frontier problem.⁸

6. Ramtanu Maitra, 'Sino-India relations must be reset in wake of rapid changes in Eurasia – II', *Vijayvaani.com*, 3 July 2018.

7. S. K. Chatterji, 'Modi-Xi summit was a post-Doklam stabilization exercise', *Asia Times*, 1 May 2018.

8. Atul Aneja, 'India & China. A fresh start?', *Frontline*, 25 May 2018. On the Wuhan meeting see also 'Modi leaves for India after informal summit with President Xi in China', *The Hindu*, 28 April 2018; 'Wisdom at Wuhan: on the Modi-Xi meeting', *The Hindu*, 30 April 2018; 'Wisdom at Wuhan – On the Modi-Xi meeting: Important Topics for UPSC Exams', *LAS Exam Portal*, without date.

3. Modi's keynote speech at the Shangri-La Dialogue

The results of the Wuhan meeting elicited a wide range of evaluations by Indian and western commentators. Some spoke of a «reset» in the relations between the two countries, others, such as Indian former National Security Adviser M. K. Narayanan, challenged that interpretation, pointing out that China had made no manifest concession to India, that the Doklam issue remained unresolved, and that there were no indications that Beijing had softened its attitude towards the contested border areas, in particular in the case of Arunachal Pradesh.⁹ Several Indian commentators also argued that Modi's unexpected *démarche* was motivated less by any new approach to foreign policy than by the need to keep things calm on the India-China border; preventing further incidents which might adversely reflect on the forthcoming 2019 general election campaign.

That some kind of reset was taking place in New Delhi's foreign policy became evident in Modi's keynote speech at the 31 May – 2 June Shangri-La Dialogue.¹⁰ The speech, given on 1 June, delineated India's own vision on the future of the Indo-Pacific region, where «common prosperity and security» should evolve through dialogue, aimed at building «a common rules-based order for the region». This order was to be applied equally to all nations in the region, «as well as to the global commons», namely to seas and oceans. In Modi's view: «Such an order must believe in sovereignty and territorial integrity, as well as equality of all nations, irrespective of size and strength.» Modi continued by stating that: «These rules and norms should be based on the consent of all, not on the power of the few. This must be based on faith in dialogue, and not dependence on force.»¹¹

More important than India's vision on the future of the Indo-Pacific region was what accompanied it. In formulating its vision, Modi, using cautious diplomatic language, did not spare his criticism of both China and the US. The anti-China comments were run of the mill, made in the past time and again. Part of it was the references to «freedom of navigation», to «the settlement of disputes in accordance with international law», and the warning that the connectivity initiatives in the region «must be based on respect for sovereignty and territorial integrity» and aimed at empowering nations,

9. 'The Modi-Xi summit in Wuhan: impact on India-China relations' (Summary of a talk by M. K. Narayanan on 24 July 2018), *IISS*, 24 July 2018.

10. The Shangri-La dialogue – which takes its name from the hotel in Singapore where it has been held since 2002 – is an inter-governmental annual security forum, organised by the IISS (International Institute for Strategic Studies), an independent think tank. It is attended by defence ministers and military officials of the Asia-Pacific countries, the US included.

11. All quotations from Modi's speech are taken from the full text made available by the Government of India. See Ministry of External Affairs, Government of India, Media Center, *Prime Minister's Keynote Address at Shangri La Dialogue (June 01, 2018)*.

«not to place them under impossible debt burden». Also the reference to the fact that ASEAN unity was «essential for a stable future for this region [Indo-Pacific]» and that «each of us must support it, not weaken it» can be seen as a veiled criticism of China, which, in previous years had successfully endeavoured to weaken ASEAN unity.

Politically more significant than his criticism of China, however, were those aimed at the US. By making them, Modi was distancing India from the US for the first time since the beginning of his prime ministership. And in doing so, the Indian prime minister was moving closer to China, which either shared some of India's preoccupations or was the author of similar anti-American denunciations.

The first and most significant of the two main anti-US stances taken by Modi was his blunt statement that: «India does not see the Indo-Pacific Region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate. And by no means do we consider it as directed against any country».

By making this statement, Modi clearly signalled India's disinterest in engaging in the transformation of the Quad from a largely ceremonial getting together of India, US, Japan and Australia into a real military alliance; an Indo-Pacific replica of the NATO used to militarily contain the USSR would similarly contain China.

The second main anti-US criticism could be found in Modi's remarks against «growing protectionism – in goods and in services». According to Modi: «Solutions cannot be found behind walls of protection, but embracing change». This was a criticism as clear as any against US President Donald Trump's protectionist policies.

Modi's clear criticisms of both the US and China were followed by caution; placing emphasis on their constructiveness, as opposed to adversarial denunciations. «Competition is normal. – declared Modi in his concluding remarks – But contests must not turn into conflict; differences must not be allowed to become disputes».

4. Modi at the SCO summit in Qingdao

Only a week after his keynote speech in Singapore, Modi took part in the Shanghai Cooperation Organisation (SCO) annual summit of heads of states, which took place in Qingdao (China) on 9 and 10 June. The result of the general meetings and of the Modi-Xi get-together which preceded them shed further light on the positive evolution of the China-India relationship. It is true that India was the only SCO country which did not extend its support to the BRI, which Modi criticised in Qingdao basically with the same words uttered in Singapore a week earlier. However, a change in New Delhi's standing on the BRI was not expected, and did not appear to adversely

influence the improving relationship with Beijing. This improvement found expression in the signing of a set of agreements: the modification of the 2006 India-China protocol on the export of Indian rice to China, allowing also the export of non-Basmati rice (hitherto Indian rice exports had been limited to the Basmati variety); a bilateral and expanded agreement on the sharing of hydrological data on the Brahmaputra river, allowing India to prepare for any possible inundation;¹² China's agreement to allow Indian pharmaceutical companies to export high quality pharma products.

Finally, however, the most momentous result of the SCO summit – more important to China than any other issue – was the fact that India joined the other SCO nations in expressing support for an «open, inclusive, transparent, non-discriminatory and rules-based multilateral trading regime» and in decrying any form of trade protectionism. This was as clear as possible a stand against President Trump's aggressive trade policies, which were damaging many countries – India included, as discussed below – but most particularly China.

Symbolic of the positive trend in the China-India relations was the announcement that Xi had accepted Modi's invitation to another informal summit, on the lines of the Wuhan meeting, to be organised in 2019.¹³

5. *The antecedents to the 2+2 dialogue*

Before accounting for the fourth key diplomatic meeting which signed the evolution of India's foreign policy in 2018, namely the 2+2 dialogue, which took place in New Delhi on 6 September, involving the foreign and defence ministers of the US and India, it is necessary to consider its antecedents. The dialogue took place in the context of increasing tensions between New Delhi and Washington. These tensions were the necessary consequence of the US administration's neo-protectionist policy and of its aggressive approach towards Iran and Russia.

12. The sharing of the hydrological data concerning the Yarlung Tsangpo/Brahmaputra had been suspended in 2017, following the Doklam crisis; now it was activated again, with the Chinese engaging not only to supply the hydrological data during the flood season (15 May to 15 October), but also in the remainder of the year, in case the river water levels exceeded the mutually agreed standard.

13. The whole section on SCO is based on: 'Xi, Modi Hold Bilateral Talks in China, Agree to Improve Ties', *Bloomberg*, 9 June 2018; 'From Basmati rice to Brahmaputra river, here's what India-China discussed at SCO summit 2018', *Business Today*, 10 June 2018; 'SCO summit 2018: How India protected its interests in China's Qingdao', *Business Standard*, 12 June 2018; 'The real discussions between India and China at SCO: The Statesman contributor', *The Strait Times*, 22 June 2018.

5.1. *The tensions related to trade and visas*

Trump's neo-protectionist policy hit India following his decision (March 2018) to impose heavy import tariffs on steel (25%) and aluminium (10%). The measure – justified as necessary to guarantee US security, by protecting the domestic production of strategic items required for «unique national defense purposes» – was not specifically aimed at India, but affected a number of other countries, such as China, the EU, Mexico, Russia and Canada. In fact India's steel and aluminium exports to the US were limited, amounting in value to some US\$ 1.5 bn. Furthermore, the first impact of the new tariffs on India was rather paradoxical: in the quarter ending June 2018, while India's steel exports plummeted 42%, the exports in aluminium jumped 59%, possibly as a result of a comparative advantage vis-à-vis exports from Canada, Mexico and China.¹⁴ New Delhi, however, was worried that the new tariffs on aluminium and steel could be the first step of a policy aimed at hitting more lucrative Indian exports to the US, in particular pharmaceutical items. The suspicion was legitimate as the decision to include India among the countries hit by the new tariffs came as an unpleasant surprise for the Indian government, particularly after the assiduous efforts made by Narendra Modi in previous years to strengthen the India-US connection.

India's reaction was to request an exemption from the aluminium and steel tariffs on the grounds that India's exports of those items were indeed limited and, as a consequence, could not damage US strategic security. Also, New Delhi was counting on the «strategic partnership», which had come into being in the previous years between India and the US, as a lever to obtain better conditions than those allowed to other countries. However Washington's answer to New Delhi's request was not positive. In June Trump made things tenser, by specifically quoting India as one of the countries guilty of dishonest trade practices, accusing it of imposing 100% tariffs on certain US goods.¹⁵

Like other countries which had been targeted by US neo-protectionism, India reacted by following two counterstrategies: one was denouncing the US tariffs on steel and aluminium as protectionist before the World Trade Organisation (WTO); the other was notifying its intention to hike the tariffs on a series of US products. However, unlike other countries, India's threats to go to (trade) war with the US were not enacted. India's decision to impose retaliatory tariffs, announced in June, was supposed to become effective on 4 August. Nevertheless this deadline continued to be

14. India's exports of steel items to the US went down from US\$ 198 million to 115 US\$ million; aluminium exports went up from US\$ 103 million to US\$ 164 million. 'US duty hikes begin to hurt as steel exports plunge 42%', *Livemint*, 4 September 2018.

15. 'India joins fightback against US steel tariffs', *Financial Times*, 21 June 2018.

rolled over and, at the end of the period under review, had not yet become operative.¹⁶

Clearly the Modi government hesitated in taking up such a powerful adversary as the US, particularly the US led by a totally unpredictable leader as Donald Trump. Accordingly, New Delhi, after the initial disappointment, fell back on renewed negotiations with Washington. By April, however, it became clear that the steel and aluminium tariffs were not the only problem on the table. On 12 April, the Office of the United States Trade Representative (USTR) officially announced that it was reviewing the eligibility of India (together with Indonesia and Kazakhstan) in the Generalized System of Preferences (GSP). This was a preferential system of trade allowing concessional or zero tariff imports from developing countries for a predefined set of products.¹⁷ Two days later it became known that the US Treasury had added India to its «watch list» of countries with questionable foreign exchange policies.¹⁸ Also, later in the year, news came that the Trump administration intended to limit the concession of H-1B visas and cancel the permission of work for H-4 visa users, namely spouses and children under 21 years of age of H-1B visa holders. The H-1B visa – a non-immigrant visa allowing US companies to employ foreign workers in occupations requiring high theoretical and technical expertise – was the most sought after among Indian IT professionals. So much so that, as of 5 October 2018, Indians monopolised 93% of this category of visa. Accordingly, any restriction of the existing rules could not but adversely affect the more than 300,000 Indian citizens holding H-1B visas and their spouses and children.¹⁹

Summing up, in spite of continuing negotiations between the representatives of India and the US, the trade and visa problems dividing the two countries, far from heading towards a mutually accepted solution, were becoming more momentous, as a result of Washington's intransigence.

16. The 4 August deadline was extended until 18 September, then 2 November, then 17 December, then 31 January 2019. 'India again defers duty hike on US products till January 31', *Business Line*, 18 December 2018.

17. 'USTR formally launches GSP eligibility review of India', *The Economic Times*, 13 April 2018. On the GST see Tojo Jose, 'What is Generalized System of Preferences (GSP)? What is its significance in India-US trade?', *IndiaEconomy.net*, 2 November 2018.

18. 'US Adds India To Currency Watch List Of Countries With Potentially Questionable Foreign Exchange Policies', *Outlook*, 14 April 2018. The other countries on the watch list were China, Germany, Japan, Korea, and Switzerland.

19. According to the US Citizenship and Immigration Services (USCIS), there were as many as 419,637 foreign nationals working in the US on H-1B visas as on October 5. Of these, 309,986 were Indians. 'Three-fourths of H1B visa holders in 2018 are Indians: US report', *The Economic Times*, 20 October 2018. On the question of the H-1B and H-4 visas see also 'Will End Permits For Families Of H-1B Visa Holders In 3 Months', *NDTV*, 22 September 2018, and 'US To Revise H-1B Definition, Planning Repeal Of H-4 Visa: 10 Points', *NDTV Profit*, 18 October 2018.

5.2. *The tensions related to Russia and Iran*

In summer 2017, the US Congress passed the Countering America's Adversaries Through Sanctions Act (CAATSA). Signed grudgingly by President Trump on 2 August 2017,²⁰ the act mandated automatic sanctions against Iran and North Korea but, in particular, against Russia, hitting its energy and defence sectors. Secondary sanctions were to be imposed on countries dealing with Russia, Iran and North Korea in the fields indicated in the CAATSA.

CAATSA – which came into effect in January 2018 – could not but adversely affect India's interest, given the relevance of its relations with Russia and Iran. India still acquired most of the weapons and weapon systems that it bought abroad from Russia. This remained true even if, beginning with the signing of the US-India Civil Nuclear Agreement of 2008 and the accompanying agreements on military cooperation, the US had become an increasingly important supplier of weapons and weapon systems to India. In 2008 the US exported some US\$ 1 billion to India, while in 2016 that figure had ballooned to more than US\$ 15 billion. At the same time, Russia's share of India's weapon imports had conspicuously declined from 79% in the 2008-12 period to 62% in the 2012-2017 lustrum.²¹ Even so, the fact remained that not only did Moscow continue to be the main weapon supplier to India, but its relevance was such that New Delhi could not dispense with Russian weapon supplies in the foreseeable future. Also, Russia had the advantage on the US of selling its weapons with fewer political strings attached, «making easier for New Delhi to decide how and against whom those weapons will be employed».²²

In the period under review, all this was capped by the fact that New Delhi appeared close to successfully concluding a negotiation that had begun at the end of 2015²³ - aimed at obtaining five Russia-made S-400 Triumph air defence missile systems. The S-400 system was generally considered the best of its kind in existence, far superior to anything that the US could supply. Accordingly, in spite of US entreaties to India aimed at convincing it to substitute the S-400 systems with US-produced anti-missile devices, New Delhi decided to implement its original plan. To do that, however, it was necessary to run the gauntlet of possible US sanctions imposed by CAATSA. This explains the hesitation that, at the beginning of the year under review,

20. Trump complained that the bill was «seriously flawed» particularly because it encroached on the executive branch's authority to negotiate. White House. Statements & Releases, *Statement by President Donald J. Trump on Signing the «Countering America's Adversaries Through Sanctions Act»*, 2 August 2017.

21. Tenzin Topden, 'India's Russia conundrum: a question of balance', *Asia Times*, 16 May 2018.

22. *Ibid.*

23. 'India Cleared Purchase of Russian S-400 Missile Defense System', *The Diplomat*, 21 December 2015.

characterised India's behaviour in relation to this question and the delay in signing the final deal with Russia.²⁴

As far as India's connection with Iran was concerned, Washington's pressure on New Delhi to induce it to scale down its imports of Iranian oil and gas was nothing new. In fact, reaching that objective had been one of the main and explicit goals sought by Washington since then-Secretary of State Condoleezza Rice went to India in 2005, opening the negotiation that would result in the 2008 US-India civil nuclear agreement. As a result, India's imports of Iranian oil and gas had actually declined over the years, although they had briefly picked up once again – not to the pre-sanction level – following the signing of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1+EU and the lifting of international sanctions on Iran.²⁵ However, in spite of the diminishing trend in Iran's export to India, in 2018 India still remained the second biggest buyer of Iranian oil, after China, and, in December 2017, Iran was the third largest oil supplier to India, accounting for 11.7% of India's oil imports.²⁶

Donald Trump's «long anticipated and widely telegraphed» decision to withdraw from Iran's nuclear deal took effect on 8 May 2018.²⁷ It brought about the threat of US sanctions against those countries that would continue to trade with Iran, among which – as already noted – India was the most relevant after China.

Iran, in fact, was relevant for India not only as a main oil supplier but as the entrance to a corridor bypassing Pakistan and reaching Afghanistan and Central Asia. The strategic hub of this corridor, highlighted by Modi as the main India-sponsored connectivity project at the Qingdao SCO meeting, was the Chabahar port in South-east Iran, which India had engaged to develop with a deal signed in May 2016.²⁸ Logically, the whole project should have been in Washington's crosshairs. However, the Chabahar port opened an easy connection to Afghanistan, which could be exploited by the US in its struggle against the local insurgency. Also, Chabahar and its corridor were in direct competition with the Chinese-developed nearby Pakistani port of Gwadar, the terminal of the China-Pakistan Economic Corridor (CPEC), namely a crucial part in China's sponsored BRI. All this

24. India Defense Minister Nirmala Sitharaman was on an official visit in Moscow on 3-5 April. This was followed by an unscheduled visit by Narendra Modi, who met Vladimir Putin on 21 May. On both occasions the expected signing of the final contract for the supply of the S-400 air defence systems failed to happen.

25. Nidhi Verma, 'CORRECTED: India's 2016 Iran oil imports hit record high – trade', *Reuters*, 1 February 2017.

26. Nidhi Verma, 'India's Iranian oil imports slide in December under U.S. pressure', *Reuters*, 11 January 2019.

27. Mark Landler, 'Trump Abandons Iran Nuclear Deal He Long Scorned', *The New York Times*, 8 May 2018.

28. 'India hopes to start full operation soon at Iran's Chabahar port: minister', *Reuters*, 8 January 2019.

explains why then-US Secretary of State Rex Tillerson, during his October 2017 tour of the Middle East and South Asia, de facto gave the green light to India to proceed with the Chabahar project.²⁹ However, given Trump's unpredictability, there was no assurance for New Delhi that Tillerson's go-head could not be suddenly reversed. This uncertainty could not but be strengthened by Trump's sudden firing of Tillerson, via Twitter, on 13 March 2018.

5.3. *The 2+2 Dialogue*

The inaugural session of the 2+2 US-India dialogue, initially scheduled to be held in May in Washington, had been delayed as the US, before finally agreeing to it, wanted some previous assurances from India. Washington wanted to be sure that New Delhi would finally sign the second of the «foundational» agreements aimed at fleshing out the US-India military entente. The first, the Logistics Exchange Memorandum of Agreement (LEMOA), signed on 29 August 2016, gave a facilitated access to both sides to designated Indian and US military facilities for the purpose of refuelling and replenishment. The second issue in the period under review, originally designated as Communication Interoperability and Security Memorandum Agreement (CISMOA) and, later, Communications Compatibility and Security Agreement (COMCASA), was aimed at enabling greater communications interoperability between the militaries of India and the US, by allowing India to procure transfer-specialised equipment for encrypted communications for US-origin military platforms. The third foundational pact, the Basic Exchange and Communication Agreement (BECA), would allow the sharing of geospatial intelligence.

These agreements, tying together the US and its closest allies at the military level, were presented by Washington as «force multipliers» for its partners. New Delhi, however, had always shown considerable reluctance in signing the foundational pacts for both political and technical reasons. Politically these pacts threatened to entrap New Delhi in too close an embrace with Washington, transforming India into a front line state, in the military ring that the US was trying to build around China. Even if, under Modi, India's foreign policy, at least up to the closing months of 2017, had had an increasing anti-China bent, this does not mean that New Delhi was willing to give up its freedom of action, subordinating its China policy to the will of Washington. From a technical viewpoint, particularly the CISMOA/COMCASA opened the possibility that the US could illegitimately acquire highly confidential data on the working of the defence and intelligence apparatuses of its partners, either through cooperation or thanks to the possibility for the US, included in the COMCASA to carry out intrusive inspections in the

29. Michelguglielmo Torri & Diego Maiorano, 'India 2017: Narendra Modi's continuing hegemony and his challenge to China', p. 284.

countries adhering to the foundational agreements, ostensibly to prevent its own military equipment and secrets from being compromised.

Before approving the date for the meeting Washington required not only New Delhi's assurance that at least another foundational agreement would be signed, but also India's commitment to conspicuously reduce its imports of Iranian oil and gas.³⁰ It was only after New Delhi gave the assurances requested by Washington that the 2+2 Dialogue took place on 6 September in New Delhi, bringing together the new US secretary of State, Mike Pompeo, US Defense Secretary James Mattis, and their Indian counterparts, Foreign Minister Sushma Swaraj and Defence Minister Nirmala Sitharaman. The main result of the meeting was the signing of COMCASA, which successfully ended some ten years of negotiations. The pact, besides strengthening the US-India military connection was expected to result in a major increase in India's purchases of US weapons and weapon systems.³¹

According to most commentators, the signing of COMCASA confirmed that, in spite of the evident tensions between India and the US as result of Trump's erratic policies, and notwithstanding the supposed reset of India-China relations, following the Wuhan meeting, the alliance with America continued to be the foundation of India's foreign policy. This was an evaluation that could not but be strengthened by the announcements included in the final statement that closed the New Delhi 2+2 Dialogue. In it, the strategic importance of India's designation as a major defense partner of the US was reaffirmed; a new joint US-India tri-services military exercise was announced as a manifestation of the «rapidly growing military-to-military ties» between the two countries; and the usual anti-China code expressions in favour of «freedom of navigation and overflight» were repeated.³²

When all the above has been noted, the fact remains that there were hardly any openings by Washington on the main problems that caused tensions between the two parties. This became clear during US Secretary of State Mike Pompeo's conference in New Delhi, just before the beginning of the 2+2 meeting. In relation to Indian imports of Iranian oil, Pompeo stated that: «We have told the Indians consistently, as we have told every nation, that on November 4th the sanctions with respect to Iranian crude oil will be enforced, and that we will consider waivers where appropriate, but that it is our expectation that the purchases of Iranian crude oil will go to zero from every country, or sanctions will be imposed.» In relation to India's intention to buy the S-400 system and the possibility that Washington would allow a waiver, exempting India by the CAATSA secondary sanctions, Pompeo declared: «With respect to the S-400, no decision has

30. John Cherian, 'Tango with Trump', *Frontline*, 12 October 2018.

31. Keith Jones, 'India expands anti-China «strategic partnership» with Washington', *World Socialist Web Site*, 8 September 2018.

32. U.S. Department of State, *Joint Statement on the Inaugural U.S.-India 2+2 Ministerial Dialogue*, 6 September 2018.

been made. We are working to impose CAATSA Section 231 in a way that is appropriate and lawful and to exercise that waiver authority only where it makes sense.»³³

6. The 19th India-Russia bilateral summit

The annual India-Russia bilateral summit took place on 4- 5 October in New Delhi, less than a month after Pompeo's departure. The most important result of the summit was the signing of the S-400 deal, widely believed to have been finalised months before, but whose signature had been delayed by Indian fears of triggering US sanctions. The deal was signed without Modi or Putin mentioning it in their interaction with the press.³⁴ In fact, the only mention of the successful conclusion of the deal was represented by a few words in the longish joint statement concluding the summit. In it, the first two lines of paragraph 45 stated that: «The sides welcomed the conclusion of the contract for the supply of the S-400 Long Range Surface to Air Missile System to India».³⁵

There is no doubt that the conclusion of the US\$ 5.43 billion S-400 deal was highly important, not only from a strictly military standpoint, but, more generally, at the political level, highlighting the revival of a relationship that, in previous years, had appeared to be heading towards a slow atrophy. In fact, not only the S-400 deal, but more generally the full set of results of the summit clearly indicated not only the renewed closeness between New Delhi and Moscow, but also New Delhi's distancing from Washington. The renewed closeness between New Delhi and Moscow was evident in the eight memoranda of understanding (MOUs) which were signed during the summit and in several key passages in the joint communique released at the closing of the summit. The traditional areas of cooperation between the two countries – weapon trade and energy – appeared to be burgeoning. They were characterised not only by the finalisation of the S-400 deal, but by Russian supplies of liquefied natural gas (LNG) to India, by India's cooperation in the joint development of oil fields in the Russian territory, and in the continuing and growing cooper-

33. U.S. Department of State, *Remarks to the Press, Secretary of State Michael R. Pompeo*, US Embassy, New Delhi, India, 6 September 2018.

34. 'Eight pacts signed after Modi-Putin summit', *The Tribune*, 5 October 2018. According to «top [Indian] foreign ministry sources» quoted by *Asia Times*, the decision to keep a low profile on the signing of the S-400 deal was taken at the prompting of the Indian side. Saikat Datta, 'India's missile deal with Russia unlikely to sour US relations', *Asia Times*, 6 October 2018.

35. Ministry of External Affairs, Government of India, *India-Russia Joint Statement during visit of President of Russia to India (October 05, 2018)*, § 45. These few words were buried at the beginning of paragraph 45, in a 68 paragraphs and 5.500-word long document.

ation in the nuclear field These were exemplified by the progress achieved in building six nuclear power plants (NPP) in India, the ongoing consultations on the realisation of an additional one, the joint manufacturing of nuclear equipment, and by the progress in jointly building the Rooppur NPP in Bangladesh.³⁶

The Joint Statement also highlighted efforts to expand economic cooperation. The growing bilateral economic connection was indicated by the increase in two-way investment aimed at US\$ 30 billion by the year 2025, and by the decision to launch a Strategic Economic Dialogue, involving India's NITI Aayog and the Russian Ministry of Economic Development, whose first meeting was to be held by the end of the 2018.³⁷ Also, the two countries were planning to speed up the International North-South Corridor, joining India to Russia through Iran and Central Asia. Finally, and significantly, the Summit was accompanied by the holding of an India-Russia Business Summit, involving large delegations from both sides.³⁸

Politically the most important part of the Joint Statement was its closing paragraphs, dealing with international issues, where India's distancing itself from the US, although expressed in cautious diplomatic language, was evident. The key passage in the

Joint Statement read: « Both Sides share the view that implementation in good faith of generally recognized principles and rules of international law excludes the practice of double standards or imposition by some States of their will on other States, and consider that imposition of unilateral coercive measures not based on international law, is an example of such practice.»³⁹ This was a quite clear condemnation of the US attempt to impose its will through sanctions. An analogous criticism had implicitly been expressed some paragraphs before, when «the importance of the full and effective implementation of the Joint Comprehensive Plan of Action (JCPOA)» had been stressed.⁴⁰

Complementary to the condemnation of US unilateralism was the decision of the two countries to promote a multilateral world order based on the promotion of interaction and cooperation «in the regional multilateral fora such as BRICS, G-20, RIC [Russia-India-China Forum] and East Asia Summits».⁴¹ Part of this strategy was the enhancing of the role of the SCO both by giving it an economic component, particularly in transporta-

36. Ministry of External Affairs, Government of India, *India-Russia Joint Statement during visit [sic] of President of Russia to India (October 05, 2018)*, §§ 38, 40, 42.

37. The 1st India-Russia Strategic Economic Dialogue was actually held in St. Petersburg on 26 November 2018.

38. *Ibid.*, §§ 10, 11, 15, 19.

39. *Ibid.*, § 55.

40. *Ibid.*, § 50.

41. *Ibid.*, § 63.

tion and infrastructure projects, and by promoting its role in international affairs.⁴²

7. *India's strategic ambiguity?*

The diplomatic events analysed so far seem to point to India's strategic convergence with both China and Russia and its distancing from the US. This had been indicated already by the decision – which was announced on 7 August – not to join an initiative launched by the United States, Japan and Australia to fund infrastructure projects to counterbalance China's BRI in the Indo-Pacific region,⁴³ and by the 8 October announcement by India's Petroleum Minister Dharmendra Pradhan that oil imports from Iran would continue. However, according to many commentators, other moves by India showed the persistence of a contrary trend, still characterised by the pursuit of the containment of China.

Among these initiatives two in particular appeared to be relevant. The first was the signing of a Joint Strategic Vision for Cooperation in the Indian Ocean Region with France, on 10 March, during a visit to India of French President Emmanuel Macron. In the document the usual code words directed at China, expressing concern for «freedom of navigation and overflight», were mentioned, and the strengthening of India-France military cooperation in the Indian Ocean appeared mostly aimed at China's containment.⁴⁴ However, a closer reading of the India-France agreements reveals that the anti-China dimension was limited, almost ritual, and that the main aim pursued by the two parties was the enhancing of bilateral economic cooperation.

The other diplomatic initiative that could be read as part of India's continuing anti-China foreign policy was Modi's official visit to Tokyo, on 28-29 October. India-Japan relations, traditionally good after the Second World War, had become particularly close during Narendra Modi's premiership. They were primarily driven by geopolitical considerations, in particular by the common interest in containing China both politically and economically, and strengthened by Tokyo's massive economic support to New Delhi.⁴⁵ This Japanese-Indian anti-China strategy had found expression in

42. *Ibid.*, §§ 62, 64.

43. Dipanjan Roy Chaudhury, 'India not to join US-led counter to China's BRI', *The Economic Times*, 7 August 2018.

44. Ministry of External Affairs, Government of India, Joint Strategic Vision of India-France Cooperation in the Indian Ocean Region (New Delhi, 10 March 2018). See also Emanuele Scimia, 'China in sights of Indo-French defense cooperation', *Asia Times*, 16 March 2018.

45. On Japan's economic support to New Delhi see Giulio Pugliese & Sebastian Maslow, 'Japan 2018: Fleshing Out Japan's Free and Open Indo-Pacific Strategic Vision', in this same *Asia Maior* issue.

the decision – made public at Gandhinagar in May 2017 – to launch the building of an Asia-Africa Growth Corridor, in direct competition with the Chinese BRI and expression of «an amalgamation of both Japan’s and India’s growing strategic convergence in the Indo-Pacific Region».⁴⁶

In this context, Modi’s visit to Tokyo of 28-29 October 2018 could be interpreted as in pursuit of that policy of containment of China which had appeared to be dominant in the India-Japan relationship the year before. No doubt, the Joint Statement concluding Modi’s Japan visit duly repeated the usual anti-China mantras, about «freedom of navigation and overflight as well as unimpeded lawful commerce» and the pursuit of peaceful resolution of disputes «in accordance with the universally recognised principles of international law, including those reflected in the UNCLOS, without resorting to threat or use of force.»⁴⁷ Also, there was an upgrading in the India-Japan connection, with the decision to launch a 2+2 Dialogue, on the lines of those already existing between India and the US, which, at first sight, appeared as mainly aimed at China’s containment. However, a key passage in the official résumé of the meeting, posted on the Japanese Ministry of Foreign Affairs site, appeared to point in a quite different direction.

According to the résumé, «Prime Minister Abe stated that *amid mounting concerns about protectionism*, he will have Mr. Hiroshige Seko, Minister of Economy, Trade and Industry, and Mr. Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation of India, work solidly in order to realize a substantial conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiations this year by the 16 countries including India, towards the realization of a free and open Indo-Pacific.»⁴⁸ This was a commitment that, according to the document, was fully shared by Modi.⁴⁹ That same commitment appeared in the communiqué posted on the site of the Indian Prime Minister’s Office, although differently worded. In fact, the Indian version stated the two premiers had «recommitted themselves to resisting protectionism including all unfair trade practices and underlined the need to remove trade-distorting measures.» The communiqué continued by stating that Modi and Abe had «reaffirmed the strategic importance of the early conclusion of the negotiations for a high-quality, comprehensive and

46. Michelguglielmo Torri & Diego Maiorano, ‘India 2017: Narendra Modi’s continuing hegemony and his challenge to China’, p. 285. However, as Giulio Pugliese pointed out in a personal communication, the project of building a Japan-India sponsored Asia-Africa Growth Corridor has had no follow up, remaining in the ambit of wishful thinking.

47. Press Information Bureau, Government of India, Prime Minister’s Office, *India-Japan Vision Statement*, 29 October 2018, § 3.

48. Ministry of Foreign Affairs of Japan, *Japan-India Summit Meeting*, 29 October 2018 (emphasis added). On the RCEP and its relevance as a pointer of the true direction assumed by both Japan’s and India’s policy, more below.

49. *Ibid.*

balanced Regional Comprehensive Economic Partnership (RCEP) Agreement for realising full benefits of a free and open Indo-Pacific region.»⁵⁰

Interestingly, the Indian version, apart from obscuring the dominant role played by Abe in the anti-protectionist, pro-RCEP India-Japan standing, wrapped the enunciation of this initiative in anti-China wording (the indication that it was taken «for realising full benefits of a *free and open Indo-Pacific region*.»). This possibly explains why the true geostrategic meaning of the anti-protectionist, pro-RCEP bilateral standing on protectionism and RCEP appears to have escaped the attention of Indian commentators. In fact, the anti-protectionist statement – although couched in a different language in the two official communiqués – was a signal, as clear as any, of the growing distance between Japan and India on one side and the US on the other. The return of protectionism on the international stage was the result of Trump's policy; conversely, RCEP was part of the ongoing attempt to build «the world's largest trade sphere in Asia»; a trade sphere – it is worth stressing – that excluded the US and included China. In fact, RCEP – at that moment still in a negotiating phase, though nearing completion – was a free trade agreement (FTA) involving the ten countries belonging to ASEAN, plus Australia, China, India, Japan, New Zealand and South Korea. The RCEP, together with the Progressive Agreement for Trans-Pacific Partnership (CPTPP) or TPP-11, aimed at filling the void left by Trump's sinking of the TPP, namely the gigantic trade agreement including 12 Asia-Pacific countries, which had been strongly promoted by the Obama administration, but rejected by Trump immediately after assuming the US presidency. There is no doubt that the operationalisation of both the RCEP and TPP-11, by including China and managing without the US, could not but weaken the US international standing and its capacity to influence the Asian countries belonging to those pacts.⁵¹

To sum up, the almost ritual anti-China declarations included in the concluding communiqués were clearly less important than the explicit decision to accelerate the conclusion of a FTA that, including China and in the

50. Press Information Bureau, Government of India, Prime Minister's Office, *India-Japan Vision Statement*, 29 October 2018, § 24. The RCEP negotiations were launched by leaders from 10 ASEAN Member States (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and six ASEAN Free Trade Agreement (FTA) partners (Australia, People's Republic of China, India, Japan, Republic of Korea, and New Zealand) during the 21st ASEAN Summit and Related Summits in Phnom Penh, Cambodia, in November 2012. Their objective was to achieve a «modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement» among the ASEAN Member States and ASEAN's FTA partners. The RCEP negotiations have been in progress since early 2013. See Regional Comprehensive Economic Partnership (RCEP) (https://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership).

51. For a discussion of these themes see Takashi Terada, 'RCEP Negotiations and Implications for the United States', *NBR – The National Bureau of Asian research*, 20 December 2018.

absence of the US, would strengthen Beijing's international standing and weaken that of Washington. With this perspective in mind, it is significant that Japan Prime Minister Shinzō Abe's recent official visit in Beijing had been summarised by Chinese Prime Minister Li Keqiang with the statement that: «Turning to cooperation from competition, the relationship between the two nations is entering a new stage».⁵²

8. From Singapore to Buenos Aires

India's cautious distancing from the US and its alignment with both China and Russia became increasingly clear at the 13th East Asia Summit (EAS) and Quad meetings in Singapore (14-15 November), and the G20 in Buenos Aires (30 November–1 December).

In Singapore it appeared clear that most Asian participants were under the impression that the US Indo-Pacific policy was basically unreliable and harmful to their interests. Accordingly the EAS focused on regional integration, an important part of it being the speeding up of the RCEP-related negotiations. Modi aligned India's position to that of the other Asian participants.⁵³

On the side-lines of the EAS there was the Quad meeting; however, it turned out to be a very tame affair. That the Quad was heading nowhere had already become evident when, as noted above, India had turned down Australia's participation in the Malabar exercise. This had been followed by Singapore's decision not to join the Quad (14 May). Moreover, India had resisted the US and Japan's request to raise the level of the Quad meetings from assistant secretary/joint secretary level to that of foreign secretary/foreign minister. India had also insisted on the opportunity of dispelling the notion that the Quad was anti-China.⁵⁴ To have done so, however, would have negated the rationale itself of the Quad. As things stood, the 14 November meeting did not reach any meaningful conclusion, and limited itself to reaffirming worn-out platitudes.⁵⁵

At the end of the day, the fundamental result of the meeting – although an unwanted result – was the unveiling of the absence of a common

52. 'Japan-India summit highlights how badly both countries need – and need to contain – China', *South China Morning Post*, 2 November 2018.

53. M. K. Bhadrakumar, 'Quad recedes into shade. It's the RCEP, stupid!', *Indian Punchline*, 14 November 2018; 'In Singapore summits, PM Modi pitches for enhanced trade, better Indo-Pacific connectivity', *Hindustan Times*, 16 November 2018.

54. '«Quad» of India, US, Japan, Australia to meet soon', *The Times of India*, 12 September 2018.

55. Such as the «shared commitment to maintain and strengthen a rules-based order in the Indo-Pacific in which all nations are sovereign, strong, and prosperous». U.S. Department Of State, *U.S.-Australia-India-Japan Consultations*, 15 November 2018.

strategic vision. Significantly, far from releasing a joint final communiqué, the Quad participants did not even release separate communiqués, as in the previous year. In conclusion, following the 14 November meeting, the Quad appeared to assume an uneasy resemblance to Alice's Cheshire cat, slowly fading away and leaving behind, for a short while, only a smile.

The evolving configuration of India's foreign relations was highlighted once again at the G-20 Summit in Buenos Aires (30 November–1 December). The summit was overshadowed by the ongoing – Trump-triggered – trade war between the US and China, and saw the leaders of the BRICS group (Brazil, Russia, India, China and South Africa) issue an anti-protectionist statement calling for open international trade and the strengthening of the WTO.⁵⁶ On the side-lines of the summit Modi took part in three important meetings. The first was with Xi Jinping, and, as tweeted by Modi soon after, was «warm & productive». According to Indian Foreign Secretary Vijay Gokhale, the two leaders «had a very detailed review of what they agreed to in Wuhan and how it was progressed [sic]. Both of them said that progress has been made on the economic side». Also, still according to Gokhale, Xi and Modi highlighted the «positive improvement in border management along the India-China border areas», which had taken place «following the Wuhan summit». Finally, Modi and Xi «specifically mentioned the first bilateral cooperation that had begun in Afghanistan», namely the training of Afghan diplomats. The two leaders noted the success of the project and looked forward to further joint efforts along the same lines.⁵⁷

The Xi-Modi encounter was followed by a trilateral meeting involving India, the US and Japan, which explicitly aimed at discussing «China flexing its muscles in the strategic Indo-Pacific region». However, if Trump hoped to involve his allies in some kind of anti-China position, he didn't succeed. Modi, although wrapping India's stand in kind words extolling the partnership with the US,⁵⁸ unambiguously underscored India's «firm commitment to make the Indo-Pacific a region for shared economic growth».⁵⁹

A few hours after the meeting with Trump and Shinzō Abe, Modi took part in another trilateral summit with Putin and Xi, convened by the Russian president. The consultation was aimed at coordinating the strategy of the three countries, particularly the «reform and strengthening» of inter-

56. Vladimir Soldatkin & Roberta Rampton, 'BRICS slam protectionism as China-U.S. spat overshadows G20 talks', *Reuters*, 30 November 2018.

57. 'After 12 years, India, Russia, China hold trilateral meeting', *Rediff.com*, 1 December 2018.

58. Modi stated that India would «continue to work together [with the US and Japan] on shared values» and noted that the acronym of the three countries was JAI, «which stands for success in Hindi». *Ibid.*

59. 'After 12 Years, Russia-India-China Hold Trilateral On Economic growth', *NDTV*, 1 December 2018.

national institutions - such as the UN, the WTO and old and new financial institutions - were concerned.⁶⁰ It was a programme in explicit opposition to the one pursued by Trump.

9. Conclusion

At the end of the year under review, either on 30 or 31 December, many Indian newspapers and news portals published, with slightly different titles, an article assessing the state of India-US relations and their evolution during the year drawing to a close.⁶¹ The article claimed that: «Notwithstanding irritants on trade issues India and the US made “landmark” progress in 2018 to bolster their strategic and defence ties». The article went on to argue that, in spite of the above quoted «irritants on trade issues», India-US trade relations had continued to grow. The opinion of the president of the US-India Business Council, Nisha Desai Biswal, was quoted, asserting that, despite «trade headwinds», the US-India commercial and strategic relationship continued «to enjoy strong bipartisan support in the US, underpinned by rapidly expanding bilateral trade». Also, the article highlighted that India was «among the few countries, which received a waiver on Iran sanctions» and that the Trump administration had also pressed Pakistan to bring to justice the perpetrators of the 2008 Mumbai attack.

This optimistic evaluation notwithstanding, the bilateral US-India relations appeared beset with problems. It was true that India was among those countries that, at the beginning of November, had received a waiver on the sanctions on Iran. Also – what the article did not mention – the waiver on trade with Iran had been closely followed by a second waiver, allowing India to continue the development of the Iranian port of Chabahar and the related road to Afghanistan.⁶² The waivers, however, were only

60. Ankit Panda, 'Russia-China-India Trilateral Leaders' Summit Reconvenes at 2018 G20', *The Diplomat*, 1 December 2018.

61. The article, entitled '2018 – A landmark year for India-US strategic relationship' or 'Why 2018 will be a landmark year for India-US strategic relationship' was published, among others, by *Business Today* (30 December), *Livemint* (30 December), and *The Economic Times* (31 December). It had been circulated by PTI (Press Trust of India Ltd.), the largest news agency in India.

62. Indian and Afghan diplomacies had succeeded in making the Trump administration understand that the Chabahar port and corridor were vital for supplying Afghanistan and, as a consequence, for protecting US interests in Afghanistan. On their part, the US military had already endorsed the Chabahar project the year before. See: Vinay Kaura, 'US grants sanctions waiver to India on Chabahar: Port is at the centre of Washington's South Asia strategy', *Firstpost*, 8 November 2018; Shubhajit Roy, 'US sanction waiver for Chabahar Port came after concerted push by Delhi, Kabul', *The Indian Express*, 9 November 2018; Peter J. Brown, 'Iran could be the key to cementing India and Japan ties', *Asia Times*, 12 November 2018.

temporary and due to expire after six months. Also, they were conditional on the continuing reduction in the import of Iranian oil. Apart from the Iranian question, India's relationship with the US was adversely affected by the continuation of US tariffs on steel and aluminium, by the formal launching, in April, by the United States Trade Representative (USTR) of a review of India's entitlement to the Generalized System of Preferences (GSP),⁶³ by the fact that, again in April, the US Treasury added India to its watch list of countries with potentially questionable foreign exchange policies,⁶⁴ by the possibility that the US would impose S-400-related CAATSA sanctions, and by the unresolved problem of the H-1B and H-4 visas.

Not surprisingly, in the closing weeks of the year, tensions between India and the US were visibly growing. On 1 December – namely the same day of the trilateral US-Japan-India meeting in Buenos Aires – the US officially announced that it would not take part in the «Vibrant Gujarat» conference scheduled for 18-20 January 2019. «Vibrant Gujarat» was a biannual investors' summit organised by the government of Gujarat for the first time in 2003 and a brainchild of then-Gujarat Chief Minister Narendra Modi. Since its inception «Vibrant Gujarat», besides its economic role, also had a political one: highlighting the privileged connection between Modi – who invariably inaugurated the summits – and Indian and international capitalists. In 2015 and 2017 the organisers of «Vibrant Gujarat» invited the US to be a partner country, which Washington accepted, dispatching in 2015 high-level representative Secretary of State John Kerry. Now, the US refusal to participate in the 2019 session could only be interpreted as a «snub publicly administered by Washington».⁶⁵

On 31 December 2018, simultaneously with the publication of the above-quoted article, India and Iran announced the inauguration of a bilateral payment mechanism dispensing with the use/trade of US dollars in oil transactions between the two countries. In fact the new system had been in the making since at least 2 November, when an agreement, enabling the full payment of Iranian oil exports to India in rupees, was initialised. The Indian government-owned UCO Bank – with no connections to the US, and therefore beyond the reach of US sanctions – was put in charge of this new payment mechanism. After the Indian Ministry of Finance issued an order exempting NIOC – the Iranian company exporting oil to India – from

63. 'USTR formally launches GSP eligibility review of India', *The Economic Times*, 13 April 2018. The GSP gave business from designated beneficiary countries a preferential or duty-free access to the US market. In 2017 India was the biggest beneficiary of the GSP programme, which gave preferential access to 1,900 out of 3,700 Indian products.

64. 'US Adds India to Currency Watch List of Countries With Potentially Questionable Foreign Exchanges Policies', *Outlook*, 14 April 2018.

65. M.K. Bhadrakumar, 'US will return to Vibrant Gujarat provided Modi wins 2019 poll', *Indian Punchline*, 5 December 2018.

paying the steep tax hitherto mandatory on a foreign company's income deposited in an Indian bank account, the agreement became operational, as announced on 31 December.⁶⁶

While it remained unclear if US pressure was inducing India to diminish its imports of Iranian oil, the launch of a payment mechanism dispensing with US dollars and circumventing Washington-imposed unilateral sanctions represented a political defeat for the US. Washington's irritation was revealed by the «highly disparaging remarks» made on 2 January 2019 by Trump, concerning Narendra Modi and India's role in Afghanistan.⁶⁷

While India's relations with the US were buffeted by these problems, those with Russia and China appeared to be on an upward trend. As recent as May, it had been possible to dismiss India's strategic relationship with Russia as having become «largely ceremonial» as a consequence of India's signing LEMOA on 29 August 2016.⁶⁸ A few months later that theory had been completely disproved by the finalisation of the S-400 deal and by the growing coordination between Moscow and New Delhi aimed at the promotion of a new multipolar order, in opposition to the US-dominated unipolar order.

The case with China was similar: New Delhi's adversarial policy towards Beijing, which had increasingly characterised India-China relations since the beginning of Modi's premiership and almost reached all-out war in June-August 2017, went through a trend inversion, highlighted by the Wuhan Modi-Xi meeting at the end of April 2018. Following the Wuhan meeting, relations between the two Asian giants slowly but steadily improved. Bilateral trade had increased and steps had been taken to rectify

66. M.K. Bhadrakumar, 'India sequesters Iran ties from US predatory strike', *Indian Punchline*, 2 January 2019.

67. M.K. Bhadrakumar, 'Modi-Trump bromance ends on a sour note', *Indian Punchline*, 3 January 2019. President Trump, during the cabinet meeting of 2 January 2019, famously remarked: «I get along very well with India and Prime Minister Modi. But he's constantly telling me he built a library in Afghanistan. Okay, a library. That's like — you know what that is? That's like 5 hours of what we've spent. And he tells it. And he's very smart. And we're supposed to say, "Oh, thank you for the library." I don't know who's using it in Afghanistan. But one of those things. But I don't like being taken advantage of.» The White House, *Remarks by President Trump in Cabinet Meeting (Issued on: January 3, 2019)*. Since 2001, India had realised a plethora of projects in Afghanistan, including dams, transmission lines, the building where the Afghan parliament was located (which was probably the «library» alluded to by Trump), besides the training of security forces and, as above noted, the training of diplomatic personnel in partnership with China. India's economic commitment supporting these and other Afghan projects amounted to more than US\$ 3 billion, as asserted by Ministry of State for External Affairs V. K. Singh at Genève on 28 November 2018. See Ministry Of External Affairs, Government of India, *Country Statement by MoS for External Affairs at Geneva Ministerial Conference on Afghanistan*, 28 November 2018.

68. Khalid Ibn Muneer, 'Romancing the West risks India's regional influence', *Asia Times*, 8 May 2018.

India's negative balance of trade vis-à-vis China.⁶⁹ After having withheld permission for years, in June 2018 India allowed the Bank of China to open a branch in Mumbai, which became its second branch operating in India.⁷⁰ In November, the other Chinese bank active in India, the Industrial and Commercial Bank of China (ICBC), announced that it had established a US\$ 200 million fund for investing in Indian micro, small and medium enterprises (MSMEs) and ventures.⁷¹ After the Wuhan meeting, border incidents along the common border had significantly decreased.⁷² «Hand in Hand», the joint India-China annual military exercise – launched in 2013 and suspended in 2017 following the Doklam incident – took place once again in Chengdu (Sichuan province), beginning on 18 December and continuing for 14 days.⁷³

As in the case of India-Russia relations, those between India and China appeared to be characterised by increasing coordination at the international level, aimed at promoting a new multipolar order, in competition with the US-dominated unipolar world order. The fact that the pursuit of this multipolar world order was an objective common to both India-Russia and India-China relations could not but strengthen a trilateral Russia-India-China connection, which had become increasingly visible, in particular inside regional organisations such as SCO and BRICS, and new financial organisations such as the New Development Bank.

Of course, many of the problems counterpoising India to China were still unresolved and, as a consequence, had the potentiality to resurface at any moment, causing a sudden and dramatic worsening in relations between these two Asian countries. Among these unresolved problems, the most dangerous and most intractable appeared to be that of the Himalayan border. Along the 3,380 kilometres' undetermined border, where, in certain areas even the definition of the LAC (Line of Actual Control) appeared disputed, India saw China as illegitimately holding 38,000 square kilometres in the western sector, while, in the eastern sector, China claimed as its own 90,000 square kilometres in the Indian north-east state of Arunachal Pradesh (called South Tibet by China).⁷⁴ However, at Wuhan, the decision to relaunch the languishing negotiation for a solution of the border dis-

69. M.K. Bhadrakumar, 'The Matryoshka dolls of India-Russia ties', *The Tribune*, 5 October 2018; Avinash Godbole, 'What to expect from the 21st round of India-China border talks', *Asia Times*, 19 November 2018.

70. 'Bank of China comes to India', *The Telegraph*, 12 June 2018.

71. 'Chinese bank sets up \$ 200 mn fund for investing in Indian MSMEs', *Business Line*, 13 November 2018.

72. 'China incursions along LAC dropped by 20% this year: Officials', *Hindustan Times*, 24 September 2018.

73. 'Why India's expanding military ties with the United States and Russia could put the squeeze on China', *South China Morning Post*, 18 December 2018.

74. Ananth Krishnan, 'The other G20 meeting: can Xi and Modi solve the China-India border paradox', *South China Morning Post*, 30 November 2018.

pute had been taken together with the commitment to maintain «peace and tranquillity in the border areas» until a final solution of the border problem was on the table.⁷⁵

However, the difficulties characterising the relationship between the countries seems to this writer to be different from the unresolved border problem. No doubt the border problem is real and difficult to determine and, historically, is the origin of India-China adversarial relations. In more recent years – at least since 2005 – it has been used as a tool by one party, but particularly Beijing, to create difficulties for the other, in a dispute triggered by a yet more basic problem. This, quite simply, is China's ambition to become the new hegemon in Asia, and India's determination not to accept a subordinate position vis-à-vis China. In 2018, Trump's irrational, myopic, unpredictable and highly dangerous foreign policy forcefully contributed to the thawing of India-China relations. Again, it was Trump's unpredictability that pushed Japan Prime Minister Shinzō Abe to a more friendly relationship with China, which, in itself, precluded India being able to fully count on Japan as a partner in the containment of China. This, however, was the situation as it had taken shape in 2018. If India and China are willing to continue on the path of rapprochement, they must take into account their reciprocal strategic needs and national sensitivities. Also, as the more powerful of the two parties, the burden of choice weighs more on Beijing. At the closing of the year it was not possible to predict if the thawing in India-China relations was only a transitory phase – propitiated by Trump's arrogance and ineptitude – or something more permanent.

As noted by Shivshankar Menon, an acknowledged expert in India's foreign relations, «Nothing is impossible in politics. What is impossible is a settlement on the terms the Chinese have announced in public, which include Tawang and significant Indian concessions in the eastern sector in Arunachal. But as the history of the last 69 years of India's relations with the PRC [People Republic of China] shows, nothing should be assumed to be set in stone».⁷⁶

75. Avinash Godbole, 'What to expect from the 21st round of India-China border talks'.

76. Shivshankar Menon, 'The China dossier', *India Today*, 27 July 2018.

NEPAL 2018: THE COMMUNIST SEARCH FOR NEW POLITICAL
AND TRADE ROUTES*

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This article traces the main events of the internal situation and foreign policy of Nepal in 2018, after the electoral victory of the far-left parties and the defeat of the Nepali Congress at the end of 2017 and the consequent birth of the Oli government. The unification of the Communist Party of Nepal (Unified Marxist-Leninist) with the Communist Party of Nepal (Maoist Centre) and the subsequent birth of the Nepal Communist Party are central to the ongoing and complex readjustment of Nepali politics. In terms of international relations, the Oli government bends the Nepalese axis towards a deeper relationship with China. This position aims to break the risk of geopolitical and economic isolation to which Nepal is exposed. The country has no access to the sea and the Himalayan chain in the north should therefore become, in the following years, the geographic space for new communication routes in the framework of the Belt and Road Initiative. The final part of the article provides analysis of the Nepalese economic situation. Despite experiencing a period of growth after the earthquake of 2015, the economy of the country continues to suffer.

1. Introduction

The elections at the end of 2017 – the first ones after the approval of the new Constitution of 2015¹ – saw the landslide victory of the communist forces in Nepal. After the historical divisions, in October 2017, the two main communist parties of the country found an agreement that – through a series of intermediate steps - led them to form the national government, with the appointment as prime minister of Khagda Prasad Oli, and to the control of six federated states out of seven. The Nepali Congress was badly defeated. Despite the good result in terms of proportional votes, the party was penalised in the first-past-the-post seats, having failed to form a sufficiently

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1. Constitution of 2072, according to the official Nepalese calendar, the Vikram Samvat (*Vikrama samvat*).

broad coalition.² In May 2018, the left electoral alliance was transformed into a broader agreement (something already foreseen in the electoral phase) that led to the birth of the Nepal Communist Party, a unitary force that now controls two-thirds of the entire national parliament thanks to the alliance with the Federal Socialist Forum-Nepal in June 2018. At the time of writing (January 2019), the parliamentary majority was able to change the Constitution in complete autonomy.

In addition to internal political issues, the new government has a clear foreign policy objective, i.e. overcoming the main Nepalese geopolitical problem: the risk of isolation with India and therefore with the rest of the world. This danger – realised in the aftermath of the approval of the Constitution of 2015 with the blockade of the border due to the protests of the Madhesi populations – pushed Oli first to enter into the Belt and Road Initiative (BRI) in 2015, during his first term as head of the government, as well as to speed up the discussion with Beijing for the opening of a railway network able to connect Kathmandu with Tibet. At the same time, however, the project of a railway network linking the Nepalese capital with the state of Bihar in India was also at the centre of the prime minister's visit to New Delhi.

For the drafting of this paper, the main sources were official reports and press releases of the government of Nepal and of other Nepalese, foreign and international institutions. For the domestic policy sections, Nepalese newspapers were also consulted.

2. *The communist government*

In Nepal, 2017 ended with the crushing victory of the Left Alliance in the federal and state elections of November–December 2017: the coalition between Marxist-Leninists (CPN-UML) and Maoists (CPN-MC) won almost two-thirds of the seats of the House of Representatives, in addition to the leadership of six federated states out of seven.³ The Nepalese House of Representatives consists of 275 members.⁴ Of the 165 members elect-

2. The Nepali Congress had allied itself with the Rastriya Prajatantra Party (RPP) of Kamal Thapa, with the Nepal Loktantrik Forum of Bijay Kumar Gachhadar, and with former prime minister Baburam Bhattarai, leader of the Naya Shakti Party.

3. Data on the results of the state and national elections of 2017, unless otherwise specified, are taken from the website of *The Kathmandu Post* dedicated to elections (<https://election.ekantipur.com>).

4. Art. 84 of the Nepalese constitution. For the text of the constitution, I have relied on the official English translation by the Ministry of Law, Justice and Parliamentary Affairs of Nepal. An electronic copy is available on the website of the International Institute for Democracy and Electoral Assistance (http://www.constitutionnet.org/sites/default/files/2017-07/Constitution-of-Nepal-English-with-1st-Amendment_2_0.pdf). On the main political institutions under the new constitution see also: Matteo Miele, 'Nepal 2015-2017: A Post-Earthquake Constitution and the Political Struggle', *Asia Maior 2017*, pp. 313-316.

ed with the first-past-the-post electoral system (one for each constituency), the CPN-UML obtained 80 seats and the CPN-MC 36. The Nepali Congress (NC) won in just 23 constituencies, despite a more than positive result in the proportional representation. The former prime minister Baburam Bhattarai, leader of the Naya Shakti Party – who initially had decided to join the Left Alliance,⁵ – won his seat with the support of the NC in the first-past-the-post system defeating the CPN-MC candidate.⁶ The other 110 seats are distributed with a proportional system among the parties that pass the threshold, i.e. 3% of the votes on a national basis (only five in this case⁷): CPN-UML (33.25%), NC (32.78%), CPN-MC (13.66%) and finally the two allied Madhesi parties, the Federal Socialist Forum-Nepal (4.95%) and the Rastriya Janata Party-Nepal (4.93%). The distribution of proportional seats was only defined in February, 2018: CPN-UML: 41 seats; NC: 40; CPN-MC: 17; RJPN (Rastriya Janata Party-Nepal): 6; FSN (Federal Socialist Forum-Nepal): 6.⁸ These last two parties also obtained ten and 11 seats respectively in the first-past-the-post, as well as the leadership of State No. 2, the only federated state not won by the Left Alliance.

The RPP monarchists obtained only one seat in the first-past-the-post, but it was won by Rajendra Lingden against the NC (that was, as seen, the ally of the RPP at the national level, but not in the single constituency of Rajendra Lingden) and indirectly supported by the communist coalition.⁹ From the new political-institutional balances, a new government was born, and a cabinet led by the Marxist-Leninist leader Khagda Prasad Oli, who was appointed as new prime minister on 15 February 2018,¹⁰ shortly after the allocation of the proportional seats.

5. 'UML, MC, Naya Shakti announce poll alliance', *The Rising Nepal*, 4 October 2017.

6. 'Key architects of left alliance Bamdev, Shrestha suffer loss', *The Kathmandu Post*, 11 December 2017.

7. 'Five parties likely to qualify for PR seats', *República*, 14 December 2017. In total, 49 parties were running for proportional representation ('49 parties submit closed list', *myRepública*, 17 October 2017). I have chiefly consulted the paper edition of *República*. The online edition of the newspaper, that has been used to a lesser extent, is indicated as *myRepública*.

8. 'EC allocates UML 41 PR seats in lower house', *República*, 10 February 2018.

9. 'Rajendra Lingden: Congress-RPP partnership is now broken', *Online Khabar*, 30 October 2017; 'RPP candidate Lingden's victory rally dotted with left party flags', *myRepública*, 10 December 2017.

10. Office of the President of Nepal, *Right Honorable President Appoints Honorable Member of House of Representatives Mr. K. P. Sharma Oli as Prime Minister*, 15 February 2018 (<https://english.presidentofnepal.gov.np/right-honorable-president-appoints-honorable-member-of-house-of-representatives-mr-k-p-sharma-oli-as-prime-minister>). Oli had been Nepalese Prime Minister between the autumn of 2015 and the summer of 2016.

Political party	Percentage	Seats
CPN-UML	33.25%	121
NC	32.78%	63
CPN-MC	13.66%	53
FSFN	4.95%	17
RJPN	4.93%	16
Others		5

The above data have been elaborated by the author on the basis of the sources quoted in this article and listed in the footnotes.

A few days earlier, on 7 February, elections were held for the upper chamber of the Nepalese parliament, the National Assembly, composed of 59 members, 56 of whom are elected by an electoral college composed of 550 members of the States' Assemblies and 1,506 members of the Local Units¹¹ – the various local institutions¹² – while the remaining three members are nominated by the president of the Republic at the proposal of the government.¹³ Of the 56 elected members, the CPN-UML obtained 27 seats, the CPN-MC 12, 13 seats went to the NC, while the two Madhesi parties, RJPN and FSFN, elected two members each.¹⁴ The other three members

11. 'National Assembly Election 2018', *República*, 7 February 2018.

12. 'New local level units come into existence', *The Kathmandu Post*, 11 March 2017.

13. According to article 86, section 2, of the Nepalese Constitution «The National Assembly shall consist of fifty nine members as follows: (a) fifty six elected members consisting of at least three women, one Dalit and one from persons with disabilities or minorities, from each State by an electoral college composed of members of the State Assembly, chairpersons and vice-chairpersons of the Village Bodies, and Mayors and Deputy-Mayors of the Municipalities, with different weightage of vote by members of the State Assembly, chairpersons and vice-chairpersons of the Village Bodies, and Mayors and Deputy-Mayors of the Municipalities, as provided for in the Federal law, (b) Three members consisting of at least one woman nominated by the President on recommendation of the Government of Nepal». In reality, the eight members of State No. 2, along with 16 others from the other states (six members in State no. 1, one member in State no. 4, three members in State no. 5, six members in State no. 7), had already been elected previously, being the only candidates. On 7 February, therefore, the remaining 32 members were elected. 'Upper House Election today', *República*, 7 February 2018; 'Two dozen NA members elected unopposed', *The Himalayan Times*, 30 January 2018.

14. 'EC submits NA election result to president', *The Himalayan Times*, 12 February 2018.

were appointed by the president on February 20: two seats to the CPN-UML and one to the CPN-MC.¹⁵

Political party	Seats
CPN-UML	29 (27 elected, 2 appointed)
NC	13
CPN-MC	13 (12 elected, 1 appointed)
FSFN	2
RJPN	2
The above data have been elaborated by the author on the basis of the sources quoted in this article and listed in the footnotes.	

2.1. *The unification of Marxist-Leninists and Maoists and the entry of the FSFN into the government*

On 17 May 2018, in line with the agreements made during the election campaign,¹⁶ the Communist Party of Nepal (Unified Marxist-Leninist) and the Communist Party of Nepal (Maoist Centre) merged into the Nepal Communist Party (NCP).¹⁷ 55% of members of the party organs will be composed of members from the CPN-UML, and 45% of members from the CPN-MC: the new central committee is composed in fact of 441 members, 241 from the CPN-UML and 200 from the CPN-MC.¹⁸ The proportion clearly favours the CPN-MC that had instead obtained less than half of the votes and seats of the CPN-UML in the elections of 2017. Furthermore, the leadership of the party is entrusted equally to both Oli and Pushpa Kamal Dahal, the historical Maoist leader and twice former prime minister, also known as Prachanda.¹⁹ The Nepal Communist Party has 174 MPs in the House of Representatives and 42 MPs in the National Assembly.²⁰

15. 'Govt recommends three names for National Assembly members', *The Himalayan Times*, 20 February 2018; Office of the President of Nepal, *Right Honorable President Appoints Three [sic] Individuals as National Assembly Members*, 20 February 2018 (<https://english.presidentofnepal.gov.np/right-honorable-president-appoints-three-individuals-as-national-assembly-members>).

16. 'UML, MC, Naya Shakti announce poll alliance'.

17. 'UML, Maoist Center merge to form Nepal Communist Party', *República*, 18 May 2018.

18. *Ibid.*

19. *Ibid.*

20. 'New sun dawns on Nepal', *The Himalayan Times*, 18 May 2018.

A few days after the formal creation of the NCP, on 1 June 2018, the single-party government opened the doors of the cabinet to the coalition with one of the two Madhesi parties, the FSFN, with the appointment of two new ministers.²¹ In particular, the FSFN chairman, Upendra Yadav, assumed the office of deputy prime minister and minister for Health and Population, while Mohammad Istiyak Rai obtained the Ministry of Urban Development.²² Simultaneously with the increase of the government majority, Oli appointed also the minister for Defence Ishwar Pokhrel, as deputy prime minister, while Gokul Banskota, previously minister of state for Communications and Information Technology, joined the cabinet.²³ The coalition ensures the government control of two thirds of the parliament and therefore the possibility to modify, in full autonomy, the Constitution²⁴ (art. 274, section 8 of the Constitution).

At the same time, the new government alliance created some tensions in the local coalition between the two Madhesi parties: FSFN and RJPN, in power in State No. 2. The fact that the FSFN had joined the central government while the RJPN had been excluded from it opened the possibility that, even at local level, a new government could come into being along the lines of the central government.²⁵ The possibility of a new balance in State No. 2 – the only state not governed by the NCP – was indicated by some RJPN leaders following the withdrawal of the NCP support to Lalbabu Raut (chief minister of State No. 2) on the eve of the FSFN's entry into the federal government.²⁶ In any case, according to RJPN general secretary Keshab Jha, the national alliance should not have consequences on the local alliance, although even the RJPN had avowed itself as favourable to join the Oli government, but without receiving the same reception guaranteed to the FSFN by the NCP.²⁷ Also Ashok Rai, one of the leaders of the FSFN, made it clear that the new political arrangement in Kathmandu would not have repercussions on State No. 2.²⁸

At the basis of the new government coalition there is an agreement, which, inter alia, should guarantee a constitutional amendment in favour

21. 'With FSFN on board, Oli govt has two-thirds majority', *República*, 2 June 2018.

22. *Ibid.*

23. *Ibid.*

24. *Ibid.*

25. *Ibid.*

26. 'RJPN leaders hint at change in power equation in Province 2', *República*, 1 June 2018;

27. 'With FSFN on board, Oli govt has two-thirds majority'. However, officially, the possibility of a future entry of the RJPN into the government was also among the intentions of the NCP. 'FSFN to join govt with three ministers', *República*, 29 May 2018.

28. 'RJPN leaders hint at change in power equation in Province 2', *República*, 1 June 2018;

of the Madhesi population.²⁹ In 2017, the Deuba government's attempt to amend the Constitution had failed to reach the required 395 votes.³⁰

2.2. *An old issue: the names of the federated states*

One of the problems that the detailed drafting of the Constitution of 2015 had not been able to solve was the names and the capitals to be assigned to the federated states³¹ of the Republic.³² In fact, the very articulation of the Nepalese federal structure had been a problem caused by the divergences between the three main parliamentary forces (Nepali Congress, Marxist-Leninists and Maoists)³³ in a country that counts over 120 ethnic groups or castes.³⁴ The solution was to assign to each of the states, temporarily, not a name but a number from 1 to 7. For example, the state of the capital Kathmandu is State No. 3. In fact, the Constitution assigns the choice of the names of the states and their respective capitals to a majority of two thirds of every state assembly.³⁵ In 2018, the names and capitals were established for only three states: State No. 4 is now the Gandaki State and its capital is Pokhara,³⁶ State No. 6 has taken the name of Karnali State with Birendranagar as the capital³⁷ and State No. 7 became the Sudurpashchim State with Godawari as the capital.³⁸

29. 'With FSFN on board, Oli govt has two-thirds majority'.

30. The votes in favor of a second amendment totaled 347. 'Year-long efforts at amendment fail', *República*, 22 August 2017. The constitution had already been amended in 2016. 'House passes first amendment to constitution', *The Rising Nepal*, 24 January 2016.

31. Nepalese states are also indicated as «provinces» in several English-language publications, although *pradeśa* is translated as «state» in the official English version of the constitution.

32. On this, see also Bhadra Sharma & Ellen Barry, 'Earthquake Prods Nepal Parties to Make Constitution Deal', *The New York Times*, 8 June 2015.

33. Surendra Bhandari, *Self-Determination & Constitution Making in Nepal: Constituent Assembly, Inclusion, & Ethnic Federalism*. Singapore: Springer, 2014, p. 22.

34. Government of Nepal, National Planning Commission Secretariat, Central Bureau of Statistics, *National Population and Housing Census 2011 (National Report)*, Volume 01, Kathmandu, 2012, pp. 144-147.

35. Article 295, section 2 and article 288, section 2 of the Constitution.

36. 'Province 4 named Gandaki; Pokhara Capital', *The Kathmandu Post*, 6 July 2018.

37. 'Province 6 named Karnali; Surkhet capital', *The Kathmandu Post*, 25 February 2018.

38. 'Province 7 named Sudurpashchim, Godawari capital', *The Kathmandu Post*, 28 September 2018.

3. *Nepalese foreign policy, between New Delhi and Beijing*

3.1. *Oli in India*

The first state visit of a new Nepali prime minister is usually to India: Oli went to New Delhi in early April, at the invitation of his counterpart Narendra Modi.³⁹ On the eve of the visit, minister for Foreign Affairs Pradip Kumar Gyawali (at the time a member of the CPN-UML and later in the NCP), while openly acknowledging the difficulties that Oli himself had had during his first term as prime minister in 2015,⁴⁰ expressed his desire for a solid relationship with New Delhi and clarified the necessity of Nepal's equidistant position between India and China: «[w]e are not in a position to ignore any of the two neighbours. It is good to know that India and China are gradually cooperating with each other in various areas despite their geopolitical and strategic rivalry. We must be able to reap benefits from both the countries», but Nepal «will not align with any of the two countries».⁴¹

The meeting between the two prime ministers took place on 7 April and four joint statements were issued.⁴² The topic at the centre of the meeting was the development of the infrastructural integration between the two countries, especially after the long blockade of the Indo-Nepalese border following protests of the Madhesi population in the south in the months following approval of the Constitution. From New Delhi, Modi and Oli inaugurated the Integrated Check Post at Birgunj in Nepal and the works for the Motihari-Amlekhgunj cross-border petroleum products pipeline.⁴³ The project is the realisation of a 69 km pipeline between Motihari (Bihar, India) and Amlekhgunj (State No. 2, Nepal) to deliver 2 million tons of petroleum products every year.⁴⁴ The request for the construction of a pipeline between the Indian town of Raxaul (on the Indo-Nepalese border) and Amlekhgunj

39. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement during the State Visit of Prime Minister of Nepal to India (6-8 April 2018)*, 7 April 2018, (<https://mofa.gov.np/joint-statement-during-the-state-visit-of-prime-minister-of-nepal-to-india-6-8-april-2018>); 'PM Oli in New Delhi, key meetings today', *Repubblica*, 7 April 2018.

40. In April, Pradip Kumar Gyawali declared: «[w]e have had some difficult relations with India during the previous stint of the current prime minister». 'Excellent Nepal-India relations a must: FM Gyawali', *Repubblica*, 2 April 2018.

41. 'Excellent Nepal-India relations a must: FM Gyawali', *Repubblica*, 2 April 2018.

42. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement during the State Visit of Prime Minister of Nepal to India (6-8 April 2018)*, 7 April 2018 (<https://mofa.gov.np/joint-statement-during-the-state-visit-of-prime-minister-of-nepal-to-india-6-8-april-2018>).

43. *Ibid.*

44. Indian Oil Corporation, *Prime Ministers of India and Nepal launch Ground-breaking Ceremony of India-Nepal Petroleum Products Pipeline*, 7 April 2018 (<https://iocl.com/AboutUs/NewsDetail.aspx?NewsID=49404&tID=8>); 'India-Nepal oil pipeline formally launched', *Repubblica*, 8 April 2018.

had been made by the then-Nepali prime minister, Sushil Koirala, in August 2014, during the visit of Modi to Kathmandu.⁴⁵ A year later, the agreement was ratified by a Memorandum of Understanding with which a 15-year contract was envisaged between the Indian Oil Corporation and Nepal Oil Corporation.⁴⁶ Afterwards, the project was extended to Motihari.⁴⁷ The cost for the Indian Oil Corporation is expected to be INR (Indian rupees) 3.24 billion⁴⁸ (just less than US\$ 50 million)⁴⁹ while INR 1.2 billion will be made available by the government of Nepal.⁵⁰ Construction should be completed by the end of 2020.⁵¹

In another joint statement, the two governments have committed themselves to the realisation of «a new electrified rail line, with India's financial support, connecting the border city of Raxaul in India to Kathmandu».⁵² This promises a direct rail link between the Nepalese capital and the Indian border. It has to be underlined that State No. 3, i.e. the state of the capital Kathmandu, is home to two-thirds of all industries in the entire country.⁵³ Two other joint statements provide for the expansion of cooperation in the agricultural sector⁵⁴ and an India-Nepal Statement on New Connectivity through Inland Waterways «to develop the inland waterways for the movement of cargo, within the framework of trade and transit arrangements, providing additional access to sea for Nepal».⁵⁵

45. Government of India, Ministry of External Affairs, *Joint Press Statement on the Visit of the Prime Minister to Nepal*, 4 August 2014 (https://www.mea.gov.in/bilateral-documents.htm?dtl/23807/Joint_Press_Statement_on_the_Visit_of_the_Prime_Minister_to_Nepal).

46. Government of India, Cabinet, Press Information Bureau, *Memorandum of Understanding between India and Nepal for construction of petroleum products pipeline from Raxaul (India) to Amlekhgunj (Nepal) and re-engineering of Amlekhgunj Depot and allied facilities*, 12 August 2015. (<http://pib.nic.in/newsite/PrintRelease.aspx?relid=124943>).

47. 'India-Nepal oil pipeline formally launched'.

48. Indian Oil Corporation, *Prime Ministers of India and Nepal launch Ground-breaking Ceremony of India-Nepal Petroleum Products Pipeline*, 7 April 2018.

49. The US\$-INR rate of exchange was calculated on 6 April 2018.

50. 'India-Nepal oil pipeline formally launched'.

51. *Ibid.*

52. Government of Nepal, Ministry of Foreign Affairs, *India-Nepal Statement on Expanding Rail Linkages: Connecting Raxaul in India to Kathmandu in Nepal*, 7 April 2018 (<https://mofa.gov.np/india-nepal-statement-on-expanding-rail-linkages-connecting-raxaul-in-india-to-kathmandu-in-nepal>).

53. Government of Nepal, Ministry of Finance, *Economic Survey 2017/18*, unofficial translation, July 2018, p. 68.

54. Government of India, Ministry of External Affairs, *India-Nepal Statement on New Partnership in Agriculture*, 7 April 2018 (<https://www.mea.gov.in/bilateral-documents.htm?dtl/29797/IndiaNepal+Statement++New+Partnership+in+Agriculture>).

55. Government of Nepal, Ministry of Foreign Affairs, *India-Nepal Statement on New Connectivity through Inland Waterways*, 7 April 2018 (<https://mofa.gov.np/india-nepal-statement-on-new-connectivity-through-inland-waterways>).

Modi reciprocated the visit in May.⁵⁶ In Nepal, the Indian premier and Oli inaugurated construction of the 900 MW Arun-III hydro project and the Nepal-India Ramayana Circuit.⁵⁷ Despite the pro-Chinese political-ideological dimension, on the cultural and linguistic side – in a hypothetical Hindu geopolitical pan-region – Nepal’s affinity is towards India. Its cultural link with China – albeit with deep historical roots in modern times⁵⁸ – is evidently not comparable to that with India.

4. To Beijing and to Lhasa

The visit of Oli to the People’s Republic of China took place between 19 and 24 June 2018.⁵⁹ After the meetings in Beijing, the prime minister also went to Lhasa (22-24 June 2018).⁶⁰ In many respects, the visit to China certainly has a greater significance than the Indian one. Accompanying him was a delegation of 119 people including ministers, MPs, government officials, businessmen and journalists.⁶¹ The issue of the Nepalese infrastructures was at the centre of this visit, in particular the railway link between Nepal and Tibet.⁶² Naturally, in this context, the projects of connection between the two countries are framed within the Belt and Road Initiative. A few days after the visit of Oli to India, the new minister of Foreign Affairs, Pradeep Kumar Gyawali, visited China to reiterate the Nepalese participation in the BRI,⁶³ already affirmed by Oli in 2015.⁶⁴ The victory of the Left

56. Ministry of Foreign Affairs, Policy, Planning, Development Diplomacy and Nepali Diaspora Division, Nepal, *MOFA Bulletin, Current Affairs*, April - May 2018, Vol 2, Issue 6, p. 3.

57. *Ibid.*

58. Nepal was a tributary state of the Qing Empire. On this see, inter alia, Vijay Kumar Manandhar, *A Documentary History of Nepalese Quinquennial Missions to China: 1792–1906*. New Delhi: Adriot Publishers, 2001.

59. Government of Nepal, Ministry of Foreign Affairs, *Annual report (2017-18)*, Kathmandu, 2018, p. 31.

60. *Ibid.*

61. Government of Nepal, *Ministry of Foreign Affairs, Press Release on the Official Visit of Prime Minister of Nepal Rt. Hon. KP Sharma Oli to the People’s Republic of China*, 19 June 2018 (<https://mofa.gov.np/press-release-on-the-official-visit-of-prime-minister-of-nepal-rt-hon-kp-sharma-oli-to-the-peoples-republic-of-china>); ‘Trans-Himalayan railway govt’s top priority: PM Oli’, *Repubblica*, 20 June 2018.

62. ‘Trans-Himalayan railway govt’s top priority: PM Oli’.

63. Ministry of Foreign Affairs, Policy, Planning, Development Diplomacy and Nepali Diaspora Division, Nepal, *MOFA Bulletin, Current Affairs*, April - May 2018, Vol 2, Issue 6, pp. 3-4. During the visit, in addition to the institutional meetings, in particular with his Chinese counterpart, Gyawali presented the Chinese translation of *The Selected Speeches of Prime Minister KP Oli*, *Ibid.*, p. 4.

64. Ministry of Foreign Affairs of the People’s Republic of China, 习近平会见尼泊尔总理奥利 (Xi Jinping meets Nepali Prime Minister Oli), 21 March 2016 (<https://www.fmprc.gov.cn/web/zyxw/t1349371.shtml>).

Alliance had strengthened the Nepalese alignment in the Chinese project, highlighted from the first day of the visit of the prime minister to the reception organised by his ambassador in Beijing.⁶⁵

On 20 June, before the Nepal-China Business Forum, Oli's speech underlined the Nepalese recognition of the «One China policy» and declared that «[w]e have a principled position that we do not allow our soil to be used against China. This is translated into day-to-day reality».⁶⁶ The prime minister then further clarified the hopes of the new Nepalese government towards Beijing, in addition to the recognition of the Chinese role in world geopolitics: «[w]e believe that China, with its huge financial and technological capability, can help us to transform our development landscape. Many people believe that the success story of the 21st century will be written as the success story of China. Our great friend, China, has astonished the world by attaining unprecedented progress in many spheres. We share the joy of tremendous achievements of China, our close neighbour and true friend. We also cherish China's positive and influential role in global arena».⁶⁷ Oli defined the BRI as a «visionary initiative» and «[w]e believe that this initiative offers immense opportunities for collaboration and partnership between our two countries. Growing attraction of the international community towards BRI has made it one of the biggest platform for international cooperation».⁶⁸ On the same day, Oli also met with Chinese president Xi Jinping⁶⁹ and with his counterpart Li Keqiang on 21 June.⁷⁰ Among the many Memoranda of Understanding (MOU)

65. «I have always felt at home in China. In particular, I have very fond memories of my visit to the People's Republic of China in March 2016 [...] During that visit, we, the leaders of Nepal and China, agreed to elevate our bilateral relations to a higher pedestal. We signed important agreements on the areas of transit transport, connectivity, trade and investment, and co-operation. We agreed to be partners-in-development under the Belt and Road Initiative», Ministry of Foreign Affairs of the People's Republic of China, *Statement by Prime Minister Rt. Hon. KP Sharma Oli at a Reception held in his honor by Ambassador of Nepal to China*, 19 June 2018 (<https://mofa.gov.np/statement-by-prime-minister-rt-hon-kp-sharma-oli-at-a-reception-held-in-his-honor-by-ambassador-of-nepal-to-china>). The website also contains the Chinese translation of the statement.

66. Government of Nepal, Ministry of Foreign Affairs, *Rt. Hon'ble Prime Minister K.P. Sharma Oli addressed the Nepal-China Business Forum today in Beijing*, 20 June 2018 (<https://mofa.gov.np/address-by-the-right-honourable-k-p-sharma-oli-prime-minister-of-nepal-to-the-nepal-china-business-forum>).

67. *Ibid.*

68. *Ibid.*

69. Government of Nepal, Ministry of Foreign Affairs, *Press Release on the Official Visit of Prime Minister of Nepal Rt. Hon. K. P. Sharma Oli to the People's Republic of China*, 20 June 2018 (<https://mofa.gov.np/press-release-on-the-official-visit-of-prime-minister-of-nepal-rt-hon-k-p-sharma-oli-to-the-peoples-republic-of-china>).

70. Government of Nepal, Ministry of Foreign Affairs, *Press Release on the Official Visit of the Prime Minister of Nepal Rt. Hon. KP Sharma Oli to the People's Republic of China*, 21 June 2018 (<https://mofa.gov.np/press-release-on-the-official-visit-of-the-prime-minister-of-nepal-rt-hon-kp-sharma-oli-to-the-peoples-republic-of-china>).

and letters of exchange signed during these two days (more than 20),⁷¹ the MOU on Cooperation for Railway Connectivity was particularly relevant and was defined by the Joint Statement as «the most significant initiative in the history of bilateral cooperation and believed that it would herald a new era of cross-border connectivity between the two countries».⁷² The goal was the construction of a railway line to connect Tibet to Kathmandu,⁷³ alongside the other project scheduled with India, thus improving Nepalese trade routes and limiting the risk of isolation of the land-locked country. As mentioned, the second part of the journey of Oli was in Tibet. While in Lhasa, the prime minister met with Qi Zhala and visited the Potala and the Jokhang.⁷⁴

A few weeks after the visit to Beijing and Lhasa, in September, Oli reopened with the Chinese the discussion for the project of the China Gezhouba Group Corporation for the Budhi Gandaki Hydropower Project (US\$ 2,5 billion).⁷⁵ The agreement had been reached by Prachanda in June 2017,⁷⁶ one of his last decisions as prime minister, but then it was cancelled by Oli's predecessor, Deuba (NC), on the eve of the elections,⁷⁷ a few weeks

71. Government of Nepal, Ministry of Foreign Affairs, *Press Release on the Official Visit of Prime Minister of Nepal Rt. Hon. K. P. Sharma Oli to the People's Republic of China*, 20 June 2018 (<https://mofa.gov.np/press-release-on-the-official-visit-of-prime-minister-of-nepal-rt-hon-k-p-sharma-oli-to-the-peoples-republic-of-china>); Government of Nepal, Ministry of Foreign Affairs, *Press Release on the Official Visit of the Prime Minister of Nepal Rt. Hon. KP Sharma Oli to the People's Republic of China*, 21 June 2018 (<https://mofa.gov.np/press-release-on-the-official-visit-of-the-prime-minister-of-nepal-rt-hon-kp-sharma-oli-to-the-peoples-republic-of-china>).

72. Government of Nepal, Ministry of Foreign Affairs, *Joint Statement between Nepal and the People's Republic of China*, 21 June 2018 (<https://mofa.gov.np/joint-statement-between-nepal-and-the-peoples-republic-of-china>).

73. 'China to extend railway link to Kathmandu', *myRepublica*, 22 June 2018.

74. The press release of Consulate General of Nepal in Lhasa states that «the Nepali delegation visited historical Potala Palace built by King Song Tsan Gampo in 7th Century and the Jokhang». In fact, the Potala was built by the fifth Dalai Lama on the ruins of the palace of Srong btsan sgam po (Zhwa sgab pa dbang phyug bde ldan, *Bod kyi srid don rgyal rabs: an advanced political history of Tibet*. Vol. I. Kalimpong: T. Tsepal Taikhang, 1976, p. 77). The consulate statement is available on the website of the Ministry of Foreign Affairs of Nepal: Consulate General of Nepal, Lhasa, *Press Release on the Official Visit of the Prime Minister of Nepal Rt. Hon. K.P. Sharma Oli to the People's Republic of China*, 23 June 2018 (<https://mofa.gov.np/press-release-on-the-official-visit-of-the-prime-minister-of-nepal-rt-hon-k-p-sharma-oli-to-the-peoples-republic-of-china>). According to the tradition, Srong btsan sgam po had a Chinese wife and a Nepalese wife. Sa skya Bsod nams rgyal mtshan, *Rgyal rabs gsal ba'i me long* (The Mirror of the Royal Genealogies), Pe cin: Mi rigs dpe skrun khang, 2002, pp. 85-131.

75. 'PM asks ministry to rehire Chinese firm', *The Kathmandu Post*, 24 September 2018.

76. 'Nepal, China ink mega hydropower agreement', *The Hindu*, 5 June 2017.

77. 'Nepal scraps \$2.5 bln hydropower plant deal with Chinese company', *Reuters*, 13 November 2017.

after the alliance between CPN-UML and CPN-MC and the expulsion of the latter from the government.

It is also important to remember the relevance of the December visit of the minister for Foreign Affairs to the United States. Pradeep Kumar Gyawali first met US Secretary of State Mike Pompeo⁷⁸ and then the Assistant Secretary of Defense for Asian and Pacific Security Affairs, Randall Schriver.⁷⁹ Back in Nepal, however, Gyawali had made clear that Nepal would not join the Indo-Pacific alliance⁸⁰ that the United States was trying to build on the basis of a project by Japanese prime minister Shinzō Abe as a response to limit and counterbalance the BRI.⁸¹

5. *The economic situation*

Nepalese GDP has continued its growth, after a decrease in 2016 caused by the earthquakes of 2015, reaching approximately US\$ 24.47 billion in 2017.⁸² In 2015, the GDP was about US\$ 21,4 billion and about US\$ 21,13 billion in 2016.⁸³ In addition to the earthquakes of 2015 – whose economic damage was calculated around US\$ 7 billion⁸⁴ – the already mentioned Indian border blockade between September 2015 and February 2016 affected the economic results. The International Monetary Fund estimates set Nepalese GDP growth at 6.3% for 2018 and 5.0% for 2019.⁸⁵ The latter figure is in stark contrast to the hopes of the Nepalese government to reach a growth of 8% for fiscal year (FY) 2018/2019.⁸⁶

78. Embassy of Nepal, Washington D.C., *Press Release*, 18 December 2018 (<https://us.nepalembassy.gov.np/wp-content/uploads/2018/12/Press-Release-on-FM-Visit-in-Washington-DC.pdf>).

79. Embassy of Nepal, Washington D.C., *Press Release*, 19 December 2018 (<https://us.nepalembassy.gov.np/wp-content/uploads/2018/12/Press-Release.pdf>).

80. 'Nepal won't join US-led Indo-Pacific alliance: Gyawali', *Repubblica*, 22 December 2018.

81. On this, see also: Brahma Chellaney, 'Building a «free and open» Indo-Pacific', *The Japan Times*, 21 November 2018 and Humphrey Hawksley, 'A US-led Indo-Pacific alliance against China is an outdated idea', *Nikkei Asian Review*, 3 September 2018.

82. Source: The World Bank, 'Nepal' (<https://data.worldbank.org/country/nepal>).

83. *Ibid.*

84. Arun Bhakta Shrestha, Samjwal Ratna Bajracharya, Jeffrey S. Kargel & Narendra Raj Khanal, *The Impact of Nepal's 2015 Gorkha Earthquake-Induced Geohazards*, ICIMOD Research Report 2016/1, International Centre for Integrated Mountain Development, 2016, p. 2.

85. International Monetary Fund, *Regional Economic Outlook, Asia and Pacific: Asia at the Forefront: Growth Challenges for the Next Decade and Beyond*, October 2018, p. 5.

86. 'IMF keeps Nepal's growth projection unchanged at 5%', *Repubblica*, 10 October 2018.

The inflation rate, calculated at 9.9% in FY 2015/2016 and 4.5% in FY 2016/2017, reached an average of 4% considering the data of FY 2017/2018 (until mid-March 2018).⁸⁷

The international trade of Nepal continues to be strongly unbalanced towards imports: in FY 2016/2017 exports accounted for just 6.9% of total trade.⁸⁸ In the first eight months of FY 2017/2018, the figure was 6.5%, i.e. NPR (Nepalese rupees) 53.42 billion out of a total of foreign trade amounting to NPR 820.78 billion.⁸⁹ The data become even more significant when compared with previous years: in FY 2004/2005 exports accounted for 28.2%.⁹⁰ In the same period of FY 2017/2018 exports to India grew by 9.8%, while those to China by 62%.⁹¹ On the import side, the increase is more balanced: an increase of 22.3% was recorded for imports from India and 22.2% for those from China.⁹² Clearly, the geographical condition of a landlocked and mountainous country and lack of adequate infrastructures weaken Nepalese trade. These data explain better the need of Nepalese governments, beyond the political and ideological differences, to develop quick and structured links with the two neighbouring countries. India and China are destinations, but also intermediate points – through their ports – for Nepalese goods. As a counterbalance, Nepalese GDP has been strongly supported in recent years by the remittances of Nepalese workers abroad.⁹³ Specifically, the remittances were 29.6% of GDP in FY 2015/2016 and 26.9% in 2016/2017.⁹⁴

The tourism sector suffered a severe blow after the earthquakes of 2015 when it dropped from about 790,000 tourists in 2014 to about 539,000. It rose to around 753,000 tourists in 2016 and over 940,000 in 2017.⁹⁵ Indian tourists in 2017 accounted for 17.1% of the total, while Chinese tourists 11.1%.⁹⁶ In FY 2016/2017, tourism brought to Nepal more than NPR 58.5 billion in foreign currency, while in the first eight months of FY 2017/2018 the figure was more than NPR 43.4 billion.⁹⁷ In November 2018, the number of tourists exceeded one million for the first time.⁹⁸

87. Government of Nepal, Ministry of Finance, *Economic Survey – Fiscal Year 2016/17*, unofficial translation, p. 47.

88. Government of Nepal, Ministry of Finance, *Economic Survey 2017/18*, unofficial translation, July 2018, p. 46.

89. *Ibid.*

90. *Ibid.*

91. *Ibid.*

92. *Ibid.*, p. 47.

93. Government of Nepal, Ministry of Labour and Employment, *Labour Migration for Employment: A Status Report for Nepal: 2015/2016 – 2016/2017*, Kathmandu, 2018, pp. 35-36.

94. *Ibid.*

95. Government of Nepal, Ministry of Finance, *Economic Survey 2017/18*, unofficial translation, July 2018, p. 80.

96. *Ibid.*

97. *Ibid.*, p. 81.

98. 'Foreign tourist arrivals cross one million mark', *Repubblica*, 14 December 2014.

Agriculture contributed 28.8% to Nepalese GDP in FY 2016/2017 and government estimates calculate a contribution of 27.6% for FY 2017/2018.⁹⁹ According to government data, in FY 2017/2018 industrial production should contribute 5.4% of the country's GDP.¹⁰⁰ In the first eight months of FY 2017/2018, relative to foreign investments in the industry sector, out of 4,273 industries registered from 92 countries, 1,226 were from China (proposed employment: 68,655) and 36 from Hong Kong (proposed employment: 4,782 employees).¹⁰¹ Registered industries from India were 713 (proposed employment: more than 68,655).¹⁰² Investments from the US (375 industries, proposed employment: 17,654), South Korea (324 industries, proposed employment: 11,070) and the United Kingdom (169 industries, proposed employment: 10,702) were also significant.¹⁰³ Investments from India represent 35% of total foreign investments in the industry sector, while those from China 25.6% and those from Hong Kong 11%.¹⁰⁴

At the beginning of January 2018, 1 US dollar was traded at around 101 Nepalese rupees.¹⁰⁵ In 2018, the Nepalese rupee suffered a significant loss in value against the US currency at around 119 Nepalese rupees for 1 US dollar in the first half of October,¹⁰⁶ and closing the year at around 112 rupees.¹⁰⁷ The difficulties of the Nepalese currency were due to the devaluation of the Indian rupee to which the Nepalese rupee is linked.¹⁰⁸ Although this did not result in any significant advantage for weak Nepalese foreign trade, the weakness of the Nepalese rupee favoured the value of the remittances, but made more expensive those infrastructures that were vital for the development of the Republic.¹⁰⁹

In mid-December 2018, the Nepalese government decided to prohibit the use on Nepalese territory of Indian banknotes over 100 rupees, i.e. the new 200, 500 and 2,000 rupee banknotes introduced by the Modi government.¹¹⁰ At the same time, according to Arun Budhathoki (editor-in-chief of the *Kathmandu Tribune*), reported by the Assamese newspaper *The Sentinel*,

99. Government of Nepal, Ministry of Finance, *Economic Survey 2017/18*, unofficial translation, July 2018, p. 57.

100. *Ibid.*, p. 67.

101. *Ibid.*, p. 71.

102. *Ibid.*

103. *Ibid.*

104. *Ibid.*, pp. 70-71.

105. Source: Nepal Rastra Bank - Central Bank of Nepal.

106. *Ibid.*

107. Source: *República*, 29 December 2018, p. 10.

108. 'Nepali rupee drops to over 18-month low', *The Himalayan Times*, 28 June 2018; 'Nepali rupee depreciates to all-time low', *The Himalayan Times*, 29 June 2018; Paban Raj Pandey, 'Should Nepal remain pegged to Indian rupee?', *The Statesman*, 24 November 2018; 'Rupee tumbles to record low', *The Kathmandu Post*, 29 June 2018.

109. Paban Raj Pandey, 'Should Nepal remain pegged to Indian rupee?'.

110. 'Nepal bans Indian currency notes above Rs 100 denomination', *The Indian Express*, 14 December 2018.

Chinese tourists could pay in Chinese yuan in Nepal.¹¹¹ Moreover, a few days after this decision, Nepal Central Bank set at INR 100,000 the amount that could be spent by Nepalese citizens in India through credit cards, debit cards or prepaid cards.¹¹² It is clear that both decisions directly affected trade relations between the two countries.

6. Conclusion

The agreement between the forces of the extreme left has proven to be the basis for the birth of a political force now at the centre of Nepalese republican life and the core of its foreign policy. With a government that controls two-thirds of the MPs, the likelihood of constitutional reform in favour of the Madhesi population, which have always been strongly linked on the cultural, social and economic level to neighbouring India, is much closer. However, beyond the courtesies and the important railway project to connect the Bihar to Kathmandu, the geopolitical gaze of the Oli government seems to be towards the People's Republic of China. The Belt and Road Initiative provides the means to avert the country's ancient risk of isolation.

Abbreviations:

BRI = Belt and Road Initiative

CPN-MC = Communist Party of Nepal (Maoist Centre)

CPN-UML = Communist Party of Nepal (Unified Marxist-Leninist)

FY = Fiscal Year

FSFN = Federal Socialist Forum-Nepal

INR = Indian Rupee

MOU = Memorandum of Understanding

NC = Nepali Congress

NCP = Nepal Communist Party

NPR = Nepalese Rupee

RJPN = Rastriya Janata Party-Nepal

111. 'China Casts A Long Shadow Over Nepal!', *The Sentinel*, 30 December 2018.

112. 'Central bank tightens Indian rupee spending for cardholders', *The Kathmandu Post*, 26 December 2018. The limit does not apply to hotels, hospitals and drug stores. *Ibid.*

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As in 2017, the political landscape in Sri Lanka in 2018 appeared to be characterised by constant difficulty with democracy. First, through an unexpected landslide electoral victory, the former President Mahinda Rajapaksa was back on the political stage and he was able to challenge the governing coalition and its leaders. Second, the outbreak of a deep constitutional crisis caused – albeit for a short time – the break-up of the governing coalition and the appointment of Rajapaksa as the new Prime Minister. As far as foreign policy is concerned, 2018 witnessed the continuation of Sri Lanka acting as a «tightrope walker», striving to maintain its metaphorical balance between India and China. Moreover, the year under review saw the government's efforts to develop new ties with Asian countries such as Japan, Pakistan and Iran. In addition, Sri Lanka developed new links with international economic and security organisations in order to pursue its goal of becoming a significant political and economic hub in the Indian Ocean.

At economic level, the year under review saw a further weakening in economic performances. There were also some moderately positive outcomes (the government was able to keep the public finances in order and to increase state revenues, and positive steps in the reform process towards increased revenue-based fiscal consolidation were recorded). However, these positives outcomes were put at risk by the worsening of the economic trends, caused by the uncertainty and instability due to the constitutional crisis of the last months of the year.

1. Introduction

In 2018, the situation in Sri Lanka was dominated by the unexpected comeback of Mahinda Rajapaksa and by a deep political and constitutional crisis which plunged the island state into political instability and uncertainty.

Mahinda Rajapaksa, former president of Sri Lanka from 2005 to 2015, had seen his authority and popularity rocket when the separatist Liberation Tigers of Tamil Eelam (LTTE) were defeated in 2009, bringing to an end a long-lasting civil war. The end of the civil-war was followed by credible allegations of human rights violations and war crimes committed by the Lankan army, and by accusations to Rajapaksa of authoritarianism, corruption, disregard for the rule of law, and of efforts to create a political dynasty. Eventually, Rajapaksa was defeated in the 2015 presidential election and left office. He then attempted to conquer the position of prime

minister in the parliamentary elections of that same year, but his party, the United People's Freedom Alliance was defeated. From 2015 to 2018, however, and with mixed fortunes, as Member of Parliament for Kurunegala District, Mahinda Rajapaksa was the leader of the opposition. As shown below, in 2018, an unexpected landslide victory at the Local Authorities elections allowed him to return to the political stage and gave him a new political impetus and the opportunity to challenge the ruling coalition.

The constitutional crisis took place during the last months of the year and was caused by the surprising move of President Maithripala Sirisena when he sacked Prime Minister Ranil Wickremesinghe, who had been the main partner of his own governing coalition from 2015, and replaced him with former President Rajapaksa, the leader of the opposition. In the space of little more than seven weeks of chaos and uncertainty, the coalition government – already weakened by long-lasting internal tensions and divisions – fell apart, and the stability and unity of the Sri Lankan political system was put at risk.

The year under review witnessed Sri Lanka's continuing efforts to maintain its balance between India and China, as well as the developing of new links with Japan, Pakistan and Iran. Moreover, 2018 saw Sri Lanka further its involvement with international economic and security institutions.

As far as Sri Lankan economic developments are concerned, the year under review saw a weakening in economic performance. Moreover, some moderately positive trends were also put at risk in the last months of the year by the political instability and uncertainty caused by the crisis.

The remainder of this article will proceed as follows. First, the dramatic domestic developments will be analysed. Second, the analysis will dwell on Sri Lankan foreign policy. Sri Lanka's ties with India and with China, as well as its relations with Japan, Pakistan and Iran will be analysed. Then, attention will be given to the Sri Lankan involvement with international economic and security organisations. Finally, the trends of the Sri Lankan economy, and the bumpy route towards the 2019 budget, will be assessed.

2. Domestic Politics

The two most important political developments during 2018 were, first, the former president and island «strong man» Mahinda Rajapaksa's comeback. Rajapaksa, who practically all analysts considered to be unable to participate in political activity, quite unexpectedly put up a vigorous and successful assault against the ruling coalition. The second development was represented by the political crisis that took place in the last months of the year. This crisis was so unexpected and deep that it put the stability and unity of the Sri Lankan political system at risk.

2.1. Mahinda Rajapaksa's unexpected comeback

At the beginning of 2018, the Sri Lankan population went to polls for local authority elections. Repeatedly delayed for a long time, these local elections were the first island-wide polls since the ruling coalition had taken office in 2015.¹

The electoral campaign that preceded the elections was dominated by former President Mahinda Rajapaksa and his newly-established political party, the *People's Front* (Sri Lanka Podujana Peramuna – SLPP).² Through public statements and a violent rhetoric, Rajapaksa emphasised the total failure of the Unity Government to make reforms: the inability of the government to contain the cost of living and the increases in taxation, the inability of the government to act against corruption, the failure to privatise state assets and the reduction of welfare for poor, retired soldiers.³ The controversial issue of the Central Bank Bond Scam was used by Rajapaksa to attack the Prime Minister and the ruling coalition.⁴ In contrast, the two main ruling coalition partners – President Maithripala Sirisena's Sri Lanka Freedom Party (SLFP) and Prime Minister Ranil Wickremesinghe's United National Party (UNP) – campaigned separately, and sometimes even campaigned against each other.⁵ They limited themselves to re-affirming their already widely publicised (but not yet fully implemented) government promises: such as the abolition of the Executive Presidency, anti-corruption measures, and a new constitution and the devolution of power. They blamed each other for the failure to carry through the reforms.⁶ Their campaign worsened when the President, Maithripala Sirisena, began to criticise both the Prime Minister and his government for the Central Bank Bond Scam and for the unsuccessful implementations of investigations into the alleged corruption of various figures of Central Bank governance body.⁷ This

1. Fabio Leone, 'Sri Lanka 2017: The Uncertain Road of the «Yahapalayanaya» Government', *Asia Maior* 2017, pp. 332-335.

2. Previously, it was a minor political party known as the Sri Lanka National Front (SLNF) and Our Sri Lanka Freedom Front (OSLFF). The SLPP was formed by breakaway members of Sirisena's party in 2016 and became the home for members of the SLFP who were loyal to Rajapaksa.

3. Shihar Aneez & Ranga Sirilal, 'Party Backed by Sri Lanka's Ex-president Eyes Big Victory in Local Polls', *Reuters*, 11 February 2018.

4. The Central Bank Bond Scam concerned the manipulation of the government's treasury bonds through inside trading, which resulted in a loss of US\$ 72.44 million for the treasury in 2015. Namini Wijedasa & Gautam Sen, 'Lanka Local Polls Crucial for Sirisena Govt', *The Hindu-Business Line*, 6 February 2018.

5. Shihar Aneez, 'Sri Lankans to Vote in Local Elections in Key Test for Ruling Coalition', *Reuters*, 9 February 2018.

6. *Ibid.*

7. Eshan Jayawardena & Punsara Amarasinghe, 'The Winds of Change in Sri Lanka? Rajapaksa's Charisma and Foreign Factors in Sri Lankan Politics', *South Asia @ LSE*, 13 March 2018.

showed the deep contrasts within the coalition government and alienated their voters.

On 10 February, over 15 million eligible voters went to the polls to elect 8,293 members for 341 local bodies – 24 municipal councils, 41 urban councils and 276 Pradeshiya Sabhas or divisional councils (namely, the legislative bodies that preside over the third-tier municipalities in the country).⁸ In the following days, the results of the local elections were announced. It was a political earthquake. Rajapaksa and his party had obtained a landslide victory.⁹ Rajapaksa's SLPP obtained 44.6% of the votes, the highest number of seats, and the majority of the local councils across the country: it gained power in 249 local governing bodies out of a total of 340. Wickremesinghe's party, the UNP, obtained an average of 32.63% of the votes and held 42 local bodies. But President Sirisena's party, the SLFP, experienced a crushing defeat.¹⁰ The SLFP, together with their allies in United People's Freedom Alliance (UPFA) obtained an average of only 13.4% of the votes and won only 10 local bodies (see Table 1).

Table 1 - Summary of the 2018 Local Authorities elections

Party	Number of votes	Percentage (%)	Members	LG Bodies
Sri Lanka Podujana Peramuna (SLPP)	4,941,952	44.6%	3,369	231
United National Front (UNP)	3,612,259	32.63%	2,385	34
United People's Freedom Alliance (UPFA)	989,821	8.94%	674	2
People's Liberation Front	693,875	6.27%	431	
Sri Lanka Freedom Party (SLFP)	491,835	4.44%	358	7
Janatha Vimukthi Peramuna (JVP)	693,875	6.27%	431	0
Ilankai Tamil Arasu Kadchi (ITAK)	339,675	3.07%	407	41

Sources: Election Commission of Sri Lanka; table adapted from 'Local Authorities elections results -2018', *Adaderana*, 16 February 2018; and 'Sri Lanka: How to read the local government election results', *Sri Lanka Brief*, 12 February 2018.

According to analysts, three main factors seem to have played an important role in these electoral outcomes. First, Rajapaksa was able to transform the local elections into a real *referendum* on the coalition

8. This was also the first election under the mixed electoral system: 60% of members were elected using first-past-the-post voting system (FPTP) and the remaining 40% through closed list proportional representation. Moreover, these elections were marked by guaranteeing 25% representation of women in each council. 'Sri Lanka Goes to Polls in Crucial Vote', *The Indian Express*, 10 February 2018.

9. The voter turnout was around 65%. Manjula Fernando, 'Local Government Polls: Voter Turnout over 65%', *The Sunday Observer*, 11 February 2018.

10. Eshan Jayawardena & Punsara Amarasinghe, 'The Winds of Change in Sri Lanka? Rajapaksa's Charisma and Foreign Factors in Sri Lankan Politics'.

government.¹¹ In addition, he was able to become the central figure of the electoral campaign. Moreover, Rajapaksa still enjoyed a broad electoral appeal and his type of Sinhalese Buddhist nationalism reverberated within the bulk of the ethnic Sinhalese majority community.¹² Second, Rajapaksa's party, the SLPP, was also able to gain votes from outside its traditional electoral bases, whereas Wickremesinghe's UNP was not able to do so (it was voted mainly by the urban areas and the ethnically mixed areas).¹³ Third, many voters abstained from going to the polls or voted for alternative parties or independent groups in protest. On the whole, the 2018 local election outcomes showed a clear erosion of public support and confidence in the ruling unity government, while Rajapaksa's electoral base had held up very well during these three years.¹⁴

Finally, it is worth noting that the 2018 local elections were the quietest and most peaceful elections ever held in Sri Lanka. Naturally, there were episodes of election and post-election violence (mainly between the SLPP and the UNP/SLFP supporters or between Sinhala nationalists and Tamil nationalists). But, on the whole, the level of violence was very low.¹⁵

2.2. *The drama of the Unity Government coalition*

The local election outcomes produced an unexpected political storm in the island state. The disastrous election results further deepened the crisis between the two ruling coalition partners, which was already under way.

11. Shihar Aneez, 'Sri Lankans to Vote in Local Elections in Key Test for Ruling Coalition'; Shamindra Ferdinando, 'LG Poll Really a «Referendum» on Yahapalana Govt., Says JO', *The Island*, 18 January 2018.

12. About three-quarters of Sri Lankans are ethnic Sinhalese, and most of them are Buddhist. Taylor Dibbert, 'Sri Lanka's Homegrown Crisis', *Foreign Policy*, 5 November 2018; Neil DeVotta, Sumit Ganguly, 'Asia's Oldest Democracy Takes a Hit', *Foreign Policy*, November 2018.

13. For example, the Colombo Municipal Council that has around 400,000 voters of whom about 60% belong to ethnic minorities, voted 46% UNP and 21% SLPP. S.W.R. de A. Samarasinghe, 'Ups and Downs of Sri Lankan Politics and Looming Political Uncertainty', *The Island*, 12 February 2018.

14. As has been highlighted, Rajapaksa's share of the vote showed little fluctuation. In the presidential election of 2015, Rajapaksa polled 47.6%; in the 2015 parliamentary election, his party (UPFA) polled 42.7%. Hambantota, Moneragala, Matara, Ratnapura and Galle (which Rajapaksa's UPFA obtained more than 55% in the 2015 presidential election and more than 50% in the 2015 parliamentary election) voted overwhelmingly for the SLPP in the 2018 local elections. S.W.R. de A. Samarasinghe, 'Ups and Downs of Sri Lankan Politics and Looming Political Uncertainty'.

15. This was confirmed by the Chairman of the Election Commission, Mahinda Deshapriya, but also by associations and NGOs operating on the territory. Uditha Kumarasinghe & Maneshka Borham, 'Polls, One of the Most Peaceful - Watchdog Groups', *Sunday Observer*, 11 February 2018.

The electoral results did nothing but worsen an already precarious situation. In recent years, the coalition government formed in 2015 had become increasingly unpopular and wildly dysfunctional.¹⁶ It had been continually subject to tensions and divisions. In particular, the Sirisena-Wickremesinghe relationship fell apart, as the two failed to get along.¹⁷ The massive corruption among Wickremesinghe's associates was a permanent source of tension between the coalition partners. A further source of tension was the class division between the urban, liberal, pro-Western attitude of Prime Minister and his circle, and the rural roots of President Sirisena.¹⁸ Moreover, the coalition government's inability to implement key parts of its agenda (from anti-corruption to improved governance, and economic and constitutional reform), its disregard for the popular demands for better economic governance, and its lazy attitude to post-civil war reconciliation reforms helped to further erode popular support for the government.¹⁹

After announcing the results of the local elections, President Sirisena decided to take the initiative and backed a no-confidence motion against the government. The motion took place on 4 April, but the government survived. The government won the support of 122 members of the 225-member Parliament, with 76 voting against him. The only result that Sirisena's move obtained was that the SLFP's share in the coalition was weakened: 16 members of parliament from Sirisena's party (most of them ministers) voted in favour of the no-confidence motion. After the vote, they decided to resign their portfolios and to sit with the opposition.²⁰

The defeat of the no-confidence motion seemed to sanction a period of truce. But it was a short-lived truce. Soon, the tension between ruling coalition partners began to rise again. In June, the *New York Times* published an article on alleged Chinese bribery in the 2015 presidential elections.²¹ The main allegation in this article was that Rajapaksa had received US\$ 7.6 million as campaign contributions from the *China Harbour Co.* during the 2015 presidential elections. The allegations made in the article triggered a new storm within the ruling coalition. Prime Minister Wickremesinghe and his party started a protest campaign against Rajapaksa and his *entourage*. But, once again, the ruling coalition partners began to attack and complain about each other. The situation worsened when the talks between President Sirisena and Rajapaksa were made public. The meetings were aimed

16. Taylor Dibbert, 'Sri Lanka's Homegrown Crisis'.

17. Taylor Dibbert, 'Sri Lankan democracy on the rocks', *East Asia Forum*, 15 February 2019.

18. Neil DeVotta, 'Sri Lanka's crisis of democracy', *East Asia Forum*, 3 December 2018.

19. Taylor Dibbert, 'Sri Lankan democracy on the rocks'.

20. Shihar Aneez & Ranga Sirilal, 'Sri Lankan PM Survives No Confidence Vote', *Reuters*, 4 April 2018.

21. Maria Abi-Habib, 'How China Got Sri Lanka to Cough up a Port', *The New York Times*, 25 June 2018.

at probing the possibility of forming a possible «grand coalition» or a possible «caretaker grand coalition» (with the participation of Rajapaksa). In addition, these meetings were followed by the SLFP steering committee meeting to discuss the new scenarios of a possible caretaker government. These meetings increased the tension between the two ruling coalition partners.

The Prime Minister accused President Sirisena and his party of putting the government at risk. Shortly afterwards, the situation worsened further when President Sirisena declared that an assassination plot against him had been discovered and that Prime Minister Wickremesinghe had not lifted a finger to prevent it. Sirisena's declaration took place on 16 October, during the cabinet meeting. Sirisena blamed India's Research and Analysis Wing (RAW) – the Indian intelligence agency – for the assassination plot. However, he admitted that the Indian premier, Narendra Modi, had not been aware of the plot.²² Sirisena's disclosure was explosive for two reasons. First, it came a few days before Prime Minister Wickremesinghe's scheduled visit to India, and his meeting with Mr. Modi on key India-assisted projects in Sri Lanka. Second, the disclosure occurred during a cabinet meeting in which a decision on India-led development projects was on the agenda. Sirisena was opposed to Indian involvement in upgrading the east container terminal of Colombo Port – a project that New Delhi had been keen to take up.²³ Prime Minister Wickremesinghe declared that Sri Lanka had promised New Delhi that it would collaborate on the project.

At the end of October, the political crisis escalated further. On 26 October, in an unexpected move, President Sirisena dismissed Prime Minister Wickremesinghe and appointed Rajapaksa as the new Prime Minister. The following day, Rajapaksa was sworn in as Prime Minister and appointed a new cabinet.²⁴ The country was plunged into chaos: numerous protests and episodes of violence backed by Rajapaksa and Wickremesinghe supporters took place on the streets. Wickremesinghe (who was still installed in the prime minister's official residence, Temple Trees) insisted that he was still the premier and declared that he could only be dismissed by a vote of parliament. Moreover, he also called for an emergency session of parliament, so he could prove that he had a majority.²⁵ The parliament was urgently convened.

Through a second unexpected move, President Sirisena suspended parliament (until 16 November), leaving the two men both claiming to be

22. Meera Srinivasan, 'Sri Lankan President Sirisena Alleges that RAW is Plotting his Assassination', *The Hindu*, 16 October 2018.

23. *Ibid.*

24. Norman Palihawadana & Shamindra Ferdinando, 'MR Sworn in as PM Vows to Overcome Challenges', *The Island*, 27 October 2018.

25. Amy Kazmin, 'Sri Lanka's President Sacks One-time Ally as Prime Minister', *The Financial Times*, 27 October 2018.

prime minister. At the same time, he called for new elections for January 2019.²⁶ The UNP, Tamil National Alliance and other forces loyal to Wickremesinghe appealed to the Supreme Court against the parliamentary suspension (12 November).²⁷ On 13 November, Sri Lanka's Supreme Court suspended the president's decision to dissolve parliament, and declared the need for new elections.²⁸ Re-assured by the high court's decision, the forces loyal to Wickremesinghe moved a motion of no-confidence against Prime Minister Rajapaksa. On 14 November, the motion took place and passed with the backing of 122 of the 225 members of parliament.²⁹

Speaker of Parliament Karu Jayasuriya quickly declared that the country was without a Prime Minister and a government. Rajapaksa's defeat brought the Sri Lankan political institutions to a standstill. President Sirisena hastened to declare that he refused to accept the no-confidence vote, as it appeared to have ignored the constitution, parliamentary procedure and tradition. Not only that, but he urged the speaker of the parliament and leaders of some political parties to hold a new no-confidence motion and to abandon their position that the appointment of Rajapaksa as prime minister had been unconstitutional.³⁰ Meanwhile, Rajapaksa remained in office with the president's backing.

On 16 November, a second no-confidence vote took place in parliament. Once again, Rajapaksa lost. The crisis seemed to be becoming a farce when the president rejected the outcome of the second no-confidence vote and urged the political forces to hold a third motion of a no-confidence.³¹ Sirisena was probably still sure that Rajapaksa would be able to obtain a majority in parliament. Meanwhile, Premier Rajapaksa refused to resign. Once again, 122 legislators loyal to Wickremesinghe appealed to the Appeal Court against Rajapaksa's authority to hold office. On 4 December, the Court issued an interim order that restrained Rajapaksa from functioning as the Prime Minister and 49 others from functioning

26. Dharisha Bastians & Maria Abi-Habib, 'Sri Lanka's President Suspends Parliament, Escalating Political Crisis', *The New York Times*, 27 October 2018.

27. 'Political Parties in Sri Lanka File Petitions against Parliament Dissolution', *The Statesman*, 12 November 2018.

28. Simon Mundy & Chathuri Dissanayake, 'Sri Lanka Supreme Court Weighs into Constitutional Crisis', *The Financial Times*, 13 November 2018; 'Sri Lanka Crisis: Supreme Court Suspends Dissolution of Parliament', *BBC News*, 13 November 2018; 'Sri Lanka Supreme Court Overturns Dissolution of Parliament', *Al Jazeera*, 13 November 2018.

29. Shihar Aneez, 'Sri Lanka, without Prime Minister and Cabinet, Grinds to Political Halt', *Reuters*, 15 November 2018.

30. Shihar Aneez & Ranga Sirilal, 'Sri Lanka President Seeks Fresh No-confidence Motion against New PM', *Reuters*, 15 November 2018.

31. Ranga Sirilal & Shihar Aneez, 'Sri Lanka President Calls Third Vote on No-confidence Motion against Premier', *Reuters*, 18 November 2018.

as ministers.³² Rajapaksa appealed against the lower court's interim order, but the Supreme Court rejected his appeal. A vote of confidence took place in Parliament on 12 December, in a situation of great uncertainty on its outcome. However, Wickremesinghe spectacularly won the vote of confidence with the backing of 177 votes to none.³³ On 15 December, Rajapaksa resigned. The following day, Wickremesinghe was re-instated as prime minister by President Sirisena. Eventually, the political stalemate was broken in time to avoid an imminent government shutdown.³⁴

At the time of writing, a new United National Party-dominated cabinet has been sworn in Parliament, and Rajapaksa now leads the parliamentary opposition (Wickremesinghe commands 103 members, and Rajapaksa commands 100).³⁵ Wickremesinghe and his United National Party have emerged stronger. In contrast, Sirisena's reputation has been irreparably damaged. As some analysts have highlighted, not only were the President and the Prime Minister not reconciled, but Sirisena would have no real chance to gain a second term as president.³⁶ Rajapaksa was hurt as well, but he and his party remained a political actor to be reckoned with. He and his associates were anxious to return to power and in order to reach this goal they could promote misinformation, chaos and hinder the government's agenda.³⁷

However, the seven weeks of chaos and uncertainty can be also considered as a significant political test for Sri Lanka's institutions (including the Supreme Court, the Court of Appeal and civil society).³⁸ These seem to have held up well, consistently driving back Sirisena's attacks.³⁹ Moreover, it is noteworthy that the military and security apparatus (which was under Sirisena's direct control and which has always considered Rajapaksa as an ally) did not intervene in the constitutional crisis.⁴⁰

The frantic events of the crisis and President Sirisena's behaviour astonished not only the long-time international observers of Sri Lanka,

32. Umesh Moramudali, 'The Deep Roots of Sri Lanka's Political Crisis', *The Diplomat*, 11 December 2018; Ranga Sirilal, 'Sri Lanka Court Bars Rajapaksa from Office, Disputed PM to Appeal', *Reuters*, 3 December 2018.

33. Shihar Aneez & Ranga Sirilal, 'Sri Lanka Parliament Passes Confidence Vote Backing Ousted PM', *Reuters*, 12 December 2018.

34. Shihar Aneez & Ranga Sirilal, 'Sri Lanka PM Rajapaksa Resigns amid Government Shutdown Fears', *Reuters*, 15 December 2018.

35. Neil DeVotta & Sumit Ganguly, 'The Scarring of Democracy in Sri Lanka', *US News*, 8 November 2018.

36. Taylor Dibbert, 'Sri Lankan democracy on the rocks'.

37. *Ibid.*

38. *Ibid.*

39. *Ibid.*

40. Anubhav Gupta, 'A South Asian «Game of Thrones»: Behind Sri Lanka's Political Crisis', *Asia Society*, 4 December 2018; Neil DeVotta and Sumit Ganguly, 'The Scarring of Democracy in Sri Lanka'.

but even supporters and members of political parties involved in the dispute. In particular, the island state was shocked by the collusion between Sirisena and Rajapaksa. As was highlighted, the stunning deal between two politicians was comparable to Donald Trump asking the Hillary Clinton to be his vice-president after the 2016 US election.⁴¹ So what led to Sirisena's decision? What were the reasons that triggered the crisis? Just two days after the shocking replacement of Wickremesinghe, Sirisena issued a public statement in which he gave two reasons for his decision to oust the Prime Minister. First, he argued that an assassination plot against him had been planned, and implied that Wickremesinghe's cabinet had blocked a real investigation into the issue. Moreover, he argued that India was indirectly involved in the assassination plot. Second, Sirisena also argued that he had replaced Wickremesinghe because of the corruption accusations involving the then prime minister. In particular, he cited the serious Central Bank Bond Scam, involving the central bank and its governor, who had been appointed by Wickremesinghe. Nevertheless, as many experts highlighted, these reasons proved to be unsatisfactory. Sirisena has yet to show credible evidence of the assassination plot accusations.⁴² Moreover, the Bond Scam brought legitimate criticism of Wickremesinghe, placing him in a bad light, but the accusation did not seem sufficient to oust him, as prime minister, from office.⁴³

On the contrary, the real reason behind Sirisena's decisions and actions seems to be mainly political. Many analysts argued that Sirisena actions were related to the president's intention of resolving a deepening political dispute between himself and Prime Minister Wickremesinghe. Following the 2015 elections, the ruling coalition had become more fragile with everyday that passed. Disagreements on a wide range of policy issues developed so harshly that conflicts between ruling partners became public.⁴⁴ Political scientist and scholar Neil DeVotta ascribed the shocking crisis developments to the president's willingness to make a deal to secure his own political future: Sirisena yearned for a second presidential term.⁴⁵ In particular, Sirisena does not have a political base and he saw the alliance with Rajapaksa and with the opposition as the most likely way to secure power in the next presidential elections.⁴⁶ It was no coincidence that, as was highlighted, Rajapaksa called for parliamentary elections in his inaugural

41. Anubhav Gupta, 'A South Asian «Games of Thrones»: Behind Sri Lanka's Political Crisis'.

42. *Ibid.*

43. *Ibid.*

44. *Ibid.* See, also, Yayadeva Uyangoda, 'From Uncertainty to Crisis', *The Hindu*, 30 October 2018.

45. Neil DeVotta, 'Sri Lanka's Crisis of Democracy', *East Asia Forum*, 3 December 2018.

46. Taylor Dibbert, 'Sri Lankan democracy on the rocks'.

speech as the incoming PM, because this showed that both he and President Sirisena intended to obtain power beyond the current term.⁴⁷ Moreover, DeVotta argued that, in joining his forces with Rajapaksa, Sirisena saw a way of strengthening his popularity when they decided to run for election (Rajapaksa as prime minister and Sirisena as president for another term).⁴⁸ The minorities and the UNP supporters, who had voted for Sirisena in 2015, were not his base; many SLFP supporters were angry after Sirisena had gone over to the opposition and defeated Rajapaksa in the last presidential election.⁴⁹ Moreover, Rajapaksa enjoyed the majority of Sri Lanka's Buddhist support. In his turn, Rajapaksa found the collusion with Sirisena useful for two reasons: first, he was scared that the charges for crimes of corruption would block him before the election. For this reason, Rajapaksa saw the ousting of Wickremesinghe as an attractive opportunity. Second, Rajapaksa and his new party had performed well at the local elections, which had increased confidence in its political potential. He could not run for a third presidential term, but he could dominate politics again as prime minister.⁵⁰

Moreover, it is worth noting that Wickremesinghe also had his own agenda, in contrast to that of Sirisena,⁵¹ and this may have contributed to indirectly escalate the crisis. Wickremesinghe had long yearned for the presidency, and thought that he might prevail at the next election. Although considered an élitist and indifferent to rural and grassroots concerns, the ongoing crisis gives him the opportunity to disguise such shortcomings and to present himself as a new defender of democracy.⁵²

3. Foreign Policy

In 2018, the two main foreign policy strategic goals and the main strategies for achieving them remained unchanged. Sri Lanka continued its efforts to pursue, maintain and strengthen good, well-balanced relations with the rest of the world and its regional actors, as well as to promote its own economic development.⁵³ However, during 2018, new achievements connected with the Sri Lankan's strategy of regional security emerged.⁵⁴

47. Anubhav Gupta, 'A South Asian «Games of Thrones»: Behind Sri Lanka's Political Crisis'.

48. Neil DeVotta, 'Sri Lanka's Crisis of Democracy'.

49. *Ibid.*

50. *Ibid.*

51. *Ibid.*

52. *Ibid.*

53. Fabio Leone, 'Sri Lanka 2017: The Uncertain Road of the «Yahapalayanaya» Government'.

54. Barana Waidyatilake, 'Sri Lanka's Strategy for Regional Security', *The Diplomat*, 19 July 2018.

3.1. Still «between the devil and the deep blue sea» of India and China

In the year under review, the strengthening of the political and economic relations between Sri Lanka and India continued. In the early part of the year, India's commitment to strengthening bilateral economic relations between the two countries was disrupted by the High Commissioner of India for Sri Lanka, Taranjit Singh Sandhu. During a meeting on Indian and Sri Lankan relations in the light of New Delhi's «First Neighbourhood Policy», the Indian envoy stressed India's commitment of approximately US\$ 2.9 billion in subsidised loans to Sri Lanka.⁵⁵ In January, Sri Lanka and India signed an agreement for the financing of development projects. The agreement concerned the opening of a line of credit from the Export-Import Bank of India (Exim Bank) granting aid for US\$ 45.27 million as well as the help of the Indian government for the development of the Kankesanthurai (KKS) port as a commercial port.⁵⁶ The agreement was followed by a Memorandum of Understanding (MoU) to facilitate high-speed direct Internet connectivity between the two countries. In October, in spite of the political turmoil and the fact that President Sirisena had accused India of plotting against him, Prime Minister Wickremesinghe paid an official visit to India. Wide-ranging talks between the two parties on co-operation and development aid took place. Sri Lanka also enhanced bilateral defence co-operation with India. In January, the fifth Indo-Sri Lankan Defence Dialogue was held in New Delhi. The Sri Lankan delegation led by the Secretary to the Ministry of Defence, Mr. Kapila Waidyaratne, participated at the event. Indo-Sri Lankan Defence Dialogue reviewed a range of defence co-operation measures between the two countries, while paying attention to other areas of interest as well.⁵⁷ Later, in July, the annual «Mitra Shakti joint military exercise» took place. It was the third Indo-Sri Lankan Joint Training Exercise «Mitra Shakti» and it focused on counter-terrorism and insurgency.⁵⁸ It was followed in September by the sixth edition of SLINEX, a bi-lateral Naval Exercise between India and Sri Lanka. It took place at Trincomalee in Sri Lanka.

After the constitutional crisis erupted, the international community called for this to be resolved in line with the Sri Lanka's constitution.⁵⁹ India was one of the first countries to cite democratic values in commenting on

55. Meera Srinivasan, 'Sri Lanka: Base for the Asian Great Game?', *The Hindu*, 7 April 2018.

56. 'Indian Assistance of US\$ 45.27 mn to Develop KKS Harbour', *The Island*, 16 January 2018.

57. Ministry of Defence, Sri Lanka, 'Annual Indo-Lanka Defence Dialogue Held in India', 14 January 2018 (http://www.defence.lk/new.asp?fname=Annual_Indo_Lanka_Defence_Dialogue_held_in_India_20180114_01).

58. 'Mitra Shakti: Third Indo-Lanka Joint Training Exercise Culminates', *The Economic Times*, 12 July 2018.

59. Neil DeVotta & Sumit Ganguly, 'The Scarring of Democracy in Sri Lanka'.

the constitutional crisis, and urged Sri Lanka to resolve it by constitutional means.⁶⁰ However Rejapaksa's return to power has deepened concern in India.⁶¹ In particular, India (with its 60 million Tamils in the southern state of Tamil Nadu) expressed concern about the possibility that the new government could give vent to hatred against the Sri Lankan Tamil minority again.⁶² Moreover, India feared a renewed Chinese influence in Sri Lanka.⁶³

2018 also witnessed the continuation and the strengthening of the disputed Sri Lankan-China political and economic relations. Like India, at the beginning of 2018, China hastened to confirm its political and economic commitments with Colombo. Through a long official message to his counterpart to congratulate Sri Lanka on the seventieth anniversary of its independence from British rule, Chinese President Xi Jinping confirmed China's commitment to the strengthening of political, economic and strategic ties with Sri Lanka. The Chinese president emphasised the «fruitful results» and the «pragmatic co-operation» that the two countries had achieved in the joint construction of the economic belt of the Silk Road and the Maritime Silk Road of the XXI Century (MSR).⁶⁴ However, unlike 2017, Chinese influence moved into new geographical areas of Sri Lanka where Indian influence had traditionally been strongest.⁶⁵ In April, Chinese firms invested US\$ 800 million in the Sri Lanka Port City underground road.⁶⁶ This deal was followed in November by two multi-million-dollar contracts with Chinese firms for a port upgrade project.⁶⁷

On the Sri Lankan constitutional crisis, China took a different approach to most countries in the international community. Beijing recognised Rejapaksa's government and officially took a non-interventionist stance, albeit with indications of support for the new de facto regime.⁶⁸

60. Anubhav Gupta, 'A South Asian «Game of Thrones»: Behind Sri Lanka's Political Crisis'.

61. Neil DeVotta, 'Sri Lanka's crisis of democracy'.

62. Neil DeVotta & Sumit Ganguly, 'The Scarring of Democracy in Sri Lanka'.

63. *Ibid.*

64. 'Xi Jinping Says Improving China-Sri Lanka Relations Have his «High Attention»', *The Indian Express*, 4 February 2018.

65. Sudha Ramachandran, 'China Expands its Footprint in Sri Lanka', *The Diplomat*, 11 September 2018.

66. Shihar Aneez, 'Chinese Firm to invest \$800 million on Sri Lanka Port City Underground Road', *Reuters*, 12 April 2018.

67. Shihar Aneez & Ranga Sirilal, 'Sri Lanka Signs Port Deals with China Amid Political Upheaval', *Reuters*, 29 November 2018.

68. The few states to have reportedly recognized Rajapaksa include Burundi and Pakistan, both close partner states of China. Anubhav Gupta, A South Asian «Game of Thrones»: Behind Sri Lanka's Political Crisis'.

3.2. Sri Lankan relations with Japan, Pakistan and Iran

At the beginning of 2018, the Japanese Foreign Minister, Tarō Kōno, visited Sri Lanka. This was the first official visit by a Japanese foreign minister to Sri Lanka in 15 years.⁶⁹ Kōno met President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe, and expressed the willingness of the Japanese government to extend assistance for infrastructure development in Sri Lanka.⁷⁰ The Minister visited the port of Colombo, the Sri Lanka Ports Authority (SLPA) as well as the Colombo Port Expansion Project, currently known as the Colombo South Port. A further sign of the warming of relations between Colombo and Tokyo was the visit of President Sirisena to Japan. In March, following the invitation of Japanese Prime Minister Abe Shinzō, President Sirisena met Emperor Akihito and Prime Minister Abe in Tokyo. Later, the invitation was returned in a further Japanese mission to Colombo. In August, Japan's State Minister of Foreign Affairs of Japan Kazuyuki Nakane visited Colombo and met the Lankan prime minister and a delegation of ministers.⁷¹ During his visit, Nakane also participated in the commissioning ceremony of the two coastguard patrol vessels donated by Japan to Sri Lanka at the Port of Colombo. Moreover, the first steps were taken in closer Sri Lankan-Japanese military relations. In August, the first visit of a Japanese Defence Minister, Itsunori Onodera, to Sri Lanka took place. The Japanese Defence Minister visited Colombo, met government leaders and visited the ports of Colombo, Hambantota, and Trincomalee, the site where Japanese intends to back investment projects. The visit was followed in October by the arrival in Colombo of two Japanese Maritime Self Defence Force (MSDF) vessels, the Izumo-class helicopter destroyer *JS Kaga* and the destroyer *JS Inazuma*. Their arrival emphasised the Japanese presence in the Indian Ocean.⁷² The commanding officers of two ships met the commander of the Sri Lankan Navy, Rear Admiral Sirimevan Ranasinghe. The crews of the *Inazuma* and the *Kaga* were in Colombo for a five-day visit and official tour, intended to deepen maritime co-operation ties between Sri Lanka and Japan.⁷³

2018 also witnessed the *rapprochement* between Sri Lanka and Pakistan, and also between Sri Lanka and Iran. In March, President Maithripala Sirisena officially visited Pakistan. As a foreign guest, President Sirisena took

69. 'Japanese Foreign Minister Visits Port of Colombo', *Daily FT*, 8 January 2018.

70. 'Japanese FM Pledges Closer Relations with Colombo', *The Island*, 5 January 2018; 'Sri Lanka PM Seeks India and Japan Investment to Balance China', *The Times of India*, 27 March 2018.

71. 'JICA Delegation Visits Hambantota Port', *Sunday Observer*, 23 September 2018.

72. Ankit Panda, 'A First: Japan's Largest Warship Visits Sri Lanka on Indo-Pacific Deployment', *The Diplomat*, 2 October 2018.

73. *Ibid.*

part in the celebrations of 78th Pakistan Day Celebrations and was present at the National Day military parade. President Sirisena met with Pakistani President Mamnoon Hussain, and discussed with Pakistani Prime Minister Shahid Khaqan Abbasi on the ways and means to strengthen the trade between the two countries and to reach a target of US\$ 1 billion by the year 2020. Three Memoranda of Understanding (MoU) were signed to enhance bilateral cooperation. The first - signed between the International Diplomatic Training Institute-BIDTI of Bandaranaike and the Pakistan Foreign Service Academy – was on the joint training of diplomats. The second one - signed between the Sri Lanka Institute of Development Administration-SLIDA and the National School of Public Policy-NSPP of Pakistan – aimed at the launching of integrated training programmes concerning administration; the third MoU - signed between Ministry of National Policies and Economic Affairs of Sri Lanka and Ministry of Inter-Provincial Coordination of Pakistan – aimed at jointly promoting youth development.

Similarly, President Sirisena visited Iran in May. He met his Iranian counterpart Hassan Rouhani. The two countries also signed a MoU on the further strengthening of the economic and trade ties between their two countries.⁷⁴

3.3. *Re-positioning Sri Lanka as the centre of the Indian Ocean*

The year under review witnessed new achievements in the long-lasting Sri Lankan strategy for regional security. This strategy has been central in Sri Lankan foreign policy for at least a decade. It has planned to re-position Sri Lanka as the «centre of the Indian Ocean». Over the past years, this goal has been pursued through a twofold strategy: on the one hand, the strengthening of the Sri Lankan position through greater economic integration with regional neighbours, on the other, through greater commitment to regional security.⁷⁵

At the beginning of 2018, Prime Minister Wickremesinghe delivered a keynote speech at the «Invest Sri Lanka Forum» in Singapore, outlining its goal for making Sri Lanka an economic hub of the Indian Ocean. Prime Minister argued that the Indian Ocean was becoming a new centre of economic gravity, and that this, in turn, could enable Sri Lanka to exert leverage on its strategic location. He also argued that Sri Lanka could play a crucial role in the «Free and Open Indo-Pacific Policy and Maritime Order» proposed by Japan, in India's «Neighbourhood First Policy» and in China's «Belt and Road Initiative» connecting East Asia with Africa.⁷⁶

74. 'Sri Lankan President Visits Iran to Forge Trade Deals', *The Hindu*, 13 May 2018.

75. Barana Waidyatilake, 'Sri Lanka's Strategy for Regional Security'.

76. Zaki Jabbar, 'Sri Lanka to Become Hub of Indian Ocean in Partnership with Asia. Accepts Japanese, Indian, Chinese, Initiatives – PM', *The Island*, 4 March 2018.

With these purposes in mind, the Sri Lankan government signed a Free Trade Agreement (FTA) with Singapore.⁷⁷ The signing took place in January, during the Singapore Prime Minister's visit to Colombo. The agreement was aimed at increasing the trade and economic services between the two countries (in 2017, Sri Lankan-Singaporean trade reached US\$ 2.7 billion).⁷⁸ The agreement was also part of a broader «look east strategy» accessing regional supply chains.⁷⁹ Some Sri Lankan professional and business groups expressed opposition to the agreement. To address these concerns, the government argued it would look at new laws to counter sudden surges in imports (dumping) and perceived unfair trade practices.⁸⁰

Besides bilateral economic engagements, Sri Lanka has also enhanced multilateral economic co-operation with economic international entities. In August 2018, President Sirisena took part in the 4th Summit of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) at Kathmandu in Nepal. There, Sirisena re-iterated Sri Lanka's adherence to the process of building and enhancing trade and economic connections among the participants of organisation.⁸¹ Moreover, Sri Lanka was chosen to chair the 5th BIMSTEC Summit. In addition, a Sri Lankan delegation also took part – as dialogue partner – in the work of the 25th ASEAN Regional Forum (ARF) Ministerial Meeting held in Singapore. The Sri Lankan delegation was led by Minister of Foreign Affairs Tilak Marapana. Delivering his statement, Marapana appreciated the constant advancement in the areas of co-operation in the ARF and unreservedly supported the process.

During 2018, Sri Lanka also sought to connect itself with some important multilateral regional security forums. In April, Sri Lanka participated as founding member at the 6th edition of the Indian Ocean Naval Symposium (IONS) held in Iran. IONS was created by the voluntary initiative of the navies and maritime security agencies of the Indian Ocean Region littoral states in order to increase maritime co-operation and to provide an open and inclusive forum for discussion of regionally relevant maritime issues. Sri Lanka also enhanced its connection with the Conference on Interactions and Confidence Building Measures in Asia (CICA).⁸² In August, Sri Lanka was unanimously accepted as a full member

77. Duruthu Edirimuni Chandrasekera, 'SL-S'pore FTA to Open Trade to the East Asian Region', *The Sunday Times*, 28 January 2018.

78. *Ibid.*

79. *Ibid.*

80. 'New FTA with Sri Lanka a Boon for Singapore Firms Large and Small', *The Island*, 27 January 2018.

81. Kamaya Jayatissa, 'Sri Lanka's Foreign Policy: Correcting a Confused State of Affairs', *The Island*, 16 September 2018.

82. It is a multi-national forum for enhancing co-operation towards promoting peace, security and stability in Asia promoted by Kazakhstan in 1992 at the 47th Session of the UN General Assembly.

of the organisation. At a ceremony in Beijing, the Ambassador of Sri Lanka to China signed the Declaration of Principles Guiding Relations among the CICA Members States and the Almaty Act, the two mandatory documents of the organisation. Moreover, Sri Lanka also sought an active role in *Indian Ocean Rim Association* (IORA). Sri Lanka also played a significant role in the creation of a Working Group on Maritime Safety and Security (also known as the WGMSS) within the IORA. The WGMSS was established in September 2018 and Sri Lanka was chosen to chair it for a period of two years.⁸³ All these platforms have provided Sri Lanka with an opportunity to advocate for a regional rules-based order.

4. *The economy*

This section will look at Sri Lanka's economy during the year under review. It will focus on two main points. First, it will give a brief look at Sri Lanka's macroeconomic indicators. Second, it will analyse the difficult process of formulating the Budget for 2019 and the delay of its presentation.

4.1. *Economic trends: still mixed performances*

In 2018, the overall Sri Lanka economic performance was poor. In comparison with other countries in South Asia and Southeast Asia, the 2018 Sri Lankan economic performance was not satisfactory.⁸⁴ The economy still suffered from structural weaknesses (such as weak domestic demand, high government consumption spending, continued tightening in monetary conditions and lower net exports). Moreover, the economically difficult international situation and the persistent domestic political instability and uncertainty may have further negatively affected the weak Sri Lankan economic growth in the year under review. However, certain International Monetary Fund (IMF)-backed structural reforms to address the key structural problems were successfully implemented by the Sri Lankan government. Among these measures there was the new Inland Revenue Act to achieve revenue-based fiscal consolidation and the introduction of an automatic fuel pricing formula in order to reduce the fiscal risks of State-Owned Enterprises (SOEs).⁸⁵

83. Barana Waidyatilake, 'Sri Lanka's strategy for regional security'.

84. Asian Development Bank, 'Asian Development outlook 2018 Update', September 2018, p. 139 and 162.

85. G.D. Kapila Kumara, 'Sri Lankan economy in 2018 and 2019 outlook', *DailyFT*, 2 January 2019.

For about the first nine months of 2018, GDP growth stood at 3.3%.⁸⁶ The industrial sector (including construction) fared poorly (only 1%).⁸⁷ Growth in import expenditure (12.7%) outpaced the increase in export earnings (6.2%) and the trade deficit widened by 20% on a Y-o-Y basis.⁸⁸ Total government expenditures also increased by 5%. The Sri Lankan rupee (LKR) recorded a significant fall in its value.⁸⁹ The labour force participation rate and the unemployment rate worsened slightly.⁹⁰

Nevertheless, there were also some quite positive outcomes. All three sectors of the economy witnessed expansion, led mainly by the services sector.⁹¹ Exports registered the highest exports growth for the last three years due to industrial exports, particularly in textiles and garments.⁹² However, government revenue growth was moderate in the period (about by 5%, compared to the same period in 2017),⁹³ and a primary surplus was maintained.⁹⁴ The primary balance continued to be positive despite the slow pace in revenue growth.⁹⁵ After two years of deficits, the Sri Lankan Balance of Payment (BOP) recorded a surplus of 2.1 billion USD, mainly due to increased debt capital, rather than improvements in the external sector (the trade deficit worsened and the current account deficit widened during the

86. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-December 2018', *Economy.lk*, December 2018 (<https://economy.lk/singlepage-artical.php?id=144>).

87. Nimal Sandaratne, 'Mid-Year Review: Economic Recovery Yes, but no Robust Growth', *The Sunday Times*, 1 July 2018.

88. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-August 2018', *Economy.lk*, August 2018 (<https://www.economy.lk/singlepage-artical.php?id=86>).

89. In Q2, the LKR recorded its lowest ever trading value (158.14 as the US\$: LKR exchange rate) (May 2018). The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-May 2018'.

90. The labour force participation rate declined from 52% in Q1 to 51.1% in Q2 of 2018 (from 53.9% in Q2 of 2017). The unemployment rate increased from 4.5% in Q1 to 4.6% in Q2 2018). The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-December 2018'.

91. Agriculture grew about 4.8% and services grew about 4.4%. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-September 2018', *Economy.lk*, September 2018 (<https://economy.lk/singlepage-artical.php?id=106>).

92. Nimal Sandaratne, 'Mid-Year Review: Economic Recovery Yes, but no Robust Growth', *The Sunday Times*, 1 July 2018.

93. This is below the estimated growth of 21% for the full year of 2018, largely due to the 36% decline in import duties collected. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update- May 2018', *Economy.lk*, May 2018 (<https://economy.lk/singlepage-artical.php?id=46>).

94. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-November 2018', *Economy.lk*, November 2018 (<https://economy.lk/singlepage-artical.php?id=142>).

95. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-September 2018', *Economy.lk*.

year).⁹⁶ The FDI inflows expanded, increasing by 137% to US\$ 1,428Mn.⁹⁷ Moreover, tourism earnings and workers' remittances rose by 17% and 3.5% on a Y-o-Y basis.⁹⁸ Inflation in Sri Lanka declined slightly. The first half of year also witnessed the positive steps in the process of the disbursement of loans from IMF. In April, an IMF team reached a staff-level agreement with the Sri Lankan authorities on the 4th review under the Extended Fund Facility (EFF) arrangement.⁹⁹ Later, the IMF completed the fourth review under the Extended Fund Facility and then, in June, it disbursed the 5th *tranche* of Sri Lanka's EFF loan amounting to Special Drawing Rights (SDR) 177.774 Mn, equivalent to US\$ 252 Mn.¹⁰⁰

The second half of 2018 witnessed similar poor economic performances. Moreover, the last months of the year saw a worsening in economic trends due to the escalating political crisis. The external sector recorded moderate positive performances and the FDI inflows to Sri Lanka continued to expand.¹⁰¹ At the same time, the GDP rate of growth slid further. It fell to 2.9% (compared to a 3.2% growth in the Q3 of 2017) due to bad performances in the industrial sector. The Sri Lankan currency continued to weaken despite import restrictions.¹⁰² The last months of the year were marked by political turmoil and uncertainty, which caused the downgrading of Sri Lanka by the main international economic institutions and rating agencies.¹⁰³ In particular, all the rating agencies placed Sri Lanka at the same level under the highly speculative category.¹⁰⁴ The IMF announced that discussions around the further *tranche* of a US\$ 1.5 billion

96. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-May 2018', *Economy.lk*,

97. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-October 2018', *Economy.lk*, October 2018 (<https://economy.lk/singlepage-artical.php?id=129>).

98. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-June 2018', *Economy.lk*, June 2018 (<https://economy.lk/singlepage-artical.php?id=54>).

99. The deal provided the adoption of an automatic fuel pricing mechanism. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-April 2018', *Economy.lk*, April 2018 (<https://economy.lk/singlepage-artical.php?id=41>); 'IMF Reaches Staff-Level Agreement on the Fourth Review of Sri Lanka's Extended Fund Facility', April 2018).

100. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-June 2018', *Economy.lk*; Bandula Sirimanna, 'IMF Releases Fifth Tranche of Sri Lanka's EFF', *The Sunday Times*, 3 June 2018.

101. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-December 2018'.

102. The Economic Intelligence Unit of the Ceylon Chamber of Commerce, 'Monthly Economic Update-October 2018'.

103. Shihar Aneez & Abhirup Roy, 'Sri Lanka's Political Crisis Triggers Major Economic Concerns', *Reuters*, 29 October 2018.

104. Edward White, 'Moody's Flags Concern on Sri Lankan Political Turmoil', *The Financial Times*, 29 October 2018.

loan had been put on hold. The IMF-Sri Lanka meeting on next loan *tranche* scheduled for November was postponed.¹⁰⁵

4.2. Budget 2019

The presentation of the budget for the 2019 has been delayed due to the political turmoil and uncertainty since 26 October 2018.

A first attempt to present the budget for 2019 in Parliament took place on 9 October 2018. The approval for the budget failed because President Sirisena suspended the Parliament on 27 October, just days before the official presentation of the budget on 5 November. Following the parliamentary statutory provisions, a provisional account for covering the government expenditure for the first four months of 2019 (until the re-submission of a new budget) was presented in Parliament on 21 December 2018. The provisional account passed with 102 votes to 6 in the 225-member parliament. The vote gave the government permission to use 1.77-trillion-rupees (US\$ 9.39 billion) to meet government expenditure and to raise up to 990 billion rupees in loans.¹⁰⁶

On 7 January 2019, Finance Minister Mangala Pinsiri Samaraweera submitted the budget for 2019 to the cabinet. The government received cabinet approval for an estimated 4.55 trillion Rupees (approximately US\$ 25 billion) as expenditure for its services for the financial year of 2019, while the state revenues for 2019 were expected to be 2.39 trillion Rupees. Moreover, the budget for 2019 allocated 2.2 trillion Rupees (US\$ 12 billion) for debt servicing, the largest in the history of the country, according to Finance Minister Mangala Samaraweera.¹⁰⁷ The cabinet also decided to present the Appropriation Bill (it is the parliamentary definition for what is popularly known as the Budget) in the Parliament on 5 February 2019. However, by the end of the period under review, the 2019 Budget had yet to be presented.¹⁰⁸

105. 'IMF Delays Sri Lanka's Loan Discussion on Political Crises', *Reuters*, 20 November 2018.

106. 'Sri Lanka Passes 1.77-trln-rupee vote on Account for 4 Months', *Reuters*, 21 December 2018. The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves.

107. 'Cabinet Approves Appropriation Bill 2019', *Adavarana.lk*, 8 January 2019.

108. The presentation of the Complete 2019 budget to the Parliament by The Finance Minister was scheduled on 5 March 2019 and the final vote was scheduled on 4 April 2019.

PAKISTAN 2018: GENERAL ELECTIONS AND THE GOVERNMENT
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In 2018, for the third time in Pakistan's 70 year-long history, a parliament completed its five-year term. For the second time in a row, a transfer of power between elected civilian governments eventuated. For the first time since the establishment of the political party in 1988, a PML-N (Pakistan Muslim League-Nawaz) administration completed its term in the federal government.

Pakistan approached the general elections in an uncertain political climate. According to the pre-election surveys, the two strongest contenders, the PML-N and the PTI (Pakistan Tehreek-e-Insaf, «Pakistan Movement for Justice»), were sharing the electorate. Overall, the PML-N seemed to be better placed to win the elections despite being weakened by the judicial investigations which first ousted Nawaz Sharif from politics and later led him to jail. Desertions by long-time loyalists and pressure from the judiciary led the party's supporters to raise the prospect of intentional institutional interference and allege a military-judiciary plan to weaken the ruling party.

The PTI increased the number of its electoral supporters dramatically compared with the previous elections thanks also to the political opportunists who joined the party after the disqualification of Nawaz Sharif in 2017. Allegations of being backstopped by the military were widespread in the run-up to the elections, yet the PTI emerged victorious at the poll with a narrow majority (less than 32% of voters).

After having spent eight years on death row, Asia Bibi, a Christian woman arrested in 2009 on charges of blasphemy, was acquitted by the Supreme Court of Pakistan for insufficient evidence. Asia's case showed the unreadiness of the new PTI government - like the previous ones - to challenge the blasphemy laws and to fight the discriminations against religious minorities in Pakistan.

In January 2018, in line with the new US policy on Pakistan, Donald Trump's administration announced that it would suspend part of the military assistance to Pakistan due to the ineffective support provided by the country in combating the militants being confronted by American troops in Afghanistan. The bilateral relations remained tense throughout the reporting period.

1. Introduction

In Pakistan, the general elections held in July 2018 were the premier event of the period under analysis (January-December 2018).

Upon completion of the tenure of the PML-N government on 31 May 2018, the parliament was dissolved, and the mandate of the prime minister

Shahid Khaqan Abbasi expired.¹ As prescribed by the constitution, the new caretaker government took over with the primary duty of overseeing the Election Commission in holding free and fair elections. Nasir-ul Mulk, the former Pakistani chief justice, was appointed as interim prime minister by the leader of the house in the National Assembly, prime minister Abbasi, and leader of the opposition, Khursheed Shah, and served in office until parliamentary elections were held on 25 July 2018.

The two main contender political groups were the PML-N and the PTI. The PML-N had dominated national politics since the 2013 elections.² Following Nawaz Sharif's disqualification as prime minister in July 2017, in October 2017 the PML-N succeeded in amending the Constitution by passing a law (Elections Act 2017) which had allowed him to continue to lead the party. Since the ousting of Mr. Sharif, the PML-N was foremost among those raising allegations of political motivations and military engineering behind his disqualification, as well as of a systematic attack on the party conducted by the judiciary. According to the results of a Gallup survey published by *The Wall Street Journal* in April 2018, the PML-N was still the most popular party in Pakistan, primarily due to its stronghold in Punjab, Pakistan's most populous province, followed by the PTI and the PPP (Pakistan Peoples Party).³

The PPP, who had not recovered from the significant political defeat in 2013,⁴ approached the elections with an almost irrelevant political role and with little chance of winning. The PPP ruled the country from 2008 to 2013 with Ali Asif Zardari – Benazir Bhutto's widower – serving as president of the Islamic Republic of Pakistan. Bilawal Bhutto Zardari, the son of Benazir and Zardari, was elected the PPP's chairman in 2007. Asif Zardari's numerous corruption and murder allegations, for which he had spent a total of 11 years in jail, jeopardised the PPP's image.⁵ Since 2013, when the PML-N won the general election, the PPP has been the largest opposition party and has been governing in its stronghold province of Sindh; it has also been the majority party in the Senate. Asif Zardari's reputation and the PPP's young dynast leader Bilawal meant that the latter's first electoral campaign was mainly aimed at preserving the political relevance of the party.⁶

Portraying a transparent, democratic system and an inclusive economic vision, Imran Khan's PTI tapped the votes of the young, urban,

1. 'As Pakistan Election Nears, Caretaker Prime Minister Is Named', *The New York Times*, 28 May 2018.

2. Marco Corsi, 'Pakistan: Il terzo governo di Nawaz Sharif', *Asia Maior* 2013, passim.

3. 'Trial of Ex-Leader Rattles Pakistan's Democracy', *The Wall Street Journal*, 25 April 2018; 'Surveys predict close-run between the PTI, and the PML-N in 2018 elections', *Pakistan Today*, 5 July 2018.

4. Marco Corsi, 'Pakistan: il terzo governo di Nawaz Sharif', p. 89.

5. Encyclopaedia Britannica (<https://www.britannica.com/biography/Asif-Ali-Zardari>).

6. 'PPP may ally with PTI to regain power', *News International*, 6 June 2018.

middle-class electorate,⁷ attracted by the leader's anti-corruption campaign and commitment to introducing a «new wave» in Pakistan to crack down on corruption and family dynasties. Khan tapped the votes of women and religious minorities, too, as well as those of marginalised demographic groups.⁸ Khan's populism led the PTI to be seen as the only chance of bringing about a change in Pakistan.

2. *The Pakistan Muslim League-Nawaz*

Following his disqualification, Sharif led a campaign against the judicial verdict and its supporters – «anti-democratic», as he described it – that portrayed him as a victim of judicial activism and increased PML-N's popularity. PML-N's followers have seen Sharif's 2017 disqualification as a judicial coup engineered by sections of Pakistan's military and intelligence services to contrast with the overall good performance of Nawaz's government.⁹

Overall, the PML-N government's performance in the period 2013 – 2018 is debatable and, according to many commentators, the executive at the time failed to deliver on many of its commitments.¹⁰ During the five years of its administration, the economy grew, yet with structural weaknesses and a mounting debt burden.¹¹ The PML-N administration avoided borrowing from the International Monetary Fund (IMF) but continued borrowing from other sources with a higher interest rate.¹² Borrowings and loans were almost doubled up to more than US\$ 42 billion, increasing Pakistan's public debt and foreign exchange liabilities to US\$ 91.8 billion (US\$ 53.4 million in 2013) as of March 2018.¹³ Mainly due to the external debt servicing, for-

7. Almost one-third of registered voters in the country belongs to the age group of 18-30 years (Pakistan Bureau of Statistics, *Population by 5 years age groups*).

8. 'The Political Hurdles for Imran Khan's Government', *The Diplomat*, 3 August 2018.

9. According to his supporters, Sharif's government had tried to reduce tensions with India, and triggered a remarkable economic growth, as acknowledged by international finance institutions and influential international rating agencies. The government brought about the fall of the CPEC (China-Pakistan Economic Corridor) agreement and its economic benefits under Nawaz's tenure. Militancy was gradually contained in the years of his premiership. 'Democratic Revolution', *The Diplomat*, 21 June 2018.

10. 'Opinion: Five years in power - PML-N largely delivered on promises', *The Express Tribune*, 4 June 2018.

11. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', *Asia Maior 2017*, pp. 351-368.

12. *Ibid.*, p. 359.

13. US\$ 9.6 billion was borrowed from other external sources during the fiscal year 2018, of which US\$ 1.6 billion was in April. 'Govt borrowed \$9.6 billion in 10 months', *The Nation*, 29 May 2018.

eign reserves fell, confirming the last year's trend and steady decline.¹⁴ As of the end of November 2018, the national forex reserves were about US\$ 14 million.¹⁵ Growing imports (+21% from 2013) and lowering exports (-12% since 2013) triggered a trade deficit that increased from US\$ 19.2 billion in 2012 to US\$ 35.6 billion in 2017, and an account deficit from US\$ 2.5 billion in the fiscal year 2013 to US\$ 18.9 billion in the fiscal year 2018.¹⁶

According to a report by the Policy Research Institute of Market Economy, the PML-N government did not achieve notable improvements in the taxation system either.¹⁷ While tax collection has improved in absolute terms as a result of the increased size of the economy, taxation reforms were not undertaken by the administration of Nawaz Sharif. The PML-N executive also did not intervene in the long-standing issue of state-owned enterprises, which employ over 400,000 people and have a profit margin of just 1.25%. The privatisation of loss-making institutions (Pakistan Steel Mills, Pakistan International Airlines, Pakistan Railways, and others) was also not addressed.¹⁸ Finally, the CPEC (China-Pakistan Economic Corridor), however significant an achievement, was driven more by China than by Pakistan.¹⁹

Although hit by judiciary sentences,²⁰ the PML-N won the by-election held in September 2017 in Pakistan's second-largest city, Lahore, in the country's most populous province of Punjab, where it continued to enjoy significant support.²¹ Sharif's wife, Kulsoom Nawaz, won the by-election with a 14,000 vote margin against the PTI candidate and with 49.3 % of the vote against the 61% gained by the PML-N in 2013. The PTI candidate took 37.6% of the vote, up from 35% in the previous poll. The campaign was run by Sharif's daughter, Maryam Nawaz, also involved in the Panama

14. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', p. 360; State Bank of Pakistan, Domestic Markets & Monetary Management Department, *Liquid Foreign Exchange Reserves*.

15. State Bank of Pakistan, *Foreign Reserves* (<http://www.sbp.org.pk/ecodata/forex.pdf>); 'Rising current account deficit: An outcome of following bad policies', *Pakistan and Gulf Economist*, 4 June 2018.

16. 'PML-N's performance review contrary to claims', *Pakistan Today Profit*, 30 May 2018; 'The PML-N's economy: Part II', *The News International*, 6 June 2018; 'Pakistan ranked 8th in size of trade deficit', *The Express Tribune*, 29 October 2018.

17. Policy Research Institute of Market Economy (PRIME), *PML-N Economic Agenda: between Promises and Performance*, Islamabad 2018.

18. 'PML-N's performance review contrary to claims', *Pakistan Today Profit*, 30 May 2018.

19. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', pp. 360-362.

20. *Ibid.*, pp. 353-356.

21. 'Pakistan's By-Election Reveals Undercurrents Impacting 2018 Elections', *VOA News*, 18 September 2017.

Papers scandal,²² while Nawaz and her wife were in London for Kulsoom's health-related treatments.

In February 2018, the Supreme Court ruled that Sharif did not qualify to serve as president of the PML-N. According to the decision by the three-member bench, a person disqualified under Articles 62 and 63 of the Constitution cannot head a political party. The chief justice, Saqib Nisar, ruled that all the decisions that were taken by Nawaz Sharif since his disqualification, all the orders passed, and documents issued, were null and void.²³ The court's ruling nullified all the tickets given out by Mr. Sharif to PML-N candidates for Senate elections. Following the verdict, the PML-N leadership decided to appoint Shehbaz Sharif, three times chief minister of Punjab to May 2018, as the party president, and he was elected on 13 March 2018.²⁴

On 3 March 2018, the triennial Senate elections in Pakistan were held to replace 52 retiring senators out of 103 (46 seats filled by the four provincial assemblies, two by the National Assembly and four by representatives of the Federally Administered Tribal Areas, FATA). Out of the 135 candidates running for Senate elections, 20 were from the PPP, 14 from the Muttahida Qaumi Movement (MQM, the dominant political force in Karachi), and 13 from the PTI. A further 65 independent candidates also contested the elections, including 23 nominated by the PML-N and later barred on their party ticket in the wake of a ruling issued by the Supreme Court. The PML-N emerged as the largest party in the upper house of parliament, followed by the PPP and the PTI. Fifteen of the PML-N nominees, who stood as independent candidates in the aftermath of the Supreme Court ruling in the Elections Act 2017, stood victorious, raising the total party strength from 18 to 33 seats. The PPP and the PTI secured twelve and six seats respectively, rising to 20 and 12 the number of their members in the upper house.²⁵

22. The Panama Papers scandal, or «Panamagate», originated in 2016 from a leak of files from a Panama-based provider of offshore services, Mossack Fonseca. Mr. Sharif's name doesn't appear in the Panama Papers, but three of his six children – Maryam, Hasan and Hussain – were found having purchased luxury properties in London using controlled offshore shell companies. The Supreme Court appointed a five-member bench and ordered an investigation into the allegations. The appointed team reached the conclusion that Sharif family's wealth was far above its members' earnings and that Nawaz had not declared part of his income and hid assets. In July 2017, the Supreme Court of Pakistan voted unanimously to disqualify Nawaz Sharif from holding public offices. His case was then referred to the anti-corruption authority – the National Accountability Bureau (NAB) – for further investigations.

23. 'Disqualified person can't head political party, SC rules against Nawaz Sharif', *The International News*, 21 February 2018.

24. 'CM pledges oath of allegiance to «our» Quaid: Shehbaz wears the crown', *Daily Times*, 14 March 2018; 'Shehbaz to be PML-N's candidate for PM's post', *The Daily Times*, 1 July 2018; 'PML-N to sweep 2018 elections: The Economist', *The Express Tribune*, 15 January 2018.

25. 'Stage set for Senate election today', *Daily Times*, 3 March 2018. 'PML-N takes Senate crown', *Daily Times*, 4 March 2018.

On 12 March 2018, elections were held to appoint the chairman and deputy chairman of the Senate. The two highest seats went to joint opposition candidates, respectively Sadiq Sanjrani (an independent senator from Beluchistan supported by the PPP, the PTI, and the MQM-Pakistan, who got 57 votes) and PPP's Saleem Mandviwalla, who secured 54 votes.

In April 2018, the five-member bench of the Supreme Court declared Nawaz Sharif disqualified for life, along with former members of the National Assembly, the PTI leader Jahangir Khan Tareen and others.²⁶ They were disqualified under Article 62-I(f) of the Constitution, which prescribes that a parliamentarian must be «honest and righteous». Based on the court's decision, a disqualified person cannot be a member of parliament or a public servant or contest elections. The sentence meant Nawaz Sharif's lifetime ban from the parliament, which appeared to be the end of his political career.²⁷ A court also disqualified the foreign minister, Khawaja Asif, for violating the country's election laws.

3. Military and judiciary interference

Allegations of military interference intensified in the run-up to the elections. A report prepared by an independent think-tank, the Pakistan Institute of Legislative Development and Transparency (PILDAT), deemed the pre-poll process «unfair» in the year before the election.²⁸ PILDAT reported a «surreptitious muzzling» of the media, a rise in bias from the military establishment and «perceived partisanship in judicial and political accountability» that had «nearly eroded the prospects of a free and fair election in 2018».²⁹ Media reports were censored, with some newspapers and television channels complaining that their circulation and broadcasts were interrupted in the run-up to the elections. Journalists with sympathetic views toward the PML-N were reported as being threatened; PML-N lawmakers from Punjab province referred to menaces being done by unknown individuals, allegedly from intelligence services, asking them to ditch Sharif. Some of them then defected to the PTI. International press reported an intimidation campaign launched by the military establishment against its critics.³⁰

26. 'Disqualified for life: Curtain falls on political careers of Sharif, Tareen', *The Express Tribune*, 13 April 2018.

27. 'Sharif's Lifetime Ban from Politics. Is the Final Blow to Pakistan's Democracy', *The Diplomat*, 18 April 2018.

28. PILDAT, *General Election 2018. Score Card on Perception of Pre-Poll Fairness, The Pakistan Institute of Legislative Development and Transparency*, Islamabad May 2018; 'Election to Test Pakistan Democracy Amid Allegations of Military Meddling', *Reuters*, 1 June 2018.

29. *Ibid.*

30. 'In Pre-election Pakistan, a Military Crackdown Is the Real Issue', *The New York Times*, 6 June 2018; 'Pakistan's Bittersweet Election Season', *The Diplomat*, 3 July 2018.

Some PML-N candidates were disqualified ahead of the 2018 elections. The former privatisation minister, Daniyal Aziz, was considered ineligible by the Supreme Court for contempt of court due to his comments on Sharif's removal. At the end of June 2018, the former prime minister, Shahid Khaqan Abbasi, was also barred from contesting his home constituency of Murree by an election tribunal. In a verdict that raised prospects of military interference, later overturned by the decision of the High Court, Abbasi was found guilty of concealment of facts in election papers and was disqualified from politics for life.³¹ A few weeks later, another PML-N candidate, Hanif Abbasi, was convicted by a court, given a life term and was unable to contest the general elections.³²

Following the disqualification of Nawaz Sharif in the Panama Papers case on 28 July 2017, which marked his third incomplete prime ministerial term,³³ the National Accountability Bureau (NAB) filed three references against the Sharif family. The first was on the purchase of upscale London flats, the Avenfield apartments, owned by the Sharif family since 1993 and purchased using corruption money, according to the prosecutors. Two more cases involved the Al-Azizia Steel Mills, the Hill Metal Establishment and offshore companies, including Flagship Investment Limited, in which Sharif's family was accused of money laundering, tax evasion and hiding foreign assets. On 6 July 2018, the Anti-Graft Court in Islamabad announced the verdict relating to the apartments in Avenfield House.³⁴ The court sentenced Nawaz Sharif in absentia, him being in London with his daughter Maryam to tend to his hospitalised wife, to ten years in jail, with one for not cooperating with the court. Maryam was sentenced to seven years for abetment in the purchase of the London properties and one year for non-cooperation with the court. Her husband, Muhammad Safdar, was given one year in jail and taken into custody after the sentence. The Avenfield apartments in London, owned by the Sharif family since 1993, were then confiscated. According to the court, the «three times risen and fallen»

31. According to the verdict, Abbasi had made an error in his declaration of the value of his home in Islamabad. He was then initially disqualified on the basis of the same Article 62 of Pakistan's Constitution that was applied to oust Nawaz Sharif in July 2017. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', p. 354; 'Former Pakistan Prime Minister barred from re-election', *The Guardian*, 28 June 2018; 'Pakistan Court Lifts Ex-PM's Disqualification in Latest Election Twist', *Reuters*, 29 June 2018.

32. Abbasi was convicted for misusing 500 kg of the controlled chemical ephedrine he obtained for his company, Grey Pharmaceutical, in 2010. The court ruled that 363 kg could be accounted for and Abbasi had failed to provide evidence of the use of the remaining quantity. 'Court hands life sentence to PML-N's Hanif Abbasi in ephedrine quota case', *Dawn*, 21 July 2018.

33. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', p. 354.

34. 'Avenfield reference verdict: Nawaz gets 10 years, Maryam 7', *Daily Times*, 6 July 2018.

Nawaz Sharif³⁵ and his daughter had not disclosed the source of funds they used to purchase the flats, nor they had reported them to the tax authorities. The court also fined Nawaz eight million British pounds and Maryam two million British pounds. The verdict disqualified both Maryam, Nawaz's chosen political heir, and her husband from contesting Pakistan's general elections.³⁶ Nawaz's sons, Hasan and Hussain, who were involved in the case,³⁷ were declared absconded and not sentenced owing to their repeated absences.

Upon their arrival at Lahore's airport from London on 13 July 2018, Nawaz and Maryam were arrested and brought to Islamabad.³⁸ They were both provided with B class facility prison (refused by Maryam), which allows a superior mode of living, while the caretaker administration decided to hold the trial in the remaining two references. The two convicted exercised their right to appeal under Section 32 of the NAB Ordinance before two judges of the Islamabad High Court, which has the authority to suspend the sentences pending appeal and to overrule the verdicts.³⁹ On 19 September 2018, the Islamabad High Court suspended the sentences of Nawaz Sharif, his daughter Maryam and his son in law Safdar in the Avenfield corruption reference. A two-member bench accepted the petitions filed by the three convicts, who left the jail and were flown to Lahore.⁴⁰

Out of prison to stand trial in two more cases, Sharif was convicted in the Al-Azizia Steel Mills case by the NAB on 24 December 2018.⁴¹ The Al-Azizia Steel Mills case refers to a steel conglomerate that Nawaz's elder son, Hussain, claims was established in Saudi Arabia in 2001 with US\$ 5.4 million paid by a Qatari royal on the request of his grandfather. According to the prosecutors, the actual owner of the mills was Nawaz Sharif. However, the NAB could not substantiate the charges, and the burden of proof was

35. 'Timeline-The Three-Time Rise and Fall of Pakistan's Nawaz Sharif', *Reuters*, 6 July 2018.

36. 'Ousted Pakistani PM Sharif Gets 10-Year Jail Term Ahead of Polls', *IBC Group*, 6 July 2018; 'Pakistani Court Sentences Ex-PM Sharif to 10 Years in Prison', *AP News*, 6 July 2018; 'Nawaz Sharif, Ex-Pakistani Leader, is Sentenced to Prison for Corruption', *The New York Times*, 6 July 2018; 'Former Pakistani leader Nawaz Sharif found guilty in corruption case, sentenced to 10 years', *The Washington Post*, 6 July 2018.

37. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', p. 353.

38. The decision to return to Pakistan to be arrested was considered a brave one, possibly the only one that would avoid the end of both Sharif's political career and PML-N. 'Interview: Imran Khan is Pakistan's Donald Trump - and the Army's man, says academic Pervez Hoodbhoy', *Scroll.in*, 23 July 2018.

39. 'What are the ways the Sharifs could appeal the Avenfield verdict?', *Dawn*, 11 July 2018.

40. 'Nawaz, Maryam, Capt Safdar released after suspension of Avenfield sentence by IHC', *The Express Tribune*, 19 September 2018.

41. 'Nawaz Sharif, Former Pakistani Prime Minister, Is Sentenced to 7 Years', *The New York Times*, 24 December 2018; 'Nawaz Sharif, Pakistan ex-PM, sent back to jail for corruption', *BBC News*, 24 December 2018.

placed on Nawaz. He was unable to provide a money trail in the case and was awarded seven-year jail term and a fine of US\$ 25 million. The conviction disqualified him for ten years from any public office.

4. *The Pakistan Tehreek-e-Insaaf*

After a career as a famous and charismatic cricketer, Imran Khan started his political experience in 1996, founding and heading the PTI.⁴² The PTI did not become popular until 2012. The 2013 election campaign witnessed the affirmation of a political force that, although still focusing on the same programmatic aspects as before, now had a large number of supporters, especially among the youngest sections of the electorate.

Since its beginning, the focus of the PTI has been on combatting corruption and cronyism to extirpate them from the national institutional and political set-up. In the run-up to the 2013 elections, the PTI had positioned itself as an alternative to the PML-N to guide Pakistan, with a strong electoral base in Khyber Pakhtunkhwa and many followers in Punjab. The results of the 2013 elections consolidated the party: the PTI became the second political force in Pakistan after the PML-N, with around 7.5 million votes, and the third largest regarding the number of seats. The PTI received more votes than the main opposition party, the PPP, mostly from the North of Punjab, the FATA and in the Khyber Pakhtunkhwa.⁴³ Up to the 2018 elections, Imran's populism and nationalism had succeeded in exciting huge crowds yet without ensuring a majority of votes. However, the PTI approached the 2018 elections as the primary contender of the PML-N and one of the most influential parties in the country. The Panama Papers leak in April 2016, and the consequences on the political career of the former premier, turned in favour of Khan. Also, during the period 2013-2018, the PTI government in Khyber Pakhtunkhwa performed well overall.⁴⁴

The PTI is by and large supported by the educated and younger urban middle class. Khan's support base also has elements of the status quo, including feudal elements, and he did not distance himself from the

42. Marco Corsi, 'Pakistan: La grande illusione', *Asia Major* 1996, pp. 46-47.

43. Marco Corsi, 'Pakistan: Il terzo governo di Nawaz Sharif', *Asia Major* 2013, pp. 83-96.

44. According to some sources, the province has been witnessing a drop in corruption: 'Is It Imran Khan's Turn Yet?', *The Diplomat*, 31 May 2018; 'PTI loses majority in K-P assembly', *The Express Tribune*, 18 April 2018.

Taliban in the past.⁴⁵ Alleged support of the military⁴⁶ underlay the PTI's performance, as highlighted by many commentators much earlier than the 2018 elections.⁴⁷ However, Khan has always rejected the allegations that he and his party are in favour of the generals and that they support jihadist outfits.

At the end of April, Khan started his electoral campaign⁴⁸ and presented an 11-point agenda. The agenda was spelt out further in May 2018, when the PTI chairman unveiled the first 100-day agenda of his party if elected as the ruling government. Speaking at a public gathering at Minar-e-Pakistan, Khan focused his speech on revolutionary transformations in the governance system, revitalisation of economic growth with a reduction of the foreign debt, an efficient tax regime and the creation of an investor and business-friendly environment, better social services and enhanced national security.⁴⁹ These aspirations flew into the party's manifesto, titled «Road to Naya (New) Pakistan», unveiled by the PTI on 9 July 2018. It focused on job creation, promising ten million jobs over a five-year term, and the construction of five million houses for the poor. Strengthening of anti-graft institutions and enhanced capacities of the NAB comprised another tier of actions the party committed to tackling to fight corruption efficiently. Poverty alleviation measures were promised in the poorest districts of the country, along with improvements in the water and sanitation sector. Protection of minorities, gender equality-oriented policies and a better-quality justice to all citizens were also part of the PTI agenda.⁵⁰

45. 'Imran Khan warms to Pakistan's military. His political fortunes rise', *The New York Times*, 6 May 2018; 'Pakistan grants Rs 300 million to madrassa linked to Afghan Taliban', *The Times of India*, 19 June 2016; 'Imran Khan: Another act in Pakistan's circus. It wasn't Imran Khan who won the election. It was (as always) Pakistan's army', *The Diplomat*, 27 July 2018; 'Hundreds With Terror Ties Run in Pakistan Elections', *Voice of America*, 24 July 2018.

46. 'The Stakes In Pakistan's Election: Civil-Military Relations and Beyond', *The Diplomat*, 24 July 2018.

47. As mentioned, in the run-up to the elections, army and intelligence officers were reported to be threatening politicians from competitor parties, so clearing the path for Mr. Khan. Also, accusations of lack of transparency in the ballot counting were reported. 'Pakistan's former spy chief is behind Imran Khan's revolt, claims minister', *The Telegraph*, 12 August 2014; 'Pakistan's Election: Unique for All the Wrong Reasons', *The Diplomat*, 25 July 2018; 'The Rise, Fall And Rise Again Of Imran Khan, Pakistan's Next Leader', *The New York Times*, 26 July 2018; 'Imran Khan is Pakistan's Donald Trump'; 'A Creepy Coup d'Etat in Pakistan', *The Diplomat*, November 2018.

48. 'PTI swings into election mode with big power show', *The Express Tribune*, 29 April 2018.

49. 'PTI reveals 100-day plan ahead of polls', *Pakistan Today*, 20 May 2018; 'PTI lays out post-poll plan for first 100 days', *The Express Tribune*, 20 May 2018.

50. 'Imran promises welfare state in PTI's manifesto', *Daily Times*, 10 July 2018.

5. *The Pakistan Tehreek-e-Insaaf's electoral success*

At the 25 July 2018 general elections, the PTI emerged as the largest single party in the National Assembly, with 116 members out of the 272 seats available. Not achieving the majority, alliances and coalitions needed to be forged as the three main opposition parties (PML-N, PPP and MMA – the Muttahida Majlis-i-Amal, an alliance of religious, political parties) combined still had the numbers to obtain the prime ministership as per the election's results. The PTI began talks with smaller parties and independent candidates. A memorandum of understanding for cooperation was prepared between the PTI and the MQM-P.⁵¹ Khan's party entered an alliance with the PML-Q – the Pakistan Muslim League-Quaid e Azam, a centre-nationalist political party – on 31 July 2018.⁵² The BAP (Baluchistan Awami Party, founded in 2018 by dissidents of the PML-N and the PML-Q) announced its support for a PTI-led federal government. Finally, the GDA (Grand Democratic Alliance), an electoral alliance of several parties, also joined the PTI's coalition.

Additionally, the AML (Awami Muslim League), a centrist party formed in 2008, had already vowed its support for the PTI before the elections. Over the few weeks following the elections, other parties pledged their support of the PTI nominees, including the BNP (Baluchistan National Party, committed to achieving more provincial rights and greater autonomy) and the JWP (Jamhoori Watan Party, the Baluchi «Republican National Party»). Also, nine independent candidates joined the PTI-led government,⁵³ which now had 156 seats or 46% of the seats.

The PML-N had 85 seats (25%) and the PPP 54 (16%). The MMA obtained 16 seats. The MQM-P, the BAP and the BNP obtained respectively seven, five and four seats. The PML-Q and the GDA won five and three seats.⁵⁴

Though not a simple majority, the PTI gathered enough seats to form a precarious coalition government.

51. 'MQM-P, PTI will be in govt together', *Daily Messenger*, 3 August 2018.

52. 'PTI gets required number to form govt in Center, Punjab', *The Daily Messenger*, 30 July 2018.

53. As seen, the Senate is controlled by the opposition given that, at the elections of the Upper House held in March 2018, the PML-N emerged as the largest party, followed by the PPP and the PTI.

54. National Assembly of Pakistan (<http://www.na.gov.pk/en/party-stats.php>).

Party	National Assembly
PTI	156
PML-N	85
PPP	54
Independent	4
MMA-Pakistan	16
PML-Q	5
MQM-Pakistan	7
GDA	3
AML	1
ANP	1
BNP	4
BAP	5
JWP	1

Party position of the National Assembly (as of December 2018) – Source: Election Commission of Pakistan

At the provincial level, the PML-N remained the largest party in Punjab, with 167 seats out of the 371 available (297 general seats, 66 reserved for women and eight for non-Muslims). The PTI won fewer seats than the PML-N. However, a large number of «electables» – politicians who switched allegiance from the PML-N to the PTI before the elections – allowed the PTI to add more parliamentary seats in the traditional PML-N stronghold province and obtain 180 seats.⁵⁵ Independent candidates – ten from the PML-Q and seven from the PPP – completed the results, allowing the PTI to form a government in the most populated province of the country.

The PTI confirmed its control of KP (Khyber Pakhtunkhwa) and established a two-thirds majority with 82 seats of the 124 available (99 general seats, 22 reserved for women and three for non-Muslims). Thirteen seats went to the MMA-P and eight to the ANP (Awami National Party, a leftist, secular, and Pashtun nationalistic party). The PML-N and the PPP won six and five seats respectively.⁵⁶

In Sindh, the PPP maintained the majority with 99 seats out of 168,⁵⁷ while the PTI formed part of the opposition alliance, having won 30 seats; the MQM-P won 20 seats and the GDA 14.

55. Provincial Assembly of Punjab (<http://www.pap.gov.pk>): 'Imran Khan's rivals in Pakistan face another big loss', *The New York Times*, 30 July 2018.

56. Provincial Assembly of Khyber Pakhtunkhwa (<http://www.pakp.gov.pk>).

57. 'Number of seats in Pakistan National & Provincial Assemblies', *Overseas Pakistani Friends*, 25 August 2018.

The newly-formed BAP became the largest party in Baluchistan with 24 seats of the 65 available (51 general ones, 11 reserved for women and three for non-Muslims) and entered an alliance with the PTI, who won seven seats.⁵⁸ The MMA-P achieved 11 and the BNP ten seats.⁵⁹ The government alliance is composed by the PTI, the BAP, the BNP, and other groups.⁶⁰

Party	Punjab	Sindh	Balochistan	KP
PTI	180	30	7	82
PML-N	167		1	6
PPP	7	99		5
Independent	4		1	
MMA Pakistan		1	11	13
PML-Q	10			
MQM Pakistan		20		
GDA		14		
ANP			4	8
BNP			10	
BAP			24	
BNP Awami			3	
Tehreek-e-Labbaik Pakistan		3		
Pakistan Rah-e-Haq	1			
Hazara Democratic Party			1	
JWP			1	
Pashtoonkhwa Milli Awami Party			1	

Party position of the provincial assemblies (as of December 2018) – Source: Election Commission of Pakistan

Nawaz Sharif, from the prison, called the results «tainted and dubious».⁶¹ Nevertheless, the Election Commission of Pakistan stated that the elections were conducted fairly and freely.⁶² Also, the European Union Elec-

58. 'The Biggest Challenge for Pakistan's Next Prime Minister', *The Diplomat*, 27 July 2018; 'BAP and PTI all set to steer Balochistan', *Pakistan Today*, 31 July 2018.

59. Geo TV, Elections (<https://www.geo.tv/election>).

60. Provincial Assembly of Baluchistan (<http://www.pabalochistan.gov.pk>).

61. 'Pakistan polls: Imran Khan's Pakistan Tehreek-e-Insaf is single-largest party, but will need allies', *Scroll.in*, 27 July 2018; 'Imran Khan's Victory in Pakistan: An Outcome Foretold', *The Diplomat*, 27 July 2018.

62. 'ECP rejects political parties' claim of «rigging» on election day', *The Express Tribune*, 26 July 2018.

tion Observation Mission reported overall acceptable results but a lack of equality of opportunity in the pre-election campaign.⁶³

At the beginning of September 2018, PTI founding member and one of the authors of the party's constitution, Dr. Arif Alvi, was elected as the 13th president of the Islamic Republic of Pakistan. Alvi got 353 votes out of 432 from the members of the National Assembly and Senate. His political background includes affiliation with the Islami Jamiat Talaba, a student wing of the JI (Jamaat-e-Islami Pakistan, an Islamist political party) in the late Sixties. In the Seventies, under the government of Zulfikar Ali Bhutto, he ran as a candidate of the JI for the provincial assembly of Sindh. He then left politics and later joined the PTI in 1996 as one of its founding members. In 1997 he became the party's president in Sindh; in 2001 he was nominated PTI vice president; from 2006 to 2013 he was the party's secretary general; and, in 2016, he was nominated PTI president.⁶⁴ In 2013 he was elected as a member of the National Assembly.

Soon after the electoral success, the PTI's anti-corruption campaign embarked upon a set of initial measures taken by the newly elected government aiming to recover funds to be used to tackle Pakistan's balance of payments crisis and its debts.⁶⁵

6. *The acquittal of Asia Bibi*

Aasiya Noreen, a Christian woman commonly known as Asia Bibi, was convicted of blasphemy, arrested and imprisoned in 2009. She had allegedly insulted the Prophet Muhammad after an argument with Muslim co-workers while harvesting berries in Ittan Wali, her village in the Sheikhpura District near Lahore in Punjab. She was then sentenced to death by hanging by a Pakistani court in 2010. Asia Bibi was the first woman in Pakistan to be sentenced to death for blasphemy.⁶⁶

Asia's case received worldwide attention and drew international outrage and condemnation including from heads of state, multilateral organ-

63. 'EU monitors team says Pakistan election not a level playing field', *Geo TV*, 28 July 2018; 'EU piles pressure on Imran Khan after Pakistan election', *The Guardian*, 27 July 2018.

64. 'Arif Alvi: An activist who wants to be an «Active Presidents»', *Arya News*, 4 September 2018; 'The cleric, the lawyer and the partyman', *The Express Tribune*, 4 September 2018; 'Who is Arif Alvi?', *Dunya News*, 4 September 2018; 'Dr Arif ur Rehman Alvi - 10 things to know about the newly elected 13th President of Pakistan', *Dunya News*, 5 September 2018.

65. 'Assets recovery unit established to retrieve offshore assets', *Pakistan Today Profit*, 6 September 2018; 'Imran Khan takes on corruption in Pakistan', *The Diplomat*, 19 October 2018.

66. 'Christian's Death Verdict Spurs Holy Row In Pakistan', *NPR*, 14 December 2010.

isations, human rights groups and other civil society organisations. Extensive media coverage was also granted to the case, and many campaigns and petitions were launched to protest her imprisonment. Multiple requests of appeal were filed by her family members during the years of Asia's detention, and the Supreme Court suspended her death sentence for the duration of the appeals.

After having spent eight years on death row, the Supreme Court acquitted Asia for insufficient evidence in October 2018.⁶⁷ Asia's acquittal triggered violent protests headed by Islamist parties in major cities of Pakistan.

In Pakistan, blasphemy against any recognised religion is prohibited by the penal code, and penalties range from a fine to death. Abusive enforcement of the country's blasphemy laws has resulted in the suppression of rights and forced conversions, with the laws being used against ethnic and religious minorities which face attacks and discrimination from extremist groups and society at large.⁶⁸ The United States Department of State reports the practice of initiating blasphemy complaints against neighbours, peers, or business associates to intimidate them or to settle personal grievances, and recorded instances in which government entities such as the police and courts were complicit in this practice in Pakistan.⁶⁹ By applying sections 295 and 298 of the penal code, since 2011 about 100 blasphemy cases have been registered in Pakistan, with nearly as many people currently serving prison sentences for blasphemy charges.⁷⁰

Asia's case emblematically shows Pakistan's society divided opinion on the blasphemy laws as a part of a larger process involving discriminatory practices against minorities. While the religious extremists condemned the court's verdict, the government and the liberal forces supported it quietly showing their vulnerability to the popularity of the Islamist groups.⁷¹ During the electoral campaign, Imran Khan had overall embraced the blasphemy laws.⁷² Later, after the announcement of Asia Bibi's acquittal, he

67. 'Asia Bibi: Pakistan acquits Christian woman on death row', *BBC News*, 31 October 2018; 'Pakistani Court Acquits Christian Woman in Capital Blasphemy Case', *The New York Times*, 31 October 2018.

68. Farahnaz Ispahani, *Pakistan's Descent into Religious Intolerance*, Hudson Institute, Washington, 1 March 2017; 'Why minorities suffer in Pakistan?', *Daily Times*, 11 January 2017.

69. United States Department of State, Bureau of Democracy, Human Rights, and Labor, *Pakistan 2017 International Religious Freedom Report*, Washington, 2018.

70. The United States Commission on International Religious Freedom, *Annual Report 2018*, Washington 2018; 'Religious intolerance towards minorities increasing in Pakistan: UNCIRF', *The Nation*, 30 May 2018.

71. 'Aasia Bibi Is a Test Case for Pakistan', *The Diplomat*, 19 October 2018; 'The Fallout from the Aasia Bibi Blasphemy Verdict', *The Diplomat*, 1 November 2018; 'Greater Than the State Itself: Pakistan's Everyday Extremists Take On Its Institutions', *The Diplomat*, 2 November 2018.

72. 'Imran Khan criticised for defence of Pakistan blasphemy laws', *The Guardian*, 9 July 2018.

supported the verdict. In the following days, the government of Pakistan reached an agreement with the Tehreek-e-Labbaik, the political party which was leading the protests triggered by the decision of the Supreme Court. Under the agreement, Asia would be banned from leaving Pakistan, and a review petition filed against the verdict wouldn't be blocked by the government. In other words, her safety in Pakistan could not be guaranteed.⁷³ Also, according to the agreement, all protesters arrested since Asia Bibi's acquittal will be released, and any violence towards them will be investigated.⁷⁴ This agreement was viewed by many analysts as a capitulation of the institutions to extremists.⁷⁵

The country's administrations have not been ready to amend the blasphemy laws to protect the minority groups adequately, so perpetrating systematic religious freedom violations fearing extremists' reaction. Anyone trying assertively to challenge the blasphemy laws has been assassinated. In 2011, Salmaan Taseer, the governor of Punjab Province who had campaigned for Bibi's release and had criticised the blasphemy laws, was shot dead in Islamabad by his bodyguard Mumtaz Qadri. After he had turned himself into the police, Qadri was executed yet many hard-line Muslims held him as a martyr. Two months later, Shahbaz Bhatti, the minister of minorities and the only Christian member of Pakistan's cabinet who proposed changes to the blasphemy laws, was also killed in Islamabad. Lawyers defending those accused of blasphemy have also been killed, like the regional coordinator for the Human Rights Commission of Pakistan, Rashed Rehman.⁷⁶ Given this background, the decision of the Supreme Court about Asia's case represents a breakthrough for religious minorities.

7. *Economic scenario*

The internal economic situation inherited by Khan is characterised by a macroeconomic instability with a trade deficit of almost US\$ 34 billion in the financial year 2017-2018. The US\$ 6.7 billion IMF bailout that Pakistan had in 2013, repayments for which have not yet been completed, generated a series of problems for the balance of payments which Imran Khan's government now faces.

73. 'Imran Khan's treatment of Asia Bibi is a dangerous betrayal', *Ibid.*, 13 November 2018. As of December 2018, Asia Bibi was reported to be in hiding in the country.

74. 'Asia Bibi: Deal to end Pakistan protests over blasphemy case', *BBC News*, 3 November 2018

75. 'Pakistan Makes Concessions to Protesters in Blasphemy Case', *The New York Times*, 2 November 2018.

76. 'Pakistani lawyer Rashid Rehman murdered after taking on blasphemy case', *The Independent*, 8 May 2014.

Between July 2017 and March 2018, imports related to energy, machinery and metals increased by roughly 70%, as recorded by the State Bank of Pakistan, while exports, mainly textiles, have increased slightly.⁷⁷

As of the end of November 2018, the national foreign exchange reserves were at US\$ 14.02 billion: US\$ 7.5 billion held by the State Bank of Pakistan and the rest by commercial banks.⁷⁸ Foreign reserves have been steadily eroding, mainly due to servicing of the external debt.⁷⁹ The pace of economic growth has been decelerating, while the high balance of payments deficit (42% in the final quarter of the financial year 2017-2018) exposed Pakistan to external shocks and internal challenges linked to prolonged economic uncertainty.⁸⁰ High inflation and external debt in foreign currency (US dollars), as well as oil prices, are weighing on the country's account deficits.⁸¹

The erosion of the forex reserves and the turbulence of Pakistan's economy have led many analysts to predict that the potentially chronic dependence of the country on IMF bailouts could push Islamabad to borrow from the IMF to fill the external financing gap. In an attempt to strengthen Islamabad's negotiating position with the IMF, Imran Khan requested that Saudi Arabia, China and the United Arab Emirates deposit currency in the central bank of Pakistan to inflate the reserves, and obtained a US\$ 6 billion lifeline from Riyadh in cash assistance and oil on deferred payments for one year.⁸² Rumours anticipated the highest ever loan in Pakistan's history⁸³ and, in October 2018, the IMF confirmed that the minister of finance, revenue and economic affairs and the governor of the State Bank of Pakistan had requested financial assistance with a US\$ 8 billion bailout package.⁸⁴

77. 'Imran and the IMF: Pakistan's bailout dilemma', *Pakistan Today Profit*, 3 August 2018; 'Imran and the IMF: Pakistan's bailout dilemma', *NDTV*, 3 August 2018; 'Economists, business community welcome Imran Khan's pledges for economy, good governance' *Pakistan Today Profit*, 26 July 2018.

78. 'Rising Current Account Deficit: An Outcome of Following Bad Policies', *The Pakistani and Gulf Economist*, 4 June 2018.

79. Marco Corsi, 'Pakistan 2017: Vulnerabilities of the emerging market', p. 360.

80. 'The looming economic crisis', *The Diplomat*, 2 August 2018.

81. The International Monetary Fund, *IMF Executive Board Concludes First Post-Program Monitoring Discussions with Pakistan*, 6 March 2018.

82. 'PM Imran secures \$6b lifeline from Saudi Arabia', *The Express Tribune*, 24 October 2018.

83. Pakistan has had several IMF financing programmes since 1980, including a US\$ 6.7 billion three-year loan program in 2013: Akbar Zaidi, *Issues in Pakistan's Economy: A Political Economy Perspective*, Karachi: Oxford University Press, 3rd edition, 2015, pp. 3-11; Marco Corsi, 'Pakistan 2016: Economic features', *Asia Maior 2016*, p. 386-390.

84. The International Monetary Fund, 'Statement by IMF's Managing Director Christine Lagarde on Pakistan', Press Release N. 18/390, 11 October 2018; 'Pakistan turns to the IMF. The big one', *The Diplomat APAC Risk Update*, 13 October 2018; The International Monetary Fund, 'Statement of the conclusion of an IMF mission to Pakistan', Press Release N. 18/433, 20 November 2018.

Infrastructural investments associated with the CPEC have boosted economic growth and determined an increase in imports of construction materials, so weakening the national currency and pushing inflation higher.⁸⁵ In the fiscal year 2018, Pakistan obtained loans of more than US\$ 5 billion from China to fund infrastructure projects linked to the US\$ 57 billion CPEC associated with China's One Belt One Road and massive imports of Chinese equipment and materials that have impacted Pakistan's current account deficit.⁸⁶

8. *The challenging US-Pakistan bilateral relationship*

Pakistan in 2018 seemed to lose its credibility in relation to US strategic planning, partially because of the frustrations of Washington with Islamabad's role in containing terrorist outfits in Afghanistan. The Pakistan-based cross-border terror is a top priority for the Trump administration because it targets US troops in Afghanistan.⁸⁷

In 2018, Pakistan-US relations started with the Trump administration's announcement of the suspension of US\$ 900 million military aid, inclusive of Coalition Support Fund (CSF) reimbursements⁸⁸ and a US\$ 255 million tranche of foreign military financing payments, due to the ineffective support provided by the country in combating militants in Afghanistan.⁸⁹ US president Trump's first tweet of 2018 accused Pakistan of having given the United States «nothing but lies and deceit»⁹⁰ and this despite the United States having disbursed US\$ 33 billion into Pakistan over the last 15 years.⁹¹

In February 2018, the US indicated that Pakistan could be placed on a watch list of countries that are not countering terrorism financing enough.⁹²

85. 'Here's why Pakistan faces an economic crisis no matter who wins this week's election', *MarketWatch*, 25 July 2018.

86. 'Pakistan set to seek up to \$12bn IMF bailout', *Financial Times*, 29 July 2018. 'Pakistan seeks record IMF bailout of \$10-12 billion: Financial Times', *Pakistan Today Profit*, 30 July 2018.

87. 'Michael Kugelman on Pakistan's future under Imran Khan', *The Diplomat*, 20 August 2018.

88. The Coalition Support Fund was the US reimbursement supporting the costs, above the regular military costs, incurred by Pakistan in fighting terrorism: Marco Corsi, 'Pakistan: Transizione e Nuovi Equilibri', *Asia Maior 2012*, p. 136.

89. 'America suspends entire security aid to Pakistan', *Dawn*, 5 January 2018.

90. 'Nothing but lies and deceit: Trump launches Twitter attack on Pakistan', *The Guardian*, 1 January 2018.

91. 'Trump, Pakistan, and Kashmir', *The Diplomat*, 20 February 2018. According to an estimate of the Center for Global Development, the United States disbursed about US\$ 67 billion to Pakistan between 1951 and 2011: Centre for Global Development, *Aid to Pakistan by Numbers*, September 2013.

92. 'U.S. May Seek to Put Pakistan on Terrorism-Finance List', *The New York Times*, 14 February 2018; 'Impact Of FATF Decision on Pakistan's Economy', *Pakistan & Gulf Economy*, 2 July 2018.

In June 2018, the Paris-based Financial Action Task Force (FATF) agreed to place Pakistan on the «Improving Global Anti Money Laundering/Countering Financing of Terrorism Compliance» list.⁹³

In early August 2018, the US suspended the training and educational programmes addressing Pakistan military officers that had been part of the security assistance for more than a decade.⁹⁴

The Trump administration has criticised China's lending to Pakistan as leading to unsustainable debt. Following the election of Imran Khan, the US secretary of state Mike Pompeo expressed concerns – dismissed by Islamabad – and warned Pakistan from seeking an IMF bailout to pay Chinese lenders.⁹⁵ In September 2018, a few days before Pompeo's visit to Islamabad, the US administration confirmed the previously announced cancellation of a US\$ 300 million tranche of CSF reimbursements.⁹⁶

93. The FATF is an intergovernmental body that was established in 1989 to counter money laundering, terrorism-financing and other related threats. It does not issue legally binding sanctions, yet countries placed on its list face international scrutiny and pressure. 'FATF officially sanctions to put Pakistan on «grey» list', *Profit*, 28 June 2018; 'Pakistan formally placed on FATF grey list', *The Express Tribune*, 30 June 2018; 'At U.S. Urging, Pakistan to Be Placed on Terrorism-Financing List', *The New York Times*, 23 February 2018.

94. 'US bars Pakistani military officers from training programs', *The New York Post*, 10 August 2018.

95. 'U.S.' Pompeo warns against IMF bailout for Pakistan that aids China', *Pakistan Today Profit*, 31 July 2018.

96. 'The tipping point in Pak-US ties', *Daily Times*, 3 September 2018; 'Pompeo Heads To Pakistan to Take on Terrorism, Seek «Reset»', *The Diplomat*, 5 September 2018.

AFGHANISTAN 2018: PARLIAMENTARY ELECTIONS
AND REGIONAL POWER SHIFTS

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The year 2018 was characterized by parliamentary elections, held on 20 October. While the elections represented an important moment for Afghanistan's democracy, both the run up and the aftermath were characterized by confusion and insecurity, with the election results still not announced by the end of 2018. The security situation remained volatile hindering not only political processes but also the country's economic growth. Civilian casualties caused by anti-government forces remained almost at the same levels of 2017. On the external front, the last 12 months saw both a political and military shift in the US's approach to the country, partly departing from the previously announced South Asia strategy. 2018 also signalled an increase in China's engagement in Afghanistan, as well as the reiteration of the troubled relationship between Kabul and Islamabad.

1. Introduction

Two developments garnered the attention of local and international observers during the year under examination in this article. Domestically, Afghanistan's parliamentary elections, the third after the ousting of the Taliban regime in 2001, saw 4 million Afghan voters casting their ballot, Taliban threats and intimidations notwithstanding. In his address to the nation, Afghan President Mohammad Ashraf Ghani Ahmadzai (hereafter indicated as Ashraf Ghani) said that «you [the Afghan people] sent a clear message to the world that you do not want violence, you demonstrated your determination through democracy. You proved to the Taliban that this nation will not surrender to anyone».¹ As some observers opined, the elections represented «a unique opportunity to conduct a credible and inclusive election and structurally entrench democratic institutions in Afghanistan».² Internationally, the United States remained the key actor in defining the present and future of Afghanistan, through engaging in negotiations with the Taliban and by announcing its intention to halve the

1. 'Ghani Thanks The Nation For Successful Elections', *Tolo News*, 21 October 2018.

2. Rafi Fazil, 'How Afghanistan's Next Elections Can Succeed', *The Diplomat*, 7 June 2018.

troops stationed in the country over the course of 2019. At the same time, Pakistan and China have continued to play an important role in shaping the Afghan political trajectory, both domestically and regionally. In order to dissect these two dimensions, as well as a wider array of domestic and international developments which characterized Afghanistan in 2018, this article proceeds as follows: section 2 focuses on domestic political developments, in particular the electoral context which characterized much of the political debate during the year under examination; section 3 moves to assessing the international politics of Afghanistan, with particular attention being paid to the role of the United States, Pakistan and China; section 4 concludes with an assessment of the socio-economic indicators and performance of Afghanistan in 2018; finally, the conclusions will be drawn in Section 5.

2. Afghanistan's 2018 parliamentary elections: amid hope and chaos

In late October 2018, Afghans went to the polls for the Wolesi Jirga (the lower house of Afghanistan's bicameral system) elections, in what was the third parliamentary election of the post-Taliban era in Afghanistan. More than 2,500 candidates – including 400 women – competed for 249 seats, of which 68 were reserved for women, ten for Kuchis and one for the Hindu and Sikh communities.³ Elections were held in 33 of the 34 provinces, with the exception of Ghazni in which parliamentary elections will be held at the same time as the presidential ones. In Kandahar, elections were delayed following a Taliban attack which killed Kandahar's police chief, General Abdul Raziq, only two days before the elections.⁴ Continuity, rather than change, characterized the run up to the 2018 parliamentary elections. Most of the issues that marred the 2014 presidential elections, which resulted in the formation of the National Unity Government (NUG), were still present in 2018. These included: (a) the lack of electoral reform, especially regarding the Single Non-Transferable Vote (SNTV); (b) the Independent Electoral Commission's (IEC) inability to operate aloof of government interference and voter registration; (c) insecurity and the role of the Taliban in the Afghan political scenario. The ensuing parts of this section will dissect each of these issues.

3. Jelena Bjelica & Rohullah Soroush, 'Afghanistan Elections Conundrum (20): Women candidates going against the grain', *Afghanistan Analysts Network*, 19 October 2018.

4. 'Afghans Vote In Kandahar Elections Delayed By Violence', *Radio Free Europe*, 27 October 2018. For an assessment of the implications of this attack, see: 'Kandahar Assassinations Show Rising Taliban Strength in Afghanistan', *International Crisis Group*, 19 October 2018.

2.1. «Everything must change, for everything to stay the same»: The failure to reform the electoral system

The slogans of Afghan political parties invoking «Taghir» (change) in the run up to the 2018 elections were similar to those used by presidential candidates in the 2014 electoral round.⁵ While political parties and candidates used «change» as an appealing idea to attract voters, the Afghan political system fell short of providing the much needed reforms that were promised in the previous presidential elections. The single non-transferable vote was largely regarded as one of the main reasons behind the lack of development of political parties within the country. To understand the continuity between 2014 and 2018, and for comparative purposes, a brief contextualization of the election reform issue is in order. When forming the NUG following the presidential elections in 2014, both President Ashraf Ghani and CEO Abdullah Abdullah agreed to implement electoral reforms and, to this end, a presidential decree established the Special Electoral Reform Commission (SERC), with the task of devising the reform to the electoral system that the NUG agreement promised.⁶ Two batches of recommended reforms were prepared by SERC, and a unanimous consensus was reached among SERC members that the Single Non Transferable Vote system needed to be changed. To this end, the leaders of 21 Afghan political parties organized a conference in Kabul in February 2018 to demand change to the electoral system, in order to allow political parties to have more weight in the October 2018 parliamentary elections.⁷ What the parties demanding change were proposing as an alternative was Multi-Dimensional Representation (MDR), a system entailing that a proportion of seats (100 out of 249 according to a 2015 proposal) would be reserved for political parties, while the remainder would be «open» or «at-large» seats within multi-member constituencies, thereby permitting individuals to contest.⁸ Due to time constraints, and the difficulty of reaching a compromise on such a thorny issue, the electoral system did not change and it was left to the next parliament to address this key issue in a more comprehensive way.⁹

5. Thomas Ruttig, 'Afghanistan Election Conundrum (19): A young «wave of change» for the Wolesi Jirga?', *Afghanistan Analysts Network*, 18 October 2018.

6. Ali Yawar Adili, 'Afghanistan Election Conundrum (5): A late demand to change the electoral system', *Afghanistan Analysts Network*, 8 March 2018.

7. *Ibid.*

8. 'Report On November 2016 Mission To Afghanistan', *National Democratic Institute and the United States Institute for Peace*, 10 November 2016. See also: 'Reform panel wants 100 parliament seats given to parties', *Pajhwok News*, 29 August 2015.

9. Ali Yawar Adili, 'Thematic Dossier (XX): Electoral reform and the preparations for the 2018 elections', *Afghanistan Analysts Network*, 10 August 2018.

2.2. *The Independent Election Commission and voters ID*

In addition to the lack of electoral system reforms, there were a host of issues which affected the run up to the elections, ranging from government interference in the affairs of the election commission, to the registration of voters in the elections. In relation to the first point, the IEC lamented the government's interference in the internal matters of the commission, following a controversial proposal by President Ashraf Ghani to put the voter registration stickers on copies of national identity cards. According to Naeem Ayubzada, CEO of Transparent Election Foundation of Afghanistan, «the government's interference in the (election) commission and the internal problems between members of the institution will lead the election to a crisis».¹⁰ While the crisis did not *de facto* materialize, voter registration was another issue which characterized much of the preparations for the 2018 elections, right up to the days immediately preceding the vote.¹¹ In some provinces, for instance, the number of the eligible voting population was lower than the number already registered. After protests from political parties threatening to boycott the elections if the issue were not resolved, one month before the election the IEC decided to procure, ship and distribute 22,000 biometric devices to verify the identity of voters on election day.¹²

2.3. *Insecurity and government-Taliban relations*

Civilian casualties and absence of human security were a defining feature of Afghanistan throughout 2018 (on this more in section 3). Around the election period though, violence intensified. In the months preceding the elections, the Taliban had been threatening Afghan citizens that they would retaliate against those who decided to cast their ballot. In the words of a Taliban commander quoted by *Reuters*, «burning a house is a small punishment if they [Afghan citizens] are caught in supporting this U.S. operation [the elections] to prolong their stay in Afghanistan».¹³ According to the findings

10. 'Watchdogs Warn Govt Against Interfering In Elections', *Tolo News*, 16 May 2018.

11. In Spring 2018, there was also a row over the inclusion of the word «Afghan» in the new IDs. Just hours after President Ghani and First Lady Rula Ghani were given their cards on 3 May 2018, Chief Executive Abdullah held a press conference saying that the electronic ID card system was not legitimate and did not have the support of the Afghan people. See: 'CEO Slams ID Card Process, Says It Is Not «Legitimate»', *Tolo News*, 3 May 2018. For an in-depth discussion of the 'E-Tazkera row', see: Jelena Bjelica & Ali Yawar Adili, 'The E-Tazkera Rift: Yet another political crisis looming?', *Afghanistan Analysts Network*, 22 February 2018.

12. Ali Yawar Adili, 'Afghanistan Elections Conundrum (21): Biometric verification likely to spawn host of new problems', *Afghanistan Analysts Network*, 19 October 2018.

13. Matin Sahak, '«If we vote, we'll be killed» - Afghan villages face election threat', *Reuters*, 28 April 2018.

of the United Nations Assistance Mission to Afghanistan (UNAMA), over the three voting days for the parliamentary elections, 435 civilian casualties (56 deaths and 379 injured) in 108 verified incidents of election-related violence were registered.¹⁴ This was the highest level of civilian harm compared to previous elections held in Afghanistan. To prevent this, the Afghan government did try to reach out to the Taliban multiple times throughout 2018. In February, President Ghani offered direct talks with the Taliban «without preconditions», an offer which was rejected by the Taliban leadership.¹⁵ A few months later, in June, Ghani declared a unilateral, nationwide ceasefire, which was unexpectedly reciprocated by the Taliban, leading to a three-day ceasefire. In this period, overlapping with Eid-al-Fitr, Afghan forces and Taliban fighters prayed together and visited areas controlled by the other.¹⁶ However, «the Taliban effectively rejected a second, conditional three-month ceasefire offered by the Afghan government in August 2018» and the attack on Kandahar's police chief in October 2018 not only cast a shadow on the electoral process, but also represented a step back in the reconciliation process.¹⁷

To add another layer of complexity to the situation, domestic fragmentation along ethnic lines was a key area in the run up to elections. The return to the country in July 2018 of the vice president of Afghanistan, General Abdul Rashid Dostum, after one year of self-imposed exile in Turkey, is a case in point.¹⁸ It signified on the one hand the government's weakness in dealing with the country's warlords, while on the other, its attempt to ease tensions in Afghanistan's Northern areas, where General Dostum still enjoyed large support among the Uzbeks residing there.¹⁹

2.4. *The elections and their aftermath*

The aftermath of the elections was characterized by the severe delays in announcing the election results. As at the end of December 2018, the IEC had announced the preliminary results for 30 out of 33 provinces although, according to the election timeline, it was due to announce the pre-

14. 'Quarterly Report On The Protection Of Civilians In Armed Conflict: 1 January to 30 September 2018', *United Nations Assistance Mission to Afghanistan*, 10 October 2018, p. 1.

15. *Ibid.*

16. *Ibid.*

17. Clayton Thomas, 'Afghanistan: Background and U.S. Policy', *Congressional Research Service*, 12 December 2018.

18. Ahmad Mohibi 'Afghanistan: A Game of Thrones', *The Diplomat*, 24 July 2018.

19. Waslat Hasrat-Nazimi, '«Warlord» Afghan vice president returns from exile to ease political tension', *Deutsche Welle*, 23 July 2018.

liminary results on 10 November and the final results on 11 December.²⁰ Besides undermining the credibility of the IEC in the eyes of the population, such a delay raised concerns within the Afghan political parties about the IEC's ability to hold the presidential elections, originally scheduled in April 2019. After weeks of speculation²¹ regarding a potential postponement of the presidential elections, at the end of 2018 the IEC's chairman, Abdul Badi Sayyad, announced that the presidential elections would be postponed from the previous provisional date of 20 April.²² The reasons behind such a postponement were two-fold: first, delaying an all-important presidential election would buy the IEC some time to prepare for the elections and avoid repeating the same mistakes which occurred in the parliamentary electoral round. According to Asadullah Sadati, a member of the opposition Wahdat party, «the parliamentary election was a mess. It was not fair and transparent. We think the postponement brings more time for the election commission to prepare».²³ Second, with the ongoing negotiations between the United States and the Taliban, it was important for the Afghan leadership to be able to seize any potential opportunity stemming from such peace negotiations without being in the middle of an all-important election campaign. The role of the US in Afghanistan, as well as the wider regional dynamics involving Pakistan and China, will be the focus of the next section.

3. *The international politics of Afghanistan in 2018*

During the course of 2018, there has been a growing realization, among both regional and international actors, that stability in Afghanistan is a determining factor in the regional policies pursued by major players. On the one hand, China sees Afghanistan as an important component of the Belt and Road Initiative. Beijing places Kabul into the wider development-stability nexus strategy, which will be discussed in the ensuing sections of this article. On the other hand, India has been vying to extend its influence in Afghanistan to bypass Pakistan for access to Central Asia. India's stakes in Afghanistan have grown over the last year with the development of the port of Chahbahar in Iran, as a competitor to the Pakistani ports of Karachi and Gwadar. For Afghanistan, the development of Chahbahar would provide an alternative to the reliance on Karachi as the major access-point to the Indian Ocean. In addition to Indian and Chinese interests in the

20. 'IEC Criticized For Delay In Announcing Election Results', *Tolo News*, 28 December 2018.

21. See: Rod Nordland and Fatima Faizi, 'Afghanistan Considers Delaying Presidential Election', *The New York Times*, 25 November 2018.

22. 'New Date Set For Presidential Elections', *Tolo News*, 30 December 2018.

23. Mujib Mashal & Fatima Faizi, 'Afghanistan Likely to Delay Election as Trump Presses for Peace Talks', *The New York Times*, 26 December 2018.

country, the United States, Russia, Pakistan, Saudi Arabia and Iran, all have some degree of interest in Afghanistan. Russia, in particular, has demonstrated a growing and renewed interest in the Afghan scenario, nearly 30 years after its defeat and troop withdrawal in February 1989. To be sure, Russia's interests in the country are driven in part by the threat posed by the Islamic State in Afghanistan, and in part by the desire to be seen as a mediator in the peace process, a role that both Pakistan and China support. Since 2016, Russia has been willing to host meetings aimed at jumpstarting peace talks, but it was only during the year under examination that the Taliban accepted Moscow's invitation to attend an international meeting on Afghanistan, held in the Russian capital in November 2018. Importantly, both Taliban representatives and members of Afghanistan's High Peace Council were present, but not representatives of the Afghan government.²⁴ While no major breakthrough was achieved, it signalled Russia's increasingly important role as a stakeholder in shaping the future of Afghanistan. As a seasoned observer of Afghan developments Barnett Rubin opined, regional countries might have come to realize that the threat posed by Afghanistan's dependence on the United States lies in the fact that the «United States will inevitably tire of the effort to maintain stability in Afghanistan and withdraw, leaving the region with a challenge it is ill prepared to face».²⁵

While it is important to acknowledge Russia's proactive role in Afghanistan, as well as Iran's growing ties with the Taliban as an anti-America move which could potentially give Teheran an edge in a post-US Afghanistan,²⁶ in the ensuing sections the discussion focuses on three main countries, the United States, Pakistan and China, as these were the most prominent actors in Afghanistan's international relations during 2018.

3.1. *The United States in Afghanistan*

In a shift from the previous policy outlined by President Donald Trump in August 2017, the US approach to Afghanistan has developed into a two-pronged strategy, aimed at engaging the Taliban leadership on a political front, and withdrawing Afghan and US military forces to consolidate urban areas.²⁷

24. 'Afghanistan war: Taliban attend landmark peace talks in Russia', *BBC News*, 9 November 2018.

25. Barnett R. Rubin, 'Is Afghanistan Ready for Peace?', *Foreign Affairs*, 30 July 2018.

26. For an assessment of Russia's interests see: 'Why Russia and China Are Expanding Their Roles in Afghanistan', *Stratfor*, 5 September 2018; for an overview of Iran's growing ties with the Taleban, see: Michael Kugelman, 'Shutting Out Iran Will Make the Afghan War Even Deadlier', *Foreign Policy*, 16 November 2018.

27. For an assessment of President Trump's South Asia Strategy, see: Diego Abenante, 'Afghanistan 2017: Trump's «New Strategy», the Af-Pak conundrum, and the crisis of the National Unity Government', *Asia Maior 2017*, pp. 369-386.

From a military standpoint, the Trump administration has urged Afghan troops to retreat from sparsely populated areas of the country.²⁸ This was aimed at protecting Afghan forces from being attacked in isolated and rural areas, and to ensure that the government and the Afghan National Army (ANA) control Kabul and major urban centres such as Kandahar, Jalalabad, Mazar-i-Sharif and Kunduz.²⁹ While it is too early to assess such a strategy, according to the latest available data produced by the Special Inspector General for Afghanistan Reconstruction (SIGAR), the district control in the country, as of July 2018, was as follows: 56% of Afghan land was under government control; 32% contested between the government and anti-government forces; and 12% (down from 13% in August 2017) was controlled by the insurgents.³⁰

Another important development which is worth noting is the Trump administration's decision in the last days of December 2018 to withdraw some 7,000 troops from the Afghan theatre. The decision came at the same time as President Trump's announced withdrawal from Syria, prompting the resignation of Secretary of Defense Jim Mattis.³¹ While some saw this as a move to detach Afghan forces from Western support and therefore boost their independence, there were also concerns that such a move could have potentially undermined the already weak Afghan troops, which had suffered significant losses against the insurgents, even with high levels of American and NATO support.³²

Politically, the US's shift was all the more important since it moved the focus away from the «Afghan-led, Afghan owned» mantra which characterized the American approach to the Afghan peace process.³³ Most of the emphasis in previous attempts was to bring around the negotiating table both the Afghan government and the Taliban. The latter has always opposed such a scenario, holding the line that they would only engage in peace negotiations with the Americans, since they were the ones who toppled the Taliban regime in 2001. Against this backdrop, since July 2018, when the revised approach was being implemented, three rounds of talks between Americans and the Taliban took place. The first was in late July 2018, when American representatives met with the Taliban leadership in Doha, Qatar, where the Taliban had established an informal political office. While previous efforts of this kind had failed because the Afghan government was not

28. Thomas Gibbons-Neff & Helene Cooper, 'Newest U.S. Strategy in Afghanistan Mirrors Past Plans for Retreat', *The New York Times*, 28 July 2018.

29. *Ibid.*

30. Special Inspector General for Afghanistan Reconstruction, 'Quarterly Report To The United States Congress', 30 October 2018.

31. 'U.S. to Withdraw About 7,000 Troops From Afghanistan, Officials Say', *The New York Times*, 20 December 2018.

32. *Ibid.*

33. Mujib Mashal & Eric Schmitt, 'White House Orders Direct Taliban Talks to Jump-Start Afghan Negotiations', *The New York Times*, July 15, 2018.

on board and denounced such talks, the Afghan government commented that they «appreciate help and support from any side that can facilitate the peace process».³⁴ The second meeting between American Diplomats and Taliban representatives occurred in mid-October, just days before the parliamentary elections.³⁵ The October meeting was important for two reasons: first, as reported by the Wall Street Journal, Zalmay Khalilzad, the former U.S. ambassador to Afghanistan nominated by secretary of state Mike Pompeo in September 2018 as special adviser on Afghanistan, stopped in Saudi Arabia to meet with the Saudi crown prince, Mohammed bin Salman. Saudi Arabia's Afghanistan policy has been a careful balance of standing behind Pakistan's support for the Taliban on the one hand, while on the other officially supporting the American and Afghan governments' efforts to achieve a peaceful solution.³⁶ Second, in the wake of the meeting, Afghan president Ghani «expressed concern and resistance to American officials about the prospect of talks that did not include his government» on the grounds that by excluding the Afghan government, this would only marginalize the country's leadership.³⁷ The third meeting of 2018 occurred on 17 December in the United Arab Emirates and saw the participation of a number of countries, including Saudi Arabia and Pakistan.

According to Afghan officials, Taliban leaders based in Pakistan were part of this third round of talks, which can be interpreted as a sign that Pakistan might be using its leverage on the group to bring it to the negotiating table.³⁸

3.2. *Limited progress in Pakistan-Afghanistan relations*

On 1 January 2018, President Donald Trump said on social media that «the United States has foolishly given Pakistan more than 33 billion dollars in aid over the last 15 years, and they have given us nothing but lies & deceit, thinking of our leaders as fools. They give safe haven to the terrorists we hunt in Afghanistan, with little help. No more!».³⁹ This was echoed by Afghan president Ghani, who said in February 2018 that Pakistan

34. Taimoor Shah & Rod Nordland, 'U.S. Diplomats Held Face-to-Face Talks With Taliban, Insurgents Say', *The New York Times*, 28 July 2018.

35. Mujib Mashal, 'U.S. Officials Meet With Taliban Again as Trump Pushes Afghan Peace Process', *The New York Times*, 13 October 2018.

36. According to The New York Times, a former Taliban finance minister described how he travelled to Saudi Arabia for years raising cash while ostensibly on pilgrimage. See: Carlotta Gall, 'Saudi Bankroll Taliban, Even as King Officially Supports Afghan Government', *The New York Times*, 6 December 2016.

37. Mujib Mashal, 'Afghan Leader Blindsided' by U.S. Meeting With Taliban, Officials Say', *The New York Times*, 18 October 2018.

38. Mujib Mashal, 'Taliban Appear Ready to Discuss Peace Talks, Except With Afghan Officials', *The New York Times*, 17 December 2018.

39. Donald J. Trump, Twitter post, 1 January 2018 (<https://twitter.com/realdonaldtrump/status/947802588174577664>).

was «the center of the Taliban».⁴⁰ These allegations stem from the fact that since the ouster of the Taliban in 2001, Afghan insurgents have operated from safe havens within Pakistan. Pakistan's leverage on the Taliban was also very visible in 2018, with Islamabad allegedly playing a role in reaching a ceasefire during Eid-al-Fitr.

According to Pakistani officials quoted in the Pakistani Newspaper *Express Tribune*, «the Taliban agreed to the proposal only if China and Pakistan become guarantors», with Pakistan acting as a facilitator and China mediating between the Taliban and the Afghan government.⁴¹ To understand and contextualize these dynamics, it is important to examine the key motives of Pakistan's Afghan policy, whose roots are grounded in the country's history. Pakistan's relations with Afghanistan are best characterized by mutual distrust. There are four major determinants behind this policy.

First, the legacy of the British Raj's policy towards Afghanistan provided a blueprint for Pakistan's relations with the country. The British policy consisted primarily of keeping Afghanistan under its direct influence through interference in the country's internal affairs, including the installation of a friendly ruler.⁴² This is an approach that the Pakistani establishment has repeatedly used to ensure that it could, to a certain extent, maintain its influence in the neighbouring country.

Second, the competition over influence in Afghanistan, coupled with the Pakistani establishment's fear of a pro-India government being installed in Kabul has represented an important determinant of Pakistan's Afghan policy. In Pakistan's narrative, India is not only using its presence to expand its influence in Afghanistan, but also to fuel tensions in Pakistan's Balochistan, where the China-managed port of Gwadar, the starting point of the China-Pakistan Economic Corridor (CPEC), is located.⁴³

Third, besides the India factor, another element of concern of the Pakistani leadership has been the so-called Pashtun question, which emerged in 1947 following a referendum held in the North West Frontier Province (now renamed Khyber Pakhtunkhwa), inviting the Pashtuns to join India or

40. 'Pakistan Is The Center Of Taliban, Ghani Tells The Nation', *Tolo News*, 8 February 2018.

41. Kamran Yousof, 'Afghan Eid truce backed by Pakistan, China', *The Express Tribune*, 11 June 2018. For an assessment of China's increasing role as a mediator in the Afghan conflict, see: Miwa Hirono, 'China's Conflict Mediation and the Durability of the Principle of Non Interference: The Case of Post-2014 Afghanistan', *The China Quarterly*, 2018, 2, pp. 1468-2648.

42. Rasul Bux Rais, *State, Society, and Democratic Change in Pakistan*, New York: OUP, p. 71.

43. For an analysis of the evolution of the port of Gwadar against the backdrop of Pakistan's domestic and foreign policies, see: Filippo Boni, 'Civil-military relations in Pakistan: a case study of Sino-Pakistani relations and the port of Gwadar', *Commonwealth and Comparative Politics*, 2016, Vol. 54, Issue 4, pp. 498-517.

Pakistan. The vote was overwhelmingly in favour of Pakistan.⁴⁴ Afghanistan, for its part, has always claimed that the referendum was a unilateral step taken without Afghan consultation or consent.⁴⁵

The fourth element which must be considered is the fact that Pakistan considers Afghanistan as the bridge to the commercial and energy markets represented by the Central Asian Republics (CARs).⁴⁶ After the announcement of the CPEC, Pakistan has tried to revitalize its relations with CARs, in particular with Tajikistan and Turkmenistan. The latter represents an important player in Pakistan's economic outreach to the region since it would be the starting point of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. The latter, connecting the energy-rich Central Asian nation with the South Asian countries, was inaugurated in February 2018, with leaders of the four countries attending its ground breaking ceremony in Serhetabat, followed by another in Herat.⁴⁷

This cursory overview of the rationale behind Pakistan's Afghan policy can help us understand the dynamics which defined the year under examination. After a capricious start, exemplified by the two quotes at the beginning of this section, in order to try and normalize relations between the two countries, Islamabad and Kabul initiated a process in February 2018 to agree on the Afghanistan Pakistan Action Plan for Peace and Solidarity, covering the areas of military cooperation, counter-terrorism and intelligence sharing, economy, trade and transit, and refugee repatriation.⁴⁸ After several rounds of talks, taking place between February and mid-May 2018, the two sides finalized an agreement on the action plan on 14 May in Islamabad.⁴⁹

In the attempt to continue to diffuse tensions between the two countries, several additional developments occurred. First, after being elected as prime minister, Imran Khan immediately referred to Afghanistan as one of his top foreign policy priorities. In his victory speech in the immediate aftermath of the election, Pakistan's new prime minister said that Pakistan would make all efforts to bring an end to the conflict in Afghanistan.⁵⁰ In his words, 'if there is peace in Afghanistan, there will be peace in Pakistan. We will make every effort to achieve peace there. We want to have open

44. Christophe Jaffrelot, *The Pakistan Paradox*, London: Hurst & Co., p. 153.

45. Frédéric Grare, 'Pakistan Afghanistan Relations In The Post-9/11 Era', *Carnergie Endowment for International Peace*, 29 September 2006.

46. C. Christine Fair, 'Pakistan's Relations with Central Asia: Is Past Prologue?', *Central Asian Survey*, 2008, 31 (2), pp. 201-227.

47. 'Bonhomie marks opening of TAPI gas pipeline', *Dawn*, 24 February 2018.

48. 'Pakistan, Afghanistan agree to continue talks on joint action plan', *Dawn*, 3 February 2018.

49. 'New framework for talks with Afghanistan becomes operational', *Dawn*, 15 May 2018.

50. 'Imran Khan's speech in full', *Al-Jazeera*, 26 July 2018.

borders with Afghanistan one day.⁵¹ In September 2018, Pakistan's minister for foreign affairs, Shah Mehmood Qureshi, made his first official foreign visit after taking office to Afghanistan. During this visit, he met with President Ghani, chief executive Abdullah and minister for foreign affairs Salahuddin Rabbani. The fact that the new foreign minister decided to undertake his first overseas visit to Afghanistan was largely regarded as a signal of the importance that Afghanistan will play in the new administration's foreign policy.

How far these attempts at mending fences will go remains to be seen. After all, civilian control over Pakistan's Afghan policy has been extremely limited, given that the military has always seen this as one of its key policy prerogatives. The backlash from politicians and supporters of the army, opposed to Imran Khan's promise to grant citizenship to the children of Afghan refugees living in Pakistan, is a case in point. The military's stance on this issue – to repatriate refugees accused of carrying out terrorist acts within Pakistan – is in contrast with the prime minister's pledge; something which may need to be reconsidered in order not to interfere in the reserved domain of the military.⁵² In addition to this, a number of episodes which occurred during the second half of 2018 suggest that the path towards normalized relations along the two sides of the Durand Line remains difficult. First, on 22 October, President Ghani publicly stated that the assassination of the Kandahar chief of police had been planned in Pakistan.⁵³ The allegation prompted a strong response from the Ministry of Foreign Affairs of Pakistan, which rejected the claims and called on Afghan officials to channel discussions of security concerns through the mechanism established earlier that year.⁵⁴ Alongside these developments, Pakistan's decision to build a fence along the Durand Line coupled with cross-border shelling, are also creating tensions in the relationship. In particular, the fencing of the border was initiated in 2017 and, according to the Inter-Services Public Relations (ISPR), the army's media wing, is due to be completed by the end of 2019.⁵⁵ While Pakistan believes that the fencing will prevent terrorist infiltration in both directions, Afghanistan opposes Pakistan's unilateral move on the grounds that the fence goes along a border that Afghanistan does not recognize, as well as hindering trade prospects between the two countries.⁵⁶

51. *Ibid.*

52. 'Pakistan's Imran Khan skirts issue of Afghan refugees' citizenship', *The Guardian*, 18 September 2018.

53. 'Raziq's Assassination Was Plotted in Pakistan: Ghani', *Tolo News*, 23 October 2018.

54. 'Pakistan Rejects Afghan Claim Of Involvement In Kandahar Attack', *Rferl.org*, 24 October 2018.

55. 'Afghan border fence to be ready by Dec 2019: ISPR', *Dawn*, 16 December 2018.

56. 'Pakistan's Fencing of Afghan Border Remains Source of Mutual Tensions', *VOA News*, 15 October 2018.

3.3. *China and Afghanistan in 2018*

China's approach to Afghanistan in 2018 is very similar to that of the previous year and is primarily driven by China's national security interests to stabilize Xinjiang, as well as by Beijing's desire to push ahead with the development of the Belt and Road Initiative and the China-Pakistan Economic Corridor. All of this with an eye on how the US' announced withdrawal will unfold over the course of the coming months. The year 2018 saw an increase in China's engagement with Afghanistan, which is part of the wider shift towards a more proactive role that Beijing has sought to take in the Afghan scenario since 2014. To be clear, China has no intention of supplanting NATO or the United States. Instead, it has adopted a more multi-lateral approach to Afghanistan, in order to bring around the same table a number of actors with interests and stakes in the present and future political developments in the country. By acting as a *«primus inter pares»*, China has engaged with a number of regional organizations and mechanisms (e.g. the Shanghai Cooperation Organisation and the Heart of Asia Process) in order to promote Afghan developments as well as encourage different actors to play a role in Afghanistan.⁵⁷ Further evidence of this is the establishment of the Quadrilateral Coordination and Cooperation Mechanism (QCCM) which gathers together the chiefs of army staff for China, Afghanistan, Tajikistan and Pakistan, with a focus on the Wakhan Corridor which they all share, and is at the core of China's interests.⁵⁸

China's national security interests have revolved primarily around the stabilization of its western periphery and the prevention of the spread of terrorism to its westernmost region, Xinjiang.⁵⁹ As a Chinese scholar noted in *Asian Survey* in 2018, «the security situation in Afghanistan has an important impact on China's western border region».⁶⁰ The centrality of Afghanistan in China's calculations was exemplified by reports that appeared at the end of 2017 about China's plans to build a military base in Afghanistan's North-Eastern province of Badakhshan. While some reports quoted Afghan Defence officials providing details of the base, in August 2018 China's Foreign Ministry spokeswoman, Hua Chunying, denied any such development.⁶¹ Regardless, the Badakhshan area and the Wakhan corridor represent an important area for China's internal stability. Beijing

57. Raffaello Pantucci, 'China in Afghanistan: A Reluctant Leader with Growing Stakes', *ISPI Commentary*, 18 October 2018.

58. *Ibid.*

59. For more on this see: Matt Ferchen & Renny Babiarz, 'The development-stability nexus at home and abroad', *Asia Dialogue*, 5 October 2017.

60. Zhu Yongbiao, 'China's Afghanistan Policy since 9/11 Stages and Prospects', *Asian Survey*, 2018, 58 (2), p. 294.

61. For a discussion of China's plans, see: 'China's Increasing Security Buffer on Its Western Frontier', *Stratfor*, 11 January 2018; for China's rebuttal, see: 'China denies planning military base in Afghanistan', *Reuters*, 29 August 2018.

has been concerned for quite some time about Uighur fighters using the corridor to return from Syria and Iraq and see this as a direct threat to its own domestic stability.⁶²

Afghanistan is becoming increasingly important for China's Belt and Road Initiative. Although originally excluded from official BRI maps, now Afghanistan features prominently in most official documents related to the BRI. Kabul has been keen to be part of the initiative. Officials in the Afghan Ministry of Economy said that the project will help improve economic stability in the country as well as increase the connectivity both within Afghanistan and with regional countries. According to Suhrab Bahman, a spokesman for the Ministry of Economy, Afghanistan should focus «on issues inside the country. Our railway system should be established».⁶³

While the economic implications of the initiative are clear, it is also important to highlight the role that China intends to play as a mediator between Pakistan and Afghanistan. As part of China's wider efforts to improve relations between Kabul and Islamabad, at the end of December 2017, the first China-Afghanistan-Pakistan Foreign Ministers' Dialogue was held in Beijing. On that occasion, China's foreign minister, Wang Yi, noted how the three countries «share integrated interests».⁶⁴ In December 2018, the three sides met again, this time in Kabul, and the official communique stated that through such a trilateral engagement one of the aims was to enhance «the momentum of improvement of Afghanistan-Pakistan relations».⁶⁵ As China's commitment to the BRI grows, the stability of Afghanistan-Pakistan relations becomes an important bridge in the wider regional connectivity as a link between CPEC and Central Asian markets.

4. *The socio-economic conditions of Afghanistan in 2018*

Lack of security is still the major issue hindering any substantive and long-lasting progress in Afghanistan's socio-economic situation. Three main aspects are considered here: human security, economic growth and opium production.

Human security in Afghanistan remained rather precarious throughout 2018. According to the United Nations Assistance Mission to Afghanistan's (UNAMA) report, in the period between 1 January and 30 September

62. 'China's increasing security'

63. 'Afghanistan Upbeat About China's Belt and Road Initiative', *Tolo News*, 10 June 2018.

64. Ministry of Foreign Affairs, the People's Republic of China, *The 1st China-Afghanistan-Pakistan Foreign Ministers' Dialogue Convenes*, 26 December 2017.

65. Ministry of Foreign Affairs, the People's Republic of China, 'Foreign Ministers of China, Afghanistan and Pakistan Hold Second Dialogue', 15 December 2018.

2018, there were 8,050 civilian casualties (2,798 deaths and 5,252 injured).⁶⁶ Of these, anti-government elements caused 5,243 civilian casualties (1,743 deaths and 3,500 injured), accounting for 65% of all civilian casualties. Within this 65%, 35% were attributed to Taliban, 25% to Daesh/ISKP, and 5% to unidentified anti-government elements.⁶⁷ Insecurity was not only a factor casting a shadow over the electoral process, as previous sections of this article have highlighted, but also an important aspect of the country that has hindered its economic growth throughout 2018. According to the Asian Development Bank, «drought and scant improvement in security appears to hold growth in Afghanistan» thereby revising the growth forecast from 2.5 to 2.2 in the year under examination.⁶⁸ More positive signs came from exports and the inflation rate. Exports reportedly increased in the first half of the year, benefitting from expanded air connections with India for high-value goods such as fruit.⁶⁹ Low inflation was also an important development in 2018 and this drop from 5% in 2017 to 3.5% in 2018 has been driven by declining food prices.⁷⁰

According to the Afghanistan Living Conditions Survey (ALCS) 2016-2017, a report jointly produced by Afghanistan's Central Statistics Organization and the European Union, published in May 2018, the proportion of the population living below the national poverty line increased from 34% in 2007-2008 to 55% in 2016-2017. In addition to this significant increase in the poverty rate, other socio-economic issues were identified in the country's demographics – with nearly 48% of Afghanistan's population under 15 – and in the precarious security situation in parts of the country.⁷¹ This was also one of the key findings of the Asia Foundation's annual survey in Afghanistan. According to the survey, fear for personal safety remained roughly at the same level as 2017 (70.7% in 2017 and 71.1% in 2018) thereby reflecting the «public's continued concern for personal safety».⁷²

One additional aspect that is important to consider in this brief overview of the socio-economic situation of Afghanistan in 2018, is the state of narcotics production during the course of the last 12 months, in particular opium. According to the latest Afghanistan Opium Survey, an annual report produced by the Ministry of Counter Narcotics (MCN) of Afghanistan in

66. 'Quarterly Report On The Protection Of Civilians In Armed Conflict: 1 January to 30 September 2018', *United Nations Assistance Mission to Afghanistan*, 10 October 2018, p. 1.

67. *Ibid.*, p. 2.

68. Asian Development Bank *Asian Development Outlook 2018 Update*, 2018, p. xiii.

69. *Ibid.*, p. 157.

70. The World Bank, *The World Bank in Afghanistan. Overview*, October 2018.

71. Central Statistics Organization, *Afghanistan Living Conditions Survey 2016-17. Highlights report*, Kabul: CSO, 2018.

72. The Asia Foundation, *Afghanistan in 2018: A Survey of the Afghan People*, 4 December 2018.

collaboration with the United Nations Office on Drugs and Crime (UNODC), the area in which opium poppy cultivation is present in Afghanistan «remains at very high levels despite a decrease by 20 per cent compared to 2017».⁷³ While the production of opium decreased by 29% in 2018, the report also highlights that this was primarily due to drought affecting the Northern and Western areas of the country, rather than an improvement of the rule of law in these areas.⁷⁴ As such, the progress made in this area might not necessarily translate into long-term, consolidated gains.

5. Conclusion

The political and economic situation in Afghanistan in 2018 resembled that of the previous year. The National Unity government, sworn in after the 2014 presidential elections with a mandate to deliver much needed reforms, failed in this respect and continued to lack unity. While the parliamentary elections represented an important moment for Afghanistan's democracy, the delay in announcing the results, and the consequent postponement of the 2019 presidential elections, have undermined the credibility of the whole democratic exercise. Afghanistan's regional and international environment remained in flux, with a host of actors ranging from the US to China, aiming to maximize their interests in the country.

73. Islamic Republic of Afghanistan, Ministry of Counter Narcotics and United Nations Office on Drugs and Crime, *Afghanistan Opium Survey 2018*, November 2018, p. 14.

74. *Ibid.*

IRAN 2018: THE YEAR OF LIVING DANGEROUSLY

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Two developments marked the year 2018; the re-imposition of unilateral sanctions by the United States, which under President Donald Trump decided to abandon the Joint Comprehensive Plan of Action (JCPOA); and the protests, strikes and economic grievances that seriously affected Iranian society and economy. Both of these events influenced the conduct of Rouhani's administration, which has since struggled to regain support from the political establishment and population.

1. Introduction

The year 2018 was marked by the protests in Mashhad province, begun in late December 2017, and continuing across the country until mid-January. However, the year was most notable by the new wave of sanctions imposed by the United States after President Donald Trump's decision to pull out from the Joint Comprehensive Plan of Action (JCPOA) on 8 May 2018.¹ After a series of warnings issued in October 2017, January and March 2018, Trump finally made his decision to withdraw from an agreement he considered detrimental to US interests, in line with his electoral campaign narrative. Arguing that Iran had not complied with the conditions accepted in the deal, but instead had attempted to increase its regional leverage in Syria, Iraq and Yemen, Trump cancelled all previous decisions taken by President Obama. The US government then reinstated executive sanctions that targeted the Iranian nuclear programme. After a period of 180 days ending on 4 November, the secondary sanctions were set in place. According to official information, more than 700 individuals and institutions from Iran and abroad were added to the Treasury Department's existing list of those blocked and targeted by the sanctions. Among those listed were construction, shipping and engineering companies, as well as banks and financial institutions, oil, gas and energy-related companies. A large proportion of them were located overseas, in Europe, Asia or Central America, as joint ventures with Iranian companies.²

1. The White House 'Remarks by President Trump on the Joint Comprehensive Plan of Action', 8 May 2018 (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-joint-comprehensive-plan-action>).

2. See the full list at the U.S. Department of the Treasury, available at https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20181105_names.aspx.

The JCPOA signed in 2015 lifted only those nuclear-related sanctions imposed by the US presidency, and not the congressional ones targeting Iran, triggered by accusations of sponsoring terrorism or human rights issues.³ Those sanctions have remained in place since 1979 and were now added to the new ones. These included a commercial ban on almost all goods coming and going from Iran – medicines, carpets and caviar among them. The commercial ban was complemented by a controversial ban on Iranian (as well as Yemeni, Syrian, Libyan and Somali) individuals travelling to the US, which had been one of the first measures taken by Trump in January 2017.⁴ This especially affected the approximately three million Iranian-American community, as well as those other nationalities that had travelled to Iran. Subsequently, the online ESTA (Electronic System for Travel Authorization) procedure to apply for a regular tourist visa was replaced by a formal ten-year visa, issued upon request by American consulates abroad. These requests, however, were sometimes rejected, and even when accepted, the ten-year visa would not prevent unpleasant delays at the border control due to long interrogations. According to information recently released, around 37,000 visas were rejected in 2018 due to the «Muslim ban», compared with just 1,000 from the previous year.⁵ The measure was heavily criticised not only by the Iranian-American community but also by Human Rights organisations and Democratic politicians, and provoked a heated debate within US society, which included judges and custom officials refusing to apply the entry restrictions.

2. *Economy and society*

The Iranian economy in 2018 was greatly affected by the reinstatement of sanctions and the impact that the US decision had on the Iranian currency market, oil exports and foreign investments. The new sanctions came in the midst of an already critical situation that provoked street demonstrations, sectorial strikes and demands for better working and salary conditions.

3. A detailed 95-page report on 'Iran Sanctions', produced by the *Congressional Research Services*, 4 February 2019, is available at <https://fas.org/sgp/crs/mideast/RS20871.pdf>

4. U.S. Department of Homeland Security, *Executive Order 13769: Protecting the Nation From Foreign Terrorist Entry Into the United States* (<https://www.dhs.gov/publication/executive-order-13780-protecting-nation-foreign-terrorist-entry-untid-states-initial>).

5. 'U.S. denied tens of thousands more visas in 2018 due to travel ban – data', *Reuters*, 26 February 2019.

2.1. Outlook for the financial-economic situation

Economic indicators showed clear signs of deterioration as a direct result of the US-imposed sanctions. According to World Bank estimations, Iranian GDP growth declined from a record high of 13.4% in 2016/17 to 3.8% in the Iranian fiscal year ending March 2018, namely before the announcement of the American withdrawal from the JCPOA on 8 May. The prospects of a growth rate stagnation were predictable considering that at least half of that growth is dependent on the oil sector, the main target of the sanctions.⁶ The World Bank Economic Monitor report also stated that housing prices in Tehran increased by almost 37% in Spring 2018 compared to the same period a year earlier; rents were 27% higher.⁷

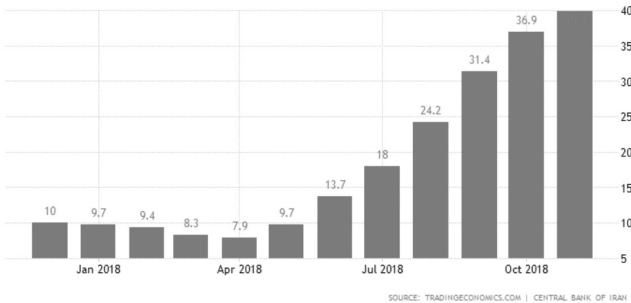


Table 1: Inflation rate in Iran, 2018

The inflation rate that had been controlled during Rouhani’s first term was directly affected by the US announcement of the withdrawal from the JCPOA. While the rate remained below the average 10% from January to May, it gradually increased to 18% in July, reaching 40% by the end of the year.⁸ Unemployment, one of the concerns behind the strikes and demonstrations that affected the country at the beginning of the year, remained high at 12.1%, especially among the youth and educated population, as the labour-force, people aged 15 to 64, continued to rise (40.3% in 2017/18).⁹

6. According to *Statista* the estimated GDP growth for the calendar year 2018 was -1.48%, while in 2019 it would be -3.61% (<https://www.statista.com/statistics/294301/iran-gross-domestic-product-gdp-growth/>).

7. ‘Iran Economic Monitor: Weathering Economic Challenges’, *World Bank Group*, Fall 2018.

8. See available data at ‘Consumer Price Index’, *Central Bank of Iran* and ‘Iran Inflation Rates’, *Trading Economics*.

9. ‘Iran: Unemployment rate from 2012 to 2022’, *Statista* and ‘2017: Iran’s Economy in Review’, *Financial Tribune*, 2 January 2018.

The dollar-rial (US\$-IRR) exchange rate was of real concern, not only for the government which failed to control the drastic decline of the Iranian currency, but for the population too. It became a burden to access foreign currency for savings or travel purposes as well as to purchase imported goods, such as medicines, unavailable on the Iranian market. The year started with the US\$ at 42,900 IRR, with the rate stabilised at around 55-60,000 IRR before the announcement. The rate rose to 67,800 on 8 May, the day of Trump's announcement, climbing to 90,000 on 24 June, 119,000 on 30 July, peaking at 190,000 on 24 September. Although the situation stabilised after several months, the year ended with one dollar sold at 113,000 rials, almost triple than the beginning of the year.¹⁰

The currency crisis provoked financial speculation, stockpiling of imported products, and scarcity of basic goods causing prices to escalate. In June, foreign exchange offices were temporarily closed down by the authorities, currency exchange suspended, US dollars were no longer sold by the government, which in turn exacerbated the exchange rate. The government also prosecuted those believed to be benefiting from the crisis, for «spreading corruption on earth». The most extreme case ended with the execution, sentenced by an impromptu financial crimes tribunal, of the so-called «sultan of coins», Vahid Mazloumin, in November 2018.¹¹

The main target of the sanctions, the oil industry and exports, was affected by Trump's decision but not as drastically as the US government had hoped. Oil exports rose 2.8 million bpd in April 2018, falling gradually thereafter to 2.3 in July, 1.9 in August and 1.7 in September.¹² Without definitive data available estimations for October were between 1.5-1.8, November 1.3 and December not lower than 1 million bpd.¹³ However, the provisions for 2019 seem to be far from the expected «zero» exports by the Trump administration. In January 2019 between 1.1 and 1.3 million bpd left Iran, while in February an average of 1.25 million bpd were exported.¹⁴ The negative aspect for Iran, nonetheless, was that the top four buyers from Asia – China, India, Japan and South Korea – imported 21% less in 2018 compared with the previous year, reaching an average of 1.3 million bpd.¹⁵ Despite the waivers that the US administration granted to those countries during the second half of 2018, their compliance with American sanctions

10. 'Iranian Rial Exchange Rates', *Bombast*.

11. 'Iran executes «Sultan of Coins» amid currency crisis', *BBC News*, 14 November 2018.

12. Julian Lee & Alex Longley, 'Iran's Tracked Oil Exports Hit 2 1/2 Year Low Before Sanctions', *Bloomberg*, 1 October 2018.

13. Personal communication with Nikolay Kozhanov, expert and consultant on energy and oil, 2 February 2018.

14. Alex Lawler, 'Despite sanctions, Iran's oil exports rise in early 2019: sources', *Reuters*, 19 February 2019.

15. Florence Tan, 'Hit by sanctions, Asia's Iran crude oil imports drop to three-year low in 2018', *Reuters*, 31 January 2019.

means that their previous commitment to purchase Iranian oil will not be fulfilled, reducing the total to less than 800,000 bpd.

The price of Iranian oil varied greatly throughout 2018. While it reached a peak of 81 US dollars per barrel on 4 October, giving hope to the Iranian government that the fall in exports would not so severely affect the state budget, prices did not remain stable and plummeted to US\$ 46 by the end of December.¹⁶ By February 2019 prices rose again to US\$ 60.

According to the Iranian Financial Tribune newspaper the non-oil exports also dropped during 2018, at least 34% from March to December, China being the main foreign trade partner throughout that year.¹⁷

Further bad news for the Iranian economy in 2018 was the departure of companies expected to have an important role in developing the oil industry. Most notable case was the French oil giant Total, which announced its departure from Iran in late August, following the failure to obtain a US waiver to the sanctions. The French involvement in the South Pars gas project jointly with the China National Petroleum Corporation (CNPC) and Iran's Petropars had been signed earlier in July 2017, with a joint investment of US\$ 4.8 billion.¹⁸ Earlier in June some companies had already announced that following the new sanctions imposed by the US they would cease trading with Iran, among them the shipping company A.P. Moller-Maersk; the French carmaker Peugeot; General Electric and Siemens. Moreover, the aviation company Boeing, which had signed a contract worth US\$ 20 billion to provide new aircraft to the state companies Iran Air and Iran Aseman, declined to request the US waiver and in June announced the cancellation of the contract.¹⁹

The most worrying development in the second half of the year was the cancellation of contracts by the Russian oil state companies Lukoil, announced earlier in May, and Zarubezhneft, in November. Both companies claimed they pulled out from the oil market due to the implementation of sanctions.²⁰ This was followed by a reduction of its financial activities in Iran by the Chinese bank Kunlun, announced in December.²¹ Summing up, 2018 saw the two nations that had been Iran's main supporters, even throughout the harshest of international sanctions, prioritise their long term interests with the United States over their support for Iran.

16. Iran Heavy Oil Price (<https://oilprice.com/oil-price-charts>).

17. 'Iran's Non-Oil Foreign Trade Falls 34%', *Financial Tribune*, 31 December 2018.

18. 'French energy giant Total quits lucrative Iran gas project', *Al Jazeera*, 20 August 2018.

19. Ellen Wald, '10 Companies Leaving Iran as Trump's Sanctions Close In', *Forbes*, 6 June 2018.

20. 'Lukoil puts Iran plans on hold due to threat of U.S. sanctions', *Reuters*, 29 May 2018; 'Russian oil producer Zarubezhneft quits Iran projects due to sanctions: sources', *Reuters*, 2 November 2018.

21. Motamedi Maziar, 'Policy Change at China's Bank of Kunlun Cuts Iran Sanctions Lifeline', *Bourse & Bazar*, 2 January 2019.

2.2. *The street demonstrations*

Throughout 2017 the prospect of new sanctions to be imposed by the US, as well as the absence of any visible economic improvement as a result of the JCPOA, served to increase pressure on the Rouhani administration. On the one hand, the hardliners had been pushing the government to take a harsher approach to foreign policy, mainly in relation to the nuclear negotiation, and on the other, the patience of working class Iranians throughout the country started to wane. The year 2017 finished with a spontaneous demonstration in Neishabour, Mashhad province, which was convened through the popular social media Telegram. As a result, on 3 January the mobile application was temporarily blocked by the Supreme National Security Council, basing its decision on the utilisation of this tool by groups in exile to distribute news against the Iranian government, such as the channel Amad News.²² A few months later, on 28 April, Telegram was banned by the judiciary, which declared it detrimental to state security.²³

The demonstrators gave voice to their economic grievances, targeting mainly the Rouhani administration's performance. The protest spread throughout the country, with relatively big demonstrations in Qom, Isfahan and Tehran, and continued for several months.²⁴ A detailed report from the American Enterprise Institute Critical Threats Project described and documented 102 demonstrations, with the geographic distribution, outcomes and sources used.²⁵ The demonstrations began peacefully but ended with at least 30 casualties in several provinces – Isfahan, Khuzestan, Lorestan and Kermanshah.²⁶ Some of the demonstrators were chanting against the leader, the Islamic Republic and in favour of the former ruler of Iran, Shah Mohammad Reza Pahlavi.²⁷ Although the protests reached a level of violence not seen in Iran since the time of the Revolution, with official buildings stormed and set on fire, the Rouhani government unambiguously recognised the right of the Iranian people to protest and express their grievances.²⁸ In so doing, it circumvented the intervention of the Revolutionary Guard and thus avoided any bloodshed.

22. 'Iran calls on Telegram to block terrorist channels', *IRNA*, 3 January 2018.

23. Parisa Hafezi, 'Iran's judiciary bans use of Telegram messaging app: state TV', *Reuters*, 30 April 2018.

24. 'Protesters Shout «Death to High Prices» as Demonstrations Break Out in Three Iranian Cities', *Payvand*, 29 December 2017.

25. Mike Saidi, '2017 - 2018 Iranian Anti-Regime Protests and Security Flaws: Graphics', *Critical Threats*, 19 January 2018.

26. 'Statistics of Killed and Detainees during 2017–18 Iranian protests', *Medium*, 7 January 2018.

27. 'Iranians chant «death to dictator» in biggest unrest since crushing of protests in 2009', *The Guardian*, 31 December 2017.

28. 'Iranians free to express criticism, stage protest: President Rouhani', *PressTV*, 31 December 2017.

Hard-line media and politicians alike exploited the situation to attack President Hassan Rouhani and his cabinet, demanding their impeachment. However, Supreme Leader Sayyid Ali Hosseini Khamenei sided with Rouhani, declaring after a meeting with him that the protests had been orchestrated by the enemies of Iran from abroad, namely the United States, Israel and the Mojaheddin-e Khalq opposition movement in exile.²⁹

Other high-ranking officials, such as chairman of the Guardian Council Ahmad Jannati, accused foreign actors of organising the protests. But Jannati also recognised that there were those who participated in the protests because of their «dissatisfaction over economic issues.» In that sense, he stressed that the government should address the people's demands, in line with what the Supreme Leader had said.³⁰

Similar remarks were provided by former reformist president Mo-hamad Khatami on 15 January, when he stated that the government had to «accept their share of the blame» of the «economic, political, and social shortcomings» behind the protests. At the same time, Khatami called for an open environment in which people could express freely their grievances without repression.³¹

After the first days of demonstrations, the entire political elite became aware of the gravity of the demands and the threat posed to the security and stability of the whole political system. In response, the authorities decided to convene pro-government rallies across the country, to show people's allegiance to the Islamic Republic. Since the most important anti-governmental demonstrations took place mainly in the peripheral provinces, the pro-governmental ones were organised alongside them, to counterbalance the narrative of the protesters.³²

Included among those hard-line politicians wanting to hold protests against the country's economic conditions were seven associates of former president Mahmoud Ahmadinejad. One of them was the controversial Es-fandiari Rahim Mashaei, a close collaborator of Ahmadinejad and rejected presidential pre-candidate in 2013.³³

The protests and its consequences opened a very delicate debate about the achievements of the almost 40 years old Islamic Republic. The political elite realised that blaming the United States and its policies was not enough to justify the lack of economic improvement of large segments of the Irani-

29. Khamenei Tweeter account tweet, 9 January 2018 (https://twitter.com/khamenei_ir/status/950674703538098176)

30. 'Recent unrests in Iran foreign plot: Top cleric', *IRNA*, 3 January 2018.

31. 'Khatami's stance on recent protests (موضع خاتمی در مورد اعتراضات اخیر)', *Jam-aran*, 15 January 2018.

32. Mahdi Pedramkhou, 'Iranians march in streets to denounce riots', *Mehr News Agency*, 3 January 2018.

33. 'Ahmadinejad's close ally request approval for a protest rally to the Interior Ministry' (تقاضای رسمی نزدیکان احمدی‌نژاد از وزارت کشور برای تجمع اعتراضی), *Radio Farda*, 24 January 2018.

an population. The role of demonstrations, their legitimacy and purpose as an expression of popular demands and the fact that they did not necessarily represent a danger to the stability of the system were discussed. In closed-door meetings as well as in the press, scholars and politicians increasingly began to accept the protests as a normal feature of mature political systems, able to tolerate dissent and opposition. Given that the Iranian society is pluralistic, with huge social, ethnic and regional diversities, further divided by an urbanised and rural population, recognising the people's right to demonstrate was only logical. Rouhani and his government appeared to be convinced that demonstrations serve as a form of damage control, defusing people's grievances and demands unable to be expressed through electoral or normal channels. The «normalisation of politics of protests» has thus become a very likely scenario in Iran in the short term. The government appears to have learned to coexist with sporadic or even systematic strikes and demonstrations, made legal, though contained by the security forces, as in Western countries. If this change, which came about in the year under review, were to endure until the presidential elections in 2021, it would grant Rouhani some leeway to improve the economy, which in turn would most likely favour a reformist or pragmatic candidate.

2.3. *The strikes and social discontent*

The year 2018 witnessed an increasing number of general strikes and public demonstrations directly related to socio-economic grievances, triggered by the worsening economic situation after the imposition of sanctions. Three sectors in particular were in a permanent state of unrest throughout 2018: truck drivers, teachers and shopkeepers. Truck drivers went on strike in June, October and November, allegedly affecting dozens of cities in several provinces. However, the evidence for this has often been contradictory. Some of the strike's leaders were detained and prosecuted, aggravating an already tense situation.

Beginning in June, shopkeepers in Shiraz, Isfahan, Kermanshah, Ardebil and even Qeshm Island (which has privileged status due to economic incentives) closed their doors repeatedly. On 11 October, more than 50 cities closed their shops, bringing the country to an almost standstill. Also on 8 October *bazaaris* closed their shops in many cities, mainly in Kurdistan and Azerbaijan provinces but also in big cities such as Tehran, Isfahan and Mashhad. Even Chabahar went on strike, a city that has been given considerable government aid to develop its port to enable it to trade with India, China and Qatar.

Some incidents attracted a lot of attention from local and foreign media, such as the Heavy Equipment Production Company (HEPCO), an Iranian company that manufactures construction equipment in Arak. The company was privatised in 2017 when a large proportion of its employees were dismissed. On 5 February hundreds of workers took to the main square

of the city to claim three months unpaid wages. As a result, many demonstrators were prosecuted and jailed; 15 of them were sentenced for «disturbing the peace» to two years in prison and 74 lashes.³⁴

Another notable case was the privately-owned Haft Tapeh sugar factory, which also went on strike in February because of unpaid wages. Thirty-four of its workers were detained and later released with charges.³⁵

On 4 February several labour unions – the Tehran Bus Workers' Syndicate, Nikshahr Haft Tapeh Sugarcane Workers' Syndicate, and the United Retirees' Group – issued a joint statement calling for the government to raise the minimum monthly wage to US\$ 1,350 from the very low wage of US\$ 250; increasing inflation was drastically reducing the value of the Iranian currency.³⁶

Teachers from all over the country went on a two-day strike on 13 and 14 October, with dozens detained. Although, as noted above, the government recognised the people's right to protest and present their demands to the authorities, the security forces detained many demonstrators and threatened them with massive detentions, while the judiciary applied a very strict interpretation of the law, accusing them of conspiring against the state.³⁷

2.4. *The Girls of Enghelab Street*

In the midst of this social unrest, a new challenge to the Islamic Republic's dress code surfaced in Tehran and some other major cities. On 27 December 2017, Vida Movahed, a Tehranian woman, stood on top of a street utility box at Enghelab Street, in the crowded centre of Tehran, took off her white *hijab* (scarf), tied it to a stick and waved it as a flag. The pictures of Movahed, who was arrested and released on bail a month later, went viral on social network, and many other women repeated the same action throughout the city over the following days with similar results. On 1 February 2019 the security forces arrested 29 women who were protesting the wearing of the mandatory hijab in support of a campaign called «White Wednesdays», encouraged from abroad via VOA Persian TV, but also as a show of solidarity with Movahed.³⁸ While it did not become a massive demonstration and involved only a few dozen individual actions,

34. '15 HEPSCO Workers in Iran Issued Suspended Prison, Lashing Sentences For Demanding Unpaid Wages', *Payvand*, 1 November 2018.

35. '34 detainees were released' (هفتتپه آزاد شدند), *Radio Farda*, 4 February 2018.

36. 'Trade Unions: minimum monthly wage should be 5 million toman' (صنفي: حداقل دستمزد ماهانه سال ۹۷، بايد پنج ميليون تومان باشد سه تشکل کارگری و), *Radio Farda*, 5 February 2018.

37. 'Teachers' Strike Sees Classes Canceled Across Iran', *Radio Farda*, 15 October 2018.

38. '29 people arrested for anti-hijab campaign' (۲۹ نفر از فریبخوردگان کمپین کشف (حجاب دستگیر شدند پلیس تهران:), *Tasnim News*, 2 February 2019.

the campaign once again raised the subject of the dress code imposed by the religious authorities in 1980. Nasrin Sotudeh, the lawyer defending Movahed and other feminist activists jailed during this campaign, was also detained in June.

Far from being unanimous, however, the reaction to the protest by Movahed and other feminists varied from support to condemnation. Accordingly, on the one hand, female parliamentarian Soheila Jelodar attributed the wave of protests against the mandatory hijab to «unnecessary hardships» which had caused the «Girls of Enghelab St. to throw their hijabs in the sewer.»³⁹ A conservative member of the Majlis, Ali Motahari, stated that there was no compulsory hijab in Iran, arguing that women can choose.⁴⁰ And the cleric Seyyed Mehdi Tabatabaei asserted that although the hijab was certainly a requirement in Islam, it does not mean that it should be compulsory, since this has a converse effect.⁴¹ On the other hand, there were those who vehemently condemned the actions, for instance the judiciary spokesman Gholam-Hossein Mohseni-Eje'i, who on 4 February 2018 stated that some of the arrested women were on «synthetic drugs»; adding that if it was proven their protests were organised, their crime? punishment would be much heavier.⁴² Similarly, the Mashhad Friday prayer leader Ahmad Alam ol Hoda, claimed that those foreign and internal actors who were knowingly and unknowingly targeting the hijab in the name of freedom and happiness, were actually following the enemy. He directly accused foreign enemies of conspiring to undermine the pillars of the Islamic Revolution.⁴³

The Center for Strategic Studies, attached to the office of President Hassan Rouhani, intervened in the debate by publishing a report on 3 February, suggesting that almost half Iranians wanted the wearing of the hijab to be voluntary and not mandatory. The report, which summarised and compiled the findings of surveys conducted between 2006 and 2014, revealed an increase from 34.7 to 49.2% of those who believed the wearing of the hijab should be voluntary.⁴⁴

39. 'From the «Girl of Enghelab Street» to the «Girls of Enghelab Street» («دختر خیابان انقلاب» تا «دختران خیابان انقلاب از «دختر خیابان»)', *Radio Farda*, 9 February 2018.

40. 'Protests against compulsory hijab trigger debate in Iran', *Al monitor*, 31 January 2018.

41. 'Seyyed Mehdi Tabatabaei: In the veil debate, there is a block between people and authorities' (سید مهدی طباطبایی: در بحث حجاب شاهد لجبازی بین برخی مردم و مجریان هستیم), *Jamaran*, 24 January 2018.

42. 'Woman Arrested For Removing Hijab in Tehran Refuses to Repent Despite Facing 10 Years in Prison', *Center for Human Rights in Iran*, 6 February 2018.

43. 'Participating in the 22 Bahman rally is the greatest worship' (بزرگترین عبادت است شرکت در راهپیمایی ۲۲ بهمن), *ISNA*, 24 January 2018.

44. 'Meeting report Hijab: Pathology of Past Policies, Looking to the Future' (حجاب: آسیب‌شناسی سیاست‌های گذشته، نگاه به آینده گزارش نشست), *Center for Strategic Studies*, 3 February 2018.

3. *Internal and foreign policy*

The continuation of the Iranian commitments with the JCPOA and related international agreements, such as the Financial Action Task Force (FATF), has been intertwined with the tough struggle for power between the government and its critics, with the government battling to maintain its decision-making capacity in order both to promote socio-economic changes to alleviate the population's grievances, and to sustain the Iranian international commitments.

At least three large terrorist attacks took place in the provinces causing dozens of fatalities. These attacks demonstrated that the country is not immune to the threat of terrorism, and has become a target for many groups in the region.

3.1. *The internal struggle for power*

In the year under review, President Hassan Rouhani was under huge pressure from conservative sectors as a result of the country's poor economic performance, the depreciation of the Iranian rial and the absence of any economic gain after signing the nuclear deal (JCPOA). The impeachment by the Majlis of the minister of Economic Affairs and Finance Masoud Karbasian, the number three in the Rouhani government, was evidence of this. On 25 August, with 137 votes in favour and 121 against, the Majlis voted for Karbasian's impeachment, due to his failure in tackling inflation, implementing economic transparency and preventing irregular tax application. Previously, on 8 August, the minister of Co-operatives, Labour and Social Welfare Ali Rabiei had been impeached, allegedly due to his inability to reduce the country's high unemployment rate. At the same time, Rouhani ousted the head of the Central Bank of Iran, Valiollah Seif.⁴⁵

Very shortly after, on 28 August, Rouhani attended a parliamentary meeting in order to specifically address five issues put to him by 82 members of the Majlis: 1) the government failure to tackle the smuggling of goods and hard currency; 2) the continuation of banking sanctions; 3) the persistence of high unemployment rates; 4) the slow economic growth; and 5) the devaluation of the national currency. Rouhani's answers, however, did not satisfy the parliamentarians. According to Iranian media sources, Rouhani properly addressed only one of the five issues, and, in response, a group of MPs decided to submit the questions to the judiciary for further information. However, the head of parliament, a conservative supporter of Rouhani, Ali Larijani, ruled out this possibility. According to Larijani, the questions were not related to any «violation of the law» or «refrainment from

45. 'Rouhani's economy minister impeached', *Al Monitor*, 27 August 2018.

the implementation of the law», which, according to him, were the only cases in which the judiciary could be involved.⁴⁶

Even though this grilling did not represent an impeachment attempt by the Majlis, and did not have further consequences for Rouhani, it was evident that the conservative factions had enough weight within the chamber to eventually bring about Rouhani's impeachment before the end of his second term in mid-2021. It is worth mentioning that impeachment has occurred in Iran only once, in 1981, with then-president Abol Hassan Bani Sadr;⁴⁷ and that that option did not seem to be favoured by the leader Ali Khamenei. This became clear just one day after the grilling, on 29 August, in a routine meeting Khamenei had with all the administration, including Rouhani. The first interpretation of the meeting was that Khamenei still supported Rouhani as president, and there was no imminent intention to impeach him, with Khamenei calling for the unity of the government and praising the hard work of all the members of the current administration. However, according to some experts, Khamenei's words were interpreted as: 1) a reprimand against Rouhani for his poor performance in economic affairs; and 2) a warning that if there were no visible results in the short term the Supreme Leader's support for Rouhani should not be taken for granted. The meeting also highlighted Khamenei's conviction that the JCPOA, without the participation of the US, was devoid of any benefit for Iran. Khamenei prohibited any further negotiation with the US government and at the same time clearly stated that Iran can neither trust nor rely on the European Union to continue the deal or to make the deal operational, as was proven by the cancellation of agreements with major companies such as Total, ENI, and Peugeot among others (see below, section 3.2).

Another point of confrontation between institutional figures and factions was represented by foreign minister Javad Zarif's statements on money laundering, and the implementation of the internal measures requested by the Financial Action Task Force (FATF)⁴⁸ to make the Iranian banking system more transparent and to prevent the financing of terrorist activities. In an interview on 10 November with Khabar Online television, Zarif

46. 'No Consequences For Rouhani After Speech On Economic Performance', *Radio Farda*, 29 August 2018 and 'Iran Lawmakers Reject Rouhani Answers on Economic Woes', *Bourse & Bazar*, 28 August 2018.

47. The Iranian Islamic Consultative Assembly (Parliament) impeached Abol Hassan Bani Sadr, the first elected president of the Islamic Republic, on 21 June 1981, with 177 votes in favour, 1 against, 1 abstention and 11 absent members. For more information see 'Iran Parliament Finds Bani-Sadr Unfit for Office', *New York Times*, 22 June 1981.

48. The Financial Action Task Force (FATF) is an inter-governmental body established in 1989, with the objective to «promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.» For more information, see <https://www.fatf-gafi.org/home/>.

stated that money laundering was a widespread «real problem» in Iran. He did not mention any specific name or institution, but it was understood his comments referred to institutions such as the Bonyads (the powerful charity trusts) and the Pasdaran (Revolutionary Guards), who are accountable only to Supreme Leader Khamenei, without any other control from the government, and are tax exempt.⁴⁹

Zarif's comments followed the debate related to the bills which make joining the FATF mandatory for Iranian institutions. These bills had been under discussion for several months in parliament, the Guardian Council and the Expediency Discernment Council, but by the end of 2018 were still far from being passed.

The conservative press and politicians severely criticised Zarif for his remarks, and a request for his impeachment was signed by 24 members of parliament, enough for it to be considered by the Majlis National Security and Foreign Policy Commission session. Heshmatollah Falahatpisheh, head of the National Security Commission of the Majlis, and a number of hard-liner MPs denounced the FATF bills as government surrender to external interference in the Iranian financial and banking system. However, Falahatpisheh did not support Zarif's impeachment, only his interrogation by the Majlis, a commonplace procedure among members of the cabinet. The draft of the impeachment request included 11 points, some very general, such as those criticising Zarif for the indifferent results of his policy towards Iran's traditional partners in Asia, Africa and Latin America. Another was the accusation that the foreign minister had not properly followed Khamenei's directives to implement a strong «resistance» policy in the region. Other accusations were very specific: Zarif had made insufficient efforts to defend Iranian diplomats expelled or detained in Europe;⁵⁰ he had diverted public attention towards the money laundering issue in order to facilitate the signing of an international treaty, decried as harmful for the country.

Ultimately though, the impeachment attempt failed to obtain enough support from parliamentarians and was finally dropped.⁵¹

Although Rouhani has lost several ministers during his tenure, and more are likely to follow before the end of his term, impeachment of ministers in Iran is quite common. Before Rouhani's presidency, 21 ministers were impeached (three during Mousavi's government, four during Rafsan-

49. The interview can be watched at <https://www.didestan.com/video/47qLERv8>.

50. In June 2018, two diplomats were expelled from the Netherlands due to their alleged involvement in the killing of one member of the Mujahedin Khalq Organization and another from Al Ahwazy Arab group. In October, another diplomat was expelled from France due to his alleged involvement in a failed attack against a meeting in Paris of the National Council of Resistance of Iran. In December, the ambassador and another diplomat were expelled from Albania due to their alleged threats against the security of the country.

51. 'Parliament drops Zarif impeachment', *Mehr News*, 5 December 2018.

jani's, seven during Khatami's, seven during Ahmadinejad's). During Rouhani's tenure, the number of impeached ministers leading up to the end of the period under review was 11: seven during the first term, and four during the second. The last four were those of Labour, Finance, Industry and Transportation, portfolios that were bound to be targeted because of the disruption caused by industrial action, political protests as well as lack of economic progress. Surprisingly, the four new ministers appointed by Rouhani in August obtained a very high approval rate in the October Majlis sessions, with 200 votes out of 265 for Farhad Dejpasand, Economic Affairs and Finance; 203 for Reza Rahmani, Industry, Mines and Trade; 196 for Mohammad Shariatmadari, Labour and Social Welfare; and 151 for Mohammad Eslami, Transport.⁵² Other interesting facts were that Mohammad Shariatmadari moved from Industry to Cooperatives, Labour and Social Welfare, and Farhad Dejpasand, previously deputy head of the Plan and Budget Organization, a powerful administrative office designed in 1980s' to coordinate the efforts for industrialization and privatization of state companies, was appointed Minister of Economic Affairs and Finance. The reshuffle of Rouhani's cabinet in 2018, although not as thorough as expected to change the direction of the economy, was not negatively received by parliament. This would suggest either that Ali Larijani was able to convince the moderate-conservatives to support Rouhani's nominees or, simply, that MPs were happy to force the dismissal of some ministers to signal a warning to Rouhani without provoking the general collapse of his administration.

Another situation that revealed Rouhani's domestic problems was the difficulty in holding together the parliamentary coalition supporting his government. Even though Rouhani was supported by the reformist groups, he himself is not a reformist but a pragmatist, much in line with the ideology of the Kargozaran Party, to which he belongs.⁵³ It is also clear that moderate-conservatives, or conservative-reformists, such as Ali Motahari, Mostafa Kevakevian and Ali Larijani, who are also supporting governmental initiatives, do not share Rouhani's ideological background. Thus, the alliance supporting the president seems to be based on the decision to sponsor specific policies, such as the JCPOA, rather than a shared well-defined political programme.

An example of the coalition's weakness is the crisis suffered by Tehran city council. In the 19 months since the municipal elections of May 2017, the capital city has had four different city mayors chosen by the council's members. The fact that the 21 elected members of the city council belonged

52. 'All proposed ministers get votes of confidence', *Tehran Times*, 27 October 2018.

53. The Kargozaran party – Kargozaran-e Sazandegi-e Iran or Executives of Construction Party – was founded in 1996, under Ali Akbar Hashemi Rafsanjani's presidency. It sponsors free markets and industrialisation as a main instrument for the promotion of progress and development.

to the List of Hope, which includes reformists, moderates and independents and who won the last elections, is another element that proves the lack of homogeneity and, therefore, the structural weakness of the coalition supporting the government.⁵⁴ The first mayor, Mohammad Ali Najafi, from the Reformist faction, resigned in March 2018. Samiollah Hosseini Makarem, also a reformist, lasted one month, until Mohammad Ali Afshani (National Trust Party) was elected in May. He was forced to resign in October due to a new law banning early-retired officials from re-assuming public office. Mohsen Hashemi – son of Hashemi Rafsanjani and head of the city council and the Kargozaran Party, powerful at the national level, but a minority in the current city council - was not able to impose his candidate in the election of the fourth city mayor on 18 November 2018. The current mayor, Pirouz Hanachi, previously deputy mayor, won with a very narrow margin, obtaining 11 votes against the ten supporting his rival, Abbas Akhoundi, minister of Roads and Urban Development until his resignation in October. Close to Rouhani, Hanachi has a more technocrat and less political profile, according to sources.⁵⁵

Tehran municipality has been very important in boosting the electoral chances of some politicians, such as Mahmoud Ahmadinejad in 2005, but less so for others such as Mohammad Bagher Qalibaf, who unsuccessfully ran twice as presidential candidate, competing with Rouhani in 2013 and 2017. Moreover, the battle for the Tehran mayoralty might backfire, weakening the reformist/pragmatic coalition and endangering Rouhani's chances of retaining the presidency, and control of both Teheran city council and the national parliament, elections for which will be held in February 2020.

3.2. *The US, EU, UN, between the JCPOA and the Special Purpose Vehicle (SPV)*

While it was expected that Trump would change his administration's approach towards Iran and the JCPOA, many scholars consulted in Iran in January 2018 considered he would not attempt to abrogate unilaterally an agreement that had been ratified and endorsed by the whole international community. However, those hopes were dashed when John Bolton replaced Herbert McMaster as National Security Advisor, and Michael Pompeo replaced Rex Tillerson as Secretary of State in April of that year. The new appointees, in particular Bolton who openly advocated regime change in Iran and claimed to be a representative of the Mujaheddin Khalq Organ-

54. The official results of the municipal elections in Tehran, May 2017 are available at <https://tehran.ostan-th.ir>

55. Tahere Hadian-Jazy, 'New Tehran Mayor Takes Office After Controversy', *Atlantic Council*, 10 December 2018; 'Why Tehran's Reformists Changed Three Mayors In 18 Months', *Radio Farda*, 13 November 2018; and Saeid Jafari, 'Tehran set for yet another mayor amid Reformist infighting', *Al Monitor*, 19 October 2018.

ization, a group outlawed by the European Union⁵⁶, were well-known anti-Iran hawks.

Just a couple of weeks after those appointments, and following the threats uttered by Trump ever since May 2017, on 8 May 2018 the US president publicly announced the abandonment of the nuclear deal and the reinstating of all US nuclear-related executive sanctions against Iran. The reaction from the Iranian government was a measured statement by President Rouhani in which he reaffirmed Iran's commitment to the deal, regretting the US decision, but warned that Iran's continuing adherence to it would depend upon further consultations with the remaining signatories of the agreement. He also indicated that the Iranian government would ready itself for the deal's eventual cancellation, by stating

I have instructed the Atomic Energy Organization to be ready for the next steps if necessary and start industrial enrichment without any limitation and we will wait a few weeks until we implement it, consulting with our friends and allies, as well as the other members to the JCPOA who have signed it and will be loyal to it.⁵⁷

Foreign Minister Zarif also added in his Twitter account that

In response to US persistent violations & unlawful withdrawal from the nuclear deal, as instructed by President Rouhani, I'll spearhead a diplomatic effort to examine whether remaining JCPOA participants can ensure its full benefits for Iran. Outcome will determine our response.⁵⁸

Despite the fact that the Iranian government was aware the JCPOA might collapse, and its declared readiness to cope with the impact of Trump's decision, the first consequence was the people's dramatic loss of confidence in the future economic shape of Iran, with the raise in the price of the Dollar as explained before. The remaining signatories to the deal, principally the European Union, regretted America's decision and reaffirmed their commitment to the JCPOA, which granted time for Rouhani's administration to

56. Jason Rezaian, 'John Bolton wants regime change in Iran, and so does the cult that paid him', *Washington Post*, 24 March 2018 and Eliana Johnson, 'Regime change by tweet? John Bolton hopes so', *Politico*, 13 February 2019.

57. See the official transcript of Rouhani's televised statement at <http://president.ir/en/104282>. The video of the statement is also available at 'President Rouhani says Iran will stay in JCPOA', *Press TV*, 8 May 2018.

58. Zarif Twitter feed at <https://twitter.com/JZarif/status/993940599576330240>.

deal with the demands for a harsher response to the US government. After the cabinet meeting with Khamenei on 28 August, the Supreme Leader tweeted his clear guidelines to deal with the JCPOA crisis, reaffirming Iranian commitment to the agreement, but expressing his scepticism regarding European reaction to the withdrawal of the US from the deal

It is fine to establish ties, continue negotiations with Europe; however, meanwhile you should stop having hopes in them on the issues like JCPOA or economic matters. You should strictly watch over the process of dealing with the matters, approaching their promises with wariness.⁵⁹

He also warned the EU about the further steps Iran would take if nothing was achieved in relation to the JCPOA:

JCPOA is not a goal but a means; naturally, if we conclude that it is impossible to protect national interests with JCPOA, we will put it aside. Europeans should understand from Iranian govt officials' words and actions that their measures will receive proper reactions by Iran.⁶⁰

Interestingly, the report of the director of International Atomic Energy Agency (IAEA) to the Board of Governors and the United Nations Security Council, released on 30 August, reaffirmed Iranian compliance with the JCPOA and that the IAEA inspectors had access «to all the sites and locations in Iran which they needed to visit» as stipulated in the deal.⁶¹ The report clearly confirmed that there was no reason to either revisit or cancel the deal, as requested by the Trump administration. The European Union as well as the remaining signatories of the JCPOA reaffirmed their commitment to the deal during the United Nations General Assembly in September. They also announced the creation of a Special Purpose Vehicle (SPV) to guarantee the continuation of the deal.⁶²

59. Khamenei Tweet feed at https://twitter.com/khamenei_ir/status/103477564-7997046784.

60. Khamenei Tweet feed at https://twitter.com/khamenei_ir/status/103477728-3528142849.

61. IAEA Report 'Verification and monitoring in the Islamic Republic of Iran in light of United Nations Security Council resolution 2231 (2015)', GOV/2018/33, 30 August 2018 (<https://www.iaea.org/sites/default/files/18/09/gov2018-33.pdf>).

62. European Union External Action, *Iran Deal: EU and partners set up mechanism to protect legitimate business with Iran*, 25 September 2018 (https://ec.europa.eu/headquarters/headquarters-homepage/51066/iran-deal-eu-and-partners-set-mechanism-protect-legitimate-business-iran_en).

Rouhani and Zarif, on the sidelines of the UN assembly, were widely interviewed by several US networks (CNN, NBC, Face the Nation, among others), and clearly stated their views on the state of US-Iranian relations, claiming that the US Iranian policy had been a failure. Trump, for his part, succeeded in changing the topic of the special session of the Security Council from the Iranian question to the non-proliferation problem. By doing so, he prevented Iran's participation in the meeting, and avoided any direct encounter with Rouhani. None of the 14 remaining members of the SC supported the US claims against Iran; instead, they praised the efforts made by the EU to continue the deal. Both the meeting between the remaining signatories of the JCPOA and the joint statement between Federica Mogherini and Javad Zarif made clear the firm consensus of all participants that Iran had resolutely complied with the agreement signed in 2015. The creation of a SPV to overcome the US sanctions affecting Iran foreign trade mainly with Europe conveyed a strong message to the US. It signified that Washington and not Tehran was being isolated on the international stage. The international community recognised the efforts of Iran, certified by the IAEA, in complying with the JCPOA.

Another American initiative to backfire during the side-lines of the General Assembly was the meeting organised by the US with the Middle East Strategic Alliance countries, broadly known as «Arab NATO». The meeting was intended to flesh out a proposal launched several months earlier, whose objective was the creation of a strategic missile defence system around Iran, including all the Gulf Cooperation Council states. The initiative, however, did not succeed because the differences among the invited foreign ministries seemed more important than their perception of any possible threat coming from Iran.⁶³

These US failures boosted Iran's mood and optimism. By the end of 2018, the content and implementation schedule of the SPV had not been released, but the creation of an alternative to the US-controlled SWIFT bank transfer system, allowing trade and the circumvention of US sanctions, was anticipated. The expectation that its activation was imminent represented a positive signal for the Iranian population.

At the same time, the Iranian government began to comply with the requirements of the Financial Action Task Force, making the Iranian financial and banking system more transparent as well as adhering to prevailing international norms in terms of combating terrorism and money laundering. On 7 October, the Majlis passed the bill to join the International Convention of Financing Terrorism, one of the requirements of the FATEF. The bill was approved with 143 votes in favour and 120 against, following a very

63. United States Department of State readout 'GCC+2 Ministerial', 28 September 2018 (<https://www.state.gov/r/pa/prs/ps/2018/09/286302.htm>); and Yasmine Farouk, 'The Middle East Strategic Alliance Has a Long Way To Go', *Carnegie Endowment for International Peace*, 8 February 2019.

heated debate in which those opposed to the approval condemned the Iranian government as willing to surrender the Iranian economy to the will of external powers and international organisations. In the same week, another two bills were passed, encountering less opposition: one was on Anti-money Laundering regulations; the other adhered to the UN Convention against Transnational Organized Crime.⁶⁴

All three bills, after being approved by the Majlis in 2018, were rejected by the Guardian Council, which, according to the legislative procedures, sent them back to the Majlis for review. After introducing some amendments, the laws were resubmitted to the Guardian Council, which rejected them again, arguing that they were not in line with the Constitution. After introducing further changes, parliament sent the laws back to the Council, which rejected them for the third time. Following the legislative procedures, a law which is rejected by the Guardian Council three times goes directly to the Expediency Council, which is the third legislative chamber. The Expediency Council bases its decisions in the «interest of the state», rather than the Constitution and the Guardian Council, which is based on sharia law. In this case, however, the Expediency Council delayed its decision. At the end of the period under review, no pronouncement had been adopted and it was impossible to say with any certainty when, how or if the issue would ever be resolved.

Moderates and reformists, as well as the media argued that the approval of FAFT and other international regulations that target terrorism and money laundering will undoubtedly benefit Iran in several ways. On the one hand, Iran's compliance with international agencies against terrorism puts the country on the «right» side, in consistency with Iran complying with other international agreements such as JCPOA. The fact that Iran also suffered from terrorist attacks played in favour of the government and the reformist and moderate-conservative groups that supported the bill in an attempt to normalise Iranian relations mainly with Europe. On the other hand, the signature of complementary bills, such as the Comprehensive Banking Law, necessary to shed light on the banking transactions to prevent money laundering and money transfer to terrorist groups, was also contributing to the internal battle Rouhani has been fighting against the Revolutionary Guard. Since the beginning of his second term in May 2017, the Iranian president has been trying to impose transparency measures on the Iranian banking system, which had hitherto been obscure enough to bring about the imposition of international sanctions in 2006. The need to preserve the nuclear deal with and the effective implementation of the vehicle of payment suggested by the EU required a solid, reliable and transparent

64. 'Iran's Guardian Council Sends CFT Bill Back to Majlis', *Financial Tribune*, 4 November 2018; 'Iran Parliament Passes Counter-Terror Finance Legislation', *Financial Tribune*, 7 October 2018; and 'Iran Parliament Approves 2 FATF Bills', *Financial Tribune*, 25 September 2018.

banking system, connected either to the SWIFT or another alternative *ad hoc* mechanism jointly created by the EU and Iran.

3.3. *The terrorist attacks in Kurdistan, Baluchistan and Khuzestan*

The year under review was particularly difficult for Iran in terms of the terrorist attacks on its soil. These attacks demonstrated that Iran had been, and still is, a target of diverse terrorist organisations, by either jihadists or separatists, like any other country in the region. The main targets of these organisations have been institutions that represent the most important pillars of the Islamic Republic, such as the Iranian Majlis (parliament), Khomeini's shrine and the Pasdaran (Revolutionary Guards).⁶⁵ It demonstrated the difficulties that the Iranian security and defence apparatus has to secure Iran's extended territory from the threats represented by these groups, despite some successes in intelligence operations aimed at dismantling terrorist cells active within the national borders.

The first of the three attacks mentioned in this section – all related to separatist groups – occurred on 20 July 2018 at the Iranian border checkpoint Marivan, in the Iranian province of Kurdistan. The attack killed 11 members of the Basij militia, a voluntary branch of the Pasdaran, plus «several of the attacking “terrorists”» who were allegedly «killed in the fighting in which a munitions depot was blown up». The Kurdish armed leftist opposition group Party of Free Life in Kurdistan (PJAK) claimed responsibility for the attack.⁶⁶ The PJAK, affiliated with the Kurdistan Workers' Party (PKK) of the imprisoned Abdullah Öcalan, was officially created in 2004, when activities against the Iranian government first began.⁶⁷ It has been declared a terrorist organisation by Iran, Turkey and the United States.

The second attack took place on 22 September in Ahvaz, province of Khuzestan, inhabited by a large Arabic-speaking minority. The target was a military parade held by the Pasdaran during the annual commemoration of the beginning of the Iran-Iraq war, one of the most popular in Iran, especially in Khuzestan, where the fiercest battles took place around the city of Khorramshahr, which became a symbol of martyrdom.⁶⁸ Five gunmen killed 25 people and injured 60 more, including military personnel and civilians attending the parade. Responsibility for the attack was initially claimed by ISIS, but later attributed to the separatist terrorist group Ahvaz National Re-

65. Luciano Zaccara, 'Iran 2017: From Rouhani's re-election to the December protests', *Asia Maior 2017*, pp. 395-396.

66. '10 Iranian Revolutionary Guards killed at Iraqi border post', *Middle East Eye*, 21 July 2018.

67. PJAK archived official website at <https://archive.is/FuqM>.

68. '25 killed, 60 injured in terror attack on military parade in Ahvaz', *Press TV*, 22 September 2018.

sistance, also known as al-Ahvaziya.⁶⁹ The group, created in 1980 after the start of the Iraq-Iran conflict, declared war against the Islamic Republic and supported Iraq. It has alleged links with other Arab regimes such as Saudi Arabia. Some of their militants have been located in the United Kingdom, the Netherlands and Denmark, which Iran considered supporters of anti-Iranian groups. As happened with the 2017 terrorist attacks, the Islamic Revolutionary Guard Corps (IRGC) retaliated with a series of missile strikes against positions under ISIS control in Syria, which allegedly hit a «takfiri» base, killing an undetermined number of people.⁷⁰ Moreover, Iranian news agencies published reports based on information released by the Ministry of Interior and backed by a video, claiming that 22 people involved in the attack had been detained. The name of the organisation/s to which the detainees were affiliated was not released, the official sources only mentioning unspecified «takfiri separatist groups under the aegis of reactionary Arab countries.»⁷¹

The last of the terrorist attacks took place in the southern city of Chabahar (Sistan va Baluchistan), on 6 December, killing four police officers and injuring 42 people. The officers found the driver of the car bomb, who immediately detonated the bomb causing his own death and that of the officers surrounding him.⁷² The attack was claimed by Ansar al-Furqan, an al-Qaeda-linked jihadist group, which was formed in 2013 after the merging of two Baluchi jihadist groups (Harakat al Ansar and Hizb al Furqan) and has had a strong presence in the region since the beginning of the decade.⁷³

These attacks took place in peripheral areas, with non-Persian minorities such as Baluchs, Kurds and Arabs, predominantly Sunni Islam, and with a difficult economic situation due to the centralisation of the economic power in Tehran, brought to the fore the claim that Iran was on the verge of disintegration. No doubt, a territorial grievance does exist in these provinces, which consider themselves abandoned by the central government. However, although this grievance occasionally produces protests and strikes, the terrorist groups active in these regions do not have a social base within the population, and can rarely be considered as representatives of the legitimate aspirations of the local people. Significantly, the attacks targeted those same ethnic groups which the terrorist organisations claimed to defend.

69. 'Islamic State says Iran attack will not be the last: al Furqan', *Reuters*, 26 September 2018 and 'Who was behind Ahvaz terrorist attack?', *Press TV*, 26 September 2018.

70. 'Iran's ballistic revenge annihilates terrorists', *Press TV*, 1 October 2018. A takfiri is a Muslim who declares another Muslim to be apostate (i.e. not believing in the essential tenets of Islam) and therefore no longer a Muslim.

71. 'Iran Intelligence Ministry Arrests 22 Elements behind Ahvaz Attack', *Tasnim News*, 25 September 2018.

72. 'Deadly car bomb attack hits Iran's SE port city of Chabahar', *Press TV*, 6 December 2018.

73. Ali Vaez tweet feed, 6 December 2018 (<https://twitter.com/AliVaez/status/1070709485696663552>).

4. *Conclusion*

The US withdrawal from JCPOA was the main factor that negatively affected both the socio-economic situation of the country, at least during the second half of 2018, and its international relations throughout the year. The prospect of an improved economy had faded even before the US withdrawal. Consequently, the patience of both the Iranian population and the political elite had begun to evaporate. After the re-imposition of sanctions, their impact on macroeconomic indicators as well as on the daily life of all Iranians became apparent, despite governmental efforts to reactivate the economy through the introduction of new policies. Rouhani, sometimes with the explicit support of Khamenei, survived 2018. Both the president and his main minister, Javad Zarif, survived attempts to impeach them both.

In implementing new sanctions against Iran, Trump's aim was to drive Iran oil exports to zero. This objective was not reached in 2018, partly because of the waivers the US administration granted to the main Iranian clients; however, the waivers were unlikely to be extended in 2019. Meanwhile, the Rouhani administration had tried throughout the year to fulfil the international requirements for transparency and accountability of the Iranian banking system. As noted, this was a measure strongly opposed by the conservative groups.

Summing up, 2018 was the year in which Iran lived dangerously, pursuing a foreign policy aimed at acquiring the confidence of the international community, but which showed itself unable to achieve the long-term goals established during the negotiations begun in 2013. In the year under review, this same foreign policy was severely criticised by the most conservative and hard-line factions. Because of Rouhani's mixed foreign policy results, these same factions may recover control of the Majlis in 2020 and the presidency itself in 2021.

REVIEWS

RETHINKING THE COMMUNE: A REVISIONIST TAKE ON MAOIST COLLECTIVISATION

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Joshua Eisenman, *Red China's Green Revolution. Technological Innovation, Institutional Change, and Economic Development Under the Commune*, New York: Columbia University Press, 2018, pp. xxxii/436

In this new, incredibly well-researched book, Joshua Eisenman gives us a bold reappraisal of history of the organisation that more than any other embodied the promises and failures of collective economy under Maoism: the commune. The dominant opinion on rural collectivisation (in China as in the western world) has long been that the communes, born out of the «madness» of the Great Leap Forward, survived that debacle as administrative units, hampering rural productivity and constraining the initiative of Chinese peasants, up until the moment when Deng Xiaoping responded approvingly to the request for capitalist liberalisation coming from the peasants themselves. The dismantling of the commune system has in turn been heralded as the reason for the economic boom of the 1980s, with GDP growth rates hovering around 10%. This commonly held opinion about the Maoist economy – which, we should note, is also functional to the legitimacy of the post-Mao CCP regime – has been since challenged in a series of scholarly interventions,¹ and Eisenman's is the most recent salvo in this attack. It is a very useful and very much needed one, precisely because it addresses the form that framed the lives of the majority of Chinese people between 1958 and the early 1980s, and is most closely identified with Maoist economic 'irrationality.'

Red China's Green Revolution shows that, contrary to the accepted interpretation, the rural communes worked, or at least after a series of exper-

1. One exemplary work is Lin Chun, *The Transformation of Chinese Socialism*, Durham, NC: Duke University Press, 2006.

iments – some disastrous, some not – CCP planners and leaders got them to work, so that in the last decade of their existence (the 1970s) collectivised production and life under the commune system was an effective way of organising Chinese rural life. Eisenman painstakingly enumerates and describes the contributions that the commune system made (he lists eleven of them); and they were not minor. Rural production and productivity increased, guaranteeing a steady influx of capital for industrialisation. Rural residents registered increases in life expectancy and basic education. The communes made possible the expansion and distribution of the technical reforms developed under the Maoist agricultural research and extension system. This led to increased outputs per unit of land, freeing labour for rural industries – and eventually for relocation into urban centres.² The development of the 1980s was based on the economic, structural, and financial conditions shaped by the communes. After 1962, and especially after 1970, collectivised peasants were allowed to enjoy the «three small freedoms» (private household plots, small-scale animal husbandry and cottage industries, and rural markets) under the auspices of the commune and its sub-units, which actively encouraged household investments. At the same time, commune members did not evade collective labour. In Eisenman's summation, «the commune was not an 'irrational' system created and perpetuated by brainwashed Maoists who failed to consider, or were indifferent to, economic outcomes» (xxiii).

Eisenman illustrates how the commune system guaranteed the continuing extraction of surplus from the countryside to finance industrial development, one of the crucial and perhaps paradoxical features of the Maoist state, which, born out of a peasant revolution, proceeded systematically and unrelentingly to shift resources away from rural residents. Yet, Eisenman is also very careful to point out the actual improvements in farmers' lives under the commune. After the disaster of the Great Leap famine in 1959-61, the CCP leadership tinkered with the system so that, by the 1970s, the commune fed its residents while at the same time minimised their consumption levels so as to maximise productive investment. This was achieved by adopting a complex system of work points, for which Eisenman provides one of the most detailed analyses to date. He shows how work points disincentivised labour mobility thus retaining workers in their production team; unlike currency, work points were untradeable, recorded, and of flexible value, and could therefore be adjusted to reduce consumption or increase collective savings. In turn, this unpredictable flexibility incentivised commune members to work more, in order to secure sufficient income vis-à-vis the always uncertain evaluation of their labour. Through work points and

2. This aspect (the so-called Green Revolution) is, however, not central in Eisenman's analysis and one wishes he had chosen a different title, one less close to Sigrid Schmalzer's *Red Revolution, Green Revolution. Scientific Farming in Socialist China*, Chicago: University of Chicago Press, 2016, which tackles that issue directly.

other means, the communes came to constitute a massive mechanism of state extraction of surplus from overworked farmers but, and this is another aspect Eisenman clearly outlines, they were also the main conduit by which a minimum of welfare, technical innovation, and education were provided to rural residents.

Perhaps the most important (and I suspect most controversial) argument about the commune system in *Red China's Green Revolution* is the one Eisenman makes about its dismantling. In 1978, when Deng Xiaoping ascended to power, the communes were *not* economically in crisis and pressure from the bottom (from spontaneously emerging capitalist-minded farmers) would not have been enough to bring about their collapse. The decision to decollectivise was, in Eisenman's analysis, eminently political, because Deng's anti-commune faction had staked its position against a rival pro-commune faction. This political decision by the leadership was then recast as deriving from a bottom-up popular movement. This is indeed a very convincing argument and I have no quibble with it. I wish, however, that Eisenman had also engaged with other factors that were probably involved in the fight over decollectivisation. For example, Frederick Teiwes and Warren Sun have highlighted Deng's (and Zhao Ziyang's) preoccupation over state deficit as a crucial factor in the decision to dismantle the communes.³ In addition, reversing collectivisation had specific effects that might not have been clear at the time but that became crucial for the success of Deng's reforms. By eliminating the structure of the commune while maintaining the *hukou* (household registration) system, decollectivisation created, in one fell swoop, a disposable, submissive, and completely unprotected labour force, ready to be used in urban centres.

Red China's Green Revolution is a fascinating book; laden at times with the language and writing conventions of social sciences, it's not always an easy read, especially for a historian like myself. Yet it is well worth the effort. Eisenman, while he is very skillful in tackling statistics and economic theory, falters a little when dealing with ideology. Chapter 5, which focuses on Maoism and its role in incentivising rural productivity, displays a very stiff and quite functionalistic understanding of ideology, modeled largely on religious belief. His description of the commune as 'the church of Mao' is uncomfortably set in the mode of some outdated cold war scholarship and does not provide any useful insight into how Maoism penetrated and informed the everyday. The chapter might have been omitted without affecting the overall argument. It is however a minor flaw in an excellent book.

Finally, the book indirectly hints at a more general conundrum, which I believe is central in how we evaluate the Maoist economy, and perhaps the entire Maoist enterprise. Chinese leaders and economists at the time

3. Frederick C. Teiwes & Warren Sun, *Paradoxes Of Post-Mao Rural Reform: Initial Steps Toward A New Chinese Countryside, 1976-1981*, London, New York: Routledge, 2016. I owe this insight to Alexander Day.

deployed terms like «productivity», «profit», «market», etc. and we tend to re-deploy them in our analysis, probably without much thinking. And we tend to assume that those terms – and the practices they referred to – carried the same meaning no matter if they existed in a capitalist or a non-capitalist system, in a system that was based on accumulation of capital *per se* and one that saw accumulation as functional to state reinvestment of a specific kind. Yet this is an assumption we cannot make, or at least one that we cannot make unproblematically. I would argue that the accumulation of specific means of production for developmental reasons under Maoism probably operated under a different logic than simply the accumulation of capital in capitalism.⁴ While this exceeds the limits of Eisenman's analysis, *Red China's Green Revolution* then also opens the way for a new discussion of the very terms and meanings of the Maoist economic strategy.

4. I owe this point to an ongoing discussion with Alexander Day, Malcolm Thompson, and Covell Meyskens.

THE MOST IMPORTANT ASPECTS OF CONTEMPORARY JAPANESE POLITICS.
BUILDING A BRIDGE BETWEEN ACADEMIA AND THE GENERAL PUBLIC

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Masaru Kohno, *Is Science of Politics Possible?*, Tokyo: Chuokoron-Shinsha, Inc., 2018, vii/224.

In this global age, is it meaningless to write about Japanese politics in the Japanese language? Professor Masaru Kohno firmly answers «no». Being a leading Japanese political scientist, Kohno published many scholarly articles in top-ranked international journals. He claims, though, that political scientists should not sacrifice practical relevance in responding to global, economic, and societal concerns. Japanese political scientists who want to write in Japanese have to build a bridge between academia and the general public. In this book, Kohno succeeds in doing so. This admirable collection of articles is the fruit of years of illuminating and intense research activity by the author.

The chapters in Part I focus on the rationality of Japanese voters. In chapter 1, for example, Kohno tackles a puzzle concerning the so-called «ruling effect».¹ It is widely acknowledged that support for the incumbent government declines over time.² There are many competing explanations for the ruling effect. Interestingly, Kohno identifies a notable exception: the approval rate of Prime Minister Abe. Abe's approval rate went down several times, especially after the Moritomo-Kakei scandal and the heated debate on proactive security policy. However, it rose very quickly, returning to its previous level. How can we explain this puzzle? After conducting an online survey, Kohno concludes that shortfalls in the approval rate were instant punishments from Abe's core supporters. Rational Japanese voters were sending a warning signal to their political leader. Another example is given in chapter 2, in which Kohno shows that Japanese voters are so rational that they can use the notion of «security crisis that threatens the survival of Japan» (*Sonritsu-Kiki-Jitai*) as a cue or heuristic in evaluating the security policy. Furthermore, in chapter 3, he suggests that political leaders are fully aware that voters have a coherent set of policy preferences and ideologies: Japanese political leaders are rational actors too.

1. Alan Abramowitz, 'An improved model for predicting presidential election outcomes', *PS: Political Science and Politics*, Vol. 21, No. 4, 1988, pp. 843-846.

2. Christopher Wlezien, 'Policy (Mis) Representation and the Cost of Ruling: U.S. Presidential Elections in Comparative Perspective', *Comparative Political Studies*, Vol. 50, Issue 6, 2016, pp. 711-738., here pp. 1-5.

The next two chapters in Part II concern what the author considers «the fundamentals of Japanese politics». They address issues related to the preferences and ideologies shared by ordinary Japanese voters, not the elite. For instance, in chapter 4, Kohno describes the results of an online survey, which successfully replicated the «domestic audience cost», originally proposed by James Fearon and Mike Tomz.³ The domestic audience cost comprises the disapproving and punishing of leaders when they back down and fail to fulfil pledged international commitments. According to Kohno, Japanese voters show this effect too.

Chapters 6 and 7 in Part III originate from the author's reflection on the Great East Japan Earthquake, which occurred on March 1, 2011. After the earthquake, Kohno started to investigate normative political questions. It is morally right for us to feel sorry for those who suffer hardships. However, building upon the idea initially developed by Hannah Arendt, Kohno distinguishes between «compassion» and «pity», as they have different mental sources. The former is a passion based upon a sense of co-suffering toward the victims. The latter is, instead, a narcissistic sentiment of «praise of suffering as the spring of virtue».⁴ So, those who have «pity» for the sufferers look down on them as if they are incompetent and helpless individuals. The author conducted an online survey and showed that Japanese people are eager to help others when the hardship is taking place in a foreign country. However, the results of the survey suggest that, in this case, what motivates Japanese people is «pity». On the other hand, if the hardship occurs somewhere in Japan, their willingness to help others is characterised by «compassion». At the end of chapter 7, Kohno poses normative (and paradoxical) questions to the reader. If aid from Japan to a foreign country is based on «pity», that could represent a typical form of paternalism rather than goodwill. However, if it is «compassion», that would sometimes hinder our effort to aid sufferers in Japan. Because those who feel «compassion» for the victims wish that *all* the sufferers are given support. So, ironically, they hesitate to donate aid in case even a single victim is left behind.⁵

I recommend this book to a wide range of readers. It would be particularly instructive for researchers interested in policy and policymakers interested in research. The book is also suitable for undergraduate and graduate students. However, a few issues are still left unresolved.

3. James D. Fearon, 'Domestic Political Audiences and the Escalation of International Disputes', *The American Political Science Review*, Vol. 88, No. 3, 1994, pp. 577-592; Michael Tomz, 'Domestic Audience Costs in International Relations: An Experimental Approach', *International Organization*, Vol. 61, Issue 4, 2007, pp. 821-840.

4. Philip Hansen, *Hannah Arendt: Politics, History and Citizenship*, Cambridge, UK: Polity Press, 1993, p. 180.

5. Masaru Kohno & Norihiro Mimura, 'Compassion and Pity as Motivation for Assisting Others Exploring Moral Intuition through Survey Experiments', *The Annals of Japanese Political Science Association*, Vol. 66, Issue 1, 2015, 61-89, here p. 61.

There are a few unanswered questions about data used in this book. For instance, in chapter 5, Kohno investigates the effect of bandwagoning in Japanese elections. In order to do so, he uses survey data about Japanese people's preference for some DVD recorders over others. The question is whether data on DVD recorders can be appropriately extended to a study on political bandwagoning. It seems rather incompatible to use the DVD data for this research. Furthermore, in chapter 1, a survey was conducted on people aged 20 to 69. As it does not contain samples from people aged 70 and above, selection bias is likely to occur. In Japan, voters aged above 70 would most likely be more dovish on security issues, so the survey might underestimate the opinions of those people.

My final concern is about the rationality of political actors. Whether or not politicians are rational remains highly controversial. In chapter 3, Kohno claims that politicians are independent and rational in making their political decisions. However, according to the UCLA school, «groups of organized policy demanders are the basic units of our theory of parties».⁶ In making nominations, the parties define their basic positions, decide how much risk to take in pursuing those positions, and choose which candidates will be supported by the party.⁷ In short, politicians are neither independent nor rational: they are vehicles of policy-demanding groups.⁸ Therefore, the assumption that politicians are rational is in need of further substantiation.

Also, whether or not voters are rational is highly controversial. Kohno assumes that voters are rational on the basis of experimental data on Japanese voters. Some Japanese political scientists offer further support to this contention.⁹ However, Achen and Bartels propose a strong counterargument against the idea that informed and engaged citizens produce popular judgement.¹⁰ They argue that voters are busy with their lives, and their choices are based on processes of social identification with reference groups. In the political sphere, the most salient reference groups are political parties. People tend to adopt beliefs, attitudes, and values that reinforce and rationalise the loyalty to their party. Those loyalties, not beliefs or ideologies

6. Kathleen Bawn, Marty Cohen, David Karol, Seth Masket, Hans Noel & John Zaller, 'A Theory of Political Parties: Groups, Policy Demands and Nominations in American Politics', *Perspectives on Politics*, Vol. 10, Issue 3, 2012, pp. 571-597.

7. Noran McCarty & Eric Schickler, 'On the Theory of Parties', *Annual Review of Political Science*, Vol. 21, No. 1, 2018, 175-193, here pp. 176-177.

8. Marty Cohen, David Karol, Hans Noel & John Zaller, *The Party Decides: Presidential Nominations before and After Reform*, Chicago: University of Chicago Press, 2009.

9. Kazunori Inamasu, *Political Framing: The Gap between Voters, Media, and Politicians*, Tokyo: The University of Tokyo Press, 2015; Masahiro Zenkyo, *Support for the Ishin: Is It Consequences of Populism, or Rational Choice?*, Tokyo: Yuhikaku, 2018.

10. Christopher H. Achen & Larry M. Bartels, *Democracy for realists: Why Elections Do Not Produce Responsive Government*, Princeton: Princeton University Press, 2017, pp. 3-9.

or policy commitments, are fundamental to understand how ordinary voters think and act.¹¹ Achen and Bartels say that «[a]ctual people are far from the unrealistic ideal citizens».¹² Whether or not voters are rational should be corroborated by further research.

Stephen Hawking once wrote, «scientists have become the bearers of the torch of discovery in our quest for knowledge». This book and its author well deserve this accolade.

11. *Ibid.*, p. 296.

12. *Ibid.*, p.10.

RECONSIDERING JAPANESE DIPLOMACY DURING THE COLD WAR:
THE CASE OF THE CAMBODIAN CONFLICT

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Andrea Pressello, *Japan and the Post-Vietnam Southeast Asia: Japanese Diplomacy and the Cambodian Conflict, 1978–1993*, New York: Routledge, 2018, 264 pages.

Based on thorough research of English and Japanese sources, Andrea Pressello's *Japan and the Post-Vietnam Southeast Asia: Japanese Diplomacy and the Cambodian Conflict, 1978–1993* provides a comprehensive account of Japan's role in shaping the post-Vietnam War order of Southeast Asia. Pressello mainly focuses on Japanese diplomacy regarding the Fukuda Doctrine (1977) and the Cambodian conflict (1978–1993). One of the book's greatest strengths is its wealth of primary sources, including declassified documents (mainly from the Japanese Ministry of Foreign Affairs, but American and Australian documentation as well), oral histories, memoirs, speeches, statements and other official documents. Notably, he interviewed most of the former foreign officials who played central roles in Japan's Southeast Asia diplomatic efforts during this period, including former ambassadors to Vietnam, a deputy foreign minister, director generals of the Asia Affairs Bureau, directors of the First Southeast Asia Division, and so on.

Since the 2000s, an enactment of the Information Disclosure Law and accelerated declassification of the diplomatic records of Japan's Ministry of Foreign Affairs have contributed to a rapidly growing historical scholarship based on Japan's declassified documents. These works have shed new light on the issues of Japanese diplomatic history which had been written in previous literature primarily based on American archives and secondary sources. Pressello's work is a welcome addition to this new body of scholarship. Most of these scholarly works which use Japanese primary sources are written in Japanese and their audience is quite limited, so the fact that this book is in English is particularly significant.

Pressello uses a historical approach to reconstruct and analyse Japan's vigorous diplomacy towards the region and the international circumstances during the period of détente and the end of the Cold War. Chapter One discusses the importance of Southeast Asia to Japan's foreign policy during the 1950s and 1960s. Chapter Two demonstrates Japan's gradual increase in active diplomacy towards Southeast Asia from the late 1960s through the 1970s in the context of the US' post-Vietnam War disengagement from the

region. It analyses the policymaking process of the Fukuda Doctrine, which emphasised Tokyo's willingness to promote relations between ASEAN and Indochina. Chapter Three explains Japan's tenacity as a bridge between the ASEAN nations and Vietnam, despite the outbreak of the Cambodian conflict and the Soviet invasion of Afghanistan. Chapter Four deals with Japan's pursuit of a regional policy during the New Cold War and discusses Japan's twin-track diplomatic line. While officially endorsing Western criticism of Vietnam, Tokyo strove to maintain an active diplomatic channel with Hanoi. Chapter Five discusses Japan's diplomacy in Southeast Asia in 1983–1984 under the Nakasone Administration, and Chapter Six examines the effects of the relaxation of the Cold War to enhance Japan's efforts to achieve peace for the Cambodian conflict. Chapter Seven covers Japan's role in the final phase of the peace process in Cambodia beginning in the late 1980s.

Pressello's book significantly contributes to the historiography of Japan's diplomacy towards Southeast Asia in the 1970s through the 1990s. His most important finding arguably is that, even after the New Cold War emerged in the late 1970s, Japan continued to engage with Soviet-backed Vietnam to shrink the gap between ASEAN countries and Hanoi regarding the Cambodian conflict and ultimately to regain regional peace and stability. In contrast to the current argument that Japan only became involved in settling the Cambodian conflict when the peace process began during the late 1980s, Pressello demonstrates that Japan's peacemaker role for Cambodia and for stability in all of Southeast Asia actually began when the conflict broke out at the end of the 1970s.

This book also greatly helps readers understand the basic nature of Japan's diplomatic policy during the Cold War because Pressello covers the critical Cold War period, including détente between the US and the USSR, the emergence of the New Cold War, and the end of the Cold War, thereby suggesting the extent to which and how Tokyo's foreign policy was shaped by the Cold War's international environment. The continuity of Japan's foreign policy stance on Southeast Asia during the New Cold War period, which was closely examined, is striking. Japan's policy was based on Tokyo's consistent awareness of the importance of Vietnam to the realisation of the Southeast Asian architecture that Japan had envisioned in the Fukuda Doctrine. Throughout the period covered by the book, rather than isolating Vietnam (as Washington had demanded), Tokyo sought to increase the extent of its engagement with Hanoi (p. 134).

Although Pressello does not clearly characterise or define Japan's Asian diplomacy, the following conclusions emerge from his analysis. First, Japan consistently aimed to support nation building and modernisation in the developing countries of this part of Asia regardless of their political systems, because Japan recognised that nationalism and economic development, not the Cold War ideology promulgated by the US and the USSR, were the essential problems in the region. Second, the military conflict/secu-

rity tensions, such as the Indonesian-Malaysian confrontation, the Vietnam War, and the Cambodian conflict were the impediments to Japan's policies, thus Tokyo attempted to achieve peace by building bridges among the conflicting parties.

Another significant contribution of this book is that it gives readers a new perspective on the international history of the Cold War in Southeast Asia. As Hack and Wade point out, one critical issue to explore concerns the connections between global great power rivalry and regional problems and tensions of Southeast Asia¹. Recent scholarship has examined the extent of Vietnam's desire for independence from the USSR and China using newly declassified documents². Pressello demonstrates that Japan's interactions with Vietnam differed from those of the US, USSR and China, which contributes to a deepening of the discussion about the relationships between the main Cold War actors and the Southeast Asian states.

I found that Pressello's analysis could have gone further in some areas to address broader issues. First, his detailed analysis of Japan's diplomacy during the Cambodian peace process does not precisely assess Tokyo's role as peacemaker. The last section of Chapter Seven evaluates it from the perspective of Japan's expanding economic diplomacy to encompass political and security issues (p. 251). But the relative uniqueness and significance of Tokyo's role in the peace process compared with other actors such as Australia, France, and Indonesia, are not elucidated. Second, Pressello might have paid more attention to the diversity of viewpoints among the foreign officials of Japan's Ministry of Foreign Affairs. He rightly points out that the decision-making on the Southeast Asian situation was mainly made by the First Southeast Asia Division (p. 122), but they may not have been able to completely ignore the diversity within the Asia Affairs Bureau or in other bureaus, such as the North America Affairs Bureau. For example, in the late 1970s, to what extent was the First Southeast Asia Division's perception of China shared throughout the Asia Affairs Bureau? No move was made within the Asia Affairs Bureau to delay preparations for the provision of ODA to China, even after the Chinese attacked Vietnam in early 1979³. This book could have broadened the foundation of discussion about the Ministry of Foreign Affairs' policymaking process by analysing the internal policy coordination among divisions or bureaus.

These minor misgivings aside, *Japan and the Post-Vietnam Southeast Asia: Japanese Diplomacy and the Cambodian Conflict, 1978–1993* is clearly writ-

1. Karl Hack & Geoff Wade, 'The origins of the Southeast Asian Cold War,' *Journal of Southeast Asian Studies*, Vol. 40, Issue 3, October 2009, p. 441.

2. See, for example, Vu Tuong, *Vietnam's Communist Revolution: The Power and Limits of Ideology*, New York, NY: Cambridge University Press, 2016.

3. Sakutaro Tanino, *Ajia gaiko: Kaiko to kosatsu* (Asian diplomacy: Retrospect and Observation), Ryuji Hattori, Hikdekazu Wakatsuki, Amiko Nobori (eds.), Tokyo: Iwanami Shoten, 2016, p. 62.

ten, thoroughly researched, well-documented, and a valuable contribution to our understanding of Japan's foreign policy towards Southeast Asia and the international history of the Cold War in Southeast Asia. Although it presents a historical study, the work is timely in light of Japan's public support of Cambodia's controversial general election of July 2018 by providing more than 10,000 ballot boxes worth USD 7.5 million. In the current regional environment, where Tokyo's diplomatic actions are often interpreted as strategic manoeuvring to counter Chinese influence, Pressello's contribution is a welcome reminder that Japan sought peace for Southeast Asia as a region independent of global powers' influences, whether that refers to the US, China, or the USSR/Russia.

INDIA'S SELF, OTHERS, AND WORLD VIEW: EXPLAINED THROUGH DISCOURSE
THEORY

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Thorsten Wojczewski, *India's Foreign Policy Discourse and Its Conceptions of World Order: the Quest for Power and Identity*, Abingdon: Routledge, 2018, 222 pp. (ISBN 9781138297180).

The Republic of India celebrated the 70th anniversary of its independence in 2018, and its 70th Republic in January 2019, commemorating the coming into effect of the Constitution adopted in 1949. In policy circles, academia, as well as in public opinion, India's foreign policy is commonly seen as having undergone different «phases», changing along with the upheavals of the country's domestic politics as well as the transformation of the world order. As seven decades of independent India came to a close, we can count numerous accounts of the country's international relations – authored by practitioners, as well as foreign policy analysts and historians – focusing on one specific «phase», or on the seven decades of independent history as a whole.

Indian foreign policy had become a mainstream topic of publication from within and without the country by the beginning of the 2000s, when following the economic liberalisation of the 1990s India became widely recognised as an «emerging economy» as well as an «emerging power», consequently drawing considerable interest from outside the region and from non-South Asianists as well. In terms of scholarly works, some have considered the role of India's identity, while many have adopted the lens of realism to explain India's behaviour within the international arena, drawing a causal link between specific historical circumstances, India's national interest, and its foreign policy, and favouring the «material» to the detriment of «ideational».

But is there any theorisation of India's identity, an extensive explanation of how India used to see the world and sees it today? I remember asking myself and my supervisor this question a few years ago, as a graduate student grappling with the problem of India's identity as an emerging development partner. We concluded that, to the best of our knowledge, there had so far been no exhaustive academic treatise of India's *weltanschauung*.

Thorsten Wojczewski's *India's foreign policy discourse and its conceptions of world order: the quest for power and identity* is possibly the first comprehensive and theory-grounded scholarly account of India's world view. The book

exposes the origin and evolution of India's conception of the world and its effect on the country's behaviour as an international actor, i.e. its foreign policy. This in itself makes the book an important contribution to the field. In addition to this, the book is theoretically innovative, as it adopts post-structuralist discourse theory as its theoretical framework. Wojczewski is the first to apply such non-mainstream theory to the case of India. As a consequence, his work is both a much needed and an original contribution to the field.

The book is based on the author's doctoral research, as proved by its structured exposition, which retains the core elements of a dissertation. Wojczewski uses post-structuralist discourse and textual analysis as his theory and methodology of reference respectively. The author aims at bringing Ernesto Laclau's and Chantal Mouffe's discourse theory into the study of IR, specifically India's. Rejecting constructivist IR theory, Wojczewski argues that foreign policy is not only a manifestation of a state's world view and internal identity but plays a crucial role in the constitution of this very identity. While mainstream approaches to IR understand power shifts as redistribution of material power assets, post-structuralist discourse theory configures them as discursive phenomena. Accordingly, the current shift of power from the West Eastwards must be understood as the dislocation of a so-far hegemonic discourse (Western IR). A hegemonic discourse, the carrier of a specific world view which becomes universally accepted, once dislocated creates space for non-hegemonic discourses (in this case, post-Western IR) to assert their own alternative vision of the world.

Wojczewski then applies the concepts of discourse and dislocation to the case of India, contending that independent India had articulated its own identity with the cold war as its «principal Other». When this ceased existing following the fall of the USSR, India was consequently faced with an identity crisis, in other words, a «discursive struggle» in which old identities were questioned and new ones needed to be articulated. As a result, Nehruvian hegemonic discourse identified new Others, defining itself vis-à-vis Pakistan and (after 1962) China. According to Wojczewski, the following hegemonic discourse, the Post-Nehruvian one, shaped itself in contrast to spatial (Pakistan and China) and temporal (colonialism) Others. He argues that with the emergence of the latest discourse, that of Hyper-Nationalism, there has been an overall increase in the antagonism which characterises the relationship between Self (India) and Others. At the same time, there are important continuities: the Others are still identified as Pakistan and China on the one hand and colonialism on the other; the concept of colonialism, however, now includes not only Western imperialism but Islam as well.

Another central element in Wojczewski's theorising is the idea of *fantasy*, derived from the work of Glynos and Howarth. *Fantasies* or *fantasmatic narratives* «construct a seemingly stable, natural or transcendent foundation on which the imaginary essence of the Self can be grounded (e.g. mature,

religion or ancient epics) and place the Self in a linear, coherent story that is often characterised by an imaginary origin, a moment of purity, grandeur and perfection, which has been lost and must be recovered» (p.29). The author argues that the fantasy of both the Nehruvian and the Post-Nehruvian hegemonic discourses was *Indian Exceptionalism*, i.e. the image of India as a moral and peaceful country imbued with the values of diversity and tolerance. While Indian Exceptionalism remains the fantasy of the Hyper-Nationalist discourse too, it has acquired a different meaning: that of India as a *Hindu civilisation* and a *Hindu nation*.

Overall Wojczewski's theorisation represents a relevant addition to both the discipline of IR theory and India Studies. Using India as a case study, it offers a brilliant application of discourse theory to contemporary IR; as such, it is relevant to the discipline as a whole. With specific reference to India, its biggest contribution is, in my personal opinion, that it presents an overarching explanation of India's vision and engagement of the world which transcends the usual idea of historical «phases». The country's behaviour as an actor is not understood merely as a resultant of the pursuit of national interest or given ideal goals vis-à-vis obstacles and opportunities presented by specific historical circumstances. Conceptualising foreign policy upheavals as discursive phenomena provides an underlying logic able to place the supposed «phases» into a cohesive picture. As a consequence, where others have focused on the differences between «Nehruvian», «Post-Nehruvian» and «Hyper-nationalist» India, Wojczewski – using discourse dislocation as an explanatory device – convincingly accounts also for their ontological similarities, which have often remained unexplained.

India's foreign policy discourse and its conception of world order will be enriching reading for scholars and advanced students of International Relations of South Asia, Indian foreign and domestic policy, as well as International Relations theory in general.

ESCAPING THUCYDIDES'S TRAP: THE FATE OF US-CHINA RELATIONS ACCORDING TO GRAHAM ALLISON

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Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?*, Boston: Houghton Mifflin Harcourt, 2017.

Destined for War by Graham Allison, former dean of Harvard's Belfer Center for Science and International Affairs and advisor to various US administrations, has aroused a lively debate in the International Relations theory community, for the purpose of explaining the current global strategic environment and US-China economic, diplomatic, cultural and military competition through a framework drawn from Thucydides's observation of the fifth century BCE Peloponnesian War.

Throughout the book, a Thucydides's sentence forms the cornerstone of Allison's analysis and, thus, is repeated like a warning: «It was the rise of Athens and the fear that it instilled in Sparta that made war inevitable». According to the author, this *trap*, namely «the severe structural stress caused when a rising power threatens to upend a ruling one»,¹ led Athens and Sparta into a major war and may help IR scholars and American and Chinese policymakers to reflect on the consequences of Beijing's ascent and Washington's approach towards it. In fact, the Harvard professor warns that «on the current trajectory, war between the United States and China in the decades ahead is not just possible, but much more likely than currently recognized». ²

The book is divided into four parts. In the first, the author lists China's several economic, industrial, diplomatic, and military improvements to prove Beijing is actually a rising power. The second is an historical overview where Allison draws the concept of *Thucydides's Trap* from the Peloponnesian War's case and, subsequently, applies it to five hundred years (16 cases) and to the early twentieth century Britain-Germany competition that led to WWI. The third part, «A Gathering Storm», firstly compares the late nineteenth century-rising US and today's China and then highlights the risks of conflict, elaborating four scenarios of escalation between the two powers. Finally, based on the historical survey, part four provides 12 recommendations to avoid war.

The *Thucydides's Trap* gained massive popularity after Allison first mentioned it in an article for *The Atlantic*,³ enough to break into high dip-

1. Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?*, Boston: Houghton Mifflin Harcourt, 2017, p. 29.

2. *Ibid.*, p. xvii.

3. Graham Allison, «The Thucydides Trap: Are the U.S. and China Headed for War?», *The Atlantic*, 24 September 2015.

lomatic parleys as when President Obama and President Xi both pledged to avoid it. Because of its simplicity, the concept has moved easily into the public debate and jargon.

The book has been largely criticised for being insubstantial and simplistic and the criticism can be summarised into two main categories: the first deals with Allison's alleged historiographical misreading of Thucydides's *History of the Peloponnesian War*, while the second deals with the utility of Allison's model for International Relations' scholars. Leaving the former to ancient Greece historians,⁴ here the focus will be on the latter.

In reviewing Allison's study, the analysis will move on two levels, national – both for China and the US – and systemic, and, lastly, will assess the usefulness of the 12 clues suggested.

It's with regard to Beijing that Allison shows the most negligence. The vague concept of *Thucydides's Trap* ignores the many peculiarities of Chinese policymaking, strategic culture and self-perception. China is seen as an increasingly assertive power willing to gain its «place in the sun» in Asia and the world, but this is at odds with the findings of many sinologists and Chinese strategy, foreign and defence policy scholars.⁵ For example, David Shambaugh⁶ describes China as a *partial power* that lacks a deep global presence, showing much hesitancy in taking a leading role in world affairs in spite of the 40 years tumultuous economic growth, while Schweller and Pu argue that China aims to an international «negotiated order»⁷ with the United States. Likewise, Buzan depicts Beijing as a «reformist revisionist»⁸ and Feigenbaum, similarly, put forward the idea that China «does not seek to overturn the current international order wholesale»⁹, both meaning that it pursues a calculative, selective, cautious and short-of-war approach towards unipolarity and US hegemony. Furthermore, the book lacks an in-depth assessment of Beijing's economic shortcomings and vulnerabilities, misleadingly portraying a picture of stable, inexorable growth. China's economy is

4. For a historiographical review of *Destined for War*, see Jonathan Kirshner, 'Handle Him with Care: The Importance of Getting Thucydides Right', *Security Studies*, September 2018.

5. For a review of the literature about China's rise see Lorenzo Termine, 'La Cina nell'ordine unipolare. Obiettivi e strategie di una potenza revisionista', *Rivista Trimestrale di Scienza dell'Amministrazione*, Issue 3, 2018.

6. David L. Shambaugh, *China goes global: the partial power*, New York: Oxford University Press, 2014.

7. Randall L. Schweller & Xiaoyu Pu, 'After Unipolarity: China's Visions of International Order in an Era of U.S. Decline', *International Security*, Vol. 36, Issue 1, Summer 2011.

8. Barry Buzan, 'China in International Society: Is «Peaceful Rise» Possible?', *The Chinese Journal of International Politics*, Vol. 3, Issue 1, Spring 2010, p. 18.

9. Evan A. Feigenbaum, 'China and the World. Dealing with a Reluctant Power', *Foreign Affairs*, Vol. 96, Issue 1, 2017, p. 33.

slowing down due to structural factors,¹⁰ and this inevitably will compel Chinese policymakers to choose wisely among future public expenditures and to not easily embark on brinkmanship with the US. In the military dimension, little knowledge of China's strategic culture and its historical patterns in warfighting is shown, so that Beijing is juxtaposed to any past military actor. In a show of West-centrism, Allison represents China as any other European power of the past depriving it of its political, cultural and social uniqueness and argues that Beijing's main goal is restoring its great power status in Asia and the world, but he doesn't articulate how China actually plans to achieve that. Lastly, the «rising Chinese nationalism» argument, on which Allison bases most of the rationale of China's growing international assertiveness, should be carefully handled, as Johnston plainly illustrated,¹¹ and requires further evidence and follow-ups.

With respect to the United States, the case of Athens' rise appears to give more clues about today's America than China. For instance, Alcibiades' speech endorsing the Athenian expedition to Sicily shows several analogies to what Paul Kennedy called Washington's «imperial overstretch», namely the fact that «the sum total of [its] global interests and obligations is nowadays far larger than the country's power to defend them all simultaneously»,¹² as when the Athenian statesman claims that «we cannot fix the exact point at which our empire shall stop»,¹³ and to the hub-and-spoke military alliances system built by the US, especially in East-Asia, as when he wonders: «what reason can we give to ourselves for holding back, or what excuse can we offer to our allies in Sicily for not helping them?».¹⁴

Finally, in the international systemic dimension Allison draws the same general lesson from diverse historical international systems without acknowledging that a different international polarity implies different challenges and strategies. The author, for instance, dwells on Wilhelm II's psyche and hostility towards Great Britain, believing that it could bring some advice for getting China's rise right, but he doesn't appear to be equally interested in the different international distributions of power where his 16 cases occur. Indeed, different polarities in the international system are supposed to shape different strategies and outcomes that are worth considering – e.g. balancing a competitor in multipolarity is nothing like balancing one in bipolarity or unipolarity. Moreover, lacking a thorough analysis of China's objectives and strategies, the author frequently enumerates Bei-

10. Dwight H. Perkins, 'Understanding the Slowing Growth Rate of the People's Republic of China', *Asian Development Review*, Vol. 32, Issue 1, 2015, pp. 1-30.

11. Alastair Iain Johnston, 'Is Chinese Nationalism Rising? Evidence from Beijing', *International Security*, Vol. 41, Issue 3, Winter 2016/17, pp. 7-43.

12. Paul Kennedy, *The Rise and Fall of the Great Powers*, New York: Random House, 1987, p. 515.

13. Thucydides, *History of the Peloponnesian War*, 6.18.3.

14. *Ibid.*

jing's accomplishments instead of putting them in the right perspective. By contrast, Stephen G. Brooks and William C. Wohlforth accurately selected among China's military, economic and technological capabilities those ones «tailored for superpower status»¹⁵ and found that «the one-superpower system [with the US atop] is not on the cusp of structural change» and that «there has been no such transformation in its fundamental operating dynamics»,¹⁶ notwithstanding China's several improvements.

In the final chapter, the author picks 12 «clues for peace»¹⁷ the US and China should heed in order to avoid the «Trap» and conducts a clear-headed appraisal of the possibilities Washington faces ahead. Indeed, the United States will be compelled to take a «serious pause for reflection» and not just continue «doing what it has been doing»¹⁸ vis-à-vis the monumental shift currently taking form in the international system, i.e. the massive distribution and diffusion of power. The author deserves credit for promoting a fresh debate about America's stance towards the Chinese rise, frankly considering «even the ugly» possible strategic options in tackling it, namely «accommodate», «undermine» – i.e. sponsoring opposition and regime-changers, «negotiate a long peace» and «redefine the relationship» with China.

In conclusion, the *Thucydides's Trap* appears to be merely a general name for the knotted, difficult and perilous relationship occurring between a rising power and a ruling one and it doesn't furnish any further hints on how to disentangle the specific relationship between the US and China. Nevertheless, the book stimulates the debate on America's approach towards China's rise and represents a noteworthy endeavour to deliver a wider spectrum of options to US policymakers than the usual primacy-oriented strategies. Even though Allison is motivated by the noblest purpose – to help enduring peace, Washington and Beijing will require more insights to escape war.

15. Stephen G. Brooks & William C. Wohlforth, 'The Rise and Fall of the Great Powers in the Twenty-first Century: China's Rise and the Fate of America's Global Position', *International Security*, Vol. 40, Issue 3, Winter 2015/16, p. 9.

16. *Ibid.*, p. 53

17. Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?*, p. 187

18. *Ibid.*, p. 204.

A DIFFERENT PERSPECTIVE ON KASHMIR: A PEOPLE'S NARRATIVE

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Haley Duschinski, Mona Bhan, Ather Zia, Cynthia Mahmood (eds.), *Resisting Occupation in Kashmir*, Philadelphia, University of Pennsylvania Press, 2018, 302 pp. (ISBN 9780812249781).

The post-1947 history of Kashmir is often exclusively understood as a political and territorial dispute between India and Pakistan. Moreover, following the narrative of «clash of civilizations», Kashmir is depicted as an entirely Islamic region basically at war with India according to a one-dimensional pattern, Islam vs. Hinduism. This mainstream view is not only preeminent in the media, but also among academics. Going beyond the shape of India-Pakistan relations and the considerations on security and terrorism, *Resisting Occupation in Kashmir* provides a different perspective focused above all on Kashmiri people, their problems and their views of India's policy.

The book is based on ten essays supported by long-term fieldwork researches. It analyses the political, social and legal features of India's policy in Kashmir connected to different key words: democracy, colonialism and neo-colonialism, power and abuse of power, militarisation and sovereignty. The volume depicts especially how Kashmiri youth are considering the legacy of armed rebellion against India, which is perceived as a foreign body. *Resisting Occupation in Kashmir* is a work based on anthropology and looks at Kashmiris as the first interpreters of their own political experiences and socio-economic conditions. Indeed, the main sources for most part of these essays are interviews collected in Kashmir.

The first chapter (Hailey Duschinski, Bruce Hoffman) considers the jurisdictional authority of the *Majlis-e-Mushawarat*, an organisation founded in Sopohan in 2009 as a community-based group with the stated target of achieving justice in the case of two Kashmiri women raped and murdered. The essay analyses the difficult relations between this organisation and the state's authorities. Initially, *Majlis* presented itself as an institutional player operating amid conditions of military power and coercion, and widespread protests to establish itself as a normative group requesting jurisdictional authority on the basis of its perceived political neutrality. However, as the authorities progressively closed off official channels for the two women's case, the *Majlis* tried to shift its requests to a global audience, issuing its claims to the international human rights' community (p. 67).

The second chapter (Mona Bhan) is dedicated to race, religion and sexuality. The essay examines the interventions of *Rashtriya Swayamsevak*

Sangh (RSS) to designate the Himalayas, particularly Kashmir and its border minorities, as part of Hinduism's mythic cultural geography. This narrative has been created in order to reinforce India's claims over Kashmir by presenting it as a natural extension of a cultural-religious-racial order (p. 97). In this chapter, the author has utilised the case study of Brogpas, a small ethnic minority community from the province of Ladakh. This community, identified as Aryan, symbolises the primordial Hindu, authentically pure and virile. This kind of masculinity is required also to fight India's internal enemies in Kashmir, whose struggle for independence has been depicted in Indian mainstream discourses as an exclusively Islamic *jihad*. The chapter shows different perspectives of Brogpas youth on this topic through interviews.

The third chapter (Ather Zia) offers a profile of Mohammad Afzal Guru, who was involved and sentenced for the terrorist attack on the Indian Parliament on 13 December 2001. The author, by using the Foucauldian analytic of the «spectacle» and by describing the role of the media, analyses how Kashmiri bodies are fabricated as «traitors» to Indian sovereignty and marked as «deviant» and therefore «killable». Mohammad Afzal Guru has been characterised exclusively as the «killable body». According to the author, this «spectacle» has been an implicit part of the state's surveillance system that seeks to discipline bodies and crush any form of claim to freedom. Moreover, it is interesting the attention posed on the nationalism's narrative. Mohammad Afzal Guru was hanged, not to satisfy the rule of law but to assuage what the Supreme Court of India openly referred to as «the collective conscience» of the society (p. 104).

The fourth chapter (Saiba Varma) studies how Indian state domination has traumatised the population in Kashmir. In particular, the essay examines the blurring of military and humanitarian efforts in Kashmir, particularly the use of psychiatric and psychological technologies to heal populations under occupation. It shows how trauma and post-traumatic stress disorder (PTSD) have become important tools for redressing widespread political alienation in Kashmir. The author shows how psychiatric and psychological languages are pervaded by political implications and how they are determined by highly contingent local interests. Humanitarian organisations, Indian state and Kashmiri psychiatrists seem keen to capitalise on trauma and PTSD, expanding their scope and reaching far beyond the clinic (p. 146). While the language of trauma and PTSD offers a way for Kashmiris to have their experiences of occupation recognised and legitimised, the emancipatory possibilities of trauma and PTSD are limited by the fact that it is being used as a technique of rule to transform former «terrorists» into «patients» (p. 148).

The fifth chapter (Seema Kazi) returns to sexual crimes in Kashmir. The author focuses on the cross-cutting cultural and political dimensions of rape by military forces and the relatively unaddressed albeit diffuse and

destructive influence of a military presence on women's daily lives. The author intends to illuminate, through different case studies, the relatively imperceptible, yet strongly experienced subordination inflicted through military occupation. According to this essay, it would be an error to view sexual crimes by security forces in Kashmir through a limited individual-soldier frame, for this is precisely the perspective the state seeks to promote in order to deflect attention away from its systematic abuse of power. However, Kashmir's civil society has been crucial in mobilising public discussion and action around the issue of sexual crimes by military personnel, challenging the state's narrative based on denial and obfuscation (p. 175).

The sixth chapter (Gowhar Fazili) is a critique of India's policing in Kashmir through the account of a Kashmiri police officer. This essay presents an analysis of a long conversation between the author and the policeman, focusing on the police officer's representations of three different stances: police, the people of Kashmir and his own personal self. The author analyses also the shifts between these three positions, what each one exposed about the policeman and how a researcher might be affected by his account. The chapter demonstrates how Kashmiri policemen present themselves as faithful to the interests of the community from which they are often excluded. Such self-presentation and self-belief require substantial social and psychological work (p. 185). This essay observes that being «occupied subjects» necessarily implicates for this policeman a degree of collaboration and resistance simultaneously.

The seventh chapter (Ershad Mahmud) studies the effects of India and Pakistan policies and analyses the experiences of inhabitants from villages and towns along the Line of Control (LoC) that have faced the devastating effects of the conflict. The author examines the ways in which the 2003 ceasefire between India and Pakistan and the subsequent Confidence Building Measures (CBMs) have dramatically impacted the lives of communities living along the LoC by helping displaced people return to their homes and begin new lives. Chapter 7 considers also how the failure of the political settlement of the Kashmir issue in 2007 gradually undermined the peace process, threatening to demolish not only the ceasefire but also the cross-LoC community dialogue and exchanges. The political deadlock between Islamabad and New Delhi and ceasefire violations along the LoC have led to a resurgence of violence in Kashmir (p. 212). The essay reflects also the governance issues that the people of Azad Jammu and Kashmir (AJK) confront on a daily basis.

The eighth chapter (Farrukh Faheem) is an account of the *Azadi* independence movement's organisation in Kashmir from 1930 to 1975 and beyond. The author argues that *Azadi* mobilisations were a part of the ordinary and everyday routine of the people (p. 231). The essay analyses how the *Azadi* movement in the early 1990s provided a context through which individual narratives of broken promises and betrayals connected with other

narratives, producing a collective narrative and thereby giving birth to a sustained collective action. A series of field interviews were conducted with Kashmiri leaders and political activists as well as archival material such as films and underground literature produced in Kashmir.

The ninth chapter (Mohamad Junaid) includes an examination of the relationship between commemoration of martyrdom and the formation of symbolic places such as martyrs' graveyards in Kashmir, in particular the case of *Mazar-e-Shuhada* in Srinagar. The chapter explores what constitutes «martyrdom» as a sociopolitical phenomenon and describes those distinctive features of martyrs' graveyards that indicate their symbolism and separate them from ordinary graveyards in Kashmir. The essay shows how martyrs' graveyards, Kashmir's «condensed content», are archives that incessantly signal/beckon Kashmiris to return to them (p. 269-270) and describes how they are linked to critical political struggles in Kashmir and examines commemorative and burial practices associated with martyrdom. The chapter shows that martyrs' graveyards are memorials built by the defeated, which help to reformulate the core elements of Kashmiri counter narratives against the Indian state's attempts at rendering invisible the history of violence in the region (p. 251-270).

As explained by Cynthia Mahmood in the concluding essay, «the collaboration reflected in this volume represents an attempt by Western and Kashmiri scholars to reclaim and rebuild Kashmir's academic narrative. Grounded in the face-to-face methods of ethnography [...], we transect the classic insider-outsider polarity to write from positions of solidarity with the people we study and learn from» (p. 286).

In conclusion, the image of a «body», violated or depicted as a powerful symbol, can be utilised as a *fil rouge* that links the essays of *Resisting Occupation in Kashmir*. Indeed, it's a recurring representation: first of all the «body» of Kashmir, which is desired by Islamabad and New Delhi, by rewriting borders considered as sacred representations; Kashmir's vision of the inhabitants, whose life is completely different from the narrative of the state; the idea of the Aryan «perfect body» and the search for pure seed in Kashmir by Hindu organisations; the «killable Kashmiri body» of Afzal Guru; the sexual crimes against Kashmiri women and violence against the traumatised, whose bodies have been considered by authorities as instruments to be used for coercion and the expression of power; the policeman between collaboration and resistance; the bodies of Kashmiri martyrs (the cases of Maqbool Bhatt and Afzal Guru, whose bodies were interred in Tihar Jail in New Delhi).

Although very critical of India's policy, *Resisting Occupation in Kashmir* is fundamental reading on contemporary Kashmir, considering the inter-disciplinary methodology as a core element of these studies and the region's knowledge of contributors, many of whom were born and raised during the peak of the conflict in the 1990s. It's important to underline

the use of interviews as sources in order to hear Kashmiris' voices and understand their perspectives. Therefore, this book is a significant source for scholars specialising in South Asian studies.

APPENDIX
LIST OF THE ASIA MAIOR'S ISSUES

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Vol. XXVIII Michelguglielmo Torri, Elisabetta Basile and Nicola Mocci (eds.), *Asia in the Waning Shadow of American Hegemony*, Viella, Roma 2018 (Asia Maior 2017).

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