The End of the Obama Era in Asia

Edited by
Michelguglielmo Torri
and Nicola Mocci

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This Asia Maior issue is dedicated to Asia Maiorano, who came to this world while the volume was in the process of being finalised thanks also to the active participation of her father.
Foreword: Asia Maior in 2016

Asia at the end of the Obama era:
The rise of China, the Asian ruling classes’ search for legitimacy and power, the threat of radical Islam

The second and final four-year mandate of US President Barack Obama came to an end on Friday 20 January 2017, making of 2016, the year under review in this volume, the concluding one of what can be defined the Obama Era. The end of the Obama era was related not so much to the conclusion of the second and last Obama presidency as to the political personality and programme of his successor. The unexpected election of Donald Trump as the new US president, on 8 November 2016, brought to power a politician whose programme, although lacking in clarity and coherence, appeared to have as its polar star the objective of undoing most if not all of the major policies and reforms carried out by his predecessor. As far as Asia is concerned, Donald Trump’s election had an immediate and major consequence, represented by the President-elect’s announcement, on 21 November 2016, that he would withdraw from the Trans-Pacific Partnership (TPP) «from day one» of his presidency. By taking this decision, Donald Trump demolished one of the twin pillars on which the Obama administration’s foreign policy in the Asia-Pacific region had been based (the other being the «pivot to Asia», namely the redeployment of much of the US military strength in the Asia-Pacific region). Trump’s decision, by the way – notwithstanding Japan’s Prime Minister Shinzō Abe warning that the TPP would be «meaningless» without US participation – did not mean either the end of the Trans Pacific Partnership or its reduction to irrelevance. On the contrary, Trump’s decision meant, quite simply, that the US was giving up its role of leadership in what still remained potentially the most important free-trade pact of the 21st century. By so doing, the US President-elect opened the way to China joining and, eventually, playing a leadership role in the TPP.

Trump’s decision to withdraw from an economic pact that had been so actively pursued by his predecessor and was so central to his policies highlighted a clear-cut and decisive hiatus in the US foreign policy and, in a way, epitomised the end of the Obama era in Asia. However, momentous as they were, and bound to decisively affect the next future of Asia, Trump’s election and his decision to abandon the TPP came too late in the year 2016 to really play a decisive role in the political and economic evolution characterising that year in Asia Maior (namely that part of Asia that the Asia Maior think tank defines as delimited in the north by the Caucasus and the Siberian southern border, in the west by Turkey and the Arab countries and...
in the south and the east by the Indian and Pacific Oceans respectively). Differently put, although 2016 was the concluding year of the Obama era, and although the closing of the Obama era was bound to impact on the future of Asia (as well as on the future of the remainder of the world), this event, crucial as it was, did not yet visibly impact on the political and economic processes under way – in Asia as elsewhere – during the year under review.

Others, therefore, were, during the solar year 2016, the developments characterizing the evolution of the Asian countries examined in this volume. As usual in a geopolitical and geo-economic area as complex and differentiated as Asia, even that limited part of Asia that is here defined Asia Maior, these developments varied in the different quadrants of the area under review. However, two main threads are discernible as significant for most Asia Maior countries, while a third one can be identified as significant in at least some key countries. The first thread is represented by China’s assertive foreign policy and the varied reactions to it of most other Asian countries; the second thread is represented by changes in the political set up in the countries examined in the present Asia Maior issue, a change related to the search for the legitimisation and the consolidation of power of their respective ruling classes; the third thread – relevant for Muslim majority countries such as Afghanistan, Pakistan, Bangladesh and Indonesia – is epitomised by the belligerent struggle of radical Islam against whomever is not sharing its regressive and authoritarian Weltanschauung. It is worth stressing that the first and second threads are strictly intertwined as – as argued below – China’s aggressive foreign policy is itself expression of the search for legitimisation and power of its ruling class.

To a large extent, in 2016 much of Asia Maior was influenced – directly or indirectly – by China’s policies. The giant East Asian country was still experiencing – as it had been the case since 2011 – a pronounced slowdown in its economic growth. Although China’s growth was still impressive, its deceleration determined a complex set of consequences for both its domestic and foreign policies. This was the natural enough result of the fact that, since the late 1970s, the legitimacy of the Chinese ruling class has no longer been based on the idea of heroism of the founding members of the revolutionary party but on the success of the party’s economic policies. Accordingly, the economic slowdown characterizing the years since 2011 was bound to put this legitimacy in doubt. At the domestic level, this has brought about the rise of labour unrest which, in turn, has determined what Francesca Congiu and Alessandro Uras, in this volume, define as an «authoritarian regression [...] ruled and formalised by law». In other words, a process became visible characterised by the shifting of political power from a collective leadership to one man, namely President Xi Jinping.
In the analysis of Congiu and Uras, this crisis of legitimacy has been the real engine behind China’s aggressive behaviour in the South China Sea, as the Chinese leadership was trying to find a prop to its declining legitimacy in nationalism. However, it is worth stressing that, although widely perceived as aggressive, China’s assertiveness in the South China Sea is far from being a threat to freedom of navigation, as claimed by the US and its allies. After all, it is freedom of navigation which makes possible for China both to carry out most of its trade, which is crucially important for its economic growth, and to supply itself with the energy needed for making its whole economic system work. Accordingly China’s assertiveness in the South China Sea can also be read as the natural outcome of its legitimate preoccupation to keep its more proximate and more important sea connections with the remainder of the world open to trade and outside the reach of the navies of the US and its allies.

The Chinese ruling class’ crisis of legitimacy may or may not be the engine of Chinese policy in the South China Sea. However, the economic slowdown that is at the basis of this crisis of legitimation is also the key motivation in explaining the gigantic Belt and Road Initiative (formerly called One Belt, One Road initiative), launched by Beijing in autumn 2013. Through this initiative, Beijing has been trying to find a productive employment for China’s economic over-capacities, while, at the same time, protecting itself from the arc of containment that the Obama administration has been building around China. Accordingly Chinese capital and know-how have started to be employed in giving shape to an extremely ambitious and complex network of traditional and new infrastructures aimed at connecting China to the remainder of continental Asia plus Europe and Africa.

Of course, as in the case of Chinese policy in the South China Sea, the Belt and Road Initiative (BRI) has a political-military strategic side. If Chinese assertiveness in the South China Sea aims (also) at keeping open the sea lanes that are most vital to the Chinese economy, the BRI aims at opening new connections with the remainder of the Eurasian landmass, which are beyond the reach of US military might or, anyway, more difficult for it to control and, in case of need, to choke.

The BRI and Beijing’s South China Sea policies, while strengthening China’s connection with several, mainly continental, Asian countries, have, not unexpectedly, caused the adverse backlash of others, actively supported by the US. This, as shown by Giulio Pugliese in this and previous Asia Maior issues, has been the case with Japan. Also, as shown by Michelguglielmo Torri and Diego Maiorano, again in this and previous Asia Maior issues, this has been the case with India. Likewise, as shown by Michela Cerimele, this has been the case with Vietnam.

A more complex reaction to China’s policies is that of Laos, analysed by Nicola Mocci: Laos maintained its strong economic connection with China, mainly built as a consequence of BRI; nevertheless, in the year under review,
and as a result the new political set up which came into being following the 10th congress of the Lao People’s Revolutionary Party, the South-east Asian country marked its political distance from its giant northern neighbour.

In a class apart, but still representative of China’s difficulties in relating to its neighbours, there is China’s relationship with Taiwan, or, differently put, the relation of the People’s Republic of China (PRC) with the Republic of China (ROC). As shown by Aurelio Insisa, after a promising phase of rapprochement between the two Chinas - based on the acceptance by both countries of the «1992 Consensus», which posits the existence of One China, including both the Mainland and Taiwan – this process came to an abrupt end. What caused this development was the election to the Taiwan presidency, on 16 January 2016, of Tsai Ing-wen and the conquest of the majority in the Taiwan Legislative Yuan (LY) by her Democratic Progressive Party (DPP). Tsai’s refusal to accept the «1992 Consensus» led to a phase of renewed tension between the two Chinas, exemplified by Beijing’s decision to suspend cross-strait contact.

On the other hand, as noted above, there were the cases of countries which were becoming increasingly tied to China, and, in addition, cases of countries which were hedging their bets by keeping open their connections with both China and its adversaries. Undoubtedly, in 2016, the most telling example of the former category was Pakistan, analysed by Marco Corsi. Here the construction of the China-Pakistan Economic Corridor (CPEC), namely a gigantic network of infrastructures tying the Chinese province of Xinjiang to the Indian Ocean port of Gwadar was under way. The project, originally valued at US$ 46 billion, in 2016 already reached the value to US$ 54 billion.

Examples of states which have hedged their bets by keeping open their connections with both China and other geopolitical main players in Asia are those of Sri Lanka, analysed by Fabio Leone, and of Kazakhstan, analysed by Adele Del Sordi. In a way representative of the same phenomenon is the case of Nepal, analysed by Michelguglielmo Torri and Diego Maiorano when discussing India’s foreign policy. The imperatives of geography have consigned the Himalayan country to the choking embrace of its giant South Asian neighbour. Still, as shown by Torri and Maiorano, Nepal and China are operating to maintain open their connections and, if possible, to enlarge then in the future.

A peculiar case in the relations between China and its neighbours is that of the Philippines. In 2013 the Philippines filed a case at the Permanent Court of Arbitration in The Hague against China’s claim on most of the South China Sea. The ruling of the Permanent Court came on 12 July 2016, and was against China on nearly all counts. However, at that point in time, in the Malacañang palace in Manila, pro-US President Benigno Aquino III, under whose tenure his country had filed the case against China, had recently been substituted by anti-US President Rodrigo Duterte. This not only was enough to radically diminish the political fall-out of the Permanent
Court of Arbitration’s verdict, but, as explained by Carmina Untalan, was the ironic premise to the Philippines’ «pivot to China».

The name of Rodrigo Duterte can be considered an appropriate launching pad for exploring what, beside China’s assertiveness and the other Asian nations’ varied reactions to it, is the other main thread to follow to understand the political and economic evolution of Asia Maior in 2016. This second thread is represented by the evolving power balance inside the ruling classes of the Asian countries analysed in the present issue. This evolution appears to be characterised by two processes. The first is the consolidation of authoritarian or quasi-authoritarian one-man leaderships, sometimes inside political systems which are democratic or partly democratic, sometimes inside political systems which are openly non-democratic, usually based on one-party rule.

The second of the two processes characterising the evolving of the internal political balances in the Asia Maior countries is the maintenance of the grip on power by openly authoritarian ruling classes, guided by a Leopard-like willingness (the reference, of course, is to Giuseppe Tomasi di Lampedusa’s famous novel) to change everything – or, if not everything, quite a lot – so that everything can stay the same. This latter attitude explains the authoritarian ruling classes’ availability to opening partly democratic or quasi democratic spaces inside or beside the political systems which they control. In turn, this development begs a crucial question: are these mixed systems nothing more than the old authoritarian arrangements, now dressed up in new and more attractive «democratic» clothes? Or the newly-opened democratic spaces represent real, although constrained, spaces of freedom, and, at least in some cases, are possible stepping stones on the way to full-blown democracy?

Of course this is not the place where to answer this question. Our task, here, is simply and humbly that of pointing out the examples of the above listed two processes characterising the evolving political balance of the Asian ruling classes. But before doing that, it is worth stressing that it can be argued – as has authoritatively been done by Beverly Silver – that the just noted authoritarian processes are not due to chance but are the necessary outcome of the adoption of neoliberal policies. These policies do bring about a usually rapid growth of the GNP but, at the same time, cause steep increases in social disparities and the consequent necessity by the ruling classes to make use of the iron fist in implementing the new policies. This, in turn, naturally results in the emergence of strongmen and/or the tying of their grip on power by the ruling élites.

Once this has been said, and coming to the examples of authoritarian or quasi-authoritarian one-man leaderships in Asia Maior, Duterte’s case, which has just been recalled above, is the most evident example, at least in
Asia, of an authoritarian leadership brought to power by popular vote. As noticed by Carmina Untalan, what makes this case puzzling is that it has happened in a country which, not so far ago, namely in 1986, put an end to a 20-year period of dictatorship through a successful non-violent and democratic revolution. As shown in Untalan’s analysis, Duterte’s ascent to power is the result of the long-term decline of the spirit of that People Power Revolution, or EDSA Revolution, which not only put an end to Marcos’s authoritarian rule, but resurfaced again in 2001 with the EDSA II and EDSA III movements, related to the ousting of President Joseph «Erap» Estrada.

Another example of an authoritarian personality tying his grip on a democratic system is that of India’s Prime Minister Narendra Modi, examined by Torri and Maiorano. In contrast to this, there is the case of Japan Prime Minister Shinzō Abe, examined by Pugliese. As shown by Pugliese in this and past issues of this journal, although Shinzō Abe is undoubtedly an authoritarian personality, his capability to strengthen his grip on the political system has precise and inflexible limitations in the democratic strength of this same system. In fact, in 2016, as shown by Pugliese, political calculation pushed Shinzō Abe to soften his more nationalistic positions, with the aim of paving the way to an extension of his already long mandate as Japanese Prime Minister.

On the other side of the political spectrum, namely inside openly non-democratic systems, the rise or consolidation of one-man leaderships is exemplified by the consolidation of personal power by both Chinese President Xi Jinping – analysed by Francesca Congiu and Alessandro Uras – and Supreme Leader of the Democratic People’s Republic of Korea Kim Jong-un – analysed by Marco Milani. The latter case, of course, is a special one, as is in no way related to the implementation or strengthening of neoliberal economic policies.

Examples of authoritarian ruling elites’ Leopard-like willingness to change what is needed to maintain their ultimate control of power are abundant. As argued by Adele Del Sordi, in Kazakhstan a political leadership that remains strongly authoritarian successfully adopted softer, less repressive and more sophisticated forms of control. As shown by Pietro Masina, in Thailand the military junta ruling the country after the coup of 2014 had a new constitution approved, which heralded the creation of a «semi-democratic» system. In it the ultimate power was to be firmly kept in the hands of the army and the royalist élites. A similar case can be considered that of Myanmar. Here, as shown by Matteo Fumagalli, a five-year transition from military to semi-civilian rule reached a turning point with the elections of 2015 and 2016, which marked a watershed in favour of the latter form of government. However, at the end of the day the transition to full democracy was less than complete and the proof given by the new government, de-facto headed by Aung San Suu Kyi, somewhat disappointing, even under the profile of democratisation. Yet the point can be made that, in Myanmar, the
space of democracy created inside or beside the still surviving authoritarian set-up could be a step towards full-blown democracy.

A somewhat different case, but still one which can be considered exemplary of the ability of the old authoritarian élites to maintain their grip on power, is that of Indonesia. Here, the new President, Joko «Jokowi» Widodo, has widely been perceived by the people at large as a representative of new democratic forces vis-à-vis the deep-seated authoritarian legacy embodied in Suharto’s still powerful «New Order» political and social circles. However, as argued by Elena Valdameri in this and in the previous issue of this journal, the Indonesian president has continued to rely on public figures, especially military ones, still connected to the old and authoritarian «New Order» of the Suharto era.

Together with the above examples, a peculiar case can be made of a political system apparently stuck mid-way between democracy and authoritarianism, namely that of Iran. Here an openly authoritarian political set-up exists, headed by the Supreme Leader, Ali Khamenei – who, in turn, is the expression of the religious-military oligarchy which assumed power through the 1979 revolution. However, inside this authoritarian system, a democratic although constrained space does exist, headed by a president elected by universal adult suffrage every four years. In 2016, as shown by Luciano Zaccara, the incumbent president, Hassan Rouhani, strengthened his position thanks to the results of the legislative elections. These results endorsed both Rouhani’s administration and the nuclear accord which, through laborious and long negotiations, the Iranian President had reached with the P5+1 group of nations. By itself this represented a strengthening of the constrained democratic dimension present inside a political system which, at the end of the day, remains authoritarian.

Once all the above has been pointed out, in Asia Maior there were at least two exceptions to the consolidation of power by one-man-leaderships or its maintenance by authoritarian ruling classes willing to apply Leopard-like strategies. One is represented by the ousting of South Korean President Park Geun-hye as the result of the mobilisation of civil society. As shown by Marco Milani, this was triggered by the reaction of the civil society to the South Korean President’s improper connection with a close friend and confidant. The latter had made use of her influence on the President to offer favours to powerful economic conglomerates in return for large sums of money.

At least as important is the case of Sri Lanka, analysed by Fabio Leone. The new Lankan political phase had initiated in January 2015 with the electoral defeat of authoritarian President Mahinda Rajapaksa and the fall from power of Mahinda himself and his family clan, which, under the defeated president’s leadership, had come to dominate the Lankan polity. In 2016, under the double leadership of President Maithripala Sirisena and his new Prime Minister, Ranil Wickremesinghe, the Lankan new political
phase found expression in a policy aimed at re-establishing the rule of law and implementing reconciliation measures aimed at healing the still open wounds of the long and bloody civil war of 1983-2009.

A third thread worth to be followed to understand the evolution if not of most countries in Asia Maior, at least of some of them is represented by the violent struggle between radical Islamic forces and a number of Asian states. This is, of course, the case of Afghanistan, where the war is still going on and, as Diego Abenante argues, in 2016 the uneasy balance between the regular army and the Taliban insurgency showed the tendency to shift in favour of the insurgents. In Pakistan, as pointed out by Marco Corsi, in the past years military operations against radical Islamic insurrectionary or terrorist forces have effectively rolled them back, bringing large swathes of territory, previously under the sway of Muslim armed extremists, once again under the control of the state. This effort, however, has had a heavy cost in terms of resource reallocation, military expenditures, and the contraction of trade, business activities, and investments at large. Two other Asian countries which were put under pressure by radical Islam were Bangladesh and Indonesia. In particular, as shown by Marzia Casolari, Islamic violence in Bangladesh was so continuous and pervasive, to appear as a low-intensity civil war against not only Bangladeshi and foreign non-Muslims, but also against Bangladeshi moderate Muslims and secular citizens. In reacting to it, both the government and the state repressive apparatus showed uncertainty and weakness.

The situation in Indonesia, as shown by Elena Valdameri, although different, was hardly less alarming. Here the government reacted efficiently and without hesitation to violence on the part of Islamic radicalism. What was worrying, however, was the rising of Islamic intolerance in the Indonesian society at large and the successful attempt to use Islam as a tool to question political pluralism. This phenomenon was epitomised by the mass demonstrations and the judicial case against the Christian governor of Jakarta, Ahok, speciously accused of blasphemy by a political adversary. Equally alarming was the weakness shown by President Widodo in dealing with what was a clear and present danger to Indonesian ethno-religious pluralism and political democracy.

Most commentators, at least in India, would portray the case of Kashmir as an example of the just discussed violent clash between radical Islamic forces and the state. However, as argued by Marco Valerio Corvino in the appendix to the article focussed on India, reality is considerably different. In spite of the fact that some Pakistan-based radical Islamic
terrorist groups have been active in the Kashmir Valley at least from the early 1990s, the problem of Kashmir has very little to do with religion and, far from being the result of the intervention of radical Islamic forces coming from outside India (as claimed by both the Indian State and most Indian commentators), has causes related to the recent political history of Kashmir. In fact, Kashmiri Islam is historically alien from those fundamentalist and radical Islamic currents - steadily promoted in the past decades by Saudi money and imams - which have found expression in the creation and violent activities of outfits such as al-Qâ’ida and the Islamic State. What is at the basis of the Kashmiri problem is, rather, the betrayal of the engagement made by the Indian State in 1947, promising a very wide autonomy to Kashmir. In other words, Kashmir discontent and the resulting unrest are not linked to religion, but are the natural enough reaction to the policies of a central state that has first steadily and duplicitously worn away Kashmiri autonomy – in spite of it being enshrined in the Indian Constitution – and, then, beginning with the early 1990s, has fallen back on a ruthless and pervasive policy of repression. This policy, however, far from solving the Kashmir problem, has increased the alienation of the Kashmiris vis-à-vis the Indian State, determining a dangerous and unstable situation. It is a situation where even a small spark can cause a massive explosion, which, as shown by Corvino, is exactly what happened in 2016.
The present article focuses on what seemed to be the main issue at stake in China during the year 2016: the legitimacy of the party-state’s domestic authority. Party-state’s legitimacy was indeed affected by an enduring and worsening economic slowdown and above all by various forms of protests that were overwhelming the institutional legal channels. The aim of the present article is firstly to assess the main symptoms of the party-state’s legitimacy crisis in the year 2016, and, secondly, to focus on the major strategies adopted by the Chinese Communist Party to deal with its legitimacy crisis. The article deals with the legitimacy crisis in terms of the party’s and its affiliated social organisations’ capacity to politically represent social groups and their interests.

In 2016, labour protests in particular (which, however, did not represent the sole form of social protests) effectively suggested that industrial workers were critical of the role of the single trade union and, as a consequence, relayed more and more on alternative labour organisations and on outright illegal forms of collective protests. In that sense, although it would not be correct to claim that labour protests were threatening the stability of the political regime, the party-state’s legitimacy was nevertheless at stake because of the party’s evident inadequacy to represent workers’ interests and to promote the workers’ effective empowerment.

The way the party-state was dealing with the malfunction of its corporatist stance was, indeed, in itself a further demonstration of its legitimacy crisis: repression was gradually taking the place of corporatism and one man-authority was trying to replace collective leadership. Significantly, these authoritarian regressions were being ruled and formalised by law.

Additionally, the international perspective on some key selected issues, namely the ongoing BRI (Belt and Road Initiative, formerly called OBOR: «One Belt, One Road» initiative) and the arbitration question on South China Sea, showed that Chinese foreign policy too was substantially conditioned by domestic legitimacy issues.

* The present chapter is the outcome of a joint research effort, and every single part of it was jointly discussed by the two authors before being written and revised by both. However, the final draft of parts 1, 2, 3 and 4 were written by Francesca Congiu, whereas the final draft of parts 5.2 by Alessandro Uras. The final draft of part 5.1 was written by both.

1. A party-state is here considered as a state in which political power is held exclusively by a single political party and where, accordingly, there is a total overlapping of functions between state and party institutions.
1. Introduction

The year 2016 has represented a fundamental drive for China’s search for a new development path. The Chinese economic «miracle» has been over for at least two decades. The export-driven model, especially after the emergence of the global economic crisis, was not able to grant a sustained economic growth anymore, and social turmoil spread, nurtured by the slowdown in growth, which in 2016 was 6.7%, namely slightly lower than the previous year (6.9% in 2015). As a consequence, Chinese economic growth could no longer be considered the basic fuel for the legitimacy of the single-party rule, which was in the middle of a major internal crisis. More and more informal social organisations were indeed involved in protests, making use of non-institutional and illegal canals to express their grievances. These actions can be considered a symptom of the party’s growing inadequacy to politically represent the major social groups and their interests.

Furthermore, since 2008–09, the People’s Republic of China (PRC) has been dealing with economic and geopolitical tensions in the Southeast Asian region, complicated by the United States’ Pivot to Asia politics. Maritime Asia was indeed at the front line of intense geopolitical and trade competition where global challenges converged and overlapped with national prerogatives. As Chinese foreign policy experts confirm, China’s foreign policy was indeed embedded in domestic issues and national interests and could thus be considered as a key instrument for defending and strengthening the single-party internal legitimacy to rule the country. As a consequence, foreign policy goals and decisions can be read as being guided by a combination of measures supporting domestic economic growth and responding to nationalism.

During the year 2016, it seems that the main issue at stake has indeed been the legitimacy of the Chinese party-state’s authority mainly observed in terms of its political and social representative capacities. The aim of this article is firstly to assess the main symptoms of the party-state’s legitimacy crisis as far as the year 2016 is concerned. Secondly, the work focuses on the major strategies adopted by the Chinese Communist Party to deal with its legitimacy question.


The article begins with what the Chinese Communist Party (CCP) has officially declared as its current top priority as it faces the above mentioned emerging challenges: the strengthening of its unity in terms of ideology and policies. Facing external and internal threats, the party, indeed, has usually demonstrated the need to make ideas converge into one single path, from a perspective of international and domestic politics as well as of political economy. In 2016, the CCP line favouring structural economic reforms seemed to prevail over the more conservative faction, as was demonstrated by the State Council’s documents on the so called «Supply-side Reform».

The article is divided into two parts. The first deals with labour conflicts and the party-state’s reaction to them, because in 2016, factories have been the principal terrain of social conflict. The second part deals with the «One Belt, One Road» strategy’s new developments in the Euro-Mediterranean area and with the 2016 evolution of the South China Sea’s conflicts in the Philippines versus China arbitration case.

2. Strengthening the unity of the Party: a top priority

The year began with the Politburo Standing Committee demanding comprehensive loyalty to the party’s central leadership and to Xi Jinping. After the Politburo Standing Committee meeting on the 7th of January 2016, the party released a formal statement. In the official state press communication, it is possible to read a summary of the meeting and some significant points. The first is that: «The key to strengthening party leadership is maintaining the centralised and unified leadership of the party centre». The official report underlines as well the need to be united around one single ideological line – Xi Jinping’s – in order to be able to carry on with the project of building socialism with Chinese characteristics.

Near the end of the year, in October, during the Sixth Plenary Session of the 18th Communist Party of China’s central committee, Xi was formally proclaimed the «core leader» (领导核心) of the Chinese Communist Party. From the full-text of the communiqué of the Sixth Plenary Session, it is clear that the party’s main political focus was to be stronger and united around one single path. In order to achieve this, it was necessary to establish more severe

4. The January Politburo Standing Committee meeting’s main task was to review work reports of the leading party groups of the National People’s Congress Standing Committee, the State Council, the Chinese People’s Political Consultative Conference, the Supreme People’s Court and Procuratorate, the Party Secretariat.

5. 习近平主持中央政治局会议 (‘Xi Jinping Presided at the Politburo of the Communist Party of China Central Committee’), 人民日报 (Renmin Ribao), 30 January 2016. See also: ‘All the president’s men: Xi Jinping tells Communist Party’s top echelon to unite behind him in thought and action’, South China Morning Post, 9 January 2016.
inner-party rules and to continue fighting against inner-party corruption. The plenary session was, in particular, a call for senior officials so that they would feel invested with important responsibilities and behave as example-models in front of the party's local officials for the sake of the leadership's broader development plans. By calling party officials to comply with Xi Jinping's political line, the party was demanding them to have three different types of consciousness: «political consciousness» (政治意识), «consciousness of the big picture» (大局意识), «consciousness of the core» (核心意识) and a strong «consciousness of keeping in line» (看齐意识). This was officially the only way to build an equitable and developed society and to grant social stability.6

Technically and formally, the new title of «core leader» did not give Xi Jinping more power that he already had. However, it was a significant request to recognise the dominance of his political line. The official reasons for proclaiming Xi Jinping the «core leader» of the party and for asking party officials to publicly recognise it, were, according to official state media, the need to have strong leadership in order to enable the party to surmount challenges (战胜挑战) and to deal with new situations (新情况) and new problems (新问题).7

Taking into account that China, for almost ten years, had been in the middle of a persistent economic slowdown,8 of growing social conflicts due to an enlarging socio-economic gap, and of complicated international tensions, by using the above expressions (new challenges, new situations, new problems), the party was very likely referring to these kinds of situations and problems.9 Here, it should be noted that the need to be united around the centre is not a new issue in Chinese domestic politics. Discourses on political stability, unity and economic development indeed emerged soon after the Cultural Revolution along with Deng Xiaoping’s leadership. The fight against factionalism, the strengthening of the inner-party discipline,

6. ‘习近平主持中央政治局会议’ (‘Xi Jinping Presided at the Politburo of the Communist Party of China Central Committee’).

7. ‘中国共产党第十八届中央委员会第六次全体会议公报 (全文)’ (Sixth Plenary Session of the 18th CPC Central Committee (full text)), 凤凰网 (Feng huang wang), 27 October 2016; ‘日社论: 坚定不移推进全面从严治党’ (‘People’s Daily Editorial: Firmly carry on the comprehensive strict discipline of the Party’), 人民日报 (Renmin Ribao), 28 October 2016. It should be noted here that Hu Jintao, Xi’s predecessor, was never granted this title in a rather significant departure from previous practise: Mao Zedong, Deng Xiaoping and Jiang Zemin were indeed all core leaders of their generations. Hu Jintao has represented the apex in a process of construction of a collective leadership in which a core leader was supposed to be unnecessary.

8. Except from the high peak in 2010 (10.6%), mainly due to a heavy state financial stimulus, Chinese GDP annual growth started to go below the traditional double digit from 2008 (9.7%), reaching 7.3% in 2014, 6.9% in 2015 and 6.7% in 2016. National Bureau of Statistics of China, Annual Data (http://www.stats.gov.cn/english/StatisticalData/AnnualData).

9. ‘日社论: 坚定不移推进全面从严治党’ (‘Daily Editorial: Firmly carry on with a comprehensive strictly discipline of the party’).
the institutionalisation of political power and collective leadership, had all emerged intermittently as political strategies to rule the country since the first biggest threat – historically – to party legitimacy.10

3. Domestic politics and social issues: managing labour conflicts

3.1. Workers’ militancy: an overview of the major labour protests in 2016

Labour conflicts have always been a constant in Chinese social history and recently, since the beginning of the 2008 global economic crisis, their intensity seems to have reached the level of the 1990s labour protests, which followed the first state-owned-enterprises’ reform.11 Because of the erosion of exports since 2008, most Chinese industrial sectors strategically started to implement several solutions: from downsizing to closure; from abroad relocation to sales or mergers. These solutions were accompanied by some labour cost-cutting tactics such as downsizing severance pays, salaries, bonuses and benefits such as social insurance.12 In particular, in the Pearl River Delta, the heart of Chinese labour-intensive manufacturers, thousands of manufacturing units were relocating, merging or closing down.13 In most cases, factory owners and managers did not discuss relocation plans with the workforce but merely announced them, sometimes providing employees with minimal compensation, sometimes without doing it. In many cases, the company had never paid (before the relocation) social insurance, housing funding or other welfare benefits required by law. As a consequence, those workers risked being laid off without pension or medical insurance. Following a model already framed by the first Asian «tigers»,14 this kind of capital’s reaction against an economic crisis caused the development of a variegated and fragmented labour movement, struggling to obtain compensation for workers, missing severance payments and social insurances from the closing

13. It should be underlined that at the time of this writing and, especially for the private sector, it was not possible to indicate precise quantitative data concerning the number of closing, merging or reallocating factories.
factories. According to the China Labour Bulletin’s Strike Map, the peak of these protests was registered during 2016, the year under analysis. For the sake of synthesis, only a few of them are listed hereafter.

The year started with the explosion of about 19 collective protests in the municipality of Chongqing. The protests were organised by laid off workers of a machine factory and by golf caddies asking respect for the compensation agreement and fair social security contributions. The year went on with two other significant labour conflicts in Shenzhen. Almost one hundred workers at the electronic factory Guang Xie Electronics went on strike and picketed the factory entrance in order to prevent managers from removing machinery and other possessions to another location. Eventually, they forced the company to pay lay-off compensation in advance as a guarantee against relocation. A labour organisation, the Chunfeng Labour Dispute Service Centre, assisted the workers in the first phases of the action and, later, the local trade union intervened in support of their interests. The labour organisation, in particular, organised training seminars on how to engage in collective bargaining with management, and assisted workers with the election of their representatives and the formation of their committee. Workers were able to invite the company to the negotiating table to discuss a potential factory trade union’s reform, wage increases, arrears, social insurance and housing. On 31 May, the company decided to renounce to its plans of reallocation.

The second significant labour conflict, which started already in 2015 in Shenzhen, involved the Mizutani Toy Factory Co. Ltd., a manufacturer of the Walt Disney Corporation in China. The reasons behind this unrest were similar to the others: relocation of production (Mizutani was moving to the Philippines), underpaid severance compensation and social insurance contributions (社保) and unlawful dismissal of workers. After the protests in 2015, negotiations started up again in March 2016. However, the company agreed to compensate (赔偿) employees with only one-tenth of the arrears (拖欠) and, as a consequence, the workers went again on strike, before being repressed by the police.

17. ‘Increasingly angry workers in Chongqing take to the streets once again’, CLB, 4 March 2016.
19. ‘深圳水谷工廠抗爭 水谷只願賠十分一’ (‘The Shenzhen Mizutani Factory conflict: Mitzutani only wanted to pay 1/10 of the compensation’), Red Balloon Solidar-
Finally, during the last quarter of 2016, the international and Chinese press registered several strikes in some multinational companies that expressed the intention to sell off their factories to local companies. This occurred with the French company Danone in Guangzhou, because the French decided to sell a bottling plant to a local company and refused to pay severance according to the workers’ years of employment, pointing out that the corporate name was not changing. Dozens of workers went on strike for two weeks and were violently repressed by the police. Furthermore some workers were dismissed and charged with «suspension, sabotage, disruption of work order and for disobeying work arrangements». Red Balloon Solidarity, a Hong Kong labour organisation, reported some workers claiming that: «[…] we did not want anything if not defending our legal rights (维权) and seizing our hard-earned money, everyday they were coming to frighten us by saying we were breaking the law (犯法), that we could be arrested if not imprisoned and that capital was not going to suffer a financial loss». A similar problem involved Sony at a smartphone camera parts factory in Guangzhou. Workers went on strike for two weeks in order to oppose Sony’s decision to sell the factory off to a local company. They feared that working conditions would worsen and some of them might lose their job. The multinational reacted by paying them off an unfairly low amount of money and by firing many workers that had organised the strike. Unrests erupted as well in three Coca Cola plants (in Chengdu, Chongqing and Jilin province) after the announcement about the intended sale of all Coca Cola bottling plants in China to the Hong Kong multinational Swire Pacific and to a giant Chinese state-owned food corporation, COFCO. Like the Sony workers, Chinese Coca Cola workers feared receiving lower wages or losing their jobs. They organised coordinated strikes to ask for more detail on the sale and to obtain economic compensation.

As had happened during the 1990s, large protests (however, not as large as in the 1990s) seriously involved the state sector again as well and, in particular, the coal mining and steel industries. Protests emerged, indeed, after the government announced, in 2015, its intention to reduce industrial overcapacity (压缩产能) and to lay off (大量裁减冗员) about 1.8

20. ‘樂百氏廣州水廠工人罷工‘談判過程內幕特警入廠兩女工被當場開除’ (‘Inside news of the negotiation over Robust Guangzhou Water Factory strike: regimental policemen were sent inside and two women workers were fired on the spot’), Red Balloon Solidarity, 24 November 2016.
21. Ibid.
million workers in the coal and steel industries (15% of the industries’ total workforce). In September 2015, the Longmay Mining Group, the biggest coal company in North-eastern China (owned by the government of Heilongjiang Province) announced, in line with the central government, its plan to lay off 100,000 workers (40% of the workforce at 42 mines in four cities). In March 2016, a massive protest of at least a thousand coal miners belonging to the Longmay Mining Group took place in the city of Shuangyashan (Heilongjiang Province) in front of the mining authorities’ headquarters. Some pictures in the Chinese micro-blogging website, weibo, showed some banners displayed by protesters that said: «我们要活着, 我们要吃饭» («We want to live, we want to eat»). Workers were demanding wage arrears that they were finally able to obtain when Mr. Lu Hao, the governor of Heilongjiang Province, gave in to the workers requests. Between April and October, labour unrest also took place in the Wuhan Iron and Steel State Corporation in order to protest unfair layoff compensation. By the end of July 2016, provincial governments had met only 38% of their targets to cut production capacity in coal mining and 47% in steel industry, according to Zhao Chenxin, spokesperson for the National Development and Reform Commission. It is possible to suppose that one of the reasons for this delay was the massive, widespread discontent and unrest among coal and steel workers.

The most significant and widespread labour unrest in 2016 was likely the Wal-Mart workers’ campaign against a new comprehensive working-hours system, unilaterally introduced by the multinational company. It started some years before and gave rise to an online Wal-Mart Workers’ Association (沃尔玛中国员工联谊会) that began in 2014 with 100 to 200 affiliated members.

27. ‘China Behind on Plans to Trim Overcapacity’, Caixin, 16 August 2016.
and ended up in 2016 with about 10,000 members.\textsuperscript{28} Furthermore, July 2016 was the beginning of an embryonic form of collaboration between the newborn Chinese Wal-Mart Workers’ Association and the Wal-Mart American Workers Group based in Minnesota. The leaders of the groups, it is reported, discussed the recent strikes in China on Skype calls using a translator.\textsuperscript{29}

According to a text written by the Wal-Mart Workers’ Association on 7 September 2015, in an attempt to seek the support of the official trade union, and published by Red Balloon Solidarity on the 13, workers thought that the new working-hours system would jeopardise their current contract terms, which assured fixed working hours, overtime pay and holidays. Wal-Mart’s aim was to cut wages, which were stagnating in relation to the increase in the company’s profits and to the minimum wage, and at the same time, maximise flexibility. The new system entailed indeed the possibility for store managers to assign employees any number of hours per day, as long as each of them reached a total of 174 hours per month. As a matter of fact, those working for more than eight hours per day or forty hours per week would not be entitled to overtime pay. Furthermore, the association accused Wal-Mart of deliberately cutting workers’ wages, of fragmenting their labour union and of unlawfully firing workers’ representatives. The 7 September text was a call to be united, to independently form groups, and to enter a struggle: “呼吁员工门自愿结合, 自主组成若干小组, 轮番上阵 [...].” The text also contained a criticism of the Chinese official trade union for not doing opposition against the new working-hours system, and a call for authentic trade union’s elections which, according to the workers, have been constantly manipulated by the multinational company in order to be sided by a pro-management trade union.\textsuperscript{30}

In July 2016, after discovering that the company had unilaterally put into effect the new working-hours system despite their opposition, around two hundred workers struck in three stores: two in Nanchang, Jiangxi and one in Chengdu, Sichuan. Workers at all three stores shared similar demands: abolishing the unilaterally imposed comprehensive working-hours system, separating meal subsidies and full-attendance bonuses added to the basic monthly wage, impeachment of the current store trade union presidents, and democratic trade union elections.\textsuperscript{31}

After the strikes, workers formed a preparatory committee to become better coordinated at a national level and bargain with Wal-Mart management.

\textsuperscript{28} ‘China’s Walmart workers take the boss to court’, CLB, 28 August 2016. 
\textsuperscript{29} ‘China’s Walmart workers take the boss to court’, CLB, 28 August 2016. 
\textsuperscript{31} ‘沃爾瑪世界首富與血汗商場.中國員工呼籲團結一致爭取生存權益和人格尊嚴’ (‘Wal-Mart, the richest enterprises and the sweatshop-Chinese staff, a call for unity to protect their survival rights and dignity’), Red Balloon Solidarity, 13 September 2015.
Forty-nine activists from all over China formed the preparatory committee on 23 July, and the committee elected Wang Shishu, a veteran worker and activist in Shenzhen, to serve as the head of the Wal-Mart Workers Rights Defence Coordination Group. The committee also democratically elected eight deputies. The intention of the Group was to organise strategy meetings with the Group’s head and the deputies, and to arrange on-site labour-organising training for workers in different cities in order to prepare them to engage in collective bargaining with the company. Furthermore, the Group aimed at helping Wal-Mart workers obtain support from the official trade union, and also offered activists and workers who were subjected to reprisals or who were dismissed by Wal-Mart the legal advice of a group of labour rights lawyers. In general, the Group aimed to encourage workers to file law suits against Wal-Mart’s imposition of the new working-hours system. In August, a veteran employee indeed took Wal-Mart to the labour arbitration court in Shenzhen demanding that the Shenzhen store where he was employed stop imposing the new working-hours system.

3.2. The repression of labour NGOs

Labour non-governmental organisations emerged in China in the 1990s in order to answer to the needs of a growing mass of rural migrant workers in the growing export-processing zones. Following China’s integration in the global economy, the mode of production had changed from Maoist communism to capitalism; however, the official single trade union’s functions and procedures (All China Federation of Trade Unions, ACFTU) have never been adapted to capitalist transition, leaving workers unorganised and unprotected in a new and transitioning mechanism of production. Most labour groups have been established by former workers or labour activists. Initially, they emerged as legal aid centres. Since the beginning of the 1990s, the central government started to promulgate a series of labour and trade union laws with the intention to adapt the legal situation to the changing conditions of labour and thus to improve working conditions in the state as well as in the emerging private sectors. However, labour laws were being poorly implemented, and migrant workers were experiencing large violations of labour rights without being aware of their own rights and of recently enacted labour laws. Labour NGOs, thus, emerged with the primary objective of promoting legal awareness and mutual legal aid among migrant workers. Between the 1990s and the 2000s they proliferated in the manufacturing zones and, since the spread of the

32. ‘Strikes at Walmart stores in China begin to spread’, CLB, 4 July 2016.
factory closing phenomenon, they have also slightly changed their objective toward a more direct support of collective actions and strikes. Most of the time, these collective actions and strikes have taken place outside the official channel of the ACFTU; furthermore, they were not envisaged in any of the several Chinese labour laws. However, it must be stressed that labour NGOs’ primary role remained to provide legal support to workers for individual petitions, arbitration cases or court suits against employers, or also in collective negotiations with management.34

In order to be legal, every social organisation in China must receive recognition from the authorities through an official registration procedure. Labour NGOs usually cannot be registered under the label of social-group organisations (or non-profit organisations). In fact, this label is reserved for organisations set up by state agencies and carrying out specific social welfare functions, such as official trade unions, or to those organisations able to attach themselves to other legal entities such as universities or research institutes. In the latter case, these legal entities represent a «professional supervising unit», a sort of sponsor through which to obtain recognition from the Ministry of Civil Affairs and toward which to be accountable, together with the ministerial institutions (the so-called «dual management system»). Most labour NGOs are classified as grassroots organisations and cannot easily find an official sponsorship. Thus, in order to be officially authorised, they must be registered as business NGOs and obtain their licence from the Ministry of Commerce and Industry. For this reason, being registered as a business organisation, labour NGOs are not allowed to raise funds domestically. As a matter of fact, for many years, they have been heavily dependent on foreign funding.35

With the number of rural migrant workers steadily growing together with widespread violations of labour rights, labour NGOs’ role became even more strategic during the 2000s and, in particular, during


the on-going global economic crisis. As more and more factories were closing down, it became crucial for workers to receive assistance to get compensation, social insurance and wages in arrears. Furthermore, labour organisations were essential in helping workers deal with management, local authorities and local trade unions. Lastly, they started to get involved in strikes, not as the main organisers but as legal supporters and organisational advisors.\textsuperscript{36}

The great majority of labour groups tended to prefer legal strategies and individual-type based remonstrance against the employers, demonstrating a non-antagonist stance towards both capital and the party-state and a will to solve labour conflicts in an harmonious way. Nevertheless, by doing so, these labour groups were representing an alternative form of organisation to the official trade union and were funneling thousands of workers into potentially antagonist social organisations. According to Tim Pringle, labour NGOs’ appearance represented a Chinese version «of the outsourcing of welfare delivery and related civil services to selected civil society organizations that has accompanied the global spread of neoliberal ideology […]».\textsuperscript{37} At first sight, their work was well-suited with the party-state’s old corporatist strategy of channelling social complaints into institutionalised juridical channels of dispute resolution such as petitions, arbitrations and courts.\textsuperscript{38} However, their recent increasing involvement in labour organising, in strikes and in assistance in collective bargaining was evidently overthrowing the institutionalised perimeter of labour grievances’ representation channels. For all these reasons, labour NGOs were frequently monitored, boycotted, co-opted or, more recently, openly repressed by Chinese authorities.\textsuperscript{39} This has been the case for 2015–2016, during which the repression of labour activists was particularly severe. In December 2015 several labour NGOs – such as the Panyu Migrant Workers Documentation Service Centre in Guangzhou (番禺打工族文书处理服务部), the Nanfeiyan Social Work Service Organisation in Foshan (南飞雁社会工作服务中心), the Haige Labour Centre in Guangzhou (海哥劳工服务部) and the Labour Mutual Aid Group in Panyu, Guangzhou (劳动者互助小组) – and several specific labour activists became the target of both a state media smear campaign against them and a proper police prosecution.

\textsuperscript{38} \textit{Ibid}.
\textsuperscript{39} Francesca Congiu, ‘La Cina sull’orlo di una crisi politica e internazionale: l’anno del 18\textsuperscript{o} congresso del PCC’, \textit{Asia Maior 2012}, Vol. XXIII; ‘China labor activists say facing unprecedented intimidation’, \textit{Reuters}, 21 January 2015; Ivan Franceschini, ‘Revisiting Chinese Labour NGOs: Some Ground for Hope?’. 
From 3 December 2015, police authorities launched a stringent procedure of investigation: staff, family members and affiliated workers of the above mentioned labour organisations were questioned and several remained in custody. Four were formally charged in December 2015, and, between September and November 2016, were sentenced to prison for disruption of public order. This was the case of Zeng Feiyang, Zhu Xiaomei, Tang Huanxing and Meng Han, all Panyu Migrant Workers Documentation Service Centre’s labour activists. Zeng was sentenced to a three-year jail term, suspended for four years. Zhu and Tang were sentenced to 18-month jail terms, suspended for two years. Meng Han was sentenced to 21 months. Furthermore, the centres were closed down. 

The state media campaign targeted, in particular, the Panyu Migrant Workers Documentation Service Centre (PMWDSC) in Guangzhou and its director, Zeng Feiyang. During the 1990s and the 2000s, Zeng was very active in establishing labour NGOs in Guangdong, among which was the PMWDSC. More interesting, he had been one of the leaders of the protest held outside the Ministry of Civil Affairs Office in Guangzhou in 2014 against one of the first drafts of the so-called Overseas NGO Management Law, which was finally promulgated in 2016 (see § 3.3). The draft was targeting foreign NGOs and foreign funded NGOs, restricting requirements for registration and defining more strictly the border between legal and illegal civil organisations. On 22 December, the People’s Daily published a report entitled ‘工运之星曾飞洋被抓:打着公益幌子敛财谋色’ (‘The so-called «Pioneer of labour movement», Zeng Feiyang has been arrested for gathering money illegally and seeking sex under the cover of public interests’). The report accused the labour organisation of not being properly registered and of being very active and behind the scenes in organising labour strikes, inciting labour conflicts and severely disrupting social order («在幕后策划组织操纵工人罢工; 激化劳资矛盾; 严重扰乱社会秩序»). Furthermore, the report accused the organisation and its director of accepting foreign funds («免费威权, 接受境外巨额利益») from Hong Kong-based foundations, such as the China Labour Bulletin, but also from Western NGOs («西方多国等...»).
Lastly, Zeng was also accused of embezzlement.\textsuperscript{42} The same kind of accusations can be found in a Xinhua report published on 22 December 2015.\textsuperscript{43}

On 8 January 2016, Han Dongfang, the Director of China Labour Bulletin, issued a letter to the People’s Daily editor-in-chief, Li Baoshan. He argued that Guangzhou authorities were already well aware that the PMWDCSC had been cooperating with the China Labour Bulletin for at least the last five years. In addition, he explained the foundation of CLB’s work with Chinese labour activists and underlined the positive results of this cooperation. He specified that among them there were the peaceful settlement of potentially violent labour disputes through negotiations that tried to assure fair distribution of wages and benefits to workers.\textsuperscript{44}

It is interesting to note that the court verdicts, especially that of Zeng Feiyang which had been the main target of the Chinese official press, were lighter than one could have expected. According to the English language and Chinese language local press, Zeng’s sentence made no mention of foreign funding. Its argument was narrowed – when compared to the smear media campaign – to the fact that Zeng and his labour organisation had encouraged workers to go on strike causing serious losses to the involved companies. The four plaintiffs also had suspended sentences. However, probably in exchange for this, they had to publicly admit their guilt in «disrupting social order», although their often declared aim was exactly the opposite – that is, instructing workers to make them able to organise bargaining tables with managers. Furthermore, all four of them chose not to appeal.\textsuperscript{45}

\textsuperscript{42} ‘广州劳工民间社团人士到市民政部门抗议当局压迫民间组织’ (‘Guangzhou labour civil society associations outside the municipal civil affairs department to protest authorities’ oppression of civil society organisations’), 维权网 (Weiquan wang), 23 October 2014 (http://wqw2010.blogspot.it/2014/10/blog-post_418.html).

\textsuperscript{43} ‘揭开工运之星光环的背后番禺打工族文书处理服务部主任曾飞样等人涉嫌严重案件调查’ (‘Revealing the dark side of the so called «Pioneer of the labour movement»: the investigation on several people, including Zeng Feiyang, the head of the Panyu migrant workers’ service center, for being suspected involves several cases’), 新化网 (Xinhuanet Guangdong), 22 December 2015.


\textsuperscript{45} ‘“工运之星”曾飞洋被抓:打着公益幌子敛财谋色’ (‘The so-called «Pioneer of labour movement», Zeng Feiyang has been arrested for gathering money illegally and seeking sex under the cover of public interes’), 人民日报 (Renmin Ribao), 22 December 2015.
3.3. New laws on social organisations: the Charity Law and the Overseas NGOs Law

During the same year, the People’s Republic of China passed two key laws for the management of social organisations. In March, the National People’s Congress passed the Charity Law (慈善法) and in April, it passed the Law on Management of Foreign NGOs Activities in Mainland China (境外非政府组织境内活动管理法). The first went into effect in September 2016, while the second was expected to go into effect in January 2017.

According to the Charity Law, organisations that can be registered as social organisations can also be entitled to receive the status of charitable organisation (慈善组织) from the Ministry of Civil Affairs (Article 8), which is also entitled to carry out the management and supervision of charitable activities (Article 92). In Articles 3-4, the law defines «charitable activities» as «public interest activities voluntarily carried out […] through the donation of property, the provision of services or other means […]»; and says that they «[…] shall abide by the principles of being lawful, voluntary, honest, and non-profit, and must not violate social morality, or endanger national security or harm societal public interests or the lawful rights and interests of other persons».

One of the most important innovations introduced by the Charity Law was norms that have the effect of lowering barriers to domestic funding by increasing the types of non-profit organisations that could engage in public fundraising and also encouraging more people to donate to public benefits and charitable causes by cutting taxes. Before that, this kind of fundraising was allowed only for a small number of organisations – the ones strongly connected with the government. Furthermore, the law included charitable organisations among a group of four different types of non-profit organisations for which the «dual management system» was going to be removed, making them able to register directly with the Ministry of Civil Affairs without the need of searching for a sponsorship and making them accountable only to the Ministry or its local departments.

46. ’揭开工运之星光环的背后番禺打工族文书处理服务部主任曾飞洋等人涉嫌严重案调’ (‘Revealing the dark side of the so called «Pioneer of the labour movement»: the investigation on several people, including Zeng Feiyang, the head of the Panyu migrant workers’ service center, for being suspected involves several cases), 新化网广州 (Xinhuanet Guangdong), 22 December 2015.


48. ’曾飞洋等聚众扰乱社会秩序案一审宣判 三被告认罪’ (‘The cases over Zeng Feiyang etc. for disturbing social order have been took to trial: three defendants have been pledged guilty’), 财经网 (Caijing Wang), 26 September 2016; ’起底“工运之星”曾飞洋：法院认定其长期接受境外组织资助’ (‘Revelation about the so-called “Pioneer
The Charity Law, and in particular its entry norms (Article 8), however, automatically excluded most labour NGOs from the benefits and protection of the law; most of them were indeed registered, as we have already said, as for-profit businesses and thus could not be classified as charitable organisations: «'Charitable organisations’ refers to legally established non-profit organisations […]». Charitable organisations include foundations, social groups, social service organisations and other forms of organisations». In order to be eligible to become a charitable organisation, it was necessary to be legally classified as non-profit and thus to first obtain the sponsorship of a «professional supervising unit» such as a government ministry or a state agency. For labour organisations lacking good connections with the government and above all operating in highly sensitive sectors, obtaining the sponsorship could be a difficult if not an impossible task.49

Interestingly, the Overseas NGOs Law’s main aim was to raise barriers to foreign funding and, in general, to regulate foreign NGOs’ activities in China in a more stringent way. Firstly, the law (Articles 3–4), defines the fields of action of overseas NGOs such as economy, education, culture, health, sports, environmental protection, poverty and disaster relief; it specifies that they «shall not threaten China’s national reunification and security or ethnic unity, nor harm China’s national and social interests or the legitimate rights and interests of citizens, legal persons and other organizations» and «shall not engage in or finance profit-making or political activities in the mainland of China, and they shall not illegally engage in or finance religious activities». Secondly, the law placed the registration and supervision of all foreign NGOs operating in China under the Ministry of Public Security instead of the Ministry of Civil Affairs (Article 6). Thirdly, it required a report to be filed on by all of their Chinese partners, funding sources and activities to Public Security. This requirement was easily fulfilled by Chinese partners with an official background, good connections with the government or that were properly registered. However, it would certainly be problematic for labour organisations, which were usually unregistered or registered as for-profit organisations. Lastly, according to the law, in order to be legal, foreign NGOs had to establish a permanent representative office registered in China that had to be approved by a government affiliated sponsor; it could work only within the geographic area where its given activity had been accepted (Article 18); and it could not engage in fundraising or accepting donations in China. For those Chinese organisations or individuals that of the labour movement»: thou court affirmed that he had been accepting financial support from overseas organisation over a long period‘, 头条 (Toutiao), 27 September 2016; ‘Guangdong rights activists get ‘lighter than expected’ sentences as defiant detainee’s fate hangs in balance’, South China Morning Post, 26 September 2016; ‘Court sentences 3 for misleading workers’, Global Times, 28 September 2016.

receive funding from unregistered or illegal foreign NGOs, the law envisages penalties, including detention. Detention is considered as well for members of foreign NGOs or their representative office in China, which are guilty of engaging in or funding political activities or engaging in other acts that endanger national security or harm national or public interests (Articles 46-47). As the useful compendium filed by Ivan Franceschini and Elisa Nesossi underlines, the Overseas NGOs Law’s norms on supervision, management and penalties are vague and would probably easily allow arbitrary actions by Chinese public security officials for the sake of social order and stability.  

4. To be united around a single development path: which one?

We began this article by stating that what emerged as the CCP’s top political priority for 2016 is the strengthening of party unity around the political and economic line expressed by Xi Jinping. Furthermore, this priority has been described as an old-style party strategy that is usually implemented to defend its authority in times of legitimacy crisis.

The party-state was certainly in the middle of a profound legitimacy crisis due primarily to the typical harsh social backlashes of the crisis which has been affecting China for at least ten years, which have not been adequately managed by the corporatist official channels connected to the party. The proliferation of pro-labour laws that Elaine Sio-ieng Hui identified as a «vital vehicle through which the Chinese party-state has constructed capitalist hegemony with regard to state-capital-labour relations» by substantially building proper and ad hoc juridical institutional channels for workers’ complaints, it seemed not to work anymore. As reported by the same author, on various occasions the government expressed official criticism toward the very well-known pro-migrant workers 2008 Labour Contract Law for excessively raising labour costs and for having made the Chinese labour market much too inflexible and less affordable for local and foreign investors. Furthermore, as the events in 2016 demonstrated, it is remarkable that labour protests and strikes have started to overcome those institutional limits that are set up by labour laws, precisely with respect to those labour rights sanctioned by the same laws. As a matter of


52. Ibid.
fact, one of the party reactions that we have chosen to highlight here is the promulgation of the 2016 Charity Law and Overseas NGOs Law. These laws seem to have the precise aim to reconstruct new institutional limits in the face of a widening use of non-institutional means to protest labour rights’ violations by pushing labour organisations behind the legal perimeter.

What seems to be clear is that the legitimacy of the party-state was strictly intertwined with the skilful governance of the capitalist economy and that the major internal challenge was to prevent the development of hybrid and embryonic forms of system-changing initiatives that would question both capitalism and the party-state.

Although it remains difficult to assess with certainty which political economy line the party intended to prioritise and develop in the face of its legitimacy crisis, and aside from repression and social control – as it was stated in the 13th five-year plan (2016–2020) released on March 2016 and approved by the National People’s Congress – the Chinese party-state seemed to follow three policy directions, all of which are strictly interconnected: 1) innovation and upgrading; 2) structural reforms and adjustment; 3) market expansion. In 2016, in particular, it seems that the diverging views were blurring because of Xi’s efforts to fight against political rivals through the anti-corruption campaign, and to unite the party leadership along one single view. We might say that the statement of Xu Shaoshi, Minister of National Development and Reform Commission, on the occasion of the 2016 Central Economic Work Conference, subsumed the essence of that view: «We will use the market and the law to regulate enterprises. If a company can adjust its work according to the market and make its own decisions, the government will not interfere».

The main current institutional and central plan to sustain innovation and upgrading was launched in 2015, and was called «'Made in China 2025' A Green Book on Innovation and Technology Key Areas»). It was a ten-year action plan aimed at radically transforming China’s manufacturing sector from a low-cost one to a competitive, innovative, efficient and high-tech sector. The plan was indeed meant to focus mainly on information technology, robotics, aerospace and new materials. According to some media, it could represent a solution to a plethora of problems: the rising labour costs, the challenges in terms of

55. Ibid. See also: ‘楼继伟：劳动合同法不利于提高全要素生产率 下一步应调整’ (‘Lou Jiwei: the labour contract law impeded the improvement of full elements of efficiency and need to be adjusted’), 财经网 (Caijing wang), 19 February 2016; ‘Guangdong Freezes Worker Salaries 'to Help Manufacturers’, Caixin, 3 March 2016.
the environment and resources, the exports slowing down and the growth of Southeast Asian industrial competition. In the words of the Premier, Li Keqiang, «Made in China 2025» was a strategy to «seek innovation-driven development, apply smart technologies, strengthen foundations, pursue green development and redouble our efforts to upgrade China from a manufacturer of quantity to one of quality». In 2016, the plan started to be implemented and Ningbo (in Zhejiang Province), which was in the middle of a major port infrastructures’ upgrade, was chosen to be the first pilot city, expanding, in this way, its capacity to attract foreign capital.

Since the Central Economic Work Conference in December 2015, as already highlighted in the previous issue of Asia Maior, the so-called «Supply-Side Structural Reform» became a central factor in China’s economic policy, to be gradually implemented by local leaders. This reform included four elements: eliminating excess capacity, especially in State-Owned-Enterprises; reducing stocks of unsold housing; shutting down inefficient and indebted firms; reduce costs and increase competitiveness of firms (possibly through tax reductions; de-regulation; reductions in social security contributions). As far as the elimination of excess capacity is concerned, in February 2016, the State Council released two documents concerning the steel and coal industries and the plan for layoffs. In both documents, the central government appeared extremely careful of the fate of laid-off workers. Each plan indeed implied large funds available for workers’ reassignments to new jobs or to retirement procedures. Thus, the «Supply-Side Structural Reform» was another element of a wider political economy project aimed at producing a transition from a labour-intensive and export-driven economy to a capital-intensive, high-tech, and domestic demand-driven one. The plan effectively aimed at upgrading the mode

59. State Council, 关于钢铁行业化解过剩产能实现脱困发展的意见 (‘Proposal of absorbing excessive capacity and becoming profitable in iron and steel industry’), Document 6, 1 February 2016 (http://www.gov.cn/zhengce/content/2016-02/04/content_5039353.htm); State Council,关于煤炭行业化解过剩产能实现脱困发展的意见 (‘Proposal over absorbing excessive capacity and becoming profitable in coal industry’), Document 7, 1 February 2016, (http://www.gov.cn/zhengce/content/2016-02/05/content_5039686.htm).
of production and at reducing inefficiencies, especially in SOEs. In the meantime, the transition, as well as the connected labour redundancy, had to deal with intensified government intervention such as distribution of subsidies, tax breaks and loans.\footnote{Francesca Congiu, ‘China 2015: Implementing the Silk Road Economic Belt and the 21st Century Maritime Silk Road’, pp. 29-34.} The December 2016 Central Economic Work Conference, set to establish economic policies and priorities for 2017, confirmed the same trend for the following year: cutting overcapacity in the steel and iron industry as a top priority to be reached by focusing on «zombie enterprises»,\footnote{‘Supply side reform: 2016 overcapacity reduction goals’, \textit{CCTV.com}, 15 December 2016.} and encouraging mergers and reorganisations.\footnote{Francesca Congiu, ‘China 2015: Implementing the Silk Road Economic Belt and the 21st Century Maritime Silk Road’, p. 31.}

Lastly, market expansion, in particular through the «One Belt, One Road» project, was the other side of the coin of the «Supply-Side Structural Reform» as well as of the «Made in China 2025» strategy. The plan was indeed meant to deal with overcapacity in steel and iron industries not only through cuts, mergers, reorganisations and labour redundancy but also by promoting the internationalisation of Chinese enterprises. Facilitating internationalisation meant liberalising outbound foreign-direct investment (OFDI) from Chinese companies and acquiring, in this way, the know-how and licenses necessary to upgrade and innovate them, improving their international competitiveness. Furthermore, the whole BRI plan consisted, concretely, in turning Chinese steel and iron overcapacity into the building processes of an integrated set of transportation and communication infrastructures, enhancing regional and continental connectivity between China and the so-called Eurasian space.\footnote{Mikeal Weissman, ‘Chinese Foreign Policy in a Global Perspective: A Responsible Reformer «Striving for Achievement»’, pp. 151-166; Pei Minxin, ‘Exploring Emerging Domestic Drivers of Chinese Foreign Policy’; Robert Lawrence Kuhn, ‘Eight factors driving Xi’s foreign policy’.}

As shown in the next part of the article, Chinese foreign policy indeed seemed an international projection of this new development path. As Chinese foreign policy experts confirm, China’s foreign policy was indeed embedded in domestic issues and national interests and could thus be considered a further key instrument for defending and strengthening the single-party internal legitimacy to rule the country. As a consequence, foreign policy goals and decisions can be read as if guided by a combination of measures supporting domestic economic growth and responding to nationalism.\footnote{Mikeal Weissman, ‘Chinese Foreign Policy in a Global Perspective: A Responsible Reformer «Striving for Achievement»’, pp. 151-166; Pei Minxin, ‘Exploring Emerging Domestic Drivers of Chinese Foreign Policy’; Robert Lawrence Kuhn, ‘Eight factors driving Xi’s foreign policy’.}
5. China’s foreign policy

5.1. New developments of the «One Belt, One Road» initiative: a focus on the China-Euro-Mediterranean corridors

The entangled relationship between domestic issues of party-state legitimacy and foreign policy strategies is nowhere more evident than in the BRI initiative. As stated in the previous issue of Asia Maior, the gargantuan global infrastructure plan could, indeed, potentially answer to various domestic questions. It would strategically nurture China’s domestic-construction industry, contributing to contain, where possible, the ongoing labour conflicts. Secondly, it would create a faster and more feasible way for the exchange of goods between China and regional markets in Europe, Central Asia, Africa and Southeast Asia. Furthermore, specifically, taking into account the South China Sea disputes (§ 5.2), the BRI could also be considered as a means to secure access to raw materials, and energy in particular, throughout an active promotion of good neighbour relations and profitable economic agreements. At the same time, the reasons behind the BRI could as well be read in relation to the ongoing China-US global challenge on both the geopolitical, economic and ideological levels. Recalling the already quoted perspective of Elaine Sio-ieng Hui on Chinese labour laws, we might add that the BRI could be considered as another «vital vehicle» to perpetuate capital hegemony together with the party-state’s legitimacy by extending their borders and their agency outside China’s frontiers.

From the BRI perspective, in 2016 profound attention was paid to European countries, in particular to the European Mediterranean countries and to Central and Eastern Europe. In May, the Asian Infrastructure Investment Bank and the Europe Bank for Construction and Development signed a memorandum of understanding that set out a framework for cooperation in the field of infrastructure investment in Asia and the rest of the world. The main reason behind those preferences lies in the pre-existing projects located in these regions: the Greek port of Piraeus, the Land-Sea Express Route between Greece and Central Europe, the China-Europe railway hubs. In the summer 2016, China’s shipping and logistics corporation, COSCO, expanded its involvement in Piraeus, acquiring a controlling share

65. For a more extensive exposition of the One Belt, One Road initiative and of the US-China global challenge, please consult Francesca Congiu, ‘China 2015: Implementing the Silk Road Economic Belt and the 21st Century Maritime Silk Road’ cit.; Francesca Congiu, ‘China and the Pivot to Asia’, Asia Maior 2014.


in the Piraeus port authority. In Greece, this meant port privatisation, which unleashed Greek dockworkers’ strikes and protests during the negotiation between COSCO and Greece’s privatisation agency (the Hellenic Republic Asset Development Fund). COSCO and other Chinese port companies were also interested in other seaports such as: Algeria’s port Cherchell; Egypt’s Port Said and Alexandria; Israel’s ports Ashdod and Haifa; Turkey’s port Kumport; Genoa, Naples and Venice in Italy. Throughout all this, combined with the shares that COSCO, in particular, owned in the Suez Canal container terminal and in the Port of Antwerp, China could potentially create a network of shipment routes around Europe and the Mediterranean Sea. It should also be noted that in 2016 the PRC opened in Djibouti, in the Horn of Africa, its first overseas military base.

Furthermore, great attention has been paid to the connection between the Mediterranean Sea and the North and Baltic Seas through the construction of the Belgrade-Budapest railway that was supposed to continue through Skopje (in Macedonia) toward Piraeus. In November 2016, at the Riga 16 plus 1 Summit (Central and Eastern European Countries plus China), Serbia and China signed both a contract for the construction of the first part of the railway and a memorandum of understanding for a loan to finance it. The contract was worth US$ 319 million and the loan was agreed to with the Chinese Exim Bank. Apart from this huge land-sea route BRI project, other China-Europe rail services were increasing in number and frequency; in 2016, the railway lines Wuhan-Lyon and Rotterdam-Chengdu were officially opened.

As the 2016 debate on the granting of the market economy status to China reveals, the European Union and European countries were trapped in a so-called «China dilemma» between, on the one hand, job redundancy that could result from the dropping of trade protections and, on the other hand, the aspiration of many of them to receive Chinese investments. In view of this, the possible Chinese achievement of market economy status

68. ‘Workers protest as Greece sells Piraeus Port to China COSCO’, Reuters, 8 April 2016.
within the WTO has become one of the main concerns for the European Union (EU). China has argued that it should automatically be granted the market economy status after the 15th anniversary of its accession to the WTO on 11 December 2016. Such a transition also has a customary legal enforcement, granted by the WTO Commission. Nonetheless, the European Parliament and other Western institutions are struggling to convince the commission to reconsider or to postpone China’s shift. With such new status, Chinese exports would no longer be subjected to anti-dumping measures and, accordingly, the EU would be forced to automatically lift its customary barriers towards the Chinese products. This scenario might cause a fracture between the richest and most import-oriented countries, which would happily greet lower prices and more purchasing power, and the manufacturing countries, which to the contrary, would be strongly disadvantaged. According to a report by the Economic Policy Institute (EPI)\(^\text{73}\), if the WTO grants the market economy status to China, its exports are expected to increase to 50%, and the labour market of the EU could lose up to 3.5 million jobs and 2% of its GDP in a three to five-year timespan. Such sweeping changes would severely damage the competitiveness of EU manufacturing industries, and undermine most of the still fragile European economies. According to the EPI report, the most penalised countries would be France, Germany, Italy and the United Kingdom.\(^\text{74}\)

However, at the end of 2016, the European Commission presented a proposal for a new method for calculating dumping on imports from non-EU countries, particularly from non-EU countries where the state has pervasive influence on the economy. The purpose was to improve European trade defence instruments, making irrelevant the possible WTO acceptance of China’s economy as a market economy.\(^\text{75}\)

5.2. China and Southeast Asian regional politics: the South China Sea issue

The South China Sea issue has often been portrayed as a straight foreign matter, especially because of the presence of the other regional claimants, but it actually has a pronounced domestic significance and has


\(^{74}\) Ibid.

become increasingly important for the party-state legitimacy. The dispute is a delicate matter for the Chinese leadership, for more than one reason.

The first reason is that integrity of the national territory is a sensitive issue, and the ability to safeguard the inviolability of the motherland represents a true indicator of the government’s legitimacy. In its preamble, the 1982 Chinese Constitution refers to Taiwan as «[...] part of the sacred territory of the People’s Republic of China. It is the inviolable duty of all Chinese people, including our compatriots in Taiwan, to accomplish the great task of reunifying the motherland».76 Furthermore, Article 52 states that: «It is the duty of citizens of the People’s Republic of China to safeguard the unification of the country and the unity of all its nationalities».77 Even if the document specifically indicated Taiwan, which is understandable since it is connected to the reunification process, such a statement also applies to other territories that are already part (or considered to be) of the motherland, but face strong external pressure, such as Tibet, Xinjiang and the South China Sea.78

The second reason lies in the growing impact of public opinion on government policy. Regarding the specific case of the maritime dispute, the Communist leadership faced some criticism for not reaffirming the country’s sovereign rights more forcefully. One significant cause behind such development, as also pointed out by different scholars, has been the rise of a strong nationalistic feeling after the Tiananmen crisis and the subsequent international isolation.79

Furthermore, the South China Sea dispute represents a matter of national security for several reasons. The sovereignty issue is probably the most evident. It also has a great political importance for the leadership and the party’s authority. To a certain degree, the unavoidable quest for sovereignty is almost a justification to safeguard the nation’s most urgent needs and valuable economic assets. Basically, China aims for domestic stability in order to achieve political continuity. In view of this, to China, «control of the critical South China Sea is a security imperative».80 First of all, China’s economic growth has become progressively dependent on energy and the importation of natural resources from Africa and the Middle East. The country’s increasing dependence on foreign oil is perceived as

77. Ibid.
a potential weakness, which is one of the main reasons behind most of the government’s economic, military and political actions and initiatives designed to protect national critical interests. Such a continuous search for energy and resources has contributed to the growing assertiveness in the South China Sea, which is believed to contain vast reserves of oil and gas. In fact, according to State-owned China National Offshore Oil Company (CNOOC), the area might contain approximately 125 billion barrels of oil and 500 trillion cubic feet of gas. Although the Chinese government has probably overestimated the area’s resource potential, the fact that the South China Sea is rich in offshore oil fields has been confirmed by the most recent geological report issued by the United States Geological Survey (USGS). Indeed, USGS figures show great confidence in picturing the South China Sea as an unexpectedly rich oil area, with a 95% chance of extracting at least 750 million of oil barrels. By itself, this is more than sufficient to qualify the area as a major oil field.

The above figures might also represent another – economy-related – explanation of the importance given by the Chinese leadership to the South China Sea dispute. Despite Xi’s progressive departure from the old model of growth based on exports, and the new focus on domestic consumption, the party’s political legitimacy and social stability are still tied to the re-attainment of a pre-financial crisis figures, with a slightly decreased expected annual gross domestic product (GDP) growth at 7-6% and an inflation rate below 4%. In order to sustain such growth, the leadership needs to ensure that oil supply disruptions are either eliminated or kept at a minimum. Accordingly, Cáceres’ geopolitical equation accurately describes the strategic importance of the South China Sea: «Control of oil and gas brings power. Power provides a complete sense of security. Security, both from external and internal threats, is a prerequisite to prosperity and stability. China seeks all of these things».

Another strategic imperative is the safeguard of the Sea Lane of Communication (SLOC) that goes through the South China Sea. In order to have a deeper understanding of the importance of the South China Sea for all of the East Asian economies, it is important to note that «the oil transported through the Malacca Strait from the Indian Ocean, en route to East Asia through the South China Sea, is triple the amount that passes

through the Suez Canal and fifteen times the amount that transits the Panama Canal». 85 Concurrently, a significant portion of the global oil and gas production transit through the South China Sea in its way to reach the Chinese, Japanese and Korean ports. The figures strongly uphold such a trend: «[...] Japan, South Korea and Taiwan each import over 80% of their crude oil via the South China Sea; and, for China, which now imports over 50% of its total oil consumption, around 80% to 90% of those imports cross the South China Sea». 86

The preservation of those maritime routes is a priority not only for Beijing, but also for Seoul, Taipei and Tokyo. The PRC’s assertiveness contributed to the emergence of a renewed, but also artificial, China-threat theory, specifically the ‘China SLOC threat’. According to several observers, the issue has progressively emerged because of the Chinese navy’s increasing presence: «The mission of sea lanes protection is now mentioned far more often in official Chinese documents than ten years ago, in part because China has itself become far more vulnerable to interruption of its seaborne trade». 87 The common fear of a naval blockade, which would cause catastrophic consequences for the entire region, might evolve into a deeper cooperation and become a shared international responsibility, rather than another source of tension and misunderstanding.

Another important, and often underrated, issue concerns the debate around fishing rights in the contested area. The ongoing clash over fishing rights poses a major threat for regional peace and, if not properly addressed, could even trigger an armed escalation in the South China Sea. Food security is as important, if not more so, as oil security, and the regional actors do not have a shared awareness of the problem.

The figures are showing the seriousness of the situation. According to the last report of the World Bank and the UN Food and Agriculture Organisation (FAO): «[...] China will likely increasingly influence the global fish markets. According to the baseline model results, in 2030 China will account for 37 percent of total fish production (17 percent of capture production and 57 percent of aquaculture production), while accounting for 38 percent of global consumption of food fish». 88 If the Chinese projection is already impressive, the sum of China, Japan and Southeast Asia is projected to account for 70% of global fish production by 2030. Both China

and its coastal neighbours have started to enhance their fishing fleets, but a common fishing policy would be absolutely desirable in order to discuss such demanding projections and avoid a further exacerbation of the issue.

5.2.1. A nightmare come true: the South China Sea arbitration case (an overview)

The evolution of the Chinese regional policy has been strongly affected by the progressive internationalisation of the South China Sea dispute, triggered by the Philippines in 2013, which reached its climax in 2016. However, before starting the analysis of this year’s events, sketching out a few background facts, which might be useful for a clearer and deeper picture of the problem, is in order.

The Philippines started the legal process on 22 January 2013, by appealing to Articles 286 and 287 of the United Nations Convention on the Law of the Sea (UNCLOS). Article 286 states that: «[…] any dispute concerning the interpretation or application of this Convention shall, where no settlement has been reached by recourse of section 1, be submitted at the request of any party to the dispute to the court or tribunal having jurisdiction under this section». On its part, Article 287 states that: «When signing, ratifying or acceding to this Convention or at any time thereafter, a State shall be free to choose, by means of a written declaration, one or more of the following means for the settlement of disputes concerning the interpretation or application of this Convention: (a) the International Tribunal for the Law of the Sea established in accordance with Annex VI; (b) the International Court of Justice; (c) an arbitral tribunal constituted in accordance with Annex VII; (d) a special arbitral tribunal constituted in accordance with Annex VIII for one or more of the categories of disputes specified therein».

According to Article 287, Manila requested the formation of an Arbitral Tribunal, which was constituted on 21 June 2013, under Annex VII of the Convention. The Philippines expected to be awarded by the Tribunal regarding three main issues: (1) the illegitimacy of the Chinese claims and its inconsistency with the Convention; (2) the determination, under Article 121 of UNCLOS, of the nature of certain features claimed by both countries and their capacity to generate any legal entitlement to

89. Hereinafter referred to as The Convention.
91. Hereinafter referred to as Tribunal.
maritime zones larger than 12 miles; (3) clarification regarding Manila’s entitlement to exercise its sovereign rights within and beyond its exclusive economic zone and continental shelf as established in the Convention.\textsuperscript{93} The main purpose of the Filipino government was to undermine the Chinese prominence by challenging the regional status quo with new tools. For the first time in their long-standing dispute, Manila decided to officially oppose the Chinese claims and bring the South China Sea controversy in the global arena.

In addition, the arbitration request was not aimed to achieve any sovereignty acknowledgment on the contested islands for two main reasons. The first reason is the fact that acknowledging sovereignty lies beyond the legal boundaries of the Tribunal, which has no jurisdiction on such matters. The second one is more a question of political opportunity for the Philippines. Manila’s main interest is the exposing China to global criticism rather than reinforcing the legitimacy of its claims, which suffer the same legal inconsistency of the Chinese ones.

The Chinese reaction was based on the reaffirmation of their inalienable right to the islands. The Chinese government clarified its unwillingness to participate in any arbitral proceeding and, in December 2014, produced a diplomatic note that expressed its aversion to the ongoing procedure. China’s Position Paper was intended «[…] to demonstrate that the arbitral tribunal established at the request of the Philippines for the present arbitration (Arbitral Tribunal) does not have jurisdiction over this case».\textsuperscript{94} Concurrently, the document also clarified that «no acceptance by China is signified in this Position Paper of the views or claims advanced by the Philippines, whether or not they are referred therein. Nor shall this Position Paper be regarded as China’s acceptance of or participation in this arbitration».\textsuperscript{95}

Beijing’s absolute and incontrovertible denial to consider any degree of procedural participation basically reflects the consistency of the Chinese posture regarding the issue. Accordingly, China refused to appoint one of the five arbitrators that constituted the tribunal or to submit any written memorial to the court. In China’s own view, the Chinese self-declared sovereignty over the South China Sea is undisputable and non-negotiable. Such a doctrine does not imply that the Chinese Communist Party was unaware of the regional environment or the presence of other claimants. The Chinese leadership actually encouraged the organisation to hold bilateral


\textsuperscript{95.} Ibid.
meetings with the specific purpose of finding a peaceful resolution of the controversy. Bilateral ground is the most suitable for Beijing, even though the continuous engagement encouraged by the Association of Southeast Asian Nations (ASEAN) has gradually persuaded China to debate the maritime issue in a very limited number of multilateral meetings. China has constantly refused to discuss the dispute outside the regional environment, in an international multilateral framework that would include extra-regional powers (namely, the United States), because the CCP considers it a domestic issue that has to be debated and resolved with the other regional actors directly involved. Accordingly, the hypothetical Chinese participation in such an international legal process would represent the political antithesis of the aforementioned doctrine. It would imply the implicit acknowledgment of the Philippines’ claims and the acceptance of the internationalisation of the dispute. That could represent a serious threat to the Party’s legitimacy.

In April 2015, the Permanent Court of Arbitration issued a press release, which confirmed its decision to conduct a hearing in July on the Arbitral Tribunal’s jurisdiction.\textsuperscript{96} The same document confirms that the Chinese government «will neither accept nor participate in the arbitration unilaterally initiated by the Philippines».\textsuperscript{97} During the two rounds of hearings, the Philippine delegation clarified to the Tribunal its political and strategic aim. The former Secretary of Foreign Affairs Albert del Rosario emphasised that « […] the Philippines is not asking the tribunal to rule on the territorial sovereignty aspect of its dispute with China. We are here because we wish to clarify our maritime entitlement in the South China Sea, a question over which the Tribunal has jurisdiction».\textsuperscript{98}

Such a clarification was strategically important because it allowed Manila to achieve two fundamental goals: it shifted attention to the legal entitlement of the Chinese U-shaped line\textsuperscript{99} and, concurrently, cleared the path for the Tribunal to accept the case. Over the last two decades the Chinese leadership has relied on bilateral negotiations with the other claimants, refusing to debate the South China Sea issue in almost any multilateral environment in order to avoid a possible internationalisation of the dispute.


\textsuperscript{97}. \textit{Ibid.}


This concern became a reality on 29 October 2015, when the Arbitral Tribunal in The Hague issued its award on jurisdiction and admissibility. China successfully avoided the Tribunal’s jurisdiction over its specious U-shaped line and its self-declared sovereignty over the islands, nevertheless, the tribunal’s decision to determine the legal entitlement of some contested features in the South China Sea significantly undermined Beijing’s claims, which consequently entered in the international legal debate. China continued to decline any involvement in a procedure that it considered illegal and inappropriate, and instead reiterated its unquestionable rights over the contested area.

5.2.2. Dividing the region; China and its quest for support

The first six months of 2016 marked the beginning of a crucial stage of the South China Sea controversy and both countries worked to uphold their cause within the regional environment. In April the Chinese Foreign Minister Wang Yi visited Brunei, Cambodia and Laos. The most important issue on Wang’s agenda was clearly the South China Sea (SCS) issue and the upcoming arbitration. During the visit in Brunei, his first destination, Wang underlined the importance of China’s dual-track approach as the most practical and feasible way to solve territorial disputes in the SCS.

The bilateral instrument is central to Chinese regional diplomacy, reinforcing Wang’s statement that: «[...] disputes related to the South China Sea should be addressed properly through negotiations and consultations among countries directly concerned».100 Wang clearly expressed his concern regarding the danger of a possible deviation in regional affairs: «Deviating from the ‘dual-track approach’, the overall interest of the ASEAN will be obstructed and even kidnapped by certain individual countries for private gains and the peace and stability of the South China Sea will be also jeopardized by the intervention of countries outside the region upon the occasion, which is absolutely unacceptable to China and ASEAN countries».101

The second stop of Wang’s diplomatic voyage was Cambodia, where he met Prime Minister Hun Sen, and then he ended his short tour in Laos. Wang’s meeting with his Lao counterpart Saleumxay Kommasith was particularly important, since Laos was holding the annual chairmanship of ASEAN and was expected to play a crucial, and neutral, role in managing the arbitration output. In this regard, Kommasith acted more as ASEAN spokesman and respected the association’s neutral stance, underlining the country’s support for an effective implementation of the Declaration on the

101. Ibid.
Conduct of the Parties in the South China Sea (DOC), in order to maintain the regional peace and stability.¹⁰²

Wang’s main accomplishment resulted in the publication of a four-point consensus, agreed to by his counterparts in Brunei, Cambodia and Laos, through which China developed a substantial backing from the three countries. The consensus concisely stated that: (1) the dispute over the Spratly Islands is not an issue between China and ASEAN and should not have any implication on their future relations; (2) sovereign states have the right to choose their own way to solve disputes and no unilateral decision can be imposed on them; (3) dialogues and consultations under Article 4 of DOC¹⁰³ are the proper instrument to solve disputes; (4) China and ASEAN countries are able to jointly maintain peace and stability in the South China Sea through cooperation. Countries outside the region should play a constructive role rather than exacerbating the current issue.¹⁰⁴

The reference in the last sentence is probably addressed to the United States, and more generally to Western institutions such as the Permanent Court of Arbitration, which are considered as the most influential external forces in the dispute. The constructive role desired by Beijing should be translated into the non-interference in the regional affairs, rather than in the tacit endorsement of such international disturbance, perceived as an exacerbation of the antagonism in the South China Sea.

Wang’s short tour and the consequent document underlined both China’s eagerness to engage its closest regional partners as the Tribunal’s final verdict approached, and Beijing’s inner capacity to capitalise on the division between the ASEAN members regarding the South China Sea issue.

The Philippines did not gain any regional praise for their international endeavour, and possible partners in the dispute, such as Vietnam and Malaysia, released neutral statements in which they expressed their hope for a «fair and objective ruling in the Arbitration case».¹⁰⁵ On the other side, by supporting China’s four-point consensus, Brunei, Cambodia and Laos clearly expressed their position, which was a refusal of the Philippines-led multilateral strategy against China’s maritime assertiveness.

¹⁰². ‘China, Laos vow to further develop comprehensive strategic cooperation partnership’, Xinhua, 23 April 2016.

¹⁰³. Article 4 of the COD states that «the parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or the use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UNCLOS».


Also, the fourth point of the aforementioned consensus clearly stressed that China and its three partners would stand against any involvement of outside powers, namely the United States. On 8 June 2016 the Chinese Ministry of Foreign Affairs released a final document, reiterating its denial and non-participation in the arbitration and settling the relevant disputes between the two countries through bilateral negotiations. On 29 June 2016 the Tribunal officially announced the decision to issue its final award on 12 July 2016.

5.2.3. The verdict and its impact on the regional environment

On 12 July the Tribunal issued its unanimous award, and the result was completely favourable to the Philippines, receiving almost all of Manila’s submissions. The most important decision was probably the one concerning the Chinese historical right and the status of the Nine-Dash (or U-shaped) Line. In view of this, the Tribunal stated that «[…] as between the Philippines and China, China’s claims to historic rights, or other sovereign rights or jurisdiction, with respect to the maritime areas of the South China Sea encompassed by the relevant part of the ‘nine-dash line’ are contrary to the Convention and without lawful effect to the extent that they exceed the geographic and substantive limits of China’s maritime entitlements under the Convention».

Regarding the entitlements to maritime areas and the status of features, «[…] The Tribunal also concludes that none of the high-tide features in the Spratly Islands are capable of sustaining human habitation or an economic life of their own within the meaning of those terms in Article 121(3) of the Convention. All of the high-tide features in the Spratly Islands are therefore legally rocks for purposes of Article 121(3) and do not generate entitlements to an exclusive economic zone or continental shelf». The final award also clarified that «[…] both Mischief Reef and Second Thomas Shoal are located within 200 nautical miles of the Philippines’ coast on the island of Palawan and are located in an area that is not overlapped by the entitlements generated by any maritime feature claimed by China. It follows, therefore, that, as between the Philippines and China, Mischief Reef and Second Thomas Shoal form part of the exclusive economic zone and continental shelf of the Philippines».

106. ‘Chinese FM statement on settling disputes between China, the Philippines in the South China Sea through bilateral negotiations’, Xinhua, 8 June 2016.
107. See fn. 93.
110. Ibid., Paragraph 647.
Concurrently, the Tribunal also declared that «[...] China had violated the Philippines’ sovereign rights in its exclusive economic zone by (a) interfering with Philippine fishing and petroleum exploration, (b) constructing artificial islands and (c) failing to prevent Chinese fishermen from fishing in the zone. The Tribunal also held that fishermen from the Philippines (like those from China) had traditional fishing rights at Scarborough Shoal and that China had interfered with these rights in restricting access».111

Altogether, the Arbitration ruling was overwhelmingly in Manila’s favour and the court downsized, if not effectively eliminated, the Nine-Dash Line as we know it. Such an award also marked the first significant international legal decision on the maritime dispute in the SCS, a danger that China had successfully avoided for more than 20 years.

The Chinese government refused to recognise the Tribunal’s award. Xi Jinping declared that China’s territorial sovereignty and maritime interests in the SCS would not be affected in any circumstances, while its Foreign Minister, Wang Yi, stated that the arbitration was «a political farce under the pretext of law».112 Immediately after the publication of the final award, the Chinese Ministry of Foreign Affairs released an official statement that solemnly declared that the award was void and it had no binding force: «[...] The conduct of the Arbitral Tribunal and its awards seriously contravene the general practice of international arbitration, completely deviate from the object and purpose of UNCLOS to promote peaceful settlement of disputes, substantially impair the integrity and authority of UNCLOS, gravely infringe upon China’s legitimate rights as a sovereign state and state party to UNCLOS, and are unjust and unlawful».113 It is underlined again in the final paragraph of the document: «The Chinese government reiterates that, regarding territorial issues and maritime delimitation disputes, China does not accept any means of third party dispute settlement or any solution imposed on China. The Chinese government will continue to abide by international law and basic norms governing international relations as enshrined in the Charter of the United Nations, including the principles of respecting state sovereignty and territorial integrity and peaceful settlement of the disputes».114

The Philippines welcomed the Tribunal’s award with great satisfaction. For Manila, the award provided a basis to further talks and cooperation

113. Ibid.
114. Ibid.
to encompass all parties, including China. According to the Secretary of Foreign Affairs of the Philippines, Albert del Rosario, «[…] good faith discussions, based on the rule of law, can be commenced to prepare the way for negotiations and a lasting settlement among all parties with claims in the South China Sea».

The whole arbitration process had been triggered and fuelled by the Aquino III administration and his Liberal Party, which lost the election in favour of Rodrigo Duterte’s PDP-Laban on 9 May 2016. Duterte’s stance on the dispute and his willingness to follow the Court’s guidelines are not clear.

5.2.4. The post-arbitration environment and Rodrigo Duterte’s election

Regarding China’s position after the arbitration, it is possible to point out a dual view. From a domestic point of view, Beijing’s stance was unaltered, along with popular support for its maritime strategy, and the Tribunal’s award was seen as another unwanted foreign interference. From an international point of view, despite China’s alleged disregard, the verdict clearly undermined Beijing’s position and its enduring work to keep the issue outside of the international agenda. From such a perspective, China’s reaction was both confident and wary of a possible international exacerbation. China is expected to be a responsible stakeholder in the South China Sea, but after Manila’s unexpected victory, the Chinese leadership lost the chance to exploit the legal ambiguity derived from its Nine-Dash Line. The court ruling was particularly aggressive and directly rejected the Line, which literally infuriated China and led to the intensification of its assertiveness and land reclamation in the disputed area. The tension in the region peaked when Chinese Defence Minister Chang Wanquan released a warning declaration, in which he called for the «recognition of the seriousness of the national security situation, especially the threat from the sea». He also added that «military, police and people should prepare for mobilization to defend national sovereignty and territorial integrity». On the same day, the Supreme People’s Court issued a judicial interpretation in which it specified its new standards for convicting and punishing those engaged in illegal fishing in Chinese territorial waters. Such criminal acts and those responsible would be fined and sentenced to less than one year’s


117. ‘China’s defense minister stresses preparedness for «war at sea»’, Xinhua, 2 August 2016.
imprisonment. The court also added that «People’s court will actively exercise jurisdiction over China’s territorial waters [...] and safeguard Chinese territorial sovereignty and maritime interests». Such strong declarations appeared as the dangerous preamble of a military escalation in the region, on the contrary turned out to be the beginning of a gradual downsizing of the confrontation. Philippine President Duterte declared that his country could achieve more benefits from China if the two governments could reach a settlement despite the Tribunal’s award.

On 20 October 2016, during an official visit to China, President Duterte announced a new realignment towards Beijing and the beginning of a new ‘springtime’ in the relationship between the two countries. President Xi Jinping called Duterte’s visit a new milestone in Sino-Philippine relations, adding that the two countries agreed to pursue bilateral dialogue and consultation in seeking a proper settlement in the South China Sea.

The Arbitration’s award created great commotion in the region and certainly affected the perception of China, both regionally and globally. But Beijing’s alleged belligerence and assertiveness was mitigated by the inception of new political strategies in the Philippines and by the usual lack of regional cohesion. These two factors contributed to reduce the political scope of the arbitration and allowed Beijing to preserve its core interest, namely to maintain a favourable political and strategic status quo in the contested waters and uncontested access to the SCS, in order to keep its second strike capability with SSBN submarines. Even if the whole arbitration process was a serious strike to China’s regional prestige and its bilateral diplomacy framework, Beijing successfully avoided further internationalisation of the dispute and reduced any expected damages.

118. Supreme People’s Court of the People’s Republic of China, Top court clarifies law at sea, 4 August 2016 (http://english.court.gov.cn/2016-08/04/content_26346625.htm).
119. ‘China’s supreme court clarifies maritime jurisdiction’, Xinhua, 2 August 2016.
120. ‘Philippines to gain more from China if settlement reached despite tribunal ruling: Duterte’, Xinhua, 23 July 2016.
From 2012 to 2016, the relation between Mainland China and Taiwan saw landmark achievements and underwent profound shockwaves. During the second term of President Ma Ying-jeou, China and Taiwan reached the zenith of a process of cross-Strait rapprochement. This process began in 2008, as Ma and General Secretary of the Chinese Communist Party (CCP) and President of the People’s Republic of China (PRC) Xi Jinping met in Singapore on 7 November 2015. This was the first meeting between the leaders of the two Chinas since 1949. The process itself was brought to an abrupt end by elections held in the Republic of China (ROC) on 16 January 2016. In this election, the presidential candidate of the Democratic Progressive Party (DPP), Tsai Ing-wen, became president and her party obtained for the first time a majority in the Legislative Yuan (LY). Tsai’s refusal to accept the existing «1992 Consensus» between the CCP and the Kuomintang (KMT), which posits the existence of One China, including both the Mainland and Taiwan, led cross-Strait relations towards a phase of renewed tensions, as the PRC froze relations with Taipei’s new administration. On 2 December 2016, the phone conversation between President Tsai and US President-Elect Donald J. Trump certified the fracture between Beijing and Taipei. In Taiwan, unsatisfactory economic performances, social discontent and intra-party fighting marred Ma’s second term, facilitating the DPP’s sweeping victory in the 2016 elections. Long-standing structural imbalances and the freezing of the relations with China, however, complicated Tsai’s plans for reinvigorating Taiwan’s economy during her first months in office. In regional politics, Taiwan attempted to «punch above its weight» in the international sovereignty disputes occurring in the East China Sea and in the South China Sea, which involve areas claimed by the ROC. Although Ma’s «Peace Initiatives» were effectively ignored by the international community, Taiwan was nevertheless able to sign a successful fishery agreement with Japan, which effectively shelved the dispute in the East China Sea. Nonetheless, tensions remained high in the South China Sea up to 2016, as President Tsai pursued a less accommodating and more assertive policy concerning sovereignty disputes.

* Key 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 ROC in the fields of cross-Strait relations, domestic and regional politics, and domestic economy within the broader context of the rapprochement process that characterised the relations between Taipei and Beijing in the first half of the 2010s. As such, it covers the period between 2012 to 2016, encompassing the second term of President Ma Ying-jeou and the first year in office of President Tsai Ing-wen. While throughout most of Ma’s second term, between 2012 and 2015, cross-Strait relations underwent a process of consolidation, they faced a rapid collapse under President Tsai.

After an introductory section providing the necessary context for the process of cross-Strait rapprochement which occurred during Ma’s first term, the second, third and fourth sections provide an in-depth analysis of cross-Strait relations in chronological order. Section two covers the developments between 2012 and 2014, section three covers 2015 and section four 2016. The fifth section gives an account of the developments which unfolded in Taiwanese domestic politics between 2012 and 2016. Against the backdrop of cross-Strait and domestic politics, the sixth section provides a bird’s-eye view of the major trends in Taiwan’s domestic economy and an analysis of the economic policies of the Ma and Tsai administrations in the same period. Finally, section seven covers the ROC’s role in the sovereignty disputes over the East China Sea and the South China Sea which have affected the stability of Asia-Pacific in recent years.

1.2. The bedrock of cross-Strait rapprochement: the 1992 Consensus and the Economic Framework Comprehensive Agreement

Cross-Strait relations between 2012 and 2016 responded to a dynamic shaped by two key factors. The first is the polarisation of Taiwan’s domestic politics along the axis of the so-called «1992 Consensus» (九二共识) existing between Taiwan’s Kuomintang (KMT) and Mainland’s Chinese Communist Party (CCP). The second is the economic and political impact caused by the signing of the Economic Comprehensive Framework Agreement (ECFA) between Beijing and Taipei in June 2010.

The «1992 Consensus» posits that «the Mainland and Taiwan both belong to One China» (大陆与台湾同属一个中国). While both the KMT and the CCP agree on this point, the KMT has maintained a distinctive understanding of the Consensus – defined as «One China, respective interpretations» (一中、各表) – in order to stress Taipei’s claim as the legitimate government of China. Even though Chinese authorities do not endorse the KMT’s formulation of the Consensus, they do not challenge
its use either.\textsuperscript{1} Building upon this shared position, the two parties have enhanced cooperation, since 2005 at the party-level, and, later, during Ma Ying-jeou’s two terms in office (20 May 2008 – 20 May 2016), at a cross-Strait level.\textsuperscript{2} The two parties, however, maintained different understandings of the implications of the Consensus. Mainly because of weak popular support for unification among the Taiwanese, the KMT has generally understood it as an instrument to uphold the political status quo across the Strait while deepening economic ties with the Mainland to Taiwan’s advantage. This approach is exemplified by Ma Ying-jeou’s «three noes policy» (三不政策), proposed during the 2008 presidential election campaign: «no to unification (with the Mainland), no to independence, no to the use of military force» (不統、不獨、不武).\textsuperscript{3} Conversely, Beijing has grown to interpret the Consensus as a platform to enhance future negotiations for a peace treaty and political talks aimed at unifying China.\textsuperscript{4} In opposition to both the KMT and the CCP, Taiwan’s DPP has consistently refused the «One China principle» (一个中原则) as it goes against the sovereignty-affirming tenets of the party.\textsuperscript{5}

The opposing views of Taiwan’s two major parties on the Consensus, in turn, shaped their respective approaches to economic integration with the Mainland. Following KMT’s sweeping victory in the 2008 presidential election and the resuming of cross-Strait dialogues, Taipei and Beijing signed the ECFA in June 2010.\textsuperscript{6} The agreement outlined a framework

\begin{itemize}
  \item The Consensus is recognised as the basis for the cooperation between the two parties since the issue of the April 2005 joint communiqué. See ‘A Virtuous Circle of Co-Operation’, \textit{South China Morning Post}, 30 April 2005.
  \item According to Chi-hung Wei, the Consensus reached in the mid-2000s was essentially a Chinese concession to KMT actors occurring within the context of the deadlock in cross-Strait relations during the presidency of Chen Shui-bian, who pursued a pro-independence and antagonistic agenda towards Beijing while in power. See Chi-hung Wei, ‘China–Taiwan Relations and the 1992 Consensus, 2000-2008’, pp. 80-82. As illustrated later on in this essay, Beijing eventually emphasised the centrality of the Consensus in its Taiwan policy during Ma Ying-jeou’s two terms in office.
  \item Cross-Strait talks, which had been suspended since 1999 following increasing tensions between the two sides, were resumed via Beijing’s and Taipei’s respective proxies, the Association for Relations Across the Taiwan Straits (ARATS) and the Straits Exchange Foundation (SEF). These organisations are «authorised NGOs» functioning as proxies for the PRC and the ROC authorities in order to avoid providing a state-to-state character to cross-Strait relations. See: Mumin Chen, ‘Embracing or Resisting the Giant Neighbour’, p. 402. On the 2008 presidential elections, see:
\end{itemize}
for promoting investments and liberalising market access for trade in goods and services across the strait. Moreover, it provided a roadmap and negotiating mechanisms to reach further major agreements on service trade, merchandise trade, trade dispute settlement and investment protection.\(^7\)

Signed under the aegis of the 1992 Consensus and KMT-CCP cooperation, the ECFA inevitably charged the issue of cross-Strait economic integration with strong political overtones.

The DPP resolutely opposed the agreement, criticising the impact of liberalisations on Taiwan’s small and medium enterprises (SMEs) in the short and medium-term, and especially the possible constraints to the political autonomy of the island in the long-term.\(^8\) However, because of the weak popular support for the DPP’s campaign against the ECFA in the build-up to the 2012 presidential election, the DPP candidate Tsai Ing-wen shifted the focus of her campaign back to the 1992 Consensus and KMT’s China policy. She proposed a new, broader and democratically approved framework to build a new relation with Beijing, dubbed the «Taiwan Consensus» (台灣共識).\(^9\) China’s predictable refusal of the DPP’s alternative framework signalled that the 2012 presidential election was a decisive crossroad for cross-Strait relations.

2. Cross-Strait Relations between 2012 and 2014: tense undercurrents beneath a process of consolidation

On 14 January 2012, incumbent President Ma defeated DPP candidate Tsai in the presidential election, even though his victory margin substantially shrank compared to the 2008 triumph.\(^10\) The DPP’s failure to clearly articulate a model of effective cross-Strait relations as an alternative...
to KMT’s (founded on the 1992 Consensus) was a key factor in its electoral defeat. KMT’s victory ensured the stability and consolidation of cross-Strait relations and, in the aftermath of Ma’s success, both Beijing and Taipei pledged to prioritise the signing and implementation of the ECFA follow-up agreements. The Director of the PRC’s Taiwan Affairs Office (TAO), Wang Yi, articulated China’s post-election Taiwan agenda via a number of articles and statements disseminated on Chinese media outlets during 2012. In his New Year message to Taiwanese «compatriots» (同胞), Wang ensured Taiwanese SMEs, fishermen, farmers and grass-root people that economic integration with the Mainland would benefit them.11 In April, at the 2012 Boao Forum for Asia, Wang coupled a pledge to conclude the ECFA follow-up agreements with a call to deepen «political mutual trust» (政治互信) across the strait.12 In an article published the same month for the CCP political theory magazine Qiushi, the TAO Director argued that cross-Strait relations had entered a new stage of «consolidation and deepening» (巩固和深化).13 In this new context, Wang submitted two proposals. Firstly, both parties needed to establish a clearer «common understanding and a unanimous position» on the One China principle; secondly, both parties needed to conclude the ECFA follow-up agreements «as soon as possible» to provide tangible benefits to the Taiwanese people.14 Thus, they would eventually identify their «vital interests and career developments» with the progress of cross-Strait relations.15 Finally, in another article in Qiushi, published in October 2012, Wang framed the themes of his Taiwan agenda with a major emphasis on the issues of unification and of Taiwan’s role within the Chinese project of national rejuvenation initiated under the new administration of Xi Jinping.16 A recurrent theme in Wang’s 2012 statements was the fact that KMT’s last two electoral victories in 2008 and in January 2012 created a historical «opportunity» (机遇) for the enhancement of cross-Strait relations. While carefully worded to avoid overt criticisms in Taiwan, Wang’s statements showed Beijing’s intentions to move beyond a relation

13. Wang Yi, ‘巩固深化两岸关系 开创和平发展新局面’ (Consolidating and Deepening Cross-Strait Relations – Opening Up a New Prospect for Peaceful Development), 求实 (Qiushi), 16 April 2012.
14. Ibid.
15. Ibid.
mainly driven by the ECFA-sanctioned process of economic integration and towards a more explicit political dimension. President Ma Ying-jeou’s post-election statements were, however, more cautious. After a widely criticised comment on the possibility of a peace agreement with the PRC in November 2011, in February Ma affirmed that peace across the strait could be institutionalised without a formal agreement. Months later, during the inauguration speech for his second term, delivered on 21 May 2012, Ma conditioned the signing and implementation of the ECFA follow-up agreements only on a pledge to pursue a broader economic agenda. This included further economic cooperation agreements with New Zealand and Singapore and the negotiations to access the Trans-Pacific Partnership (TPP). 

The contrast between Wang Yi’s bold agenda and Ma Ying-jeou’s cautious approach reflected the persistence of different views on the political implications of economic integration under the ECFA in Beijing and Taipei after the election. However, in Ma’s case, the more muted tone also reflected the persistence of wariness for a deeper engagement with China among the Taiwanese public (on this, see below, section 6).

Cross-Strait pledges for enhancing economic integration during Ma’s second term, in fact, failed to fully realise. In the period between 2012 and 2014, Beijing and Taipei reached and put into effect only one of the four major ECFA follow-up agreements: the Cross-Strait Investment Protection and Promotion Agreement (CSIPPA). After this minor success, the process of economic integration suffered a heavy blow following the failure to pass the Cross-Strait Service Trade Agreement (CSSTA) in the Legislative Yuan (LY), namely the unicameral Parliament of Taiwan. Signed by both parties in Shanghai in June 2013, the CSSTA aimed at opening 80 market segments in China and liberalising 64 industries in Taiwan in the SMEs-dominated core sector of the island’s economy. The signing of the CSSTA raised concerns on the possibly disruptive impact of the liberalisations upon the Taiwanese economy and on its questionable immediate benefits. For instance, a report by the Chung-Hua Institution for Economic Research issued in July 2013,

17. ‘马英九: 两岸和平制度化不一定要签和平协议’ (Ma Ying-jeou: The Institutionalization of Peace across the Strait Does Not Necessarily Need a Peace Agreement), RFI 华语 (Radio France Internationale Chinese), 9 February 2012.
credited the CSSTA for a very limited 0.02 - 0.03% boost to the island’s GDP. At the same time, a number of polls conducted since the signing of the agreement showed consistent public opposition to it. Within this heated context, the alignment with the DPP by KMT LY Speaker Wang Jin-pyng, who had been locked into a feud with President Ma since September, played a key role in halting the CSSTA. Wang’s decision to grant an article-by-article review of the agreement, together with the scheduling of 16 public hearings throughout the LY’s second 2013 session and first 2014 session, delayed the CSSTA review process to be held in the Internal Administration Committee until March 2014. Following further DPP obstructionist tactics in the committee, on 17 March 2014 KMT co-convener Chang Ching-chung took the unilateral decision to pass the CSSTA to the LY plenary session without the committee actually deliberating on it. Chang’s decision ignited wide popular protests which coalesced into the «Sunflower Student Movement».

Taiwanese students occupied the LY from 18 March until 10 April, stormed the Executive Yuan (EY) building on 23 March, and organised mass protests in front of the Presidential Office Building on 30 March. The Sunflower Movement rapidly shifted the focus of its protests from the hasty review process of the CSSTA to the broader issue of the LY’s oversight powers on cross-Strait agreements. This shift reflected a widespread perception that, due to the «black box» nature of KMT-CCP relations, democratic accountability had been consistently side-lined in the previous negotiations with Beijing. The fate of the agreement was decided in April 2014: the DPP obstructed new KMT attempts to resume the work of the Internal Administration Committee at the beginning of the month, and later it halted the committee hearings on a cross-Strait agreement oversight bill proposed by

25. ‘Students Siege Is Over’, Taipei Times, 11 April 2014; ‘More than 150 Injured as Police Evict Students from Taiwan Parliament’, South China Morning Post, 24 March 2014; ‘Taiwan’s Protesters March on President Ma Ying-jeou’s Office to Demand Halt to Trade Pact’, South China Morning Post, 30 March 2014. The EY is the executive branch of the ROC government, headed by a premier appointed by the President.
26. ‘反黑箱服貿學生要求總統回應’ (Students Opposing the Black-Box CSSTA Demand a Response from the President), 中央通訊社 (Central News Agency, CNA), 18 April 2014.
the EY in order to pander the protesters.²⁷ By summer 2014, it was clear that the CSSTA would remain a dead letter. Even though Beijing’s reactions were far from being inflammatory, the TAO repeatedly addressed the delays in the CSSTA review process throughout 2013 and, crucially, refused to renegotiate the agreement in accordance with the requests of the DPP and the Sunflower Movement.²⁸ With the CSSTA stranded in the LY, the other ECFA follow-up agreements on trade and trade dispute suffered a similar fate.²⁹ Ultimately, the CSSTA reified and amplified the wariness of the Taiwanese public towards the entire process of engagement with the Mainland, envisioned by the KMT since its return to power in 2008. More broadly, the agreement became a conduit for the widespread popular discontent after the global financial crisis in 2008, which had disproportionately affected the youngest and poorest sections of Taiwanese society.

New tensions between Beijing and Taipei emerged once again as early as 2 September 2014, when President Ma expressed his support for universal suffrage in Hong Kong, after the decision by China’s National People’s Congress to screen candidates for the Legislative Council and for the position of Chief Executive and the emergence of the Umbrella Movement (雨傘運動) protests.³⁰ Against the backdrop of rising tensions in Hong Kong and of Ma’s endorsement of universal suffrage in the former British colony, on 26 September Xi Jinping reaffirmed that the final aim of China’s Taiwan policy remained unification under the «one country, two systems» (一國兩制) framework applied in Hong Kong and Macao. Ma’s spokesperson firmly rebutted Xi’s statement and on 10 October the President himself expressed further support for the democratic protests in Hong Kong in his «Proud


of Taiwan, Proud of Our Democracy» (以民主為傲、以台灣為榮) address. Ma’s vocal support for the protesters in Hong Kong was no surprise, as Taiwanese public opinion had been sympathetic to the struggles of Hong Kong’s people since the handover of the former British colony to China in 1997. In fact, Taiwanese public opinion had been seeing Hong Kong’s fate as a cautionary tale on the implications of reunification with the Mainland. Moreover, Ma’s predicament was further complicated by the strong public reaction to his administration’s Mainland policy after the signing of the CSSTA a few months earlier.

Conversely, Xi’s remarks on eventual reunification under the «one country, two systems» framework reflected Beijing’s deep concern over the political implications of the March-April 2014 popular protests. Throughout the unfolding of the CSSTA debacle, Beijing appeared to equate any opposition to the agreement as support for Taiwan’s independence. In doing so, it conflated the diverse aims and agendas of the Sunflower Movement and of the DPP into a single independence camp. Against the backdrop of the protests in Hong Kong, Xi’s «reminder» signalled that China would not tolerate a linkage between the independence movements in Taiwan and the emerging ones in Hong Kong.

Even though the ECFA follow-up agreements stalled, Beijing and Taipei were nonetheless able to progressively intensify and upgrade their communication channels and cooperation and achieve remarkable results. With Beijing’s consent, Taiwan (as «Chinese Taipei») was able to participate as «guest» to the 38th Assembly of the International Civil Aviation Organization (ICAO) – a UN specialised agency – held in Montreal on 24 September 2013. Taiwan’s participation in the ICAO Assembly was the signal of major developments in cross-Strait relations occurring between the two ministerial-level agencies of the two sides, Taiwan’s Mainland Affairs Council and China’s TAO. In April 2013, one of the most senior KMT leaders, Vincent Siew (Siew Wan-chang), met Xi Jinping at the Boao Forum, where they both expressed Taiwan’s and China’s commitment to accelerate progress in the ECFA follow-up negotiations. Later in October, on the side


33. ‘Taiwan to Attend ICAO Assembly as «Invited Guest»’, *The China Post*, 14 September 2013.

lines of the APEC 2013 meeting in Bali, Mainland Affairs Council (MAC) Chairman Wang Yu-chi met new TAO Director Zhang Zhijun, and the two addressed each other with their respective titles. A few days later, on 16 October, Wang stated that both sides agreed to conduct reciprocal visits. He proceeded then to visit Zhang Zhijun in Nanjing on 11 February 2014, in the «first meeting between the heads of the competent authorities for cross-Strait affairs».Whilst Wang’s visit constituted an achievement for both Taipei and Beijing, limitations imposed by both sides on the content of the meeting significantly reduced its scope. Unconfirmed reports from Taipei hinted that the Ma administration consented to Beijing’s requests to avoid a range of topics («politics, the Republic of China and anything related to human rights, democracy, rule of law and the use of the word ‘president’») (不谈政治议题，不能提中华民国; 不能提人权丶民主丶法治和总统). A legislative resolution of the LY, in response, forbade Wang from signing documents or issuing joint statements that would hurt the ROC’s sovereignty. Under such a restricted agenda, the two ministers only reiterated the key role of the 1992 Consensus as the «common foundation» (共同基礎) of the development of cross-Strait relations, and discussed the possibility for SEF and ARATS to create reciprocal permanent missions in each other’s territory. Zhang Zhijun’s own visit to Taiwan, originally planned for April 2014, was postponed to June in light of the public protests over the CSSTA, but it was still marred by local protests. Moreover, while never publicly acknowledged by either side, the implications of the CSSTA debacle also affected the proposed SEF-ARATS plan to establish reciprocal permanent missions in their respective territories. In fact, China refused Taiwan’s request to grant SEF representatives the right to visit jailed Taiwanese citizens in the Mainland. Retrospectively, even if the Zhang-Wang meetings did not unlock the stalled process of economic integration, they successfully projected the necessary inter-governmental dimension to the relations between Beijing and Taipei, laying the foundations for the Xi-Ma «leaders meeting» to be held in Singapore the following year.

35. MAC, Chronology, 2013.
3. 2015: the end of an era and the Xi-Ma meeting in Singapore

Within the context of cross-Strait relations, 2015 was a year marked both by historical achievements and by the progressive reckoning that the era of cross-Strait rapprochement was drawing to an end. President Ma’s abysmal approval ratings and KMT’s heavy defeat in the Taiwanese local elections held in November 2014 certified the weakness of the incumbent administration in Taipei and foreshadowed a DPP victory in the presidential election the following year. The new downbeat climate of cross-Strait relations was evident in TAO Director Zhang Zhijun’s New Year message to the Taiwanese, issued on 20 January 2015. In it, Zhang auspicated a year of stability, development and benefits for the Taiwanese people, while acknowledging the difficulties encountered in 2014. Zhang’s message was in evident contrast with Wang Yi’s lofty expectations for cross-Strait relations after Ma’s victory in the 2012 presidential election: there was no mention of historical opportunities to grasp in order to develop the relations, and no mention of the ECFA follow-up agreements. In fact, Chinese calls for stability masked the concern for the future course of relations with Taiwan. This new predicament, in turn, triggered not-so-veiled threats by Mainland China to the Taiwanese opposition parties. During a session of the Chinese People’s Political Consultative Conference held in early March, Xi Jinping reiterated that the 1992 Consensus and the One China principle were the «foundation» (基础) of the cross-Strait relations, ominously adding that «if the foundation is not firm, the earth will move and the mountains will shake» (基础不牢，地动山摇). The difficult moment in Mainland-Taiwan relations was confirmed by the first speech of the new MAC Chairman Andrew Hsia’s (Hsia Li-yan) to the LY on 9 March. Asked to comment on a declaration by senior KMT figure Gao Yu-ren about the need to start political talks with the Mainland and go beyond the 1992 Consensus, Hsia admitted that no widely supported agreement had yet been reached in Taiwan on the 1992 Consensus. Moreover, Gao also admitted that there was not sufficient «reciprocal trust» (互信) between the two sides of the Strait to enhance the relations towards political talks. Compared to Wang Yi’s call to deepen

42. See section 5.
44. Xi’s addition was not present in the printed reported of Chinese state media but was discernible in a CCTV report on the Conference. See Alan D. Romberg, ‘Squaring the Circle: Adhering the Principle, Embracing Ambiguity’, China Leadership Monitor, Issue 47, July 2015, pp. 7-8, 19.
45. Su Yuanhe, ‘高育仁提超越九二共識 夏立言：時機不成熟’ (Gao Yu-ren Proposes to Go Beyond the 1992 Consensus – Andrew Xia Replies: The Times Are Not Yet Ripe), 民報 (Taiwan People News), 9 March 2015.
mutual political trust in early 2012, Hsia’s comment was a measure of the disappointing trajectory of cross-Strait relations.

Between March and April 2015, another fiasco in cross-Strait relations rapidly unfolded, as Beijing rejected Taiwan’s application to the new China-led Asian Infrastructure Investment Bank (AIIB), the multilateral institution that together with the «One Belt, One Road» project testified to China’s new aspirations of regional and global leadership under Xi Jinping. On 19 March 2015, the ROC Finance Minister Chang Sheng-ford stated that Taiwan was willing to join the AIIB. Taiwan submitted a letter of intent to join the institution on the final day for applications, intending to apply under the moniker «Chinese Taipei». However, Chinese authorities insisted that Taiwan follow the same application procedure of Hong Kong, and apply under the «appropriate» name, even though they never specified it. Later, in April 2016, ROC Finance Minister Chang admitted that the outgoing Ma administration considered Taiwan’s application to the AIIB. Most likely, the PRC’s rigid approach to Taiwan’s AIIB application has to be framed within a «soft» retaliatory strategy that Beijing had begun pursuing since the CSSTA debacle, as in the case of the failed SEF-ARATS office exchange.

In April 2015, the race towards the 2016 presidential election began, with Tsai Ing-wen obtaining for the second time the DPP nomination. Emboldened by the November 2014 sweeping victory in the local elections and Ma’s disastrous approval ratings, Tsai began the campaign as the clear frontrunner. Since her nomination, her main challenge was to elaborate a cross-Strait policy that would avoid alienating the more radical fringes of her party while convincing Beijing that she would not endanger the stability of cross-Strait relations by pursuing an independentist agenda – in other words, that she was not a new Chen Shui-bian.

Since her nomination in April, Tsai shaped her cross-Strait policy around three «foundations» (基礎): first, the ROC’s «existing constitutional order» (現行執政提法), second, the «accumulated outcomes» (累計的成果) of the previous twenty years of cross-Strait relations, and third the «will of the people» (民意) of Taiwan. However, she stopped short from accepting the 1992 Consensus and the One China principle, which remained Beijing’s

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46. See note 12.
49. While the application to the AIIB had been considered since November, Taiwan applied on the last day due to pressures from the United States, which had attempted to dissuade its allies from joining the AIIB. Lawrence Chung, ‘Taiwan Dithered Over Bid to Join the AIIB Because It Worried «How US Would React»’, South China Morning Post, 27 April 2015.
Tsai’s strategy inevitably made the 1992 Consensus the focus of the campaign, and exposed her and the DPP to much of the same criticism characterising the 2012 presidential campaign – namely that she was proposing a vaguely defined, unrealistic Mainland policy in contrast with Beijing’s precise requests. This time, however, Tsai could withstand this criticism by pointing out the failure of the ECFA follow-up agreements, the stalling trajectory in cross-Strait relations, and the unsatisfactory domestic economic performances which had characterised Ma’s second term. Indeed, the poor performances of the Ma administration between 2012 and 2015 left the KMT little room for manoeuvring. On two separate occasions in April and May, outgoing President Ma attempted to defend the Mainland policy of his administration by emphasising the key role of the 1992 Consensus in ensuring «cross-Strait peace and prosperity».

Nonetheless, it was new KMT Chairman Eric Chu’s meeting in Beijing with Xi Jinping on 4 May that truly captured the spotlight. Chu publicly reaffirmed the One China principle and reiterated KMT’s commitment to uphold the Consensus. On his part, Xi, echoing previous statements issued in March, remarked that the One China principle and the 1992 Consensus remained the foundation upon which the entirety of cross-Strait relations rested. While Chu’s words outlined a vision for a reconstruction of cross-Strait relations in the future, Xi’s statement clearly addressed the eventuality of a DPP victory, reminding about the negative consequences of a blatant refusal of the Consensus by Tsai.

The threat of a Chinese assertive response to a DPP victory, however, did not affect Tsai’s prospects, and by September 2015 the DPP candidate already showed a solid lead in the polls over KMT presidential candidate Hung Hsiu-chu. On her part, after being nominated in July, Hung Hsiu-chu made the unusual decision to suspend her campaign activities after an ineffective start and numerous negative polls. On 17 October 2015, KMT Chairman and Taipei major Eric Chu substituted Hung as his party’s candidate in the presidential race. At this point, the KMT’s disastrous electoral campaign foreshadowed Tsai’s victory.

This being the situation, on 3 November, the TAO and the President spokesperson announced that Xi Jinping and Ma Ying-jeou would attend...
the first «leaders meeting» since 1949, four days later in Singapore.\textsuperscript{55} During the meeting, which was held on 7 November, Xi and Ma reiterated the absolutely central role of the 1992 Consensus and the One China principle for the stability and the development of cross-Strait relations. In addition, Ma explicitly restated Taiwan’s own interpretation of the 1992 Consensus. He also carefully worded the auspice for the broadening of Taiwan’s participation to world politics and the halting of Chinese military exercises directed towards the island.\textsuperscript{56} The abrupt announcement, hasty preparation and overall timing of the meeting suggested that it aimed at strengthening KMT’s electoral chances. However, the meeting did not produce any breakthrough either at the diplomatic or at the electoral level. By November 2015 it was already clear that KMT’s hopes for a reversal of fortunes were extremely low: post-meeting polls immediately confirmed that Tsai was still leading over Chu.\textsuperscript{57}

The historical significance of the meeting was probably that of offering Ma, after a deeply unpopular presidency, the occasion to build a political legacy and possibly to lay the foundation for a major post-office role in the KMT. Most likely, the meeting constituted both a benchmark against which to assess the developments of future cross-Strait relations under a Tsai presidency, and a base upon which to rebuild the cross-Strait relations under a future KMT administration. As a matter of fact, after the Xi-Ma meeting, Tsai refined her position regarding the 1992 Consensus. In fact, during the 27 December presidential debate, Tsai, without proffering the term, recognised as a «historical fact» (歷史的事實) that the KMT and the CCP, during the 1992 Hong Kong meeting had agreed to enhance cross-Strait relations on the basis of a «mutual understanding» (互相諒解) and in the spirit of «seeking common grounds while reserving differences» (求同存異).\textsuperscript{58} By recognising the «historicity» of the Consensus and, thus, its key role in the cross-Strait rapprochement, Tsai got as close as possible for a DPP presidential candidate to ease Beijing’s concern.

4. Cross-Strait relations in 2016: from Tsai Ing-wen’s victory in the presidential elections to the «Trump Call»

The victory of the DPP candidate Tsai-Ing-wen in the 2016 ROC presidential elections upset the delicate balance upon which the cross-Strait

\textsuperscript{55} Jane Perlez & Austin Ramzy, ‘China, Taiwan and a Meeting after 66 Years’, \textit{The New York Times}, 3 November 2015.

\textsuperscript{56} ‘MAC Releases Ma-Xi Meeting Transcript’, \textit{Taipei Times}, 10 November 2015.

\textsuperscript{57} ‘Taiwan’s Opposition Leader Remains Election Frontrunner after Xi-Ma Summit: Polls’, \textit{Reuters}, 9 November 2015.

rapprochement was construed. After an apparent period of détente between Taipei and Beijing following Tsai’s electoral victory and the power transition in Taiwan, and a phase of mounting PRC pressure on the new administration to recognise the 1992 Consensus, the unexpected phone call between Tsai and the US President-Elect Donald J. Trump on 2 December deepened the disruption of cross-Strait relations and amplified it on a global stage.

4.1. The apparent cross-Strait détente and its swift collapse

Tsai Ing-wen obtained a landslide victory in the presidential election against KMT candidate Eric Chu on 16 January 2016, gaining almost 6.9 million votes (56.1% of the votes), whilst Chu obtained just over 3.8 million votes (31%).

For the first time, moreover, the DPP obtained a majority in the LY, winning 68 of the available 113 seats. Tsai’s victory speech was particularly sober and restrained. The President-Elect repeated her pre-election commitments to establish «consistent, predictable and sustainable» (一致性可預測且可持續) cross-Strait relations. These were to be founded upon «the Republic of China constitutional order, the results of cross-strait negotiations interactions and exchanges, democratic principles and the will of the Taiwanese people» (中華民國現行執政體制, 兩岸協商交流互動的成果, 以及民主原則與普通民意).

Tsai attempted to defuse the existing tensions with Beijing without accepting the latter’s required formulation related to the foundation of cross-Strait relations. The PRC’s response, delivered through a TAO statement and a number of commentaries in the media, was equally restrained. Indeed, in the immediate aftermath of Tsai’s victory speech, there was a tendency by both the Mainland commentators and DPP figures in Taiwan to downplay the importance of cross-Strait relations in determining the


At this particular juncture, both sides had indeed interest in emphasising the role of domestic politics in the vote, and thus ignoring the wide popular opposition throughout 2014 against the CSSTA and the process of economic integration with the Mainland. Retrospectively, this probably indicated that for a brief window of time Beijing pondered whether Tsai would change her approach on the 1992 Consensus. Similarly, DPP’s restrained attitude possibly implies that its leadership assumed that there was the possibility to establish a constructive relationship with Beijing. The tipping point of this trend was a post-election interview that Tsai gave to the Taiwanese newspaper *Liberty Times* on 21 January. She reinstated and expanded her position on the 1992 Consensus by incorporating the «SEF-ARATS discussions of 1992» and their achievements as an integral part of her approach to cross-Strait policy.

Once again, China’s reactions to the interview appeared relatively positive. However, this apparent cross-Strait détente rapidly showed its first signs of collapse in the following weeks.

By March 2015, a number of signals already hinted at the deterioration of cross-Strait relations. On 5 March, President Xi Jinping spoke about cross-Strait relation to a Shanghai delegation at the National People’s Congress, reinstating that «accepting» (承认) the historical fact of the 1992 Consensus and its political implications was the only way to ensure a common political foundation between the two sides and maintain positive interactions.

Then, on 17 March, PRC and Gambia jointly announced the resuming of diplomatic relations. Tellingly, it was the first time that a country switched diplomatic recognition from Taipéi to Beijing since Malawi did so in the final months of the Chen Shui-bian administration in January 2008. In addition, breaking with the practice established during the Ma years, Beijing did not invite Taiwanese «quasi-official» figures who would be involved in the Tsai administration at its annual Boao Forum.

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63. Ibid., pp. 8-9.
64. Ibid., pp. 10-11.
65. ‘习近平参加上海代表团审议’ (Xi Jinping Joins a Group Deliberation of NPC Deputies from Shanghai), Xinhua, 5 March 2016.
68. ‘None of Taiwan’s Boao Delegation Will Be New Cabinet Members’, *Focus Taiwan*, 20 March 2016; Shuhei Yamada, ‘China Leaves Taiwan Officials Off the Boao Forum Guest List’, *Nikkei Asian Review*, 31 March 2016.
sent further ominous signals in April, as media reported multiple cases of forced repatriation and prosecution of Taiwanese citizens allegedly involved in criminal activities from Kenya and Malaysia to the Mainland. \(^{69}\) Finally, on 12 April, Taiwan’s Tourism Bureau reported a significant decrease of both individual and group travelling applications from the Mainland between the end of March and the beginning of April. \(^{70}\) With Tsai’s inaugural address due for 20 May, it was clear that Beijing was employing a wide array of pressure tactics to push the President to publicly acknowledge the 1992 Consensus.

No surprises, however, came from Tsai’s inaugural address on 20 May 2016. The President reiterated her acknowledgment and respect for the «historical fact» that «the two institutions representing each side of Strait met in 1992 and for the «accumulated outcomes» produced by these meetings. Tsai then reaffirmed once more the four foundations of her cross-Strait policy: the 1992 meetings, the ROC’s existing constitutional order, the negotiation and outcomes of the previous twenty years of cross-Strait relations, and the prevalent will of Taiwanese people. \(^{71}\) The President neither mentioned nor accepted the 1992 Consensus, but she pointed out that her administration would conduct cross-Strait relations according to both the ROC’s Constitution (中華民國憲法) and the Act Governing the Relations Between the People of the Taiwan Area and the People of the Mainland Area (臺灣地區與大陸地區人民關係條例). Both documents implied, to a certain extent, an acknowledgement of the One China principle. \(^{72}\) Therefore, once again since her nomination in April, Tsai had slightly and progressively adjusted her cross-Strait rhetoric aiming at convincing Beijing that, short of a public acceptance of the 1992 Consensus and the One China principle, her administration had no intention to alter the status quo and was willing to continue along the path of cross-Strait rapprochement.

TAO’s official statement on Tsai’s inaugural address showed a relative appreciation of her acknowledgments of the 1992 SEF-ARATS meetings,


\(^{70}\) ‘Chinese Tourist Applications down 15-30%: Tourism Bureau’, *Focus Taiwan*, 12 April 2016.

\(^{71}\) ’Full Text of President Tsai Inaugural Address’, *Focus Taiwan*, 20 May 2016. For the original inaugural address in Chinese: ‘台灣新任女總統蔡英文就職演說全文’ (Full Text of the Inaugural Address of Taiwan’s New Female President Tsai Ing-wen), *The New York Times*, 20 May 2016.

but criticised the fact that she did not «explicitly recognise» (明确承认) the 1992 Consensus and did not «acknowledge» (认同) its «core implications» (核心意涵). Thus, the address was «an incomplete test answer» (一份没有完成的答案). The TAO, however, coupled this relatively mild response with the warning that the continuation of the institutionalised channels of communication between the Mainland and Taiwan was subject to the recognition of the One China principle. A few days later, during a press conference on 26 May, TAO Spokesperson Ma Xiaoguang criticised Tsai with harsher tones, this time threatening Taiwan’s access to the Regional Comprehensive Economic Partnership (RCEP). Then, on 25 June 2016, TAO spokesperson An Fengshan confirmed that cross-Strait communication had been halted since 20 May. Throughout the summer, cross-Strait relations were then characterised by three trends: the stop of the existing institutionalised channels at high-levels (although work-level communication continued); the continuing pressure from the Chinese authorities in regards to the acceptance of the 1992 Consensus and the One China principle via a plethora of official statements; and, as a counterbalance, a focus on domestic affairs and a downplaying of the state of cross-Strait relations by President Tsai and her administration.

4.2. Building up pressure on Tsai’s administration

On 23 July 2016, United Daily News reported that former MAC vice-Chairman Lin Chong-pin had received relevant information from two separate sources in Beijing on China’s strategy towards Tsai. According to Lin, Chinese top policy-making circles had come to the conclusion that Tsai would not have changed her position on the Consensus, and, as a consequence, had decided to pursue a long-term «impoverish Taiwan» (中共中央台办、国务院台办负责人就当前两岸关系发表谈话 (Leading Official of the Taiwan Work Office of the Central Committee of the Communist Party of China and the Taiwan Affairs Office of the State Council Issues a Statement on the Current State of Cross-Strait Relations), Xinhua, 20 May 2015.


Two days before the publication of the United Daily News’ reportage, President Tsai, during an interview with the Washington Post, had answered a question regarding the existence of a possible Chinese deadline for accepting the 1992 Consensus. She had stated that: «It isn’t likely that the government of Taiwan will accept a deadline for conditions that are against the will of the people».78

Confirming Lin’s theory of an «impoverish Taiwan» strategy, the number of Mainland tourists to the island decreased by 32.4% in the period between May and October 2016.79 This decrease was in line with Beijing’s preferred use of economic means to reach political objectives, a policy which is generally characterised by the adoption of «informal or indirect measures».80 Indeed, in the second half of 2016, the PRC pursued an extremely diversified retaliatory tactic towards the Tsai administration. Beijing denied Taiwan’s participation in the 39th ICAO Assembly after having allowed Taiwanese representatives to join the previous one in 2013;81 it continued the controversial operations of forced repatriations of Taiwanese citizens to the Mainland;82 and on 24 November 2016, in the port of Hong Kong it seized nine Singaporean Armed Forces Terrex infant carrier vehicles directed to Taiwan as part of the long-established, unofficial military ties between the city-state and the ROC.83 Finally, the competent PRC’s authorities continued to foster an intricate web of contacts with KMT local administrators, Taiwanese business circles with interests in the Mainland, and even sympathetic youth organisations on the island, in a concerted effort to shift general popular perceptions of the 1992 Consensus

and Tsai’s opposition to it. Beijing’s reliance on the KMT for this aim was particularly evident in the party leader’s meeting held on 1 November 2016 in Beijing between Xi Jinping and the new KMT Chairman (and failed presidential candidate) Hung Hsiu-chu. The latter, since her nomination as Chairwoman in March, had pushed for a more marked alignment with Beijing even against the scepticism of certain party circles.

4.3. The «Trump call» and the collapse of the PRC-ROC process of rapprochement

The existing situation was unexpectedly and radically changed by the eventful phone call between US President-Elect Donald J. Trump and Tsai Ing-wen (2 December 2016). The relevance of the «Trump call» has to be assessed within the post-inaugural address deadlock in cross-Strait relations. It is beyond the scope of this essay to analyse the broader political implications of the phone call in the context of the US-PRC relations and East Asian regional politics. Here, instead, the «Trump call» must be assessed in relation to both Taiwanese domestic politics and cross-Strait relations. According to a statement from the President-Elect office, successively deleted, Tsai called Trump, congratulated him on the electoral victory, and shared her views on «the close economic, political and security ties» between Washington and Taipei in a ten-minute conversation. The statement issued by President Tsai’s office also mentioned that the two discussed Taiwan’s economic development and national defence, and that the Taiwanese leader expressed to Trump her hope for the enhancement of «bilateral interactions and liaisons» (雙邊的互動與聯系).

The conversation was the first publicly acknowledged communication between a ROC President and a US President or President-Elect since the severing of diplomatic relations in 1979. Trump’s tweets about China on 4 December, however, led to a shift in the perception of the phone call with Tsai. Whilst initial concerns had focused on the Trump administration’s recognition of Taiwan independence and/or the abandonment of the US’s

84. David Gitter & Elsa Kania, ‘How Beijing Uses People-to-People Ties as Leverage over Taiwan’, The Diplomat, 1 October 2016.
85. ‘Xi and KMT Chief Draw Hard Line under Need for Landmark 1992 Deal’, South China Morning Post, 1 November 2016. On the changes in KMT’s cross-Strait policy see section 5.
One China policy once in power, the successive tweets of the President-Elect left the impression that Washington’s position on Taiwan would ultimately depend on Beijing’s stances on the sovereignty of the South China Sea and monetary policy.87

Within the narrower perspective of cross-Strait relations, the phone call confirmed the complete collapse of the process of rapprochement between the PRC and the ROC, which had started in 2008. China’s Foreign Ministry and former TAO Director Wang Yi immediately defined the episode as a Taiwanese ineffective «petty move» (小动作) that could not change international recognition of and support for the One China policy.88 On 14 December, the TAO spokesperson blamed the Tsai administration for having emboldened the «splittist» political forces on the island and reminded that Taiwan independence was a «dead end» (死路).89

Beijing tones were further exacerbated by the following announcement that Tsai would conduct a diplomatic tour in Central American and Paraguay with the usual stop-overs in the US. At the same time, Beijing raised the volume of its intimidating and retaliatory tactics: the People’s Liberation Army (PLA) enacted a series of air-sea military drills extremely close to Taiwanese identification zones throughout December;90 finally, on 26 December it announced to have resumed diplomatic relations with one of the three African countries still recognising the ROC, São Tomé and Príncipe.91 At the end of the day, the most immediate effect of the Tsai-Trump call seems to have been a further hardening of Beijing’s posture.

87. Donald J. Trump (realDonaldTrump), ‘Did China ask us if it was OK to devalue their currency (making it hard for our companies to compete), heavily tax our products going into...’, 4 December 2016, Tweet; Donald J. Trump (realDonaldTrump), ‘their country (the U.S. doesn’t tax them) or to build a massive military complex in the middle of the South China Sea? I don’t think so!’, 4 December 2016, Tweet. See also: Richard C. Bush, ‘An Open Letter to Donald Trump on the One-China Policy’, Brookings, 13 December 2016.

88. ‘王毅就特朗普同蔡英文通电话回答记者提问’ (Wang Yi Answers to Questions on the Trump-Tsai Phone Call Raised in the Press Conference), Xinhua, 3 December 2016.

89. Arranged questions from Chinese media during the two press conferences held by the TAO spokesperson after the Tsai-Trump call hint that Beijing could be open to reach a new «consensus» with Tsai based on the 1992 Consensus and the One China principle. The new consensus would state that «both sides of the Strait belong to One Chinese nation» (两岸同属一个中国民族). TAO, 国台办新闻发布会辑录 (2016-12-14) (Minutes of the TAO Press Conference on December 14, 2016), 15 December 2016 (http://www.gwytb.gov.cn/xwfbh/201612/t20161214_11653363.htm); TAO, 国台办新闻发布会辑录 (2016-12-28) (Minutes of the TAO Press Conference on December 28, 2016), 28 December 2016 (http://www.gwytb.gov.cn/xwfbh/201612/t20161228_11665568.htm).


vis-à-vis Taipei and the prospect of a durable deadlock of cross-Strait relations.

Such outcome leads to the question of why the Tsai administration took the decision to call Trump. The answer seems to be that this decision resulted from two converging forces: the Tsai administration’s conviction, likely emerged between late May and late July, that there was no room left for cooperation with Beijing; and an autonomous initiative taken by certain influential Republican figures near Trump.

More specifically, Tsai and her administration reached the conclusion that there was no room left for cooperation with Beijing only a few months after the electoral victory. This predicament pushed Tsai to gambit on a Trump presidency in order to break the deadlock in cross-Strait relations. This was coupled with the fact that, according to a number of reports, the DPP administration and several Republican figures close to Trump had been working on the phone call at least since October 2015. Foremost among them was Edwin Feulner, the founder of the American conservative think-tank Heritage Foundation, later indicated by Taiwanese media as the key figure in planning the phone call. He led a delegation to Taiwan in the very month of October and met President Tsai. In addition to Feulner, Tsai and the DPP could count on the pre-existing solid relations with figures within or close to the Trump transition team.92

Once this has been said, it is necessary to point out that, beyond the immediate euphoria for having put Taiwan back in the spotlight of world politics and obtaining a renewed international relevance, the results achieved with this move remain questionable. The phone call damaged Tsai’s credibility as a reliable partner in the eyes of Beijing, whilst there is no evidence that the coming Trump administration will change the fundamental tenets of the US’s Taiwan policy. In fact, in light of Trump’s tweets on 4 December, and, more broadly, of the «transactional» logic that seems to inform his conception of diplomacy, Tsai’s gambit may have even exposed Taiwan to the risk of being turned into a bargaining chip in a dangerous game between the US and China.93

The Tsai administration’s firm refusal to accept the 1992 Consensus and the One China principle remains the most immediate reason for the


collapse of cross-Strait relations after an eight-year phase of enhancement and consolidation which had produced landmark results. This is, indeed, the PRC’s position on the issue, and Beijing has repeatedly pointed out that the solution to the current deadlock is exclusively in the hands of President Tsai.

In fact, this is a rather self-serving claim, because Beijing, as the stronger partner in the PRC-ROC relationship, has been defining the framework of the relations since 2008. Accordingly, the ultimate cause for the current deadlock is its lack of flexibility in responding and adapting to the political developments of Taiwan’s democracy. The PRC remained inactive between 2013 and 2014, refusing to renegotiate the CSSTA even though it was clear that the agreement had not been well received by the Taiwanese public. Furthermore, KMT’s intra-party feuds exposed its passage in the LY to the effective obstructionist tactics of the DPP — even though the CSSTA was a key component in the strategy of national unification via economic integration. In addition, Beijing continued to assume a rigid posture towards Tsai throughout 2015, when it was increasingly clear that KMT was proceeding towards an electoral catastrophe in January 2016. Moreover, for more than a year, namely in the period between Tsai’s nomination as DPP presidential candidate in April 2015 and her inaugural address in May 2016, Beijing refused to acknowledge both her slow but progressive adjustments in regards to the 1992 Consensus and the One China principle, and the numerous reassurances she was sending on the issue of Taiwan independence. Instead, PRC’s authorities decided to implement subtle but easily noticeable pressure tactics to force Tsai to an unrealistic about-face on cross-Strait policy. Within this context, the Tsai-Trump call was the unpredictable outcome of Beijing’s risky strategy to corner Tsai.

Ultimately, the PRC’s policy towards Taiwan between 2012 and 2016 was in line with the assertive posture that the former country pursued in East Asia during the same period. In regards to Taiwan, the PRC’s assertiveness hints at a deep-seated conviction among Beijing’s top policy-making circles that there was no more reason to «hide strength and bide time» (韬光养晦) and that the country must «strive for achievements» (奋发有为) in order to fulfil the «China Dream of a Chinese national rejuvenation» (中华民族伟大复兴的中国梦), an enterprise to which national unification with Taiwan is of supreme importance.94 In other words, Beijing believes that national unification can be reached more rapidly through a direct confrontation with a DPP administration — even at the price of a temporary freezing of the bilateral relations — rather than by tolerating a protraction of the existing status quo across the Strait during the Tsai presidency.

5. Taiwanese politics in 2012-2016: KMT’s woes, DPP’s identity-affirming policies and a newcomer in the LY

The key developments regarding Taiwanese domestic politics in the context of cross-Strait relations between 2012 and 2016 have been explored in the previous sections of this essay. Consequently, this section mostly focuses on the intra-party developments of the major political forces on the island. KMT suffered heavy and repeated blows to its political credibility among the Taiwanese public during this period. The woes characterising Ma’s second term originated in the unsolved contradictions between KMT’s «Mainlander» (外省人) elites on the one hand, and the party’s, Taiwanese «nativist» (本省人) grass-root faction on the other. Historically, the party’s factional tensions had repeatedly surfaced at critical junctures, taking the shape of leadership crises. The most recent of these crises contraposed the «Mainlander» Party Chairman and ROC President Ma Ying-jeou against the «nativist» former LY Speaker Wang Jin-pyng between the mid-2000s and the mid-2010s. Tensions between Ma and Wang threatened to split the KMT during the nomination of the 2008 presidential candidate, and remained high during Ma’s two terms in office, as Wang used his speakership and the considerable power base he built throughout the 2000s to undermine the agenda of the President and his government. The tension between Ma and Wang erupted in September 2013, when the Ma faction attempted to expel the LY Speaker from the party and revoke his speakership following an influence peddling investigation. As Wang regained the party membership and the role of Speaker after a court injunction, he played a key role in the sinking of the CSSTA in the LY and in the negotiations with the Sunflower Student Movement. As explored in the following section of this essay, the weakness, divisions and scarce party discipline showed by the KMT majority in the LY between 2012 and 2015 became a major factor in hindering the economic policy initiatives of the Ma administration.

The consequences of this negative political performance, however, extended beyond the national theatre and rippled into local politics. In fact, the KMT encountered the worst electoral result of its history in the local elections of November 2014, when it lost four of the six municipalities to the DPP, and Taipei to a DPP-backed independent candidate. The convergence of the 2014 electoral defeat, Ma’s retirement from politics under a shadow and Wang’s own marginalisation in the party after the September 2013 events, convinced the remaining major figures in the party,

96. Ibid., pp. 491-96.
97. Ibid., pp. 496-97.
such as the new Chairman Eric Chu, to avoid seeking the nomination for an election considered lost before its start. From this stalemate emerged an unlikely fringe candidate such as Hung Hsiu-chu, known for her extreme pro-Beijing leanings. Hung’s own ineffective candidature, marked by political gaffes and ill-received comments on national unification, however, lasted only from July until October, when she was supplanted by Chu.

KMT’s grotesquely mismanaged electoral campaign ended up in Tsai Ing-wen’s victory and the DPP’s first ever majority in the LY in January 2016; but the shockwaves in the party continued to be felt in the leadership contest held in March, in which Hung made an unlikely comeback, becoming KMT’s first Chairwoman. Amidst widespread internal oppositions within the left-wing of the KMT, the former presidential candidate pushed for a new, radical «peace platform» (和平政綱). The new platform brought the party’s position on the 1992 Consensus dangerously close to the one sustained by Beijing, by virtually dropping all the traditional references to the «respective interpretations». On 1 November 2016, the Chairwoman reiterated her own «minimal» interpretation of the Consensus by referring exclusively to the One China principle, as agreed in her 1 November 2016 Beijing meeting with Xi Jinping. In light of the recent electoral results and President Tsai’s resilient approval ratings, the KMT’s annus horribilis ended with the concrete risk of being marginalised in Taiwanese national politics, because of its pursuit of the radical pro-unification China policy sponsored by Hung Hsiu-chu.

KMT’s woes highlighted, in turn, the DPP’s successes in recent years. The DPP found itself in an unprecedented position of power – holding the presidency, the LY majority, four of the six municipalities (while also endorsing Taipei independent mayor Ko Wen-je) and a majority of lower-level local administrations. From this position of strength, the DPP sought to produce lasting changes in Taiwanese society and especially on the perceptions of the island’s recent history among its inhabitants. On 25 July, the DPP-controlled LY passed the «Act Governing the Handling of Ill-gotten Properties by Political Parties and Their Affiliate Organizations», specifically designed to target KMT’s properties, obtained during its authoritarian rule on the island. The Act froze the KMT’s bank accounts in September, and sequestered its two holding companies later in November, plunging

99. See section 4.
102. ‘習近平回應國民黨: 可進一步談「和平協議」’ (Xi Jinping Replies to the Kuomintang: It Is Possible to Further Discuss the «Peace Agreement»), 上報 (Up Media.com), 1 November 2016.
Hung Hsiu-chu’s party into a dramatic and unexpected liquidity crisis. Constrained by the DPP majority in the LY and widespread popular support for the Act, KMT’s fortunes probably depended on the appeal verdict that is supposed to be passed in 2017. In addition to the Ill-gotten Act, President Tsai also pushed since her inaugural address for the institution of a Truth and Reconciliation Commission for transitional justice about the 1947 «228 Incident» and the following White Terror period (1947-1987) under the KMT’s authoritarian rule. Moreover, in August, she officially apologised to the Taiwanese aboriginal communities for the «racial discrimination, use of native land and forced cultural assimilation» perpetuated by the Chinese on the island. While these measures reflected the DPP’s commitment to foster a distinct Taiwanese identity on the island, they also signalled Tsai and the DPP’s will to change the balance of power among the major political parties of the island while the KMT was in the doldrums.

2016 also saw the meteoric rise of a new political force in Taiwan, the New Power Party (時代力量, NPP) which emerged from the experiences in civic mobilisations of the 2014 Sunflower Student Movement. The NPP obtained five seats in the new LY, and became the third party in the country. In tune with similar movements emerging in Hong Kong – where new parties such as Younginspiration and Demosistō appeared in the aftermath of the Umbrella Movement – the NPP effectively channelled the demands and aspirations of the younger generations of Taiwanese voters who «came of age» during the 2014 popular protests against Ma Ying-jeou and the CSSTA. The new Taiwanese party campaigned on a platform on the left of the DPP, focusing on social justice, constitutional reform, localist identity and political independence.

During the electoral campaign, the NPP benefited from Tsai’s endorsement, establishing a «cooperative but competitive relation» with the DPP. Indeed, following the election, mild

frictions with the DPP emerged as the NPP pressured the Tsai administration on her stance on independence.\[^{108}\] By exploiting both the DPP’s necessary shift to more cautious positions on independence since coming into power and KMT’s chronic inability to attract young voters, the NPP appeared to have built in 2016 a sustainable basis for political survival as the standard-bearer of the anti-PRC, anti-establishment sentiment in the island.

6. **Taiwan’s economy 2012-2016: structural malaises and ineffective remedies**

The state of Taiwan’s economy at the beginning of Ma Ying-jeou’s second term in office was particularly discomforting, still affected by the consequences of the 2008 global financial crisis whilst grappling with severe structural issues. The economy had been exposed to external factors since the global crisis, as foreign monetary stimulus packages severely hurt the island’s exports, causing, in turn, weak GDP growth. A response via expansive monetary policies, however, was not a viable choice for Taiwanese authorities because of the low average wages and its consequent high exposure to inflation for the local population.\[^{109}\] In this scenario of weak growth, low tax revenues, increasing cost of state subsidies in electricity and fuel, and the combination of a rapidly ageing population and an ineffective pension system further affected the ROC’s finances.\[^{110}\] Moreover, Mainland China’s on-going shift from being a source of cheap labour for Taiwanese firms to a competitor in the island’s key industrial sectors, together with a situation of market saturation in two of the strongholds of the manufacturing sector – computers and digital displays – demanded an overhaul of the structure of the Taiwanese economy itself.\[^{111}\] Facing these challenges, the Ma administration and the new government led by the Premier Sean Chen (Chen Chu) gave absolute priority to a transformation of the national economy since the beginning of 2012.\[^{112}\] The government’s efforts focused on four main areas: a tax reform, a reform of the pension system, the reduction of the fiscal deficit, weaknesses in the export sector, and reforms in the educational system.
and the attraction of Foreign Direct Investments (FDIs) through Free Trade Agreements (FTAs) and liberalisations in the service sector.

The issue of tax reforms was at the centre of the economic agenda since March 2012, when the government appointed a special task force unit headed by Finance Minister Christina Liu (Liu Yih-ju). The task unit’s initial plans for a universal capital-gains tax, however, were progressively set aside by a number of amendments, which were introduced following strong popular opposition to the tax. Approved only in June 2013 and implemented since April 2015, the amended capital-gains tax concerned only around 10,000 investors, with very limited returns estimated between NT$ 6bn and NT$ 11bn.\(^{113}\) Further tax raises for high-earners and financial service firms aimed to raise an estimated NT$ 65bn were instead approved in the LY in May 2014.\(^{114}\) Pensions had historically been a thorny issue for KMT administrations, as the national retirement programme traditionally favoured the party’s main electoral constituencies: civil servants, teachers, and the military. The government envisioned an aggressive plan aiming at decreasing the income replacement rates of public pensions by 15% while pursuing similar but less drastic measures for the private sector.\(^{115}\) This was a manoeuvre aiming at outflanking the DPP’s proposal for a «national conference on pensions».\(^{116}\) Nevertheless, the KMT’s bold reform plan did not survive its main constituents’ threat to boycott the party in the coming elections in case the reform passed.

Thus, by the end of 2015, KMT lawmakers in the LY were actually blocking the opposition’s amendments to the reform plan in order to protect the interests of their core constituencies, in contradiction with the original spirit of the reform.\(^{117}\) The government also attempted to enhance the country’s fiscal position by reforming poorly performing State-owned enterprises (SOEs) and curbing subsidies on electricity and fuel prices.\(^{118}\) While the planned SOEs reform failed to realise, the cut of subsidies was partially implemented, but at a

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\(^{117}\) DPP Chastises Ma over KMT-blocked Pension Reforms’, *Taipei Times*, 25 January 2015.

heavy price in terms of political support.\textsuperscript{119} These setbacks caused government revenues to increase only marginally, up 1.2\%, between 2012 and 2015. The administration, however, was relatively more successful in its effort to address the ROC’s growing fiscal deficit, shifting the budget balance from -2.4\% to +0.1\% by reducing government expenditure by 12.6\% in the same period.\textsuperscript{120}

Broader long-term efforts to transform the structure of the ROC’s economy and enhancing the service sector met a similar fate. In October 2013, Taipei announced the creation of seven Free Economic Pilot Zones (FEPZs), enjoying customs, tax and immigration breaks, and focusing on educational innovation, financial services, value added agriculture, international healthcare and smart logistics, with the aim of stimulating a nation-wide programme of liberalisations in the long term. But the FEPZ’s initiative never passed in the LY due to a combination of internal oppositions within the government, firm DPP opposition, and a widespread perception that the beneficiaries of the plan would mainly be Chinese investors.\textsuperscript{121} Even though the FEPZ’s plan failed to materialise, Taipei appeared to have made substantial progress in its efforts to attract FDIs not only by signing the keystone CSSTA in June, but also by reaching the ASTEP and ANZTEC FTAs with Singapore and New Zealand in May.\textsuperscript{122} In addition, following the lift in July 2012 of a ban on beef imports from the US imposed in 2007, Taipei and Washington resumed their Trade and Investment Framework Agreement (TIFA) negotiations in March 2013.\textsuperscript{123} However, the beaching of the CSSTA in the LY in 2014 and the freezing of cross-Strait relations following Tsai Ing-wen’s electoral victory in 2016 – with the consequent Chinese opposition to Taiwan’s FTAs in the WTO – severely compromised Taiwanese prospects in this area. Similarly, the Trade and Investment Framework Agreement (TIFA) talks with the US, which continued under the Tsai presidency, did not produce tangible results in 2016.\textsuperscript{124} Indeed, notwithstanding Ma’s FTA push, inward direct investments in Taiwan shrunk from US$ 3.2bn to US$...
2.4bn between 2012 and 2015.\textsuperscript{125} Moreover, the signing of the Seoul-Beijing FTA in December 2015, which included liberalisations in the same sectors of the CSSTA, further complicated Taiwan’s position.\textsuperscript{126}

By November 2014, following KMT’s heavy electoral defeat in the local elections, the government’s economic policy lost any residual élan. The only noticeable initiative was a modest economic stimulus package of NT$ 3.5bn (US$ 110m) in the manufacturing and service sectors, dubbed «Productivity 4.0», which was approved in August 2015.\textsuperscript{127} Ultimately, major economic indicators between 2012 and 2015 were not kind to Taiwan’s economy. Real GDP growth registered an average 2.2% and domestic demand growth averaged 1.9%.\textsuperscript{128} The current-account balance stood at 11.3% of GDP; average consumer-prices inflation was at 0.9%, while employment grew by 1.1%.\textsuperscript{129}

Taiwan’s economy woes increased in 2016, as the economic implications of frozen cross-Strait relations worsened an already suffering economy. Indeed, the challenges faced by the Tsai administration since May were daunting. Against the backdrop of a sharp decrease in the number of Chinese tourists from the Mainland,\textsuperscript{130} the new administration had to shape its economic policies addressing both the long-standing structural challenges of the economy and the expectations raised by an electoral campaign that had heavily capitalised on the social discontent caused by inequality, salary levels and job prospects. The DPP’s flagship project for the first months in power was the «New Southbound Policy» (新南向政策, NSP) directed towards the countries of the Indian subcontinent, the ASEAN countries, Australia and New Zealand, presented on 12 May. Previous ROC administrations had already devised economic policies aiming at reducing Taiwan’s dependency from Mainland China and enhancing Taiwan’s presence especially in South-East Asia by supporting local firms abroad.\textsuperscript{131} The NSP, however, appeared to be characterised by a new and ambitious


\textsuperscript{127} ‘Taiwan To Invest NT$ 36 billion in Productivity 4.0 Project’, \textit{Focus Taiwan}, 14 August 2015.

\textsuperscript{128} National Development Council, \textit{Taiwan Statistical Data Book 2016}, p. 4.


\textsuperscript{130} See section 4.1, note 69.

\textsuperscript{131} ‘Will Tsai’s Focus on Asia Prove Effective?’, \textit{The China Post}, 19 May 2016.
focus on projecting and exerting Taiwanese soft power by fostering people-to-people relations, and by providing visa schemes and fellowships to attract tourists, businesspeople, students and academics to the island.\textsuperscript{132} The new policy was ambitious and addresses major issues – dependency on the Mainland, immigration, limited international presence, the need to attract foreign investments. However, it caused major concerns regarding the meagre budgets available to the firms, its short-term impact on the economy, and above all the capacity to withstand the possible (and consistent with the actions pursued in 2016) PRC’s pressure on the target countries.\textsuperscript{133}

The second keystone of the Tsai administration’s economic policy was the revival of the national defence industry, after years of decreased spending under Ma.\textsuperscript{134} The plan, driven by shipbuilding and modernisation programmes commissioned by the ROC Navy within a 2017-2040 timeline, aimed at producing spill-overs in the other industrial sectors, obviously together with the need to ensure national defence in the shifting context of East Asian regional politics. However, as in the case of the NSP, the contrast between the plan’s ambitious aims on the one hand, and the ROC’s limited budget resources and international isolation on the other, raised serious concerns on the viability of the project.\textsuperscript{135} In October it approved the new «Electricity Act», devising a two-phase plan to liberalise the energy sector and stimulate the renewable-energy sector along a nine-to-ten year timeline.\textsuperscript{136}

In line with its campaign platform, in September the DPP government also announced a 5% rise of the monthly minimum wage and a 10.8% increase in the hourly minimum wage.\textsuperscript{137} Finally, notwithstanding wide protests among public sector workers, the Tsai administration also continued its work towards a comprehensive reform of the pension system.\textsuperscript{138} The overall situation of Taiwan’s economy, however, remained problematic. Real GDP growth registered an average 0.2% in the first two quarters of 2016.


\textsuperscript{133} EIU, 'Taiwan Economy: Southbound, for the Fourth Time', 30 September 2016.

\textsuperscript{134} For an overview of the Tsai administration’s proposed national defence policy in comparison with the previous Ma administration, see: Oriana Skylar Mastro, ‘Taiwan’s Defense Policy Under Tsai’, \textit{China Brief}, Vol. 16, Issue 15, 4 October 2016.


– although preliminary estimates suggested a 2.3% growth in the third.\textsuperscript{139} Real domestic demand growth is estimated at 1.7%, close to the same levels of 2015; the current-account balance is estimated to have contracted by 0.1%, standing at 14.4% of the GDP; average consumer-prices inflation is estimated at 1.3%, and the estimated growth in labour employment was 0.4%.\textsuperscript{140}

To conclude, Taiwan’s economy between 2012 and 2016 suffered the conflation of mounting structural problems, cross-Strait tensions and dysfunctional domestic politics. During his second term in office, President Ma could rely on the most stable relation with Beijing ever enjoyed by Taipei. However, with an already weakened popular mandate in the aftermath of the 2012 electoral victory, Ma and his administration were not able to withstand the combined impact of the vested interests of his party’s constituencies and the continuous infightings in the KMT. This situation made particularly effective the DPP’s strenuous opposition in the LY. Bold attempts to address Taiwan’s structural economic malaises such as the tax reform and the reform of the pension system were consequently shelved or amended in the LY until they became irrelevant, while precious energies and political capital were spent in ill-conceived plans without popular support. Moreover, the concerted effort to provide a new international dimension to the island’s economy via the multiple FTAs negotiations pursued throughout 2013 was rendered vain by the CSSTA debacle in early 2014, a result of the internal struggle between President Ma and Speaker Wang within the KMT. Regarding the Tsai administration, the first eight months in power saw no critical signs of collapse in the DPP’s solid LY majority, but the political choices of the President hurt an already suffering economy. Moreover, the first major economic policy initiatives of the administration showed a worrying tendency to propose ambitious but generally underfunded plans. On a positive note, Tsai was able to rapidly and proactively address social problems such as low salaries and ageing demographics, maintaining the necessary momentum to face the crucial battle-to-be for the reform of the pension system in 2017.

7. Taiwan in the Asia-Pacific: between sovereignty disputes and Sino-American growing rivalry

The PRC began to send the first signals of a growing assertiveness in Asia-Pacific between 2009 and 2010, during a period in which cross-Strait relations were rapidly improving and progressing towards the signing of the


\textsuperscript{140} EIU, ‘Country Forecast: Taiwan’, December 2016, pp. 11-13.
ECFA. The confirmation of this shift in Beijing’s regional policy arrived with the eruption of the Senkaku/Diaoyu Islands dispute with Japan in the East China Sea in 2012, and later, in 2014, with the massive land-reclamation programme conducted in the South China Sea. As the PRC’s sovereignty claims in the region are virtually identical to the ROC’s own claims, Taiwan became by force majeure involved in a rapidly shifting regional context.

The Senkaku/Diaoyu dispute in the East China Sea, the first major regional crisis, emerged between late August 2011 and 11 September 2012, as the Japanese Noda Cabinet announced the decision to nationalise three islets of the archipelago claimed by both Taipei and Beijing. In the earlier stages of the dispute, the Ma administration pursued a double-edged strategy. On the one hand, it responded to the expectations of embattled Taiwanese fishermen and nationalist circles: Taipei issued defiant statements rebutting the Japanese nationalisation, and its coast guard even engaged in a water-cannon confrontation with the Japanese counterpart as it escorted a flotilla of fishermen to the islands’ territorial waters. On the other hand, the Ma administration had already officially announced four days before Japanese nationalisation, an «East China Sea Peace Initiative» (ECSPI) focussed on «mutually reciprocal recognitions» and the «joint explorations and development of resources». Indeed, after the water-cannon battle, Taipei progressively defused tensions with Tokyo. On 10 April 2013, the two sides reached an important fishery agreement modelled on the blueprint of the ECSPI, which effectively shelved the dispute. The agreement institutionalised a joint committee to enhance communications between the two sides, and allowed Taiwanese and Japanese fishermen to freely operate within the disputed area, while maintaining their respective sovereignty claims and excluding Taiwanese ships from the territorial waters of the islets. This move, in turn, highlighted the unexpected tensions on the issue

142. Ibid., pp. 48-49. An assessment of the legitimacy of the ROC’s claim is beyond the scope of this essay. Taiwanese documents, press reviews and official state statements supporting the claim can be found in: The Diaoyutai Islands: Sovereign Territory of the Republic of China (http://taiwandaiaoyutaislands.tw/EN/Events.aspx). Both the PRC and Japan have similar websites supporting their own respective claims on the islands.
that emerged, rather counter-intuitively, with Beijing. Since the early stages of the disputes, the Ma administration had ignored repeated TAO appeals to the «common responsibility» (共同责任) to uphold together «Chinese» sovereignty over the islets against Japan.\textsuperscript{146} Furthermore, in duelling with Japan, Beijing had implicitly but nonetheless clearly dismissed Taipei’s sovereignty on several occasions. For instance, in November 2012 Beijing issued new passports containing pages portraying not only the Senkaku/Diaoyu Islands and the disputed islets of the South China Sea as Chinese territory, but also Taiwan, thus provoking an angry reaction in Taipei.\textsuperscript{147} In November 2013, China’s decision to establish an Air Defence Identification Zone (ADIZ) over the East China Sea – including Taiwan’s airspace as well as the Senkaku/Diaoyu Islands – raised an even greater concern on the island.\textsuperscript{148} From a cross-Strait perspective, Beijing saw the dispute as a means to further bring Taipei inside its sphere of influence and to give more substantial content to the One China principle for the benefit of both domestic and international public opinions. However, the independent agenda pursued by the Ma administration through the ECSPI defied this expectation. In fact, the fishery agreement reached by Taipei with Tokyo implicitly but clearly highlighted the assertive nature of Beijing’s posture in the dispute.

Taiwan’s role in the Senkaku/Diaoyu crisis also contributed to tamper mounting concerns on the state of US-ROC relations. Since the signing of the ECFA in 2010, a number of US scholars, commentators and former policy-makers argued for «abandoning Taiwan» in order to accommodate a rising PRC as the US was in a phase of relative decline.\textsuperscript{149} By progressively moving the cross-Strait relations towards unification, the Ma administration was transcending the strategic ambiguity at the core of America’s own One China policy, which aimed at «fostering China’s political and economic liberalization and creating a peaceful and consensual resolution of the cross-

\ \ \person announced that Taiwan will respect any ruling by the UN Commission on the Limits of the Continental Shelf following Japanese submission, even though the country is not a signatory of the United Nation Convention on the Law of the Sea.

\textsuperscript{146} ‘国台办：两岸同胞对日本«购岛»闹剧同表愤慨’ (TAO: Compatriots from Both Sides of the Strait Show Together Their Indignation for Japan’s «Island Acquisition» Farce), 中国新闻网 (China News), 26 September 2012; ‘王毅维护钓鱼岛主权是两岸同胞的共同责任’ (Wang Yi: Protecting Chinese Sovereignty over the Diaoyu Islands Is the Common Responsibility of Compatriots from Both Sides of the Strait), China News, 6 March 2013.


\textsuperscript{149} For a synopsis of the «abandon Taiwan» current that emerged in this period, see Dean P. Chen, ‘Sustaining the Triangular Balance: The Taiwan Strait Policy of Barack Obama, Xi Jinping, and Ma Ying-jeou’, Maryland Series in Contemporary Asian Studies, Vol. 2013, No. 1, Article 1, 2013, p. 35, note 143 (http://digitalcommons.law.umaryland.edu/mscas/vol2013/iss1/1). See also EIU, ‘Taiwan Politics: Will the US Abandon Taiwan?’, 29 January 2013.
Strait impasse. Counter trend Taiwanese reactions to the escalation of the dispute demonstrated however that the Ma administration was not willing to blindly follow Beijing on its path of «common responsibility to protect sovereignty». A statement of the American Institute in Taiwan appreciating the «constructive response» to Beijing’s declaration of the East China Sea ADIZ proved that US-Taiwan relations were back on track right when the process of economic integration between Taiwan and the Mainland was beginning to derail because of the CSSTA. While US attitudes towards Ma remained relatively frosty in the period leading to the Xi-Ma meeting in November 2015, the Obama administration’s unlocking in December 2015 of a 2014 Congress-approved arms sale package to Taipei – the first since 2011 – was clearly signalling that Washington was willing to fully support the new expected president Tsai Ing-wen.

Taiwan’s pragmatic position in the East China Sea dispute, however, stood partially in contrast with its more assertive posture in the broader South China Sea dispute, involving the PRC, the ROC, the Philippines, Vietnam, Brunei and Malaysia, which has unfolded since 2014. This was the natural enough consequence of the fact that Taipei retains or reclaims numerous territories in that maritime area. As reports surfaced about massive Chinese land-reclamation endeavours in the South China Sea, tensions between the two Chinas rapidly emerged. The Ma administration clearly stated that it would not give up Taiwan's territories in the disputed areas, but proposed, on 26 May 2015, a South China Sea Peace Initiative along the lines of the ECSPI. However, the ROC’s position was greatly weakened by the 12 July judgement of the Permanent Court of Arbitration (PCA) on the Philippines’ submission against China. In fact, the PCA unexpectedly did not recognise the Taiping/Itu Aba territory, claimed by Taipei, as an «island», but only as a «rock», thus granting no Exclusive Economic Zone to Taiwan. In response to the verdict, President Tsai decided to send a ROC Navy frigate to Taiping.

151. EIU, 'Taiwan Politics: Quick View – Speculation Surrounds US-Taiwan Relations', 16 December 2013.
152. EIU, 'China/Taiwan Politics: Quick View – US Administration Authorises Sales of Arms to Taiwan', 17 December 2015.
It is possible that Tsai’s decision was motivated by the fact that Taiwan, not being a signatory of the United Nations Convention on the Law of the Sea, is not bound by it. Another possible reason for Taipei’s display of power was the possibility to launch a risk-free but cautionary signal of strength to its emboldened regional neighbours, confirming the worrying trend towards confrontation, characterising the Asia-Pacific region, and the South China Sea in particular, in 2016.

8. Conclusions

Cross-Strait relations during Ma Ying-jeou’s second term were characterised by a contraposition between stalling economic integration and deepening political engagement. Thus, whilst Taipei and Beijing reached a historical political achievement such as the «leaders meeting» between Ma and Xi Jinping in November 2015, economic integration between the two parts halted after the KMT’s failure to pass the CSSTA in the LY in spring 2014. Following the debacle of the Ma administration and the KMT’s LY-majority, the DPP and its presidential candidate Tsai Ing-wen obtained a clear victory in the January 2016 general elections, after running on an electoral platform highly critical of the modalities of the cross-Strait rapprochement pursued in the previous eight years.

In response to the electoral result in Taiwan, the PRC leadership showed little to no flexibility in dealing with Tsai and her administration. Beijing maintained an intransigent stand over the adoption of the One China Principle, which the DPP firmly opposed, and refused to acknowledge Tsai’s own efforts to reach an alternative compromise. Facing the freezing of cross-Strait relations, and Beijing’s informal pressure tactics against Taiwan’s economy and its limited diplomatic space, the Tsai administration laid down a series of ambitious economic and defence plans aiming to enhance the country’s profile in Asia-Pacific in 2016. At the same time, it attempted to push back against Beijing’s assertiveness and diplomatic isolation by rapidly engaging with the transition team of US President-Elect Donald J. Trump, with whom Tsai held an unexpected and highly-publicised phone call in December.

The reasons for the collapse of cross-Strait relations in 2016 after a long period of consolidation are then multiple. The first is KMT’s inability to adapt its vision of cross-Strait relations to the expectations of the Taiwanese public. The second is DPP’s refusal to fully acknowledge the foundations of the rapprochement envisioned by the KMT and the PRC leaderships. Third, Beijing’s own refusal to adapt its long-term unification plans to the shifts in the Taiwanese political climate was a decision rooted in the ever-growing power asymmetry between the ROC and the PRC itself.
KOREAN PENINSULA 2016: THE NEVER-ENDING CRISIS

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The year 2016 was characterized by major crises throughout the entire Korean peninsula. The decline in popularity of South Korean president Park Geun-hye further deteriorated after the election for the National Assembly in April, which gave the majority to the opposition parties. The serious scandal in November that involved Park and one of her closest confidants and friends, Choi Soon-sil, brought her approval rating to a historical low and forced her to withdraw after an impeachment vote in the National Assembly.

In North Korea, the most important event in terms of domestic policy was the seventh Congress of the Workers’ Party of Korea, in May, which can be regarded as the culmination of Kim Jong Un’s consolidation of power. Another major crisis on the peninsula erupted in January, when North Korea tested a nuclear weapon, and worsened in September with an additional nuclear test. For the first time in its history, Pyongyang completed two nuclear tests in the same year. The reaction of the international community has been one of condemnation, with Seoul, Tokyo and Washington asking for a new set of comprehensive sanctions against North Korea. UNSC Resolutions 2270 and 2321 were designed to curb North Korea’s nuclear programme, affecting the influx of hard currency and limiting its export of natural resources. Nevertheless, the ambiguous posture of China in relation to the implementation of the sanctions, and some loopholes, gave Pyongyang the opportunity to continue its exports.

In respect of the foreign relations of the two Koreas, the nuclear tests had relevant effects. The first consequence has been that of strengthening the alliance between Seoul and Washington, with the decision to deploy the Terminal High Altitude Air Defence (THAAD) system on the peninsula. Also, the growing threat from Pyongyang has led to a rapprochement between South Korea and Japan, which culminated with the signing of an agreement on the sharing of intelligence information (GSOMIA). This realignment of Seoul towards the traditional Southern Alliance has undermined its relationship with Beijing, especially as a consequence of the decision to deploy THAAD. In this perspective, the main beneficiary of the new situation has been North Korea, which, despite its isolation, has throughout the year improved its relationship with China.

As for the economy, South Korea faced another year of slowing growth, troubled also by a series of crises that involved some of the biggest industrial conglomerates; in North Korea, despite the new sanctions, the economic outlook remained fairly stable.
The most appropriate term to define 2016 for the two Koreas might be the word ‘crisis’. A security crisis shocked the peninsula at the beginning of the year and continued unabated throughout 2016. At the same time, a political crisis overturned the political scenario in South Korea and forced President Park Geun-hye out of office.

The elections for the National Assembly in April represented the first political surprise for South Korea. Despite all the opinion polls, which gave a clear advantage to the Saenuri dang, President Park’s conservative party, the results completely changed the composition of the Parliament. The Democratic Party, despite its internal split at the beginning of the year, won a slight majority of the seats; more importantly, the progressive bloc against Park – composed by the Democratic Party, the People’s Party and the Justice Party – became the dominant force. The forced cohabitation between a legislative and an executive power characterised by different political colours led to several moments of tension in the following months, which culminated with a major political crisis following the breaking out of the Choi Soon-sil scandal (on which, more below). The inability to negotiate and find a common ground between progressives and conservatives, together with the growing popular anger that materialised in massive street demonstrations, led to a vote of impeachment that forced President Park out of office, pending a final decision on the matter by the Constitutional Court.

The domestic crisis in South Korea erupted in the middle of the security crisis caused by North Korea. Its fourth nuclear test on 6 January, the launch of a satellite on 7 February and the fifth nuclear test on 9 September represented the main stages of the most active and dangerous year for Pyongyang’s nuclear and missile programmes. Obviously, this activism had serious repercussions, first of all on the relations on the peninsula. Park Geun-hye’s Trustpolitik was finally set aside in favour of a diplomatic effort to impose new sanctions on and isolate North Korea. This uncompromising policy was epitomised by the decision to close the last remaining example of inter-Korean cooperation: Kaesong Industrial Park.

Regarding domestic policy, however, 2016 was a fairly stable year for North Korea, or at least a year of stabilisation of power. Having built for more than four years, in fact, Kim Jong Un’s consolidation of power culminated with the seventh Congress of the Workers’ Party of Korea, the first in 36 years. This event of paramount political and symbolic relevance sanctioned the definitive coronation of Kim as leader of the country and the official approval of his Byungjin political line as the new policy of the

1. Prior to the two nuclear tests in the year under review, North Korea had exploded nuclear devices three times, in 2006, 2009 and 2013.
country. The reform of the constitution, in late June, served as a further formal recognition of his role.

The crisis that shook the peninsula also had repercussions on the foreign relations of the two Koreas. In particular, there was a return to a sort of ‘old normal’ in terms of political alliances and realignment. The provocation from North Korea not only reinforced the military alliance between Seoul and Washington, but also helped the process of rapprochement between South Korea and Japan, which had begun in the last part of 2015. In this perspective, the agreement to deploy the Terminal High Altitude Air Defence (THAAD) system on the peninsula, and the agreement to share military intelligence information between Seoul and Tokyo (General Security Of Military Information Agreement or GSOMIA), represented the culmination of this new emphasis on the so-called «Southern Alliance».

The main victim of this development has been the relationship between South Korea and China. During the first three years of Park’s presidency, the two countries had benefited from a highly positive and constructive relationship, but South Korea’s decision to realign its policy with that of the US also affected Seoul’s relationship with Beijing, especially after the former’s decision to deploy the THAAD system. China, in fact, has always been a staunch opponent of the installation of an anti-missile system on the peninsula. Despite reassurances that the system’s only purpose was countering the North Korean threat, Beijing considered it as negatively affecting the existing arms balance in the region and its own security. For this reason, relations between China and South Korea worsened, also implying some small-scale economic retaliations from Beijing.

2016 can also be considered as a sort of return to a new normal in terms of foreign relations for Pyongyang. The nuclear and missile tests increased its isolation from the international community; at the same time, however, the revival of the axis between Seoul, Washington and Tokyo brought about an improvement in relations between North Korea and China, aimed at countering the resurgence of the Southern Alliance.

In respect of the economy, South Korea faced another year of slowing growth despite the efforts planned by the government before the outbreak of Choi Soon-sil’s scandal. In addition, a series of crises that involved some of the biggest South Korean industrial conglomerates—Hanjin, Hyundai and Samsung—further contributed to worsen the country’s economic outlook. In North Korea, the new round of sanctions, the harshest ever approved, triggered by the fourth and fifth nuclear tests were specifically aimed at hitting relevant economic aspects of the regime, focusing on the exports of natural resources, such as coal and iron ore. Nevertheless, during 2016, the North Korean economy seemed to remain in a fairly stable condition compared to previous years.
2. Domestic politics

2.1. South Korean domestic politics

The political crisis that struck the South Korean political system during 2016 covered the ten month period from the legislative election in April, which gave the parliamentary majority to the opposition, until the vote for the impeachment of President Park Geun-hye on 9 December. The crisis cannot in fact be reduced to the period which began with the hectic weeks of November, when millions of citizens took to the streets protesting and demanding Park’s resignation and which ended with the final vote that ousted Park in December: the roots of South Korea’s political instability can be traced back to some fragilities within its constitutional system, combined with South Korea’s peculiar political culture.

The formal semi-presidential system designed by the Constitution of 1987 – with a Prime Minister appointed by the President but with the approval of the National Assembly – is in practice more like a presidential system due to the large powers, which often cross into the field of legislative power, in the hands of the head of state coupled with the residual role left to the Prime Minister. Unlike other semi-presidential systems, such as France, in South Korea the Prime Minister is not the expression of the parliamentary majority, but only assists the President and directs the ministers. Furthermore, the President’s mandate of five years is not harmonised with the National Assembly’s four year mandate. This system is bound to cause political tension if, after an election, the parliamentary majority doesn’t support the President but, at the same time, doesn’t have any real possibility of impacting on the decision-making process or having representation within the executive power. Precisely this situation came into being following the April 2016 ballot, against a backdrop characterised both by a strong conflict between conservatives and progressives and by the President’s declining popularity.

The political scandal that abruptly erupted in November gave the opposition a window of opportunity to reverse this situation, thanks also to the popular legitimacy acquired after the legislative elections.

2.1.1. The elections for the National Assembly

During the first months of 2016, the main focus of South Korean domestic politics has been on the elections for the National Assembly, scheduled for 13 April.

At the beginning of the year, the more troubled of the two political fronts seemed to be the progressive opposition. The Saenuri dang, the conservative party of President Park Geun-hye, was in fact confidently aiming at reinforcing its majority in the legislative body. Virtually all the polls conducted in the first months of 2016 indicated a large advantage
over its progressive counterpart to Park’s conservative party. The previous legislative elections, held in 2012, had assigned a majority of 152 seats out of the 300 total members of the Parliament to Park’s Saenuri dang, while the main opposition party had lagged far behind at 127. On the eve of new elections, after several by-elections lost by Park’s Saenuri dang, the party of the President still had 146 seats against the 103 of the Democratic Party. Since early January, the leader of the Saenuri dang, Kim Moo-sung, set as the party’s political target the conquest of a majority of 180 seats in the next general elections. This result would give the Saenuri dang the ability to force a vote on contentious bills, even without the consensus of the opposition. According to the National Assembly Act, in fact, a majority of three fifths is required to put a pending bill to a vote. Considering the harsh political and social confrontation of the last months of 2015 regarding the new labour reform proposed by the government, a majority of this kind would be an important instrument for the conservatives to pursue their own political agenda.

However, despite the declared optimism of Kim Moo-sung and many conservative members of the National Assembly, a victory of this magnitude seemed to be out of reach. During 2015, the popularity of President Park was in constant decline, especially because of the scant leadership skills demonstrated during the Middle East Respiratory Syndrome (MERS) crisis and the ensuing civil society demonstrations. In order to cope with this growing popular discontent, the President decided on a major government reshuffle in the last days of 2015, replacing key positions in her cabinet, especially in the economic field, and calling for reforms aimed at revitalising the economy. The polls conducted in the early months of 2016 suggested a positive trend in popularity for the President and her party, but probably not enough to achieve Kim Moo-sung’s ambitious goal of a three-fifths majority. Nonetheless, a victory for the Saenuri dang was considered to be on the cards.

The opposition front, on the other hand, was in major turmoil. The united front of NPAD (New Politic Alliance for Democracy), created in March 2014 by the merger of the Democratic Party and the independent political subject of Ahn Cheol-soo, fell to pieces in December 2015, when Ahn’s faction decided to split and create a new party to compete in the

upcoming legislative elections. In the first days of 2016, several relevant political figures of the progressive front decided to follow Ahn in his new project and left the Democratic Party, such as Kim Han-gil and Kwon Rho-Kap. The new party was officially founded on 2 February with the name of the People’s Party, Gungminui Dang.\(^6\)

Meanwhile, the leader of the Democratic Party and former presidential candidate Moon Jae-in decided to step down from his position in an effort to renew the party leadership. The party was renamed Deobureo Minju Dang – literally ‘Together Democratic Party’ – and Kim Chong-in was designated the new leader.\(^7\) The progressive front was thus divided again, in a similar situation to that of 2012. The split in the progressive vote was a further help for the conservative party, in particular with an electoral system such as that of South Korea in which 253 seats out of 300 are allocated through the first-past-the-post system.

This was the situation when the country was preparing for the legislative vote and the electoral campaign was officially launched on 30 March. The question was not about which party was going to win, but only about the scale of Saenuri dang’s victory. The main topics that dominated the public debate before the elections were national security and economic growth. After the fourth North Korean nuclear test on 6 January, the options on how to deal with Pyongyang became one of the main points of discussion. Park’s government had responded from the very beginning with an extremely tough line: in diplomatic terms, in order to create a vast international consensus aimed at isolating Pyongyang, and in military terms, aimed at reinforcing the alliance with the US and interrupting any contact with Pyongyang. Some sectors of the Saenuri dang had even more hawkish positions, asking for the development of a South Korean independent nuclear deterrent to counter North Korean threats.\(^8\) The progressives, on the other hand, were open to addressing the issue through a more comprehensive approach, combining condemnation and sanctions with dialogue. In particular, the decision to close the inter-Korean joint industrial park in Kaesong was a major controversial issue between the parties.

Regarding the economy, the programme of the Saenuri dang was to stick with its business-friendly reforming effort, in particular the labour market reform, while the progressive front was pushing for ‘economic democratisation’, with policies oriented towards social aspects of the economy, such as the protection of workers, pensions and minimum wages.

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and a shift from larger conglomerates, which dominate the South Korean economy, to small businesses.\(^9\) The main goal was to capitalise in political terms on the social protests that had characterised the last months of 2015.

The day of the elections, 13 April, the results of the ballots came as a big and unexpected surprise for all the parties involved. Not only did the Saenuri dang fail to gain the three-fifths majority it was aiming at, but it also lost its relative majority, becoming the second party in the National Assembly. The final results showed a deeply divided country and were a clear setback for President Park. The Minju dang won 123 seats and asserted itself as the main political force within the National Assembly; the Saenuri dang stopped at 122, losing as many as 35 seats; the new political subject, the People’s Party, created by Ahn after the split of the democratic front, won 38 seats at its first electoral attempt and became the majority party in the southeastern province of Jeolla and in the metropolitan city of Gwangju, a former stronghold of the Democratic Party. Six seats were then allocated to the Justice Party (left of the Democratic Party), creating a political opposition bloc against Park Geun-hye of 167 seats.\(^{10}\)

<table>
<thead>
<tr>
<th>Party</th>
<th>Seats</th>
<th>±</th>
<th>% of Total</th>
<th>Districts</th>
<th>Prop. Rep.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Party</td>
<td>123</td>
<td>-4</td>
<td>41%</td>
<td>110</td>
<td>13</td>
</tr>
<tr>
<td>Saenuri Party</td>
<td>122</td>
<td>-35</td>
<td>40.7%</td>
<td>105</td>
<td>17</td>
</tr>
<tr>
<td>People’s Party</td>
<td>38</td>
<td>new</td>
<td>12.7%</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Justice Party</td>
<td>6</td>
<td>-7</td>
<td>2%</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Independents</td>
<td>11</td>
<td>+8</td>
<td>3.6%</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>300</td>
<td></td>
<td>100%</td>
<td>253</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: National Election Commission, Republic of Korea (the data have been elaborated by the author)

The disastrous and unexpected electoral result of President Park’s party can be considered a major political defeat for the President herself. The South Korean party system, as above noted, is politically dominated by the President, who is at the centre of power in the national political system and also exerts a strong influence within her own party, often considered as a mere vehicle toward the presidency.\(^{11}\) The defeat of the Saenuri dang was thus a clear rejection of the presidential political action, especially in terms


of domestic politics. The decline in Park’s popularity – which started with the Sewol tragedy in April 2014 and continued throughout 2015 – materialised in this first real electoral test. The results shook the party to its foundations. The party leader, Kim Moo-sung, resigned the day after the electoral defeat, while an emergency committee was created to reform the internal structure and refresh its political leadership and guidelines.\footnote{John Power, ‘After Electoral Defeat, What Next for Korea’s Saenuri?’, \textit{The Diplomat}, 16 April 2016.} The powerful and divisive figure of Park Geun-hye became one of the major controversial points of discussion, and an anti-Park faction started to emerge within the party. The 2018 presidential election was looming on the horizon and a lame duck president, with a very low approval rating, started to be considered a liability. This internal tension was partly resolved with the election of Lee Jung-hyun, a strong supporter of President Park, as party leader in early August, but resurfaced in disruptive terms in the last weeks of 2016.\footnote{Yeo Jun-suk, ‘New Saenuri leader pledges support for Park’, \textit{The Korea Herald}, 10 August 2016.}

After their equally unexpected success, the oppositions started to voice even louder concerns about several controversial presidential decisions and to demand a stronger role for the National Assembly in the country’s decision-making process. As noted above, within South Korea’s peculiar semi-presidential system, the role of the legislative power is reduced and the representation of the parliamentary majority within the executive is not guaranteed. In addition, Park’s method of government had been criticised several times in the past by the opposition parties for her tendency to centralise power in her hands and in those of her inner circle, for the lack of transparency in her decision-making process and for excessive political personalisation.

In this situation of weakness, President Park Geun-hye agreed to a first meeting with the leaders of the three main parties on 13 May. This resulted in the decision that the President would henceforth meet with the key political party leaders on a regular basis, in an effort aimed at starting cooperation with the newly elected National Assembly to defuse political tension and respond to the political message sent by the voters.\footnote{Bae Hyun-jung, ‘Park agrees to regularly meet party leaders’, \textit{The Korea Herald}, 13 May 2016.}

\subsection*{2.1.2. The deployment of THAAD and the new domestic political tension}

During the summer, however, these first conciliatory moves were not followed by a real pursuit of a bipartisan consensus on the most important decisions taken by the president, nor by a new and more inclusive government style. The confrontation between conservatives and progressives clearly resurfaced in July with the final decision, on 8 July,
to deploy the American THAAD anti-missile system on the peninsula to counter the growing military threat from North Korea.¹⁵

Beyond the military and strategic relevance of the system, the decision sparked a strong debate within the country, fuelled by the opposition of the Democratic and People’s Parties. The controversy over the new anti-missile system epitomised the polarisation and the domestic political divide in South Korea. The sources of contrast between government and opposition were mainly two: the strategic opportunity to deploy the new system and the process of deciding where to install the system on the peninsula. Regarding the first issue, the decision to deploy the THAAD was perfectly in line with the traditional foreign policy priorities of South Korean conservatives—contrasting North Korea with military measures and strengthening the defence alliance with the US. On the other side, the progressive front, while recognising the danger of the North Korean nuclear programme, criticised the decision because it could further escalate military tension and affect relations between South Korea and China, a strong opponent of THAAD.

In addition, the choice of the location for the deployment of the system again reflected the lack of transparency in the government’s decision-making process, a primary critical point in the interactions between conservatives and progressives. On 13 July, the South Korean government announced, without any previous discussion with the local administration or residents, that the site for the new missile defence system would be the rural southern county of Seongju. The protests began immediately, triggered by the fears of local residents related to the effects of the radars on health and the possible adverse consequences for agriculture – the county provides 60% of all melons produced in South Korea. When, two days later, the Prime Minister visited the county in an effort to defuse the situation of tension, he was pelted with eggs and water bottles by the protesters.¹⁶ The political opposition supported the requests of Seongju residents, reaffirming its position against THAAD, considered counterproductive for its possible repercussions on relations with China. Also, the political opposition criticised the top-down decision of the government, which had not previously consulted the residents, and the choice of location, which would not guarantee the security of the capital, situated as it was more than 200 km away. Amidst the growing popular discontent, the government decided to postpone a final decision on the subject. After almost three months, and after consultations with the local authorities, the final site was located on an isolated golf course, 18 km from the centre of Seongju County.¹⁷

The controversy over the THAAD deployment clearly demonstrated that the tension between the main political parties was still very high after the April election, with the opposition still struggling to find a more effective voice in the country’s decision-making process. At the same time, the lack of transparency and collegiality in pinpointing the location of the final site showed once more that the governing style of Park Geun-hye’s executive had not really changed after the electoral defeat.

2.1.3. The Choi Soon-sil scandal and Park Geun-hye’s impeachment

The parabola of President Park Geun-hye’s mandate reached its final stage in autumn 2016, when the corruption scandal that involved one of her main confidants and advisors, Choi Soon-sil, erupted. The first signs of the scandal that would soon overturn the political situation in the country appeared in late September, when a parliamentary interrogation sought by a former presidential secretary, Cho Eung-cheon, brought up the possibility that the donations of high amounts of money from the main South Korean industrial conglomerates to two foundations, Mir and K-Sports, were connected to favourable decisions from the Blue House.18 In particular, it was claimed that Choi Soon-sil, the daughter of a deceased mentor to the President and a close friend and confidant, had made use of her influence on the President to offer favours to the conglomerates in return for large sums of money, which had been conveyed through the two foundations.19

Within a few weeks, the corruption scandal grew dramatically, involving prominent figures of Park’s political team, and new aspects came to light. The cable TV channel JTBC, in fact, reported in late October that it had obtained a computer owned by Choi in which 200 confidential files were found, including several drafts of Park’s speeches and statements, including the famous ‘Dresden Speech’, one of the milestone of Park’s inter-Korean policy.20 The role of the President’s friend and confidant – not a government official or a civil servant – started to assume a political relevance as a powerful éminence grise with direct access and strong influence on Park herself.

In the last days of October, Park Geun-hye was forced by the size of the scandal to intervene directly. The slow and indecisive reaction of the President to the scandal probably played a role in its further development. On 25 October, Park gave her first apology speech to the public, in which she admitted leaking confidential documents to Choi to ask for her advice

19. Ibid.
and opinion but denied the possibility that Choi had any real political power or influence. Soon after, on 30 October, Park decided to reshuffle her staff, firing the chief of staff and seven other aides in order to cope with the growing public anger and to regain public trust, after thousands of South Koreans took to the streets to call for her removal from office. A few days later, Park decided to designate Kim Byong-joon, a former chief policy coordinator of the progressive president Roh Moo-hyun, the new Prime Minister. The move was considered to be an overture towards the parliamentary opposition and a possible first step towards a greater sharing of political power during her last year in office. On 4 November, Park gave her second public apology and stated that she was willing to collaborate with the prosecutors and to submit to questioning. However, these presidential initiatives for political renovation were not enough to calm the protests of civil society and the political opposition in the National Assembly. On 5 November, in the second public demonstration against the President, tens of thousands of protesters demanded Park’s resignation. At the same time, the opposition parties rejected the appointment of the new Prime Minister, whose designation was then withdrawn by Park, and joined the civil society in demanding Park’s resignation, the only alternative being that of starting the process of impeachment.

From this moment on, the political crisis was characterised by Park’s continued attempt to cope with the demands of the growing political and social opposition without being able to avoid her final capitulation. After the National Assembly’s refusal to approve the appointment of the new Prime Minister, Park proposed that the appointment be made by the National Assembly themselves and affirmed that she was willing to devolve some of her powers, maintaining the prerogatives related to foreign policy and defence. At this point, however, the opposition was no longer open to negotiation and demanded the resignation of the President. Meanwhile, the internal frond of the Saenuri dang, temporarily silenced after the defeat in the April elections, began to manifest itself once again.

Despite the activism of the opposition, the key factor in the crisis was the anti-Park mobilisation of civil society, a key component of South Korean political life since the days of the authoritarian regime. During November, in fact, a huge crowd of protesters rallied every Saturday in the centre of Seoul.

24. ‘Voice shaking, South Korean president says scandal «all my fault»’, Los Angeles Times, 3 November 2016.
and other South Korean cities for peaceful demonstrations that called for the immediate resignation of the President. In particular, the demonstrations of 12 and 26 November recorded the participation of nearly two million people, making it the largest in the post-democratisation era.26

Given the scale of the protests, Park – meanwhile accused of complicity with Choi by the prosecutor – was forced to take a step back and proposed, in her third public speech of apology, to put her mandate in the hands of the National Assembly and delegate the decision for a roadmap for the transition of power to that institution. The opposition, however, had already started the process of impeachment and discarded this proposal as a ploy to gain time and divide the front that supported the President’s dismissal.27 The vote was scheduled for Friday 9 December. Meanwhile, the conservative front was in total disarray. Defending Park’s position was no longer a politically viable option; nevertheless, a faction of the party was in favour of the impeachment, while the pro-Park faction was proposing a roadmap that would lead to the resignation of the President and would guarantee greater institutional stability. The vote on 9 December marked the victory of the opposition line: the impeachment was approved with 234 votes in favour, far more than the required 200. The defection of Saenuri dang parliamentarians was massive. The President was then immediately suspended from her duties and replaced by Prime Minister Hwang Kyo-ahn, pending the final decision of the Constitutional Court, which could have taken up to 180 days.

The epilogue of the crisis left the country under the temporary and uncertain guidance of an unpopular Prime Minister, directly connected to Park, who had appointed him in June 2015. Meanwhile, the conservative party split definitively in the last days of the year, and the race for the presidential candidacy in view of an early election began among the opposition.

The political crisis, which in a few weeks overturned the political situation in South Korea and forced President Park’s final capitulation, was not only linked to the Choi scandal, but had deeper roots. The lack of transparency and a shadow of authoritarianism in her decision-making had followed Park Geun-hye since her first months in office. The figure of Choi Soon-sil was therefore the perfect catalyst for this discontent: she was seen as a powerful éminence grise, unelected and without any official public office but with tremendous power in the presidential office, and as part of a closed and rather obscure circle within which the main decisions for the country were taken. Moreover, the scandal showed that the unaccounted power of this inner circle had most likely been used for personal gain, in economic

terms and prestige. Among the accusations that were raised against Choi, one was particularly outrageous for many protesters: the political pressure to have her daughter admitted to the prestigious Ewha University despite the fact that she was not qualified, surpassing the most deserving students without political connections. This particular problem – which, to a non-Korean, can appear secondary – actually unleashed huge indignation in public opinion in relation to the abuse of power against weaker citizens and the importance that the society attaches to higher education and to prestigious universities, because of their role in promoting social mobility.

As already noted, the political crisis highlighted the centrality of civil society movements. Popular indignation at the personal use of political power brought millions of citizens to the streets. This activism showed that young South Koreans, usually considered aloof from political participation, this time played a key role in shaping the contemporary history of their country, showing that civil society is still very much alive and active in the country. The political opposition in parliament, rather than leading the process, seemed to follow the protests from the streets. The result has been ambivalent. While, in fact, the impeachment vote was successful, a greater predisposition to negotiate with the conservatives would have probably allowed replacement of the Prime Minister with a political figure closer to the opposition and more distant from Park Geun-hye’s closed circle.

Finally, the crisis has demonstrated that the need for constitutional reform in the country is not only linked to the issue of the re-election of the President, but also to the need to clarify the division of powers and duties to prevent a political crisis from becoming an institutional stalemate.

2.2. North Korean domestic politics: Kim Jong Un’s final coronation

While the internal political situation in South Korea was shaken deeply by the legislative elections and by the Choi Soon-sil scandal, in North Korea 2016 was the year of the final and formal coronation of Kim Jong Un as the country’s leader. As discussed elsewhere, in the first years after his rise to power, Kim had consolidated his position within the regime through systematic purges and several changes in the most important political positions. The young leader had also launched his own new policy line, called Byungjin, which fell within the broader Juche ideology and was a continuation of the military-first policy – Son’gun – launched by his father Kim Jong Il. These combined efforts had legitimised his position within the regime and in the eyes of the North Korean population.

In May 2016, this consolidation process reached its culmination, also in formal terms, with the convening of the seventh Plenary Congress of the Workers’ Party of Korea, after a 36 year long hiatus. In the months preceding the Congress, Kim clearly reaffirmed the importance of the nuclear programme – one of the pillars of the *Byungjin* doctrine, which provided the parallel development of nuclear capabilities and economic development – through words and actions. On 6 January, Pyongyang conducted its fourth nuclear test and a few weeks later, on 7 February, launched a satellite into orbit through use of the Unha-3 carrier, considered to be an integral part of North Korea’s intercontinental ballistic missile programme. In the following months, the launches of short-range missiles into the East Sea continued very frequently, along with several tests, many of which failed, of Musudan medium-range missiles.

The Congress was inaugurated on 6 May with a long opening speech by Kim Jong Un in front of more than 3,400 delegates. In it, the leader officially sanctioned his new policy line, as already expressed in theory and practice in the previous years. In addition to reiterating that the nuclear power status of the country was not negotiable unless within a global denuclearisation process, Kim emphasised the purely defensive character of the North Korean nuclear programme, considered as a deterrent against hostile US political and military actions. North Korea was thus presented as a responsible nuclear power: it did not intend to use its nuclear weapons except to defend its national sovereignty and was fully committed to global non-proliferation. Kim’s speech fitted perfectly with the regime’s effort to legitimise North Korea as a nuclear power, even towards outside countries, through a strategy of *fait accompli* and a subsequent political legitimization of its actions as necessary for the defence of national sovereignty. As for the economic aspect – the second pillar of *Byungjin* – Kim presented, for the first time since 1980, a five-year plan, defined as a «five-year strategy for the state economic development from 2016 to 2020». Despite the lack of details in its implementation, the plan seemed not to foresee any substantial reform of the economic system. Nevertheless, just like for the convening of the Congress, the mere fact that after so many years the leader had launched a five-year plan represented an important development, as, by doing that, Kim explicitly and publicly took responsibility for the economic development of the country.

32. For the full text of Kim Jong Un’s speech, see http://www.ncnk.org/resources/news-items/kim-jong-uns-speeches-and-public-statements-1/KJU_Speeches_7th_Congress.pdf.
33. Ibid.
Kim Jong Un’s speech represented the final affirmation of *Byungjin* as the permanent new policy of the country. The subsequent speeches by leading members of the party were nothing but a further confirmation of what had been stated by Kim himself, and a tribute to the leader’s political skills and vision. The Congress unanimously approved the report of the leader, who was elected Chairman of the Party, thus replacing the previous role of First Secretary. Finally, the delegates elected the seventh Party Central Committee, made up of 129 regular members and 106 alternate candidates. The Congress can be considered, therefore, as the investiture of Kim Jong Un as the undisputed leader of the country after a four year consolidation period.

A few weeks after the Party Congress, on 29 June, the Fourth Session of the 13th Supreme People’s Assembly approved a constitutional reform that created the new State Affairs Commission. It replaced the National Defence Commission as the principal political and decision-making organ of the North Korean regime. The reform also emphasised the political role of Kim Jong Il, together with Kim Il Sung. Kim Jong Un was appointed Chairman of the new Commission, assisted by three vice-chairmen: Hwang Pyong So, Choe Ryong Hae and Pak Pong Ju. This reform aimed at further strengthening and expanding the powers of the leader. It can also be considered an expression of the realignment of the North Korean power system to party political structures rather than military ones.

3. Inter-Korean relations

The development of inter-Korean relations during 2016 was clearly moulded by the development of Pyongyang’s nuclear programme. During the year, in fact, the regime repeatedly made clear, in practical and explicit terms, that the continuing strengthening of its nuclear arsenal and missile programme was a top priority. Two underground nuclear tests, carried out for the first time during the same year, formed part of this, along with the launch of a satellite in February, progress in the missile programme, the diversification of delivery systems and advances in the miniaturisation of warheads. As noted above, Pyongyang’s behaviour had crucial implications in the development of relations between the two Koreas and in the foreign policies of both countries, triggering the second of the two crises that rocked the peninsula in the course of 2016.


As for inter-Korean relations, Pyongyang’s nuclear and missile developments triggered a harsh reaction from Park Geun-hye’s government, putting a final word to Trustpolitik and to any attempt at dialogue or cooperation on the peninsula.

3.1. The fourth North Korean nuclear test

A few days after the beginning of 2016—and the traditional speech of the North Korean leader, full of references to inter-Korean dialogue and good intentions—North Korea carried out its fourth nuclear test, drawing the attention of the world to the peninsula and sparking an escalation of tension that was still ongoing at the end of the period under review. At 10:30 am on 6 January, seismographs at the National Institute of China and South Korea detected an earthquake in the northeast of North Korea, exactly where the Punggye-ri nuclear site is located. About two hours later, the state television in Pyongyang confirmed that the origin of the shake had been an underground nuclear test, adding that it was a thermonuclear explosion. Although the collected data quickly disproved the possibility that it had been a detonation of an H bomb – the power of the explosion was estimated around seven kilotons, close to the 7.9 of 2013 – the test immediately provoked a harsh reaction from the whole international community, with South Korea, US and Japan in the lead. Beijing rapidly reiterated its opposition to the North Korean nuclear programme and the UN Security Council convened an emergency meeting.

The days after the fourth test were characterised by strong military and diplomatic activism in Seoul to contrast this new threat. As a first move, South Korea decided immediately to restore anti-regime propaganda broadcast messages through loudspeakers located on the border, which had been interrupted after the inter-Korean agreement of August 2015; a few days later, on 10 January, two B-52 American bombers flew over the southern part of the peninsula, as retaliation against the test and in order to reaffirm commitment to the defence of South Korea by the United States. Seoul, fully supported by Washington, started from the very first moment to put pressure on the international community to create a united front championing condemnation and sanctions. The main target of this strategy was predictably China, regarded as the only key player that could appreciably influence Pyongyang’s regime. In addition to the Security Council resolution, which would come soon, Seoul decided to develop a set of unilateral sanctions. These were aimed at North Korean individuals and companies related in any way to the nuclear and missile programme. This

policy was rapidly followed by Japan and the US. Moreover, as discussed later, the deterioration of relations on the peninsula also influenced South Korean foreign policy: in the following months, President Park, during her travels abroad, sought to consolidate the broadest possible front against North Korea’s nuclear programme and to turn away from North Korea some countries historically close to it.

The situation on the peninsula worsened even further in the following weeks. On 7 February, North Korea launched a satellite into orbit, further violating UN resolutions and defying warnings from the international community.\textsuperscript{40} As widely expected, the move provoked unanimous international condemnation. In this case, however, there were greater repercussions in relations on the peninsula. Three days after the launch, Seoul, as already noted, announced the closure of all activities inside the joint industrial park in Kaesong, the last remaining example of inter-Korean cooperation. The motivation behind the decision was not in retaliation to the new provocation, but rather the fact that, according to the Ministry of Unification, the park’s revenues were diverted by the regime toward its nuclear and missile programme.\textsuperscript{41} The predictable response from Pyongyang was immediately to expel all South Korean workers in the park and seize all the equipment and machinery. Unlike what happened in the aftermath of the third test, in 2013, this time—and for the first time—closure came with a decision from the South Korean government. Such a decision would raise in the following months a harsh controversy within the country, further exacerbating the division between conservatives and progressives.

In addition to the practical consequences, the closure of Kaesong represented the final nail in the coffin of any possibility of dialogue and cooperation under Park’s administration. The so-called Trustpolitik, launched by Park even before being elected in 2012, already weakened in 2013 and repeatedly challenged both by the actions of Pyongyang and by the contradictory policies of Seoul, was finally buried in favour of an approach of total closure towards North Korea and a tightening of its international isolation.

The last act of the crisis started by the fourth nuclear test was the approval of Resolution 2270 of the UN Security Council, containing new sanctions against North Korea’s nuclear programme, the harshest sanctions ever approved.\textsuperscript{42} As happened in previous cases, the resolution was passed unanimously by the Council, including the vote of the two members close

\textsuperscript{40} ‘North Korea fires long-range rocket despite warnings’, \textit{BBC World News}, 7 February 2016.


to Pyongyang, China and Russia. Besides expanding the list of banned items and individuals subject to restrictions, the resolution introduced an obligation for all countries to inspect any cargo coming from or going to North Korea and a ban on trading with Korea North in natural resources, including some of the major export products of the country such as coal and iron ore. In the latter case, however, an important exception was granted: this prohibition was not applied in the case of livelihood purposes. This exception thus risked becoming a sort of loophole, especially for Chinese companies active in the border area, to allow them to continue to trade with North Korea. As in previous cases, despite the unanimity of the approval, the real test was the practical implementation of sanctions, in particular on the part of China.

A few days later, South Korea announced its unilateral sanctions, including the prohibition of entry into South Korean waters for ships that had transited in North Korea in the previous 180 days and the creation of a blacklist of dozens of individuals and organisations connected to the North Korean nuclear programme.

3.2. The constant tension between the two nuclear tests

The nuclear tests in January and September certainly represented the moments of greatest tension in relations between the two Koreas—and between the peninsula and the main external actors—in 2016. Nevertheless, during the eight months between these two key events, tension on the peninsula continued unabated. The Seoul government’s decision to pursue a zero tolerance policy with total closure of dialogue with the North, combined with the continuous military action and provocation by Pyongyang, made the beginning of a phase of détente impossible, unlike in 2013. As early as March, a few days after the new Resolution 2270 and the unilateral sanctions by South Korea, the US and Japan, Pyongyang began a long series of short-range missile launches into the East Sea and the testing of new medium-range missiles and new launch platforms, including submarines. In March, three different events took place: the launch of Scud-C missiles on 10 March, a medium-range Rodong that flew for 500 miles on 18 March, and again the launch of short-range missiles on 21 and 29 March. In April, the regime focused on testing a longer-range missile, the Musudan, with two failed attempts on 15 and 28 April and one

44. ‘S. Korea announces unilateral sanctions on Pyongyang’, *USA Today*, 8 March 2016.
from a submarine, partly failed, on 23 April. During the summer, the series
of launches continued unabated, with a new failed attempt on 31 May and
one successful one on 22 June, during which the Musudan missile remained
in flight for 250 miles. North Korea again tested a submarine-based missile
on 9 July and three short and mid-range missiles on 19 July. On 3 August,
a Rodong missile sank in the Japanese EEZ after a 620 mile flight, a launch
which was repeated one month later. On 24 August, a medium-range
missile launched from a submarine flew for 310 miles, a much better result
than those obtained in April and July. This unprecedented series of tests
continued with two unsuccessful attempts to launch a Musudan missile, just
five days away from each other, on 15 and 20 October.47

This long series of tests and launches, which continued a trend already
begun in 2014 and 2015, showed the regime’s clear intention to pursue
without delay the development of its missile programme, paired with its
nuclear programme, in order to obtain reliable carriers capable of delivering
a nuclear warhead, and with differentiated systems to be less vulnerable
to possible pre-emptive strikes. The systematic pattern of the tests, a few
weeks apart and therefore with a higher risk of failure, demonstrated a real
commitment to a strategy aimed at improving the missile capabilities of
the country, and not just the intention to give a demonstration of military
force, which was present anyway. In this perspective, the short-range missile
launches in March and July can be considered primarily as retaliation
respectively to the approval of sanctions and the agreement to deploy
THAAD; but the other tests can be considered as part of a broader missile
development strategy, in line with Kim Jong Un’s Byungjin policy.

The emphasis placed by Pyongyang on its missile programme in
the aftermath of the fourth nuclear test continued to significantly affect
inter-Korean relations. In a sort of self-sustaining vicious cycle, the growing
intransigence of both sides made the easing of tension on the peninsula
almost impossible.

Along with the problems created by the nuclear and missile
programmes, the issue of defectors came back to the centre of inter-
Korean relations. In addition to repeated statements by Seoul on the need
to support the resettlement of defectors,48 two events were particularly
relevant during 2016. In early April, a group of North Korean workers at
a restaurant in China decided to defect in a group. As many as 13 workers
managed to escape and defect to South Korea, being the largest group to do
so in the last 15 years.49 The reaction of Pyongyang was almost immediate.

47. Amanda Macias, ‘Timeline of North Korea missile tests’, Business Insider,
29 October 2016.
48. Anna Fifield, ‘Two more North Koreans said to defect, but don’t hold your
49. Jiwon Song, ‘13 N. Korean restaurant workers defect to S. Korea: Unifica-
tion ministry’, NK News, 8 April 2016.
Seoul was accused of kidnapping the 13 workers against their will and North Korea called for their immediate repatriation. The answer from Seoul was predictably negative, based on the fact that, according to the Ministry of Unification, the defectors fled voluntarily.\(^{50}\) The week after, Pyongyang proposed to hold a meeting between the defectors and members of their families who were still in North Korea. The meeting was to be held through the Red Cross of the two countries in the border village of Panmunjom, or even in Seoul. However, this proposal was categorically rejected by South Korea and labelled as North Korean propaganda.\(^{51}\)

During the summer, a new defection further shook relations between the two Koreas. On 17 August, Seoul announced that the number two diplomat at the North Korean embassy in London, Thae Yong Ho, had defected with his family to South Korea. The announcement gave rise to a great stir because of Thae’s high-ranking diplomatic status. Thae’s escape has been considered by some observers as a possible sign of a crumbling of the consensus for the leader in the highest ranks of the North Korean political elite.\(^{52}\) However, it was an isolated episode and therefore hardly a real signal in this sense. Nevertheless, the symbolic value of the defection remains important, combined with its practical and strategic value. Thae could in fact become a significant source of information for South Korean intelligence, as he clearly stated his will to collaborate.\(^{53}\)

### 3.3. The fifth North Korean nuclear test

As noted above, 2016 represented a turning point for the North Korean nuclear programme. For the first time, as previously noted, the regime carried out two underground nuclear tests in the same year. On the 68\(^{th}\) anniversary of the founding of the state of North Korea, 9 September, Pyongyang detonated an atomic bomb for the fifth time in its history.

The course of events was identical to those of only eight months before. The first information came in the morning, with the detection of a 5.3 earthquake, located in the Punggye-ri area, by South Korean authorities. The first data estimated the power of the explosion to be around ten kilotons – not a substantial difference compared to the previous one, but still the most powerful bomb ever tested by North Korea. The reactions of the actors involved were also almost the same as in January: the firm and immediate condemnation of South Korea, followed closely by

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the US and Japan; the negative reaction of the Chinese government – this time less firm than in January, probably because of the THAAD issue that had emerged in the meantime; and, finally, the emergency meeting of the UN Security Council that condemned the test and proposed a tightening of sanctions.54

Besides the usual succession of actions and reactions between Pyongyang and the international community, the new test showed the dimension of ‘normality’ that the North Korean nuclear programme was acquiring and the failure of sanctions to curb Pyongyang’s nuclear policy. The condemnations appeared necessary but without any real political meaning, emptied by their own continuous repetition over the course of the years. Even the official statements from the North Korean regime, in addition to glorifying the new achievements, seemed to focus more on the standardisation, and on the production speed and miniaturisation, in a kind of process of ‘normalisation’ of the nuclear programme of a country which considers itself a rightful nuclear power.55

The effects of the fifth test on inter-Korean relations were therefore rather limited, if only because they were already at extremely low levels, especially after the South Korean decision to close the Kaesong park. A few days after the test, two US B-1B bombers flew again over the peninsula as a confirmation of US commitment to South Korea’s security, also through the use of the nuclear deterrent. In addition, the two governments pledged to approve new unilateral sanctions and to press for a new Security Council resolution, with new sanctions that could eliminate the loopholes of the previous one.56 Finally, Seoul stated that it would not provide humanitarian aid to North Korea, hit hard by a flood in early September, reaffirming once more its hard line stance after North Korea’s fifth nuclear test.57

The new sanctions finally came in the last days of November and early December. On 30 November, the Security Council unanimously approved Resolution 2321, but without a real breakthrough compared to the previous one. To try to limit the loopholes in natural resources trade, especially coal, the resolution posed a limit of 7.5 million metric tons or US$ 400 million; in addition, the resolution introduced the obligation to notify every coal import from North Korea, expanded the list of prohibited items, and imposed financial restrictions on North Korean diplomatic

missions. All these measures, however, could hardly be considered as a major breakthrough. The limitations of the new measures reflected a time of political uncertainty for the powers involved: the United States was in fact in the midst of the transition between Obama and Trump; South Korea was shaken by Choi’s scandal; finally, the issue of THAAD had cooled relations between Beijing on the one hand and Washington and Seoul on the other, with negative consequences for the chances of cooperation.

4. International relations

4.1. The end of the honeymoon between Seoul and Beijing

The nuclear crisis that had been triggered by North Korea’s fourth and fifth nuclear tests during 2016 not only had repercussions in the development of North Korean foreign relations, but affected those of South Korea.

The first victim of the new wave of provocation coming from the North was the very good bilateral relations between South Korea and China. In fact, during Park Geun-hye’s presidency, one of the main priorities—and one of the main achievements—of South Korean foreign policy had been the enhancement of positive relations with China, not only in traditional economic terms but also in the political realm. This increasing rapprochement between Seoul and Beijing had gone so far as to cause serious concerns in Washington, risking the creation of friction in the alliance between South Korea and the US. The resurgence of the North Korean nuclear threat, however, reinforced the military alliance with the American ally and drove a wedge between Seoul and China.

One of the main sources of disagreement between Seoul and Beijing was how to react to the North Korean nuclear programme. Although the two countries both agreed on the danger of the programme and on the necessity of intervention, the strategies on how to cope with the problem seemed to be different. While South Korea invoked a tough reaction from the whole international community, using isolation and sanctions as the main instruments to force Pyongyang to withdraw from its nuclear ambition, China’s position was to conciliate sanctions and condemnation with dialogue and negotiations. This situation led Seoul to criticise what it considered a lukewarm stance from Beijing towards the North Korean nuclear programme. From Seoul’s – and

Washington’s – perspective, China is the only actor that can directly influence Pyongyang’s behaviour, because of the economic and political ties that link the two banks of the Yalu River. The lack of decision and effectiveness in implementing the several rounds of sanctions against North Korea had created in South Korea a frustration that materialised at the first real test. In a sort of zero-sum game, Seoul, right after North Korea’s fourth nuclear test, started to divert its attention from Beijing and to refocus on the so-called Southern Alliance with Washington, but also with Japan.

The turning point in South Korea-China relations during 2016 was Seoul’s decision – bound to have broad strategic and diplomatic consequences in the region – to deploy the American anti-missile system THAAD. The deployment of the advanced anti-missile system on the peninsula had been a strategic objective for the US for a long time. In the aftermath of the fourth nuclear test, and even more after the launch of the satellite in early February, talks over the deployment of THAAD started to gain momentum in South Korea.

China was worried that the system had a radar range capable of reaching deep into its territory from South Korea, threatening its own missile deterrent system. In its view, the deployment of THAAD would change the existing arms balance in the region, undermining its stability and creating a new source of tension. Despite reassurances from Seoul and Washington that the system was aimed only at counteracting the North Korean threat, many in China considered the move as a further effort to solidify America’s position in Northeast Asia at the expense of China and Russia. Furthermore, China was afraid that the deployment of THAAD would bring Japan and South Korea closer to the US and its security complex, creating a sort of military bloc that might target China and Russia in a sort of revival of the Cold War era Southern Alliance.

The first real friction on this issue between Seoul and Beijing started in late February, when the Chinese ambassador to South Korea, Qiu Guohong, during a meeting with the leader of the South Korean main opposition party, warned that the decision to deploy THAAD would destroy the relationship between the two countries. The reaction of South Korea’s government was almost immediate and very firm. The spokesman for President Park stated that China must refrain from intervening in the issue, which concerned only South Korean security and its national interests.

The situation worsened during the summer when Seoul and Washington announced the final agreement on THAAD on 8 July. In addition to the domestic opposition inside South Korea, the decision triggered an immediate negative reaction from China. Beijing considered


the deal a major setback, particularly considering that President Xi Jinping had spent significant political capital trying to convince Park Geun-hye to reject the American push for the deployment.\textsuperscript{63}

After the announcement and the formal protests from Beijing, there was no direct retaliation from China. Nonetheless, in the following months, several moves specifically targeting South Korean firms operating in China started to fit into a broader picture of retaliatory measures against THAAD, mainly in business and cultural areas. For example, Korean pop artists and entertainers were virtually banned from appearing on Chinese TV shows; and, in December, after the South Korean government announced a deal with Lotte industrial conglomerate to locate the anti-missile system at one of the firm’s golf courses, the company had to face tax, safety and fire investigations into 150 stores and factories located in China.\textsuperscript{64} What started to appear was a sort of retaliatory scheme against South Korean private companies in order to influence the government. Obviously, this situation negatively affected the relationship between China and South Korea, even if it did not result in an open crisis. President Park’s impeachment also contributed to this, opening the possibility of new elections and victory for a progressive candidate, most likely Moon Jae-in. This, in turn, could lead to a revision of the decision over THAAD and, consequently, to a rapprochement with China.

4.2. Strengthening the alliance with the US and reapproaching Japan

If, on the one hand, relations with China cooled – but did not freeze to death – in 2016, on the other hand, South Korea reinforced its traditional alliance with the US and continued the rapprochement with Japan, started the year before.\textsuperscript{65} North Korea’s nuclear weapons tests and missile launches in 2016 appeared to have eased differences between Seoul and Washington, not only regarding North Korea but also China. North Korea’s actions during 2016 also pushed for an expanded strategic cooperation between Seoul and Tokyo, which the US had long desired.

The relationship between Seoul and Washington followed an opposite path compared to that of Sino-South Korean relations. As previously noted, the two allies coordinated their political moves in order to deal with the new nuclear and missile threats from North Korea. A few days after the fourth nuclear test, two American B-52 bombers flew over South Korea to demonstrate commitment to defending its ally; during January, both


\textsuperscript{64}. ‘China’s retaliation against S. Korean firms over THAAD’, \textit{The Dong-A Ilbo English Edition}, 3 December 2016.

\textsuperscript{65}. Barbara Onnis & Marco Milani, ‘Korean Peninsula 2015: One step forward and two steps back’, \textit{Asia Maior 2015}, pp. 75-79.
Washington and Seoul kept pressure on China to act in a more decisive way in order to curb North Korean nuclear ambitions; finally, in March, both countries approved a set of unilateral sanctions against Pyongyang. After the fifth nuclear test, the two allies demonstrated once more their will to face the North Korean threat in a coordinated way, with the goal of creating a united and solid bloc. A few days after the test, two American B-1B bombers again flew over South Korea and the two countries reaffirmed their intention of tightening the sanctions, both unilaterally and through a new resolution of the Security Council, and demanded that China play a more active role. These commitments were also emphasised during the ‘two plus two’ meeting in October, with the participation of the two Foreign Ministers, Yun Byun-se and John Kerry, and the two Ministers of Defence, Han Min-koo and Ashton Carter. During the meeting, the parties decided to establish the Extended Deterrence Strategy and Consultation Group, with the specific goal of creating a permanent body of consultation for the protection of the Asian ally.66 This enhanced policy coordination demonstrated a clear will to address the North Korean issue through an unambiguous common strategy.

Despite the controversies emerging within South Korea and in the region, the agreement on the deployment of THAAD, in July, represented a major success for American foreign policy in Northeast Asia and a further sign of the solidity of the security alliance between Washington and Seoul.

The positive relations between the US and South Korea during 2016 might, however, be challenged by the election of Donald Trump as President of the United States. During the electoral campaign, in fact, Trump threatened to withdraw US troops from the country unless Seoul started to pay a higher share of the costs. He also proposed that American allies should consider the idea of developing their own nuclear deterrent. Finally, he repeatedly criticised US free trade agreements, including the so-called KORUS-FTA between South Korea and the United States. These statements raised concerns over a possible revival of an American isolationist foreign policy and a weakening of Washington’s commitment to defending its Asian allies.

The strengthening of the alliance with the US and the growing threat from North Korea also had positive effects on relations between South Korea and Japan. After the conclusion of the comfort women agreement at the end of December 2015, the policy coordination efforts against North Korea in the first months of 2016 involved also Japan. Right after the fourth test, Prime Minister Abe condemned North Korea and talked on the phone with President Park to agree on a common response. Japan was also at the forefront in pushing for harsher sanctions by the UN and approved

its own set of unilateral sanctions, just like South Korea and the US.\footnote{Japan’s Cabinet authorizes fresh sanctions on North Korea, \textit{The Japan Times}, 19 February 2016.} On the sidelines of the multilateral Nuclear Security Summit in Washington, in March and April 2016, Park joined a trilateral meeting with President Obama and Prime Minister Abe, their first trilateral summit since 2014. The three leaders agreed to strengthen trilateral cooperation on North Korea policy at all levels of government, focusing on ensuring the denuclearisation of the Korean peninsula, restoring peace and stability to the region, and shining a spotlight on human rights conditions in North Korea.\footnote{Japan’s Cabinet authorizes fresh sanctions on North Korea, \textit{The Japan Times}, 19 February 2016.} Park and Abe met again in early September, on the sidelines of the ASEAN-related summits in Laos, for the third time in less than a year; discussions were dominated again by consultations on implementing a common and efficient response to counter North Korean threats.\footnote{The White House, ‘Remarks by President Obama, President Park Geun-hye of the Republic of Korea, and Prime Minister Shinzo Abe of Japan After Trilateral Meeting’, Walter E. Washington Convention Center, Washington DC, 31 March 2016 (https://obamawhitehouse.archives.gov/the-press-office/2016/12/28/remarks-president-obama-and-prime-minister-abe-japan-pearl-harbor).} The same policy coordination pattern was followed in the autumn after the fifth North Korean nuclear test.\footnote{Japan, US, South Korea present united front to North Korea, \textit{Nikkei Asian Review}, 3 December 2016.}

Probably the most relevant achievement in the relations between South Korea and Japan during 2016 has been the signing of the so-called GSOMIA (General Security of Military Information Agreement) on 22 November, an important pact on the sharing of military intelligence information. The negotiation process for the agreement had started in early 2011, but its final ratification had been put on hold by President Lee Myung-bak, in June 2012 because of domestic political and social opposition, including within his own party.\footnote{Ministry of Foreign Affairs, Republic of Korea, ‘Korea-Japan Summit Held on Sidelines of ASEAN-related Summits’, 7 September 2016 (http://www.mofat.go.kr/ENG/policy/kpen/nk nuclear/pressreleases/index.jsp?menu=m_20_20_10&tabmenu=t_2&sp=/webmodule/htsboard/template/read/engreadboard.jsp%3FtypeID=12%26boardid=314%26seqno=317123).} During the first three years of Park Geun-hye’s presidency, the negative state of relations between Seoul and Tokyo virtually froze every possibility of restoring the process. The rapprochement started in the final weeks of 2015, and the rediscovered cooperation in 2016 gave new momentum to negotiations. On 27 October, Seoul announced its plan to reopen the process and, after less than one month, the final agreement was signed and ratified.\footnote{Barbara Onnis, ‘La penisola coreana nell’anno della transizione, \textit{Asia Maior} 2012, pp. 412-413.} On 16 December, the agreement yielded its first practical results when the two parties directly

\begin{itemize}
  \item [67.] Japan’s Cabinet authorizes fresh sanctions on North Korea, \textit{The Japan Times}, 19 February 2016.
  \item [70.] Japan, US, South Korea present united front to North Korea, \textit{Nikkei Asian Review}, 3 December 2016.
  \item [71.] Barbara Onnis, ‘La penisola coreana nell’anno della transizione, \textit{Asia Maior} 2012, pp. 412-413.
\end{itemize}
exchanged classified information on North Korean nuclear and missile programmes for the first time.\footnote{73}{‘S. Korea, Japan militaries directly exchange intelligence on N.K. for first time’, \textit{Yonhap News Agency}, 16 December 2016.}

The improvements in relations between South Korea and Japan during 2016 is certainly an important development for Seoul’s foreign policy, but one can legitimately ask if it will be a long-lasting one. The growing provocations from Pyongyang, the cooling of relations with Beijing and, above all, the pressure from Washington, which considers the creation of a united front of allies in East Asia as a top priority, combined to enhance the rapprochement between Seoul and Tokyo.\footnote{74}{Scott Snyder, ‘Japan-South Korea Relations in 2016: A Return to the Old Normal’, \textit{Council on Foreign Relations – Asia Unbound}, 23 September 2016.}

Unfortunately, within the country, historical memories of the brutal Japanese occupation still linger, making a consensus on the chance of friendly relations with Japan unreliable. The solution of the domestic political crisis and the election of a new President, together with possible changes in regional dynamics, might challenge this rapprochement in the near future.

\subsection*{4.3. The consequences of nuclear tests for North Korean foreign policy}

The events that characterised 2016 also had a strong impact on North Korea’s foreign relations. On the one hand, their main result has been an increase in the country’s isolation following condemnation of the tests and the new rounds of sanctions approved by the UN Security Council. At the same time, however, 2016 can be considered a positive year for relations between Pyongyang and Beijing.

As previously noted, the US, together with South Korea, put a lot of effort into trying to tighten sanctions against North Korea, both in unilateral and multilateral terms. In addition to the sanctions against nuclear and missile tests, Washington decided in July to impose its own unilateral sanctions against Kim Jong Un for being responsible for human rights abuses and violations, together with 14 high officials. The restrictive measures were mainly financial.\footnote{75}{Nahal Toosi, ‘U.S. sanctions North Korea leader Kim Jong Un for human rights abuses’, \textit{Politico}, 6 July 2016.}

The move from the American government was probably related to the fact that, in February, the UN Human Rights Council officially stated that Kim could have been personally accused and prosecuted for human rights abuses;\footnote{76}{Lizzie Dearden, ‘Kim Jong-un could be investigated for crimes against humanity after ‘unspeakable atrocities’ uncovered’, \textit{The Independent}, 17 February 2016.} the following month, the same Council set up a group of independent experts to study how to bring to justice perpetrators of crimes against humanity in North Korea.\footnote{77}{Stephanie Nebehay, ‘U.N. rights forum sets up group to pursue crimes by North Korea’, \textit{Reuters}, 23 March 2016.} The immediate retaliation from Pyongyang...
to the American decision was to «totally cut off» any communication between the North Korean and the US mission in the UN, closing the only diplomatic channel still open between the two countries.\(^{78}\)

The final step in the return of the ‘old normal’ in relations between the two Koreas and the external powers concerns North Korea and China. The nuclear and missile tests of 2016 also raised concerns and condemnation in Beijing, which considers the stability of its border on the Yalu River a security priority. China joined the rest of the members of the Security Council in approving the two resolutions – 2270 and 2321 – after the fourth and fifth nuclear tests, but at the same time emphasised the need to address the issue not only through sanctions, but also through dialogue and negotiations. On 1 June, President Xi Jinping met the North Korean delegation led by Ri Su Yong. Ri delivered a message from Kim Jong Un to Xi in which the North Korean leader expressed his hope of working with China and strengthening the bilateral traditional friendship.\(^{79}\) The meeting represented a slight thaw in relations between the two neighbours.

But even more than the traditional friendship and alliance or the formal common ideology, the factor that could improve relations between Beijing and Pyongyang came in July, with the agreement to deploy THAAD. As noted above, besides the military and strategic risks which the agreement implied for China, it represented a clear signal that South Korea was fully realigning with the US. Moreover, the agreement with Japan, in November, reinforced the idea of a resurgence of a Cold War-style Southern Alliance.

5. The economy

5.1. South Korean economy: between slow growth and crisis

The crisis that hit South Korea during 2016 also had repercussions for the economy of the country. One of the main sources of concern for Park Geun-hye’s government since its inauguration in 2013 had been to cope with the slowing growth of the country. During her first three years in office, the South Korean economy grew between 2.6% and 3.3%, well below the 4/5% levels of the previous decade. The export-oriented model that led South Korea out of poverty during the Seventies and Eighties started to appear inadequate for the sustained growth of a fully developed industrial country.

After recovering from the 1997 economic and financial crisis, the development model of South Korea began to be challenged from both outside and inside. The over-reliance on exports for economic growth became a liability because of the growth of global competition, especially


\(^{79}\) ‘President Xi meets DPRK delegation’, \textit{Xinhua News Agency}, 1 June 2016.
from China, in sectors such as electronic, cars and shipbuilding, which had been the most prominent Korean exports in the last two decades. In 2015, 45.9% of South Korea’s GDP was due to exports, down from a peak of 56% in 2012 but still much higher than other countries in the region, such as Japan and China. At the same time, the industrial system based on a small number of big conglomerates – chaebols – with enormous economic power started to create economic problems and social frictions. The South Korean public started to question the role of these conglomerates because of the constant corruption and bribery scandals that involved economic and political power.

Both these challenges to the economic model of the country came to the forefront in 2016. Three of the most important industrial conglomerates suffered a major crisis in the second half of the year. Between late August and early September, one of the most important shipping companies worldwide and the biggest in South Korea, Hanjin Shipping, went bankrupt and filed for court protection to get permission to dock its ships and unload its cargos. After several days of uncertainty and confusion, the vessels were finally allowed access to ports in the US, China, Singapore and other countries, thanks to the intervention of the South Korean government. The Hanjin Group mobilised around US$ 100 million, combining the personal wealth of Hanjin Shipping chairmen and a loan from Korean Air, part of the same conglomerate, while the state-owned Korean Development Bank offered a credit line of US$ 45 million to help in the emergency situation.

The Hanjin crisis reflects most of the recent problems of South Korean family-owned large conglomerates. The problems in the industrial sector, squeezed between over-capacity problems and growing global competition, caught Hanjin Shipping management, dominated by the founder’s heirs and family without any specific expertise or understanding of the industry, totally unprepared and led to the outbreak of the crisis.

In September, the two biggest South Korean conglomerates, Hyundai and Samsung, faced serious problems that caused a further slowdown of the national economy. During the summer, unionised workers at Hyundai Motors – the carmaker branch of the conglomerate – started a series of partial strikes in a long and complicated negotiation with the company’s management over wages. On 26 September, the workers staged the first full time nationwide strike in the last 12 years, clearly signalling their discontent over the issue and

82. ‘Hanjin Shipping to get more funds to resolve cargo crisis’, Daily Mail, 22 September 2016.
causing a serious loss of production for Hyundai. The situation was partially resolved during October, when the company reached a tentative wage pact with labour unions after 24 rounds of strikes, but the months of turmoil among its workers caused a significant loss of output and profit.

Also Samsung, the biggest chaebol and the symbol of South Korean economic growth in recent years, faced very serious problems in the last months of 2016. At the beginning of August, Samsung Electronics presented the new smartphone Galaxy Note 7, which went on sale on 19 August. Soon after the launch, the first reports of battery explosions emerged, forcing the company to recall 2.5 million phones. Meanwhile, the US Federal Aviation Administration and Consumer Product Safety Commission started to advise passengers and customers about the risks of using the Galaxy Note 7. Samsung tried to cope with this global image damage by replacing the batteries in the recalled phones and temporarily suspending sales. After several reassurances on the safety of the new batteries by the company, the new phones returned for sale on 1 October. Unfortunately for Samsung, however, the explosions continued with the new devices and, on 6 October, a Southwest Airlines plane in the US was evacuated due to smoke on board from a Galaxy Note 7. After these additional accidents, the company decided to permanently halt sales and production and asked customers to stop using the phones. The Galaxy Note 7 crisis hit the most lucrative branch of the Samsung group hard, in terms of both profit and image. The total cost for the recall and for discontinuing the product has been estimated to be around US$ 5.3 billion, greatly affecting the company’s profit for the last part of the year. In addition to the financial costs, the crisis affected the image of Samsung and of South Korean products in general, due to the role that the company has achieved in recent years as a symbol of the country’s export products and the success of its industrial production.

These serious crises, involving three of the most important players in the South Korean economy, clearly show the impact of chaebols on the
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overall status of the country’s economy and how it still depends on them for growth. In addition to the economic aspects, the probable involvement of the country’s leading industrial conglomerates in the scandal that led to the impeachment of President Park has also undermined South Korean public opinion and trust in the chaebol-based system as a vehicle not only for the country’s growth, but also for the upward social mobility of the population.

5.2. North Korean economy: stable despite sanctions

During 2016, several events could have had a strong impact on the North Korean economy. The two nuclear tests and the long series of missile launches led to the approval of two new rounds of sanctions from the United Nations Security Council, while many other countries worldwide launched new and harsher unilateral sanctions. Despite these efforts to punish the regime for its provocative behaviour, the North Korean economy remained in a fairly stable condition during 2016 compared to previous years.  

The estimated growth rate of the country during Kim Jong Un’s first five years, according to the Bank of Korea, has ranged around 1%, with the exception of 2015 when it fell by 1.1%. 91 Given the total lack of economic statistics by the government, these estimates are often uncertain. Many analysts consider the data from the Bank of Korea often too conservative and estimate the real growth rate for 2015 to be between 3 and 4%. 92 According to the Hyundai Research Institute, for example, in 2015 North Korea per capita GDP surpassed US$ 1000 for the first time, reaching US$ 1013, with an increase of more than US$ 80 per capita compared to the previous year. 93 The difficulties in finding reliable data and processing them in order to obtain statistical indicators that can give an idea of the overall situation of the country is one of the main obstacles in the evaluation of the North Korean economy. Nonetheless, the relative stability of the foreign exchange market and of the prices of basic food supplies suggests that the sanctions did not have a major impact on the country’s economy. Also, trade with China remained at similar levels compared to previous years. 94 Beijing’s decision to ban imports of coal from North Korea for the last three weeks of 2016, from 11 December to the end of the year, did not have a real effect on

the exchange between the two countries, but it might signal the will of the Chinese leadership to use this economic leverage to exert an influence over North Korea in the future.
This article assesses the stability of the Abe administration in the face of a rapidly changing international environment. Important displays of historical reconciliation testified to the toning down of Prime Minister Abe Shinzō’s revisionism, thus feeding into international and domestic stability. At the same time, continued maritime contestation in the South China Sea followed the July 12 award of the United Nations Convention on the Law of the Sea’s arbitration tribunal. Moreover, China’s renewed assertiveness around the disputed Senkaku/Diaoyu Islands and the election of Donald Trump as US President was a key factor in making stormy the waters where Abe had to navigate. Yet, Japan remained a beacon of political stability amidst the surrounding confusion, as proven by the July 10 Upper House elections. This article provides an account of Japan in 2016 through the prism of the above listed developments. In so doing, it details the Abe administration’s political stability in the context of the Japanese government’s foreign policy initiatives, in particular in the history and maritime domains.

1. Introduction

This article argues that, in 2016, Abe was capable of retaining considerable domestic political support despite complex regional dynamics. How did he manage to do so? PM Abe’s toning down of his conservative nationalist colors contributed to ameliorating the international environment. After all, the year under review witnessed gestures of reconciliation to soothe the so-called «history issue». These overtures, such as US President Barack Obama and Japanese Prime Minister Abe Shinzō’s respective historic visits to Hiroshima and Pearl Harbor, placed some of Japan’s bilateral relations on firmer ground. Yet, the 28 December 2015 agreement between the governments of Japan and South Korea on the «comfort women» issue was – potentially – the most consequential for enhancing cooperation. As such, this essay provides a brief analysis of this topic.

At the same time, this year’s article recognizes that: «[Japan’s] fundamental defence and foreign policy issue is number one: China. Number

* The author wishes to thank two reviewers, Stefano Carrer, Michelguglielmo Torri, Nicola Mocci and Lauren Richardson for commenting on an earlier version of the article. All errors are the author’s.
two: China. Number three: China.\footnote{1} Japan continued to tackle China’s assertiveness in the China Seas. It did so also on the basis of the July 2016 ruling by the United Nations Convention on the Law of the Sea’s (UNCLOS) international tribunal on the Philippines-China dispute over the Scarborough Shoal and, more broadly, on contested maritime space and maritime rights in the South China Sea. Moreover, the present article details Japan’s interactions with Taiwan, the Philippines, and Russia in the year under review. Finally, this year’s analysis provides an overview of Japanese domestic politics and economic policies, dominated by Prime Minister Abe Shinzō and his administration.

2. The international politics of the history issue: Japan’s relations with the South Korea and the United States

Prior to delving in the details of the Japan-South Korea (ROK) agreement on the issue of «comfort women», a brief historical overview of the matter in the context of bilateral relations is in order. During World War II, the Japanese military set up around the front lines an institutionalized form of brothels, euphemistically called «comfort stations». Out of economic necessity, manipulation, or blatant coercion, «comfort women» hailing from all corners of the Empire were forced into providing sexual services to Japanese troops; the largest cohort of comfort women was Korean, followed by residents of Japan, Taiwan, the Philippines, Indonesia, China, and other corners of East Asia.\footnote{2} The issue never emerged in post-colonial Korea due to social stigma, a strong patriarchal society, and Cold War calculations. For these reasons, the issue was never brought up in the Japan-ROK treaty negotiations as it was yet to be politicized. In 1965 the Japanese government eventually normalized relations with Seoul: the autocratic Park Chung-hee government agreed to receive substantial grants and soft loans as Japanese war reparations, with the promise that the ROK would renounce individual claims against Japan. History vindicated Park’s ruthless decision, because it kick-started Korea’s export-led economic miracle.\footnote{3}

Yet, the politicization of frustrated colonial grievances in a democratic ROK proved that Japan’s imperial legacy was still unsettled. With the end


of the Cold War, former «comfort women», Korean nationalists, and citizen activists vocally demanded official Japanese compensation and recognition of state responsibility. Korean democratization empowered these voices along with shifting international dynamics: South Korea growingly outgrew its Cold War dependency for economic assistance and security reassurances from Japan. Thus, on the basis of multiple oral testimonies and the discovery of Japanese documents indicating military involvement, the Japanese government conceded to Korean remonstrations, and in the summer of 1993 a study group led by the Cabinet Foreign Policy Council crafted an apologetic statement approved by Chief Cabinet Secretary Kōno Yōhei. The statement’s strong and explicit wording disproves facile criticism of an unrepentant Japan; after all, the «Kōno Statement» was also the result of diplomatic negotiations with Seoul, and successive Japanese governments have explicitly abided by it (tōshū). In addition, in 1995 Japan established the Asian Women’s Fund (AWF) initiative, which provided a mix of private and public funds for «comfort women» survivors from the ROK and elsewhere, along with a letter of apology signed by the Japanese prime minister. In other words, the Japanese government allocated public resources and admitted both moral culpability and the involvement of the Japanese military without admitting, crucially, to any legal responsibility. If it had, the Japanese state could have been liable for paying war reparations to a host of other Korean claimants — against the provisions of the 1965 treaty — and to affected claimants from other states, such as China, which had renounced explicit war reparations following World War II.

Roughly fifty years after the normalization of bilateral relations, the parallel ascension to power of Park’s daughter and of nationalist Abe Shinzō further strained bilateral relations. The statement and the AWF proved unfair in the eyes of militant Korean activists, who lobbied for an admission of legal responsibility, state compensation from the Japanese government, and an official apology by higher organs of state power, such as the Japanese Cabinet and the Diet. These requests, buttressed by the erection of a controversial monument dedicated to «comfort women» in front of the Japanese Embassy in Seoul, fed into an understandable Japanese «apology fatigue» and some nationalistic resentment. Indeed, following his comeback and acting in consonance with his own personal worldview, Abe declined to commit to the Kōno Statement and instead established an investigative committee to document the statement’s genesis. The implicit purpose of this initiative was to expose the political nature of this statement as the product of diplomatic pressure from Seoul over its...


wording. In this way, Abe intended to delegitimize some of the findings of the Cabinet Foreign Policy Council’s study group, and, thus, to hollow out the statement’s significance. At the same time, President Park Geun-hye immediately took an uncompromising position towards her Japanese counterpart, due contested politics in South Korea and arguably also in light of her father’s history as a lieutenant of the Imperial Japanese Army. In this context, China cozied up to South Korea by making a strategic use of the history issue also for international political gains. Until the December 2015 agreement, the history issue was both symptomatic of, and led to, a heated ROK-Japan political standstill.

The Japan-ROK agreement was negotiated by the Head of the National Security Secretariat, Yachi Shōtarō, and ROK’s presidential chief of staff, Lee Byung-kee. It consisted of six takeaways. Firstly, following international pressure (detailed below), Abe implicitly disavowed his personal beliefs by acknowledging direct Japanese military involvement along with Japanese responsibilities; this position was very much in line with the Kōno Statement and far away from Abe’s revisionism. Secondly, Abe stated his «most sincere apologies and remorse». Thirdly, Japan made a one-time contribution of public funds to a South Korean foundation for «recovering the honor and dignity and healing the psychological wounds» of the surviving «comfort women». Fourthly, the Korean government reciprocated by acknowledging the efforts of the Japanese government in the lead-up to the release of the announcement, possibly hinting at its appreciation of past efforts. Fifthly, Seoul promised efforts at removing the statue facing the Japanese embassy in Seoul. Finally and most importantly, the ROK confirmed that the issue was «resolved finally and irreversibly with this announcement». Although this deal did not satisfy the comfort women activists in Korea, the two governments were

9. Tsukamoto Sōichi, ‘Nikkan, ianfu mondai kaiketsu de gōi – Kitachōsen ga kaku jikken’ (Japan and South Korea agree on comfort women resolution, North Korea carries out nuclear test), Tōa, No. 584, February 2016, pp.64-65; 64-72.
11. Ibid.
12. Ibid.
prepared to put the matter behind them and, by the end of the year, a vast majority of the victims accepted the provisions of the deal.\(^{13}\)

Active US intervention and a changing strategic landscape put bilateral relations back on track. The March 2014 meeting between Abe, Park and Obama testified to Washington’s public and private pressure in brokering a deal between its two most important allies in East Asia. Moreover, China’s inability to put meaningful pressure on North Korea’s nuclear and missile program, Kim Jong-un’s belligerent pursuit of nuclear and missile weapons, and China’s aggressiveness in the South China Sea convinced Park Geun-hye of the need to enrich her strategic options by opening to neighbouring Japan. After all, it was only one week after the deal that the Democratic People’s Republic of Korea (DPRK) conducted its fourth nuclear test on 6 January and, again, on 9 September 2016; these tests took place after a three year-long hiatus and were accompanied by a heightened number of successful missile tests throughout 2016: on 3 August, part of a North Korean missile’s tip/warhead fell into Japan’s Exclusive Economic Zone for the very first time. Thus, the need for ROK-Japan-US coordination against Kim Jong-un’s rush to develop nuclear and long-range missile capabilities became ever more pressing. Thanks to a more conducive political atmosphere, in late 2016 the ROK government’s slowly moved to enhance trilateral cooperation: it signed the long-awaited ROK-Japan General Security of Military Information Agreement (GSOMIA) and agreed to deploy the US Terminal High Altitude Area Defence System (THAAD), whose installation is also under consideration by Japan. Since the THAAD radar can easily be converted to monitor missile flights deep into China,\(^{14}\) Beijing made its strong displeasure known to Seoul, also through systematic economic retaliation.\(^{15}\) Yet, it is worth stressing that South Korea’s primary concern remained enhancing deterrence against North Korea.

In the year under review, Obama and Abe made history with their respective visits to Hiroshima and Pearl Harbor, which were reportedly in the making for a very long time. On May 27, following the G-7 Summit held in Ise-shima, Abe accompanied Obama on his visit to the Hiroshima Peace Park, where they both laid a wreath of flowers honouring the victims of the atomic bombing. In the speech that followed, while Obama offered no apology, he did express sympathy for the victims of the bombing, the *hibakusha*, as well as a vision of «a future we can choose, a future in which

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\(^{13}\) ‘34 out of 46 «comfort women» evaluate the deal positively’, *Korea Joongang Daily*, 28 December 2016.


Hiroshima and Nagasaki are known not as the dawn of atomic warfare but as the start of our own moral awakening.\textsuperscript{16} Abe’s December 27 visit to Pearl Harbor marked the first official visit by a sitting Japanese Prime Minister to the USS Arizona Memorial. The Japanese Prime Minister’s behaviour at the site of Japan’s surprise attack on 7 December 1941 mirrored Obama’s: Abe offered condolences and a speech that both reflected on the past and looked to the future. In fact, Abe stressed the importance of the Japan-US alliance as a tool for promoting peace: Japan and the United States showcased an eloquent set of gestures and words, according to which reconciliation went hand-in-hand with a strong alliance. History statecraft paved the way for areset in Korea-Japan relations and Abe’s visit to Pearl Harbor reinforced the US-Japan «alliance of hope», where «enemies that had fought each other so fiercely have become friends bonded in spirit.»\textsuperscript{17}

The above messages were partially aimed at China, to prove the resilience of Japan’s transpacific alliance and Beijing’s inability to drive a wedge between the two allies. In fact, Abe softened his tone on history and showcased his more pragmatic side and, in so doing, Abe also displeased his core nationalist domestic constituency. According to a journalist from the progressive \textit{Asahi Shinbun}, Abe’s recent statements and initiatives hinted at a widening gap with the ideology of the right-wing conservative \textit{Nippon Kaigi} association.\textsuperscript{18} In the author’s view, the United States government was able to convince a more politically stable Abe administration to tone down its historical revisionism. In exchange, Japan benefitted from a deepened US-Japan alliance, a credible commitment to the defence of the Senkaku/Diaoyu Islands, and trilateral cooperation with South Korea. In fact, the Obama administration played the key role in making possible the «comfort women» agreement, so much so that «U.S. State Department officials were involved on the sidelines of the negotiations between ROK and Japanese foreign ministry officials.»\textsuperscript{19} Finally, Obama and the ROK’s appreciation of Japanese overtures played well into Abe’s denunciations of China’s relentless criticism, which had gained momentum following the 2012 Senkaku/Diaoyu Islands standoff and Abe’s comeback.\textsuperscript{20}

\textsuperscript{17} Prime Minister of Japan and His Cabinet, «Toward an Alliance of Hope» - Address to a Joint Meeting of the U.S. Congress by Prime Minister Shinzo Abe, 29 April 2015, (http://japan.kantei.go.jp/97_abe/statement/201504/uscongress.html).
Yet, these showcases of reconciliation were still on precarious foundations. Immediately after the Pearl Harbor visit, Japan’s Defence Minister Inada Tomomi decided to visit the controversial Yasukuni Shrine providing fodder to China’s propaganda campaigns and putting into question Japan’s revisionists’ sincerity in facing Japanese imperial history.\textsuperscript{21}

In the context of Korean domestic politics, a major corruption scandal involving Park Geun-hye led to her impeachment,\textsuperscript{22} and her weakness affected the ROK’s overtures to Japan. It is true that the «comfort women» deal looked to stand on a somewhat solid ground, as the vast majority of survivors accepted the provisions of the agreement.\textsuperscript{23} But the issue was politicized by opposition parties and local activists alike, who by December 2016 erected a new «comfort woman» statue in Busan, facing the Japanese Consulate there.\textsuperscript{24} In short, conciliatory gestures on the history issue by the Japanese and South Korean governments prompted demonstrative counter-reactions by Japan’s right-wing and ROK left-wing nationalists: while US-Japan relations were on solid ground, domestic politics and the emotional reactions of a loud minority questioned the tenability of Japan-ROK strategic reconciliation.

3. Abe and the Trump incognita

Obama and Abe’s display that the US-Japan alliance rested on firm strategic and historical grounds was shaken by the November 2016 election of Donald Trump. The Japanese government would have preferred Hillary Clinton’s victory, and US-Japan alliance managers considered her as the safe hands of US Asia policy, given her earlier careful oversight of the US «Pivot to Asia» as Obama’s first Secretary of State.\textsuperscript{25} To hedge against the risk of betting for the losing horse, in late 2016 Japanese policymakers also met with key foreign policy advisors to Trump, obtaining reassurances about his eventual Japan policy.\textsuperscript{26} In fact, two advisors to the president elect published a much-circulated commentary on the shape of a Trump foreign policy in the Asia-Pacific. The article linked an emboldened China with a somewhat indecisive

\textsuperscript{21. 'Shrine visit unmasks Abe Cabinet’s true sentiments', China Daily, 30 December 2016.}
\textsuperscript{22. Marco Milani, 'Korean peninsula 2016: The Never-ending Crisis', in this same volume.}
\textsuperscript{23. '34 out of 46 «comfort women» evaluate the deal positively', Korea Joongang Daily, 28 December 2016.}
\textsuperscript{24. 'Comfort Woman' Statue Reinstated Near Japan Consulate in South Korea', New York Times, 30 December 2016.}
\textsuperscript{25. 'Clinton or Trump? As US election nears, the globe watches (very) intently', Christian Science Monitor, 28 September 2016.}
\textsuperscript{26. Reiji Yoshida, 'Trump security adviser sought to reassure Suga on Japan policy: source', Japan Times, 16 November 2016.}
Obama administration, and indicated Trump’s intention to pursue a more muscular approach.\(^{27}\) Trump’s Cabinet and White House appointments indicated a coherent design: the intention to ease US-Russia tensions would facilitate on the one hand the US fight against international terrorism in the Greater Middle East and, on the other hand, a more substantial rebalance to the Asia-Pacific to counter China’s growing clout.

It is still unclear, however, how much momentum Trump’s China balancing will take given the likely economic retaliation that China can implement against the US. The economy, after all, was Trump’s avowed policy priority and the key issue he will be judged upon. At any rate, Trump’s decision to accept a congratulatory phone call from Taiwan’s President Tsai Ing-wen,\(^{28}\) his public questioning of Washington’s long-standing «One China Policy», and his decision to install China hawk Peter Navarro in a newly-created National Trade Council within the White House hint at the growing turbulence in US-China relations. In fact, US-China trade friction was likely to surface out of Trump’s consistent criticism of unfair trade practices in China. In the author’s view, Trump was making active use of political and security issues as ransom for extracting economic concessions from adversaries and allies alike.

In light of the above, Abe could not take Trump for granted and needed confirmation about US security guarantees. Japan’s Prime Minister’s Office, the Kantei, correctly assessed the necessity to engage the president-elect through personal diplomacy. First, Abe pandered to Trump’s narcissistic personality by sending a congratulatory message that read: «[...] as a very successful businessman with extraordinary talents, not only have you made a great contribution to the growth of the US economy, but now as a strong leader, you have demonstrated your determination to lead the United States».\(^{29}\) Second, Abe secured an early face-to-face meeting with Trump in New York and did so, according to an anonymous Japanese diplomatic source, against the desires of the Obama administration.\(^{30}\) Abe was the first foreign leader Trump met and early reports indicated that the two would meet again shortly after the January 20 inauguration.\(^{31}\) On the other hand, in a video message,


\(^{28}\) Aurelio Insisa, ‘Taiwan 2012-2016: From the Consolidation to the Collapse of Cross-Strait Rapprochement’, in this same volume.

\(^{29}\) Prime Minister of Japan and His Cabinet, ‘Congratulatory Message from Prime Minister Shinzo Abe to Mr. Donald Trump, President-elect of the United States of America’, 9 November 2016 (http://japan.kantei.go.jp/97_abe/statement/201611/1219893_11019.html).

\(^{30}\) ‘Abe dismisses report that Obama administration opposed Trump meeting’, *Japan Times*, 5 December 2016.

Trump declared the Pivot’s signature policy, the Trans-Pacific Partnership (TPP), a dead letter shortly after meeting with the Japanese leader.\textsuperscript{32} Abe’s strenuous efforts at signing and ratifying the deal, for which he invested a substantial amount of political capital, were lost in the face of a more protectionist US president. Moreover, Abe will necessarily have to adapt to Trump’s «America First» philosophy. In that light, Trump may seek to extract economic concessions from Abe, possibly also by manipulating Japan’s uneasiness towards China to the US advantage: security could constitute means for economic gains. Clearly, Trump’s overly personal approach to foreign policy, which included inflammatory outbursts on social media and recurrent bravados, presaged an unpredictable and mercurial presidency.

\textbf{4. Contested islands and contested maritime space: Japan’s relations with China, Taiwan and Russia}

Japan and China were still embroiled in patrol activities to enforce their respective control in the contested islands in the East China Sea. In fact, 2016 testified to the elusiveness of establishing a maritime crisis management mechanism promised in the joint parallel statements of 7 November 2014.\textsuperscript{33} On the contrary, Japan and China’s constabulary forces kept eyeing the counterpart: since late December 2015 China’s maritime law enforcement forces deployed former People Liberation’s Army Navy (PLAN) vessels equipped with guns as Chinese Coast Guard ships routinely sent to patrol waters surrounding the Senkaku/Diaoyu. To these deployments Japan responded by increasing the Japanese Coast Guard’s budget, which was in addition to a military expenditure that ranged around 1.3\% of GDP.\textsuperscript{34} Japan was setting up its amphibious forces, a Japanese version of a US marines brigade, and deployed 500 Ground Self-Defense Forces in Ishigaki city, near the disputed islands.\textsuperscript{35} At any rate, there is a strict separation between the Japanese Coast Guard and the Japan Maritime Self-Defense Forces, as legal and technical matters

\textsuperscript{32} ‘Trump to withdraw from Trans-Pacific Partnership on first day in office’, \textit{The Guardian}, 22 November 2016.

\textsuperscript{33} Ministry of Foreign Affairs of Japan, ‘Regarding Discussions toward Improving Japan-China Relations’, 7 November 2016 (http://www.mofa.go.jp/a_o/c_m1/cn/page4e_000150.html).

\textsuperscript{34} ‘Japan to bolster coast guard amid island dispute with China’, \textit{Reuters}, 21 December 2016.

hamper their cooperation.\textsuperscript{36} As a result, Japan struggles to address China’s «hybrid» strategy around Senkaku/Diaoyu waters.

China upped the ante around the Senkaku/Diaoyu Islands in 2016.\textsuperscript{37} Moreover, it did so with the close collaboration of Russia: in April, Chinese and Russian Defence Ministers agreed to deepen military cooperation, also by increasing the number and expanding the scope of joint military exercises, which were already at an historic high.\textsuperscript{38} This trend paralleled the crescendo in military exercises of Japan with the United States, and other regional strategic partners, such as India, Australia and the Philippines. While the type of military trills was somewhat constant, more countries joined them. At any rate, an episode unveils the growing entente between Russia and China: the entire reconstruction is based on the detailed account of Prof. Hamamoto Ryōichi. On 8 June, for the first time a PLAN frigate, rather than Coast Guard Ship, entered the contiguous zone of the Senkaku/Diaoyu Islands and, as it was later revealed, shadowed a Russian naval fleet stationed in the same area for roughly five hours. Several signs indicate that the action was coordinated. The first was that the Chinese frigate entered the contiguous zone only after a Japan Maritime Self-Defense Forces (JMSDF) destroyer approached those waters to monitor the three Russian warships, as if the PLAN vessel waited for a pretext. The second sign, connected to the first, was that the Russian fleet did not leave the waters surrounding the Senkaku/Diaoyu from the north-western side, where the Chinese frigate came from. On the contrary, the Russian warships crossed the archipelago to exit from the north-eastern side – a strange direction considering that Russia’s Pacific Fleet is stationed in Vladivostok and its surroundings. The third sign pointing to a coordinated action was that, on 9 June the Chinese Ministry of Defence did not denounce Russia’s actions.\textsuperscript{39}

Due the worsening situation in the East and South China Seas (and since the situation in the two China Seas was connected, as demonstrated in the previous year’s essay), the commander of the US Pacific Command, Admiral Harry B. Harris, lobbied for shows of force in the Western Pacific. Thus, in 2016 the United States deployed the third fleet’s supercarrier,


\textsuperscript{37} As per forecasts in Giulio Pugliese, 'Japan 2015: Confronting East Asia’s Geopolitical Game of Go', \textit{Asia Maior 2015}, pp. 93-132.

\textsuperscript{38} Franz-Stefan Gady, 'China and Russia to Increase Number of Military Exercises in 2016', \textit{The Diplomat}, 28 April 2016.

\textsuperscript{39} Hamamoto Ryōichi, ‘Chūō gunkan ga Senkaku ni shutsugen – Higashi Ajia anpo wa shinjitai’ (China-Russia warships appear around the Senkakus – A new situation in East Asian security), \textit{Tōa}, July 2016: 40-42; 40-51. Please note that the map reproduced on page 41 misrepresents the Chinese frigate’s exit manoeuvres: it ought to be on the right of the Russian fleet.
John C. Stennis, in the South China Sea. For three months it patrolled the South China Sea to later join the 7th fleet’s USS carrier Ronald Reagan and stage a joint exercise in the Philippine Sea.\(^{40}\)

Japan also continued to proactively denounce China’s activities in the South China Sea. After all, China relentlessly pursued landfilling operations in the Spratly Islands and deployed surface-to-air missile systems in Woody Island, part of the Paracel Islands chain; China was slowly militarizing disputed islets in the South China Sea.\(^{41}\) Ahead of the Ise-Shima G-7 summit, Abe embarked into a dense tour of European capitals to personally lay the groundwork and secure an early commitment to Japan’s global agenda. Concretely, Abe made direct reference to the «situation in the East and South China Seas, [...] emphasize[ing] the fundamental importance of peaceful management and settlement of disputes.»\(^{42}\) To this rather blunt criticism, China angrily accused Japan of «hyping up»\(^{43}\) the South China Sea issue and «meddling»\(^{44}\) into issues that interest China to «exacerbate»\(^{45}\) regional tensions. These accusatory words were setting the ground for China’s public opinion and information strategy in preparation for the looming Tribunal award concerning maritime entitlements in the South China Sea. Also, they were an indication of China’s hardened stance.

On 12 July, the Tribunal recognized that Chinese sailors historically made use of islets in the South China Sea, but China exercised no «exclusive control over the waters [sic] or their resources»,\(^{46}\) thus there was «no legal basis for China to claim historic rights to resources [...] within the sea areas falling within the ‘nine-dash line’.»\(^{47}\) Moreover, the Court sanctioned that all of the features claimed by China were not entitled to a 200-nautical-mile Exclusive Economic Zone (EEZ), because these were not islands: these features qualified as rocks, reefs, shoals and so forth that were not capable of sustaining human habitation. Beijing sternly rejected the validity of the


\(^{41}\) ‘These are the surface-to-air missiles China apparently just deployed into the South China Sea’, Washington Post, 17 February 2016.


\(^{43}\) ‘China blasts Japan-backed G-7 maritime statement, says grouping must not take sides in territorial disputes’, The Japan Times, 12 April 2016.

\(^{44}\) ‘Japan’s hijacking of G7 meeting to meddle in South China Sea issues unjustified, harmful’, Japan Daily, 12 April 2016.


\(^{47}\) Ibid., p.2 §1.
ruling and even questioned the impartiality of the court, by pointing at the fact that the president of the International Tribunal on the Law of the Sea, responsible for appointing some of the judges at the Permanent Court of Arbitration, was a Japanese national, namely Yanai Shunji. Yet, in appointing the judges who had ruled on the Chinese claims in the South China Sea, Yanai had followed standard procedures and Yanai’s intervention was a procedural necessity born out of China’s refusal to partake to the proceedings. Also, and more importantly, the ruling condemned the EEZ extending from artificial “islands” and constituted a powerful precedent that might help building a legal case against Japan’s very own undisputed reef: Okinotorishima.

Interestingly, Japan’s enforcement of its claimed EEZ around the above atoll briefly soured Taiwan-Japan relations with the outgoing Ma Ying-jeou government. Japan’s 25 April arrest and sanction of Taiwanese fishermen prompted a forceful response from Taipei, including a statement by Taiwan’s Legislative Yuan that lamented the “[infringement] on our fishermen’s human rights, fishing rights and their rights to operate in the high seas.” Taiwan’s remonstrations included its decision to rename the “island” and the employment of patrols through its maritime law enforcement forces. These measures, however, were short-lived: the new Tsai Ing-wen administration, which took office on 20 May 2016, backtracked for the sake of friendlier ties with Japan. After all, Abe cherished strong ties with both the ROC and Taiwan’s Japan-friendly Democratic Progressive Party (DPP) leadership. The latter was responsible for reinventing Taiwanese identity as a democratic and prosperous country, partly thanks to Japan’s role model. Tsai backtracked from Ma’s approach: her administration did not re-name Okinotorishima in the guise of Okinotori reef, and left the doors open for negotiating an agreement on fishing rights on the small atoll in the Philippines Sea.

The Japanese government was relieved by Tsai’s ascension. In fact, Japanese scholars and policymakers alike had identified the posture of Tsai’s predecessor, Ma Ying-jeou, towards Japan as an assertive one. Yet, the Ma government’s reaction in the above instance had been in accordance with international law and unanimously approved by the Taiwanese Legislative Yuan. This being the situation, it wouldn’t be easy for Tsai to recognize Japan’s EEZ extending from an uninhabitable reef. Moreover, Japan’s intransigence

48. The Permanent Court of Arbitration is the administrative body facilitating the Tribunal’s operations.
at Okinotorishima reflected the Abe government’s double-standards on its much-vaunted compliance to the «rule of law», a catchphrase used to frame the strategic narrative against China’s activities around the Senkaku/Diaoyu Islands and in the South China Sea. Yet, to paraphrase Mozart’s comic opera: «Così fan tutti (thus do all)», the 12 July Tribunal award prompted not only Japan’s rhetorical insistence on the island qualities of Okinotorishima, but also spurred Taiwan to step up its own expansive EEZ claims over Itu Aba, commonly known as Taiping Island. At any rate, sovereignty over Okinotorishima was not under dispute.

On the contrary, with its major claims in hotly disputed waters, China remained the most blatant offender, which also happened to act coercively. China’s concerted response to the ruling did not differ much from the above in terms of substance, but it was out front hostile and indicative of an enduring assertive foreign policy outlook. Moderate voices from the previous Hu Jintao administration and current government officials alike labelled the court’s long and detailed findings as nothing more than «waste paper». To make the point clearer, China insisted on legal warfare and more shows of force in line with its «hybrid strategy». First, on 2 August, the Chinese Supreme People’s Court reiterated China’s jurisdiction over the islands and stipulated that foreigners intruding into territorial waters deserved harsh punishments. Second, during the first half of August, China conducted a series of notable military drills. These included the 1st August massive drills for a «sudden, cruel and short» war with as many as 300 PLAN vessels, and dozens of fighter planes, and the 9~11 August live fire training of destroyers from the East China Sea Fleet. Third, around the same time China sent official vessels and paramilitary forces around the Senkaku/Diaoyu Islands and the Scarborough Shoal, disputed with the Philippines. The close timing between the two massive incursions, along with the military exercises, indicates the Xi administration’s predilection for military means, and for heavy-handed signalling short of outright military aggression. For instance, as many as 200-

52. ‘Japan steps up rhetoric over Okinotorishima in wake of Hague ruling’, Japan Times, 15 July 2016; ‘Taiwan’s President vows to defend sovereignty over Taiping Island’, Channel News Asia, 13 July 2016.
54. Hamamoto Ryōichi, ‘Chūgoku ga Senkaku ni kōsen zōha de tainichi atsuryoku wo kyōka’ (China puts additional pressure on Japan via an increase of official vessels sent to the Senkaku), Tōa, September 2016, pp. 48-49; 44-59.
55. ‘China holds massive naval drills to prepare for «sudden, cruel & short» modern war’, Russia Today, 2 August 2016.
300 Chinese fishing boats appeared in the waters around the Senkaku/Diaoyu on 6 August, followed by the largest dispatch of official vessels to date. According to China watcher Hamamoto Ryōichi, each of China’s fishing boats had one member of the so-called «maritime militia» on board. In short, the Chinese party-state apparatus would not back down in the face of the stern international ruling over its expansive claims in the South China Sea: instead, it doubled down in both the East and South China Seas.

To be sure, China’s more offensive outlook stemmed from a heightened sense of insecurity, especially against Japan and the United States, as hinted from China’s 2015 Defense White Paper’s veiled emphasis on the new threats from «hegemonism, power politics and neo-interventionism». Moreover, China’s interpretation of UNCLOS, which disavowed surveillance and reconnaissance operations in its EEZs, was no recent development. In fact, Beijing traditionally pursued this interpretation with other non-Western developing countries. Nonetheless, events in 2016 betrayed China’s assertive posture, as well as its expansive appreciation of its maritime interests. After all, the People’s Daily immediately dismissed the international tribunal’s arbitration by insisting that 2000 years of history granted China sovereignty over the South China Sea (sic) and its «islands», adding that «black is black and white is white, no confusion must be made between what is right and what is wrong.»

Authoritative and influential opinion pieces by Chinese international relations experts, such as Associate Dean of the School of International Studies at Renmin University, Jin Canrong, corroborated such rock-solid views; in a widely-shared commentary, eloquently entitled «Chinese people must be ready for war!», Jin lamented the international arbitration as a farce orchestrated by the United States and «co-directed» by Japan. In addition, Jin praised the Chinese government’s very tough response. He referred to the fact that the central government, the Ministry of Foreign Affairs, and the Ministry of National Defence, all included a first-time reference to the

60. Silvia Menegazzi, ‘Military Exercises in the Exclusive Economic Zone: the Chinese perspective’.
61. ‘Tanpan xieshang shi jiejue nanhai wenti de weiyi chulu’ (Negotiation is the only path to solve the South China Sea issue), Renmin Ribao, 14 July 2016, p.3.
South China Sea islands having «internal waters». 62 According to Prof. Jin’s interpretation, China, through these official statements, qualified the Spratly Islands (or Nansha Islands) as the southernmost border of China’s inland sea. 63 Moreover, according to him, China had to convey its resolute stance to third parties meddling in the SCS issue, also by harnessing its people’s power. 64 Summing up, Chinese emotions over the South China Sea were running high. This was an important factor, which did not bode well for the future of US-Japan-China relations.

The development of Philippines-China relations in 2016 needs a brief overview because of great relevance to Japan. Indeed, China’s posture towards Manila hints at a Janus-faced foreign policy: while forcefully asserting its claims in the China Seas, China enacted a tactical détente with the Philippines for clear political gains. The June 2016 election of populist strongman Rodrigo Duterte to the Filipino presidency led to a recalibration of Manila’s foreign policy outlook, in line with the president’s deep-held personal suspicions and resentments against the United States. 65 Following up a successful visit in Beijing, where Duterte provocatively promised a (highly unlikely) «separation» from the United States, China promised funding and investments worth US$24 billion 66 and quietly allowed Filipino fishermen to exploit the rich waters around the Scarborough Shoal. In other words, China had «surreptitiously brought itself in line with the Permanent Court of Arbitration ruling», 67 by allowing the Philippines to exploit the natural resources in the waters surrounding the disputed shoal. Summing up, the promising evolution of Sino-Filipino relations under Duterte defused the hottest dispute in the South China Sea. However, China showed no intention to abandon Scarborough – seized in 2012 – and that it had adjusted its position towards Manila to drive a wedge between the Philippines and the United States. 68 To what extent Manila will be willing

64. Ibid.
67. N.B. the ruling was actually made by the international tribunal, for which the PCA – an administrative body – worked; Ashley Townsend, ‘Duterte deal with China over Scarborough Shoal exposes US failure’, Cnn.com, 31 October 2016.
to distance itself from Washington remains to be seen. However, Japan was quick to respond to China’s economic carrots with its own US$8.66 billion aid package.69

Throughout 2016, Japanese policymakers spent their energies on another set of contested islands, the Southern Kurils/Northern Territories disputed with Russia. Concretely, the Japanese government aimed at the return of two of the four islands, Habomai and Shikotan, and the signing of a Russo-Japanese peace treaty. In return, Japan would lobby the G-7 group for a more accommodative foreign policy towards Moscow, promote the construction of health care, infrastructure and housing facilities in the Russian Far East, and push cooperation in the energy sector in the same region.70 Also, in preparation for the G-7 summit, Abe made a grand tour of European capitals that ended in Sochi, Russia, where he met with Russian President Vladimir Putin. Abe decided to engage Russia against the desires of the United States, which made its displeasure clear during an Obama-Abe phone call: Abe’s leadership was in full display.71 In short, Abe proactively engaged Russia on both the economic and diplomatic front in the hope of gaining back the two tiniest disputed islands and signing a peace treaty while simultaneously reaching a few important objectives.

The Abe administration’s objectives were basically three. At the international level, Japan would gain more strategic leeway towards China; at the personal level, Abe would burnish his statesman qualities and leave a legacy that was in line with the foreign policy outlook of his father, Abe Shintarō; finally, at the domestic level, Abe could convert his diplomatic successes into an electoral landslide following a strategic dissolution of the Japanese Diet. Yet, the much-hyped bilateral summit that took place in Japan in mid-December was a mixed failure for the Japanese premier: in fact Putin gained the promise of economic contracts and an end to diplomatic isolation, whereas Abe only gained yet another summit for more negotiations in Moscow the following year.

5. Japan’s domestic politics: more Abe

Throughout 2016 Prime Minister Abe towered over Japan’s domestic politics. His cabinet’s public support rate hovered consistently above 40%,


71. ‘Abe Eases Putin’s Isolation with Talks on Territorial Dispute’, Bloomberg, 5 May 2016.
climbing up to 50% and above in the latter half of the year. High approval ratings neutralized challengers hailing from the Liberal Democratic Party (LDP) ranks. In fact, ruling LDP presidents become easy prey of intra-LDP strife when their approval ratings waver around 25%, but Abe’s personal poll ratings never witnessed such dismal numbers in four years of governing. On top of that, the main opposition parties remained helpless and undecided on how best to confront the Abe government, thus feeding into a general perception that there were no alternatives to the ruling LDP-New Komeito coalition.

Resting on firm political ground and with an eye on the long-sought constitutional change, Abe and his affiliates aimed at changing internal LDP rules to allow the incumbent Party president to serve for an additional three-year term, instead of just two consecutive terms. On September 6, Hosoda Hiroyuki, chairman of the General Council, openly asked for a debate on term limits for the LDP presidency. Interestingly, the term limit was imposed following Abe’s great-uncle Satō Eisaku’s eight-year run from 1964 to 1972, when he was criticised for concentrating too much power in his hands. Following a revision of intra-party rules, in early March 2017 the LDP General Council is supposed to formally approve those changes, thus paving the way to an Abe premiership that will last until 2021. This change could also have important implications for Japan’s foreign relations because Japan’s partners, such as China, will have to confront Abe.

Nonetheless, Abe was unwilling to dissolve the Diet to call a double-election, a strategy his political entourage had successfully advanced in late 2014. Abe was strong but not almighty, as demonstrated by his inability to capitalize on planned economic and foreign policy forays. Quite the contrary: the afore-mentioned Abe-Putin summit was inconsequential, and in April the earthquake in Kumamoto provoked damage of roughly 3.8 trillion yen, or US$32.5 billion, further straying Japan’s fiscal expenditure; Sino-Japanese relations continued to be testy; and real economic growth in 2016 approximated roughly 1%. For these reasons, Abe would not dissolve the Diet throughout the year under review and postponed general elections to an indefinite date well into 2017, if at all.

Abe’s grip on power was indicative also of his team’s utmost attention to defusing political scandals before they affected his government’s fortunes. Two examples stand out from 2016. In January the graft allegations against Minister for Economic and Fiscal Policy Amari Akira were particularly

73. ‘Kumamoto jishin no shōgai-kakakentai de 3-chō 7850-oku en’ (Kumamoto earthquake: 3.785 trillion yen worth of damages across the prefecture), Mainichi Shinbun, 29 September 2016.
troublesome, as they directly involved an early Abe loyalist who was responsible for the Prime Minister’s comeback in 2012. Yet, in just about one week, the executive agreed on Amari’s swift resignation. An expenses scandal involving Tokyo Governor Masuzoe Yōichi resulted in exactly the same dynamics, with the LDP local chapter holding a vote of no confidence that led to Masuzoe’s resignation in June. The 31 July Tokyo gubernatorial elections, however, were lost by the LDP-endorsed candidate. Instead, former Defence Minister and hawkish LDP Diet Member Koike Yuriko, who ran as an independent, won the elections by a very wide margin over her opponents.

6. Economics: Three new Abenomics arrows and the fourth industrial revolution?

Japan’s economic performance somewhat improved from the earlier year: real GDP growth rose from 0.4% in 2015 to 1% in 2016. Yet, it is worth noting that this small increase does not imply a lasting change in a long-term economic trend, which, indeed, remains a negative one. The reason explaining this negative long-term trend is simple: economic output ultimately depends on labour and (physical and human) capital inputs multiplied by total factor productivity. In the Japanese context, one of these factors, namely labour, has been in constant decline for the past eight years, as shown by the fact that the Japanese population has shrunk by more than one million since it reached its peak in 2008. In fact, according to the 2015 Census, the Japanese population has been dwindling by almost two hundred thousand residents per year since 2010. Moreover, by 2030 one in three Japanese will be aged 65 years or older, which implies that social security costs for elderly care will steadily be increasing. The above means that, all else being equal, the size of the Japanese economy is destined to shrink in absolute terms.

What could possibly change the above scenario? Technological advancement may substantially alter productivity and there are some indications that the so-called «fourth industrial revolution» is around the

75. ‘Amari Keizai saisei tantō-shō ga jinin hyōmei’ (Minister for Economic and Fiscal Policy Amari announces his resignation), Sankei Shinbun, 28 January 2016.
76. ‘Japan’s economy grew 1.0% in 2016 despite slower last quarter’, Japan Times, 13 February 2017.
For this reason, the Abe government vowed renewed efforts at "science, technology and innovation as a growth engine for the economy". In June 2016 the Prime Minister’s Office unveiled a «Plan for the Dynamic Engagement of All Citizens», which contained an extensive plan for tackling the new age of the machines, with particular reference to big data, artificial intelligence and the internet of things (i.e. the interconnection of computing devices embedded in everyday objects). Yet, substantial productivity gains brought by networked machines capable of exponential improvements in their computational abilities were still a mirage in 2016. Moreover, in the author’s view, the introduction of artificial intelligence is bound to cause little-appreciated, but certainly conspicuous, socio-economic disruptions.

While waiting for the fourth industrial revolution, the Abe government tackled the other parts of the economic equation: increasing the number of inputs in the national economy. Thus, the Abe administration pushed forward a set of three new Abenomics arrows that represented policy targets rather than policies per se. The first new arrow promised an economy that would be as large as 600-trillion-yen by 2020, requiring an increase in nominal GDP growth equal to 3% per year. This, for a mature economy marred by secular stagnation and the above mentioned problems, is nothing less than «Mission: Impossible».

The second arrow aimed at increasing the fertility rate from 1.4 to 1.8. In this context, new legislation would allow subsidies for non-regular employees, prevent discrimination against maternity leave, and offer childcare facilities. The third arrow also targeted an increase in labour inputs, and set up a series of goals for expanding elderly care; this would facilitate the entry into the labour force of those who have to take care of their parents. As evident from the two


82. Low skilled workers made redundant by the machines (and their owners) will necessarily lobby, and rightly so, for costly social protection countermeasures. The number of displaced low skilled workers could also be substantial. Thus, effective taxation and redistribution of economic gains to level the playing field will be key. Failure to do so will naturally lead to the collapse of an already weakened Japanese welfare state, ushering the road to populism.

83. ‘Japan to miss FY2020 GDP target of 600 trillion yen, retreats further from goal’, *Reuters*, 26 July 2016.

new arrows, the Abe government now considers demographic problems as a priority with the aim of stabilizing Japan’s population around 100 million people by 2060.85

7. The July 10 Upper House elections

As above hinted, Abe confronted a series of hurdles in 2016. At the same time, in the face of a feckless opposition and thanks to a relatively successful G-7 Summit and to a historical visit by a US president to Hiroshima, Abe continued to tower over Japan’s political landscape. The 10 July Upper House elections for half of the seats of Japan’s House of Councillors registered a win for Abe Shinzō’s LDP. Abe would have claimed victory if 61 seats had been secured for the LDP-NK coalition government; in fact, the results exceeded Abe’s minimalistic targets, with the LDP winning 56 seats and the New Komeito securing 14 seats, a total of 70 seats that allowed Abe to act triumphant within the party ranks. The LDP’s electoral campaign agenda insisted on the merits of Abe’s economic strategy, Abenomics, with specific reference to the most recent deferment of a consumption tax hike to late 2019, a decision Abe shrewdly announced 40 days ahead of the elections.86 In contrast, the opposition parties rallied support by criticizing Abe’s 2015 security reforms and pointed at the danger of endowing the coalition government with a two-third majority that would have allowed it to change the constitution, especially Article 9. The LDP would simply ignore these remonstrations and debunk the link between the Upper House elections and changes to the pacifist clause of Japan’s constitution.87 The Democratic Party of Japan and the Communist Party devised a joint strategy tailored for this election, but weren’t able to propose viable economic alternatives to Abe’s economic agenda. In fact, the Abe government appropriated itself of the opposition parties’ main criticisms, such as the postponement of the consumption tax.

The Upper House elections were meaningful in several respects. First, the elections awarded a two-third majority to parties in favour of constitutional amendments, possibly paving the way for serious consultations between the LDP and several small parties. Second, the elections confirmed the resilience of the conservative coalition government in the face of a global revolt against the politico-economic establishment. Compared to notable political upheavals elsewhere, such as the UK’s Brexit referendum and the

85. ‘Abe: Japan’s shrinking population not burden but incentive’, Reuters, 21 September 2016.
86. ‘Abe Postpones Japan’s Sales-Tax Hike until Late in 2019’, Bloomberg, 1 June 2016.
87. ‘Abe plays economic card but opposition targets his «hidden» agenda in Upper House election battle’, Japan Times, 22 June 2016.
US presidential election of Donald Trump, Japan looked like a beacon of stability. To be sure, the voter turnout flew low at 54.7%, but it registered a slight increase from the 2013 Upper House elections. Third, for the first time teenagers aged 18 and 19 were granted the right to vote, thanks to legislation enacted the year before, and they largely voted in favour of the LDP. The hidden implications of the 2016 Upper House elections were substantial.

6. Conclusion

The year under review witnessed the continued ability of the Abe administration to face a rapidly changing international environment. The present essay has analysed Abe’s «history statecraft» as an indication of his toning down his nationalistic colours and pragmatism. At the same time, the Japanese government tackled a series of contested maritime or territorial challenges mounted by China, Taiwan, and Russia.

The surprising announcement in August of the Japanese Emperor’s willingness to abdicate presaged, yet again, that times were indeed changing. Following special legislation that will allow Emperor Akihito to abdicate in favour of his son, Naruhito, the Abe Cabinet will literally inaugurate a new Japanese era by setting up a committee of experts responsible for picking the new era’s name. The Heisei era started in 1989 and ends in 2018, roughly coinciding with the stability associated with a United States-centred liberal order in East Asia. During most of the Heisei years, lack of great power competition partly depended on US military and economic supremacy, commonly known as pax americana. With the waning of that period, Japan confronted an emboldened Chinese foreign policy.

The rise of Donald Trump, his unpredictable nature and his willingness to adopt a sterner China policy could reassure Japan of the United States of America’s staying in power in the Asia-Pacific. It remains to be seen, however, whether the Trump administration will be able to skillfully deter China without provoking an already emotional foreign policy apparatus. At the same time, Trump’s «America First» and economy-focused colours betrayed a transactional deal-making posture to world affairs, hinting at the reverse risk. Abe’s Japan leaned by default on the US side, but it could not take Washington for granted.

88. ‘Voter turnout up slightly at 54.7 percent for Upper House election’, Japan Times, 11 July 2016.
President Rodrigo Duterte’s 2016 election was a divisive moment in Philippine politics. The promise to disrupt élite-centric politics and restore national peace and order won him strong popular support throughout the country. His satisfactory track record of turning Davao City from a haven of criminals to the «safest city» in the Philippines raised hopes that he would make every effort to replicate this model nationwide. His supporters celebrated his authoritarian, haphazard leadership style, which, however, also provoked severe criticism at home and abroad. Both local and international media have been keen on condemning his «War on Drugs», which sanctions extra-judicial killings, and his crude approach to foreign relations. The tension between those for and against Duterte’s leadership has caused many to question how it was possible for a nation that successfully toppled a dictatorship through a non-violent revolution to elect someone with strong authoritarian leanings. This article argues that Duterte’s election was an outcome of the diminishing credibility of the 1986 EDSA People Power Revolution and the system it created as a model for Philippine democracy. It suggests that the 2016 Philippine national elections provided an opportunity for people to express their dissatisfaction with the country’s democracy, which had come to be seen as a fractured system. It adds to the usual, personality-focused, commentaries on Philippine politics, by also discussing a range of domestic and international issues and the irony of electing a strongman to represent the people’s discontent with Philippine politics.

1. Introduction

The Philippines has fought hard to keep its democratic institutions intact. Since becoming fully independent from United States (US) colonial rule in 1946, most of the Filipino electorate has opted for a candidate who supports freedom of the people. Although the Proclamation of Martial Law in 1972 challenged this ideal, it also showed that democracy was embedded in the Filipino spirit. Discontent over corruption and grave human rights abuse under the Marcos dictatorship urged the public to protest. Through the 1986 EDSA People Power Revolution, Filipinos appeared to have successfully resurrected democratic institutions in the country. This historical episode was a victory over authoritarianism and has been the emblem of Philippine democracy ever since.

Yet almost three decades later, the 2016 election of President Rodrigo «Digong» Duterte presented another turning point for Philippine demo-
Duterte’s campaign slogan, “Change is Coming”, embodied both the change he wanted to make as a Philippine president and change desired by the Filipino majority. Duterte distanced himself from the usual campaign strategy of utilising tactfully constructed sound bites to entice voters. His campaign was candid, down-to-earth, and often undiplomatic. Duterte also shifted from the usual policy concerns of economic growth and anti-corruption strategies. Instead, he stressed fighting criminality as the major precursor to Philippine development. His promise to restore domestic peace and order through any means possible, including extra-judicial killings and reinstitution of the death penalty, was extraordinarily bold and straightforward. Despite criticism from rights groups who were against the pacification policies, Duterte continued as the mayor of Davao City prior to the elections, with the prospect of a Davao-like Philippines prevailing among the voters.

Perhaps unexpectedly, the 2016 Philippine national elections set a historic record, with an 81% voter turnout. Contrary to what one might expect from a democracy, the Filipino majority voted for a candidate with authoritarian features. Duterte won in a landslide victory with a 12.8% margin. The newly elected president maintained an approval rating of 72% six months after his inauguration on 30 June, amidst ceaseless domestic and international objections to his violent war against drugs and calls for his resignation from some quarters.

Underneath Duterte’s unbridled popularity is a nation torn between defending democracy and jeopardising its continuance; the potential for the country to be under the rule of authoritarian government appears to be a risk associated with improving the nation’s political and socio-economic conditions. How did it become possible for a nation that successfully toppled a dictatorship to elect someone with strong authoritarian leanings? This article argues that Duterte’s election is an outcome of the diminishing credibility of the 1986 EDSA People Power Revolution and the system it created as a model for Philippine democracy. It suggests that the 2016 Philippine national elections provided an opportunity for people to express their dissatisfaction with the country’s oft-described fractured democracy. It adds to the usual commentaries on Philippine politics that emphasise personality politics by also discussing domestic and international issues and the irony of electing a strongman to represent the people’s discontent with Philippine politics.

1. Davao is a city in the southern Philippines where he served as a mayor from 1988 to 1989 and from 2004 to 2007 (http://ph.rappler.com/elections/2016/results/map).
2. 2016 Philippine presidential elections: Overturning the post-EDSA order

2.1. Choosing the Philippine president: A brief history

To acquire a broad picture of the novelty of the 2016 Philippine national elections and the implications for Philippine politics, it is necessary to discuss the two foremost methods for replacing top public officials in the country: elections and public protests. Elections, based on the plurality voting system to determine winners, were integral to the development of representative democracy in the Philippines. The first Philippine national election in 1935 was part of the process of gaining independence from US colonial rule. Following the directives of the Tydings-McDuffie Act, the 1935 Constitution institutionalised the right of Filipinos to vote directly for their president and vice president. Since then, national elections have been held successfully at fixed terms. The Japanese Occupation briefly interrupted the process in 1943 when the Japanese established the single-party Kalibapi, or the Association for Service to the New Philippines, to dissolve political parties established under the US tutelary government. The Kalibapi appointed the president of the Second Philippine Republic instead of holding elections. The Filipinos’ right to suffrage was re-institutionalised in 1946, following the end of the Second World War, almost three months before the US granted the Philippines full independence.

However, less than two decades after independence, the election of Ferdinand Marcos as the 10th Philippine president introduced another challenge to the country’s representative democracy; further, it engendered popular protests as a means of ousting and installing a chief public official. When Marcos won his first presidential term in 1965, the Constitution granted elected presidents a four-year term with one chance for re-election. Having this option, the then popular Marcos ran again in 1969, winning 61.47% of the votes to become the first president to serve two consecutive terms. However, his popularity eroded following his Proclamation of Martial Law in 1972 and the promulgation of the 1973 Constitution.

5. Also known as the Philippine Independence Act.
6. In the 1935 Constitution, the president has a fixed, six-year term with no provisions for re-election. An amendment in 1940 granted the president a four-year term, with a maximum of two consecutive terms in the office.
8. Ferdinand Marcos justified the Proclamation of Martial Law as a response to the growing Communist insurgency during that period. The proclamation was issued less than a year before his term was to formally end.
posed objective of the 1973 Constitution was to change the form of government from a presidential to a parliamentary system. Nevertheless, Marcos used this opportunity to further tighten his grip on power. What could have been the Philippines’ first experiment with parliamentarism turned into one of Asia’s most ruthless dictatorships, under which the nation suffered military brutality, extra-judicial killings, desaparecidos, and rampant corruption. The perilous political situation coupled with severe economic conditions dramatically diminished the legitimacy of Marcos. Consequently, he lifted the martial law declaration in 1981, primarily because of pressure from the business class. This action, however, hardly made a dent in the scope of his executive and legislative powers.

Filipinos reached the tipping point when Marcos reinstalled presidential elections in 1981. He ran for the presidency and won 88.02% of the votes. Instead of legitimising his rule, his dubious victory exacerbated the public displeasure that had been growing over the years. The infamous 1983 assassination of the opposition leader, Benigno Simeon ‘Ninoy’ Aquino Jr., further angered the public, giving opposing elites the impetus to reclaim their power. Marcos called a snap election in 1985 and won against the opposition candidate and widow of Ninoy, Corazon Aquino. The people, outraged and desperate, acted to oust the dictator and installed Corazon Aquino as the president of the newly restored Philippine democracy in the historic 1986 EDSA People Power Revolution – what is now simply known as EDSA I.

Public protests that draw on the powerful legacy of EDSA I have come to play an important role in deciding the fate of Philippine presidents. So far in the post-Marcos era, there were two attempts to replicate EDSA I. Because of EDSA II, Joseph ‘Erap’ Estrada was ousted through impeachment. He was succeeded by constitutional mandate by his vice president,

9. The proposal to have a parliamentary form of government was first raised during the Malolos Congress, or the First Philippine Republic (1898). For more information about the debate on shifting to a parliamentary form of government during the Marcos regime, see Albert F. Celoza, Ferdinand Marcos and the Philippines: The Political Economy of Authoritarianism, Westport, Connecticut: Praeger Publishers, 1997.


11. According to Joel Steinberg, the major opposition parties decided to boycott the elections, which compelled Marcos to choose a fake opponent and stage the elections. For his discussion, see Joel Steinberg, The Philippines: A Singular and a Plural Place, New York: Westview Press, pp. 134-150. It is worth noting here that then US Vice President George H. W. Bush was present during the inauguration of Marcos, whose efforts towards upholding democratic values were praised by Bush. See Raul Manglapus, ‘Buttery Toast in Manila’, The New York Times, 10 July 1981.

12. The 1984 legislative elections gave opportunity to the opposition elites to gather support from the masses. For a more comprehensive discussion, see Julio Teehankee, ‘Electoral Politics in the Philippines’, pp. 160-61.
Gloria Macapagal Arroyo, who faced two failed ousting attempts: EDSA III and several impeachment cases based on allegations of cheating during the 2004 elections, when she formally ran for the presidency. Unfortunately, Arroyo remained in power and is currently a congresswoman.

Arguably, electing the Philippine president has been a celebration of freedom in a country formerly deprived of liberty under centuries of colonisation and decades of authoritarian rule. Apart from this, the Philippine experience since 1935 illustrates that popular protests have become crucial in the formal process of voting to legitimise a leader. Especially since EDSA I, the people have found a recourse through public protests as an effective means to protect their democracy from national leaders who appear to threaten it. At the outset, it seems that Filipinos firmly embraced the gift of democracy received after independence. However, as noted above, despite this relatively short but fiery history of protecting democracy from its enemies, most Filipino voters in the 2016 presidential elections chose a strongman to run their country for the next six years. Have the Filipinos lost their faith in democracy? Or was it a democratic expression of their frustration with the system?

2.2. A protest vote?

Despite being a latecomer in the presidential race hounded by allegations of hidden wealth and lewd remarks about a gang rape of an Australian missionary, Duterte gained strong grassroots support and maintained a secure lead during the latter half of the electoral campaign. Filipino political scientist Ramon Casiple observed, «the vote for Duterte is a protest vote, not really a Duterte vote». In theory, a voter casts a protest vote in a plurality system because of the absence of a genuinely preferable candidate or party. The vote is not intended to put somebody in a position of power, but to protest a previously favoured candidate or party which failed to deliver. Cumulatively, protest votes strengthen the clout of less dominant candidates or parties. Based on this definition, Duterte’s massive popularity is at-

13. It is important to note that compared to EDSA II, which was led by the middle class, critics of EDSA III berated it as ‘mob rule’ in which people were allegedly paid US$ 20 to join the violent protests. For an alternative view of EDSA as a display of public outrage and withdrawal of allegiance from the incumbent president, see Dante B. Gatmaytan, ‘It’s all the rage: Popular uprisings and Philippine democracy’, Pacific Rim Law and Policy Journal, Vol. 15, No. 1, Feb. 2006.

14. Footage of Duterte responding to the queries about the rape case in 1989 went viral on social media. His comment, «She is so beautiful, the mayor should have been first», outraged the public but did not significantly affect his popularity among the general electorate. For details, see ‘Duterte’s rape comment sets off firestorm’, Philippine Star Web Site, 18 April 2016.


tributable to the failure of the past administration and his rival presidential candidates, rather than to his credibility as a long-serving mayor of Davao City or his presidential campaign platform, «Change is Coming». People appeared to tolerate Duterte’s inappropriate behaviour because the people saw him as the «face» of their protest.\(^{17}\)

Indeed, given the weaknesses of the other presidential candidates, which will be discussed below, it is plausible that a substantial portion of Duterte votes constituted protest votes. However, if we consider his political career as the mayor of Davao City and the people’s unmatched enthusiasm towards his campaign promises, Duterte’s win could be considered both a protest vote and a Duterte vote.

Three factors influenced the outcome of the 2016 presidential election: 1) distance from the generation of leaders and elites who emerged triumphant after EDSA I yet who failed to sustain the EDSA spirit, which in turn diminished the appeal of notions such as freedom and a revolutionary movement; 2) public office track record; and 3) personality. These factors were interrelated in such a way that if a candidate was perceived to lack any of these, he or she would be at a disadvantage. A good example was Grace Poe, one of the leading candidates during the early pre-election phase. She had a relatively good track record as a legislator. She also played the card as the daughter of Fernando Poe Jr., the actor who lost to Gloria Macapagal Arroyo in the 2004 presidential election. Following the Hello Garci scandal that demonstrated the possibility of Arroyo manipulating election results, Grace Poe championed the cause for fair elections. A vote for Grace Poe in any other election would have symbolised a protest vote against a rigged electoral system, possibly sufficient to get her elected. Yet, her chances of winning as an independent candidate began to decline when she was engulfed with questions about her dual citizenship in the US and the Philippines. Moreover, despite expressing disagreement with the previous administration and distancing herself from traditional politics, the soft-spoken Poe appeared detached from the people and lacking the personality to garner mass appeal. This cost her the lead as a non-aligned, independent candidate.

Duterte was perceived as having all three factors associated with presidential preferences. First, it was not a coincidence that he emerged as the most favourable candidate to replace Benigno «PNoy» Aquino III in the Malacañang Palace. The former president’s administration brought huge disappointments to the Filipinos, who had invested their hope on his ‘straight path’ campaign to rebuild the nation following the corruption-laden Arroyo regime. He ran in the year his mother died, which ignited the people’s nostalgia for EDSA I. The people yearned for its revival through

\(^{17}\) ‘Too late to change voters’ minds amid Duterte lead», says analyst’, ABS-CBN News Website, 6 May 2016.
PNoy. However, what seemed to be a sterling beginning ended with unsatisfactory legacies, most notably the Mamapasano incident and the Disbursement Allocation Program (DAP) scandal, in which Duterte was accused of fund malversation.18 The gap between the rich and poor widened sharply during his term, which reflects the ironic flipside of the GDP growth that the Philippines was beginning to experience even though corrupt officials were still in public office.19

Certainly, the performance of the Aquino administration only magnified the failure of the post-EDSA system to live up to its promises of eradicating corruption and challenging the overwhelming political and economic influence of the oligarchy. The only noticeable difference between the Marcos regime and the post-EDSA government seemed to be the form of government. Philippine politics – democratic or authoritarian – remained unscrupulous, violent, and exclusively managed by the rich and powerful.

As Aquino ran on the usual rhetoric of linking democracy with good governance and development, Duterte’s campaign radicalised PNoy’s reformist agenda through «jettisoning its liberal aspects» and «promising fast results through harsh punitive measures», with threats to dissolve Congress and abrogate human rights.20 Duterte stated that EDSA I «restored democracy only for the elite» during an interview commemorating EDSA’s 30th anniversary.21 In his last campaign speech, he told the cheering crowd something that previous candidates would not dare say: «I will be strict. I will be a dictator, no doubt [about] it. But only against the forces of evil – criminality, drugs and corruption in the government».22 Thereafter, the majority showed no hesitation in electing somebody who openly called himself a dictator, in a refreshing contrast to the corrupt elites who posed as liberal and democratic.

The vice-presidential campaign is also telling of this choice. The strongest competitors were Ferdinand «Bongbong» Marcos Jr., the son of Ferdinand Marcos, and Leni Robredo, the widow of Jesse Robredo, an acclaimed mayor of Naga City and former Department of Interior and Lo-

18. The Mamapasano incident occurred on 25 January 2015 during a clash between the Special Action Force of the Philippine National Police and Muslim rebels in Maguindanao. The resulting deaths of 44 policemen were attributed to an alleged lack of coordination by the government. The DAP scandal involved the Aquino administration’s unconstitutional budgeting mechanism to pump-prime the economy and allot funds to the president’s pet projects.


22. ‘As Philippines’ likely president, Duterte vows to be a «dictator» against evil’, CNN Philippines Web Site, 10 May 2016.
Robredo won the race only by 263,473 votes. Duterte’s victory and the surprising number of votes for Bongbong Marcos despite the legacy he carried, further demonstrated how the 2016 national elections gave the disenchanted the opportunity to cast protest votes against the post-EDSA system in their desire to preserve the oligarchy. It delivered a harsh judgment to those who steered the Philippines for almost 30 years after EDSA I. As if to add insult to injury, the people were close to putting Bongbong Marcos, a son of a former dictator, in office with a self-proclaimed «qualified» dictator. Beyond the previous administration’s performance, Duterte also had a track record that appealed to the anti-EDSA protest votes. During his campaign, he vowed to roll out Davao City’s law and order measures across the nation. Filipinos were aware of what he meant. Davao City is a very urbanised area in Mindanao, where Duterte was the mayor for more than 22 years. Duterte’s authoritarian appeal was not based on imagined fear. According to the Philippine Statistics Authority, incidences of crime and delinquency
skyrocketed from 212,812 cases in 2012 to 1,161,188 in 2015.\textsuperscript{28} Regarding drugs, the Philippines has the highest rate of methamphetamine use in East Asia.\textsuperscript{29} In fact, 26.93\% of the 42,063 barangays (the smallest administrative division) have drug-related problems, with Metro Manila the most affected at 92.26\%.\textsuperscript{30} Therefore, his emphasis on criminality as one of the major causes of stagnation in the Philippines resonated across all socio-economic classes, especially in crime and terror-laden areas of Metro Manila and Mindanao.

The last point in question is Duterte’s personality. In the Philippines, at least on the cursory level, personality politics speak louder than political parties, ideologies, or policy coherence. Aside from land ownership and patronage, <<celebrification>> has been a potent tool for electioneering.\textsuperscript{31} Celebrification refers to the introduction of celebrities to public office, the most notable example of which was the impeached Erap Estrada. Although Duterte was not a celebrity, he was packaged in Hollywood-style garb. His famed nicknames include «Du-dirty Harry» – a spin-off of Clint Eastwood’s iconic fictional police character, Dirty Harry, known to take justice in his own hands – and «The Punisher», based on the vigilante character in Marvel comics.\textsuperscript{32} Duterte also created his own celebrity status with his unreserved communication style. He would drop lines ranging from humorous ones such as «Even God will weep if I become the president»\textsuperscript{33} and «I’ll dump all of you (criminals) into Manila Bay and fatten all the fish there», to outright irreverent statements addressed to the Pope: «I want to call him ‘Pope (son of a whore)’, go home. Do not visit us again».\textsuperscript{34} Adding to his international stardom was the constant comparison to Donald Trump, who was simultaneously running for the US presidency. To this, Duterte responded, «He is a bigot, I am not».

Yet, much like Donald Trump’s presidential campaign, a substantive policy discourse was absent. Filipino sociologist Randy David coined the term ‘Dutertismo’ to characterise Duterte’s campaign style, which capital-
ised on theatrics and promises without a concrete underlying rationale. Accordingly, Duterte’s «dark» charisma comes from his fearless and intrepid personality. Though clear about his aim to eradicate criminality in his first year as the nation’s president, he did not present a defined agenda on how he planned to do it. Regardless, his rhetoric against crime fuelled resentment and fanned aggression among ordinary people towards criminals as public enemies.

Perhaps what contributed most to Duterte’s allure was that he offered something that his rivals could not: an alternative to elite-dominated politics. He is the antithesis of a typical Filipino president known until now. Appearing folksy, tactless, frank, and oftentimes vulgar, Duterte posed as an ordinary man who had no care for the luxurious lifestyles of politicians. He wore ordinary clothes, lived in an ordinary house, and spoke the ordinary Filipino’s language. He also came from the southern part of the Philippines, where people often feel neglected because of the concentration of wealth and power in «imperial Manila». He stood out in the roster of candidates who – including Grace Poe – were seen to be representatives of trapo, the Filipino word for ‘rag’ but also a derogatory term for traditional politicians, denoting «scum».

It would be a facile generalisation to interpret Duterte’s election simply as a product of protest votes. His promise of ushering in ‘real change’ was no different from that of previous and rival candidates. There were similarities among them, perhaps enough to cancel Duterte’s image as one-of-a-kind. He was like Jejomar Binay, who pledged to transform the Philippines into Makati City. He was also like Roxas, who represented another political dynasty. He was like Poe, who wanted to challenge the status quo. Like the rest of the presidential roster, he faced allegations of corruption; worse, he was said to have been involved with the notorious Davao Death Squad, a purported vigilante group in Davao City responsible for the deaths of thousands of crime suspects. Yet, Duterte was chosen, conceivably less because the electorate did not have a choice, but rather because Duterte embodied what the majority wanted – a strongman. Thus, the tragic irony of the 2016 presi-

37. For a brief discussion of the political economic manifestations of this concept, see economist Cielito F. Habito’s opinion piece, “The Edge of «Imperial Manila», Philippine Daily Inquirer, 9 August 2016.
38. Trapos are politicians aiming to maintain the existing order of society, including its hierarchies and patronage politics. See Randy David, ‘The Dilemmas and Tasks of New Politics’, Speech, AKBAYAN 10th Anniversary Forum, Bukluran sa Ikaw-unlad ng Sosyalistang Isip at Gawa (BISIG), 25 January 2008. Aside from Grace Poe, the other candidates were Mar Roxas, the vice-presidential running mate of former President Benigno ‘PNoy’ Aquino and a member of the old ruling elite in Bacolod City, and Jejomar Binay, the former vice president whose family has been mired with corruption scandals in Makati City.
39. Jejomar Binay was the mayor of the financial centre of the Philippines, Makati City, from 2001 to 2010.
Presidential election for democracy in the Philippines was the public choice of an authoritarian figure to rectify the mistakes of past «democratic» leaders.

It is too early to judge the effectiveness of Duterte’s leadership or to make sense of his unabated popularity among the public despite actions and policies that have been contentious and controversial. Nonetheless, Duterte’s few months in office have already drawn a wedge between people who are separated only by their beliefs regarding how to improve the country’s condition. The next two sections cover the controversial issues surrounding the Duterte administration in relation to domestic and international politics that raise questions about the durability of democracy in the Philippines.

3. Domestic politics

3.1. The «war on drugs»

Perhaps the deepest dent to the EDSA-ushered democracy following Duterte’s election was the Filipino majority’s surprising acquiescence to violence to restore order in society. In theory, one of the most important tenets of democracy is resolving conflict and restoring order through peaceful and diplomatic means. Under the rule of law, all citizens, including criminals, are protected against the possible abuse of power from the state. When a citizen errs, a mature democratic society alludes to thoughtfully designed procedures to ensure that he or she gets a just and fair trial. If this is not a viable option, the people may devise non-violent extra-constitutional means. In practice, this was the core principle behind the success of EDSA I and II, with Erap Estrada’s impeachment: a peaceful means to reclaim the power of the people from the hands of criminal leaders.

Whereas these successes created a mythical belief in the non-violent nature of Filipinos, Duterte’s election opened a space for the majority to express their unwillingness to stand firmly for non-violent means. Duterte initiated the national War on Drugs, known colloquially as «Oplan Tokhang», immediately after his inauguration. He urged the public to «do it [killing] yourself if you have the gun» and offered financial rewards to those who could capture or kill a drug lord. Duterte worked in tandem with his close friend, Ronald «Bato» dela Rosa, chief of the Philippine National Police


41. Tokhang was derived from the Cebuano (Cebu City’s dialect) term toktokhangyo, which means ‘knock and warn’. Ideally in Oplan Tokhang, police officers would knock on a suspected drug pusher’s door and warn him/her about the situation. However, there were reported incidences in which law enforcement representatives would knock and just shoot a suspect.

42. ‘Duterte urges public to kill criminals’, GMA News Web Site, 5 June 2016.
(PNP), who previously served in Davao and transferred to PNP Headquarters in Manila, to deliver swift ‘justice’ to victims of drug-related crimes. In roughly a month, a total of 103 suspects were reportedly killed, and 60,000 drug pushers and users surrendered, proving that Duterte’s promise of a bloody war against drug users and pushers could be fulfilled.43

The War on Drugs immediately attracted domestic and international attention. Aside from dominating domestic media, it glossed the covers of Time Magazine and made it to the headlines of top newspapers such as The New York Times, The Washington Post, and The Guardian. Internationally, there is a perceptible sensationalism in the depiction of the Philippine situation, especially compared to how other countries where political conditions are arguably much worse – such as in Venezuela or South Sudan – are covered. Exacerbating this poor imagery is Duterte’s response to foreign criticism. Whenever international institutions and Western leaders attack Duterte’s administration for supposedly condoning the killings that have occurred, Duterte typically retaliates, citing their hypocrisy and double standards. For instance, Duterte chided the United Nations (UN) for its shortcomings in dealing with the Middle East crisis and Africa.44 After the European Union (EU) released a statement against his War on Drugs, Duterte raised his middle finger and reminded everyone of Europe’s brutal colonial history.45

Although there are some truths in Duterte’s angry retorts that strike an anti-Western chord, the ruthlessness of his crime deterrence is also real. The War on Drugs operated on a lethal combination of fear and secrecy. The whole modus is – to use Charles Tilly’s characterisation of state and war-making – similar to that of organised crime.46 States operating in this regard act like «self-seeking entrepreneurs» who create threats and sell protection in exchange for legitimising the state’s monopoly on force. The state consequently acquires legitimacy from other consenting authorities and citizens.

In the case of the Philippines, magnifying the drug problem and inciting fear and paranoia among citizens create the threat. Duterte’s constantly updated «Narco» list contains the names of more than 1,000 suspected drug criminals, including high-ranking officials. The case filed against former Commissioner on Human Rights and Secretary of Department of Justice Leila de Lima roused domestic and international attention. It involved allegations of De Lima having an affair with her driver, who also served as her

43. ‘60,000 drug users, pushers have surrendered: Palace’, ABS-CBN News Web Site, 14 July 2016.
44. ‘In the know: Duterte’s remarks vs the United Nations’, Philippine Daily Inquirer Web Site, 15 September 2016.
45. ‘Philippines’ Duterte fierce attack on «hypocritical» EU’, BBC Web Site, 21 September 2016. Despite the attacks, the EU kept the agreement on funding the rehabilitation of Filipinos with illegal drug-related problems.
drug money collector and who was a known drug user. De Lima was also accused of using illegal drug-related funds for campaigning during the 2016 national elections.\footnote{47} Another high-profile case is the death of Leyte Mayor Rolando Espinosa Sr., who was shot in prison while resisting arrest for suspected illegal drug possession.\footnote{48}

Among ordinary citizens, 6,236 people were killed in five months, with 2,187 of those deaths conducted during police operations and 4,049 in vigilante killings.\footnote{49} It is surprising that the number of vigilante killings is almost twice more than those performed through formal means. What perhaps fuelled the killing epidemic is the nature of the war itself. According to Hardt and Negri, the limits of war in the 21st century have been extended, and states and institutions can wage an abstract war against an indefinite enemy.\footnote{50} The main targets in this war are the poor, whom the authorities and their supporters consider as 1) morally dangerous because they are ‘social parasites’ who make their living by stealing, engaging in prostitution, and pushing drugs; and 2) politically dangerous because they are disorganised and capricious.\footnote{51} In aspiring for so-called «cardboard justice», anybody can act like police officers and kill anyone whom they suspect is a criminal.\footnote{52} Like Hardt and Negri’s social parasites, drug pushers and dealers are perceived as threats to societal morale and order. As such, they can be easily gunned down instead of being brought to the justice system.\footnote{53}

The rising number of casualties prompted the formation of a congressional committee tasked to investigate the alleged state-sponsored extra-judicial killings. Duterte was also probed for charges of murder, torture, and  

\begin{itemize}
\item \footnote{47} ‘Drug money made Leila win’, \textit{Philippine Daily Inquirer Web Site}, 7 October 2016.
\item \footnote{48} According to the findings of an investigation by Senator Panfilo Lacson, the killing was intentional. It was as a part of a ‘systematic cleanup’ in which other officials suffered the same fate as Espinosa’s. For details of the report, see \textit{Lacson: Sponsorship Speech for the Committee Report on the Inquiry on the Killing of Albuera Mayor Rolando Espinosa, Sr. Speech of Panfilo Lacson, Senator, Republic of the Philippines, 13 March 2017.} (http://www.senate.gov.ph/press_release/2017/0313_lacson).
\item \footnote{49} Data from a Philippine National Police report, as published in ‘IN NUMBERS: The Philippine «War on Drugs»’, \textit{Rappler}, 6 January 2017.
\item \footnote{51} \textit{Ibid.}, p. 130.
\item \footnote{52} \textit{Cardboard justice} is a term coined by the De La Salle University teacher, Hope Swann, to characterise how people are convicted as drug criminals on the streets. People who are killed through vigilante justice are usually seen wrapped in packaging tape with a sign attached saying, ‘I am a drug pusher’.
\item \footnote{53} The targeted suspects in the Philippines are users of cheap and accessible crystal methamphetamine or \textit{shabu}. The rich can afford cocaine and ecstasy and are usually spared in the operations. For a detailed discussion, see Joseph Franco, ‘The Philippines War on Drugs Is Really a War on the Poor’, \textit{The Global Observatory Web Site}, 10 August 2016.
\end{itemize}
kidnappings during his tenure as the mayor of Davao City. However, the chair of the Senate Committee on Justice and Human Rights terminated the hearings, stating that there was insufficient proof linking the deaths to state policies. The International Criminal Court in The Hague spelled out that it had no plans to investigate Duterte after the Senate ruling. Still, there are pending motions for investigations from the UN and local activist groups hoping to convince the so-called ‘silent majority’ to withdraw their support for Duterte.

Despite the criticisms, Duterte remains invincible. In the latest survey conducted by the Social Weather Station, respondents gave the government an ‘excellent’ rating for its campaign against drugs, with 74% saying they are satisfied with its effort to uphold human rights. Though it is debatable whether or not Duterte’s War on Drugs condones state-sponsored killing, the ongoing investigations and public exchange it has sparked has led citizens to scrutinise the extra-judicial killing records of past presidencies. The extent to which these discussions can boost or deter the killing spree is still in question, but they certainly have made the world feel the once overlooked presence of those who back violence as a means of restoring order in a democracy.

3.2. Burial of Ferdinand Marcos

Another historic event that unveiled a crack in post-EDSA Philippine democracy was the burial of Ferdinand Marcos in the national Heroes’ Cemetery. The atrocities the nation experienced during Martial Law made the idea of giving Marcos a hero’s burial almost taboo. Any form of festivity was restricted during the process of transferring his body from Hawaii to his home province, Ilocos Norte, in 1993. His remains were subsequently preserved in an airtight glass case in his family mausoleum, where they were made available for public viewing.

54. On 9 December 2016, Edgar Matobato, a self-confessed hitman, filed cases against Duterte, his son, and PNP Chief Ronald dela Rosa for alleged murder, torture, and kidnapping in Davao City.

55. ‘Senate report on extrajudicial killings out this week’, Philippine Star Web Site, 17 October 2016.


58. Ferdinand Marcos died of lung and heart complications. As early as 1983, he was diagnosed with a chronic autoimmune disease. Despite the illness, he presented himself as a healthy leader, completely capable of governing. By the time he was ousted as the president of the Philippines, his health was deteriorating quickly.
In 2016, the Supreme Court ruled in favour of the Duterte administration’s request to bury Marcos in the Heroes’ Cemetery on 18 November. Duterte argued that this action would initiate national healing, wherein Marcos would not necessarily be considered a hero but would receive the ceremony dead soldiers and presidents had in the past. Duterte was an admirer of Marcos and considered him the ‘brightest’ among the past Philippine presidents, citing his wish to revive programmes Marcos initiated during his presidency. He also took on the failure of past administrations to deal with the lingering burial issue and their unwillingness to gamble on possible dissent from the people.

The proposal also seemed to echo the majority’s opinion. The narrow margins in surveys show a fundamental divide among Filipinos regarding the treatment of Marcos’s remains. Social Weather Station surveys conducted in July 1998, March 2011, June 2011, and February 2016 revealed that 54%, 60%, 50%, and 59% of Filipinos agreed that Marcos should be buried with official honours. Such support was also reflected in the fact that Marcos family members continue to hold elected public positions despite persisting allegations of corruption. Ferdinand Marcos’s wife, Imelda Marcos, is currently a member of the House of Representatives. Their daughter, Imee Marcos, is the incumbent governor of Ilocos Norte, and their son – Bongbong Marcos – is a senator. As mentioned earlier, Bongbong lost the 2016 vice-presidential race by only a narrow margin.

This underestimated support for the Marcos family was tested when Duterte decided to bury the late dictator in fulfilment of one of his campaign promises. As expected, human rights groups and activists protested. The bone of contention, fought on the bases of history and legality, was whether Marcos was a hero. As the anti-burial protesters shouted «Marcos, not a hero!» Marcos loyalists pleaded for forgiveness for the dictator’s atrocious deeds for the sake of «national healing». A petition was filed with the

59. Duterte was the second Philippine president to express his desire to bury Marcos at the national Heroes’ Cemetery. In 1998, Joseph «Erap» Estrada planned a burial for Marcos. The plan did not go through because of strong opposition, including that from Corazon «Cory» Aquino.

60. 'Duterte in Ilocos Norte: «I will allow Marcos’ burial in Heroes’ Cemetery»', Rappler, 19 February 2016. Duterte also cited the huge following of Marcos in the Ilocos Region, a region in the northern part of the Philippines; 'SC votes, 9–5, for burial of Marcos at Libingan', Philippine Daily Inquirer Web Site, 9 November 2016.

61. 'Duterte says Marcos was the brightest of them all', Philippine Daily Inquirer, 10 February 2016.

62. 'Duterte says predecessors' inaction on Marcos burial left him with a burden to resolve it', Interaksyon Web Site, 25 November 2016.

63. 'Is Philippines ready for a state burial for Marcos?’, ABS-CBN New Web Site, 14 March 2016.

64. 'Marcos loyalists, critics engage in shouting match outside SC’, ABS-CBN News Web Site, 31 August 2016. A signature campaign lobbying for a Marcos burial gathered more than one million signatures, including those from Filipinos living
Supreme Court to stop the burial. However, it ruled for the burial in a 9–5 vote, with one abstaining. According to the Supreme Court, Duterte’s decision was not considered a grave abuse of discretionary power, and as chief executive, he had the right to reserve a cemetery plot for Marcos.

Protests and appeals to revoke the Supreme Court ruling erupted across the country as the Marcos family and their loyalists rejoiced. High-profile public officials, such as Senator Francis Pangilinan, Vice President Leni Robredo, and Socrates Villegas, the president of the Catholic Bishops Conference of the Philippines, voiced their objection to the decision. Martial law victims filed a temporary injunction to suspend the burial of Marcos with the argument that it would defile the people’s «historic struggle against the tyranny of martial law». The sentiments of anti-burial citizens could be summarised in former National Historical Commission of the Philippines Chair Maria Sereno Diokno’s statement in her letter to Duterte, «Our appeal is based not on a narrow and short-sighted reading of law but on historical grounds».

Despite these petitions, the Duterte administration performed the burial. According to the Armed Forces of the Philippines, the Department of Defence instructed them to keep the preparations private, at the request of the family. As a response to this act compared to a «thief in the night», thousands of Filipinos – including the young who had not experienced the Marcos regime – joined the «Black Friday» protests. Duterte’s reassurance that the protests would not be suppressed came as a consolation prize, for the protesters’ demands were unheeded as the burial pushed through.

On a positive note, the protests reminded many of EDSA I, when people of different socio-economic backgrounds and generations joined to fight an oppressive regime. Nevertheless, the Marcos burial seemingly reversed the achievements of EDSA I. The protests continued briefly. Several petitions to exhum the remains of Marcos and appeals questioning the legitimacy of the Supreme Court’s decision are still on the table. Therefore, it is difficult to deny that the burial was a watershed moment implicating future discussions about lessons learned by the Filipinos from overthrowing a dictator and electing a president who authorised his burial in Heroes’ Cemetery.

abroad. «National healing» was also the Office of the Solicitor General’s main justification to junk anti-burial petitions.

66. ‘NHCP to Duterte: Lead the way to true healing, reconsider Marcos burial’, Rappler Web Site, 11 November 2016. It should be noted here that Diokno resigned on 29 November 2016, after the Marcos burial.
67. Although Duterte’s permissive attitude towards the protests may be construed as contradictory to his perceived authoritarian figure, it must be noted that his uncompromising stance on burying Marcos in the Heroes’ Cemetery has effectively marginalised dissenting opinion.
3.2. Economic policies

Despite considering Philippine oligarchy as the foremost enemy of Philippine democracy,\(^{68}\) the Filipinos have elected oligarchs to the presidency since 1935. Whether the election outcomes reflect their choices or the absence thereof, Duterte’s election might have changed the pattern. Like any other newly elected president, Duterte faced the challenge of addressing the Filipinos’ economic plight. Poverty in the Philippines has long been linked to land-owning oligarchies, which own and control most of the country’s resources. Whereas poverty alleviation has been a permanent campaign vow of presidential candidates, it was Duterte’s pro-poor image that revitalised the hope of overturning the system.

The current administration’s 10-point socio-economic agenda offered a promising start. It combines existing economic policies and a renewed focus on infrastructure development, agrarian reform, and improvement of social welfare protection programmes. Duterte’s economic team, composed of highly qualified individuals, acknowledged PNoy’s efforts to improve the economic condition of the country.\(^{69}\) Such open-mindedness towards incorporating and reviewing the previous economic policies was fundamental to keep the inherited economic growth from digressing.

Duterte’s economic platform seems to be on the right track. Notable Filipino economist Gerardo Sicat stated that Duterte acquired good macro-economic fundamentals from the Aquino administration, including a good ‘investment grade’ credit rating and decrease in total debt-to-GDP ratio. However, he also inherited his predecessor’s «poor performance in public infrastructure investment», particularly its position against easing the constitutional restrictions to foreign direct investments.\(^{70}\) Knowing this, the Duterte administration allotted 900 billion pesos to strengthen infra-

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69. ‘Economy grows 6.3% in 4\textsuperscript{th} quarter, 5.8% in 2015’, \textit{Philippine Star Web Site}, 29 January 2016; ‘Duterte’s economic team reveals 10-point socio-economic agenda’, \textit{GMA News Online}, 20 June 2016. Some of the notable members of Duterte’s economic team include the following; Secretary of Finance Carlos Dominguez III, a businessman who has also served as Corazon Aquino’s Secretary of Agriculture; Secretary of Budget and Management Benjamin Diokno, an economics professor from the University of the Philippines Diliman, who held the same position under Joseph Estrada; and Secretary of Socio-economic Planning Ernesto Pernia, also Economics Professor Emeritus from the University of the Philippines Diliman and economist at the Asian Development Bank.

structure development.\textsuperscript{71} It also plans to loosen constitutional restrictions regarding land ownership to attract foreign investors. In addition, the current administration’s goal is to reduce poverty from 21\% to 13\% by 2020, with a focus on addressing issues in rural areas and among the poorest of the poor families.\textsuperscript{72} Existing poverty alleviation programmes such as Conditional Cash Transfer, by which families are given money in exchange for fulfilling certain requirements, were retained, and the results of the latest Family Income and Expenditure Survey by the Philippine Statistics Authority were reviewed to determine which policies needed improvement. The government also sought to enhance the implementation of the Reproductive Health Law, despite causing a skirmish between its supporters and opponents, especially the Philippine Catholic Church.

The reception towards Duterte administration’s socio-economic agenda implementation was mixed, particularly when seen against the backdrop of the country’s political climate. The perception of the business community was generally positive, expressing approval for Duterte’s choice of people to oversee economic matters.\textsuperscript{73} Likewise, the Philippine Chamber of Commerce President George Barcelon saw economic improvements in the first three months of Duterte’s presidency. For some experts, the adherence to sound economic fundamentals was a good sign. Gilberto Llanto, the president of the Philippine think tank, the Philippine Institute for Development Studies, had an optimistic outlook about the sustained implementation of tax reforms.\textsuperscript{74} According to a Social Weather Station survey, the percentage of families who considered themselves in poverty reached a historic all-time low of 42\% compared to the 50\% average of previous years.\textsuperscript{75}

However, such a positive economic outlook may be more an effect of Duterte’s popular ‘outsider image’, rather than a reflection of his leadership’s likely economic consequences. Even though his approval ratings remain high, alleged human rights abuse, questionable anti-drug policies, and inflammatory rhetoric against his critics has turned off foreign investors.\textsuperscript{76} The Philippine peso fell to its lowest value in seven years owing to the perceived political instability of the Duterte administration. Despite perceptions of the government’s volatility, Trade Secretary Ramon Lopez reas-

\textsuperscript{72} ‘Duterte administration must «work doubly hard» on accelerated poverty reduction, says Dominguez’, \textit{Philippine Department of Finance Web Site}, 11 March 2016.
\textsuperscript{73} ‘Businessmen laud Duterte’s economic team’, \textit{CNN Philippines Web Site}, 22 June 2016.
\textsuperscript{74} ‘Economists give mixed reviews on Duterte’s first 100 days’, \textit{Philippine Daily Inquirer Web Site}, 10 October 2016.
\textsuperscript{76} ‘100 days in: Duterte wins local support at the risk of losing foreign investors’, \textit{Nikkei Asian Review Web Site}, 8 October 2016.
sured the public that despite Duterte’s undiplomatic manner, he remains loyal to economic agreements within and outside the country.\textsuperscript{77}

In an ironic twist, critics cannot help but see the anti-poor angle of the current administration’s economic policies. Non-governmental organisations, activists, and government opponents consider Duterte’s anti-drug campaign as a war on the poor, contradicting his claim that eradicating drug problems in the country would help alleviate poverty.\textsuperscript{78} In addition, a left-leaning think tank, IBON Foundation, argues that Duterte’s economic policies still adhere to the neoliberal agenda that neglects pro-Filipino industrialisation through boosting local industry’s competitiveness in favour of foreign investors. This bias towards big business and private interests could undermine land reform and other policy initiatives supportive of farmers and low-income workers.\textsuperscript{79} Filipino leftists, likewise, described Duterte’s top economic advisers as the «neoliberal triumvirate» who could undermine his ‘pro-poor’ economic policies by sustaining the Aquino administration’s neoliberal policies.\textsuperscript{80} Duterte, in their view, should be wary of fostering exclusive economic growth that would fail to trickle down to ordinary Filipinos who voted for him.

Weighing these perceptions, it is difficult to ascertain whether poverty and the overall economic performance of the Philippines will improve or deteriorate during Duterte’s term. His supporters continue to show a willingness to lean on his strongman leadership style for the sake of what they perceive as a key to changing the impoverished state of the country. Nevertheless, the economic discussions transpose the developmental state debate that asks whether an authoritarian leadership could improve the country’s socio-economic condition. Are the Filipinos ready for this? Can Duterte boost the economy without a stronghold among the oligarchs? These are altogether separate questions that need more time to answer.

\textsuperscript{77} ‘Duterte gov’t assures PH economic policies «predictable»’, Rappler Web Site, 27 September 2016.
\textsuperscript{79} ‘On the Duterte administration’s economic direction in its first 100 days: Neoliberal economics continues, but nationalist change still possible’, Ibon Foundation Web Site, 5 October 2016.
\textsuperscript{80} ‘Left blasts Duterte admin’s «neoliberal triumvirate» dare them to survive on P40/day’, Interaksyon Web Site, 4 January 2017.
4. The return of the Philippines in geopolitics?

As in domestic politics, Duterte’s personality featured prominently in foreign relations. For the past several years, the perceived decline of US influence in many Asian countries coinciding with a China that wants a significant regional and global presence has affected East Asian regional politics. Duterte was able to capitalise on this fluid power landscape to make his mark as an iconoclast leader in Southeast Asian international affairs. Rallying for an «independent foreign policy», Duterte showed signals that he was not beholden to any conventional wisdom or custom regarding how to deal with China and the US or how to position the Philippines in the international community.

Duterte’s election occurred simultaneously with the emergence of the Philippines as a key country for balancing Chinese and American influence in the region. The case against China’s maritime territorial claim in the South China Sea at the Permanent Court of Arbitration in The Hague was filed during the previous Aquino administration, and it reflects the position of the Philippines and, to some degree, that of ASEAN. There is a growing unease with China’s bold moves to disturb the status quo. Aquino also brought back US forces to Filipino soil for the first time in over 20 years since their departure in 1992, sending a clear message to the US that the Philippines needed its support and would host American troops despite domestic backlash. Joining the US-led Trans-Pacific Partnership (TPP) negotiations was equally crucial to counterbalance the growing influence of Chinese money in the Philippine economy.

However, Duterte upset those enamoured with the Aquino legacy once he assumed the presidency. He appeared to play the powers against each other instead of committing to one side. Less guided by strategic calculations, Duterte operated on a reactionary, gut-instinct move to throw his foreign counterparts off balance. He managed, within months of his taking office, to offend the US and befriend China, Russia, and Japan, which ironi-

cally is a key ally of the US in the region. What resulted from his approach was a new matrix of regional relations in which traditional allies, friends, and foes seemed to be unchained from the post-Cold War order. Duterte’s approach also allowed the Philippines to carve out some room for diplomatic maneuvering. During his Southeast Asia tour, Duterte expressed his intention to have a stronger Sino-ASEAN security partnership. In effect, he overrode the balancing strategy of the Aquino administration and opted instead for equi-balancing, which prefers engagement with multinational institutions instead of balancing or bandwagoning with great powers.

To an extent, it appears that Duterte is independently creating his country’s pivot to Asia. He visited both Beijing and Tokyo to strike aid and economic deals. Unlike his predecessors, he showed little interest in prioritising ties with Washington. Aside from the rude remarks addressed to US President Barack Obama during the ASEAN Summit in September 2016, Duterte also called off future joint military exercises with the US. He had never professed any liking for the Americans ever since he was the mayor in Davao City, where he derided the country for its colonial legacy in the Philippines. The US, taking the moral high ground and criticising his war on drugs on grounds of human rights abuse, appeared hypocritical based on the brutal killings of thousands of Filipinos during its colonial rule. In addition, Duterte sees the shadow of the US in the elites of his country’s domestic political establishment. The US as a representative of the imperial world, which marginalised formerly colonised and developing countries, seems an anathema to the pursuit of Duterte’s anti-establishment agenda.

Worth noting is that although leadership of the Philippines in East Asian foreign affairs may be illusory, Duterte’s «anti-Americanism» kicked off a broader enquiry on the history of American colonialism in the Philippines. In history textbooks, American colonialism is usually narrated in positive terms, postulating that the Americans came to save the Filipinos from the brutal rule of the Spanish and defended them from Imperial Ja-

85. As a concession or weakening of the Filipino control of the South China Sea or upholding The Hague’s ruling, including the idea to ban fishing in the Scarborough Shoal
89. For a concise discussion of the relationship between Duterte’s background as the mayor of Davao and his dislike for the US, see Prashanth Parameswaran, ‘Why the Philippines’ Rodrigo Duterte hates America’, The Diplomat, 1 November 2016.
pan. In other words, the benevolent assimilation narrative runs deep in the veins of ordinary Filipinos, who have long seen US as a model. If there is a positive externality to Duterte’s quips critical of the West, it is putting the spotlight on the negative American colonial legacies that had since been eclipsed by US foreign and military aid to the Philippines. With Duterte, the Filipinos might have found a leader that refuses to kowtow to the demands of big powers, especially the US.

Nevertheless, there are a few loopholes in his rhetoric. Duterte was less dismissive than China was of The Hague ruling favouring the position of the Philippines. Nevertheless, he chose to downplay the victorious card against China. Opting instead to effectively shelve the issue, Duterte let realpolitik dictate his course of action. Neither China’s claim nor the upholding of international law seemed worth considering unless it served the national interests of the Philippines. As he would demonstrate later in his scathing remarks about US interference in Philippine domestic politics or the hypocrisy of international organisations, protecting Philippine sovereignty was of utmost concern. For Foreign Affairs Secretary Perfecto Yasay Jr., this would effectively address both internal and external security threats. Duterte was careful to clarify that he does not intend to completely cut ties with the US. Under his leadership, Duterte only aspires for a Philippines that pursues an «independent foreign policy».

What he meant by «independent foreign policy» is still unclear. The irony is that as Duterte’s administration pulls the Philippines away from the American grasp for the sake of sovereignty, it does so at the expense of backing China’s and Russia’s territorial and military ambitions. Hence, it appears that the Philippines is sandwiched between three giants and has not revamped its role in world politics. Duterte’s presidency presents a real test to how Philippine domestic politics could implicate its geopolitical relations. For the Filipinos, the historical enquiry Duterte inspired may at best show how a US-bestowed democracy could backfire against the former coloniser by electing Duterte. At worst, it could urge the former coloniser to make a comeback in another form.

90. ‘Duterte wants to liberate the Philippines from foreign shackles: foreign minister’, Reuters, 6 October 2016.
5. Concluding remarks

In this essay, some of the most salient issues of Philippine domestic and international relations in 2016 have been examined analytically. Duterte’s emergence to power is linked to the brief but substantive history of choosing a leader in the Philippines following the right to suffrage granted to the Filipinos by the US. This essay also illustrates the consequences of the EDSA system applicable to democratic politics, particularly the irony of electing an authoritarian leader to rectify an ailing democracy.

Arguably, Duterte introduced unconventional measures in Philippine domestic and international politics in 2016. His landslide victory over the usual power players demonstrated a democracy wanting change, dissatisfied with the initial unfulfilled promise of the post-EDSA system to dispense with oligarchic politics. More importantly, he created a space big and controversial enough to reveal a majority willing to experiment with an authoritarian leader who promised to improve the country’s abysmal situation. Despite receiving domestic and international criticism and derision for his tough and impulsive manner, Duterte has gained enough supporters to condone even brutal forms of discipline in the country. If democracy is the reflection of the will of the people, then Duterte is a product of democracy.

The Duterte administration entered 2017 with an 83% approval rating, but it is difficult to ascertain whether he will maintain his popularity amidst the tirade from his supporters and critics. It is also too early to tell whether real change is coming or whether the Filipino majority will continue to give Duterte the support that gave him the presidency in the first place. The War on Drugs remains at the core of Duterte’s domestic policy. Development programmes involving the social security system, building infrastructure, labour, and agrarian reform are still pending. In international relations, the pay-offs of Duterte’s attitude towards global politics have yet to unfold. It is difficult to overturn both the positive and negative momentum he created with the US, China, Japan, and Southeast Asia. Whether the Philippines—a country known to be among the strongest partners of the US in Asia—can afford to rid itself of its colonial dependence is another big question mark.

In the early 1990s, Singapore’s Prime Minister Lee Kwan Yew told then President Fidel Ramos that disorder and underdevelopment in the Philippines could be attributed to its lively democracy. To this, the former

93. ‘Duterte approval rating at 83% – Pulse Asia’, Philippine Daily Inquirer Web Site, 6 January 2017. At the time of writing this article, the latest Pulse Asia survey conducted in March 2017 showed a decline in approval ratings from 83% to 78%. There was a significant increase in support from the upper and middle class, from 69% to 84%, and a decrease in Class E, from 85% to 74%. For details, see Pulse Asia, ‘March 2017 Nationwide Survey on the Performance and Trust Ratings of Top Five Philippine Government Officials’, Pulse Asia Web Site, 18 April 2017.
Philippine president asserted the importance of democracy for development. For decades, the Filipinos stood by this belief. It is distressing to think that they have abandoned a history of struggle to defend democracy, especially when it is what has defined their political history. Truly, 2016 was a year of painful revelations and events for Asia’s oldest democracy, challenging people’s belief that there has not been a greater moment in Philippine history than when the Americans granted independence in 1946, followed by the 1986 EDSA People Power Revolution. Perhaps for the Philippines, 2016 was not a dispute against democracy in general, but rather a dispute against a democracy they finally realised had failed them.
1. Introduction

The year 2016 in Indonesia saw the government led by Joko Widodo, better known as Jokowi, committed to the fight against IS-linked terrorism, after a bomb attack hit the capital in January. Fearing the expansion of the IS network in the country and in the Southeast Asian region, the government took forceful action against terrorist groups. Military operations were carried out all over the year and a debate on the necessity of making the existing anti-terror laws more restrictive was started.

Nevertheless, despite Jokowi’s reiterated emphasis on Indonesia’s religious tolerance, the growing ideological threat posed by radical Islam was not tackled as vigorously as it might have been. In fact, the government did not address seriously the increasing religious intolerance and the rise of ultraconservative Islamic groups on the political stage. This became apparent during Jakarta gubernatorial campaign, when the Chinese-Indonesian Christian governor was charged with blasphemy. Although the on-going trial was looked at by many as a test of the political maturity and pluralism of a country that is still undergoing a democratisation process, Jokowi kept an ambivalent attitude towards the issue. The president seemed more worried by the possibility of seeing his political consensus tarnished than he...

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1. This writer is grateful to the editors of Asia Maior, Professor Michelguglielmo Torri and Dr. Nicola Mocci, and to two anonymous referees for their constructive comments and suggestions, which considerably helped improve the manuscript.
was about divisive and xenophobic rhetoric that could be detrimental to the country’s secularism and diversity.

On his part, Jokowi expanded the ruling coalition and consolidated his authority with a cabinet reshuffle aimed at curbing internal dissent. By doing so, the president overturned the situation of weakness characterising his first year in office while revealing that he was still relying on some Suharto-related figures, especially military ones.

Over the year, Indonesia’s foreign policy was mainly driven by the effort to strike a balance between the United States and China. Keeping its traditional Washington-leaning stance and notwithstanding growing geopolitical tensions in the South China Sea, Jakarta tried maintaining good relations with Beijing in order to gain economic advantages from the East Asian country. Also, Jakarta strove to expand bilateral ties with several countries and tried playing the historical role of mediator at the regional level.

As far as the economy is concerned, amidst the continuing global slowdown, Indonesia’s growth was still moderate. The main goals of the Jokowi administration remained infrastructure development, for which private and foreign investments were needed, and reducing poverty and inequality. A growing fiscal deficit pushed the government to cut public spending in the 2016 revised budget and in the 2017 budget.²

2. Domestic policy

2.1. Jakarta gun-and-bomb attack: The invisible hand of IS

In Indonesia, the year 2016 opened with a suicide bombing and gun attack in the heart of Jakarta on 14 January. The attack, the first claimed by IS in Southeast Asia,³ killed eight people – four civilians and four attackers – and was the biggest after the 2009 hotel bombings in the city. According to the police, behind the attack was Jamaah Anshar Khilafah (JAK, «Partisans of the Caliphate»), an Indonesian group with a small but nationwide support base, which is reportedly led from prison by Aman Abdurrahman, Indonesia’s leading pro-IS cleric.⁴ Thus, despite the com-

2. In Indonesia, the fiscal year coincides with the calendar year.
4. Rendi A. Witular, 'The rise of Aman Abdurrahman, IS master ideologue', The Jakarta Post, 25 January 2016. Aman, according to Indonesia’s National Counterterrorism Agency (BNPT), has been the guide of the three figures now active in Syria, Bahrun Naim, Bahrumsyah, and Salim Mubarak At Tamimi, also known as Abu Jandal and leader of Katibah Masyaariq (forces of the East), a Syria-based Indonesian unit and a splinter of Katibah Nusantara. Also, Santoso (see below) was Aman’s
paratively little damage caused by the terror attack, what alarmed the Indonesian government most was the feared expansion of the IS’s reach in Southeast Asia. The reaction was balanced, but prompt, and generally in accordance with the line already adopted by President Joko Widodo, namely the combination of military resolve and a «soft approach», military crackdowns, arrests, and captures went on over the year. An important student. Aman is serving a nine-year sentence in jail for having formed a terrorism training camp in Aceh. He had already been arrested for terrorist activities. JAK has links with both Katibah Nusantara and Katibah Masyaariq. See ‘Disunity among Indonesian ISIS Supporters and the Risk of More Violence’, IPAC, Report N. 25, 1 February 2016 (http://file.understandingconflict.org/file/2016/04/IPAC_25_-_5.pdf) and Jasminder Singh, ‘Katibah Nusantara: Islamic State’s Malay Archipelago Combat Unit’, RSIS, 26 May 2015 (https://www.rsis.edu.sg/rsis-publication/icpvr/co15126-katibah-nusantara-islamic-states-malay-archipelago-combat-unit).

5. The police said the terrorists were inspired by November 2015 terror attack, but due to a lack in military training and inefficient weapons, they caused a much lower number of casualties. Just few days before this article was closed, a suicide bomb attack killed three policemen and injured ten people in East Jakarta on 24 May 2017. This low-level terror attack, which according to the investigators is likely to be linked to IS sympathisers (See ‘Kampung Melayu Bomb Made from Triacetone Triperoxide Chemical’, Tempo, 28 May 2017) revealed the very weak capacity of terrorist groups inspired by the Islamic State. Although the terrorists’ poor level of organisation is certainly an advantage for the Indonesian army, the scattered nature of IS-linked groups makes it difficult to predict what move will come next. Moreover, it is difficult to say, for the time being, whether the lack of coordination between terrorist cells is explained by the fact that extremists are fighting in Syria and if, therefore, is only temporary.


8. With the rise of the threat of terrorism in the country, the role of the army (Tentara Nasional Indonesia or TNI) in countering terrorism has been expanded. In June 2015, the military Joint Special Operations Command was launched and, since then, it has collaborated with the police, especially with the special squad Densus 88 (Detachment 88) squad. In January, Operation Tinombala was started to neutralise the Mujahidin Indonesia Timur (MIT, see ahead). See Jasminder Singh, ‘Operation Tinombala: Indonesia’s New Counter-Terrorism Strategy’, RSIS, 7 October 2016 (https://www.rsis.edu.sg/wp-content/uploads/2016/10/CO16251.pdf). In August, the security forces have been assisted by humanitarian workers from Komnas HAM, the National Commission on Human Rights, in trying to convince MIT supporters to surrender. ‘Komnas HAM to Assist in Winding Down Poso Antiterrorism Operation’, Jakarta Globe, 9 August 2016.

achievement in the battle against Islamist militancy happened in July: the capture and killing of Abu Wardah Santoso. He was leader of Mujahidin Indonesia Timur (MIT, «East Indonesia Mujahidin»), an IS-linked terrorist group based in Poso, in Eastern-Indonesia Sulawesi island, and formed by a band of around 30 armed men, including several ethnic Uighurs. In addition to calling for jihad and organising military training camps for Indonesians, but also for Malaysians and Uighurs, Santoso was held responsible for deadly attacks against Christians in Sulawesi, an area of the country with a history of sectarian violence. Two months after the MIT’s leader was shot dead, a joint army and police operation led to the arrest of his deputy, Basri, and to the killing of another member of the terrorist organisation.

Although the success of Operation Tinombala, launched earlier in the year, represented a victory for Jokowi, Indonesian authorities were mindful of that the most dangerous threat for the country lay in nationals returning from Syria after fighting for IS. When Indonesian militants of Al-Qaeda-affiliated Jemaah Islamiah (JI) returned home from Soviet Union-occupied Afghanistan in the 1990s, they started a spate of terror attacks in the first decade of the 2000s. Notwithstanding that JI, already weakened by internal rivalries, has been eliminated by security forces, it seems that the project of the terrorist organisation to usurp the sovereignty of the world’s most populous Muslim nation has been inherited by IS-linked groups. Even


14. According to ex police chief Badrodin Haiti, police have records of almost 400 citizens who have travelled to Syria and have questioned some of the approximately 50 who have already returned. However, since for Indonesian law it is not illegal to support the so-called Islamic State, they could not be arrested. Nevertheless, in February, seven men were convicted for participating in military training camps in Syria and for recruiting Indonesians and providing them assistance to travel abroad.

15. ‘Profile: Jemaah Islamiah’, BBC, 2 February 2012. See also Norimitsu Onishi, ‘Indonesia Sentences a Radical Cleric to 15 Years’, New York Times, 16 June 2011 on Abu Bakar Ba’asyir (also spelled Abu Bakar Bashir), the Muslim cleric, former leader of JI. Ba’asyir had been sentenced to fifteen-years imprisonment in 2011 for supporting training camps for Islamists in Aceh, collaborating with Aman Abdurrahman, who received a nine-year sentence. In 2008 Ba’asyir formed Jamaah Anshorut Tauhid (JAT) a splinter group of JI, which pledged his support to IS in 2014. See ‘Sons, top aides abandon Ba’asyir over ISIL, form new jihadist group’, The Jakarta Post, 13 August 2014.
if it is very unlikely that IS can take over Indonesia, the former’s ideological leverage and finances can have an increasingly destabilising effect on the Southeast Asian country, where there is a hard core of radical Islam. At least for the time being, Indonesian Islamist groups have shown lack of organisation, planning skills, and efficient weapons is certainly an advantage for the government. Nevertheless, a fluid situation where IS supporting groups compete between themselves can be difficult to be kept under control.

2.2. The debate over the Anti-Terror Law

Apart from the forceful military operations, after the attack in the capital, in the year under review a heated debate started about the necessity of amending the Terrorism Eradication Law. The anti-terrorism law, adopted in 2003 after the Bali bombings, does not allow the National Counterterrorism Agency (Badan Nasional Penanggulangan Terorisme or BNPT) to monitor terrorism offenders after their release from jail. Moreover, whereas Indonesian law punishes those found guilty of running terrorist organisations and training camps, it does not expressly prohibit citizens from pledging their support to the Islamic State. The reform proposed by Jokowi contemplated the removal of restrictions on the anti-terror action of police forces and the assignment of a greater role to the army in enhancing security measures. The law would also introduce a broader definition of terrorism and would confer greater powers to investigators and prosecutors.

16. According to Zuhairi Misrawi, a prominent scholar of Nahdlatul Ulama (NU), the biggest moderate Muslim organisation in the country, the sympathisers of a more puritanical brand of Islam in Indonesia are around 10 million (out of a total population of 265 million), whereas the Indonesian ‘volunteers’ operating in Syria are estimated at about 2,000 - that is five times more than the official data collected so far. See Peter Carey, Korupsi dalam Silang Sejarah Indonesia: Daendels (1808-1811) sampai Era Reformasi, Komunitas Bambu, Depot 2016, p. 102, footnote 25.

17. ‘Disunity among Indonesian ISIS Supporters and the Risk of More Violence’, p. 13. In the same report, it is held that, since Turkey tightened border security, it has become more difficult to reach Syria, which increases the likelihood that «there will be more potential fighters willing to take on the war at home than in 2014 or 2015» (Ivi, p.13).


who feared the new law could be abused, violate human rights, and endanger hard-won liberties. 21 It has also been pointed out that, it does not matter how the Terrorism Eradication Law is reformed, it will not have the hoped-for effects unless the ongoing de-radicalisation programs inside prisons are improved, since, according to authorities, the jail environment is a fertile ground for terror plots. However, the revision of the anti-terror law has not been carried out yet, as the House of Representatives wanted more time «to talk about such complicated issues.» 22

2.3. Rising religious intolerance

Even though most people in Indonesia disagree with al-Qā‘ida and IS action and ideology, ultraconservative Islamic groups are gaining ground and threatening the country religious diversity and social harmony. In fact, although Indonesian Islam is mainly moderate and tolerant, several episodes have shown that intolerance is on the rise. 23 What is disquieting is that often minority groups are targeted by a poisonous combination of violence, intimidation, fatwas, 24 and regulations by the local governments: this has become possible after the post-Reformasi democratisation and decentralisation, which has allowed hardliner groups to participate in the public discourse – often spreading hate speech – and, in the political game, to

21. Marguerite Afra Sapiie, 'Supreme courts wants Guantanamo article scrapped from terrorism bill', The Jakarta Post, 13 October 2016. Many reservations have been expressed over a greater role to TNI, since 'the lack of regulations specifying a clear mechanism, including when and how the military is involved in counterterrorism activities, is vulnerable to manipulation or abuse'. See Anton Aliabbas, 'Military involvement in combating terrorism', The Jakarta Post, 15 August 2016.

22. 'House lawmakers need extra time for Terrorism Law revision', The Jakarta Post, 13 December 2016.


24. Yet, the police chief, Tito Karnavian, started a discussion with MUI leader to make sure the Council’s fatwas do not jeopardise religious harmony. This is very telling of the social clout MUI has and how it is always necessary to negotiate with ulamas rather than making decisions against their opinions, even when these can spur tensions. 'Indonesian Police assert control over MUI fatwas', The Jakarta Post, 21 December 2016. Also, Islamic bylaws introduced by local governments are used by radicals to perpetuate intolerant actions, for example, during the holy month of Ramadan, Joe Cochrane, 'Raid on Indonesian Food Stall Prompts Fears of Fundamentalism', New York Times, 9 July 2016. Jokowi has abolished 3,000 bylaws hampering economic growth, but, apparently, not those stoking intolerance against minorities and discrimination against women 'Government asked to add «intolerant» bylaws to annulment list', The Jakarta Post, 14 June 2016.
pressurise officials at the local level to penalise minorities through the use of law.\textsuperscript{25}

While taking vigorous action against terrorism-linked groups, Joko Widodo kept an ambiguous attitude towards ideological radicalisation. As a matter of fact, on the one hand, Jokowi has in many occasions addressed moderate Islamic groups, asking their help in the battle against radical Islamic ideology. In particular, the president has expressed his appreciation of the country’s largest Muslim organisation, Nahdlatul Ulama (NU), for its intense activity towards the endorsement of a peaceful Islam.\textsuperscript{26} Yet, on the other hand, Jokowi has not always been unaltering in condemning the Front Pembela Islam (FPI, Islamic Defender Group) or the Majelis Ulama Indonesia (MUI, Council of Indonesian Ulama), often responsible for promoting an intolerant rhetoric and for stirring up anti-minorities sentiments and, sometimes, violence. The president’s cautious posture is explainable, at least partially, by the fact that MUI and – though to a lesser but increasing extent – FPI are very influential both at the social and political levels: therefore, voicing any harsh criticism against such groups might translate into the loss of political consensus for the president, casting doubts on his religious affiliation.\textsuperscript{27}

\textsuperscript{25} Melissa Crouch, ‘Jokowi’s Islamist challenge: curbing terrorism and religious intolerance’,\textit{The Guardian}, 31 August 2016; ‘Religious freedom increasingly under threat’,\textit{Tempo}, 14 December 2016. For example, the destruction of churches and temples has often been justified making reference to a 2006 joint ministerial decree on building of worship places. The decree, which is a revision of a 1969 law, was introduced to keep under control the construction of houses of worship and to avoid tensions caused by unregulated buildings. Nevertheless, obtaining building permits has become a very onerous and long process and often local officials are pushed by intolerant organisations not to issue permits. See Munâim Sirry, ‘Religious freedom and places of worship’,\textit{The Jakarta Post}, 30 October 2015. See also Adrian Buyung Nasution, ‘Religious Freedom, Minority Rights and the state of Democracy in Indonesia’, in Tim Lindsey & Helen Pausacker (eds.), \textit{Religion, Law, and Intolerance in Indonesia}, Abingdon and New York, Routledge 2016, pp. 376-379.

\textsuperscript{26} Erika Anindita, ‘Jokowi turns to Islamic groups to fight radicalism’, \textit{The Jakarta Post}, 5 February 2016. NU, which claims to have more than 50 million members, preaches a compassionate, tolerant, and inclusive Islam, which is not presented as a uniform religion. On NU narrative see the insightful article by Keith Loveard & Bastiaan Scherpen, ‘Indonesia’s Challenge to Radical Islam’, \textit{The Conversation}, 4 November 2016. On traditional \textit{pesantren} (Islamic boarding schools) see also Pallavi Aiyar, ‘In Indonesia, Madrassas of Moderation’, \textit{The New York Times}, 10 February 2015.

\textsuperscript{27} See Valdameri, ‘Indonesia 2015’, pp. 172-73. During the presidential campaign, Jokowi was accused by his rival, Prabowo Subianto, of being a secret Christian. Prabowo’s purpose was to reignite old anti-Christian prejudices in order to discredit Jokowi in front of the Muslim-majority electorate. See also ahead Jokowi’s attitude during the Ahok blasphemy case.
2.4. Consolidation of democracy: one step forward, one step back

Besides increasing intolerance, there are other alarm bells ringing. In the first place, what Jokowi calls «drug emergency» continues. In July, four convicted of drug crimes were executed in the name of the war on drugs, making 18 the total number of those executed since Jokowi’s presidency began. It will be seen whether, as declared during his official visit in Australia, the president is really considering abolishing the death penalty in the future.

Also, populist sentiments and old prejudices were aroused by illiberal and narrow-minded rhetoric. So, the preposterous fear of a possible communist takeover – stoked by the recent 50th anniversary of the 1965 anti-communist mass killings and by the meeting of the International People’s Tribunal in November 2015— and rising xenophobia against unspecified foreign enemies, often instilled by the military and by radical Islamic groups, were often exploited for silencing debates (for example on the 1965-66 massacres), for limiting liberties (like in the case of rights for lesbians, gays, transgenders, bisexuals and queers [LGTBQ]), or for promoting nationalistic values through controversial campaigns such as the Bela Negara («Defend the Nation») program or through the establishment of a Pancasila presidential special body.

29. Bhatara Ibnu Reza, ‘Emergencies and executions under Jokowi’, New Mandala, 15 August 2016. Initially, 14 convicts were set to undergo capital punishment, mainly foreigners. Yet, the number was reduced to four thanks to the intervention of the attorney general, who decided against the execution of 10 of them.
30. ‘Joko Widodo: Indonesian President on trust and abolishing the death penalty ahead of Australia visit’, ABC, 5 November 2016.
34. The plan proposed by the Coordinating Minister of Maritime Affairs, Luhut Pandjaitan, was still under consideration at the closing of the period under review. It contemplated the creation of what is called President’s Working Unit for Reinforcement of Pancasila Ideology and it allegedly aimed at spreading the Pancasila ideology in education institutions, ministries, state institutions, mass organisations, and religious groups against the influence of radicalism and intolerance. See ‘Govt to Form Dedicated Body to Promote Pancasila’, Jakarta Globe, 20 December 2016. Yet, it has been argued that law enforcement, if properly applied, is sufficient to combat intolerant behaviours and extremism. See ‘The Pancasila Reinforcement’, Tempo, 26 December 2016. The Pancasila are the five basic principles underpinning Indonesia’s official state ideology. The Pancasila, made public by Sukarno in 1945, are belief in...
Nonetheless, it is worth mentioning that a two-day symposium on the 1965-66 anti-Communist massacres (National Symposium on the 1965 Tragedy, Jakarta, 18-19 April 2016) was organised and globally broadcast in April by Komnas HAM, the (putatively) independent national commission on human rights, with the endorsement of the government, and attended by members of the military.\(^{35}\) However small and insufficient, this is an unprecedented step toward the public acknowledgement of past wrongs.\(^{36}\)

As far as Papua is concerned, the situation remains fraught with uncertainty. Joko Widodo’s strategy to implement economic and infrastructure development\(^ {37}\) is not combined, according to the watchdog of human rights Setara Institute, with a similar resolution to bring peace and dignity to a region, which is still the most affected in terms of human rights violations.\(^ {38}\) As shown by the data collected by the same institute, the indexes for freedom of expression and association and for freedom of religion in the country declined overall in 2016 compared to previous year.\(^ {39}\)

Environmentalists have welcomed the news that the Jokowi government has temporally banned the operations of new mining and palm oil companies in a move to protect tropical forests from exploitation.\(^ {40}\) This is

\(^{35}\) Ariel Heryanto, 'Massacre, memory and the wounds of 1965', *New Mandala*, 2 May 2016.

\(^{36}\) Joe Cochrane, 'Indonesia Rules Out Criminal Inquiry of Anti-Communist Purges', *New York Times*, 18 April 2016. Several human rights bodies, such as the Jakarta-based Setara Institute, have criticised the current make-up of Komnas HAM, which, according to members of the government, should represent nationalistic views. ‘Lawmakers want «nationalist» figures for Komnas HAM’, *The Jakarta Post*, 23 December 2016; ‘Lawmakers contributed to underperforming Komnas HAM: Activist’, *The Jakarta Post*, 24 December 2016. Others have boycotted the symposium, questioning the official commitment to deal with the massacres ‘Indonesian Activists Boycott Forum on 1965 Anti-communist Purge’, *Tempo*, 19 April 2016.


\(^{38}\) ‘Jokowi fails to bring peace to restive Papua’, *The Jakarta Post*, 14 October 2016.


a positive decision also for Papua, targeted by multinational companies because, unlike Kalimantan, Sumatra, and Sulawesi, which have been largely deforested – 80% of Papua’s tropical forests are still intact and are a fundamental resource for local communities. Also, an agreement about exporting to EU only timber, which respects new environmental standards, has been welcomed as positively impacting eco-sustainability and forest preservations.

2.5. Consolidation of power for the President Joko Widodo

In the course of 2016, Joko Widodo was able to considerably strengthen his position. In May, Golkar joined Jokowi’s Great Indonesia Coalition (Koalisi Indonesia Hebat or KIH), following the National Mandate Party (PAN), which had given its support in September 2015. Therefore, reversing the situation after his election in 2014, in 2016 Jokowi came to be backed by seven out of the 10 parties of the House of Representatives, which resulted in the government coalition, the KIH, controlling 69% of the parliamentary seats.

In July, the president reshuffled his working cabinet: while accommodating the political demands advanced by the parties in his coalition, Jokowi showed he could now exert his authority independently from the chairwoman of the Partai Demokrasi Indonesia Perjuangan (PDI-P or Indonesian Democratic Party of Struggle), Megawati Sukarnoputri, who, wary of the new president’s agenda, had tried to sway his political choices. There were some significant changes in the new cabinet. In the first place, Luhut Pandjaitan was shifted to the Coordinating Minister of Maritime Affairs, a crucial position given Jokowi’s maritime vision. Luhut’s former post of

41. Because of its intact environmental resources, Papua is the object of the greed by palm oil companies. See for example the disaster caused by the Korean-Indonesian company Korindo, which was accused of systematically using arsons for land clearing. This notwithstanding, at the peak of the haze crisis, last year, the company got only a three-month moratorium. See the report by Marisa Bellantonio, Amanda Stoltz, Deborah Lapidus, Bustar Maitar, & Glenn Hurowitz, ‘Burning Paradise: Palm Oil in the Land of the Tree Kangaroo’, Mighty Earth, 1 September 2016.


44. This does not necessarily mean more stability for the ruling coalition, since parties forming the coalition do not share a common ideology, but want to see their interests accommodated.

45. The new power relation was displayed publicly during PDI-P events which Megawati considered occasions to show her superiority to the president ‘Mega spares Jokowi from another round of shame’, The Jakarta Post, 11 January 2016. Jokowi’s distancing from Megawati became starkly apparent in June when a new national police chief, former counterterrorism commander Tito Karnavian, replaced Budi Gunawan. The appointment of the latter, lobbied for by Mrs Sukarnoputri, had provoked a harsh controversy. ‘Indonesia Has a New Police Chief, Tito Karnavian’, Tempo, 24 June 2016.
coordinating Minister of Political, Law, and Security Affairs was assigned to the chief patron of the Peoples’ Conscience Party (Hanura) and retired New Order General Wiranto. This caused the dismay of several human rights organisations, due to Wiranto’s role in human rights abuses during Indonesia’s withdrawal from Timor Leste in 1999.46 

The decision to place Wiranto in a post that equates to a prime ministry was aimed at obtaining the support of the military. Yet, according to some analysts, it was a risky decision because it might impede civilian control over the military.47 Such fears are not baseless, considering that the Defence Ministry is still held by the controversial retired army General Ryamizard Ryacudu. All this points to the persisting influence of military-oligarchy forces over Indonesian political life, and to Joko Widodo having come to terms with them since being elected as an «outsider», unconnected with such forces.48 Another key change was the appointment of Sri Mulyani Indrawati, World Bank managing director, to the post of Finance Minister: her ability in deploying sound fiscal management policies became already visible in her reworking of the 2016 revised state budget and the 2017 state budget.49 Revealing low tolerance for internal dissent, Joko Widodo has dismissed ministers who had criticised him, such as Anies Baswedan. Anies, who, significantly, was also Ahok’s rival in the Jakarta gubernatorial election (see below), was replaced as Minister of Education by Muhadjir Effendy, an important public figure, belonging to Indonesia’s second largest Muslim organisation Muhammadiyah.50

46. Damien Kingsbury, ‘Wiranto and Indonesia’s new Cabinet’, New Mandala, 1 August 2016.
48. It should not be forgotten that this is legacy of the dwifungsi. Giving the army also a sociopolitical function, this concept, which became the official policy under Suharto, formalised the role of the army in the political affairs of the country.
50. See the Jakarta Post Special Report ’Jokowi’s new Cabinet: Who’s the boss now?’, The Jakarta Post, 28 July 2016.
2.6. The Ahok «blasphemy case» and the political use of Islam

An extremely polarising and consequential issue in the second half of the year under analysis was the case involving the governor of Jakarta, Basuki Tjahaja Purnama, popularly known by the moniker Ahok. Jokowi’s former ally and deputy, Ahok has been charged with blasphemy and, if found guilty, could receive a five-year imprisonment penalty under the 1965 anti-blasphemy law. While campaigning in the Jakarta district of Pulau Seribu in September for being re-elected in February 2017 regional elections, the governor deplored that a Koranic verse was being politically exploited by MUI, the country’s top Muslim clerical body. Indeed, MUI had claimed that, according to the Quran a non-Muslim should not rule the capital of the world’s largest Muslim majority nation. This had been a clear attack on Ahok who is a Christian Indonesian of Chinese origins and, significantly, the first ethnic Chinese to occupy such a powerful position as governor of Jakarta.

What is worth taking note of is that after Ahok made his speech in September, there was a three-week silence. The speech, in fact, became an issue only after a thirty-second footage of it, which completely changed the context of Ahok’s words, was uploaded on the internet, causing widespread outrage among Muslims. Of course, this gives strong reasons to believe that the case was politically contrived, a fortiori given that the uploader of the edited video was Buni Yani, a person close to Anies Baswedan, namely Ahok’s opponent in the gubernatorial elections.

Notwithstanding that Ahok apologised for his comments, mass protests – organised by a coalition of conservative Islamic groups formed in October – took place in the capital, asking for the governor’s prosecution. Jokowi, who, like many in the country, did not consider Ahok’s comments blasphemous, had initially refused to meet the leaders of the protesting Islamic organisations. Yet, taken aback by the escalation that the anti-Ahok demonstrations in November, the president started paying greater heed to the issue.

51. In 2014, Jokowi transferred the Jakarta governorship to Ahok, who was his deputy during the gubernatorial race in 2012, when he started campaigning for his president’s election against Prabowo Subianto.

52. Also the largest Muslim organisation Nahdlatul Ulama took a stance in defence of Ahok, saying that the accusations against him were politically motivated. ‘NU hints Ahok’s Case politically motivated’, The Jakarta Post, 30 March 2017.

53. The main groups forming the coalition, named the National Movement to Guard the MUI Fatwa (GNPF-MUI), were the Islamic Defenders’ Front (FPI), Hizbut Tahrir Indonesia (HTI), the Council for Young Islamic Scholars and Intellectuals (MIUMI) and Wahdah Islamiyah. FPI founder Rizieq Syihab was the leader of the Movement. See Greg Fealy, ‘Bigger than Ahok, explaining the 2 December mass rally’, Indonesia at Melbourne, 7 December 2016.

54. Jakarta rally descends into chaos; Jokowi urges protestors to go home’, The Straits Times, 4 November 2016. During the rally, one person died and several policemen were injured.
Soon after the rally, which hastened the police decision to try Ahok on a fast-track, Jokowi made efforts to ensure he was in control of the situation. He visited the Police Higher Education College and the Indonesian army headquarters, presenting himself as the highest military commander and making clear that no threat to the national stability should be tolerated by the police and the army. He later met the leaders of the nation’s biggest Muslim organisations, the NU and Muhammadiyah, to gather their support in dealing with the Ahok issue. Moreover, the president, together with army commander-in-chief General Gatot Nurmantyo, launched a counter-demonstration for national unity in many major cities as a response to a second rally pledged by Gerakan Nasional Pengawal Fatwa Majelis Ulama Indonesia (GNPF-MUI).

A second, huge, anti-Ahok rally took place in Jakarta on 2 December in the form of a peaceful dawn prayer. In the words of the organisers, who rode the wave of the unexpected popularity gained thanks to the anti-blasphemy campaign, the goal of the movement was a broader Islamisation effort: thus, punishing Ahok for blasphemy was only a part of this wider strategy. Notwithstanding such stated intentions, Joko Widodo participated in the mass prayer, in a move that many considered populist and short-sighted. Instead of expressing condemnation of those parties that wanted to divide the nation along religious lines exploiting the Ahok affair, Jokowi addressed the crowd with demagogic formulas.

Jokowi’s behaviour can be explained by pointing out that, although the organisations behind the rally were not representative of the Muslim majority as a whole, many Muslim groups, who have no affiliation with hardliners, felt sincerely offended by Ahok’s comment. However, in taking part in the rally, Jokowi gave visibility and credibility to the organising groups and to their agenda. This raised doubts over the president’s commitment to fight Islamic radical ideology, revealing once again his ambiguous attitude in dealing with extremist elements whenever immediate political advantage is at stake. In other words, despite being backed by the security apparatus and having approval of NU and Muhammadiyah and notwithstanding his stronger position in the parliament, Jokowi distanced himself from Ahok while shying away from an explicit denunciation of Islamic bigotry and racist sentiments. This

58. He said ‘Thank you for all prayers and dzikir [mass chants] that have been raised to God for the sake of our country. Allahu akbar! Allahu akbar! Allahu akbar! [God is great!]’ ‘Mass prayer becomes ‘cooler’ with Jokowi’s presence: MPR’, The Jakarta Post, 2 December 2016.
was a clear indication that Joko Widodo was wary of taking a clear stance on religion-related issues, lest that his affiliation to Islam could be questioned and political consensus diminished. 59

Even if it is undeniable that increasing Islamic radicalism – and the ability of hardliners to use Islam as a powerful political tool – has been a strong factor in mobilising the masses, 60 there are other important elements that should be taken into consideration when assessing the success of the anti-Ahok campaign. In the first place, Ahok – often defined as a Chinese infidel – has been the scapegoat of increasing anti-Chinese feelings. 61 Racism against Indonesians of Chinese origins, 62 a sad legacy of the New Order, has been growing during Jokowi’s rule as a reaction to the huge amount of investments from China. In fact, the Indonesian Chinese community is perceived as a bridge for the penetration of China and the East Asian country’s growing interest in investing in Indonesia. Even though it is often maintained that Indonesia’s Chinese community controls around 70% of the Indonesian economy, currently no statistics exist to confirm such data. What is certain is that Indonesian Chinese’s economic clout is disproportionate to their number and this stokes frustration among other Indonesians. Moreover, there are high political interests in the Jakarta gubernatorial race: attacking the current governor is part of the political agenda of Ahok’s political rivals, 63 and useful to discredit the government of Joko Widodo, who endorsed Ahok’s re-election. Also, Ahok had already attracted


62. Indonesians of Chinese origins are around 3% of the whole population and belong generally to minority religions, mainly Christianity and Buddhism. See data from World Population Review at http://worldpopulationreview.com/countries/indonesia-population. Being excluded from political power, Chinese-origin Indonesians, although such a tiny community, became very influential in terms of economic power. The loyalty of Chinese Indonesians to the Indonesian nation, yet, has always been perceived as dubious: Chinese were considered ideologically closer to communist China. As a result, they were among the victims of the 1965-66 anti-communist massacres, while more recently they were targets of racial violence during the riots which took place in May 1998. During these riots, the Indonesian Chinese were scapegoated and held responsible for the huge economic crisis that struck the country in 1997. See Sai Siew Min, ‘Eventing the May 1998 Affair: Problematic Representations of Violence in Contemporary Indonesia’, in C.A. Coppel (ed.), Violent Conflicts in Indonesia, pp. 39-57.

63. Among Ahok’s political rivals there are former president Susilo Bambang Yudhoyono, former general Prabowo Subianto, head of the Gerindra party, and former education minister Anies Baswedan.
hostilities from many sides for his impatient anti-corruption stance and for the evictions of thousands of people living in the slums along the Ciliwung River banks. Therefore, it is not difficult to appreciate how the vilification of Ahok and the end of his governorship would satisfy many people. All this points to the possibility that anti-government figures and national opposition parties were making use of religion to sabotage Ahok’s electoral campaign. This possibility is a certainty according to the Jokowi government: a few hours before the December anti-Ahok protest, 11 people were arrested for a suspected coup d’état against Jokowi. Among the arrested, there was also the sister of Megawati Sukarnoputri, Rachmawati, – a telling gesture, this one, of the newly acquired president’s independence from the PDI-P patron, Megawati. Last but not least, it should be stressed that rallies relying on paid protesters - referred to by the news as nasi bungkus crowd (literally the wrapped-rice crowd), have traditionally been an important factor in mass mobilisation in Indonesia: apparently, the anti-Ahok campaign was no exception, or maybe only a partial exception.

More important for its consequences will be the Jakarta court sentence in the Ahok trial, which started on 13 December. Many political analysts


67. At the time of closing this article, important developments took place. In fact, not only did Anies Baswedan win Jakarta gubernatorial election (‘Anies Baswedan-Sandiaga Uno Announced as Jakarta Election Winner’, Tempo, 30 April 2017), but also the former governor of Indonesia’s capital was jailed for two years, something which marks a significant victory for the forces of political Islam and confirms that by playing the religious-identity card Ahok’s rivals could obtain good and immediate results. See Benedict Rogers, ‘Stop Calling Indonesia a Role Model. It’s Stopped Being One’, The Diplomat, 29 May 2017 and Andreas Harsono, ‘Indonesia’s Courts Have Opened the Door to Fear and Religious Extremism’, The Guardian, 10 May 2017. This alarming fact, which will be analysed in the next issue of Asia Maior, confirms that there exists an intricate web of political interests, conservative Islamic groups and violent extremism. It will be seen whether the government’s indolence in taking action against groups that instigate hatred and violence against minorities
regarded the sentence in the Ahok trial as a crucial test for the maturity of Indonesian democracy. The prosecutors, despite their claim of not having been influenced by public pressure, have already been strongly criticised by human rights groups for including the MUI anti-Ahok fatwa in their indictment.\textsuperscript{68} There were, therefore, alarming signs that Islam might be used as a tool to question political pluralism. This would strengthen anti-Christian and anti-Chinese feelings, while challenging the ethnic and religious minorities’ political right to rise to power in a Muslim-majority country. Overall, it would be a heavy blow to the advancement of the process of post-Reformasi democratisation.\textsuperscript{69}

3. Foreign policy

While the Asia-Pacific regional geopolitics was increasingly affected by the worsening Sino-American competition, Jokowi tried not to choose sides between Beijing and Washington, to protect the country’s economic interests and independence.\textsuperscript{70} All in all, after two years of Jokowi government, Indonesia appeared to maintain good relations with the United States. This was a trend that, although in a seesawing manner and without strong institutional ties, has been going on since the fall of Sukarno. Yet, Jakarta’s Washington-leaning stance did not prevent the archipelagic state from looking at Beijing as a formidable economic opportunity, despite China’s expansionism in the South China Sea. It is not clear whether Jokowi’s fence-sitting approach was part of a wait-and-see strategy that would allow the president to focus on his economic growth agenda without complicating Indonesia’s foreign policy. Or if, on the contrary, it was a confirmation of the voices that Jokowi lacks experience in foreign affairs and is prone to be driven by an \textsl{ad hoc} attitude.

What is certain is that the publication of the Defence White Paper\textsuperscript{71} in April did not contribute to shedding more light on Jokowi’s defence policy and «Global Maritime Fulcrum» (GMF).\textsuperscript{72} The 150-page document failed to while claiming to defend Islam will have repercussions against the government itself and, more importantly, whether the emboldening of radical Islam will damage pluralism and weaken national unity.


72. The «Global Maritime Fulcrum», often indicated as PMD, \textit{Poros Maritim Dunia}, is the geopolitical doctrine envisioned by President Joko Widodo according to which Indonesia should become a maritime fulcrum between the Indian and the Pa-
explain what exactly the GMF implied, especially with respect to China and the United States, although it mentioned that their presence in the region had the potential to increasingly destabilise Indonesia’s strategic zone. As far as the South China Sea is concerned, the issue was quickly dismissed, since Indonesia was not a claimant state and was working towards regional peace, but it was not specified how a peaceful environment would be created. There was also inconsistency between, on the one hand, the president’s declared intention to raise the defence budget to 1.5% of the GDP within 2020 and, on the other hand, the document according to which «the projected defence budget is expected to be above 1% of GDP and [with] a gradual increase in the next decade». This pointed to the realisation that defence modernisation, although a crucial objective highlighted in Joko Widodo’s presidential campaign and a seminal step for Indonesia’s national security and political status in an increasingly tense region, would not be easily reached. In spite of Jokowi’s awareness that Indonesia’s strategic location, which includes critical straits and sea lanes, represents both the weak and the strong point of the country, a well-structured geopolitical vision seemed to be missing.

3.1. Indonesia and China: between geostrategic tensions and deepening economic ties

Despite having perhaps an unsophisticated outlook on international affairs, Jokowi did not waver in making public that the maintenance of territorial integrity was a core element of his vision. The aggressive patrolling of maritime borders, the crackdown on illegal fishing, and the sinking of illegal fishing vessels – which the navy and coast guard can carry out immediately, without resorting to judicial trials – proved that a zero-tolerance approach had been adopted in response to interferences into Indonesia’s exclusive economic zone.

cific Oceans by contributing to keep the region peaceful and safe for world trade. The doctrine, which includes security and economic issues, aims at ensuring a law-based regional maritime order and at defending the natural resources to boost Indonesia’s domestic economy while preserving the country’s archipelagic identity (‘Jokowi Launches Maritime Doctrine to the World’, The Jakarta Post, 13 November 2014).

76. See Dharma Agastia, ‘Uphill battle for Indonesia’s defence modernisation’, The Jakarta Post, 1 November 2016.
77. From the end of 2014 to September 2016, around 220 vessels have been sunk. The fishery sector accounts for around 14% of Indonesian economy, employing millions of people. ‘Minister Susi Pudjiastuti on Illegal Fishing in Indonesia’, Indonesia Investments, 30 September 2016.
78. Boosting local fishing industry is, along with the protection of maritime and energy resources, an important pillar of the «Global Maritime Fulcrum».

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Bitter confrontations took place also between Jakarta and Beijing in the South China Sea off the gas-rich Natunas, the Indonesian islands included in China’s «Nine-Dash Line». The most serious illegal fishing incident occurred in March, when Chinese fishermen entered Indonesian territorial waters. Like other neighbouring countries, Indonesia was already alarmed by China’s establishment of radar facilities and airstrips on Mischief Reef, Subi Reef, and Fiery Cross Reef in the Spratly Islands, something that left little doubt about whether the Chinese will to keep control over contested waters. Nonetheless, the March Chinese act of illegal fishing was taken very seriously by the Jokowi government, which considered it a trespass on Indonesia’s national sovereignty and a major threat to maritime security. Yet, in spite of the protests from both Indonesian and Chinese sides, the issue was kept under control and Jakarta released several declarations saying the relations with Beijing were normal.

However, further similar incidents in the following months pushed Jakarta to send strong signals to Beijing. In June, Jokowi visited the Natunas on a warship on board of which the president held a cabinet meeting. Then, in October the Indonesian president attended massive military exercises in the Natuna Sea. Moreover, in November, Luhut Pandjaitan, in his new role of Coordinating Minister for Maritime Affairs, announced that if no resolution was soon found about the Natuna islands, Jakarta could bring Beijing in front of an international arbitration court for a clarification, as done by the Philippines. Soon after Pandjaitan’s warning, China’s Foreign Ministry spokesperson Hong Lei acknowledged that «China has no objec-

79. *The so-called «Nine-Dash Line», which Indonesia does not recognise, demarcates China’s maritime and territorial claims in the South China Sea and encroaches upon the sovereign territory and exclusive economic zones of Indonesia, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan. Based on historical rights, Beijing claims almost 90% of the South China Sea, which, besides being rich in resources like fisheries, oil and gas, is one of the most important waterways for global trade.*


81. *For China’s airstrip construction see ‘Another Piece of the Puzzle’, *Asia Maritime Transparency Initiative*, 22 February.

82. *‘Indonesia Summons Chinese Ambassador After South China Sea Stand-Off Near Natuna Islands’, *The Diplomat*, 21 March 2016.

83. *‘Jokowi visited the Natuna in June holding a cabinet meeting’, *The Sidney Morning Herald*, 23 June 2016.


85. *‘Indonesia asks China to clarify South China Sea claims’, *Reuters*, 12 November 2015. On this matter, see the article by Carmina Untalan in this same volume.*
tion to Indonesia’s sovereignty over the Natuna islands». 86 However, no reference was made to the «Nine-Dash Line».

All this notwithstanding, Indonesia’s bold stance – which *inter alia* tapped into the country mood of assertive nationalism – alternated with several declarations of friendship and mutual cooperation from both sides. After their diplomatic relations normalised in 1990, 87 China and Indonesia have developed stronger ties, also military-to-military ones: a strategic partnership established in 2005 88 was enhanced in the following years until 2015 under Jokowi. 89 Moreover, Jakarta, in its role of *primum inter pares* in the ASEAN, also proactively worked towards creating a better climate of dialogue between Beijing and the member states of the regional association. This was made possible thanks to the establishment of the ASEAN-Plus-Three in 1997 and to Beijing’s accession to the Treaty of Amity and Cooperation in 2003. 90

Jakarta’s decision to resume diplomatic relations with Beijing was motivated not only by the remarkable increase of China’s geopolitical clout with the weakening of the Soviet Union, but also by China’s massive economic potential, from which Indonesia hoped to benefit. Still today, economic calculations remain an important factor in the Sino-Indonesian relations, so much so that, at least for the time being, Jakarta perceives Beijing less as a geopolitical threat than a huge source of investment. This is why Jokowi, in spite of Chinese expansionism, is struggling to keep the delicate balance between national security concerns and economic benefits. Alienating China – which is among Indonesia’s top ten investors in Indonesia and is its second trade partner – would be at variance with Jakarta’s crucial need for Beijing’s investment in infrastructure projects. 91 This can, at least partially, explain Jakarta’s inconsistent South China Sea policies. On its part, Beijing wants to exert its sway in Southeast Asia through the Free Trade Agreement

87. Diplomatic ties had ended in 1967, under Suharto, since Beijing was accused of being behind the Indonesian Communist Party (PKI).
90. ASEAN Plus Three (APT) is, a platform of cooperation between the ASEAN member states and China, Japan and South Korea.
91. Infrastructure projects underpin also the president’s maritime vision, since they include the improvement of inter-island connectivity to integrate the outermost areas of Indonesia, improving trade and commerce, thanks to a better use of choke points and maritime corridors.
and the Regional Comprehensive Economic Partnership (RCEP). The latter is a Beijing-sponsored regional organisation, to which Jakarta is still considering the opportunity to join.\textsuperscript{92}

3.2. Indonesia and the United States: From Obama to Trump

The US-Indonesia agreement on maritime cooperation signed in October 2015\textsuperscript{93} and Jakarta’s participation in Washington-promoted military exercises\textsuperscript{94} in 2016 showed that Jokowi was in line with Megawati’s and Yudhoyono’s rapprochement with the United States.\textsuperscript{95}

Whereas some analysts maintain that the US engagement in Indonesia is not well-structured and the agreement signed in October 2015 has not produced a clear strategy so far,\textsuperscript{96} some hold that Washington has made a successful effort to attract Jakarta to its anti-China pivot.\textsuperscript{97} Yet, for the time being, it appears that Indonesia has no objection to the US military reinforcing their foothold in the area. The two countries share a common inter-

\textsuperscript{92} Nevertheless, Gatra Priyandita, among other scholars, underlines the challenges inherent in the Sino-Indonesian relations, maintaining that Jakarta is overestimating the benefits deriving from the economic cooperation with Beijing. ‘Don’t expect too much from growing Sino-Indonesia ties’, \textit{East Asia Forum}, 7 November 2015. Moreover, for Indonesia’s trade imbalance with China see Table 1 in Ristian Atriandi Supriyando, ‘A view from Indonesia’, \textit{The Asian Forum}, 28 April 2016.

\textsuperscript{93} See the Fact Sheet: U.S.-Indonesia Maritime Cooperation, 26 October 2016, at https://www.whitehouse.gov/the-press-office/2015/10/26/fact-sheet-us-indonesia-maritime-cooperation. It is partnership program aimed at improving maritime law enforcement, combating illegal fishing, and establishing sustainable fisheries. See also ‘Indonesia and US join forces to police the seas’, \textit{The Guardian}, 3 February 2016.


\textsuperscript{95} The relations between Jakarta and Washington date back to the rise of Suharto, who made Indonesia a pillar of the new US-backed informal regional security system. Nevertheless, the US-Indonesia relations were characterised by highs and lows, becoming particularly tense during the Timor Leste crisis in 1999. Closer relations resumed under the government of Megawati Sukarnoputri and George W. Bush, even though they were never supported by the strong institutional instruments that characterised the relations with Thailand and the Philippines. See Angel Rabasa & John Hasemann, \textit{The Military and Democracy in Indonesia: Challenges, Politics and Power}, Rand, Santa Monica 2002, pp.113-120.

\textsuperscript{96} Trissia Wijaya & Gatra Priyandita, ‘Obama’s effect in Indonesian public engagement: Is it enough?’, \textit{The Jakarta Post}, 26 August 2016.

est in keeping the strategic sea lanes and straits connecting the Indian and Pacific Oceans free for navigation. At the same time, it is not to be excluded that the «people’s President» was reluctant to take a more decided pro-US stance due to Washington’s past interference in the domestic politics of the Southeast Asian country, especially in 1999 when the United States imposed sanctions on the Indonesian army for their human rights violations during the Timor Leste crisis.\(^{98}\)

As president of a member state of ASEAN, Jokowi participated in the Washington-ASEAN summit hosted by Obama in Sunnylands, California. The summit was the first ever to be held in the United States, a clear sign of Obama’s prioritisation of US-ASEAN relations. It was aimed at discussing security issues concerning the South China Sea and pressurising regional countries to join the Trans-Pacific Partnership (TPP), intended to counter Chinese economic influence.\(^{99}\) During the meeting, Joko Widodo supported a resolution of the disputes in the South China Sea through a Code of Conduct. While emphasising the importance of keeping peace in the Southeast Asian region, Jokowi declared that Indonesia and China had nothing to settle in the South China Sea.\(^{100}\)

Reiterating that Indonesia is not a party in the South China Sea dispute had a double purpose: in the first place, it allowed Indonesia to keep a balanced stance between Washington and Beijing and between security concerns and economic needs; secondly, it was useful for highlighting Jakarta’s traditional role of mediator. Part of this role was promoting a peaceful regional order based on international law and facilitating discussions on security issues within the regional association.\(^{101}\)

As far as the TPP was concerned, whereas during his official visit to Washington in 2015 Joko Widodo had expressed his will to join it, in California the Indonesian president postponed any clear decision, saying that

99. ‘Obama, Southeast Asia leaders eye China and trade at California summit’, *Reuters*, 16 February 2016. See the summit joint declaration ‘Joint Statement of the U.S.-ASEAN Special Leaders’ Summit: Sunnylands Declaration’ at the White House website https://www.whitehouse.gov/the-press-office/2016/02/16/joint-statement-us-asean-special-leaders-summit-sunnylands-declaration. Particular emphasis is placed on peace, security and stability in the region, showing that the United States wants to be the counterweight in the region.
101. Suffice here to say that both Indonesia and China are signatories of the United Nations Convention on the Law of the Sea (UNCLOS). According to UNCLOS, the waters around the Natunas, which according to China are included in the Nine-Dash Line, are part of Indonesia’s exclusive economic zone.
further negotiations were necessary. However, at the end of the period under review, given the protectionist position of US President-elect Donald J. Trump, the TPP appeared likely to evaporate, leaving Indonesia still looking into the possibilities of joining the China-promoted RCEP.

Despite Trump’s inward-looking attitude, Jokowi declared that Jakarta was willing to keep good relations with Washington, especially in the trade and investment sectors. It will be seen whether the engagement between the two countries will go steadily on, or whether Jokowi, always mindful of the pulse of the grass-roots voters, will have to come to terms with the Indonesian people suspicion towards an anti-Muslim US president.

3.3. Other bilateral ties

Jokowi’s commitment to consolidate bilateral relations with several countries within and outside Southeast Asia suggests that, differently from what some analysts held, the president did not completely shift from Yudhoyono’s «a million friends and zero enemies» foreign policy. Under Jokowi, Jakarta resumed good ties with Canberra and talks were started on possible joint patrols in the South China Sea (yet, at the closing of the present article, no final results had yet been reached). Also, relations with Russia, which ever since Suharto fell have been positive, continued to be good during the Jokowi government. In addition to widening trade and investment ties, Jakarta opened negotiations with Moscow, which is a major arms supplier to Indonesia, for the purchase of fighters and submarines.

The enhancement of the long-time relations with India was of no little significance. The two countries share concerns about the increasing Chinese naval presence in the Indian and Pacific Oceans and look at each other as relevant strategic partners for their respective «Global Maritime Fulcrum» and «Act East policies». During their meeting in Delhi in December, Joko Widodo and Narendra Modi suggested a potential synergy between the two countries in terms of maritime vision: the two Asian leaders issued a joint statement which, besides expressing the common will to fight together against terror-

106. ‘Australia mulls joint naval patrols with Indonesia, to Beijing’s chagrin’, *Deutsche Welle*, 1 November 2016.
ism, drugs, illegal fishing, and human trafficking, said the resolution of disputes in the South China Sea must be carried out according to UNCLOS regulations and by peaceful means. That was a significant anti-China stand, given Beijing’s refusal to acknowledge the ruling by the Arbitral Tribunal at The Hague, which had declared China’s claims to contested waters invalid.

The close and long-standing ties with the Philippines continued under the new President-elect Rodrigo Duterte, who visited Joko Widodo in Jakarta in his first official visit. The two leaders decided to cooperate against piracy, to intensify collaboration in the ferocious war on drugs, and to promote law-based order in the South China Sea. Cooperation between the two countries in boosting security measures became even more crucial following the wave of kidnappings for ransom and acts of piracy perpetrated in the busy waters between Indonesia and the Philippines by the Islamist group Abu Sayyaf, based on the Jolo and Basilan islands. It will be seen whether the Jakarta-Manila mutual relevance will remain unchanged, after Duterte’s decision to abandon the six-decade-old alliance with the United States and align with China to solve the dispute in South China Sea through talks.

Perhaps also to enhance his Islamic credentials, Jokowi showed his intention to reinforce his country’s diplomatic foothold in the Middle East. The president expressed the willingness of Indonesia, as the home to the world’s largest Muslim population, to act as a mediator in the Saudi Arabia-Iran conflict, even if it is not clear what leverage Jakarta could use in a region where it does not have any political clout. Furthermore, Joko Widodo – manifesting a continuity with Indonesia’s traditional commitment to Palestine’s self-determination and to anti-colonialism – reiterated the country’s support for the Palestinian cause, with the opening of an honorary Indonesian consulate in Ramallah.

Indonesia also made efforts to consolidate its presence in the South China Sea region, strengthening bilateral relations with the countries of

109. ‘India and Indonesia ask China to follow UNCLOS on South China Sea’, The Times of India, 12 December 2016.
113. ‘Indonesia Lobbies Other Countries, Attempts to Mediate Iran-Arab’, Tempo, 7 January 2016.
the Melanesian Spearhead Group (MSG). In March, Luhut Pandjaitan, still in his role of coordinating minister for political, legal and security affairs, accompanied by regional leaders representing Indonesian Melanesian population, visited Papua New Guinea and the Republic of Fiji. The visit was aimed at influencing the MSG not to grant a full membership to the separatists of the United Liberation Movement for West Papua (ULMWP), to prevent the movement from obtaining too much international clout vis-à-vis Jakarta. So far, it seems Indonesia has been successful, since the group has postponed its decision about ULMWP.

3.4. Indonesia and ASEAN

Since taking office in October 2014, Jokowi has had an ambivalent stance towards ASEAN, creating the impression among analysts that, under the new president, Jakarta was turning away from the Southeast Asian Association. Nevertheless, this is only partially true. Despite being a founding member of ASEAN, Indonesia’s commitment towards the regional association has never been unconditional: even under Suharto, whose foreign policy had regional cooperation and stability as its mainstay, a certain amount of ambiguity was noticeable, especially as far as regional economic integration was concerned. Despite this, Jakarta’s contributions to ASEAN values and ideas have always been conspicuous – apart from few years after the 1997 Asian financial crisis when the country had to recover. Therefore, Jokowi’s stance towards ASEAN has not so far been completely at variance with the attitude of previous governments.

It is true that Jokowi’s foreign policy priorities are primarily focused on making Indonesia a maritime power far beyond the regional scenario: this, together with the policy of sinking the neighbouring state’s illegal fishing vessels in the name of the protection of natural resources, must have worried the other ASEAN countries about Indonesia’s assertiveness – fears that are not historically new in the region. However, at the same time,

116. The group has Papua New Guinea, Fiji, Solomon Islands, Vanuatu, and New Caledonia’s FLNKS Kanaks Movement as full members. The United Liberation Movement for West Papua obtained observer status in 2015. Indonesia is an associate member.
117. Melanesian Indonesians number around 11 million: they live mainly in Papua, West Papua, Maluku, Maluku Utara, and Nusa Tenggara Timur.
120. Such sense of fear dates back to Sukarno’s «Konfrontasi» (confrontation) policy against the constitution of the Federation of Malaya (Malaysia) which, according to the first president of Indonesia, was an offshoot of British imperialism. See Dewi Fortuna Anwar, Indonesia in ASEAN: Foreign Policy and Regionalism, Institute of Southeast Asian Studies, Singapore 1994, pp.17-32.
during 2016, Jokowi and members of his government who are the closest to him have often acknowledged ASEAN centrality in terms of regional stability and security, stressing the importance of strengthening cooperation to safeguard the region against the interferences of the great powers.\footnote{121}{Sekretariat Kabinet Republik Indonesia, ‘President Jokowi: Regional Stability is ASEAN’s pride’, 6 September 2016 (http://setkab.go.id/en/president-jokowi-regional-stability-is-aseans-pride).}

Therefore, not differently from his predecessors, Jokowi is mainly interested in ASEAN defence and security issues, something which is hardly surprisingly if we consider that Jakarta’s imprint in the association, since its foundation in 1967, has been particularly marked in the field of security.\footnote{122}{See for example the role played by Indonesia in the establishment of the Treaty of Amity and Cooperation in Southeast Asia (TAC) and in the creation of the ASEAN Plus Three.}
The observation that, in the year under analysis, Jokowi promoted a number of initiatives at the regional level to combat the threat posed by the IS,\footnote{123}{Heiduk, ‘Finding Regionalism in Jokowi’s Foreign Policy’.} to manage the Rohingya migration crisis,\footnote{124}{‘ASEAN resolves to respond to Rakhine crisis’, The Jakarta Post, 14 December 2016.} and to promote moderate Islam and democracy in the region\footnote{125}{‘Vice president opens gathering of ASEAN ulemas’, Antara News, 13 December 2016.} is not of little significance. It means Jakarta still perceives the Southeast Asian Association as an important vehicle to sponsor peace, pluralism, and human rights. Also Jakarta’s aloof attitude in regard to the consolidation of the ASEAN Economic Community (AEC), formally established in November 2015, reveals the country’s traditional wariness of an integrated regional market.\footnote{126}{Moreover, certain declarations issued by Jokowi after being elected were not conducive to feelings of unity in ASEAN. For example, during an ASEAN summit in Myanmar in 2014, the president declared that Indonesia is not willing to become a mere market and its priority is to safeguard the national interests. See ‘A blunt message for ASEAN’, The Jakarta Post, 13 November 2014. Moreover, the Minister of Culture declared that, since Indonesia is the biggest country in the region and will be the centre for economic development among the group, Bahasa Indonesia should become AEC’s main language. See ‘Push for Indonesian to be AEC’s main language’, The Jakarta Post, 18 August 2015.}

Even though this seems to be at odds with Jokowi’s priority to increasingly attract foreign investment, there are reservations about the benefits which Indonesia can derive from AEC because of the country’s overburdened infrastructure, high business costs, and low labour productivity.\footnote{127}{‘Indonesia reflects regional doubts on economic integration’, Nikkei Asian Review, 22 December 2015.} Another major problem is that Indonesia does not have a well-developed manufacturing industry, lagging behind other Southeast Asian countries.

\begin{itemize}
\item \footnote{121}{Sekretariat Kabinet Republik Indonesia, ‘President Jokowi: Regional Stability is ASEAN’s pride’, 6 September 2016 (http://setkab.go.id/en/president-jokowi-regional-stability-is-aseans-pride).}
\item \footnote{122}{See for example the role played by Indonesia in the establishment of the Treaty of Amity and Cooperation in Southeast Asia (TAC) and in the creation of the ASEAN Plus Three.}
\item \footnote{123}{Felix Heiduk, ‘Finding Regionalism in Jokowi’s Foreign Policy’, The Diplomat, 3 May 2016.}
\item \footnote{124}{‘ASEAN resolves to respond to Rakhine crisis’, The Jakarta Post, 14 December 2016.}
\item \footnote{125}{‘Vice president opens gathering of ASEAN ulemas’, Antara News, 13 December 2016.}
\item \footnote{126}{Heiduk, ‘Finding Regionalism in Jokowi’s Foreign Policy’. Moreover, certain declarations issued by Jokowi after being elected were not conducive to feelings of unity in ASEAN. For example, during an ASEAN summit in Myanmar in 2014, the president declared that Indonesia is not willing to become a mere market and its priority is to safeguard the national interests. See ‘A blunt message for ASEAN’, The Jakarta Post, 13 November 2014. Moreover, the Minister of Culture declared that, since Indonesia is the biggest country in the region and will be the centre for economic development among the group, Bahasa Indonesia should become AEC’s main language. See ‘Push for Indonesian to be AEC’s main language’, The Jakarta Post, 18 August 2015.}
\item \footnote{127}{‘Indonesia reflects regional doubts on economic integration’, Nikkei Asian Review, 22 December 2015.}
\end{itemize}
4. Economy

4.1. Managing fiscal deficit

Amidst the persisting economic global slowdown, Indonesia’s GDP grew at around 5%.\(^{128}\) This was only slightly less than the 5.3% growth rate projected by the 2015-2016 state budget, but considerably less than the overly optimistic 7% growth rate target set by Jokowi at the beginning of his mandate. Also, the current GDP growth rate was too low to provide employment for the estimated 2.5 million new job seekers joining the workforce every year.\(^{129}\) Although the unemployment was at 5.6% - that is lower than in 2015, when it was at 6.2% - it should be considered that official data do not include the informal sector, which is still today between 55% and 65% of Indonesia’s economy.\(^{130}\)

The two most important issues influencing the country’s economy during the year under analysis were exports falling and the risk to fiscal sustainability.\(^{131}\) The former problem was due both to weak global demand and commodity prices under pressure, especially the prices of key exports like thermal coal and liquid natural gas.\(^{132}\) The latter problem, fiscal sustainability, was the result of an overall slower growth coupled with higher expenditure on infrastructure, social security, and transfers to local government.\(^{133}\) The savings gained from the 2015 abolition of fuel subsidies were only of marginal relevance in helping to improve the fiscal situation. A tax revenue target generally considered too high to be achieved – in October the tax revenue stood at 64% of the amount expected\(^ {134}\) – was another major

128. Asian Development Bank projection. The GDP is above the regional average, but still low if we consider that Indonesia has still large pockets of poverty and needs higher economic growth rates to lift human development indicators and improve standards of living.


131. ‘Real GDP grows by 5% in Q3’, The Economist Intelligence Unit, Indonesia, 7 November 2016.

132. ‘Can Indonesia’s economic opening up boost growth?’, Deutsche Welle, 18 February 2016. Exports of goods and services contribute considerably to Indonesia’s GDP and in 2015 amounted to around 21% of it. World Bank data available at [http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS](http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS). In the second half of 2016, the price of coal rose significantly: this is a good sign for the mining sector and might have a positive effect in Kalimantan and South Sumatra. ‘Indonesia’s Coal Price Continues to Soar in 2nd Half of 2016’, *Indonesia Investments*, 5 December 2016.

133. In June, the fiscal shortfall, initially estimated at 2.15% by the 2016 state budget, was estimated as touching 2.5% at the end of the year. ‘Cash-strapped budget hits Indonesia’, The Jakarta Post, 1 September 2016. A state finance law limits the deficit to 3% of GDP.

cause for the worsening fiscal balance.\textsuperscript{135} To obviate the risk to sustainable fiscal policy, the Jokowi administration responded with the introduction of a tax amnesty program and the revision of the 2016 state budget.

Sponsored by Jokowi since 2015, the nine-month tax amnesty started in June, despite criticism from the World Bank, the Organisation for Economic Cooperation and Development (OECD), and local activists.\textsuperscript{136} In the government’s expectations, the program would widen the tax base, positively impacting the budget deficit and supporting Jokowi’s infrastructure development plans.\textsuperscript{137} Nevertheless, according to the data released by the tax amnesty official website in December, it was unlikely that, unless the trend changed in the last trimester, the government would be able to satisfy the increasing need for revenue by attracting all the expected overseas assets. Hopefully for the country’s state revenue, though, the Automatic Exchange of Information framework, a set of jurisdictions between countries that commit to disclosing information on assets, should be fully implemented in 2018, allowing Indonesia to improve the GDP-tax revenue ratio.\textsuperscript{138}

As far as the 2016 state budget is concerned, recently appointed Finance Minister Sri Mulyani Indrawati revised the assumed GDP growth rate at 5.1% instead of the initial 5.3%. Furthermore, Sri Mulyani cut over 7% of government expenditure\textsuperscript{139} by diminishing the allocations on projects that had not started yet or were considered as non-priority.\textsuperscript{140} This austerity measure has been criticised as unduly harsh, by pointing out that the debt-to-GDP ratio was around 27%, much lower than the 60% constitutional limit. It has also been noticed this measure could put at risk politically sensitive social programmes, such as the national health insurance programme, the food security schemes, and the subsidies for poor students.\textsuperscript{141}

135. Mari Pangestu, ‘Indonesia an oasis of economic stability?’, \textit{East Asia Forum}, 18 December 2016. The tax-GDP ratio is about 11% (10.8% in 2014 according to World Bank estimates), whereas it ranges from 13 to 17% in the ASEAN countries. This is a problem for the archipelago, since tax revenue is the biggest source of government revenue.


137. Repatriated funds should be invested in government issued securities, stocks, bonds, and mutual funds by private companies and could therefore be used for economic development. ‘Tax Amnesty Program of Indonesia is Constitutional, Says Court’, \textit{Indonesia Investments}, 14 December 2016.


140. ‘Cash-strapped budget hits Indonesia’, \textit{The Jakarta Post}, 1 September 2016.


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4.2. Seeking foreign investment and strengthening Indonesian presence in global markets

Apart from fiscal stability, the economic key target for the Jokowi administration has been infrastructure development, for which an ambitious agenda including the construction of ports, railways, and roads has been outlined for the period from 2014 to 2019. The infrastructure deficit was hampering Indonesia’s economic growth.\(^{142}\) Moreover, due to a very fast urbanisation, insufficient investments were making several communities in big cities vulnerable to poverty, given the limited access to safe water, sewerage, and sanitation systems.\(^{143}\) Infrastructure projects were expected to be funded by state owned enterprises (SOE, 20%),\(^{144}\) by the state and regional state budgets (respectively 40% and 10%) and by the private sector (30%).\(^{145}\) In addition to the World Bank and the Asian Development Bank, Jokowi has been courting the China-led Asia Infrastructure Investment Bank (AIIB) which, in the president’s plan, should finance one third of the money coming from the SOEs and private sector and which issued one of its first four loans to Indonesia in June.\(^{146}\)

To remove barriers to foreign direct investment (FDI), between October 2015 and February 2016 a package of economic reforms liberalised several sectors – the two most important being healthcare and transports.\(^ {147}\) Even though several analysts have argued the reforms were still circumscribed and should have been combined with tackling red tape and with making labour laws more flexible and land acquisition easier,\(^ {148}\) FDI was

142. The costs for logistics in Indonesia are estimated at 26% of the GDP. In Singapore they are at 8%, whereas in Malaysia at 14%. Prashanth Parameswaran, ‘Indonesia and China’s AIIB’, The Diplomat 26 July 2016.
143. The World Bank, Indonesia’s Urban Story, 14 June 2016.
145. ‘State firms told to triple investment to help stoke growth’, The Jakarta Post, 7 November 2016. The government had plans to create six holding companies for the sectors of 1) oil and gas, 2) construction and public housing, 3) mining, 4) food, 5) banking and financial services, and 6) sectors, with the aim to give them greater leverage in borrowing money.
147. See the detailed graphs on the reforms package at Ken Koyanagi, ‘Jokowi’s reform efforts are beginning to pay off’, Nikkei Asian Review, 9 June 2016. According to the World Bank agency Doing Business, Indonesia moved up 16 places compared to the previous year thanks to the reform package (http://www.doingbusiness.org/data/exploreeconomies/indonesia).
growing and, at the end of the third quarter, had reached about 75% of the year target.\footnote{149}

Jokowi’s intention to finalise several trade deals\footnote{150} aligned with the need to lure investment for priority industries to pursue self-sufficiency\footnote{151} for a wide range of products and to boost the exports of manufactured goods, as of now lagging behind.\footnote{152} Yet, there were divergent opinions on the benefits Indonesia could get from such trade deals, the main concern being that Indonesian manufactured products would not be competitive enough.\footnote{153} Among the trading agreements involving Indonesia, for which negotiations were afoot, the most important was certainly the China-promoted RCEP that involved China, the ASEAN countries, India, Japan, South Korea, Australia, and New Zealand, leaving out the United States. Talks about RCEP gained ground after Donald Trump’s victory and the possible discontinuation of the «pivot to Asia» policy and the related TPP. However, it remained a moot point whether Indonesian industries could sustain competition from Chinese products and if the trade unbalance with China could be reduced.\footnote{154} Anti-liberalisation sentiments remained in place in Indonesia, also at the high-political level, being strengthened by fears of political interference and geopolitical consequences, especially in relation to agreements with the United States or China.\footnote{155}

4.3. Poverty and inequality

According to the World Bank the poverty rate fell by 0.4 % in March 2016, marking the most significant decline in the last three years, with the Gini coefficient down by 1.1 points to 0.397, even if this remains one of the highest in the region. This may have been mainly due to the decline of inflation, the improved management of rice imports, and the implementa-
tion of social assistance programs. Nevertheless, according to Indonesia’s Central Statistics Agency (BPS), the number of people lifted from poverty from 2010 to 2014 was much lower compared to the previous four years. In addition, notwithstanding high growth rates and the improvement of the poverty rate over the years, income distribution was negatively impacted. All in all, growth has mainly favoured the wealthiest 20% of Indonesians, causing a significant increase of the Gini coefficient in the past decade. Also, the richest 10% of Indonesians still own around 75% of the country’s wealth. Thus, Indonesia remains a very unequal country in terms of wealth distribution, although this is slowly improving.

Even though external factors like the economic slowdown and spiking food prices played a role in the reduction of poverty and inequality, these were important results, through which the Jokowi government performance will be evaluated. Jokowi has presented the reduction of both poverty and inequality as essential economic goals: universal healthcare and public education programs, land reform, and infrastructure projects are expected to contribute to reducing the Gini index to 0.36 by 2019. From many sides, yet, it has been argued that Jokowi’s infrastructure development agenda is not conducive to the reduction of inequality and that the president should focus more on tackling corruption and making public service more efficient if he wants to meet his targets of poverty and inequality reductions.

4.4. State budget plan for 2017

The 2017 state budget, which was passed in October 2016, was contracted for the first time since 2012. In other words, the total amount of both revenues and expenditures was diminished in comparison to those of the 2016 budget. In the government’s view, the contraction of the budget should improve the country’s credibility and attract more foreign investment. The 2017 budget projected an economic growth at 5.1% with a fiscal deficit at 2.41% of the GDP. The forecast for total government revenue was basically the same as in 2016, with central government and local government spend-

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The three goals that the budget wanted to reach were: 1) the widening of the tax base by 13%, thanks to the last phase of the tax amnesty and law enforcement programs; 2) public spending focused mainly on infrastructure development, interregional connectivity, enhanced goods expenditure, and more efficient subsidy disbursements; and 3) an attentive fiscal management that will keep an eye on the deficit and debt ratio. Moreover, Jokowi continued to stress the important of the state budget as an instrument to reduce poverty and fight economic disparity: poverty is expected to go down to 10.5% from the current 10.9% of the total population, whereas the Gini coefficient should hover at around 0.39.

162. The state budget for the fiscal year 2017, Law of the Republic of Indonesia Number 18 of 2016 Regarding State Budget for Fiscal Year 2017, is available in the website of the Ministry of Finance (http://www.kemenkeu.go.id/en/Peraturan/law-republic-indonesia-number-18-2016). Given the implementation in 2014 of the Village Law, the local government spending includes a village budget aimed at financing Indonesia’s villages according to their specific needs and providing them authority and autonomy in line with the power decentralisation process started in 2001.


Vietnam in 2016: the aftermath of the 12th congress, between continuities and changes*

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In the aftermath of the heated January 2016 12th Congress of the Communist Party of Vietnam (CPV), Vietnam seemed face multiple challenges, both at the domestic and at the international level. For what concerns domestic affairs, this paper argues that one major challenge for the newly elected Vietnamese leadership (and one major stake for Vietnam in the coming years) was one of gaining back control over the country’s development pattern – and responding to raising bottom-up discontent and demands. Concerning foreign relations, the paper highlights the growing challenges and sources of uncertainty for Vietnam – and its attempt at balancing between major (and smaller) powers’ foreign strategies – emerging out of the already-fluid and thorny Asia-Pacific geopolitics.

1. Introduction

The year 2016 opened in Vietnam with the 12th National Congress of the Communist Party of Vietnam (CPV) – the ruling and sole legally recognized political party in the country. The congress paved the way for an unusually quick transition in Vietnam’s leadership, which was basically completed by April 2016. Given its relevance, the central sections of this paper (sections 2, 3 and 4) will concentrate on this event, focusing on some major challenges the newly elected leadership seemed due to face in the coming years, especially concerning domestic affairs. More specifically, in the following section (section 2), I will sketch some main congress’ outcomes and provide examples – which I consider particularly telling of a more general orientation – of the analyses of the congress itself and its potential aftermath provided by media and experts. In sections 3 and 4, I endeavour to offer an additional perspective on the stakes and challenges entailed by the 2016 transition in Vietnamese leadership, contextualizing it in some wider political-economic developments that have characterized the country over the last ten years. Finally, in the last section of the paper (5), I briefly turn to foreign policy developments, (selectively) focusing on the

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rising challenges that accompany Vietnam’s consistent attempt at balancing relations with major powers. Here, I take a particular look at the 2016 state of the art of Vietnam’s relations with US, India and China, given both the interesting developments they showed and the prominent challenges they raised.

2. The 12th Party Congress and its narratives

Held in Hanoi between 20 and 28 January, with the participation of 1,510 delegates representing 4.5 million party members across the country,¹ the 12th Congress of the Communist Party of Vietnam has attracted worldwide attention, not the least due to the alleged competition over the party’s leadership between Prime Minister Nguyen Tan Dung and Party Secretary General Nguyen Phu Trong. Undoubtedly, the congress has been a heated one, with Vietnamese politics unusually «reduced» to a confrontation between two individuals² and with unpredictable results. Eventually, Trong surprisingly gained the upper hand. Although well past the party-set age limit for top leaders, the 72-year-old secretary general was re-elected for a second term, basically putting an end to the career of former Prime Minister Dung, who even failed to get himself elected as a Central Committee member. The congress opened the way to an unusually smooth and quick transition in Vietnamese leadership.³ By 7 April, Nguyen Thi Kim Ngan, a Politburo member and former Deputy Chairperson to the National Assembly, was appointed head of the legislative body;⁴ the Politburo member Tran Dai Quang, former Minister of Public Security and police general, was elected as the new state president;⁵ and former Deputy Prime Minister Nguyen Xuan Phuc was confirmed as prime minister.⁶ By 9 April 2016 – three months ahead of the initially scheduled date – a new government was formed and approved,⁷ comprised of five deputy prime ministers.

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⁴. She became the first Vietnamese woman to chair the country’s parliament; ‘Vietnam has first chairwoman of parliament’, Thanh Nien News, 31 March 2016.
⁵. ‘Tân Chüzü tich nuọc, ông Trần Đại Quang’ (‘New State President, Mr. Tran Dai Quang’), VnEconomy, 2 April 2016.
⁶. ‘Nguyen Xuan Phuc appointed prime minister’, VnExpress, 7 April 2016.
⁷. The government should have been voted after the May 22 election of the National Assembly; in fact, both the country’s three top leadership positions and government members were then «re-elected» by the first plenum of the 14th National Assembly.

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ministers and 21 ministers (18 heads of ministries plus the Head of the Government Office, the State Bank Governor and the Inspector General).\(^8\)

Two major overlapping narratives have dominated most of the evaluations (especially Western media analyses) of the 12\(^{th}\) National Congress of the CPV: a «power struggle» narrative and a «conservative» versus «reformist» one. Here, Dung usually features as a «reformist», «pro-Western» leader, opposed to the «conservative», «pro-China» Trong. Comments have often hovered around the possibility that Trong’s re-election could halt the pace of market reforms and integration into the global economy, while tilting the country towards the Chinese camp in foreign relations.\(^9\) More generally, analyses seem to have shared a common concern for the alleged revival of «ideological orthodoxy»\(^10\) associated with Trong’s re-election – one taking the shape of something that could be defined, if coarsely, as a concern for a potential «regressive turn» in Vietnam’s overall orientation. As has been widely emphasized, Trong’s reconfirmation as the CPV’s secretary general has been accompanied by a strong reassertion of the virtues of one-party rule and «collective leadership».\(^11\) Congress’ documents have reiterated the party’s long-term concerns with older «dangers», such as «peaceful evolution», while highlighting newer ones, such as «self-evolution» and «self-transformation» of party members.\(^12\) Great clamour was raised by the following passage of Trong’s closing speech at the Congress:

> The principle of the Communist Party of Vietnam is collective leadership with accountability and responsibility of the individual, which can never become authoritarian. Elsewhere in the world, there are examples where they say they follow democracy but decisions are made by one person.\(^13\)

Assembly in late July. See on this: ‘Vi sao bầu Chủ tịch nước, Thủ tướng ở cuối nhiệm kỳ quốc hội 13?’ (‘Why the State President, Prime Minister are elected at the last meeting of 13th National Assembly session’), *Infonet*, 23 March 2016; ‘Vietnam to re-elect leadership posts for 2016-20 tenure later this year’, *Tuoi Tre News*, 12 April 2016; ‘Vietnam parliament to put new leadership to work early’, *Reuters*, 21 March 2016.


Indeed, while dismissing the idea that the newly elected leadership would slow down market reforms, some experts have highlighted that the congress «was far more about the primacy of the party». It should be mentioned in this respect that all the main party organs elected in January saw an increase in the number of members with a background in both public security and the military. The Politburo—which was extended to 19 members—and the three-member Secretariat included four and two members from public security, respectively, while the 200-member Central Committee saw an increase of members coming from the Ministry of National Defence (from 17 to 22). The newly elected Tran Dai Quang was himself the first Vietnamese Minister of Public Security—and a country’s «top cop»—to be named State President. Yet, at the same time, the Politburo included an unprecedented number of young technocrats highly skilled in fields such as finance and foreign affairs. The coexistence in party’s organs of technocrats and figures with backgrounds in public security and the military has been said to well reflect the actual party’s double (and contradictory) objective for the years to come. The first is maintaining economic growth. It’s worth mentioning in this regard that since the launch of Doi Moi (Renovation)—namely the economic reforms initiated by the 6th Party Congress in 1986—economic performance has been one of the most important sources of legitimation and resilience capacity of the Communist Party of Vietnam. The second party’s objective is keeping the guard up against any threat to its monopoly on power. Along with any movement perceived to be «hostile» to the party, arguably, the perceived threats also include any concentration of high levels of personal power and any subordination of the party to the executive, such as those that have characterized Prime Minister Dung’s years (2006-2016).

17. See ‘Chân dung 19 Ưu tiên Bộ chính trị Khóa XII’ (‘The Portrait of the 19 members of the XII Politburo’), Thanh Nien Online, 29 January 2016.
In a partially different vein, other analyses have specifically focused the attention on the high degree of complexity and fluidity of Vietnam’s politics as well as top leaders’ orientations. As has been highlighted:

Trong [...] can behave like a reformer. He views the survival of the VCP as the primary mission of Vietnamese policies, but he has also promoted many modernisers who place national development before and above Party survival.21

Conversely, former Prime Minister Dung – the champion of market reforms and Vietnam’s integration into the global economy – also showed «conservative» orientations during his premiership.22 Moreover, Dung is notoriously held responsible for the rise in Vietnam of a widespread system of patronage networks that promoted the interests of State-Owned Enterprises (SOEs) leaders, foreign investors and more generally «well-placed persons».23 Indeed, in correspondence with Dung’s ascendancy as Prime Minister, «Vietnam’s rent-seekers reached the apex of their hegemony» in the country.24 It has been noticed that «rent-seeking» factions that supported him have seen their influence limited within the new leadership.25 Indeed, the latter has been commonly credited for being genuinely willing to enhance anti-corruption efforts; with growing intensity since the early 1990s, fighting corruption has been perceived as central to the party’s own survival.26 On these premises, the newly elected Vietnamese leadership could be considered even keener than the previous one towards greater liberalization in economic and also political matters.27

While the above interpretations contain important elements of truth, a useful exercise seems to more specifically contextualize the 2016 Party Congress in the wider political-economic developments that have characterized Vietnam in the last decade. This may help provide an

21. Alexander L. Vuving, ‘Why Trong’s re-election doesn’t spell the end for reform’.
22. Ibid.
25. Alexander L. Vuying, ‘Why Trong’s re-election doesn’t spell the end for reform’.
26. See, e.g., ‘Vietnam’s uphill battle against corruption’, East Asia Forum, 11 February 2016; on the anti-corruption campaign launched by Trong upon his ascendancy as the party secretary general in 2011, and the following political confrontation between Trong and Dung, see the already-mentioned Alexander L. Vuying, ‘Vietnam 2012. A Rent-Seeking State’.
27. See, e.g, Alexander L. Vuying, ‘Why Trong’s re-election doesn’t spell the end for reform’.
additional perspective on some key issues raised by the 2016 transition in Vietnam’s leadership – and on some of the country’s major stakes and challenges for the years to come. In the following sections, I attempt to point out two questions that here seem of particular relevance and that somewhat crosscut the analytical approaches briefly sketched above.

First, the reassertion of “collective leadership” and the issue of “party primacy” marked by Trong’s re-election need to be assessed (also) against the loss of political (party) control on economic/development processes that has characterized Vietnam with particular intensity in the last ten years. Such a loss of control has created severe imbalances in the country, which urgently need to be fixed. Indeed, in the months following the congress, the CPV speedily reasserted its leadership in the definition of the economic strategy (entrusted to the Central Committee’s Economic Commission), (re)limiting the government role to the implementation of the party’s strategy.28

Second, and closely linked with the first point, beyond the question of whether “market reforms” will continue or not, their very meaning seems to deserve critical scrutiny. The notion of so-called “market reforms” mostly overlaps with “neoliberal recipes” and with a neoliberal model of integration into the global economy.29 In Vietnam and elsewhere, the neoliberal form of capitalism creates severe economic imbalances, entails major (not necessarily transitory) social costs30 and has a tense relationship with any substantive expansion of democracy.31 From this standpoint, and however provocative it may be, it seems fair to say that one major (normally overlooked) stake for Vietnam in the coming years is whether the party will be willing and capable to gain back control over and redress the country’s neoliberal development pattern, and in what direction, namely, with what “class content”.

3. Losing control of the country's development pattern

The story of Vietnam’s outstanding economic performance since the launch of Doi Moi by the 6th Party Congress in 1986 is well known. However, especially the 2006-2016 decade had several dark sides, closely related with the definitive erosion of the party’s capacity of exercising state power to dictate any coherent development strategy for the country.\(^{32}\) This decade was characterized, as mentioned, by Dung’s high concentration of personal power, when an «Office of the Prime Minster (and the state apparatus) emerged arguably as a more powerful institution than the VCP»,\(^ {33}\) including in economic matters. Let’s take two examples that are particularly telling for the point at issue – namely some major developments in the state and Foreign Direct Investment (FDI) sectors of the economy.

The control over the State-Owned Enterprises has been a major concern for Vietnam’s leadership since the launch of Doi Moi. The CPV has persistently attempted to rely on this economic sector as major leverage for implementing national industrial strategies. However, around SOEs also developed wide, rent-seeking networks aiming to take profit from state resources – networks often so powerful to be able to exert influence on the state and party. Under Dung’s premiership, an intensified process of economic liberalization coexisted with an expansion of rent-seeking activities; during the 2006-2016 decade, the re-launch of the centrality of SOEs in the Vietnamese economy was de-facto politically used to turn them into a sort of «private property controlled by interests […] within the party/State».\(^ {34}\) Among other things, this triggered slow-downs in economic growth and major macroeconomic turbulences, including rising public debt and crises in the commercial bank system due to «bad loans». Since 2010, former Prime Minister Dung has been associated with enormous corruption scandals and the bankruptcy of key state-owned corporations, such as Vinashin (Vietnam Shipbuilding Industry Group)\(^ {35}\) and Vinalines (Vietnam Shipping Lines). While all this dramatically compromised the possibility for SOEs to play a strategic role in Vietnam’s industrial policy, the «privatization recipe» soon


revealed its own «pitfalls». Privatization processes typically appeared to be structurally prone to multiplying the opportunities for rent seeking and corrupted practices – contrary to what is normally maintained by mainstream analyses, which see them as the royal road to eradicate corruption. Indeed, while in recent years, the CPV’s anti-corruption efforts have been enhanced, by the beginning of 2016, progresses were still considered limited, with challenges for the years to come on the rise. This comes as no surprise, given that «corruption in Vietnam is now […] associated with interest groups, rent seeking and crony capitalism». By the end of 2016, Prime Minister Nguyen Xuan Phuc had to admit that, «despite drastic instruction by the government in the fight against anti-corruption, yielded results failed to meet up with requirement».

A major objective for continued government action was identified in eradicating interest groups in corruption-prone areas, including public assets, investments, and «equitization» (i.e., privatization) of SOEs. More generally, issues such as reforming public investments, State-Owned Enterprises and commercial banks remained a central cause of concern in 2016. By the end of the year, the level of public debt and state deficit was still alarming, especially if the counts included the debt of SOEs. At the time of writing, any assessment on the new leadership’s response to the «state-sector challenge» would be overhasty. Yet, it may be safely contended that rationalizing while preserving such a sector proves to be a thorny objective to achieve. In September, a «massive sell-off» of SOEs was announced for 2017. In fact, Vietnam’s leadership has constantly announced, and scarcely implemented, larger SOEs equitization since the early 1990s. However, it’s notable that during the year under review, even «efficient» and healthy SOEs have been put on the market, especially to mobilize capital to fund public services. In this regard, also notable is that, for the first time, the party congress’ documents explicitly mentioned the private sector and recognized

40. Ibid.
41. Although the entity of the public debt is considered a state secret and therefore no detailed figure is available, the rise of national debt and budget deficit was widely debated in late 2016. Several well-informed officials confirmed to the author that this was a major concern for policymakers.
42. ‘Vietnam plans massive sell-off in state-owned firms early next year’, VnExpress, 16 September 2016.
its relevance in the Vietnamese economy; at the same time, however, they showed a persistent difficulty to clarify the actual meaning of the reaffirmed «leading role» of the state sector – and how it would combine with enhanced attempts at privatizing SOEs. More generally, these documents showed a persistent difficulty in clarifying the peculiarity of the country’s own (and reasserted) development model, i.e., «a socialist-oriented market economy».

While it remains an open question whether Vietnam will be able to re-launch any kind of industrial policy (and any strategic role for SOEs), deepened integration into the global economy through foreign investments and exports has (typically) shown ever more clear signs of being a risky path to «development». The entrance in the WTO (2007) and Dung’s pronounced foreign-investor-friendly policies – including «overly generous» economic incentives – marked for Vietnam a truly «hyper-liberal» turn. In this respect, the decade 2006-2016 represented for the country the «reform decade» par excellence. During these years, which marked a stricter alliance between important sectors of the Vietnamese political élite and foreign capital, Vietnam embraced a full FDI-led export-oriented industrialization model – and turned into one of the most attractive destinations for foreign investors in Asia (especially in sectors such as electronics and garment).

Indeed, in 2016, the country grew by 6.21%, proving for the second year in a row to be one of the most dynamic economies in the world (although it failed to meet the 6.7% target set by the National Assembly). In 2016, disbursed FDI increased 9% – reaching an unprecedented US$ 15.8 billion – while the increase in pledged FDI was 7%. However, overreliance on foreign investments and exports has typically exposed Vietnam’s industrialization process to the volatility of export markets and investment flows. Severe competition between provinces for attracting FDI has often proved detrimental to the quality of investment projects. The increasing predominance of fully foreign-owned plants has entailed a substantial loss of control on the country’s trajectory of integration into the global economy. Foreign firms have developed few backward and forward linkages with local industry, thus creating limited spillover effects and technology diffusion. As has been noted:

44. See Đảng Cộng sản Việt Nam, Văn kiện Đại hội Đảng toàn quốc lần thứ 12 (Documents of the 12th Party’s National Congress).
46. ‘Vietnam becoming wary of too many incentives to foreign investors’, Thanh Nien News, 1 April 2016.
47. ‘Vietnam defies Asia slowdown as economic growth holds above 6%’, Bloomberg Market, 28 December 2016.
49. ‘Vietnam defies Asia slowdown’.
Under these conditions not only the country risks to remain trapped in FDI-driven low value adding export productions; but is also repeatedly and coercively exposed to hard competition in terms of labour costs, tax rebates and other pro-capital incentives in order to remain attractive to FDI.\textsuperscript{50}

Overall, such a «development» model has produced only limited industrialization. Critical assessments of Vietnam’s growth pattern in the last decades have marked that the country is not «industrializing» at all\textsuperscript{51} – and that, by 2016, only slightly more than 20% of the workforce was employed in industry.\textsuperscript{52} It’s notable that, according to some recent estimates (2016), by 2013, most of the country’s working population was still (mostly informally) engaged in small-scale activities (around 46% in agriculture and 31% outside agriculture). By that time, domestic (non-household) enterprises overall absorbed only less than 12% of the country’s workforce (8.42% domestic private firms and 3.44% foreign firms).\textsuperscript{53}

Even in this case, it would be hard to assess the new leadership’s response to these major challenges, beyond a strengthened accent on the need of enhancing market reforms and supporting the growth of domestic private activities. Worth mentioning, in this respect, are Prime Minister Phuc’s own words during the swearing-in ceremony to the new National Assembly in July:

[…] the foreign investment sector develops well while the domestic sector does weakly. We must fix this situation in the coming period by enhancing the cooperation between the two sectors in an integrated national economy.\textsuperscript{54}


\textsuperscript{54} ‘Lễ tuyên thệ nhậm chức của Thủ tướng Nguyễn Xuân Phúc’ (‘The swearing-in ceremony of Prime Minister Nguyen Xuan Phuc’), \textit{Công thông tin điện tử chính phủ}, 26 July 2016 (http://thutuong.chinhphu.vn).
Phúc’s speech was soon followed by actions aimed at further liberalizing the investment climate with a particular focus on supporting small and medium domestic firms. In April 2016, the Minister of Finance reportedly rejected Samsung Electronics’ request of being allowed a three-year extension of a 50% tax reduction for its two Vietnamese plants. The move was warmly received by many Vietnamese leading economists and seemed to reflect growing awareness that the country had been «too generous with foreign companies». In November 2016, Vietnam officially shelved the Trans-Pacific Partnership (TPP) ratification – quite a clamorous move, given the priority accorded to this Free Trade Agreement (FTA) in recent years. Already in early October, Chief of Office of National Assembly Nguyen Hanh Phuc announced that the ratification of the TPP would not be included in the agenda of the October session of the National Assembly, as previously planned. The shelving of the TPP clearly needs to be related to the lack of «sufficient conditions» – i.e., Trump’s victory in the US and changing regional geopolitics (see section 4). The extent to which the cooled-down enthusiasm for the agreement may have also signalled a will to reassess the country’s overall pattern of integration into the global economy remains an open question. Overall, by the end of 2016, there didn’t seem to be concrete signs of substantial change in the country’s «reform» agenda. What can be said with a certain degree of confidence is that in 2016 the party-set objective of «industrializing» and «modernizing» by 2020 was far from considered achievable by the CPV itself. While reaffirming such objective, the party congress’ documents substituted the previous target of «2020» with a more cautious and wary «soon».

4. The social (and political) costs of «reforming»

In Vietnam as elsewhere, «integration into the global economy» entails not only major economic imbalances but also major social costs and rising socio-political challenges. Indeed, against Vietnam’s unquestionable achievements in poverty reduction, the country’s development pattern has been typically accompanied by growing inequality, social malaise and social

58. ‘Việt Nam chưa phê chuẩn TPP năm nay’ (‘Vietnam will not ratify TTP this year’), VnExpress, 6 October 2016.
59. ‘Vietnam PM backs off from US-led TPP’.
60. See Đảng Cộng sản Việt Nam, Văn kiện Đại hội Đảng toàn quốc lần thứ 12 (Documents of the 12th Party’s National Congress).
unrest. The latter has especially come from two key traditional constituencies of the CPV: the peasants and the workers, who have constantly showed high levels of (historically and culturally rooted) vibrancy.\(^\text{61}\) For example, the FDI-led export-oriented development model to which I refer above has been predicated upon the incorporation into foreign firms of a new class of young workers. These are often female internal migrants of poor rural origin, typically characterized by extremely poor working and living conditions, unstable employment relations and wages barely hovering around subsistence levels.\(^\text{62}\) In spite of this, migrant workers’ ability to mobilize, even amidst widespread informalisation processes, has forcefully exposed the growing tensions emerging out of the country’s development pattern. Repeated waves of illegal strikes have hit FDI industry particularly hard. As a result, although mainly associated with investors,\(^\text{63}\) worker malaise has come to represent a growing source of concern for the party itself. Since the start of Doi Moi, in Vietnam, farmers have been involved in major protests against local government officers’ and party members’ land mismanagement and abusive and corrupted practices.\(^\text{64}\) In more recent years, their involvement in land disputes against land taking for public purposes – including private conversion of land for the building of industrial parks – has been on the rise. It’s worth noting that, among other things, enhanced industrialization and globalization of agriculture, along with industrial, infrastructure and urbanization projects, increasingly present the Vietnamese farmers with problems such as land concentration, land scarcity and landlessness.\(^\text{65}\)

Three issues are worth emphasizing in the above respect. First, since the launch of Doi Moi, Vietnamese single-party rule has been consistently defended through fierce containment of any force perceived as hostile to the party (see section 1); however it has been also marked by a certain degree of


\(^{63}\) Benedict G. Tria Kerkvliet, ‘Governance, Development and the Responsive-Repressive State in Vietnam’.

\(^{64}\) Ibid.

«responsiveness» to bottom-up demands, pressures and criticism. Second, this «responsiveness» has rightly been said to be part and parcel of the CPV’s aim to preserve its own domestic legitimacy to maintain its hold on power. Yet it seems fair to point out that some sectors of the party and state have also consistently shown «genuine» and «sincere» concern for the social suffering associated with the «transition to the market» and «capitalist society» – which in turn clearly needs to be related to Vietnam’s (relatively recent) militant and revolutionary history. At a further stretch, and third, processes of «integration into the global economy» themselves often pose «intractable» dilemmas and raise the question of whether they de-facto require (in form or in fact) authoritarian forms of government to manage social unrest and conflict. Vietnam’s current pattern of FDI-led export-oriented industrialization is a good case in point. As has been detailed elsewhere, for example, it shows the difficulty of conciliating, in a condition of dependency from FDI, enhanced working conditions for the newly emerging (and highly combative) Vietnamese working class with foreign investors’ specific requirements and expectations (i.e., a low cost and highly disciplined labour force). In many instances, the infamous «fish death crisis» that hit Vietnam in April 2016 (for which there is more in the following section) provides another good example of the nature of such a dilemma. It illustrated how dependency from FDI and foreign investors’ requirements (and actual practices) are barely compatible with people’s very basic demands for environmental protection, the protection of their livelihoods and health safety. Worth mentioning in this respect is that, in Vietnam, the issue of environmental degradation is itself quickly turning into an enormous challenge for the party – if not into its real «Achilles’ heel». As for the new leadership’s response to the crisis, excessive slowness and uncertainty in managing it left open the question of what direction – and what kind of «class alliances» – it will pursue in terms of responding to growing social suffering and discontent.

4.1. The April «fish death crisis»

Referred to by Prime Minister Nguyen Xuan Phuc as «the most serious and unusual environmental incident faced by our country», the

67. Author’s conversations with state and trade union officials.
69. ‘Kết luận của Thủ tướng tại cuộc làm việc với các địa phương bị ảnh hưởng do hiện tượng hài sản chết bất thường’ (‘Conclusions by Prime Minister on the meeting with local authorities affected by the unusual death of seafood’), Công thông tin điện tử chính phủ, 3 May 2016 (http://chinhphu.vn).
"fish death crisis" was one of the first major challenges the new Vietnamese government faced after its establishment in April. The crisis originated by the discharging of toxic wastewater into the sea from the Formosa Ha Tinh Steel Corporation, a Vietnam-based subsidiary of the Taiwanese Formosa Plastics Corporation, known internationally for its bad environmental practices. The massive fish die-off struck the provinces of Ha Tinh, Quang Binh, Quang Tri and Thua Thien-Hue early in April, resulting in severe damage for the livelihood of the local communities, including severe economic losses and health consequences. Local residents blamed the Formosa Ha Tinh Steel Corporation (FHS) immediately in the wake of the disaster. The company’s local department of external relations incautiously and implicitly admitted responsibility at a moment when Vietnamese authorities’ official position was still overly cautious about the causes of the disaster.

In fact, FHS’s Vice-director of the Department of External Affairs (later dismissed by the company), in a television interview (25 April), maintained that: «Before acquiring the land, we advised local fisherman to change job […]. I have to decide whether to catch fish and shrimps or to build a modern steel industry». Indeed, in the early stage of the crisis, Vietnamese state inspectors were forbidden access to the multinational’s land, with FHS behaving as if it expected a free hand, in spite of having formally subscribed strict environmental standards. This said, as has been widely noticed, the management of the crisis on the side of Vietnam’s government was rather slow. In fact, investigations started only after protests had spread in the affected provinces and in the country at large for over a month. Protesters – whom police reportedly cracked down – particularly blamed Vietnamese authorities for their irresolution in safeguarding local communities and their livelihood in favour of foreign multinational-related economic interests. At the same time, FHS reported intention to review downward its investments plan for Vietnam.

Only in June, three months after the explosion of the crisis, did the government publicly denounce FHS’s responsibility for the environmental disaster (after the company itself

72. ‘Vietnam says no proof of Formosa steel plant linked to mass fish deaths’, Reuters, 27 April 2016.
73. ‘Ông Chu Xuân Phàm: «Tôi bị đuổi việc»’ (Mr. Chu Xuan Pham: «I was dismissed»), VnExpress, 28 April 2016.
74. Linh Trong, ‘Vietnam Fish Deaths Cast Suspicion on Formosa Steel Plant’.
had admitted its own faults) and announced that it had offered to pay US$ 500 million for compensation of damages.\textsuperscript{77}

5. Foreign policy developments

There was little indication in 2016 that Vietnam’s foreign policy orientation would change compared to past years and, more generally, to its approach to foreign relations, as defined in the late 1980s and early 1990s. Since then, the country has followed the principles of «independence and self-reliance, multilateralization and diversification [...], struggle and cooperation, and proactive international integration».\textsuperscript{78} A major endeavour for Vietnam in recent years has been the attempt to walk the fine line of rising US-China antagonism to avoid remaining trapped in one of the two camps. Among other things, this has translated into efforts at building a «multi-polar balance» involving, besides China and the US themselves, other major powers, such as Japan, Russia and India.\textsuperscript{79} Overall, the attempt has proven successful – not the least because of the growing «pivotal role» in the «East Asia power equation» that Vietnam has recently come to play.\textsuperscript{80} Yet, as for domestic developments, the year 2016 also confirmed that challenges are on the rise, especially given the new sources of uncertainty looming on the already-fluid and thorny geopolitics of the Asia-Pacific. Because of their importance, in the following sections, our analysis specifically focuses on Vietnam’s relations with US, India and China.

5.1. The US-Vietnam relations: between continuities and uncertainties

While known to be a leader sympathetic to China, and one favouring a «soft» approach towards Chinese increasing assertiveness in the South China Sea, re-elected Party Secretary General Trong has hardly assumed a dogmatic position in foreign relations over the last years. Trong supported the enhancement of Washington-Hanoi bilateral relations within the framework of the US «Pivot to Asia», and in 2015, he was the first CPV’s secretary general ever to visit the United States.\textsuperscript{81} The first half of 2016 saw a further landmark development in US-Vietnam intensified dialogue. On 23-25 May, Barak Obama visited Hanoi – the third sitting US president, after Bill Clinton and George W. Bush, to visit Vietnam (since the Vietnam War). The Joint Statement

\textsuperscript{78} See, e.g., Carlyle A. Thayer, ‘Vietnam’s Foreign Policy in an Era of Rising Sino-U.S. Competition’.
\textsuperscript{79} Ibid.
\textsuperscript{81} Michela Cerimele, ‘Vietnam 2014-2015’.
by President Obama and President Quang on 23 May after bilateral talks
expressed the will on both sides of further strengthening «comprehensive
partnership» in seven main areas, including security and defence cooperation
and economic ties. The leaders reiterated their commitment to seek «peaceful
resolution of territorial and maritime disputes» and «early ratification and
full implementation» of the TPP. A further area for enhanced cooperation
was identified in the promotion of human rights and legal reforms.\footnote{82}
Indeed, re-confirming what at this point can be considered a well-established habit,\footnote{83}
talks evidenced differences in approach to human rights and Obama made
a «forceful case for human rights»\footnote{84} in his 24 May speech «in Address to the
People of Vietnam».\footnote{85} Yet, during the visit, Obama also announced a total
lifting of the US embargo on lethal arms to Vietnam, somewhat marking
the passage to «full normalization» of bilateral relations. During the year,
exchange of visits continued,\footnote{86} and the Vietnamese reiterated on several
occasions – including after Trump’s election in November – the importance
of ties with the US.\footnote{87} However, as is well reflected by the clamorous shelving
of the TPP by the Vietnamese government (see section 3), the election of Donald
Trump definitely put the Vietnam-US privileged dialogue in the region on
hold. Indeed, although considered the TPP’s «biggest winner», Vietnam
hardly supported the attempt of other signatories of the pact, such as Japan
and New Zealand, to «salvage» it. As has been noticed, from a strict strategic
standpoint, «vocally advocating for a trade pact […] perceived as an attempt
by the outgoing Obama administration to contain Beijing’s rising influence
in the region, while knowing that America’s incoming administration would
dump the deal» would have been «unwise» for Hanoi.\footnote{88}

\footnote{84. ‘Obama raises human rights in Vietnam, calls for «peaceful resolution» of South China Sea disputes’, CNN Politics, 24 May 2016.}
\footnote{85. The White House, Office of the Press Secretary, \it Remarks by President Obama in Address to the People of Vietnam, Hanoi, 24 May 2016 (https://obamawhitehouse.archives.gov/the-press-office/2016/05/24/remarks-president-obama-address-people-vietnam).}
\footnote{86. Truong Minh & Nguyen Thanh Trung, ‘Vietnam’s Foreign Policy: In Search of a New Delicate Balance’, \it Asia Maritime Transparency Initiative, 10 November 2016 (https://amti.csis.org).}
\footnote{87. See, e.g., ‘Hoa Kỳ là một trong những đối tác quan trọng hàng đầu’ (‘The United States is one of our most important partners’), \it Tienphong Online, 6 July 2015 (http://www.tienphong.vn); Vietnam reiterates importance of US ties after Trump’s election’, \it Viet Nam Net, 10 November 2016.}
\footnote{88. Xuan Loc Doan, ‘Has Trump’s election affected Vietnam’s foreign policy?’, \it Asia Times, 25 November 2016.}
5.2. Enhancing the relations with India

The enhancement of relations with India was certainly one of the main Vietnamese foreign policy developments in 2016. On 2-3 September, Indian Prime minister Narendra Modi’s trip to Hanoi marked a milestone for bilateral relations, both symbolically and in content. The first Indian premier to visit Vietnam on a bilateral basis after 15 years, Modi stopped over in Hanoi immediately before joining the G20 held in Hangzhou on 4-5 September 2016 – and after the 12 July 2016 historic Hague Permanent Court of Arbitration’s ruling on the South China Sea against China (and in favour of the Philippines). Indian Minister of Defence Manohar Parrikar’s trip to Hanoi on 5-7 June preceded this visit, which confirmed India’s commitment to support Vietnam’s stand in the South China Sea. Among other things, Parrikar participated in a business meeting between major Indian arms producers and their Vietnamese counterparts; on this occasion, Vietnam Border Guards handed the Indian defence company Larsen & Toubro a bid document to build Offshore Patrol Vessels. The company signed the contract with the Indian Ministry of Defence to supply the vessels in September. Already, in 2014, India agreed on a US$ 100 million line of credit to Vietnam to buy Indian-produced patrol boats, on the occasion of Indian President Pranab Mukherjee’s visit to the country. Over the past years, India has trained Vietnamese Naval personnel on handling Russian-produced Kilo-class submarines; most importantly, since 2014, Vietnam and India have been negotiating the selling of India-Russia co-developed supersonic Brahmos missiles to Vietnam, with Hanoi potentially being one of the first countries to receive this missile system from New Delhi. Remember, since 2006, on Vietnam’s invitation and despite China’s irritation, the Indian ONGC Videsh Ltd. (OVL) – the international branch of the Oil and Natural Gas Corporation (ONGC) – has conducted oil exploration in Vietnam-China disputed waters (in cooperation with Vietnam). In 2016, the company received a fourth extension (until 15 June 2017) to explore Block-128. In past years, India’s activities in Block-128 – a drilling oil block falling in Vietnam’s exclusive economic zone, but also

89. On this ruling, see Francesca Congiu and Alessandro Uras’ detailed analysis in this same volume.
90. ‘Parrikar holds talks with Vietnamese President, Prime Minister and Defence Minister’, The Indian Express, 6 June 2016.
92. ‘ÂnDôchôViet Nam vay 100 triệu USD’ (‘India lends Vietnam 100 million USD’), VnExpress, 15 September 2014.
94. India’s presence in Vietnam’s waters dates back to 1988, when OVL first obtained an exploration license for Block 06.1 (a gas reserve).
claimed by China – have been harshly criticized by the latter as «illegal». It’s notable that the Block has proven to be rather poor of hydrocarbon\(^95\) and that India’s reconfirmed presence there is not in the least due to its aim to maintain «its strategic interest in the region»\(^96\).

In 2017, Vietnam and India will celebrate the 45\(^{th}\) anniversary of diplomatic relations and the 10\(^{th}\) anniversary since the signing of a «strategic partnership». While the two countries’ long-lasting friendly relationships have considerably intensified in recent years, Modi’s premiership has certainly been marked by more overt strategic support to the enhancement of Vietnam’s military and defence capacity. During Prime Minister Nguyen Tan Dung’s trip to New Delhi in October 2014, Modi labelled the «defence relations with Vietnam among the most important for India» – somewhat indicating Vietnam’s rise to a linchpin of India’s «Act East» policy.\(^97\) Several historical and newer irritants underpin the rising India-China rivalry;\(^98\) one of the most prominent strategic interests India clearly shares with Vietnam is the objective to limit China’s rising influence in the South China Sea. Vietnam’s growing significance for India should also be seen against China’s projection into the Indian Ocean; in 2011, China established a naval base on Hainan Island, immediately off the Vietnamese coast.\(^99\) Certainly, a major strategic convergence between the two countries lies in the fact that, in recent years, Vietnam has emerged as one of the largest world-arms importers (it ranked 8\(^{th}\) between 2011 and 2015), while «defence sale is becoming under Modi an important instrument of India’s regional diplomacy»\(^100\). The enhancement of military and trade relationships centrally featured bilateral talks between Modi and the Vietnamese Prime Minister – in both fields, exchanges have remained limited, though they have progressed quickly in recent years, especially with military cooperation. One major outcome of Modi’s visit was the announcement of the opening of a credit line worth US$
500 million for Vietnam’s acquisition of defence equipment.\textsuperscript{101} Talks also led to the upgrade of the two country’s «strategic partnership» to the status of a «comprehensive strategic partnership»,\textsuperscript{53} and to the signing of agreements in numerous fields, including health, defence, space and cybersecurity.\textsuperscript{102} In early 2016, it was announced that India would install a satellite tracking and imaging station in Ho Chi Minh City, providing the Southeast Asian country access to images and pictures of the South China Sea.\textsuperscript{103}

5.3. Managing the relations with China

It has been rightly said that «Hanoi is aware that its partners like India, Japan and even the US are not a match for the power that Beijing, especially with its new friend Russia, can bring to bear on it».\textsuperscript{104} The spring-summer 2014 Haiyang Shiyou 981 crisis here is a major case in point. The crisis followed China’s deployment of the massive oil rig Haiyang Shiyou 981 into waters disputed with Vietnam.\textsuperscript{105} It marked an unprecedented deterioration of Hanoi’s relations with Beijing since the normalization of relations in 1991 and decisively dented Hanoi’s confidence in its neighbour.\textsuperscript{106} It is relevant to recall that the deterioration of the situation in the South China Sea in past years has had a major impact on Vietnamese domestic politics as well, given the growing anti-Chinese sentiments of the Vietnamese population. While, especially in periods of low economic performance, the CPV has used nationalism as a further source of domestic legitimation;\textsuperscript{107} the crisis reconfirmed how nationalist upheavals may turn into a major political challenge for the party in their own right.\textsuperscript{108} After the 2014 crisis, high level visits were restored and continued up to the year under review;\textsuperscript{109} however, China has also continued its activities in the South China Sea.\textsuperscript{110} In December 2015, soon before the beginning of the 12th Party Congress,

\begin{quote}
101. ‘ÁnĐôcãnhthêm 500 triệu USD tindụngquốcphòng’ (‘India provides 500 million USD more for Vietnam’s defence’), Vietnam Net, 3 September 2016.
104. Manoj Joshi, ‘Vietnam will never be for India what Pakistan is to China’, The Wire, 2 September 2016.
105. Namely, in Vietnam’s exclusive economic zone, about 120 miles from its coast and close to the Paracel Islands; see Michela Cerimele, ‘Vietnam 2014-2015’.
106. Ibid.
107. Le Hong Hiep, ‘Performance-based Legitimacy’.
109. See Xuan Loc Doan, ‘Vietnamese PM’s China visit significant’, Asia Times, 16 September 2016 and Truong Minh & Nguyen Thanh Trung, ‘Vietnam’s Foreign Policy’.
\end{quote}
the same Haiyang Shiyou 981 oil rig was yet again sent into contested waters.\footnote{‘Giàn khoan Hải Dương 981 lại vào Biển Đông’ (‘Haiyang oil rig 981 entered the East Sea again’), Zign.vn, 29 December 2015 (http://news.zing.vn).} This said, during all of 2016, Vietnam managed its approach to China with noticeable diplomatic skills. This was particularly well reflected in Vietnam’s sober official reaction to the Hague Court’s ruling of 12 July in favour of the Philippines against China’s claims in the South China Sea. Notwithstanding its major stakes in the South China Sea – and its having been one the strongest supporters of the Philippine cause – Vietnam did not go further than welcoming the ruling and reaffirming the country’s stance on the resolution of the dispute.\footnote{‘Vietnam welcomes Hague ruling on East Vietnam Sea disputes: foreign ministry’, Tuoi Tre News, 13 July 2016.} For her part, China, while confirming commitment to managing disputes through «direct negotiations», rejected the ruling as «null and void».\footnote{‘Ruling «null and void», with no binding force’, China Daily, 13 July 2016.}

The second half of the year saw the two countries heading towards an improvement in the quality of bilateral relations, marked by the 10-15 September 2016 Prime Minister Nguyen Xuan Phúc’s visit to Beijing. Phúc visited China only two months after the beginning of his term in office. The re-building of «political trust» between the two neighbouring countries emerged as one of the key themes of the visit – along with the enhancement of economic cooperation aimed at re-balancing Vietnam’s severe trade deficit with China (its most important trade partner).\footnote{See Michela Cerimele ‘Vietnam 2014-2015’.} Beijing seemed to welcome the visit’s key-messages, arguably interested in avoiding an excessive widening of the distance separating it from Hanoi.\footnote{Xuan Loc Doan, ‘Vietnamese PM’s China visit significant’.} Yet, managing the relations with China and the constantly evolving South China Sea issues seemed to remain one of the biggest foreign policy challenges facing Vietnam. In fact, as already mentioned, China rejects any internationalization of the dispute, favouring negotiations on a bilateral basis, which would put Hanoi in a situation of disadvantage.\footnote{Ibid.} Also, Trump’s ascension to the US presidency drew a thick veil of uncertainty on regional geopolitics, including the US bilateral relation with Beijing and the consequences this might have for the US-China-Vietnam «geopolitical triangle». A furthered veil of uncertainty was drawn on regional geopolitics by other changes in leadership, such as in the case of the Philippines. Indeed, the latter half of 2016 saw Vietnam more isolated in its South China Sea stand, not least because of the newly elected Philippines President Duterte’s surprising distancing from the United States in favour of China and the resulting warming of relations between Manila and Beijing.\footnote{Ibid.} Third, and related to this point, while Vietnam has
repeatedly recalled ASEAN’s centrality in managing maritime disputes, the consensus principle on which the organization’s decision-making mechanism rests\textsuperscript{118} doesn’t play in its favour. In this regard, it is evident how the China-Philippines enhanced relation could further «harm unity within the organization [ASEAN] and counteract Vietnam’s efforts to use ASEAN to balance out powers in the region […]»\textsuperscript{119} This should be read, in turn, in parallel with the recent warming of relations between Cambodia and China, which has already importantly harmed ASEAN’s capacity to take a common position on the South China Sea\textsuperscript{120}.

\textsuperscript{118} For a critical assessment, see Le Hong Hiep, ‘Can ASEAN overcome the «Consensus Dilemma» over the South China Sea?’, \textit{ISEAS Perspective}, No. 58, 24 October 2016.


\textsuperscript{120} See the already-mentioned Truong Minh & Nguyen Thanh Trung, ‘Vietnam’s Foreign Policy’.
The 10th Congress of the Lao People’s Revolutionary Party (LPRP) concluded in January 2016 with a reshuffle of the Politburo. The new leadership confirmed a «steady-as-you-go» policy continuing to base its political legitimacy both on economic growth cum social equity and the fight against the spread of corruption, and on its strategic ability in the international arena. Laos, as temporary chairman of ASEAN, acted as guardian of its autonomy vis-à-vis Beijing’s undue influence. This latter approach also aimed at ensuring the party-state good relations with the international community and, consequently, the steady flow of official development assistance (ODA) and foreign direct investments (FDI).

Barack Obama’s visit (in September), the first one to Laos of a sitting US President, contributed to highlight the impressive economic growth achieved by the country in the last decade, strengthening the PLRP’s political legitimation.

1. Introduction

The celebrations for the 40th anniversary of the Republic of Laos ended with a great parade on 3 December 2015. The Lao People’s Revolutionary Party (LPRP), which had been ruling the country since 1975, usually takes this opportunity to glorify the revolution and its heroes. Just allowing time to return the festoons to storage, 2016 opened with the 10th congress of the LPRP, the country’s most important political event. Staged in January, the congress paved the way for a transition in Laos’s leadership. The election of Bounnhang Vorachith as the LRRP’s new leader, as well as the appointment of several new members of the Politburo – most of them hailing from politically dominant clans and, as a rule, closely bound to Vietnam – were the characterising features of the event.

Based on these developments, I argue that the LPRP, through reshuffling the Politburo, aimed to continue the policy of strengthening its legiti-

* I would like to thank Antonella Diana for fruitful discussions and suggestions related to current Lao affairs and the anonymous referee for all precious comments. I am also grateful to Simona Raffo for reading and commenting on this article. All errors are the author’s.
1. Because no official transcription exists for Lao language documents, it should be noted that this paper uses personal names as reported by the current official Lao press reports. It is, therefore, possible that different sources, especially those for the years prior to 2000, use different transcriptions.
macy at both the domestic and international levels. Internally its purpose was the continuation of the policy of the last decade, based on economic growth, founded on a sort of crony-capitalism, and characterised by the progressive abandonment of the heroic revolutionary rhetoric. Consequently, the Party-state\(^2\) acted to implement additional free market measures and to move towards reliance upon capitalist countries and international institutions. The goal of these moves was assuring the steady flows of official development assistance (ODA) and foreign direct investment (FDI), especially for big infrastructure (new railways and highways). Internationally, as chair of the ASEAN group in 2016, Laos worked in two different ways: strengthening regional integration and resisting China’s excessive political and economic influence both on the ASEAN group and on the Lao Government.

From a methodologic perspective, this article is based on the analyses of different sources. Due to the strict confidentiality to which Lao politicians are subject, just a few press releases are published, channelled through governmental or foreign press agencies. As far as foreign press agencies are concerned, they are based in countries such as Japan and South Korea, China, Vietnam, and Thailand, which are engaged in Laos through a multiplicity of international cooperation projects. Both local and foreign agencies should be critically analysed, given the traditional PLRP’s secrecy, the lack of press freedom and the fact that contemporary Laos is at the mercy of international investors, donors and co-operators’ economic and financial interests. All these stakeholders tend to convey the news they consider useful and to ban the inconvenient ones. Once all this has been said, it is necessary to point out that the slanted approach and the partiality of the sources on which one is forced to work do not necessarily preclude the possibility of a balanced appraisal of the reality, through a critical assessment of those same sources, at the light of the historical processes relevant in the country under examination and of occasional first-hand information which can be obtained by confidential sources. After all, this has been already done in other historical contexts, with excellent results.\(^3\)

2. A party-state is here considered as a state in which political power is held exclusively by a single political party and where, accordingly, there is a total overlapping of functions between state and party institutions. In Laos, despite the differentiation among executive, legislative and judicial branches, sanctioned by the constitution, the Politburo exerts a dominant influence on the government. In fact, as a rule the President of State, the Prime minister, the two Deputy Prime Ministers, the chair of National Assembly, the Minister of Defense and the Chair of the Party and State Inspection Board are members of the Politburo.

3. The author, as an Italian, has been influenced by the example of one of the major Italian historians of the past century, Gaetano Salvemini. Salvemini, who, being a militant antifascist had been forced to exile, while at Harvard in the 1930s, gave courses on the rise of Fascism in Italy, almost completely based on Fascist sources. The text of these lessons, highly critical of Fascism and its leader, was read by Mussolini himself, who annotated it and found only a couple of minor mistakes. The lessons
Based upon the above premises, this paper is organised in three parts: due to its relevance, the first part concentrates on the 10th Congress of the LPRP; in the second part, international relations are investigated; finally, in the third part, the most important economic issues are put under the lens.

2. The 10th Congress of Lao People’s Revolutionary Party

2.1. The strengthening of internal and foreign political legitimacy

As already noted, possibly the most important political event in Laos in 2016 was the 10th National Congress of the Lao People’s Revolutionary Party (LPRP), which concluded in Vientiane on 22 January 2016 after sitting for five days. It elected the 10th Party Central Committee – with 69 officials and eight alternate members – and the Politburo, with 11 members plus two alternate members, always under the chairmanship of the General Secretariat. It also elected Bounnhang Vorachith as the new party general secretary, replacing the 79-year-old Choummaly Sayasone, who stepped down after a decade in power. Moreover, the Congress endorsed the 8th five-year National Socio-Economic Development Plan for 2016-2020, the Socio-Economic Development Strategy for 2016-2025, the Vision 2030 report and, finally, the Party statutes.

State media said 685 delegates – representing more than 200,000 party members (other sources report 268,000) – attended the Congress. This means that in the last 20 years, the Party has nearly doubled its membership. In 1996, there were 78,000 members, less than 2% of the Lao population, while in 2001 that number had risen to 107,000, with a consequential increase to 452 delegates.4

Therefore, it is clear that, since 2001, the Party’s membership has doubled, and its hegemony, in Gramscian terms, has strengthened.5 The PLRP’s hegemony has always been essentially based on twin pillars. The first is the idea of heroism of the founding members of the revolutionary party. By winning the war against colonialism and imperialism, they have gained an undying legitimisation. As Ivarsson wrote: «Since the LPDR were later published as a book in 1943, which has been continuously reprinted and has come to be considered a classic of Italian historiography. See Gaetano Salvemini, *Le origini del fascismo in Italia. Lezioni di Harvard*, Milano: Feltrinelli, 2015, and the introduction by another illustrious Italian historian, Roberto Vivarelli.


5. For readers not cognisant of the Italian language, see Quintin Hoare & Geoffrey Nowell Smith (eds.), *Selections from the Prison Notebooks of Antonio Gramsci*, New York: International Publishers, 1971 (1st edn.), p. 480 (which lists pages under the heading «hegemony»).
was established in 1975, the history of twentieth-century Laos has been framed to show how the revolutionary movement in Laos has deep historical roots and how the Lao People’s Revolutionary Party is the carrier of the fight against colonial and neo-colonial foreign aggressors.»

The second pillar on which PLRP’s hegemony has been based is economic growth (constant increase in both GDP and per capita income), pursued through the «new economic mechanism», namely the economic reforms launched in 1986. After the retirement or the disappearance of its heroes, the Party increasingly grounded its legitimation on economic growth, starting a process which has slowly marginalised the military élite.

This slow change occurred in response to a series of events, as high economic performance has been coupled with the thawing of regional and international relations over the last 20 years. Indeed, since 2001, military members have gradually lost their dominant position inside the Party and, in 2016, for the first time, the party’s leader was not a military chief. The new Politburo contained only one military member: Lt. Gen. Chansamone Chanyalath, Minister of National Defence. Nowadays, the first generation of revolutionary heroes, the LPRP’s founders, are dead or maintain only honorary roles.

In the meantime, above all during the last decade, the PLRP has tried to reinforce its hegemony building a new pillar, that of Laos’s proactive and authoritative role in foreign affairs. As shown in the following paragraphs, the Party, aiming at this objective, has worked for reinforcing/enhancing its standing inside the ASEAN group. In pursuing this goal, the party was favoured by the fact that, during 2016, Laos had the chairmanship of the ASEAN. Against a background of high tensions, the new Lao leadership acted to ensure the unity of the organisation. That means that it did not cave in under China’s pressure, aimed at excluding the SCS question from the perusal of the ASEAN.

The skilful management of this political question and of the ASEAN proceedings, coupled with the September visit of the US president

7. In 1986, the Fourth Party Congress of the LPRP adopted the so-called «new economic mechanism», aiming to introduce a market economy and opening the economy to FDI and ODA from any country and private investors. Moreover, land rights were returned to their peasant owners and some state-owned industries were privatised. See Grant Evans and Milton Osborne, A short history of Laos: The land in between, Crows Nest (NSW, Australia): Allen & Unwin 2002, p. 197.
8. In 1996, the army dominated the Board of the 6th Congress. Six of the Politburo’s nine members comprised generals and a senior colonel of the People’s Liberation Army, all belonging to the revolutionary Pathet Lao. At that time, the party was deeply scared of subversive movements, particularly those linked to Hmong activists based abroad. Ibid., p. 139.
2.2. The new Lao leadership confirms the «steady-as-you-go» policy

During the 10th Congress, the Party’s political balance conspicuously changed, with the inclusion or progression of some young members and the exclusion of others. Some regional political networks were strengthened by the appointment in the Politburo of «princelings», namely the children or nephews of the most important Lao revolutionaries. Xaysomphone Phomvihane, previously ranked 17th in the Party’s hierarchy, was awarded 7th position in the Politburo and, successively, became Deputy Speaker of the Parliament. His father, Kaysone Phomvihane, of Vietnamese origins, has been the first secretary general of the LPRP and the first prime minister after the party took power in 1975. Sonexay Siphandone, previously ranked 34th, was awarded 11th position. Sonexay himself has served as governor of the southern province of Champasak before becoming Minister of the Government’s Office in 2014. Bounkham Vorachith, the only daughter of President Bounnhang, was appointed Vice Minister of Natural Resources and Environment and alternative member of the Central Committee of the Party.

According to official press releases, the LPRP confirmed its traditional conservative, «steady-as-you-go» policy. Indeed, the newly appointed leadership appeared intentioned to achieve three different objectives: a) supporting the career progression of some of the most experienced and senior Party members; b) favouring substitution of the old leaders with newly appointed young members; and c) loosening the choking embrace of China, while simultaneously strengthening ASEAN.

The election of Bounnhang Vorachith as Party leader (and, since April, as President of the Republic) can be considered part of this policy. Bounnhang was elected because he was the highest-ranking party member, after former-President Choummaly Sayasone.

Based on the Party’s traditional turnover rules, ascending the chain of command naturally follows a ranking order. Occasionally, however, blatant evictions of prominent figures occur, catalysing the analysts’ attention. In the past, these evictions were explained as a result of the debate, sometimes very heated, between the two wings of the LPRP: reformist-liberalists and conservative-moderates. The first fissures inside the party appeared in the 1980s, when the LPRP agreed to align with the Vietnamese Doi-Moi developmental model,9 provoking dissent from the conservative wing. Despite

9. The term Doi-Moi («Renovation») indicates the neoliberal economic reforms, launched in Vietnam in 1986 with the declared objective of building a «socialist-oriented market economy». 
these controversies, the LPRP has always formally conserved a strong unity, through the removal of the most radical members.\textsuperscript{10}

Forty years later, at the time of the 10\textsuperscript{th} congress of the LPRP, the political scenario appeared completely changed. It has been argued that, in this day and age, conflicts inside the PLRP do not originate from ideological divergences any longer, but are patronage and nepotism-driven.\textsuperscript{11} According to the most influential proponent of this view, Professor Martin Stuart Fox, «Someone who lacks political support in a plum position may find himself replaced by someone who is well connected, even though not as well qualified. But this support has to be paid for; and the more the job permits the holder to extract benefits, the greater the payment».\textsuperscript{12} The lack of transparency in the FDI and ODA sectors, coupled with recent arrests of high ranking PLRP’s members, accused of corruption, strengthens this idea.

While the Government of Laos has officially put the fight against corruption on its agenda and passed several anti-corruption laws, any sustained effort to eradicate and prevent corruption has hitherto been hampered by a widespread lack of political will. So far, anticorruption enforcement remains weak, with no high-profile cases ever having been brought to trial. The arrests of former Minister of Finance Phouphet Khamphounvong and Central Bank Governor Somphao Sayasith in December 2015 and January 2016 respectively\textsuperscript{13} do not appear to have inverted this trend. It is true that, in September 2016, newly elected Prime Minister Thongloun Sisoulith launched an anti-corruption campaign with considerable fanfare. He stated that: «Over the past five years, more than 1,800 Party members have failed to follow Party discipline, ranging from minor infringements to major acts of wrongdoing».\textsuperscript{14} However, anti-corruption arrests have targeted pro-Chinese politicians. This goes hand in glove with the fact that the most glaring cases of politicians excluded from the Politburo include pro-Chinese politicians, while Party members tied to Vietnam have been promoted. It is also significant that Prime Minister Thongloun Sisoulith conveyed the above quoted anti-corruption declaration through the Chi-

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\textsuperscript{11} This, for example, is the thesis of a high ranking diplomat, with a long experience in Laos, who has talked to the author under promise of confidentiality.


\textsuperscript{13} ‘Selection of New National Leaders in Laos Indicates Tilt to Vietnam’, Radio Free Asia, 22 January 2016.

\textsuperscript{14} ‘Lao ruling communist party to strengthen fight against corruption’, Xinhua, 24 September 2016.
nese Government press agency Xinhua rather than through the Lao Government press agency. One could suspect that Thongloun Sisoulith’s declaration was a warning message sent to the Chinese ruling circles, stressing the new Party leadership’s willingness to distance itself from Beijing.

2.1.1. Bounnhang Vorachith, leader of the LPRP and President of the Republic

Bounnhang Vorachith was born in 1937 in Savannakhet Province and, during his long career, has held several senior posts, including Mayor of Vientiane Prefecture. In 1952, he joined the Laos revolutionary movement, the forerunner of the Lao People’s Revolutionary Party. In 1996, when most of the PLRP members were military, Bounnhang left the army, showing great courage. A protégé of party advisor Nouhak Phoumsavanh, who belonged to the party’s civilian wing, Bounnhang was rewarded with a Politburo membership, also reflecting his long experience as Governor of Savannakhet Province and Mayor of Vientiane Municipality.

Bounnhang served as Deputy Prime Minister from 1996 to 2001, as Prime Minister from 2001 to 2006, and as Vice President of Laos from 2006 to 2016. At that time, Bounnhang was ranked 2nd in the PLRP’s hierarchy, after President of the Republic and General Secretary of the Party Choummaly Sayasone. Since 2017, like his predecessor, Bounnhang has also assumed both roles. The concentration of power in the hands of a single individual is not, apparently, provoking great debates inside the Party, as has occurred in the past. Indeed, in 1992, after Kaysone Phomvihane’s death, the party members hotly debated on the opportunity that his successor, Khamtay Siphandone, wielded the powers of both Party leader and President of the Republic. Although many thought that giving both charges to one person meant an excessive concentration of power, the debate did not succeed in preventing that from happening. The result was that, after that date, the concentration of the two roles in a single leader has become a commonly accepted event.

From a political perspective, Bounnhang’s presidency indicates continuity in the «steady-as-you-go» policy of moderate conservatism; at the international level, it ensures the strengthening of the pro-Vietnamese policy. Bounnhang’s ties to Hanoi date back to the early 1950s, when he first joined the Lao revolutionary movement, and later underwent military training in Vietnam. It is no coincidence that Bounnhang appointed Dr Phankham Viphavanh, ex-president of the Laos-Vietnam Friendship Association, as Vice President of Laos.

2.1.2. The interrupted career of Somsavat Lengsavad and Thongsing Thammavong

Whereas the appointment of Bounnhang appeared obvious, the exclusion of Somsavat Lengsavad and Thongsing Thammavong from the Politburo caused a great stir in Laos. Somsavat, a deputy prime minister, eighth in the line of succession, had joined the cabinet as Foreign Minister in 1993. Coming from a Chinese family, he could speak fluent Chinese and, in recent years, helped to implement a series of large projects backed by Chinese financing, including the launching of Laos' first satellite\(^\text{17}\) and the start of a US$6 billion long-distance railroad project.\(^\text{18}\) Important political steps have marked Somsavat’s long and successful career during the post-Cold War period. He negotiated very important cooperation agreements, such as those with the European Union,\(^\text{19}\) the Cooperation for the Sustainable Development of the Mekong River Basin,\(^\text{20}\) and, in the same period, Laos’s entry to ASEAN.\(^\text{21}\) Based on these achievements, when the 1998 government reshuffle added two deputy prime ministers to the cabinet, one of these positions was given to Foreign Minister Somsavat Lengsavad (the other going to Defense Minister Choumali Saignakon).\(^\text{22}\) Among others duties during his term, Somsavat was charged by President Nouhak Phoumsavanh with heading the committee with the important task of defining the borders between Laos and Thailand, particularly in the contested regions of Ban

18. The first projects of the rail link from Singapore to Beijing, passing through Laos, were negotiated in 1996. In that period, Somsavat used to manage the Lao part of the project as Minister of Foreign Affairs.
19. Somsavat negotiated both regional agreements, such as the Agreement on Cooperation for the Sustainable Development of the Mekong River Basin, and the historical treaties marking the post-Cold War era of cooperation in Southeast Asia. See ‘4 nations sign new Mekong Agreement’, Japan Economic Newswire, Kyodo, 5 April 1995.
20. On 16 February 1994, Laos’ Foreign Minister Somsavat Lengsavad wrote to Jacques Delors (President of the European Commission) to signal his government’s desire for closer economic and political links with Europe, particularly in promoting trade. He also indicated his government’s desire to begin preliminary talks on a cooperation agreement with the EU. The negotiations began on 7 November 1996 and were concluded by initialling, the following day, the Agreement between the European Community and Laos. See EU Commission Finals Database, Proposal for a Council Decision concerning the conclusion of the Cooperation Agreement between the European Community and the Lao People’s Democratic Republic, Official Journal Reference 97/C109/06.
21. Laos joined ASEAN in 1997. In the mid-1990s, Somsavat realised that entry to ASEAN would strengthen Laos’s position against China. «We are not a big country», he said «but we want to become the gateway for ASEAN into China [...] there is a great future there.» See ‘Laos Sees Dam Loan As Ticket To Future’, South China Morning Post, 19 November 1996.
Boten in Sayaboury and Chattrakarn in Phitsanulok. Nonetheless, in spite of all the above achievements and contrary to analysts’ expectations, in 2001 Foreign Minister Somsavat Lengsavad was not appointed to the Politburo. It is likely that the lack of a strong sponsor in the Party or his Chinese origin, even back then, hindered his career.

Fifteen years later, Somsavat’s career was once again halted at the Politburo’s gates. He remained in office as Deputy Prime Minister until July 2016 and continued to play his role as Minister of Foreign Affairs. On 15 April, he visited the Hanoi-Moscow Complex (Incentra) in Moscow, whose activities, he said, helped boost the investment cooperation of ASEAN businesses in Russia, including those from Laos. However, it was quite obvious that his exclusion from the Politburo and his unwillingness to support the Party’s new political line would force him to resign soon. Indeed, on 13 July, Somsavat announced his withdrawal from political life, and was ordained as Buddhist monk in his hometown Luang Prabang to study Theravada Buddhist teachings.

The other famous party member demoted from the Politburo was Thongsing Thammavong, Prime Minister from December 2010 to April 2016. Thongsing Thammavong was elected in the Politburo in the 5th Congress held in 1991, when the Politburo expanded from nine members to 11. He quickly climbed the career ladder and, in 2010, his appointment as Prime Minister seemed likely to be supported by the then state Vice-President Bounnhang Vorachith, both being associated with veteran revolutionary and third President of Laos, Nouhak Phoumsavan.

As Prime Minister, Thongsing Thammavong succeeded to Bouasone Bouphavanh, who unexpectedly resigned six months before the end of his term and some months before the 9th Congress scheduled on 17-21 March 2011. The resignation was justified with reference to hardly convincing «fam-
ily problems», This left the field open to the eventually vain attempts of the analysts to find an explanation for both Bouasone’s lost support from the party and Thongsing’s consequent appointment. Retrospectively, it is interesting to note that Thongsing, at the time, was supported by Somsavat.

As above noted, in 2015 Thongsing Thammavong was removed from the Politburo. It is rumoured that it was Vietnam that pushed the LPRP to do it, angered by Thongsing’s plans for massive dam construction projects across the Mekong River and its tributaries. Moreover, Thongsing was dogged by allegations of corruption, economic mismanagement, and criticism that he was too close to China.

After the national elections held on 20 March 2016, the new government was formed and Thongloun Sisoulith was appointed Prime Minister after serving as Ministry of Foreign affairs from 2006 to 2016. Thongloun Sisoulith was born in Huaphan province – the same province whence Thongsing Thammavong came – and belongs to the generation of party’s members educated in Russia in 1970s. He built his career marrying the daughter of the powerful former member of the Politburo, Phoumi Vongvichit, and was elected to the Politburo at the 7th Party Congress in 2001.

Due to the lack of sources, it is hard to find the hidden reasons behind Somsavat Lengsavad’s and Thongsing Thammavong’s exclusions. As above noted, the most likely reasons are related to the Party’s two main objectives: first, to ensure a balance between different dominant clans at regional level; second, to promote a foreign policy autonomous from China, particularly at the regional level. The reasons for Lao political will to walk away from China are analysed in the following paragraphs.

3. Why Laos wants to walk away from China

The turning point heralded by LPRP’s 10th Congress must be viewed in the context of the new Lao leadership’s desire to strengthen its political legitimation, at both the domestic and international levels. In walking away from China, the Party-State wanted to demonstrate its autonomy and its lack of subalternity vis-à-vis its giant neighbour. In the following paragraphs, this search for internal and international legitimisation will be analysed.

3.1. Chinese investments in Laos

In the last decade, Laos has hosted a huge quantity of projects financed principally – even if not exclusively – by China. Moreover, since 2015, when Laos became involved in the pharaonic Chinese Belt and Road Initiative (BRI), China has become its biggest foreign investor and donor and its second largest trading partner. Indeed, China has invested some US$ 5.71 billion cumulatively, and during the first ten months of 2015, China’s FDI reached US$ 1.22 billion, with a year-on-year increase of 60.7%. The two-way trade between Laos and China has grown annually, with the total value amounting to US$ 1.3 billion in 2011, rising to US$ 3.6 billion in 2014, but then dropping to US$ 2.78 billion in 2015.

On 2 January 2016, after many postponements, the section of rail line running from Kunming through Laos, Thailand and Malaysia to Singapore was finally inaugurated. Vientiane and Beijing agreed the interest rate for a US$ 480 million Chinese-backed loan to help finalising the US$ 7 billion project.

Most Chinese investments are concentrated near the borders where the Lao Government has started to build special economic zones (SEZs) since the beginning of the century. In total, 260 companies are investing in the 13 Lao SEZs, with a total registered capital of US$ 6.4 billion. While large Chinese private companies mainly invest in the lucrative sector of casinos (harnessing gambling tourism), Chinese state-owned enterprises (SOEs) prefer mining industry, hydropower plants, and commercial agriculture. Some SEZs have become true Chinese enclaves, with

34. The first Chinese projects in Laos started in 2008, based on an agreement secretly negotiated through the China Development Bank, between the Lao government and a Chinese consortium. A credit of US$ 100 million was provided towards building a new stadium in Vientiane; in return, the Chinese investors obtained a 50-year concession to develop 1,640 hectares of swampy land. On this point, see Martin Stuart-Fox, ‘Laos: The Chinese Connection’, Southeast Asian Affairs, No. 1, 2009, p. 142.

35. ‘Spotlight: China-Laos ties at all-time high’, Xinhua, 1 December 2015.


38. ‘Lao government seeks foreign investment, particularly in SEZs’, The China Post, 12 April 2016. These 13 SEZs comprise two different types: four are normal SEZs while the other nine have become specific economic zones. An SEZ may combine many specific economic zones and the areas must be over 11,00 ha. The Asia Development Bank (ADB) and the United Nations Industrial Development Organization (UNIDO) have actively supported the establishment of SEZs, assigning them a key role in «jump-starting» private sector development. The history, features, and laws concerning Lao SEZs are provided on the website of the Ministry of Planning and Investment, Investment Promotion Department (http://www.investlaos.gov.la).
an estimated community of 300,000 Chinese nationals, creating tensions between Lao and Chinese groups. The last months of 2015 reported a progressive increase in violence, exemplified by various killings, shootings, robberies, and other violent acts. In January 2016, two Chinese workers were killed in an apparent bombing attack in Xaysomboun Province; consequently, the national Government imposed a curfew. Despite this, on 1 March, one more Chinese worker was killed and three were wounded in two separate attacks in the same region.

The most profitable Chinese investments have also concentrated on dams exploiting hydropower energy. Thus, Laos has become one of the greatest producers and exporters of energy. Clean as this energy is, the large number of dams has inflicted enormous damage to the Mekong Basin ecosystem, provoking ferocious protest from the downstream countries.

3.1.1. Costs and benefits of the Sino-Lao developmental model

Many scholars have engaged in an extensive debate weighing the social and political costs and benefits of Laos’s economic development. In general, if one avoids polemic publications affirming that Laos has sold its sovereignty to China, it is possible to distinguish two different approaches.

The first approach analyses these issues from the perspective of Chinese investors. Pál Nyíri, for example, states that Chinese investors implemented in Laos a typically Chinese development model, aimed at creating a «rapid modernisation» and «progress [...] based on the authority of a powerful regime». Agatha Kratz and Dragan Pavličević classify Chinese investments as part of the so-called «speed diplomacy» or «holistic Chinese...
diplomatic-economic push», whose purpose is to fulfil a developmental model potentially useful to strengthening China’s political and economic hegemony. Other scholars, such as Zhang Weiwei, maintain that China has inaugurated in Laos a «new model of development and a new political discourse».

The second approach focuses on the Lao perspective. Antonella Diana and Andrew Walker state that implementing liberal policies and improved physical connectivity along the economic corridors have created a «borderless» region, in which state authority has diminished. Danielle Tan argues that, for the Lao leadership, SEZs offer an ideal framework to cover various kinds of illicit and outright illegal, but concurrently highly profitable, activities on which the Lao Government bases its struggle against poverty.

Diana, Walker, and Tan adopt Ong’s understanding of SEZs as «sites of exception», which derives, in turn, from the idea of the «state of exceptions» theorised by the Italian philosopher Giorgio Agamben. According to this theory, territory, sovereignty, and activities are handled more flexibly to extract wealth from frontier territories. Some other scholars, such as Jeffrey Reeves, highlight the dangerous social impact, detailing how the Chinese investments in Laos have caused «structural violence […] that has led to a fundamental shift in the industry away from subsistence farming and toward commercial farming». This could be read as a causal factor explaining the already mentioned many episodes of Lao intolerance against the Chinese, culminating in violence.


52. Danielle Tan, Du communisme au néolibéralisme, p. 361.


3.1.2. In search of internal legitimisation

Walking away from China does not mean Laos intends to break or interrupt economic relations with its powerful neighbour, renouncing the Chinese flow of aid and infrastructure projects still in progress. Indeed, the Chinese projects have allowed Laos to achieve high levels of GDP growth (about +7% annually) over the last decade. Throughout 2016, Chinese aid in Laos continued to feed the current projects, despite the choice of Lao leadership demonstrating a critical attitude towards the developmental model proposed by China. Indeed, the Chinese model imported into Laos is mainly geared to the interests of the Chinese capital, with no attention to social consequences in Laos. Among these consequences there are unfair redistribution of incomes, land grabbing, corruption, anarchic urban growth, uncontrolled youth mass migration and, finally, tensions and fissures inside the LPRP. The Chinese rhetoric, whose purpose was to emphasise the «salvific» role of projects aiming at allowing neighbouring countries to escape from underdevelopment, great poverty, and illegal economies (e.g. the cultivation of opium or corruption), badly masks the illusory role of «the burden of the yellow man». On the one hand, as already noted, the realisation of profit does not take into account the social costs of such projects; on the other hand, their implementation has both reinforced some political clans, particularly in the north, while damaging others, and has weakened the working class.

Beyond these domestic reasons, Laos walking away from China is linked to the Party-State’s aim of strengthening its regional and international legitimation.

4. Seeking international legitimation

In a regional context characterised by growing tensions in the South China Sea (SCS), the Lao establishment aims at distancing itself from China to demonstrate to the international community its autonomy on several vital issues concerning ASEAN integrity. Among these issues, in 2016, debates in different ASEAN fora on implementing the Declaration on the Conduct of Parties (DOC) in the South China Sea raised the temperature of diplomatic relations between the countries involved. The DOC was signed in 2002 by China and ASEAN members to outline the most important principles in the management of disputes over the SCS. Nonetheless, the DOC’s four elements

of confidence building\(^{57}\) have never been binding upon the signatories, only constituting a declaration of intents.\(^{58}\) Since 2002, very little has been done to implement the DOC and to bind interested parties to a shared set of rules.

Only in 2013, China and ASEAN launched consultations to establish a Code of Conduct (COC) in the South China Sea, under the framework of the DOC. This happened after the Philippines requested arbitration proceedings against China’s territorial claim within its Nine-Dash Line, namely the demarcation line created by China to unilaterally claim the major part of the Southern China Sea.\(^{59}\) However, three years later, the COC still remained unsigned. Reaching an agreement seems even more difficult since the International Arbitral Tribunal, on 12 July 2016, held there was «no legal basis for China to claim historic rights» over the Nine-Dash Line.\(^{60}\) Indeed, at the closing of this article, the Beijing Government had not yet accepted the arbitration proposed by the Philippines. On the contrary, as will be analysed in the following paragraphs, China has always endeavoured to prevent ASEAN member states from arriving at a shared and consolidated view on this issue.

Throughout 2016, it was in this complicated context that Laos chaired ASEAN and its several meetings at different levels, where delicate and divisive issues were discussed.

4.1. The difficult relations between Laos and China

Immediately after the LPRP’s 10\(^{th}\) Congress, Chinese President Xi Jinping offered his congratulations to Bounnhang, both personally and on behalf of the Chinese Communist Party, reiterating that the ties between China and Laos and their ruling communist parties were «considered from a strategic standpoint and long-term perspective.»\(^{61}\) He also stressed his commitment to develop a «full-fledged strategic cooperative partnership» with Laos.\(^{62}\)

Moreover, just two days after the appointment of the new Lao Government, on 23 April 2016, Lao Foreign Minister Saleumxay Kommasith and

\(^{57}\) The four elements are: (i) holding dialogues and exchange of views as appropriate between their defense and military officials; (ii) ensuring just and humane treatment of all persons who are either in danger or in distress; (iii) notifying, on a voluntary basis, other Parties concerned of any impending joint/combined military exercise; and (iv) exchanging, on a voluntary basis, relevant information.


\(^{59}\) The Nine-Dash Line is also referred to as the U-line or Langue de Bœuf.


\(^{62}\) \textit{Ibid.}
Chinese Foreign Minister Wang Yi met in Vientiane. Both sides expressed a desire to continue their cooperation on infrastructural projects linked to the BRI. Nonetheless, beyond any official statement, it was clear that Wang Yi prioritised the Lao government’s stance on the SCS. The «disputes over some Nansha islands and reefs are not an issue between China and the ASEAN, and should not affect the development of China-ASEAN relations», stated the press release of the Chinese Foreign Minister.\(^{63}\)

On 13 June, during another meeting between Wang Yi and Saleumxay Kommasith, Beijing’s determination to elevate China-Laos comprehensive strategic cooperation to a higher level emerged again. Wang Yi arrived in Laos after a whirlwind tour of Brunei and Cambodia, anticipating the award of the International Arbitral Tribunal on the SCS dispute and asking all countries, especially Laos, to maintain a neutral or low profile position on the COC during the different scheduled meetings of ASEAN. Whilst Cambodia assured its full support to the Chinese, Brunei and Laos adopted a different position. Laos, as chair of ASEAN, was no longer aligned with China, and Brunei was engaging Vietnam to seek agreement on DOC implementation.\(^{64}\)

China’s official aim has always been to accept negotiation to implement the DOC, while procrastinating in signing the COC. In fact, as above noted, the DOC is not as binding as the COC. Consequently, Beijing, has always stressed its willingness to implement the DOC, yet simultaneously drawing back from any set of binding rules. It is not coincidental that meetings held on these topics during 2016 produced no effective outcomes.\(^{65}\)

In particular, in procrastinating over the COC, China took its time and, consequently, gained more opportunities to settle disputes on a bilateral basis, rather than in multilateral fora. From this perspective, the political developments in Laos, epitomised by the Politburo reshuffle and the strengthening of relations with Vietnam and the US, made both China’s plans and Laos’s plans concerning China more complicated.

64. ‘Brunei, Vietnam vow to fully, effectively implement DOC on South China Sea’, Global Times, 28 August 2016.
65. On 15-16 August 2016, the 13th Senior Officials’ Meeting (SOM) and the 18th Joint Working Group Meeting on the Implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) were held in Manzhouli, Inner Mongolia. The official statement of the Chinese Government reported: «The parties reaffirmed their commitment to properly managing differences, increasing mutual trust and removing disturbances so as to make the South China Sea a sea of peace, friendship and cooperation». See Ministry of Foreign Affairs of the People’s Republic of China, The 13th Senior Officials’ Meeting on the Implementation of the DOC Held in Manzhouli, Inner Mongolia, 16 August 2016, §4 (http://www.fmprc.gov.cn/mfa_eng/wjbxw/t1389619.shtml).
This being the situation, and given that Laos and China were anyway bound by a strong cooperation program, Barack Obama’s historical visit to Laos in September 2016 was widely perceived as aimed at manifesting support for Laos’s political position on the thorny question of the SCS.

The US press and, consequently, all Western media emphasised the visits of US Secretary of State John Kerry, in January 2016, followed by Obama’s, who attended the ASEAN Summit in September. Once all this has been pointed out, the fact remains that, though the international media stressed Laos’s opportunity to «counter Chinese assertiveness», it is clear that the Lao diplomatic role, though potentially important, cannot be a decisive factor on the SCS.

5. Barack Obama’s «historical» visit to Laos

Laos attracted international headlines when the visit of Barack Obama was announced in early January 2016. The first sitting US President to visit Laos attended the ASEAN summit in Vientiane, scheduled for 6-8 September. For Laos, the presence of the US President strengthened the process of normalising bilateral relations, already started by the George W. Bush administration in 2005 and continued by Obama since 2009. In 2010, the two countries established the US-Laos Comprehensive Bilateral Dialogue, an annual opportunity to discuss Laos’ entry into the World Trade Organization together with cooperation on issues such as health, counter-narcotics, and environmental protection.


5.1 Consequences of Obama’s presence on Lao-US relations

In her famous report on the trial of German Nazi leader Adolf Eichmann, *Eichmann in Jerusalem: A Report on the Banality of Evil*, Hanna Arendt argues the offender acknowledging the victim’s status is the most important step forward in obtaining justice from the offender. According to this theory, one could maintain that for the first time after the US’s «secret war» in Indochina, the US made the most important step in giving justice to Laos. During his «Speech to the people of Laos», Obama, indeed, stated:

Six decades ago, this country fell into civil war. And as the fighting raged next door in Vietnam, your neighbours and foreign powers, including the United States, intervened here. As a result of that conflict and its aftermath, many people fled or were driven from their homes. At the time, the US government did not acknowledge America’s role. It was a secret war, and for years, the American people did not know. Even now, many Americans are not fully aware of this chapter in our history, and it’s important that we remember today […] Over nine years – from 1964 to 1973 – the United States dropped more than two million tons of bombs here in Laos […]. It made Laos, per person, the most heavily bombed country in history.\footnote{71}

Even if Obama’s statement was too brief in explaining the reasons for US involvement in bombing Laos, he certainly fulfilled the expectations of Lao people by admitting US responsibility for the bombing and atrocities of the 1960s and 1970s. This statement was accompanied by the US allocating US$ 90 million to support bomb removal and victim assistance programs.\footnote{72}

It is also worth stressing that Obama chose to emphasise the US’s role in development cooperation in the most critical sectors, such as health, and paid particular attention to young people.\footnote{73} The US President spent part of his visit talking to young people at the Young Southeast Asian Leaders Ini-
tiative (YSEALI) Summit, an initiative he had personally launched in 2013 to strengthen partnerships with emerging leaders in Southeast Asia.\textsuperscript{74}

6. Economy: the transition out of low-income country status

Indisputably, since Laos opened up to foreign investments its GDP growth has been impressive, with a rate of \(+8\%\) from 2009 to 2013. In the last five years (2012-2016), despite a decline in this rate, the average stood at about \(+7\%\).\textsuperscript{75} This growth brought about improved living standards throughout the country, as indicated by an increase in per capita income from US$ 319 in 2011 to US$ 1,970 last year. Less than five years ago, in 2011, the World Bank changed Laos’s categorisation from low-income economy to lower-middle-income economy.\textsuperscript{76} Further growth in 2015 convinced members of the Party-State that Laos could join the group of high-middle-income countries by 2030.\textsuperscript{77}

However, inequalities in wealth redistribution have concurrently worsened. According to World Bank data, the Gini coefficient rose from 34.66 points in 2002 to 37.89 in 2012. Overall, children in northern Laos are developing poorly, with disparities in child development across different ethnic groups and family backgrounds.\textsuperscript{78} Nonetheless, poverty in Laos declined from 33.5\% to 23.2\% in the last decade, taking half a million people out of poverty.\textsuperscript{79}

A developmental model characterised by two elements has assured the flow of FDI and ODA: 1) the creation of SEZs aimed at hosting low-tech factories (handicrafts, textiles, and extractives); and, 2) the construction of great infrastructural projects (roads, railways, and dams for hydropower production), thanks to capital and grants from foreign countries and donors.

Regarding the first element, it is worth stressing that the new leadership still focused on strengthening this model. In January 2016, policymakers approved establishing the country’s 13\textsuperscript{th} SEZ in Luang Prabang province.\textsuperscript{80} In April 2016, the government stated that all SEZs would be encouraged to set up one-stop public services to streamline the bureaucracy involved in investment.\textsuperscript{81}

\textsuperscript{74} Ibid.
\textsuperscript{76} The World Bank, \textit{Lao PDR Now a Lower-Middle Income Economy}, 17 August 2011.
\textsuperscript{78} The World Bank, \textit{The status of early childhood health and development in northern Lao PDR}, December 2016.
\textsuperscript{80} ‘Lao govt approves new SEZ in Luang Prabang’, \textit{Asia News Network}, 18 January 2016.
\textsuperscript{81} ‘Lao government seeks foreign investment, particularly in SEZs’, \textit{The China Post}, 12 April 2016.
Remarkably, Laos has not yet exploited the whole range of opportunities that SEZs could offer. Indeed, many factories and enterprises face labour shortages, partly because many people, particularly from the rural areas where jobs are scarce and low-paid, decide to move to Thailand.\textsuperscript{82}

To tackle this problem, in April 2015 the government increased the minimum wage by nearly 44\% to Kip 900,000 (US$ 110) a month, in an attempt to boost manufacturing in SEZs.\textsuperscript{83} Companies complained about the shortage of skilled and unskilled workers, as 200,000 Lao workers registered in Thailand in 2016.\textsuperscript{84} Similar language and cultural traditions, in addition to the obviously higher salaries, explain their motivation to work in Thailand. However, lack of public awareness of the laws and legislation concerning working in Thailand leaves potential migrants vulnerable to exploitation and human trafficking.

In recent years, however, the reverse phenomenon became apparent, as there has been an unprecedented increase in the numbers of immigrant workers entering Laos from Vietnam, China, Thailand, and Myanmar. SEZs and the construction sector have drawn an estimated 200,000 foreign people to work officially in Laos, mostly hired by Chinese and Vietnamese contractors and investors. Willingness to work for wages lower than in China or in Vietnam and the skill of speaking the investors’ language are required to obtain a job.\textsuperscript{85}


According to the 8th five-year National Socio-Economic Development Plan, the Party-State set out four objectives which should be achieved by 2020, when the Lao population is expected to exceed 7 million:

\begin{itemize}
  \item 82. All the statistical data produced and gathered by the International Organization of Labour (IOL) report the intense and continuous movement of workers in the Greater Mekong Subregion (Laos, Cambodia, Thailand, Vietnam, Myanmar, and Yunnan Province), in the order of two or three million people. These data are not precise because along the border areas, between which workers are moving daily, it is not possible to register them. It is estimated that, in 2010, about 500,000 Lao workers were abroad and their remittances totalled US$ 204-258 million in 2013, accounting for 1.9-2.5\% of the country’s GDP. See Mana Southichack, \textit{Lao Labor Migration and Remittance Trends and economic and livelihood implications}, Swiss Agency for Development and Cooperation, 2014.
  \item 83. ‘Minimum wage 900,000 kip takes effect in April’, \textit{Lao News Agency}, 18 February 2015.
\end{itemize}
1) increasing per capita GDP from the current US$ 1,970 to US$ 3,190, with an annual economic growth of no less than 7.5%;
2) removing Laos from the UN’s list of Least Developed Countries;
3) reducing national poverty rate from the current 22.3% of the total population to below 10%; and
4) raising the literacy rate among people aged 15 years and above to 95%.86

In the mid-long term, the 10-year Socio-Economic Development Strategy for 2016-2025 sets three different targets: 1) maintaining annual economic growth at not less than 7.5%; 2) doubling per capita GDP; and 3) reducing the poverty rate to below 5%.

Finally, the 15-year Vision 2030 aims at further development, with the goal of achieving upper-middle-income country status by 2030, which would categorise Laos as a developing country.

7. Conclusions

In the year under review, the 10th PLRP Congress brought about a reshuffle of the Politburo, characterized by the promotion of some Party members together with the dramatic exclusion of others. In spite of this, the Party political line does not seem to have changed. This remains true even if it is worth stressing that the new leadership showed interest in strengthening its legitimacy both domestically and internationally. The pursuit of this goal was favoured by the GNP positive rate of growth and by Laos’s successful and pro-active role in foreign policy, particularly in its role as incumbent ASEAN Chair.

A military coup in May 2014 was the last turn in a political crisis that has affected the country since the beginning of the century. As the country grew richer and its society more demanding, a quite liberal constitution had been approved in 1997, leading to a higher degree of democratization. However, the regional economic crisis 1997-98 immediately tested the new political framework as the country became more politically divided and socially polarized. In 2016 the military junta ruling the country succeeded in having a new constitutional project approved by a referendum, paving the way for the return of the country to a system of semi-democracy in which the royalist elites and the army will continue to maintain a fundamental political influence.

As in previous occasions, the military coup had been presented as a needed step to protect the monarchy and the country, restoring peace and order. With the health of the old King Bhumibol becoming increasingly frail, however, it was evident that a major concern of the political forces then in power was to govern the royal succession. The death of King Bhumibol on 13 October was a watershed event for Thailand, putting an end to a reign that had lasted over seventy years. The advent to the throne of Maha Vajiralongkorn opened a new era in the country as the new King did not seem to have the same level of people support enjoyed by his father. This being the situation, the role of the monarchy – so far the ultimate arbiter in political life and a major economic player – may eventually change.

A series of bombings, including in the royal sea resort of Hua Hin in August, proved that the problems in the three southern provinces with a predominantly Muslim population have not been solved. The country continues to face regional divides, which also include a strong resentment against the Bangkok elites in the northern and north-eastern regions were the deposed premier Thaksin Shinawatra continues to enjoy a solid consensus.

1. The king is dead, long life the king

The death of King Bhumibol Adulyadej on 13 October 2016 marked the end of an era for Thailand. The king, also known as Rama IX of the Chakri dynasty, had ascended the throne in 1946 and was the world’s longest reigning monarch. As already anticipated in Asia Maior 2015, such was the high status achieved by the king during his long reign that his departure left a void in Thai politics and society that will be difficult for his heir to address. This is of particular concern given the ongoing political crisis in
The king was perceived by many as a symbol of stability in a country deeply polarized and since 2014 ruled by a military junta. By large extent, much of the recent Thai history can be understood as an attempt by the different power groups to prepare for the king’s passing and the intricacies of a complex royal succession.

The 88-year-old king had long been in poor health and had spent most of the previous years at Siriraj Hospital in Bangkok. In February 2016, the Royal Household Bureau announced that His Majesty suffered high fever for an unknown infection. In May, the clinical conditions further deteriorated and the old king undergone an intervention to remove excess fluid that was putting pressure on his brain and spinal cord. The news that the king was in agony emerged on 12 October and a large crowd of good wishers gathered at the Siriraj Hospital, while the Crown Prince returned from his residence in Germany. Immediately after the announcement of the king’s death one year period of mourning was declared by the government. Uncertainties about the succession, however, where immediately dispelled by the Prime Minister Prayut Chan-o-cha: when he announced officially to the nation the passing of King Bhumibol, he also made clear that the Crown Prince Maha Vajiralongkorn – the defunct king only son – would be the new sovereign. This announcement and its timing were notable as uncertainties about the succession to King Bhumibol had been well-known. For years, for example, rumours had suggested that Princess Sirindhorn, the highly popular, unmarried daughter of the king, could become the new monarch instead of the quite controversial brother. A constitutional reform in 1974 allowed female succession, at least theoretically making her eligible to the throne. These rumours about possible alternatives to the crown prince had acquired substance when WikiLeaks revealed that three senior members of the Privy Council (the group of powerful advisers appointed by the king) – namely former prime minister and council president General Prem Tinsulanonda, former prime minister Anand Panyarachun, and Air Chief Marshall Siddhi Savetsila – had expressed to the US Ambassador their preference for an alternative to Prince Maha Vajiralongkorn. According to what reported by the US diplomat, the three officers openly criticized the crown prince life style and suggested that he may have maintained a close relation with Thaksin Shinawatra, the former prime minister deposed by a

military coup in 2006.\(^5\) Notwithstanding the reservations voiced by these senior leaders and the large popularity of Princess Sirindhorn, however, there was never a hint that King Bhumibol had decided to review the decision taken in 1972, when he had appointed Prince Vajiralongkorn as his heir. As the king grew older and more frail the possibility of a change in the line of succession became more remote, thus forcing the different power groups to reassess their position.

In no other country in modern history the role of the monarchy had become so prominent as in Thailand under King Bhumibol. With time, the late sovereign arrived to be seen as the embodiment of a *dharmaraja* or dharma king, that is, an ideal righteous king who rules in accordance with the precepts for Theravada Buddhism kingship.\(^6\) Even his frail health in recent years contributed to increase the charisma of a king presented by royalists as detached from earthly interests, above political factions, and fatherly concerned in national development and harmony. While the legal powers of the Thai monarchy have become largely symbolic since the advent of constitutional monarchy in 1932, the enormous prestige and moral authority enjoyed by King Bhumibol entrusted him vast influence over national politics. It is in the nature of the role performed by the late king – in virtue of a personal charisma that was above and beyond what guaranteed by his royal prerogatives – that lays the complexity of the succession.

King Bhumibol Adulyadej ascended the throne at a time in which the role of the monarchy had been weakened by the 1932 bloodless coup that had introduced a constitutional monarchy. The king was the young, American-born, second son of a commoner mother, who eventually was crowned king when his older brother was killed in a gunfire accident. Furthermore, post-World War II Thailand was dominated by the conflicts among different civilian and military factions. These challenges, however, contributed to strengthening the profile of the new king. Palace advisers and military-led governments saw in the new monarch a viable nationalist symbol to be promoted to strengthen their own influence. Especially since the 1950s, when the country became a key American ally in the war against Communism in Indochina, it became vital for the armed forces to increase their national legitimacy. The army and the conservative elites, with financial backing from the United states, actively converged in restoring the monarchy's prestige and wealth.\(^7\) King Bhumibol played an important role himself in renovating the standing of the monarchy through his frequent visits around the country, including the most remote areas, and his promotion of agricultural

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development schemes. Patronage of numerous charity initiatives remained through the years a powerful instrument to fortify the relationship between the monarchy and the local population. During the long kingdom of Bhumibol the significance of the monarchy in the Thai political, economic and social life evolved to the point that it became the centre and the symbol of a much wider web of interests that associated the military, the aristocracy and the economic elites. In this sense, the Thai monarchy can be understood not as a person or nor even an institution, but as a network centred on royal advisers in the privy council (appointed by the king), with a direct influence on the army, bureaucracy, and the judiciary.\footnote{Duncan McCargo, ‘Network Monarchy and Legitimacy Crises in Thailand’, \textit{The Pacific Review} 18 (4), December 2005.} The power of the monarchy also reflected in an enormous wealth administered by the Palace through the Crown Property Bureau (CPB). This Bureau manages properties and investments in the order of US$50 billion, is the biggest corporate group in Thailand and one the biggest landholders in Bangkok.\footnote{Tom Felix Joehnk, ‘The Thai Monarchy and Its Money’, \textit{The New York Times}, 3 December 2015.} Contrary to the other constitutional monarchies, the wealth of the Crown is entirely outside the government control and can be used at the complete discretion of the monarchy. These enormous economic resources further strengthen the power of the monarchy over the country and create endless opportunities to galvanize the vast network of allies and clients. Here, however, also lays a possible challenge for the new king. The enormous concentration of wealth in the hands of the royal family has so far been accepted by the population due to King Bhumibol’s the personal prestige. Things may change should the monarchy not maintain a similar level of support in a country in which growing income polarization is increasingly resented by a large part of the public opinion.

In political terms the role of the monarchy, promoted as an institution above the mundane conflicts among politicians (often tainted by corruption), became a smokescreen used by the Army to intervene – repeatedly through military coups – to restore order in the country in the name of superior national interests. Although the Army always presents itself as the defender of the monarchy, the royal support of its initiatives is not automatic also in consideration of the frequent rifts within the army itself. In some cases, King Bhumibol intervened to reinstate his role of final arbiter of Thai political life by limiting the direct political role of the army. The most notable case occurred in 1992, when the King put an end to the bloody battles between pro-democracy demonstrators and the security forces of the army-led government, eventually forcing the prime minister to step down. However, years later the King played a reverse role. In fact it is generally agreed that, because only a royal sanction may guarantee the success of a coup, the King himself – or his entourage, obviously with the King’s assent – backed
the military interventions in 2006 and 2014. These military coups and the consequent escalation of a dramatic political crisis significantly tainted the image of the King.

The coups of 2006 and 2014 took place in the new political context that had come into being since 2001, when Thai politics was dominated by the rise of a «new man», Thaksin Shinawatra. Thaksin Shinawatra was a billionaire with close connections with sectors of the economic establishment, who presented himself as the champion of the impoverished north and as an alternative to conservative élites. He achieved such a wide popularity to be able to win twice the national elections and, once overthrown by a military coup on 19 September 2006 and forced to go in exile, to continue exerting a prominent political influence from afar. The 2006 coup against Thaksin was preceded by wide street demonstrations organised by the Yellow Shirts, a conservative and ultra-royalist movement that adopted yellow – the colour of the king – as its emblem. Once Thaksin’s allies won the national elections in 2008, the resulting government was dissolved by the Constitutional Court through a «white coup». This brought about in the emergence of a new mass movement: the Red Shirts. Their protests escalated in spring 2010 but, eventually, were brutally repressed. The demonstrations came to an end on 19 May 2010, when the Red Shirt encampment in the centre of Bangkok was attacked by the police with dozens of casualties and many leaders of the movement being arrested. A notable incident a few months later revealed how much the antagonism between the two mass movements and the repression of the Red Shirts had directly affected the public image of the King. During a rally organized by the Red Shirts on 19 May 2010 to commemorate the four years since the 2006 coup and the four months since the violent repression of their movement, a number of people wrote anti-royalist graffiti on nearby buildings and even chanted slogans insulting the King. This incident suggests that a part of the population had ceased to see King Bhumibol as an impartial, unifying figure. A new military coup in 2014 against the government formed by Yingluck Shinawatra, sister of Thaksin, further exacerbated the political divide and increased the discontent against the royalist-army alliance.

The complex interaction between the monarchy and Thaksin Shinawatra also casts its shadow on the royal succession. An alleged proximity between Thaksin and the Crown Prince Vajiralongkorn had become a major concern for the royalist élites and possibly motivated the army to seize power twice in less than a decade. After the coup in 2014 there was a clear attempt

10. 'Twilight of the king: After the ailing monarch goes, what next?', The Economist, 23 July 2016.
12. 'Thailand coup gets King Adulyadej approval as junta dissolves senate', The Guardian, 25 May 2014.
by the army-led government to boost the image of the crown prince as a realignment had probably occurred. With Vajiralongkorn likely to become soon the new king, the army and the royalist elites had to show him their unconditional support. The day of the king’s death, however, was marked by a rather surprising development. According to the constitution, the new king ascends the throne accepting the investiture received by the Parliament, which in turn recognizes the new monarch, identified by the Privy Council on the basis of the succession law and the expressed will of the previous king. As Maha Vajiralongkorn was the only son of the defunct king and had been appointed Crown Prince in 1972, there were no possible doubts about who to name as the new king. The National Legislative Assembly was summoned for a special session for the evening of 13 October so that, as the tradition required, the throne would not remain vacant. Before the parliamentary session, however, a new communique by the prime minister Prayut Chan-o-cha informed that the Crown Prince had accepted to become the new king, but had asked to postpone his proclamation to have the time to mourn the defunct father together with the nation. The National Legislative Assembly simply met to pay respect to the late king with 9 minutes of silence and then the session was adjourned. The precise reasons for this delay did not emerge. Only three days later, nevertheless, the government confirmed that there were no changes in the roadmap of the royal succession, which would take place after 15 days of mourning. As planned, Maha Vajiralongkorn ascended the throne on 1 December 2016, accepting the invitation formulated by the National Legislative Assembly the previous day.

A severe lèse-majesté law does not allow any public discussion about the monarchy and anything that can be perceived as an insult or even a criticism of the king and his family is harshly punished. The enforcement of this draconian law has become particularly strict since the 2014 coup, possibly in preparation of the royal succession. In the past the law prevented debates on the role of the monarchy in Thai society but could be used with some leniency given the wide popularity of King Bhumibol – and often the King pardoned those who had been condemned. In recent times, however, the law came to be used to prevent any public debate about the figure of the Crown Prince. The new king is 64 and until recently seemed to be scarcely interested in the development projects patronized by his father. He received a military education and is a qualified civilian and fighter pilot. While King Bhumibol was seen as an austere monarch, detached from material concerns, the flamboyant Crown Prince in 1981 was described by his

13. ‘Thai prime minister says crown prince has asked for delay in proclaiming him king so he can mourn with rest of nation’, Associated Press, 13 October 2016.
own mother Queen Sirikit as «a bit of a Don Juan», who prefers to spend his
weekends with beautiful women rather than performing duties.\(^\text{16}\) He mar-
ried and divorced three times. First, in 1977, he married with a cousin from
whom he had a daughter. Then, he became involved with a young actress
with whom had five children from 1979 to 1987. He married her in 1994
but two years later he publicly denounced her for adultery and disowned
their four sons. Finally, he married a third wife in 2001 and had another
son (who is likely to become the new Crown Prince). However, also this third
marriage ended quite dramatically in 2014, when the Prince’s third wife was
stripped of her royal titles and nine relatives of her family (including her
parents) were arrested with the accusation to have abused their connection
with the royal family. To make the situation even more disquieting, a police
officer associated with the Prince’s third former wife’s family died while in
custody by falling out of a window.\(^\text{17}\)

Through the years, rumours about possible connections between the
Crown Prince and illegal business periodically emerged to taint the imagine
of the heir to the throne.\(^\text{18}\) Even more problematic for the royalists and the
conservative elites, however, were the reports of a possible association be-
tween Maha Vajiralongkorn and Thaksin Shinawatra. In spite of all this and
since 2014, the military junta seems to have established a good cooperation
with the Crown Prince, indicating that, if an association with Thaksin had
really existed in the past, it was now superseded.

Given the strong personal charisma of the defunct sovereign, any
royal succession would have been problematic. Even more so a succession
with an heir that, at least up to his accession, seemed not to enjoy a strong
popularity in the country. The challenge regarded not only, and even not so
much, the new king \textit{per se}, but the complex web of interests and powers that
for many years had based their authority on the prestige of the monarchy.
Keeping in mind these concerns allows to better understand the May 2014
coup and the subsequent events.

### 2. A new constitution – again

Two months ahead of the king’s death, there was another major polit-
cical development in the country. On 7 August 2016 a referendum approved
a new constitution drafted by a panel of experts appointed by the military
junta. Once ratified by the National Legislative Assembly the new constitu-
tion will become the 20th in the last 85 years and the 3rd in ten years.

17. Ibid.
18. Ibid. This report published by the BBC is now under investigation for \textit{lèse-
majesté} and its reporters may face a condemn for up to 30 years. The problem seems
to regard the Thai version rather than its English original.
Before examining the draft of this new constitution and the referendum, it could be appropriate to analyse in brief the historical process that has led to this result. Until the 1990s Thailand remained a country in which democracy was somehow constrained by a rather authoritarian legal framework. Things changed in the 1990s when a combination of factors pushed for a liberalization of political life. Pressure from different sectors of society converged on the request for a more progressive constitution. After failed attempts by the Parliament to emend the existing constitution, in 1996 a Constitution Drafting Assembly of 99 members was formed, with the majority of these members elected by the different provinces and a few legal experts appointed by the Parliament. This constitution was eventually approved by a large majority of the Parliament in 1997 in the midst of the regional Asian economic crisis, when pressure for reforms become particularly strong. The 1997 constitution produced a major transformation in Thai politics: for the first time both houses of the parliament were directly elected; the electoral system strengthened national parities and made vote buying more difficult; a clearer separation between the executive and the legislative powers was promoted; a number of human rights were explicitly recognized.

The 1997 constitution did change the political life – perhaps in a direction that had not been anticipated by many of the actors that had supported its approval. In the dramatic years immediately following the regional economic crisis a new political party – the Thai Rak Thai («Thais love Thais») – emerged. This party was guided by media tycoon leader Thaksin Shinawatra on the basis of a populist platform mobilizing the impoverished peasants in the north and northeast of the country together with those sectors of society that had so far felt excluded by political representation. For the first time, Thailand not only had a government able to last for an entire legislature but also to win the elections again with a growing margin. The government combined progressive policies (such as an inclusive healthcare reform) with authoritarian measures (e.g., extra-judiciary killings of suspect ed drug dealers). Eventually, the power of Thaksin came to be perceived by the royalist elites and by the Bangkok bourgeoisie as an intolerable threat. After a period of turmoil in the streets of the capital, in 2006 the military intervened with a bloodless coup, as usual motivated with the need to protect the monarchy. In only a few weeks the constitution was modified so to contrast the power of Thaksin and his party. When new elections were held, however, even if Thaksin was not allowed to be a candidate, his party won again. The reformed constitution allowed the dissolution of the pro-Thaksin government through a «white coup». However, new elections in 2011 saw


again the victory of the pro-Thaksin party and resulted in his sister Yingluck becoming the new prime minister. Again, the political conflict turned violent. When, in 2014, there was an attempt to remove Yingluck Shinawatra from government through legal chicanery she called new elections. Knowing that she could have won again, the army took the power with a new coup.

As we have seen already, the urgency of a military intervention was largely motivated by the prospect of a royal succession in the next future. Probably also for this reason the army decided to intervene more aggressively than in 2006. Critics, including some connected with the pro-establishment Democrat Party, have accused junta chief and Prime Minister Prayuth Chan-o-cha of an excessively authoritarian style, which contributed to increase the hostility of the population. Supporters pointed out the need to enforce reforms before returning the country to democratic rule with new elections officially due for 2017. The legal instrument used by government to impose its decision, known as Article 44, was renamed by the public as «dictator law». Indeed, Prayuth relied on this emergency legislation over 50 times since seizing power for decision regarding a large spectrum of issues, from power plants to health.21

The military-led government not only intervened with new policies in the different sectors of the state administration, but also worked to reform the institutional system so that the military and the royalist elites could continue to exert a dominant control over public life. The instrument for such a long-term influence was a new constitution that reversed many of the innovative and pro-democracy aspects of the constitution approved in 1997 – that is, the army tried to make up for the «wasted coup» of 2006, which had failed to neutralized Thaksin power.22

A draft of a new constitution was rejected by the army-appointed National Reform Council in September 2015. This draft had been widely criticized by all political forces. However, an even more important reason for its rejection seems to have been the will to postpone future elections – which could only be held with a new constitution and after the approval of a number of implementation laws.23 To stem national and international criticisms, Prayuth successively indicated that the roadmap for elections in 2017 was still valid, while a new constitutional project was finalized on 29 January 2016 by a new drafting body appointed by the military junta.24 This new version, however, maintained many of the problematic aspects of the previous draft

and could at best be considered a framework for a semi-democracy. This new draft received a bi-partisan disapproval: both the Pheu Thai party of Yingluck Shinawatra and its main rival, the Democrat Party of former premier Abhisit Vejjajiva, denounced the project for its authoritarian nature. However, the drafting committee and the junta rejected these criticisms, making clear that they considered the country’s parties rather as a nuisance to be curtailed than the building blocks of a stable democratic order.25

The role and the composition of the Senate was one of the most controversial aspects of the new constitution. For a transition period of 5 years this house would be entirely appointed – de facto by the military junta – while at the same time this same house would be given more power and responsibilities. The Senate will name judges of the Constitutional Court, will review the selection of cabinet members and senior bureaucracy, will have the power to name a Premier if the Parliament (the elected house of representatives and the appointed Senate) fails to find a majority.26 The role of the Senate is expected to be further enhanced by the fact that the constitution was designed with the aim to weaken national parties and to return to a system of small parties built around local leaders in which political fragmentation allowed the royalist elite to better protect its interests.

Another remarkable clause allows a National Reform Steering Assembly composed of military leaders and other junta loyalists to seize the power from the government when it feels the need to restore the order. This clause was defined by The Wall Street Journal as a «built-in coup mechanism».27

A referendum on the new constitution was held on 7 August 2016. Campaign against the proposed draft was declared illegal and a number of people were arrested – risking up to 10 years of jail for possessing or distributing leaflets inviting to vote no.28 Furthermore, the government the government rejected the request of independent observers to monitor the vote.29 Eventually the turnout was around 55%, well-below the desired target for the junta, who saw in the referendum an important way to give legitimacy to its coup. A majority of 61% of the voters, however, approved the project.30

The formal approval of the new constitution and the adoption of a set of new laws needed to implement it was then demanded to the National Legislative Assembly. Fears that the royal succession would imply a postponement of the new election to after the late king’s funeral and the new king corona-

25. Ibid.
26. ‘Thailand unveils new constitution draft to public’, Deutsche Welle, 29 March 2016;
28. Ibid.
tion were dispelled by Prawit Wongsuwan, Deputy Prime Minister and Minister of Defence, who affirmed that new election would be held as planned in 2017.\textsuperscript{31} With the approval of the new constitution introducing a guided democracy model there was no need for the military to further postponed the return of a civilian administration.

3. Tensions in the restive south hit the entire country

With a smooth royal succession and the approval of the constitutional reform, 2016 was a good year for the military junta. However, the same referendum results revealed that the country was increasingly divided and military rule seemed to have made the problem even more intractable.\textsuperscript{32} In the northern and north-eastern provinces, where Thaksin had his power bases, the referendum was unambiguously rejected. Resentments against the Bangkok elites remained intense and political repression may eventually result in new violent forms of protest. Opposition to the junta was expressed in the referendum also by the provinces in the south at the border with Malaysia. Here the problems seem to be even more urgent, but even more difficult to address, than in the north. Since the early 2000s tension in the predominantly southern Muslim provinces have escalated into a violent conflict – with, on the one hand, terrorist actions by Muslim radical groups and, on the other, harsh repression by the army that often targeted the civilian population.\textsuperscript{33}

A series of bombings occurred in the first part of the year in the southern provinces. The violence escalated on the eve of the constitutional referendum, with at least ten bomb explosions in the provinces of Narathiwat and Yala.\textsuperscript{34} Even more troublesome for a military-led government who had ruled the country in the previous two years with the aim to restore peace and order, however, were the terrorist attacks in the days immediately following the referendum results. On 11 August twin bombs exploded in the seaside resort of Hua Hin, a popular tourist destination known to the population as the summer residence of the royal family. These bombs killed one Thai woman and wounded 21 persons, among which many foreign tourists. Then, the following day, two new blasts hit again the same tourist destination, this time causing only wounded.\textsuperscript{35}

31. ‘Thai leaders say general election on track for this year’, Deutsche Welle, 4 January 2017.
33. ‘No end in sight’, The Economist, 2 January 2016.
34. ‘Ten bomb blasts in Narathiwat, Yala on eve of Thai’s constitutional referendum’, New Straits Times, 7 August 2016.
35. ‘Two blasts heard in Thai resort hours after overnight bombings- witness’, Reuters, 12 August 2016.
Immediately after these bombs in Hua Hin the authorities made clear that they were suspecting the involvement of groups connected with the Red Shirts – the movement of supporters of former Premier Thaksin Shinawatra. At the same time, the Thai police ruled out international terrorism and dismissed the likelihood that the blasts had been caused by separatist insurgents from the three southern provinces. The attempt to put the blame on the Red Shirts, however, seemed quite inconsistent as the radicalized groups connected with this movement were unlikely to be able to conduct such large-scale operation. At the same time, the terrorist actions in Hua Hin seemed to repeat a quite common pattern typical of southern insurgents – twin bombs, in which the second explodes to hit those who have gathered as a consequence of the first blast.\textsuperscript{36}

The effort of the military to put the responsibility for the terrorist attack on the Red Shirts repeats a pattern already seen the previous year, when on 17 August 2015 a bomb near the Erawan shrine killed 20 people and wounded 120. The real authors of this bombing were not conclusively identified, even if a plausible account is that it was conducted by Uighurs terrorists in response to the fact that the Bangkok government had deported back to China 109 Muslim Uighur asylum-seekers one month earlier.\textsuperscript{37} The attempt of the Thai government to divert the attention from the most likely perpetrators of the attack in Hua Hin may also have another motivation, beyond the will to use it for internal propaganda against the arch-enemy Thaksin. Acknowledging that Muslim insurgents from southern Thailand may have staged a large-scale operation in Hua Hin would have meant to recognize that the crisis in the three separatist provinces, which had already caused more than 6,000 casualties since 2004, was far from over – and this recognition was a cause of embarrassment for a military-led government.\textsuperscript{38}

On 6 September, terrorist actions continued in the south after bomb- ings in Hua Hin, with other three persons killed. Although 5 Muslim insurgents were arrested by the police as suspects for the attack in Hua Hin, the authorities continued to downplay the connection of that event with the crisis in the south.\textsuperscript{39}

Since the insurgency began in 2004, different Thai governments have tried to suppress the protests rather than addressing the root causes of the malaise. The population in these provinces, that once belonged to the Malay Patani Sultanate and became part of Thailand in 1909, continue to require more autonomy and cultural recognition. The highly centralized Thai

\textsuperscript{36} 'Who is behind the Thailand bombings?', \textit{BBC}, 12 August 2016.

\textsuperscript{37} Jonathan Head, 'The surreal investigations into Thailand’s unresolved bombings', \textit{BBC}, 17 August 2017.

\textsuperscript{38} \textit{Ibid.}

\textsuperscript{39} 'Bomb kills 3 including four-year-old at Thai school', \textit{Channel New Asia}, 6 September 2016.
state, however, considers any request for more autonomy as a threat to its sovereignty and responds accordingly. The Yingluck administration tried to open a dialogue with insurgent groups and officially the military junta did not abandon this strategy after 2014. However, de facto the junta refused to recognize any dialogue partner and made clear it was not ready to make any concession. At the same time, the high level of mistrust towards the Thai authorities and particularly towards the army – whose ruthless repression has often also targeted the Muslim civilian population – makes it difficult for a military-led administration to be recognized as a reliable dialogue partner by the militant groups in the south.40

4. Looking at China, tense relations with Washington

After the May 2014 coup, Thai foreign policy lost momentum. Although Western countries maintained relations with the military-led government, they – including the key traditional ally, the United States – were not too keen to take any new step that could be read as a support to the coup. For example, the European Union put on hold the dialogue for a new trade liberalization agreement. Meeting of senior Western leaders with the junta members only occurred in the framework of multilateral initiatives, including an ASEAN-US Special Leaders’ Summit held in California in February 2016 with the participation of Thai Prime Minister Prayuth. At the same time, however, the United States tried to continue engaging Thailand to prevent a too cosy relationship between Bangkok and Beijing. Since the end of World War II Thailand has always been particularly close to the United States. However, the emergence of China as the major regional economic power has also implied a certain realignment of Thai politics; this was a tendency that appeared to have accelerated since the 2014 coup.

A closed-doors attempt by the United States to obtain from Thailand a declaration of support for the Philippines in the China Sea judicial dispute opposing the country to China at The Hague-based Permanent Court of Arbitration did not produce any result. On the contrary, at the Shangri-La Security Forum promoted by the ASEAN41 in June 2016, Prayuth seemed to take a pro-China position with a speech –his first of importance on foreign relations – in which he criticised the United States and European Union for imposing democratic «ideology» as a prerequisite for cooperation.42


41. This forum allows ASEAN countries to conduct an informal dialogue open to other nations from the region and beyond such as: Australia, Canada, China, Chile, France, Germany, India, Japan, Mongolia, New Zealand, Pakistan, Russia, South Korea, Sri Lanka, Sweden, United Kingdom and the United Nations.

42. Shawn W. Crispin, ‘Thailand’s Post-Coup Foreign Policy: Omnidirectional or Directionless?’, The Diplomat, 10 June 2016.
An episode occurred in May 2016 revealed the strained status of the relations between Washington and Bangkok. In order to try smoothing the difficult interactions with the junta, in 2015 the U.S. State Department selected as a new Ambassador to Bangkok the veteran diplomat Glyn Davies. However, even the experience of the senior diplomat could not help making more palatable the Obama Administration’s criticism of the junta for human rights violation and delays in the roadmap for the return to democratic rule. On 17 May, when Ambassador Davis revealed that Washington was «troubled» about the arrest of an activist’s mother on anti-royal charges, both Prayuth and his deputy Prawit Wongsuwan responded with not too veiled threats to the diplomat personal safety. A senior advisor to Prawit even suggested that the army officers responsible for the security of the American Embassy were personally perturbed by the United States’ constant criticism of the coup-installed government. In December 2015 Ambassador Davies had already been officially investigated for lèse-majesté because in a speech a month earlier he had express a criticism of the use of the lèse-majesté law by military tribunals to repress public debates through long jail sentences.

The tense relations with Washington may have also had a less obvious impact for Bangkok: they reduced its bargaining power in the negotiations with Beijing on different fronts. Facing isolation from Western partners, since the 2014 coup Thailand has turned to China for the purchase of armaments, also in consideration of their low cost. Moreover, in 2015 the two countries not only expanded joint naval exercises, but held first-ever joint air force ones. In the summer 2016 different sources revealed that the arms deal would also include US$1 billion purchase of three Chinese submarine and multi-billion dollars deal to upgrade the Thailand’s Sattahip naval base. All this, however, had a cost. First, the expansion of weaponry purchase from China is likely to further compromise the relations with Washington – Thailand’s traditional provider of advanced armaments. Second, economic cooperation with China did not prove easy for Thailand, because Beijing had less reasons to prove generous given the dependent position of Bangkok. A major blow for the junta’s program of economic transformation was the inability to reach an agreement with China on the construction of a high-speed rail line connecting the Thai eastern seaboard to Yunnan via Laos. The lack of an agreement shattered the junta’s plan to provide infrastructure for the creation of new special economic zones in border areas in those northern provinces in which, as we saw from the referendum results,

43. Ibid.
45. Shawn W. Crispin, ‘Thailand’s Post-Coup Foreign Policy: Omnidirectional or Directionless?’.
46. Ibid.; ‘Thai navy seeks approval to buy first submarines in 65 years’, Associated Press, 1 July 2016.
the consensus for the junta was particularly low. Insiders suggested that the inability to find an agreement between the two governments was not due to the level of the loans’ interests rates, as often reported, but rather to the Chinese request to get land rights along the 845-kilometer Thai stretch of the railway. As major infrastructural works have often been an instrument of the Chinese foreign policy, and their terms are regulated not only by economic but also by strategic concerns, the intransigence of Beijing seemed to depend on the weakness of the military-led Thai government.

5. Economy: ambitious plans, but a hard reality

In the heydays of the early 1990s Thailand was presented by the World Bank as a success story and a model for other developing countries. Rapid economic growth was seen as a result of export-orientation and the attraction of large FDI inflows. The country was purportedly on its way to repeat the «miracle» of Japan, South Korea, Taiwan and Singapore. The regional crisis 1997-98, however, crushed these dreams. Since then growth has resumed, but at much lower speed and a debate on the causes of a so-called «middle-income trap» has replaced the one on the imagined miracle ahead. The failing of the previously unrealistic growth expectations and the return to a reality in which a large part of society still struggles with considerable hardships has certainly contributed the political crisis since the early 2000s.

After the Plaza Agreements in 1985 and a strong revaluation of the Japanese Yen, Thailand has become increasingly integrated in the regional production networks. This has certainly contributed to a certain level of industrial development and to the creation of a large number of job opportunities in the manufacturing sector. However, the national industry has remained largely dependent on foreign investment, technology, and management, thus scarcely improving its position in global and regional value chains. Even in strategic sectors, such as automotive, Thai firms have failed to create closer linkages with foreign-led production networks through a process of incremental industrial upgrading. At the same time, though, overambitious Thai authorities have continued to be fascinated by the search for the «new big thing» that could leapfrog the country towards the technological frontier. This overconfident and scarcely realistic attitude

47. Shawn W. Crispin, ‘Thailand’s Post-Coup Foreign Policy: Omnidirectional or Directionless?’.
49. Ibid.
also characterizes the economic strategy which the military junta presented in 2016. A twenty-year strategy, aiming at transforming Thailand into a developed country by 2038, was presented by Prime Minister Prayuth on 28 September. This strategy – named Thailand 4.0 – has the ambition to take the country to a fourth stage of economic development, beyond agriculture, light manufacturing and heavy industry. This strategy will focus on new «growth engines» such as biotechnology, the internet of things\textsuperscript{51} and mechatronics (a fusion of mechanics and electronics).\textsuperscript{52}

While the government designed its aggressive plans, the economic reality in 2016 remained uninspiring. In the midst of a global crisis the Thai economy continued to be penalised for its excessive dependence on foreign export. While the government tried to stimulate growth through large public investment, private demand and private investment remained low. The national economy continued to operate well below its capacity \textsuperscript{53} At the same time, Thailand remained exposed to the competition of other countries with higher level of productivity or lower labour costs.

The removal of subsides for rice producers – a scheme promoted by the Yingluck Administration, which had been at the centre of the protests and the eventual cause of the coup – left a large number of poor farmers in difficult conditions. An opinion poll at the end of 2016 revealed that the majority of people saw no or little improvement in the Thai economy compared to 2015. The interviewed also showed scarce optimism for the future.\textsuperscript{54}

Structurally the Thai economy continued to face the same contradictions that had characterised its transformation into a regional manufacturing hub. In order to remain competitive in low value-adding, labour intensive productions, the country had to maintain a low cost of labour across the different sectors. The inability to achieve industrial upgrading and the need to remain competitive required that the country could not see any real terms increase in industrial wages – while maintaining at the same time a large reserve army of workers very poorly paid in the informal sector or in the various areas of the shadow (or criminal) economy.\textsuperscript{55} In this context, it is no surprise that while the government fancied about the high-tech Thailand 4.0 a part of the labour force remained trapped in bonded labour or even

\begin{itemize}
\item \textsuperscript{51} The Internet of Things can be defined as: «The interconnection via the Internet of computing devices embedded in everyday objects, enabling them to send and receive data», Oxford Dictionaries (https://en.oxforddictionaries.com/definition/Internet_of_things).
\item \textsuperscript{52} ‘The dangers of farsightedness’, The Economist, 1 October 2016.
\item \textsuperscript{53} Ibid.
\item \textsuperscript{54} ‘Majority see little improvement in economy: Nida Poll’, The Bangkok Post, 18 December 2016.
\end{itemize}
in modern slavery. International campaigns have targeted in particularly slavery in the seafood industry after a number of investigations revealed that many fishermen were forced to work for years at sea against their will, maintained in slavery conditions through violence and physical coercion. The large attention to these cases forced Thai authorities to start addressing the issue, although a report released in late 2016 denounced that the same appalling practices continued – with Thai and foreign firms choosing to ignore the problem – in Thai fleets operating in international waters in other areas of the region.\textsuperscript{56}

Modern slavery has continued to afflict Thailand also in other areas of agriculture and food industry. Abuses have been denounced in the poultry industry, for example. However, Thai authorities have normal chosen not to investigate these cases and, in some cases, have even prosecuted the workers themselves for defamation. A case that attracted a certain level of international attention regarded the British labour rights activist Andy Hall. He faced three-and-a-half-year legal battle for a report in which he denounced the abuse of Myanmar immigrant workers by a Thai pineapple processing company. He was accused and eventually given a suspended three-year jail sentence for criminal defamation. In late October 2016, the Thai Supreme Court dismissed a set of other charges and Hall decided to leave the country and not return.\textsuperscript{57} Opposing labour abuses has become even more difficult after the 2014 military coup given the climate of systematic violation of human rights. In this context, it appears substantially motivated by political interests – the attempt to improve bilateral relations – the US decision to remove Thailand from the list of the worst human trafficking offenders.\textsuperscript{58}

\textsuperscript{56} ‘Thai fishing industry: abuses continue in unpoliced waters, Greenpeace claims’, \textit{The Guardian}, 15 December 2016.


\textsuperscript{58} ‘US to remove Thailand from list of worst human trafficking offenders’, \textit{The Straits Times}, 29 June 2016.
2016 was the year when political change finally came to Myanmar. After a five-year transition from military rule to a (semi-)civilian government, the two electoral rounds of November 2015 (parliamentary) and March 2016 (presidential) ushered in a new phase of formally – if substantially constrained – democratic politics. The 2015 (direct) elections were the real watershed between two political eras, with the 2016 (indirect) ones representing the completion of NLD leader Aung San Suu Kyi’s victory. This article reviews the events of 2016, and shows that the year can best be understood as a tale of two contrasting halves. Initially, the government laid out its priorities in domestic, economic and foreign policy. It identified peace-building as the first priority. The first part of the year proceeded relatively smoothly, without major mistakes by the government, whereas the second was marked by increasing tensions and incidents in Rakhine State in the south west. An attack in October by a Rohingya militant organization against border police sparked clashes that led to a crackdown by the army and a renewed flow of refugees into neighbouring Bangladesh. Criticism of the plight of the Rohingya community was growing outside the country. Myanmar’s transition was clearly still very much a work-in-progress.

1. Introduction

After a five-year transition from military rule to a (semi-)civilian government, the two electoral rounds of November 2015 (parliamentary) and March 2016 (presidential) ushered in a new phase of formally democratic politics. The parliamentary ones were of greater symbolic, political and practical relevance as they were, really, a watershed between the older regime and a new one. Moreover, elections for the parliament were direct, whereas the presidential ones were indirect. For Myanmar, the jump from pariah state to the darling of the international community took less than five years.

Following the National League for Democracy’s (NLD) landslide victory in the November 2015 parliamentary elections, the presidential elections held in March 2016 led to this position being held for the first time by a civilian, Htin Kyaw. Aung San Suu Kyi, apart from being chosen as foreign minister and the minister of the president’s office, was also given the newly-created position of state counsellor, which made her the de facto prime minister. Popular enthusiasm and international support set expecta-
tions extremely high. This article reviews the events of 2016, and shows that the year can best be understood as a tale of two contrasting halves, the first marked by optimism and high expectations, and the second characterized by disillusionment. In the first part of the year the government laid out its priorities in domestic and foreign policy. The challenges confronting the new government were manifold and daunting, and ranged from economic issues to political ones. After a rather long post-election hangover, the government identified peace-building as its first priority.

Myanmar also embarked on diversification in its foreign policy. While claims that Nay Pyi Taw was distancing itself from China were far-fetched, Myanmar undoubtedly sought to capitalize on the renewed interest in the country shown by a wide range of international actors. In a way, Nay Pyi Taw’s international rebalancing was particularly geared towards ensuring that foreign economic relations would bring in the much-needed development assistance and foreign direct investment, as well as expanding trade. The second part of the year was marked by increasing tensions and incidents in Rakhine State. Criticism of the plight of the local Rohingya community grew outside the country, while tensions inside remained high. The military continued to hold key veto powers, and consequently constrained the actions of Aung San Suu Kyi’s government.

Myanmar’s transition was clearly still very much a work-in-progress. Moreover, the high expectations and enthusiasm that accompanied and followed the long electoral round of 2015–2016 have quickly given way to disillusionment, even in international public opinion, which until very recently was so much in favour of Daw Suu («The Lady»), as Aung San Suu Kyi is commonly referred to in the country.1

To anticipate the thrust of the argument, the article’s contention is twofold. First, the difficulties encountered by the government as it struggled to cope with the extremely high expectations of the public and the international community are the result, among other things, of an incomplete state-building process. Second, and more broadly, the way the government is (not) handling the conflict in Rakhine State not only highlights how deep-seated are the grievances and tensions between communities, but also emphasizes the continuities between authoritarian and post-authoritarian Myanmar in terms of how the Tatmadaw (the armed forces) casts a shadow on the country’s politics.

The article is structured as follows. The next section briefly reviews the results and significance of the November 2015 and March 2016 elections.2 Next, the article focuses on the first steps of the new government,
paying special attention to the ‘Panglong21’ conference, which can be seen to epitomize the new government’s efforts at peace-building. The article then turns to foreign policy and the economy, two intertwined areas on which the new government has spent considerable time and resources. After this, the article returns to local politics, dealing with the conflict in Rakhine State, in principle an internal Myanmar problem but one that is now becoming trans-national.

2. Free elections return to Myanmar

Electoral politics, in a neutered form, never disappeared from military-ruled Myanmar. The 2010 round was not contested by the NLD, and the 1990 elections, won by the NLD, were held only for one of the two chambers. Between 2015 and 2016, over the space of four months, Myanmar held the first free elections for both chambers in more than five decades, and, for the first time in over fifty years elected a civilian to the post of president. Such events were nothing short of historic.

2.1. The November 2015 parliamentary elections

The 2015 elections were the first free elections since 1960. The NLD won the 2015 parliamentary elections by a landslide. The Myanmar parliament is a bicameral legislature, with a 224-member House of Nationalities (Amyotha Hluttaw) and a 440-member House of Representatives (Pyithu Hluttaw). At 80%, turnout was very high, reflecting the popular awareness of the symbolic as well as the practical significance of the electoral round.\(^3\) The NLD received twice as many votes as the Union Solidarity and Development Party (USDP), with 74% of contested seats, and it currently controls 59% of the seats, once the 25% of members appointed by the military are taken into account.

Several comments can be made about the results of the November elections. First, the NLD victory was, in itself, not surprising. What was certainly surprising was the magnitude of this victory and the extent of the party’s success even in the States, the administrative units in the periphery that are largely home to ethnic minority groups.\(^4\) Secondly, the ethnic parties performed rather poorly, with the exception of the Arakan National Party (ANP), based in Rakhine State,\(^5\) and the Shan National League for

3. For data on the latest elections, including turnout and seat distribution, see the website of the Union Elections Commission at http://uecmyanmar.org.
5. Arakan is the old term for Rakhine, indicating both the ethnic group and the state (administrative unit).
Democracy (SNLD), with a base in Shan State. As argued by Walton, this in itself should not be read as a sign of the limited appeal of nationalism, but rather as the effect of a well-run electoral campaign by the NLD, whose message (‘Time for change’) was clear. This was a once-in-a-lifetime opportunity for millions of Myanmar citizens, and they took it. The outgoing government accepted the results, and so did the military. In December 2015 Daw Suu met with the Commander-in-Chief Ming Aung Hlaing and even with the former dictator Than Shwe. Although the content of the talks remained undisclosed, Than Shwe’s reference to Daw Suu as the incoming new leader and the very fact that the meeting happened appeared to bode well for the transfer of power.

2.2. The 2016 presidential elections

The presidential elections held in March 2016 led to the election of the first civilian president in over fifty years. The president has a five-year mandate and is formally the head of the government, as well as – naturally – the head of state. According to the current rules the president is not elected through popular vote but, in a rather convoluted procedure, by the Presidential Electoral College (PEC). The PEC consists of three colleges: the first and the second are, respectively, made up of elected representatives from the two houses (168 from the House of Nationalities and 330 from the House of Representatives); the third college is made up of the military representatives from both houses, who number 110 and 56, respectively. Each chamber votes for its nominees in a single-ballot single-round plurality vote. The three groups then meet and vote in a single-round secret ballot. The candidate with the most votes becomes president, while the two with the next highest numbers of votes become the first and second vice-presidents. According to Article 59(f) of the 2008 Constitution, only citizens of at least 40 years of age who have lived in Myanmar for at least 20 years are eligible as candidates. The candidates’ immediate family members must also be citizens. This law was clearly made ad personam and had Aung San Suu Kyi as its target, because her late husband and two sons were British citizens. Changing this constitutional provision was discussed in the months that preceded the election, but this would have required a lengthy process of revision and would need the approval of a super-majority in the legislature.

(75%) and confirmation in a referendum. Accordingly, the constitutional change was seen as technically unfeasible before the elections.¹⁰

Little was known about the actual contenders until immediately before the elections. Even former president Thein Sein had not ruled out running again. Eventually the NLD put forward two nominees: Htin Kyaw, son of a famous poet, a long-serving NLD member and a close confidant of Daw Suu, and Henry Van Thio, an ethnic Chin. The candidate put forward by the military was Myint Swe, a notoriously hard-line general.¹¹ Htin Kyaw and Myint Swe are ethnic Bamar, and are Buddhist. Henry Van Thio belongs to the Chin minority group (though was not previously involved in minority politics) and is Christian.

Htin Kyaw received 360 votes out of 652. He was elected president on 15 March. Myint Swe received 213 votes and became «vice-president 1»; Henry Van Thio received 79 votes and became «vice-president 2».¹² Htin Kyaw, as was repeatedly made clear during the 2015 election campaign, acted as Aung San Suu Kyi’s proxy.¹³ Whether Myanmar can now be considered democratic is obviously debatable. There is no doubt that elections have been contested and that, overall, they have been free and fair. However the fact that the 2008 constitution reserves 25% of the parliamentary seats to the Tatmadaw and allows it to appoint three ministers (in charge of border affairs, home affairs, and defence) gives veto power to the military. Political liberalization has certainly occurred, but the road to full democracy still remains long and tortuous.

3. New government, old challenges

On 30 March the president formally took office and nominated the government, who were mostly NLD members but who included some technocrats. With a decision that many saw as a confirmation of earlier tendencies, Daw Suu concentrated decision-making in her own hands, signalling her deep-rooted difficulty with trusting others and delegating power.¹⁴ She held the posts of foreign minister, minister of the president’s office, and, initially, education and electricity supply minister (two positions that she later relinquished). In addition, in a move that was rushed through the legislature with precious little debate, and courtesy of the strong NLD majority, a new position of «state counsellor», de facto equivalent to that of prime min-

¹⁰ ‘Historic Vote gives Myanmar First Civilian President in Decades’, Mizzima, 16 March 2016.
¹³ ‘Time for Change’.
¹⁴ ‘Myanmar’s New Government: Finding its Feet?’
ister, was created for her. The military was left disgruntled, but the bill was nonetheless passed by the legislature. Aung San Suu Kyi sought to reach out to the opposition USDP by nominating two of its members in her government, but they soon abandoned their positions. Some moves were symbolic and yet substantive, such as the release of all remaining political prisoners.

Popular enthusiasm and broad international support aside, the challenges confronting the new government were manifold and daunting, ranging from economic issues (reforming the economy and curbing corruption) to political ones. The country’s state-building process has widely been seen as interrupted or incomplete, because, soon after independence, it was in fact hampered by a number of intractable conflicts in the periphery involving several of the ethnic groups that live in the mountainous border regions. Armed ethnic insurgencies meant that since 1948 Myanmar has never been at peace, and that multiple conflicts have been running at the same time. The government did not control some parts of the country, such as the «Wa State», a territory outside the central government’s writ and de facto controlled by China. Understandably, the new government has made peace-building a priority for the country.

Between 31 August and 3 September 2016 the new government convened a well-publicized meeting in the capital Nay Pyi Taw to revitalize the peace process (emphasising «unity in building a federal union») and promote political dialogue. The event was called «Union Peace Conference – 21st Century Panglong», in reference to the (much cited and actually poorly understood) Panglong Agreement of 1947 when the leaders of the soon-to-be independent Burma laid out the terms for a federalist union (21 simply refers to the fact that the 2016 meeting was held in the twenty-first century). Over 750 «stakeholders» from the government, parlia-


19. Panglong, where the original conference was held, is a town in Shan state.


21. Not General Aung San, of course, who was assassinated in 1947, six months before Burma became independent.
ment, the army and 17 ethnic armed groups were in attendance.\textsuperscript{22} Lack of inclusion was as much an issue in 2016 as it was in 1947. Only three minority groups were invited to attend the 1947 meeting that led to the original Panglong Agreement\textsuperscript{23}. In 2016, the Myanmar government sought to be more inclusive by falling back on the stratagem of operating a distinction between the signatories of bilateral ceasefire agreements (who would be allowed to formally take part in the political negotiation) and the «attendees», non-signatories who were none the less allowed to attend the event.\textsuperscript{24} That said, some groups (the Arakan Army; the Myanmar National Democratic Alliance Army, and the Ta’ang National Liberation Army) were excluded following the army’s objection that they had refused to disarm. One, the United Wa State Party (on behalf of the Wa ethnic group), left prematurely, with other individual figures such as the chair of the Shan Nationalities League for Democracy boycotting the conference on the grounds that this was not fully inclusive (of all ethnic armed groups).\textsuperscript{25} The 2016 meeting was more about process than substance, as it did not discuss the thorny issues of power-sharing or the extent to which power and resources would be devolved, and nor did it identify the areas for which the central government would keep the final say.\textsuperscript{26}

4. Navigating regional and global politics: The diversification in Myanmar’s foreign policy

With regard to foreign policy, 2016 was a very busy year for Myanmar. The new government embarked on a number of high-profile visits abroad, such as those to Beijing in August and Washington in September (the sequence of those two visits kept many guessing in the preceding months).

22. Nyein Nyein, ‘21\textsuperscript{st} Century Panglong Conference kicks off in Nay Pyi Taw,’ \textit{The Irrawaddy}, 31 August 2016

23. Only the Chin, Kachin and Shan groups were invited, reflecting the importance that those groups were ascribed in colonial times – and the hierarchy among ethnic groups. The Karen sent observers but did not participate formally. On this see Matthew J. Walton, ‘Ethnicity, Conflict and History in Burma’.


The visit to China was aimed at restating the importance of the country for Myanmar, as both an economic partner (China being Myanmar’s main trade partner and investor) and a security partner. Myanmar’s political leadership is well aware that in order to make progress with the peace-building process China’s support is needed, specifically to bring to an end the Kokang and Wa insurgencies in the eastern part of the country.

On 7 October, US President Obama signed an executive order lifting most of the remaining economic sanctions against Myanmar. Restrictions remain on doing business with the Tatmadaw and its associated economic conglomerates and industries. The political breakthrough has brought greater engagement from the western powers – former President Obama visited the country twice – as well as with Asian ones, with Japan boosting its presence, South Korea deepening its economies ties, and Thailand and India remaining important commercial partners. The EU’s new global strategy, launched in June 2016, made an explicit reference to the country, while a new EU strategy for Myanmar was also launched in the summer, paving the way to more sustained engagement and the provision of more resources. Political transition and openness to international engagements have brought about a diversification in Myanmar’s foreign policy, but not a radical change. Although Myanmar’s opening has been interpreted by some as an attempt to distance the country from China (a turning towards the west), what the post-2011 transition has meant is, in fact, a rebalancing of Myanmar’s foreign policy, with an eye on enhancing partnerships, attracting investment and boosting trade, as well as development assistance. Close ties with China are not going to disappear any time soon.

5. The challenge of economic reform: With a little help from my friends?

A cursory overview of Myanmar’s economic data reveals a mixed picture. On the one hand, there are encouraging signs (sustained economic growth of around 8% GDP per year since 2011), a young (and cheap) labour force of 36 million, and an abundance of natural resources, from hydrocarbons in the Andaman Sea to minerals throughout the country and especially in the mountainous areas in the periphery. The reasons behind the overall strong growth are twofold: the economic liberalization set in place during the Thein Sein administration from 2011 onwards (which aimed at improving the ease of doing business in the country), and the very low development base, which left enormous scope for rapid improvement. On the other hand, the country’s GDP (which was $284bn in 2015) and GDP per capita (at PPP) (which was $5,500 in 2015), with 32.7% of the population below the poverty line in 2015, serve as sobering reminders that this is one of the region’s poorest populations. In 2016 the economy showed signs of slowing down and overheating, with GDP growth decelerating to 7.5%, inflation rising (to about 8.5%), and the currency (the kyat) remaining weak against the dollar (it lost some 25% of its value in 2015, with additional fluctuations in 2016). Budget and current account deficits widened further. The flow of investment began to slow down in the autumn of 2015.

Myanmar’s very dysfunctional economy, whose growth in the first years of this century was primarily driven by the export of natural resources, is now in desperate need of an overhaul, something of which the new government is acutely aware. At the same time, the 12-point government document on economic policy published in July 2016 did not reveal any ground-breaking approach to tackling Myanmar’s many structural flaws, and resembles an electoral manifesto more than a set of concrete policy proposals. Crucially, the country remains exposed to a number of external and internal vulnerabilities, such as the volatility of global commodity prices.
prices for commodities that Myanmar exports and on which government coffers depend.

What the country could not secure domestically because of a limited production base, the presence of huge and dysfunctional state-owned enterprises (often colluding with the army), and limited institutional capacity, it sought to gain through more active foreign economic relations and the development and enhancement of international economic partnerships.\(^\text{38}\) Myanmar has indeed become a ‘more crowded place’, with many more actors, and a new frontier for investors and the aid community. Apart from development assistance (which received a significant boost in the early 2010s, before slowing down in 2016),\(^\text{39}\) trade and investment have dramatically increased in recent years. As table 1 below shows, Myanmar’s main partners are in Asia, with China, Singapore and Thailand largely overshadowing all others. In 2014 Myanmar’s main export destinations were China (40%), Thailand (30%) and India (5.1%). The main import partners were China (30%), Singapore (10%), and Thailand. Foreign direct investment accelerated when some of the sanctions began to be lifted in 2014. As chart 1 shows, the key investors in the country are Singapore ($4.3bn) and China ($3.3bn), with all others lagging far behind.

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Chart 1: Approved investment by country (2015/16, in million US$)

In brief, while the overall outlook for Myanmar’s economy is positive, the country’s structural vulnerabilities remain. Crucially, the living standards of ordinary citizens have not improved, and it is doubtful whether the NLD’s key constituencies, the street vendors and those working in the rice paddies, have felt any of the benefits of recent economic developments.

6. Conflict in Rakhine State and the plight of the Rohingya community

The major escalation of violence in Rakhine State served as a stark reminder of how intractable some of the conflicts in Myanmar are, and how premature the enthusiasm for the transition has been.40 Rakhine is one of the seven ethnically-defined units that administratively compose Myanmar.41 The 36,000 square kilometres making up Rakhine State forms 5% of


41. The administrative units into which the Republic of the Union of Myanmar is sub-divided are as follows: seven states (where minority groups are settled), seven regions, which are not ethnically defined but which are areas in the central part of the country with a majority Bamar population, one Union Territory (the capital Nay
Myanmar (and is about the size of Belgium). It is also home to around 5% of Myanmar’s population, namely around 3 million, of whom 60% are settled in Maungmaung township, adjacent to Bangladesh.\(^4^2\) Rakhine’s inhabitants – who, as a rule, identify themselves as Rohingya – are Muslim and effectively stateless, as the government considers them to be illegal immigrants. The number of the Rohingya’s living in Rakhine state is estimated at 1.3 million, but it is not known exactly and is also at the core of the dispute. The overwhelming majority of Rohingyas were not, in fact, counted in the 2014 census as they were considered to be not Burmese citizens but illegal Bangladeshi aliens. In fact, the problem of the denial of citizenship to the members of the Rohingya community is a long-standing one. The problem worsened in 2012, when violent riots between Buddhist Rakhine and Muslim Rohingyas (and later all Muslims from Rakhine State) spread across the state, especially in the Buthidaung and Maungdaw townships in the north, near the Bangladeshi border. The 2012 riots, which began in May and lasted until October, left about 100, mostly Rohingyas, dead, and over 100,000 Rohingya displaced, internally or to camps in Bangladesh.\(^4^3\) The conflict between the two religious communities has lingered on, with the occasional outbreak of violence here and also in other parts of the country, such as Mandalay in upper Myanmar. Tensions started to escalate again in May 2016, when 35 armed attackers stormed a security post near a Rohingya refugee camp in southern Bangladesh (the attackers, who were not only Myanmar nationals but also Bangladeshi nationals, were led by a Pakistani citizen). The situation seemed to take a turn for the worse in the autumn when, on 9 October, members of a Rohingya militant organization (Faith Movement, or *Harakah al-Yaqin*, HaY)\(^4^4\) attacked three Myanmar Border Police posts. The assailants numbered around 400, and they mounted simultaneous morning attacks in Maungdaw and Rathedaung townships near the border with Bangladesh. Nine police officers were killed, and the attackers fled with guns and am-
munition. More attacks followed in the intervening days, accompanied by further deaths. As is customary in Myanmar, the authorities clamped down, with a curfew in the northern part of Rakhine State and the imposition of emergency rule. Again, on 12 November a senior army officer was killed. The rationale for the conflict remains the same and there are several factors behind it:

- The denial of citizenship to the Rohingya population, who the authorities regard as illegal immigrants from Bangladesh; these people moved to Myanmar either at the time of independence in 1948 or following the Bangladeshi independence war of 1971.
- Social and economic deprivation, which is caused from being confined to refugee camps like the Mingadar camp near Sittwe, the capital of Rakhine State, and the lack of basic services and education.
- The use of indiscriminate force by the military in its response.
- Restricted access by humanitarian organizations.

As noted in a recent report by Amnesty International, the conflict seems to have morphed into something qualitatively different from its earlier incarnations, in that evidence has emerged of a new, well-organized, well-trained, and well-funded Rohingya insurgent organization. This is apparently led by émigré Rohingyas and commanded locally by militants who have received proper training in guerrilla warfare. The funding for this seems to have come from Saudi Arabia. While at present the organization does not seem to have a trans-national jihadi agenda, its actions seem to resonate with the population, and it is becoming increasingly popular; the local young people are showing signs of radicalization. Apart from imposing emergency rule, the local authorities genuinely seem to be unable to come up with a solution to the problem. The issue in itself is complex, and while Aung San Suu Kyi has been rightly criticized for her silence on the question, it is also fair to note that, in spite of being state counsellor, she has no direct control of the military, which remains in charge of ‘handling’ the Rohingya problem and the conflict in Rakhine State.

While the roots of the conflict – and the groups involved – are local, the Rohingya conflict has to be placed against a backdrop of rising nationalism in the country. Radical Buddhist organizations like ‘969’ and the ‘Ma Ba Tha’ (The Association for the Protection of Race and Religion) have exploited the conflict in Rakhine State to stir up anti-Muslim sentiment across the country.

and to call for legislation more closely aligned to nationalist Buddhist ideology. In the aftermath of the October–November clashes, the radical nationalist monk U Wirathu called for the security forces to take all necessary steps to ‘protect the sovereignty of the nation and its citizens’. However such calls, in contrast to what was previously the case, have not been without their critics. The chief minister of the Yangon region, Phyo Min Thein, has publicly criticized the Ma Ba Tha; the association was also criticized by an official organization called the ‘Sangha Maha Nayaka Committee’, which pointed out that the Ma Ba Tha holds no official Buddhist status. That said, the issue had an impact that stretched far beyond Myanmar’s borders, and amplified the general sense of insecurity about Islam and Islamic extremist threats in the country. Although the use of stronger terms (such as genocide) is questionable, the government appeared to be an accomplice in the military’s attempt at ethnic cleansing. Since Aung San Suu Kyi and her government kept silent, the image of both her and her country became increasingly tarnished.

7. Conclusion

It is difficult to underestimate the extent of either the changes occurring in Myanmar in the period under review or the speed at which those changes occurred. At the same time the transition was far from over and Myanmar could hardly be considered a fully-fledged democracy, with the military still holding a constitutionally protected veto power. In addition, the government might be new, but the challenges it confronted were predominantly old. Myanmar’s state-building process was widely seen as incomplete, as the country continued to be plagued with a large number of ethnic insurgencies. This being the situation, peace-building remained the first priority for the government. The one main new challenge was represented by the forced cohabitation between the NLD government and the military. A thorny issue, which marked the entire post-independence life of the country and resurfaced with particular violence in the early 2010s, was the tide of (occasionally violent) nationalism affecting both majority and minority groups. The rekindling of the conflict in Rakhine State and the overall lack of progress in the peace-building process (despite the hype

51. For some background on this see Matthew J. Walton, Buddhism, Politics and Political Thought in Myanmar; Nick Cheesman & Nicholas Farrelly (eds.), Conflict in Myanmar. War, Politics, Religion.
about the Panglong21 Conference of August–September 2016) were stark reminders that much remained to be done, and that the post-2011 political liberalization was just that, not the end of the journey (to democracy).

Much of what has happened over the past year in Myanmar would have been unthinkable a decade ago, and yet the year feels very long. In fact, it stands out as a tale of two very different halves: the first was marked by hope and enthusiasm, and the second should, at the very least, caution against facile – naïve – optimism about the country’s immediate future. If the government appeared to avoid major errors, the October attack against the border police in Rakhine State and the authorities’ crackdown that ensued served as a stark reminder of the grievances and tensions running deep throughout the country. Additionally, the balance of power between the NLD-led government and the military, and the central government and minority groups, remained precarious, and the situation was certainly volatile in some cases (Rakhine, Kachin). The government, and specifically State Counsellor Aung San Suu Kyi, will have to do much more to persuade the international community that Myanmar is now, indeed, a different country.

In 2016 political violence continued to upset Bangladesh. Radical Islam continued to rage in the country and to disseminate terror: people belonging to ethnic and religious minorities, along with moderate Muslims were brutally killed. The violence escalated in 2016, reaching its apex with the 1 July attack on the Holey Artisan Bakery, in central Dhaka, a café attended especially by foreigners. In the attack, 22 people were killed, among them 9 Italians and 7 Japanese, mostly garment businessmen.

In spite of the alarming political climate, the Bangladeshi economy was prosperous, with a GDP growth at about 7%: Chinese and Indian investments played a prominent role in improving Bangladesh’s economy. However, labour conditions and workers’ rights remain critical.

The Bangladeshi government enhanced international relations by strengthening ties with the United States and India.

1. Introduction

The two main issues on the 2016 Bangladesh political agenda were terrorism and violent extremism, and a high economic growth involving high social costs.

Bangladesh has been shaken by political violence since 2013. The attacks on religious minorities, secular persons and moderate Muslims have occurred at a steady pace particularly since 2015. In 2016 they reached a new high on the night of 1 July, when the Holey Artisan Bakery café in central Dhaka was attacked by a commando of seven armed men. In the attack 22 people were brutally killed. In spite of persistent political instability, the economy performed very well in 2016, with a GDP growth of about 7%. The main factors of Bangladesh’s growth were the strengthening of the relations with India, India’s and China’s investments in the energy and infrastructure sectors and an improved planning of Bangladesh economy. However, Bangladesh’s growth is still facing several challenges, especially labour conditions and workers’ rights.


The Bangladeshi government attempted to overcome terrorism and political insecurity by enhancing Bangladesh’s international position through stronger ties with two powers: the United States and India.

2. The Holey Artisan Bakery attack

On the evening of 1 July 2016, an armed commando of 7 men attacked the Holey Artisan Bakery, a restaurant in Gulshan, Dhaka’s diplomatic enclave, where most foreigners concentrate. It is the same area where Italian social worker Cesare Tavella was killed in September 2015.\(^3\) The commando stormed into the restaurant, shooting while shouting «Allah Akbar». The assailants immediately killed two people and kidnapped 20 more. Among the prisoners were 7 Italians, most of them garment businessmen. The restaurant is very close to the Italian Embassy and it is attended by foreign businessmen of the garment sector, Bangladesh’s leading industrial production. ISIS claimed the attack right from its initial phases with a communiqué to the press agency Amaq, recorded by SITE Intelligence Group. The attack was also claimed by Ansar al-Sharia Bangladesh, a local organization affiliated to Al-Qa’ida.\(^4\) The double claim by the two main organizations of the international jihad is explained by the competition between them for hegemony in South Asia.\(^5\)

All employees of the restaurant were able to escape.\(^6\) The jihadists captured more than 30 people, but only 13 survived. The terrorists questioned the prisoners and those who were not able to repeat the Koran verses were killed, while Muslim Bangladeshis were spared. The prisoners were tortured and killed slowly with sharp weapons, most probably machetes, as reported by the Director of the Army military operations, Brig. General Nayem Ashfaq Chowdhury.\(^7\)

Among the victims there were 9 Italian citizens, 7 Japanese, 5 Bangladeshis, one of them with American citizenship, 2 policemen and an 18-year old

3. Ibid., pp. 320-321.
5. ‘Strage Is a Dacca’.
6. Ibid.
Indian girl. At least 26 people were wounded. Of 6 terrorists, 5 were killed and 1 captured.8

The police attempted to seize the restaurant in the evening of 1 July, but without success as the jihadists were armed with guns and grenades. Then the Rapid Action Battalion (RAB), Bangladesh’s special security force, intervened. In order to reduce collateral damage as much as possible, a complex operation was planned during the night and the restaurant was raided by the security forces in the early morning of 2 July. They cleared the restaurant after a 4-hour battle with the terrorists and rescued 13 people.9 Between 30 and 35 agents were wounded.10 The day before the attack the investigators in charge of inspecting social media intercepted several messages on Twitter, announcing an attack in Dhaka. The authorities then intensified the controls on embassies, and the police closed some of the main hotels and restaurants surrounding the Holey Artisan Bakery.11

After the raid, the police released the pictures of the bodies of five assailants12 who had been identified: they were Nibras Islam, Rohan Imtiaz, Meer Saameh Mubasheer, Khairul Ismal and Shafiqul Islam.13 All of the terrorists were born in Bangladesh and five had been wanted because they were suspected of being affiliated to radical groups.14 All of them belonged to the banned Jamatul Mujahideen Bangladesh (JMB) and were young Bangladeshi men, from middle class families, with a good educational background. They had gone underground between December 2015 and March 2016. Their families reported them missing, but the authorities did not investigate their activities.15 On 3 July it was discovered that the mastermind of the attack was Tamim Chowdhury, nom de guerre Shaykh Abu Ibrahim al-Hanif, a Canadian citizen born in Windsor, Ontario.16

9. Ibid.
10. Ibid.
11. Ibid.
13. ‘Bangladesh Misread Warnings’. A sixth man, Saiful Islam Chowkidar, the pizza chef at the Holey Artisan Bakery, was also shot dead by the police who confused him with one of the assailants.
14. ‘Bangladesh, l’Isis a Dacca’.
16. ‘Bangladesh, l’Isis a Dacca’.

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3. The reactions to the attack: some controversial arrests

As an immediate reaction to the attack, Prime Minister Sheikh Hasina decreed a two-day mourning period. On 5 July she presided over the commemoration function at Dhaka stadium, where she censured terrorism. In a television address to the nation, following the attack, she implored viewers to stop violence in name of the Islamic religion, defining Islam "a religion of peace". Like in 2015, the Prime Minister and other Bangladeshi authorities denied that the IS (Islamic State) had played a role in the Holey Artisan Bakery attack. While police Inspector General A.K.M. Shahidul Hoque admitted that the authorities did not exclude that possibility, the Interior Minister denied any IS involvement in the attack and any presence of the Islamic State in Bangladesh.

The Prime Minister asserted that terrorists were trying to destroy Bangladesh and to turn it "into a failed state"; she vowed to get the country out of the turmoil.

After the end of the 11-hour siege, two former hostages were taken into custody by the police, who suspected they were involved in the attack. The two men, holding a dual Canadian-Bangladeshi citizenship, were Hasnat Karim, age 47, and Tahmid Khan, a 22 year old student of Toronto University who was back in Dhaka on vacation. The two men were detained for over a month, before being formally arrested on 4 August. The fact is controversial as, according to Bangladeshi law, a suspect can be detained for more than 24 hours only with the authorization of a magistrate, which was not the case with Karim and Khan. More than a week after the attack, the families of the two suspects had not yet received information of their relatives’ whereabouts. Moreover, the authorities had contradictory behaviour. While the police claimed that both men had been released, later on the Home Minister admitted that Hasnat Karim was still in custody.

17. Ibid.; 'Bangladesh PM Hasina decrees mourning after the attack', Aljazeera, 3 July 2016.
18. 'Bangladesh, l'Isis a Dacca'; Ibid.; 'Dhaka cafe attack'.
19. 'Bangladesh PM Hasina decrees'.
22. 'Bangladesh PM Hasina decrees'.
24. 'British man formally arrested over Bangladesh cafe siege', The Telegraph, 4 August 2016.
25. 'Bangladeshi Police Arrest 2 Suspected'.
26. 'British man formally arrested'.
The suspicions of the inquirers were raised due to some footage showing the two men apparently helping the attackers. In some videos they also carry weapons.\textsuperscript{27} Other hostages reported that the two men were forced by the attackers to help them.\textsuperscript{28} An amateur video and photographs show Karim talking with the terrorists inside the restaurant and on the terrace respectively.\textsuperscript{29} Other hostages reported that Karim was talking and walking with the terrorists.\textsuperscript{30} According to Karim’s lawyer, he was forced to do so because he was used as a human shield.\textsuperscript{31} However, in a photograph Karim seems to be peacefully smoking a cigarette on the terrace with the killers.\textsuperscript{32}

In spite of police suspicion, the images and witnesses do not clearly suggest any wrongdoing by Karim and Khan.\textsuperscript{33} The circumstances may also suggest that they were trying to negotiate with the militants, trying to keep the situation under control, in order to avoid a bloodbath.\textsuperscript{34}

The police had found a note with Karim’s home address in the pocket of one of the militants,\textsuperscript{35} but this detail is very controversial: in fact, Karim might have given it to the killer in order to obtain his confidence.\textsuperscript{36}

On the night of the attack, Hasnat Karim was at the Holey Artisan Bakery to celebrate his 13 year old daughter’s birthday with his wife and two children.\textsuperscript{37} It seems therefore rather improbable that he could be involved in aiding the attack. However, the fact that Karim and his family were allowed by the terrorists to leave the restaurant about half an hour before the army raid raised police suspicion.\textsuperscript{38} Hasnat Karim and Tahmid Khan, like other hostages, had been spared by the assailants because they were Muslims,\textsuperscript{39} but for the police this was a possible proof of Karim and Khan’s connections with the terrorists.

Tahmid Khan was released on bail in early October,\textsuperscript{40} whereas Karim was still in jail at the end of the year and his bank accounts were still frozen.\textsuperscript{41}

\begin{enumerate}
\item[27.] ‘Bangladeshi Police Arrest 2 Suspected’.
\item[28.] Ibid.
\item[29.] ‘British man released from Dhaka cafe questioned over links to Isis attack’, \textit{The Telegraph}, 4 July 2016.
\item[30.] ‘Bangladesh cafe attack: Two arrested but families say they were hostages’,
\textit{CNN}, 5 August 2016.
\item[31.] Ibid.
\item[32.] ‘Il docente che soffriva di depressione e quella sigaretta con il commando’, \textit{La Stampa}, 5 July 2016.
\item[33.] ‘British man released’.
\item[34.] ‘Il docente che soffriva di depressione’.
\item[35.] ‘British man formally arrested’, ‘British man released’
\item[36.] ‘Il docente che soffriva di depressione’.
\item[37.] ‘British man formally arrested’.
\item[38.] ‘British man released’.
\item[39.] ‘Bangladeshi Police Arrest 2 Suspected’.
\item[40.] ‘Student Arrested After Dhaka Cafe Attack Acquitted of Terror Charges’, \textit{Reuters}, 3 October 2016.
\end{enumerate}
However, the investigation about Hasnat Karim was based on contradictory proof. All evidence collected by the police was poor and it seems unlikely that Karim involved his wife and children in such a gruesome situation. Karim might be a scapegoat: after all Bangladeshi police and authorities had previously attempted to appear efficient after a similar attack, which openly targeted foreigners. A prompt reaction was required and Karim and Khan had the requisites to be prosecuted.

After the attack, Bengali authorities were under the pressure not only by national and international public opinion, but especially by foreign governments, in particular those who had faced the greatest casualties. The Bangladeshi police were in a frenzy to appear efficient and, as a consequence, made serious mistakes, for instance when, during the raid, they killed a pizza chef at the Bakery, who was confused with a militant.

Karim and Khan’s case triggered criticism not only from their families, but also from traditional and social media and human rights organizations, which were concerned about the violations of laws by the police and feared that the two men in detention might be tortured.

In June 2016, following a series of politically motivated killings, the government ordered the arrest of 10 to 14,000 people. Most arrested were petty criminals and only about 150 were militants. This kind of operation seems to be aimed more at intimidation than at a proper investigation, as an accurate inquiry is impossible with such huge numbers. In actuality, the Holey Artisan Bakery attack occurred only two weeks after the crackdown.

4. The intensification of security activities after the attack: evidence of ISIS involvement

After the attack, the police raided suspected hideouts and reportedly killed dozens and arrested hundreds.

In August the investigators identified a certain Marjan as the supposed «coordinator» of the Café attack and released his photograph. As already pointed out, Tamim Ahmed Chowdhury was identified as the mastermind of the attack. The police placed a 20 lakh Taka (approximately US$ 42.

42. This hypothesis is considered in ‘Il docente che soffriva di depressione’.
43. ‘Bangladesh Missread’.
44. ‘Bangladesh Cafe Attack’; ‘Bangladeshi Police Arrest 2 Suspected’.
46. Ibid.
47. ‘Bangladesh arrests more than 11,000 after wave of killings’, CNN, 15 June 2016.
25,500) bounty on his head. The police captured Chowdhury in a hideout in the outskirts of Dhaka and killed him on 26 August. Other two Islamist militants were killed with him. Chowdhury was a 30 year old Canadian national, born in Bangladesh. In 2013 he returned to his native country, where he is believed to have played a prominent role in funding the activities of radical organizations and recruiting militants.

Chowdhury was part of a well organized network. Investigators had discovered that IS had intensified its connections with Bangladesh. In December Dhaka police seized approximately 3.9 Taka (about US$ 50,000) destined for an associate of Chowdhury. The money had been sent via a hawala cash transfer from a company based in the UK. Its owner, Siful Sujan, had been killed in Syria. However, there was no evidence that the money was sent under IS’s instructions.

The preparation of the attack began in June 2016, at the start of the month of Ramadan. Chowdhury had at least two accomplices, Abu Terek Mohammad Tajuddin Kausar and Tanvir Kaderi, who aided in organizing the attack. The latter killed himself when, on 10 September, the police raided the flat where he and his family were hiding.

Several elements contradict the government’s thesis that IS does not exist in Bangladesh. An exponent of the government asserted that in Bangladesh there are militants with IS links, but this does not mean that the IS is there. In April 2016 Chowdhury granted an interview to Dabiq, the renowned IS magazine, under his nom de guerre Abu Ibrahim al-Hanif. The magazine defined al-Hanif the head of IS in Bangladesh. An article by Chowdhury on the café attack was published after his death by the other IS’s magazine, Rumiyah.

51. ‘Bangladesh Security Forces Kill the Mastermind’; ‘New Evidence’.
52. The hawala cash transfer is an informal system of transferring money worldwide used mainly in Africa, Asia and the Middle East. The cash is moved through a network of trusted persons.
53. ‘New Evidence’; Ibid.
54. Ibid.
55. Ibid.
56. Ibid.
57. Ibid.
58. Ibid.
59. Ibid.
60. Ibid.
5. Bangladesh, a laboratory of radical Islam

The extent of IS’s presence in Bangladesh is difficult to be ascertained at present. However, the country appears to be a laboratory of jihadism. The 1 July attack was the result of an escalation of political violence started in 2013, with the killings of bloggers, intellectuals and media people, reaching its peak in 2015. At the periphery of the developed world, a politically unstable country, where violence is the order of the day and the security forces have not been particularly efficient in dealing with political criminals, Bangladesh is the ideal place to experiment with new tactics and plan actions. Attacks on independent media in Bangladesh, for instance, started in 2013, two years before the Charlie Hebdo attack. The targets and tactics are strikingly similar to those used in terrorist attacks in Europe. The organizations of radical Islam have an extraordinary capacity to communicate. What happens in one part of the world has an immediate impact on the opposite side of the world. In the last three years messages, videos and instructions have been crisscrossing the world, while Bangladeshi law enforcement authorities and the international community have been culpably inattentive. Moreover, the intricate network of Bangladeshi jihadist organizations continues to be insufficiently known.

It would be interesting to investigate the objectives of Bangladeshi radical Islam, apart from turning the country into an Islamic State. It has been asserted that a main objective of the Bangladeshi jihadists is to undermine the garment industry. It seems probable that Bangladeshi organizations of radical Islam aim to replace foreign interests with domestic ones in the highly profitable sectors of Bangladeshi industrial production and development aid. The Bangladeshi organizations of radical Islam have a high financial capacity: they control the Islamic Bank of Bangladesh Ltd. (IBBL), supported by Saudi Arabia, and several NGOs, some financed by Saudi Arabia as well. Bangladeshi radical Islamists are capable of moving huge quantities of money. It might be plausible that they are also trying to take over the sector of garment industry, by spreading terror among the foreign businessmen, in order to discourage them from carrying out their affairs in Bangladesh. Immediately after the 1 July attack the embassies of the United States and other western countries issued travel warnings to their nationals, advising those in the country to be careful and avoid public places. Some foreign investors cancelled all business travels in the country, which resulted in a likely damage to the garment industry that is worth US$ 26 billion.

62. Ibid., pp. 327-328.
63. ‘New Evidence’.
64. M. Casolari, ‘Bangladesh 2015’, pp. 327-328
65. ‘Bangladesh still denies’; ‘US Issues Travel Warning’.
66. Rainews 24, 2-3 July 2016 broadcasts; ‘Bangladesh Misread Warnings’.
67. ‘Bangladesh Misread Warnings’; Ibid.
Perhaps the Prime Minister and the Interior Minister are not totally wrong when they blame domestic rather than international organizations for the attacks. Perhaps these two theses – predominant IS’s involvement or exclusive domestic responsibility in terror attacks in Bangladesh – are not mutually exclusive, as they appear to be at first sight. In other words, it is possible that both IS-related organizations and domestic terrorist outfits are active in promoting terror in Bangladesh.

The series of attacks from 2015 to 1 July 2016 clearly prove that one of the main targets of Muslim militant organizations is made up of foreign professionals. Most likely the Holey Artisan Bakery was not casually chosen, but carefully selected for its clientele. It was probably not a coincidence that most of victims were Italian and Japanese businessmen of the garment sector and aid workers.

6. Attacks on minorities go on

Between January and June 2016 the main deadly attacks on individuals belonging to minority groups, non-Sunni and moderate Muslims, secular bloggers and publishers amounted to 21. In addition, an uncountable number of assaults on crowds during religious functions or on political parties representing the indigenous communities took place. Between January and June 2016 violence against Hindus resulted into the burning of 66 houses, the destruction of 49 temples and monasteries and 24 people being injured. Hindu priests and Buddhist monks were the main targets, but also ordinary believers belonging to different groups and sects were attacked. Harassment and retaliation cases have been taking place on an almost daily basis. The assailants have often been identified as members of the Awami League. In many cases officials and agents were complicit in the attacks. Several of these crimes appeared to be connected with personal feuds or political motives.

On 23 April Rezaul Karim Siddiquee was killed. He was a professor of English at Rajshahi University, the second most important university in Bangladesh. The Professor was literally massacred with a hatchet. IS

69. Ibid., pp. 320-324.
71. Ibid., p. 17.
72. Ibid., pp. 17-18.
73. Ibid., pp. 17-18.
claimed the murder. This murder was particularly outraging for the country, not just for its brutality, but especially for the peculiarity of the target. Prof. Siddiquee was killed because English literature was considered a blasphemous subject by the militants. One of the killers was a former student of Siddiquee. Radicalization in Bangladeshi universities is increasing and professors feel threatened: they are very self-conscious during their lessons and restrain themselves in order to not offend any group. They fear for their own lives and those of their relatives.

At the end of 2016 another wave of attacks on Hindu temples and individuals and on indigenous groups shook the country. On 30 October hundreds of Muslims ravaged 15 Hindu temples and the houses of about 100 families in a Hindu area in Nasirnagar, Brahmanbaria district, northeast of Dhaka. More than 100 people were injured, while the police were watching, inactive. Other attacks occurred across the country. The pretext was an allegedly offensive image posted on Facebook by a Hindu, Rasraj Das. Subsequently, the intelligence discovered that Das was not responsible for the upload. It was not clear who propagated the image, but, considering the inflamed political situation, it could have been a machination to justify the attacks. Bangladesh’s Human Rights Commission defined the attacks a «preplanned conspiracy» and began an investigation. Several suspects have been arrested and the police officer in charge in Nasirnagar has been suspended. Local Awami League members were involved and three of them have been suspended. The owner of a cyber café has been arrested as the mastermind of the attacks on Hindu temples and properties.

On 4 November a second attack on Hindus took place first in Brahmanbaria district and, then, in Sirajganj and Jhalakathi districts on 6 November. The Santal indigenous group and the Hindu minority in Gailbandha district had been subjected to similar attacks for a fortnight since 7 November, following a land dispute. Two Hindu temples were vandalized

75. ‘Bangladesh Security Forces’.
77. Ibid.
79. ‘Attacks on Hindus in Bangladesh’; ‘Attacks on Hindus, indigenous people’.
80. ‘Attacks on Hindus in Bangladesh’; Ibid.
81. Ibid.
82. Ibid; ‘Attacks on Hindus, indigenous people’.
83. ‘Bangladesh: Hindu temple vandalised, 7 idols smashed in fresh attacks on minority institutions’, Firstpost, 4 December 2016.
84. ‘Attacks on Hindus, indigenous people’.
85. Ibid. Santals are one of the oldest and largest groups of indigenous people of South Asia. In Bangladesh they concentrate especially in north-western areas.
and idols destroyed in Netrokona and Pabna districts on the night of 4 December 2016. Respectively, seven and three statues of the goddess Kali were destroyed. The attacks were well orchestrated and have been explained as attempts to land grabbing, to the detriment of local religious and ethnic minorities.

Land grabbing is a persistent issue in Bangladesh. This practice especially affects the northern districts, where Hindus and tribal groups are concentrated. These groups faced all kinds of pressure and abuses, attacks and rapes. Hundreds of people have been killed and thousands forced to leave their homes and migrate elsewhere to survive. The victims of land grabbing have organized throughout the years and raised their voice in marches and demonstrations. In 2015 the Awami League government promised to set up a special land commission, but nothing has happened ever since.

Santals, the people most affected by land grabbing, are the largest tribal group in South Asia, living on rice and vegetable cultivation, hunting and fishing. The lands where they live are valuable not only from an agricultural point of view, but also for the large quantities of natural resources in their subsoil. This has triggered the interests of corporations and multinationals, who are accused of being behind the land grabbing.

According to the Properties Return (Amendment) Act of 2011, Hindu families have the legal right to reclaim their properties, but in practice many victims are unable to do so, in part because of government officials’ obstruction.

Not only are the rights of the minorities at risk in Bangladesh, but so is secularism. Secularism - one of the four fundamental principles of the original 1972 Constitution - was removed from the constitution in 1977 by Ziaur Rahman (President from 1977 to 1981). In 1988 the then President General Muhammad Ershad declared Islam the state religion. The Committee against Autocracy and Communalism then filed a petition, requiring that secularism be re-established. After 28 years, in 2010, the Supreme Court rejected the petition, ruling that the petitioning organization did not have the locus standi and therefore it did not have the right to be heard in the court. Finally, in 2016, the Supreme Court took an ambivalent decision: it declared secularism to be a fundamental principle, but upheld Islam as state religion.

86. ‘Bangladesh: Hindu temple’.
89. ‘Land grabbing in Bangladesh’, *Al Jazeera*, 12 May 2012.
90. ‘Under threat’.
In 2011 the current Awami League government amended the Constitution, emphasizing secularism and «equal status» for other faiths as constitutional principles. A substantial transformation of the legal and educational systems and of the attitude of the media, both traditional and social, is required to stop discrimination against religious and ethnic minorities. In December 2015 Prime Minister Sheikh Hasina assured state protection to Christian leaders after a series of attacks against their community.

8. John Kerry’s visit to Bangladesh: Strengthening Bangladesh-US security cooperation

As already pointed out, Tamim Ahmed Chowdhury was killed just two days before John Kerry’s visit to Bangladesh. Also, a few hours before his arrival the police killed two suspected JMB members.

The US Secretary of State arrived in Bangladesh on 29 August for a short visit on his way to India to discuss security issues with Sheikh Hasina after the recent wave of killings and the 1 July attack. John Kerry met also opposition leaders and exponents of the civil society.

According to Michael Kugelman, of the Wodroow Wilson Center in Washington D.C., «One of Kerry’s core intentions in Dhaka will simply be to emphasize the importance that the US accords to security problems in Bangladesh». According to Kugelman, Washington underestimated the increasing security threats in Bangladesh, which affect also the West and the US.

This was John Kerry’s only official visit to Bangladesh, but «the diplomatic quarters» defined it as «significantly important». The Secretary of State believed that IS elements were connected with operatives in Bangl-

92. Ibid.
93. A deeper analysis of the issue would be worthwhile. For a better insight see the already quoted 'Under threat: The challenges facing religious minorities in Bangladesh'.
94. Ibid.
95. 'Kerry visits Bangladesh for talks on security', Al Jazeera, 29 August 2016; 'US Secretary of State John Kerry has arrived in Dhaka on his maiden visit to the country', bdnews24, 29 August 2016; 'Kerry: US increasing counter-terror work with Bangladesh', CNN, 30 August 2016.
96. 'Kerry visits'; Ibid.
97. Ibid.
98. Ibid.
100. 'IS believed'.
He agreed with Sheikh Hasina and other Bangladeshi authorities on additional intelligence and security cooperation and offered US assistance to solve security problems in Bangladesh.

Bilateral talks on security had been started in the past, but the relationships between the two countries had remained tepid, especially due to Dhaka’s indecisiveness regarding US offers of assistance to tackle the terrorist menace. The purpose of Kerry’s visit was to overcome Bangladesh’s scepticism and to enhance a Bangladesh-US security partnership.

In 2012 the two countries started the Bangladesh-US Security Dialogue, a cooperation programme concerning a wide range of issues. Bilateral meetings have been held yearly, either in Dhaka or in Washington.

The 5th round of the dialogue was held in Dhaka on 2 October 2016. Kamrul Ahsan, Additional Foreign Secretary of the Ministry of Foreign Affairs, led the Bangladesh delegation, including representatives from several Ministries and Government organization. The members of the American delegation were William Monahan, Deputy Assistant Secretary of State, representatives of the Departments of State and Defence, United States Ambassador Marcia Monicat and Embassy officials.

As on previous occasions, the issues under discussion were the «security partnership between the two countries, strategic priorities and regional security issues, defense cooperation, civilian security cooperation, UN peacekeeping and counter-terrorism and countering violent extremism». Both countries acknowledged: «the importance of a deeper and stronger partnership» in addressing mutual security concerns while upholding the values of human rights and fundamental freedoms. The United States representatives appreciated both Bangladesh’s «zero tolerance» against terrorism and violent radicalism and the Bangladeshi government «not allowing its territory to be used for terrorist activities against other countries».

The Holey Artisan Bakery facts were the focus of the 2016 Dialogue. It was decided to create a Counterterrorism and Transnational Crime (CTTC)
Unit under Dhaka Metropolitan Police. The Bangladesh delegation asked for enhanced United States training, equipment and logistic support in activities concerning counterterrorism, contrasting violent radicalism and disaster management.

The US had already been assisting Bangladesh in enhancing its disaster preparedness through the joint Disaster Response Exercise and Exchange (DREE), the funding of the construction of 600 multipurpose cyclone shelters in coastal areas and the provision of fast moving boats to the Bangladesh Coast Guards to minimize the response time against piracy within Bangladesh’s boundaries.

The US delegation praised Bangladesh for its participation in UN peacekeeping operations and in the Global Peace Operations Initiative financed by the United States.

9. An outstanding economic growth

The Bangladeshi government pursues two ambitious economic goals: to «graduate» to a middle income country within 2021 and to evolve into a developed country within 2041. In 2015 the World Bank upgraded Bangladesh to a middle income country, although in reality it is a lower middle income country.

Bangladesh’s economic performances are astonishing for many analysts, especially considering its critical political situation. In 2015 foreign direct investments had a 44% increase from the previous year, while, thanks to «the economic success», life expectancy grew from 56 to 70 years.

In April 2016 the World Bank reported that «Bangladesh economy remained strong and resilient despite external and internal challenges».

111. Ibid.
112. Ibid.
113. Ibid.
114. Ibid.
116. Ibid.
117. ‘Bangladesh to be a 'growth outperformer' in 2016-25’, The Daily Star, 2 September 2016; Sajeeb Wazed, 'Bangladesh’s hidden story: A booming economy’, The Diplomat Courier, 2 May 2016. Sajeeb Wazed is the chief information technology adviser to the government of Bangladesh but, above all, he is Sheikh Hasina’s son: his enthusiastic evaluation of Bangladesh’s economy might be influenced by his position. In his article, referring to foreign investors, Wazed defined Bangladesh «a smart place to put their money», totally neglecting the alarming political situation.
119. S. Wazed, ‘Bangladesh’s hidden story’.
120. World Bank, 'Bangladesh Development Update: Economy Requires Focus on Sustainable and Inclusive Growth', 30 April 2016.
Bangladesh is among the top 12 developing countries with over 20 million people that achieve a 6% growth. Inflation declined from 6.5% in March 2015 to 5.65% in March 2016. Food inflation decreased from 6.4% to 3.4% thanks to good rice harvests, lower international food prices and stable exchange rates. However, non-food inflation increased from 6.1% to 8.4%, due to suppressed internal demand, increase of wages and rise of electricity and gas prices. The budget deficit was expected to rise, due to a reduced revenue collection in Fiscal Year (FY) 2016-2017.

Several factors continue to hinder growth: power and energy shortages, credit shocks, lack of reform continuity, infrastructure bottlenecks. It is estimated that to develop the country’s infrastructure, US$ 410 billion financing is required, twice the size of the GDP. Although the government has already approved some important reforms regarding special economic zones, exports processing zones and labour rights, their implementation must be enforced.

Remittances continued to decline in 2016, due mainly to the global economic crisis. Private investments were still stagnant, even declining in the first half of FY 2016-17 from 1.5 to 1.3%. However, Sheikh Hasina promised greater support to the private sector. At a seminar titled «New Economic Thinking: Bangladesh 2030 and Beyond», organized by the Dhaka Chamber of Commerce and Industry on 20 December 2016, the Prime Minister assured traders and investors that her government will continue to support the private sector by «establishing a trade-friendly atmosphere». The Prime Minister announced that Bangladesh may become the 29th largest economy in the world in 2030 and the 23rd in 2050. Within 2021, electricity will be distributed over the whole country, which is expected to be poverty free in 2030 and to reach a per capita income of US$ 12,600 in 2041. In the same year Bangladesh should become the central «hub» of regional commerce.

Bangladesh is pursuing an «open market policy» and is developing sub-regional and international relations.

121. Ibid.
122. Ibid. See also Centre for Policy Dialogue, Bangladesh, An Analysis of the National Budget for FY2016-17, Dhaka, 3 June 2016. The FY in Bangladesh goes from 1 July to 30 June.
123. ‘Bangladesh Development Update’.
124. Ibid.
125. ‘Remittances continue to underperform this year’, The Economist, 1 April 2016; ‘Remittances see a sharp fall in July’, The Economist, 28 July 2016; ‘Remittances still depressed by global trends’, The Economist, 31 August 2016; ‘Remittance inflows fall sharply in September’, The Economist, 3 October 2016.
126. ‘Bangladesh Development Update’.
127. ‘Govt will continuously support private sector to boost economy: Hasina’, bdnews24, 21 December 2016.
128. Ibid.
129. Ibid.
10. The dark side of Bangladesh’s economic growth

Unfortunately Bangladesh’s remarkable economic growth and promising expectations have enormous social costs. The workers’ conditions are still deplorable and safety of working places is far from being satisfactory. On 10 September 2016 a fire broke out after a boiler exploded at Tampaco Foils Ltd., a plastic packaging factory in the Tongi BSCIC industrial area of Gazipur, near Dhaka. The fire caused the collapse of the five story building: more than 30 people were killed. The factory provided packaging for other companies, including Nestlé and British American Tobacco.

The Tampaco Foils accident was the worst industrial disaster after the Rana Plaza tragedy in 2013, when 1,137 workers lost their lives and about 2,500 were injured.

According to the first independent survey of the garment industry, issued after the Rana Plaza disaster, the factories producing for the biggest international retailers failed to implement the renovations required: 62% among them lack viable fire exits; 62% do not have a proper alarm system; 47% have structural problems. Renowned retailers like Walmart, Gap, Target and their affiliates, including North Face, Timberland, Wrangler and several others, set up a voluntary organization named Alliance for Bangladesh Worker Safety. Unfortunately, it unilaterally postponed the deadlines for repairs and improvements from 2014-15 to 2018. A recent report titled «Dangerous Delays on Worker Safety» discovered that, out of 107 factories labelled as regular by the Alliance, 99 had not completed the safety improvements. The report has been published by the International Labour Rights Forum, the Worker Rights Consortium, the Clean Clothes Campaign and the Maquila Solidarity Network.

A survey carried out by the Overseas Development Institute on 2,700 slum households disclosed that child labourers living in slums worked an average...
average of 64 hours a week. Two thirds of the girls were working for the garment industry, while 15% of the children between 6 and 14 years old did not go to school and worked full time. Over 36% of the boys and 34% of the girls reported that they experienced extreme fatigue and were often mistreated. In July 2016, a nine year old boy was tortured at one of the largest spinning factories in the country. The mill assistant administrative officer was arrested, while the owner and other accused managers who had fled were wanted. The police raided the factory and rescued 27 children, many aged under 14, who were returned to their families.

Recently, Bangladesh enforced several ambitious reforms preventing child labour, among which the National Plan of Action (2010), the National Children Policy (2011) and the Children’s Act (2013). However, “a comprehensive legal framework for protecting children against child labour” was still missing.

11. Bangladesh, between China and India

Bangladesh has become the crossroads of an increasing geopolitical rivalry between China, India and Japan, with the US backing the latter two. The rivalry has been taking the shape of a race, especially between China and India, to obtain billionaire contracts for infrastructural and power plants investments. At the beginning of 2016, India’s state-owned Bharat Heavy Electricals Limited (BHEL) was about to sign a US$ 1.6 billion contract with Bangladesh for the construction of a coal-fired power station in the Khulna district of southern Bangladesh, defeating the competition of the Chinese Harbin Electric International Company. The Khulna power station will be the largest foreign project implemented by an Indian Company. The Indian media defined the BHEL episode as a “second setback” for Beijing, after the failure of a long and failed ne-

140. ‘Bangladeshi child labourer’; Ibid.
141. ‘Child labour and education’.
142. ‘India set to seal major power deal in Bangladesh, beating China’, Reuters, 22 February 2016; Sarath Kumara, ‘Indian power deal with Bangladesh highlights geopolitical rivalry’, World Socialist Web Site, 5 March 2016; ‘Big India-Bangladesh power deal dims China’s shine in South Asia’, Asia Times, 10 March 2016. Regarding India’s, China’s and Japan’s investments in Bangladesh see Marzia Casolari, ‘Old Patterns, New Trends’, Asia Maior 2014, pp. 230-239.
143. Ibid.; ‘India set to seal major power deal’, ‘Indian power deal with Bangladesh’, ‘Big India-Bangladesh power deal’.
gotiation with Bangladesh to build the Sonadia deep-sea port, near Chittagong.\footnote{Marzia Casolari, ‘Old Patterns, New Trends’, \textit{Asia Maior 2014}, pp. 230-239.}

A spokesman of the Bangladesh-India Friendship Power Company, a joint venture set up to build the power plant, reported that BHEL was the lowest bidder. The impression is that the BHEL agreement was part both of India’s strategy to undermine China’s economic and strategic interests in South and South-East Asia, and of the US’s pivot to Asia.\footnote{‘Indian power deal with Bangladesh’, \textit{Ibid}.} Bangladesh’s Planning Minister A. H. M. Mustapha Kamal admitted that the deal could not proceed because both India and the US were against the Chinese initiative.\footnote{\textit{Ibid}.}

India’s interests in Bangladesh are part of its «Act East Policy», aiming at promoting its investments in South-East Asia and the South China Sea.\footnote{\textit{Ibid}.} Moreover, the Sonadia port would have increased China’s presence in the Bay of Bengal and would have been too close to Indian Andaman and Nicobar Islands. Both were weighty enough reasons to induce India to prevent the realization of the Chinese project.\footnote{\textit{Ibid}.}

With the ports of Kyaukpyu in Myanmar, of Hambantota in Sri Lanka and of Gwadar in Pakistan, Sonadia was part of both the so called Chinese «string of pearls strategy» and the «One Belt, One Road initiative», based on the construction of a series of ports along the strategic sea route connecting the Indian Ocean with the Persian Gulf and East Africa. For China the sea lanes are vital for its oil and raw material supplies.\footnote{\textit{Ibid}.}

In the period under review Narendra Modi and Sheikh Hasina strengthened the India-Bangladesh relations.\footnote{On India-Bangladesh relations see M. Casolari, ‘Bangladesh 2015’, pp. 336-338.} Indian businessmen and investors attending the Bangladesh Investment and Policy Summit in January promised to invest US$ 11 billion in several infrastructure projects, including a gas pipeline from Orissa to Bangladesh.

India was building a road, rail and waterways transit route to the North-East States through Bangladesh, bypassing the Siliguri Corridor, to connect India’s mainland with these remote areas.\footnote{‘Indian power deal with Bangladesh’.}

In spite of its increasingly close relation with New Delhi, Dhaka carries out a balanced policy aiming at maintaining good relationships with both China and India.

On 13 October 2016 Chinese President Xi Jinping visited Bangladesh. It was the first visit of a Chinese head of state in 30 years.\footnote{‘Wake up, India! BIMSTEC is a reverie’, \textit{Indian Punchline}, 11 October 2016; ‘China has overtaken India to become Bangladesh’s largest energy partner’,}
nese president announced several agreements, among others the construction of two coal-fired power plants respectively in Payra, in the southern district of Patuakhali, and in Banshkhali-Chittagong, for 1,320 MW each. For the first time a China-Bangladesh cooperation agreement exceeded the average size of Bangladesh-India cooperation.\footnote{153}

The strongest Bangladesh’s \textit{entente}, however, is still with India. From 17 to 19 December 2016 Sheikh Hasina’s first official visit to India took place. It was a hugely symbolic occasion, as it coincided with the 45\textsuperscript{th} anniversary of India’s recognition of Bangladesh’s independence.\footnote{154}

Narendra Modi did not miss the occasion to transform the visit into an «anti-Pakistan spectacle»,\footnote{155} as the programme included the honouring of the Indian soldiers who lost their lives in the 1971 liberation war. The talks between Modi and Sheikh Hasina, focussed on border security and anti-terrorism agreements, were described as «fruitful».\footnote{156} Both countries need to strengthen anti-terrorism cooperation.

Sheikh Hasina’s visit to Delhi was preceded by the visit of the Indian Defence Minister, Manohar Parrikar, to Bangladesh on 30 November 2016. Parrikar met with Sheikh Hasina, her defence advisor, retired Major General Tariq Ahmed, and the President, Abdul Hamid. The purpose of the visit was to discuss «a new defence cooperation framework».\footnote{157}

Parrikar’s visit was considered by local and international analysts as part of the struggle for influence in Asia between India and China, and came as a response to China handing over two \textdollar 203 million worth diesel electric sub-marines to the Bangladeshi Army.\footnote{158} Beijing was particularly concerned by Washington’s increasing closeness with New Delhi, which is seen as aiming at involving India in the military encirclement of China.\footnote{159}
SRI LANKA 2016: does the new era continue?

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The year under review witnessed the continuation of the new political phase in Sri Lanka, which began in 2015 with Mahinda Sirisena’s victory at the presidential polls and, later in the year, the electoral victory of the United National Front for Good Governance (UNFGG) led by the United National Party (UNP). The Sirisena administration and the National Unity Government appeared to be engaged in re-establishing of the rule of law and the implementation of reconciliation measures. However, like in 2015, the government’s efforts appeared to often be slow, limited and hesitant. Nevertheless the Unity Government was able to carry out at least some substantial democratic reforms.

In foreign policy, Colombo strengthened the relations with the United States and India but, at the same time, revamped those with Beijing – which had appeared to be on the wane during 2015.

From an economic point of view, the situation – which at the beginning of the year under review seemed to be positive and promising – later deteriorated, raising doubts about the government’s political will and ability to implement economic reforms. Nevertheless, when presenting the new budget in November, the government’s dual goals of addressing the systemic weaknesses of the economy and improving the conditions for the lower social strata were both in evidence.

1. Introduction

During 2015, Sri Lanka witnessed the rise of a new political phase, which began with the change of government in January and featured the progressive restoration of democratic governance.1 In turn, 2016, the year under review, witnessed the continuation of this new political phase, which began the previous year with Mahinda Sirisena’s Presidency and, later in the same year, with the formation of the National Unity Government – also known as the Yahapalana (Good Governance) Government –, made possible by the electoral victory of the United National Front for Good Governance (UNFGG) coalition led by the United National Party (UNP) in August 2015. Strengthened by a new majority in Parliament and a coalition agreement

between the Sri Lanka Freedom Party (SLFP) and the UNP, the Sirisena administration and the National Unity Government continued the implementation of their reform agenda aimed at re-establishing the rule of law and implementing a reconciliation and justice mechanism. Like in 2015, however, the government’s efforts appeared to often be slow, limited and hesitant. Nevertheless the Unity Government was able to carry out some significant reforms. Also, during 2016, the factional struggle within the Sri Lankan ruling class continued and became more intense. In particular it took the shape of a direct confrontation between Sirisena and the former Sri Lankan President Mahinda Rajapaksa for the control of SLFP leadership.

The new political phase characterized Sri Lanka’s foreign policy as well. Colombo continued its policy of maintaining and consolidating equal relations with global and regional powers and closely engaging with its Asian neighbours. The relations with the United States and India became closer, both at the economic and military levels. In spite of this, the relationship with Beijing – which had appeared to be in trouble during 2015 – was marked by a progressive rapprochement.

Among the many challenges the government faced in 2016, there was the challenge of keeping the beleaguered economy afloat. At the beginning of 2016, the economic situation seemed to be positive and promising; however, it deteriorated in the second half of the year. This progressively worried the international economic community, raising doubts about the government’s political will and ability to implement economic reforms.

This article is organized as follows. The first two sections focus on the reform measures of the Sri Lankan government. The third section takes into account the leadership struggle within SLFP. The fourth section is centred on Sri Lanka’s relations with the US and India. The next section focuses on the rapprochement with China. Finally the last two sections analyse the economic situation and the budget respectively.

2. The difficult road of political reforms

The results of the parliamentary elections held in August 2015 gave a strong majority in Parliament to Prime Minister Wickremesinghe’s United National Party (UNP). President Sirisena cooperated with the UNP in the elections; furthermore the UNP and Sirisena’s faction of the Sri Lankan Freedom Party (SLFP) formed a unity government and signed an agreement to work together for the reform agenda. Wickremesinghe was confirmed as Prime Minister. By then, with a strong majority in Parliament, President Sirisena and Prime Minister Wickremesinghe committed themselves to implementing the government’s reform agenda.

The reworking of Sri Lanka’s constitutional system was the most important reform advocated by the government. It aimed to achieve two main
goals: the abolition of the executive presidency (which was one of Sirisena’s key promises during the January 2015 presidential election campaign) and the creation of an appropriate mechanism to meet the aspirations of the country’s several ethnic communities. A resolution establishing a road map for drafting a new constitution was presented in Parliament on 9 January 2016. Speaking in Parliament, President Sirisena argued that the existing constitution – the Second Republican Constitution created in 1978 – not only allowed for elected tyranny in Sri Lanka (by concentrating power in an all-powerful presidency), but was also instrumental in exacerbating relations between the different ethnic communities, which had resulted in a 30-year civil war. Sirisena made clear that the government was firm on the abolition of the executive presidency. At the same time, the devolution of power to minorities would be the key feature of new constitution, in order to prevent domestic conflicts. Wickremesinghe assured everyone that the drafting of the new constitution would be as inclusive as possible. He also pledged that the new constitution would not change the unitary character of the state or the constitutional priority given to Buddhism.

On 9 March, the Parliament unanimously approved the government resolution. In order to be accepted, the resolution had to undergo some significant changes. The major amendments from the opposition were accepted; among these were: the adoption of a provision for converting the entire Parliament into a «Constituent Assembly», and the deletion of a reference to the replacement of the executive presidency with the completely parliamentary system. This move really prevented a boycott by the opposition – a dangerous situation which would have drawn accusations that the ruling party was imposing a new constitution without taking into account a significant section of the Parliament.

The resolution directed the Parliament be transformed into a Constituent Assembly, which would seek public input, make recommendations and prepare a Constitution Bill. The Constituent Assembly would be chaired

4. Technically it was not a real «Constituent Assembly», but only a «committee of parliament», even though it comprised the Parliament’s entire membership. Its task was to prepare a first draft (approved it with a two-thirds majority) and send it to the government. In turn, the Cabinet of Ministers would send the draft to all the provincial councils for their views, and thereafter place it before Parliament. Parliament – with the same composition as the assembly, but acting in its full legislative and constituent capacity – would approve the Constitution with a two-thirds majority of the total number of members in the House – or reject it. Thereafter, if the Constitution was approved by Parliament, it was to be submitted to the people, which was to approve – or reject – it through a referendum. K. Venkataramanan ‘In the throes of political reform’, The Hindu, 6 January 2016.
by the Speaker of Parliament and would elect seven Deputy Chairmen. The resolution also mandated the creation of a steering committee of 17 members, which would supervise the discussion and drafting of the new constitution. The word «new» was deleted from the title («New Constitution for Sri Lanka»). This caused a certain degree of ambiguity, as, while not precluding the drafting of a completely new Constitution, it left open the option of just revising the existing Constitution. Moreover, a decision on the future of the executive presidency was avoided.

In early April, the first parliamentary steering committee meeting on the drafting of the Constitution was held. The consultations on constitutional reforms were successful and were conducted seamlessly and transparently. However, the Constitutional reform debates tended to focus almost exclusively on the executive issue and the electoral system. Most political parties expressed the opinion that the executive presidency must remain. The other main controversial issues remained on the margins of the debates, such as the idea of having a federal system. This issue was left unaddressed, despite the pressure applied by some minorities.

In May the Public Representations Committee, tasked with gathering ideas from the public, issued its report. It endorsed a range of bold reforms, including the incorporation of a bill of rights. It failed to reach agreement, however, on an expanded devolution of power to minorities and on adopting a federal set-up for the country. Moreover, with parliamentary consensus likely to fall well short of the long-standing minorities’ demands for federalism, the government could face a major challenge in winning their support in the referendum needed to approve the constitutional reforms.

5. The Steering Committee consisted of the Prime Minister (Chairman), the Leader of the Opposition, the Leader of the House, the Minister of Justice, and no more than 11 other Members of the Constitutional Assembly elected by the same Constitutional Assembly. ‘Sri Lanka kick-starts process to adopt new statute’, *The Hindu*, 9 January 2016.


8. The SLFP bigwigs made it clear that they supported the Executive Presidency and opposed its total abolition, arguing that its abolition would «weaken» the country’s system of governance. The UNP was silent on the matter. Paradoxically this position was also supported by minority parties. ‘Proposed Constitution: Division on Executive Presidency and 13A’, *The Sunday Leader*, 17 July 2016.

The introduction of the long-awaited Right to Information Act (RTI) represented a significant step forward in restoring the rule of law. In January 2015, Sirisena had promised to establish a Right to Information law as part of his so-called 100-day plan, once in office. In May, the bill was placed on the order paper of Parliament. However, four separate petitions challenged its constitutionality. The Supreme Court declared that some sections of the bill were inconsistent with some sections of the Constitution. The government accepted the changes suggested by the Supreme Court and presented the bill again in Parliament. The Right to Information (RTI) Bill was approved by Parliament on 24 and 25 June. In accordance with it, a Right to Information (RTI) Commission was established, and staffed with personnel from the organizations of publishers, editors and media as well as other civil society organizations. The Act ensured citizens' access to information, barring the cases in which this would endanger the country's national security. The law is supposed to act as a deterrent to those flouting government rules and regulations in all sectors.

While the above listed efforts by the government to implement the reform agenda were on the whole successful, others came to standstill. For example, the reform of the electoral law continued to be a controversial issue even within the government and no agreement on it could be found. Similarly, the government continued to be reluctant to abrogate the Prevention of Terrorism Act (PTA). Indeed, the Government claimed that the adoption of some important legal and institutional reforms was very close. These were supposed to include legislation to replace the repressive PTA with new laws consistent with human rights standards, as required by the UN Human Rights Council resolution (on this see below). However these measures never saw the light of day. Arrests under the PTA continued and the government has still not put forward a plan to provide redress for those unjustly detained under the PTA. Moreover a proposed amendment to the country’s criminal law, presented in August, opened further controversies. It aimed at introducing a new sub-section to the Criminal Procedure Code (CPC) which would deny access to lawyers for arrested suspects prior to the recording of their statements. In addition, no progress was made in combating corruption, as shown by the fact that, despite the government’s rhetoric, no National Audit legislation was enacted.

10. ‘SLFP decision-making bodies lose control over members: Forty MPs at Kirulapone rally’, *Sunday Observer*, 8 May 2016.
pected to confirm and expand the powers of the Auditor General, as well as the role and independence of the office. However, although the proposed National Audit Bill became a widely discussed topic, it remained in the form of draft legislation and, by the end of the period under review, had yet to be approved. The government also failed to introduce the ethical code of conduct as they had pledged.

3. The transnational justice mechanism and the building of a lasting reconciliation: The implementation of the UNHRC 30/1 resolution

In October 2015, Sri Lanka co-sponsored a UN Human Rights Council (UNHRC) resolution (the 30/1 resolution), which called for a special judicial mechanism to prosecute war crimes and usher in an environment conducive to reconciliation. The Sri Lankan government promised the implementation of the measures required by the resolution. In particular, the government planned to create four transitional justice mechanisms: a Commission for Truth, Justice, Reconciliation and Non-recurrence; a judicial body with an Office of Special Counsel; an Office of Missing Persons; and an Office of Reparations.

On a more practical level, the only measure that the government was able to achieve was the creation of the Office of Missing Persons (OMP). This new office was empowered to search and trace missing individuals, clarify the circumstances of enforced disappearances, and identify ways to provide redress. In this case the government was rather quick to act. Although criticized for lacking of transparency and not engaging in public consultations with civil society, on 24 May 2016 Sri Lanka’s cabinet approved the OMP Bill. On 11 August 2016 the OMP Bill was definitively approved in Parliament. The Office was constituted at the highest level by the President, on recommendation from the Constitutional Council, and was composed of commissioners and officers supposed to be of the highest moral integrity. At the same time, Sri Lanka ratified the International Convention for the Protection of All Persons from Enforced Disappearance (ICPPED) (25 May 2016). Moreover, other confidence-building-measures were successfully implemented. These included the release of 701 acres of land to the District Secretary of Jaffna by the military.

However, other measures aimed at the implementation of the UN Resolution encountered severe difficulties. The Reconciliation Mechanism

was a more controversial issue. The government established a task force on public consultations in order to obtain the public’s opinion on the shape to give to the reconciliation mechanisms. The Task Force was an 11-member body of civil society activists and human rights defenders.\(^1\)

Launched in January, it was expected to start its activities in early April and to issue its final report by late September. After an abeyance of activity of several months, the Consultation Task Force started its activities only in June. On the whole they remained opaque and, at the end of 2016, the report had not yet been submitted. Furthermore, the government did not create the special court for war crimes. The delay was caused by the controversial issue of the participation of non Sri Lankan judges in the court. The idea of foreign participation in the accountability process has been resisted by Sinhala and other nationalist groups. The situation became more critical when President Sirisena declared to the BBC that he would not agree to foreign judges being part of the accountability process.\(^1\)

Later, PM Wickremesinghe clarified that President Sirisena did not rule out international involvement and also offered assurances that the government would stand by its commitment to the U.N. 30/1 resolution of October 2015. In the end a compromise was found, entailing the involvement of former Sri Lankan judges who had served in international bodies.\(^2\)

However the preceding lack of clarity and contradictions shown by the Sri Lanka government caused confusion in the international community. As has been highlighted, the government’s reluctance to set up a credible domestic inquiry on war crimes suggested its intention was to postpone the establishment of the promised war crimes court until after March 2017 – when the U.N. High Commissioner will issue his final report on Lankan implementation of the 30/1 resolution.\(^1\)

The stalling of the government’s momentum on some measures required by the U.N. resolution was also recognized by the High Commissioner for Human Rights, Zeid Ra’ad Al Hussein, in his preliminary report on the implementation progress of the 31/1 resolution, presented on 29 June. As highlighted by some observers, three grey areas remained: 1) a dearth of systematic public consultations; 2) obstacles in the OMP for aggrieved citizens to seek justice; 3) the rejection of the inclusion of foreign judges and prosecutors in the judicial mechanisms.\(^2\)

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4. Is there still a struggle for leadership within the SLFP?

The year under review witnessed the continuation of the factional struggle within the SLFP.\textsuperscript{23} This was essentially a struggle for the party leadership between Sirisena and Rajapaksa. At least at the beginning of the year, the tone of confrontation was kept low. Sirisena made drastic changes in the SLFP’s institutional posts, which had previously been dominated by Rajapaksa loyalists. His aim was to unite all factions of party, and to gain the support of the former President’s loyalists.\textsuperscript{24} For his part, Rajapaksa – backed by his supporters within the SLFP and its allies in the United People’s Freedom Alliance (UPFA)\textsuperscript{25} – formed a \textit{Joint Opposition} in Parliament and continued to actively oppose Sirisena’s attempt at gaining the full control of the party.

A rise in tensions was clear when Rajapaksa organized the UPFA rebel group’s May Day rally at Kirulapone, against the official SLFP May Day rally at Galle. This led the SLFP to be on the verge of a major split. Forty-seven MPs representing the UPFA attended the Rajapaksa’s \textit{Joint Opposition} May Day rally at Galle, and forty of them belonged to the SLFP.\textsuperscript{26} However, during the Galle rally Rajapaksa maintained a conciliatory tone. He claimed that he did not intend to divide the party and was there as a member of the SLFP: «We have a rally in Galle too. Some of our MPs went to the Galle rally. They said they would go to the Galle rally first and then come to Kirulapone».\textsuperscript{27} The SLFP also maintained a conciliatory tone, and the Party did not take any disciplinary actions against the participants in the Kirulapone event. However, two other events raised tensions. On 7 July, the Joint Opposition unveiled the formation of a 50-member shadow Cabinet led by Rajapaksa. In addition, a five-day-long protest march organized by the Joint Opposition took place near Kandy in August.\textsuperscript{28} This latter event caused considerable concern, as it turned violent. In this situation, the Prime Minister and his UNP come to President Sirisena’s rescue. In particular, the government tried to counter and to stop the protest march and delayed the holding of the local government elections.\textsuperscript{29} For his part, Sirisena adopted drastic measures to restore party discipline and to consolidate his influence.

\begin{itemize}
\item \textsuperscript{24} ‘Sirisena isolating Rajapaksa, also brings UPFA under his fold’, \textit{The Sunday Times}, 13 March 2016.
\item \textsuperscript{25} As noted above, UPFA is a political alliance formed by several parties and lead by the SLFP.
\item \textsuperscript{26} ‘SLFP decision-making bodies lose control over members: Forty MPs at Kirulapone rally’, \textit{Sunday Observer}, 08 May 2016.
\item \textsuperscript{27} \textit{Ibid.}
\item \textsuperscript{28} T. Ramkrishnan, ‘Pro-Rajapaksa coalition launches «March to Colombo»’, \textit{The Hindu}, 28 July 2016.
\item \textsuperscript{29} Uditha Kumarasinghe, ‘Political parties at daggers drawn’, \textit{Sunday Observer}, 10 July 2016.
\end{itemize}
over the party: nine Rajapaksa loyalists were expelled from the SLFP and new electoral and district organizers were appointed.30 Moreover, Sirisena threatened to further expose the «misdeeds» of his predecessor if Rajapaksa went ahead and further tried to split the party.31 At the same time, Sirisena maintained a conciliatory approach towards dissidents within his own party. This was clear at the 65th anniversary rally of SLFP in Kurunegala on 4 September, when Sirisena offered an olive branch to rebels within the party, appealing to them to unite with the majority.32 For its part, the pro-Rajapaksa faction urged its leader to break away from Sirisena and create a new party. However, no new party emerged, while the Joint Opposition continued to play its own role in Parliament. On 8 October, the Rajapaksa SLFP faction officially declared the birth of a Common Front in Parliament, made up of the opposition political parties and headed by the Joint Opposition. However, the SLFP split does not appear to be final, as unofficial discussions between its two factions appears to be on-going.

5. Foreign Policy: The improved relationships with Washington and New Delhi

The remarkable change of government that occurred in Sri Lanka in 2015 notably affected the island-state’s international relations. During 2015, this was reflected in the new closeness between Colombo and both New Delhi and Washington and in the consequent cooling down of the relations with Beijing.

In 2016, the Sri Lanka’s foreign policy vision – adopted the previous year by the Sirisena administration – continued to inform Colombo’s policy and found expression in the willingness to maintain and consolidate equal relations and close engagement with both western countries and Asian neighbours. In particular, the upgrading and deepening of Sri Lanka’s relations with both the US and India continued. In relation to the US, the continuing improvement in bilateral relations was signalled by the opening of the first «U.S.–Sri Lanka Partnership Dialogue», during the Sri Lankan Foreign Minister Mangala Samaraweera’s visit to Washington in February.33 The main goal of the «U.S.–Sri Lanka Partnership Dialogue» was to enhance the bilateral relations and consolidate the economic cooperation between

the two countries through a «regular and structured engagement». The Dialogue also aimed «at strengthening accountable and responsive governance institutions and capacity building; training and assistance for enhancing accountability, transparency, integrity and effectiveness of public administration; and inclusive and effective service delivery including local governance». The Joint Statement also declared Sri Lanka to be a «pivotal geo-strategic location within the Indian Ocean Region» and called for strengthening maritime security cooperation. This event was followed by the 12th U.S.-Sri Lanka Trade and Investment Framework (TIFA) Council meeting held in April. During this meeting, the two governments adopted the «U.S.-Sri Lanka Joint Action Plan» aimed at significantly increasing two-way trade and investments between the two countries. This goal was to be implemented by the adoption of the joint policies and measures incorporated in the plan. These measures aimed at reforming Sri Lanka’s trade and investment regime, improving the competitiveness of Sri Lanka’s market, increasing the interaction between the US and Sri Lankan business communities, strengthening workers’ rights, and promoting an environmentally sustainable economy in Sri Lanka. As a further sign of warming relations between Sri Lanka and the US was the US Navy’s Seventh Fleet Flagship arrival in Colombo for a five-day visit. Far from being a merely symbolic gesture signalling the friendship between the two nations, the ship’s visit epitomized the close integration of Sri Lanka into the Obama administration’s «pivot to Asia». A few months later the State Department’s Directorate of Defence Trade Controls (DDTC) announced the end of restrictions on defence exports to Sri Lanka (May 2016).

Likewise, the reconciliation process between Sri Lanka and India continued as well. In February, the Indian External Affairs minister Sushma Swaraj met Sri Lankan leaders during her two-day official visit to Colombo (her second visit to the country within a year). Regional and international issues were addressed during the meeting; they included trade, defence cooperation, Indian investment in Sri Lanka, the setting up of a Special Economic Zone in Trincomalee, and technical and maritime cooperation.

35. Ibid.
36. Ibid.
The two countries agreed to fast-track negotiations for an Economic and Technology Cooperation Agreement (ETCA).

Many Lankan leaders and political forces campaigned against the Agreement. Although, at the end of the period under review the treaty has not yet been signed, the talks have produced some initial results: these include expanded Sri Lankan access to India’s rapidly growing market; the relaxation of quotas on Sri Lankan exports to the Indian market; the removal of restrictions on exports of textiles from Sri Lanka to India.

President Sirisena visited India on 13 May 2016. This was Sirisena’s second state visit to India in 17 months. Both sides sought a permanent solution to some contentious issues, such as the issues concerning the fishermen of both countries. On that occasion, Sirisena also attended – with leaders from other South Asian countries – the Simhastha Kumbh Mela, in Ujjain (Madhya Pradesh) on 14 May. The meeting was used by Indian PM Narendra Modi to strengthen the relation between India and some Asian neighbours: a case of «cultural diplomacy» as means of foreign policy. The strengthening of Sri Lanka-India relations took place also at the military level; partly through the opening of an Indian military training mission in Colombo, and the visit to Sri Lanka of Vice Admiral Girish Luthra, head of the Southern Command of the Indian Navy (in April 2016).

6. Foreign policy: Heading back into Beijing’s embrace

During the year under review, the closeness in the Colombo-Washington and Colombo-New Delhi relations did not prevent a rapprochement between Colombo and Beijing. As noted in the previous Asia Maior volume, after Sirisena’s rise to the Presidency, the Sri Lanka-China relations, which had flourished during Rajapaksa’s rule, came under scrutiny and took a sudden turn for the worse. In 2016, however, the Sri Lankan government

41. For example, Thibbatuwawe Sri Sumangala Maha Nayaka Thero, the highest-ranking Buddhist prelate in the country. Gamini Weerakoon, ‘The Demagogue and the Mahanayake’, The Sunday Leader, 18 September 2016.
43. The issue concerns the frequent arrests of fishermen of both countries and seizures of their fishing vessels by the Sri Lankan and Indian authorities in sea area between the two countries. Gautam Sen, ‘Problem of Fishermen in India-Sri Lanka Relations’, Institute for Defense Studies and Analysis – IDSA, 20 May 2016.
44. The Simhastha Kumbh Mela is a Hindu religious meeting held every 12 years in the Ujjain city of Madhya Pradesh, India.
shifted its approach to China once again, causing a marked improvement in the relations between the two countries.

A sign of the new positive shift in Colombo’s approach to Beijing was the Unity Government’s declaration that Sri Lanka would approve the resumption of the Chinese-backed Colombo Port City (CPC) Development Project (March 2016). This declaration was followed by PM Wickremesinghe’s visit to China in April. It was the first visit to China by a Sri Lankan Prime Minister. The two countries reaffirmed their enduring ties, decided to resume stalled projects and planned the launching of new projects. Moreover, China pledged a friendly grant to and more investments in the island nation; the penalty for suspending the CPC development project was renegotiated; seven agreements were signed; in the end the two countries agreed on an «equity swap» for the Lankan debt with China.

In July 2016, Chinese Foreign Minister Wang Yi visited Colombo. It was the first major visit by a Chinese leader since the start of Sirisena’s presidency in 2015. Yi promised that the Chinese government would continue to assist the South Asian island-nation’s development. He also made a pitch for Sri Lanka’s support for the «21st Century Maritime Silk Road», assuring that: «Through joint construction of the Maritime Silk Road, China is willing to help Sri Lanka realize its development vision and help it become the future shipping, logistics and even financial center in the Indian Ocean». Moreover, the two sides also agreed to start talks on a free trade agreement. In August an agreement was signed, which re-started the Chinese-funded CPC project. Also, Colombo showed interest in the signing of military agreements with Beijing, in particular to replace the Sri Lankan Air Force’s ageing fleet.


49. Equity Swap (also known as debt-for-equity-swap or debt-equity swap) is «a system by which firms or countries with excessive debt exchange part of their debt obligations for equity, held initially by the former creditors». John Black, Nigar Hashimzade, & Gareth Myles, Oxford Dictionary of Economics, Oxford: Oxford University Press, 2012, p. 100. In April 2016, the Sri Lankan government asked China to swap part of the island-country’s debts for equity (or shares) in infrastructure projects and to sell stakes in Lankan companies to Chinese corporations. Ben Blanchard, ‘Sri Lanka requests equity swap for some of its $8 bln China debt’, Reuters, 9 April 2016.


52. Munza Mushtaq, ‘China to promote Sri Lankan capital as South Asian hub, Asia Times, 22 August 2016.

53. ‘China launches drive to overcome dependence on Russian jet engines’, The Statesman, 4 September 2016.
7. The trend of the economic situation and the 2016 mini-budget

At the beginning of 2016, the economic situation seemed to be positive and promising. In the first half of the year, Sri Lanka witnessed a growth rate of the Gross Domestic Product (GDP) equal to 5.5% (much higher than the 2.5% growth rate in the fourth quarter of 2015). This positive rate of growth was achieved owing to increased production in all sectors. Furthermore Sri Lanka’s budget deficit narrowed to 18% when compared to the previous year. These promising developments encouraged the Sri Lankan government to expect an economic growth of 7% by the end of 2016 and the continuation of the industrial growth momentum. Also, it expected enhanced investments from the major Asian economies and that a boom in the tourist industry would further boost the economy.

However, these rosy expectations did not materialize: the Sri Lankan economic situation continued to be weak and uncertain. A combination of heavy debt, widening deficits in both the government budget and balance of payments, the diminution of foreign currency reserves, the limited number of investors, and a rickety tax system were the causes of the fragility of the Lankan economy. Not surprisingly, concerns about the economic situation were expressed by the International Monetary Fund (IMF). During its official visit to the Sri Lanka in February, IMF officials warned that the fiscal deficit could widen further and that: «capital outflows have intensified and the overall balance of payments has deteriorated». IMF urged Sri Lanka to take steps to reduce its fiscal deficit, to raise tax revenues and to put the country’s public finances on a sustainable path. Other similar exhortations came from the Asian

54. Agricultural growth was the slowest at a modest 1.9% owing to adverse weather conditions and depressed prices for tea. There was a substantial increase of 8.3% in the industrial sector in the first quarter of 2016, compared to 1.4% in the first quarter of 2015. Services that contributed 52.4% to GDP grew at 4.9% in the first quarter of 2016 compared to the first quarter of 2015. ‘What's happening to the real economy this year?’, *The Sunday Times*, 24 July 2016.


57. ‘Sri Lanka’s return to glory’, *The Telegraph*, 8 June 2016.


Development Bank (ADB). Against this backdrop, Standard and Poor downgraded Sri Lanka’s economic outlook.61

In March, the Sri Lankan government presented a «2016 Mini Budget» aimed at amending the 2016 Budget.62 The proposal sought to revise the existing pension scheme and the tax structure, introducing new taxes.63 However, the proposal went nowhere, as a result of two Supreme Court rulings.64 In this difficult situation, Sri Lanka started talks with the IMF concerning the introduction of neoliberal economic reforms in return for a bailout loan. An agreement between the IMF and the Sri Lankan government was reached in April: IMF agreed to a US$ 1.5 billion loan and Sri Lanka pledged to implement structural economic reforms, which included measures aimed at increasing tax revenues, reducing the fiscal deficit and the public debt, and improving foreign exchange reserves.65 In June, the IMF executive board formally approved a US$ 1.5 billion loan to Sri Lanka. A first tranche, equal to US$ 168 million, was immediately disbursed.66 In August, the World Bank also approved a US$ 100 million credit line from the International Development Association (IDA) to support Sri Lanka’s economic reforms.67

During the second half of the year, Sri Lanka witnessed a clear worsening of its economic conditions. The expansion of Sri Lanka’s economy was below (2.6%) the increase recorded in first quarter (5.5%). Moreover, the debt crisis worsened in comparison with the first half of year. Sri Lanka’s balance of payments deteriorated and its foreign debt tripled.68 Sri Lanka’s fiscal deficit goal for 2016 appeared difficult to reach.69 Hidden debts left by the previous Sri Lankan government aggravated the economic situation;70

62. In Sri Lanka, the financial year coincides with the solar year. Accordingly, the 2016 budget covers the solar year 2016.
63. ‘Emergency Budget: Cabinet approves sweeping tax reforms’, The Sunday Times, 6 March 2016;
68. ‘Sri Lanka’s Credit Crunch. The island is paying a steep price for a turn against democracy’, The Wall Street Journal, 30 May 2016.
the flow of remittances diminished,\footnote{This is dangerous for a remittance-dependent economy such as Sri Lanka. No doubt the balance of payments would be in a far more serious crisis without remittances. ‘Economy’s continued dependence on remittances’, \textit{The Sunday Times}, 18 September 2016.} the government could count on very limited fiscal revenues as a result of the non-implementation of the fiscal reforms of the 2016 «mini budget». The economic situation was further aggravated by the unfavourable meteorological conditions: in May a deadly cyclone hammered the South Asia region, and Sri Lanka was particularly affected.\footnote{‘Sri Lanka floods expected to cost at least $1.5 billion’, \textit{Reuters}, 23 May 2016.} Moreover Sri Lanka’s economy was put under further pressure by a scandal involving the Central Bank Governor, which undermined the Sri Lankan economic system’s credibility.\footnote{The Central Bank Governor, Arjuna Mahendran, was accused of leaking information to his son-in-law’s firm (which allegedly made millions of dollars in profits from central bank bond auctions). He was replaced by Indrajit Coomaraswamy. Ranga Sirilal & Shihar Aneez ‘Sri Lanka appoints ex-central banker Coomaraswamy as new c.bank chief’, \textit{Reuters}, 2 July 2016.}

8. Accelerating growth with social inclusion: The 2017 budget

The Budget for the fiscal year of 2017 was presented to Parliament on 10 November 2016.\footnote{This was the second budget of the National Unity Government. The full text of the budget presentation speech (in PDF) is available at the Sri Lankan Ministry of Finance’s official web site (http://www.treasury.gov.lk/budget-speeches).} Presenting the budget, the Finance Minister, Ravindra Sandresh Karunanayake, claimed that, in it, priority was given to the people’s proposals, needs and views. He argued that the Budget making process had mainly been focused on developing a long-term action plan to fulfil aspirations of all citizens, to strengthen the national economy and to develop a tangible initiative against poverty.\footnote{Budget Speech-2017, \textit{Speech of Ravi Karunanayake, Minister of Finance, 10 November 2016} [hereafter \textit{Budget Speech-2017}], pp. 1-3.} This was the theory; in reality the objectives of the 2017 Budget were somewhat – even if not totally – different and coincided with three targets: reducing both the budget deficit and expenditures; increasing state revenue; fighting poverty and increasing social welfare.

Speaking in Parliament, Karunanayake claimed that budget deficit reduction and fiscal consolidation were pivotal goals in the government’s strategy.\footnote{Charumini de Silva, ‘2017 Budget proposals and issues under spotlight at KPMG forum’, \textit{DailyFT}, 15 November 2016.} He stated that «[…] it is critical that the fiscal deficit is reduced to a reasonably sustainable level. All efforts should be made to reduce and contain pressures on escalating inflation and interest rates as well as exchange
rate depreciation through macroeconomic stabilization». The government aimed for 6% economic growth, and planned to reduce the budget deficit to 4.6% of GDP. According to the government’s plan, the budget would be further tightened and the budget deficit target would be brought down to 3% by 2020 (from the previous target of 3.5%). Moreover the total expenditures would be reduced from Rs 2,787 billion to Rs 2,723 billion in 2017 (with a decline of about Rs 64 billion). On the development and investments front, the government aimed to maintain state investments of between 6 and 8% of the GDP. The Minister promised that the government would intervene to facilitate more investments from the private sector. The Finance Minister also promised the creation of an Agency for Development to: «[…] enable an enhanced facilitation of investments to Sri Lanka», as well as the introduction of an Investment Inflow Management Act: «[…] to facilitate the inward remittance of foreign exchange with minimal restrictions». To boost Foreign Direct investment (FDI), Karunanayake promised the provision of both a grant and a special incentive package with specific tax concessions for domestic and foreign companies which invested in Sri Lanka.

Increasing the government’s revenues was another main goal of the 2017 budget, to be reached thanks to an increase in direct taxation. The government aimed to revise the income tax system to pave the way for a simpler income tax regime with fewer tax exemptions. Moreover, the corporate income tax rate was to be revised (creating a three tiered structure of 14%, 28% and 40%; and the tax rate on funds, dividends, treasury bills and bonds was to be increased to 14% from 10%). The personal income tax rate was to be revised: the structure of individual taxable income levels was to be modified and the maximum rate was to be fixed at 24%. Furthermore, a 10% Capital Gains Tax (CGT) was introduced.

78. Ibid., p. 130.
79. Ibid., p. 108.
80. Ibid., p. 123. The previous target had been indicated by Prime Minister Wickremasinghe in his speech to Parliament in November 2015 and officially reaffirmed by Finance Minister Karunanayake during his meeting with the IMF envoys in September 2016.
82. Budget Speech-2017 p. 35.
83. Ibid. § 172, p. 35.
84. Ibid. § 181, p. 37.
85. Ibid. § 175 and § 176, p. 36.
86. Ibid. § 443, p. 83.
87. Ibid. § 446, p. 83.
88. Ibid. § 447, p. 83.
89. Ibid. § 452, p. 84.
90. Ibid. § 481, p. 88.
On the social and welfare front, the struggle against poverty and social exclusion was a significant element of the budget. Karunanayake declared that «[…] Social inclusion is a matter of prime concern and the participation of the entire population in the journey for development is a noble objective being ‘a society for all’. Accordingly, “Accelerating Growth with Social Inclusion” forms the broader theme of the 2017 National Budget». \(^91\) For this reason, the government planned to supplement low incomes through several state-implemented household transfer schemes, and the implementation of a more effective, targeted and expanded social welfare scheme. \(^92\) The government also planned to revise the pension scheme system. \(^93\) Furthermore, the maximum retail price of some essential commodities was reduced in order to diminish the cost of living. \(^94\) Subsidies in specific productive sectors were extended. \(^95\) A home ownership program for low- and middle-income families was announced. \(^96\) Large and pragmatic plans for investments in the education, higher education and skills development sectors were also announced. \(^97\) Moreover the Finance Minister also pointed out that welfare spending would be increased by 55% to Rs 403 billion (an increase of Rs 143 billion when compared with Rs 260 billion allocated in 2014, the final year of the former government). \(^98\)

The budget has been criticized by some analysts and political parties, which have claimed that it was «elitist» and «created by the elites for the elites» in order to implement austerity measures. \(^99\) However, a more balanced assessment seems to be that, as was the case with the 2016 budget, the 2017 budget also appears to be «a complex effort, aimed at bringing together measures which could encourage both domestic and international capital to invest in the Sri Lankan economy, while introducing a conspicuous set of measures in support of the poorer and intermediate strata of the population». \(^100\)

\(^91\) \textit{Ibid.} § 9, and §10, p. 3 (the inverted commas and bold type are given as in the original).
\(^92\) \textit{Ibid.} § 318, § 319, § 320, p. 61.
\(^93\) \textit{Ibid.} § 323, p. 62.
\(^94\) \textit{Ibid.} § 439, p. 80.
\(^98\) ‘Budget 2017: Govt has increased welfare spending – Ravi K.’.
India 2016: Reforming the Economy and Tightening the Connection with the US*

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As in 2015, in 2016 India’s political and economic landscape appeared to be dominated by Narendra Modi, the incumbent Prime Minister. Differently from what was the case in 2015, behind the pervasive self-praising rhetoric of the Indian government and the deafening chorus of applause of the bulk of the Indian media for Modi’s work, at least at the economic level some concrete results were reached, and some reforms were implemented. Particularly important was the passing of the Goods and Service Tax (GST), an objective which had been vainly pursued by several previous governments. If the objectives and potential benefits of the GST were clear to all to see, the situation was different in the case of the other major economic reform, abruptly carried out by the Modi government, namely the demonetisation of much of India’s paper currency. This quite unexpected measure was justified by the government in different ways at different times. What was clear at the time of the closing of the present article was that demonetisation had badly hurt particularly the poorer strata of the population, but, paradoxically enough, had not had any discernible adverse effect on Modi’s still burgeoning popularity. Also, in the state elections held during the year under review, Modi’s party, the Bharatiya Janata Party (BJP), strengthened its position and was also able to get a resounding victory in Assam, where, for the first time ever, formed the state government.

Strangely enough, in spite of the fact that the Modi government’s economic policy had become more incisive in the year under review than in 2014 and 2015, the attitude of the US private capital, assiduously courted by Modi, continued to be, as it had become in 2015, one of disillusionment. US entrepreneurs, while convinced of Modi’s desire to open up India’s economy to foreign enterprise and capital, doubted his ability to do so. This, however, did not bring about a slowing down in the process of rapprochement between New Delhi and Washington, but made of the military aspect of such process its «major driver» (as claimed by US Defence Secretary Ashton Carter). In turn, the increasing US-India closeness – and the increasing relevance of its military dimension – contributed to the worsening of the relations between New Delhi and Beijing, which appeared more and more involved in a policy of reciprocal containment. This played a role in the evolution of the India-Pakistan and India-Nepal relations. In the year under review, the relationship between New Delhi and

* The present chapter is the outcome of a joint research effort, every single part of it having been jointly discussed by the two authors before being written and revised by both afterwards. However, the final draft of parts 1 and 4 has been written by Michelguglielmo Torri, whereas the final draft of parts 2 and 3 has been written by Diego Maiorano.
Islamabad spectacularly worsened, but the latter was able to withstand the pressure of the former also because of Beijing’s help. On the other hand, India was able to re-establish its paramountcy over Nepal, engineering the fall of the Oli Government, which had challenged New Delhi with the support of Beijing.

1. Introduction

In 2016, India’s internal situation was characterised by the implementation of a series of economic reforms. Among them, one, the Goods and Service Tax was a long-awaited one, which several previous governments had vainly attempted to implement. On the contrary, another economic measure, the demonetisation of the Rs. 500 and 1000 banknotes, was sudden and quite unexpected.

The year under review was also characterised by the fact that, the Bharatiya Janata Party (BJP), namely the party in power at the Centre, performed fairly well in the four state elections which were held, on the whole solidifying its grip at the local level. This remains true even if one takes into account a series of caste based agitations, which took place in Haryana, Maharashtra and Gujarat.

As far as India’s foreign policy is concerned, the year under review saw the tightening of the connection between India and the US. It is worth stressing that the increasing closeness between the two countries appeared to be predicated on the strengthening of their military ties. This, of course, could not but adversely affect India’s relation with China. Also, the relations between India and two other neighbour countries – Nepal and Pakistan – remained bad (in the former case) or spectacularly worsened (in latter the case).

Given the relevance of the economic developments in the year under review, the present article will begin by dealing with the evolution of the Indian economy. Then, it will analyse the state elections and the caste based agitations. Finally, it will dwell on India’s foreign policy. In this latest section, particular attention will be given to the increasing closeness between New Delhi and Washington, to the spectacular worsening of the New Delhi-Islamabad relationship and to the re-establishment of India’s paramountcy over Nepal.

2. The economy

This section will look at India’s economy during the year under review. It will focus on three main points. First, it will give a brief look at India’s macroeconomic indicators. Second, it will analyse the rural-friendly provisions contained in the Union’s budget for 2016/17. Third, it will discuss the progress in Modi’s ambitious program of economic reforms, with
a particular focus on three measures: the approval of the Good and Service tax bill, the enactment of a new bankruptcy code and the demonetisation of 86% of the country’s cash, allegedly in an attempt to curb the generation of «black money».

2.1. Macroeconomic environment: still a confusing picture

During the fiscal year 2015/16 and the first few months of the following one, India’s economy continued to grow steadily. As table 1 shows, GDP growth seemed to have fully recovered from the slowdown experienced during the last phase of the UPA-2 government.

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<thead>
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<th>Table 1: Growth of GDP 2014-16</th>
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<tr>
<td>2014/15</td>
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<td>7.2%</td>
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As noted by, among others, the authors of this article, however, few economists take India’s growth numbers at face value. The new methodology for calculating the GDP introduced in early 2015 is probably inflating India’s growth numbers. In particular, the GDP data collide with other macroeconomic indicators that show a less rosy picture of the state of the economy. India’s Index of Industrial Production, for example, grew by a mere 0.7% in September 2016, after contracting by 0.67% in August and by 2.4% in July. More worryingly, capital good productions (which measures the level of investments) contracted by 21.6% in September. The data on gross fixed capital formation (another indicator for investment trends) appeared «gloomy» too. Similarly, while exports seemed to have recovered from the «unprecedented decline» registered during 2015, in the period between April and October 2016 were stagnant. In short, as noted above, the GDP numbers continued to be inconsistent with other macroeconomic data. It is hence difficult to go beyond some tentative statements regarding the health

6. ‘India’s October Exports at $23.5 billion, grow nearly 10%’, Hindustan Times, 15 November 2016.
of India’s macroeconomic environment. It can be safely argued that India’s economy was growing fast (although not as fast as the official data say), and that future growth prospects were rather positive, despite the effect that the demonetisation was bound to have in the short term (on this more below).

The main cause for concern, from both an economic and a political point of view, was the sluggish job generation growth, which continued to be disappointing and insufficient to absorb a fast-growing labour force.

2.2. A rural-friendly Budget?

After two years of very poor monsoons that triggered a widespread crisis in rural areas and caused a severe drought in large parts of the country, Finance Minister Arun Jaitley, in his Budget Speech, said that «the priority of [the] Government is clearly to provide additional resources for vulnerable sections, rural areas, and social and physical infrastructure creation».

The Budget also reiterated the rhetorical and highly unrealistic promise to double farmers’ income by 2022.

The additional resources provided for rural areas came under four main headings. First, the allocation for «Agriculture, Cooperation and Farmers’ Welfare» was increased by a whopping 127% compared to the previous year’s Revised Estimates – from Rs. 158 billion to Rs. 359 billion. However, this was largely due to the fact that the heading for the interest subsidies for short term credit to farmers – amounting to Rs. 150 billion, or 75% of the increased allocation – had been moved from the Finance Ministry to the Agriculture Ministry.

Taking this into account reduces the percentage increase to about 32% (or, as a proportion of the GDP, 0.2 percentage points). Given the dire situation after two consecutive years of drought, this was unlikely to make a big difference.

11. Ministry of Finance, Government of India, Budget 2016-2017 - Speech of Arun Jaitley, Minister of Finance, February 29, 2016 (http://indiabudget.nic.in/budget2016-17/ub2016-17/bs/bs.pdf), par. 11. The full text of Arun Jaitley budget speech is also available in the portals of the major Indian newspapers, such as The Times of India, the Economic Times and The Hindu.
12. Ibid.
Second, the Budget increased the allocations for irrigation-related projects. Along with some rather generic declarations of intent about speeding up the implementation of existing schemes, the Budget introduced a «Long term Irrigation Fund» and committed Rs. 120 billion for it, in addition to Rs. 60 billion for a ground water management schemes. It was unclear how these schemes would work, but, considering that South Asia will be one of the regions most affected by climate change, this was a step towards ensuring a minimum of water and food security for India’s rural areas.

Third, the government increased the allocation for the Pradhan Mantri Gram Sadak Yojana (PMGSY), a scheme for the construction of rural roads, to Rs. 190 billion. The emphasis on rural roads had always been a priority in the Modi government’s rural development strategy, which had more than doubled the allocation for the PMGSY between 2012/13 and 2016/17. This was a positive step because, despite the fact that part of the funds benefited politically connected contractors, it had actually facilitated both poverty-reduction and employment-generation.

Finally, the government marginally increased the allocation for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). However, when inflation rates are taken into account, the increase was negligible in real terms and in any case much lower than in 2009/10. In fact, as a percentage of the GDP, the allocation for the MGNREGA declined from 0.59% in 2009/10 to 0.25% in 2016/17. The refusal by the government to respect an existing law – the MGNREGA Act stipulates that allocations should not be capped given the demand-driven nature of the programme – was particularly harmful in a context of dire agricultural crisis.

Overall, the Budget fell short from being the farmers’ bonanza claimed by the government. While there were some positive steps especially in terms of much needed investments in rural infrastructures, the agriculture-related budget allocations were far from being sufficient to ensure a rapid return to normalcy after two successive droughts – not to speak of the deeper and structural problems affecting India’s agriculture. The situation was made worse by the fact that the demonetisation of the Rs. 500 and Rs. 1,000 notes, abruptly decided in November 2016 (see below) was likely

to have a significant negative impact on rural markets, thus at least partially off-setting the benefits coming from these limited increases in rural spending. Furthermore, social sector spending only marginally increased, meaning that the severe distress of rural areas would note ease off.

All the above is not surprising, given the limited fiscal space left to the government by its own choice to stick to its medium-term fiscal consolidation plan. Whereas some limited resources were to be raised through a marginal tax increase on the super-rich, India’s fiscal space was particularly constrained by the implementation of the decision of the 7th Pay Commission concerning the increase of government employees’ salaries and the rolling out of the One-Pension-One-Rank reform (OROP), aiming at rationalising military pensions. The government allocated Rs. 700 billion and Rs. 124 billion, respectively, to cover for these increased expenditures. Clearly, there was not much room left for anything else.

2.3. Economic reforms

Modi’s election had generated enormous expectations in the economic field. Not only were his voter hoping that his government could enhance the economy’s capacity to generate much needed jobs, but national and international investors and the urban middle class had supported Modi also because of his promise to reform the economy.

In fact, in 2016, the government enacted two major economic reforms: in May, the Parliament approved the Insolvency and Bankruptcy Code 2016; on 8th September, President Pranab Mukherjee signed the Constitution (101st Amendment) Act, 2016, which introduced a Good and Service Tax (GST) in India. Both laws fulfilled long-time demands from international and national business circles. A third important (and unexpected) decision by the Indian government was the sudden demonetisation of the Rs. 500 and Rs. 1,000 notes on 8th November. While the impact of the first of these measurers will be mostly in the economic sphere, the other two were bound to have short term important repercussions also in the political sphere, especially in light of the important state elections due in 2017 (in Uttar Pradesh, Gujarat and Punjab).

The objective of the new bankruptcy code was to rationalise a number of existing (and, sometimes, conflicting) regulations that made the winding up of an insolvent company a very long and cumbersome process. Accord-

According to the World Bank’s Resolving Insolvency Index, in India, before the enactment of the Insolvency and Bankruptcy Code, the average time needed to resolve insolvency was 4.3 years, which was significantly higher than what was necessary in China (1.7 years), South Africa (2 years), Indonesia (1.9 years) and even Pakistan (2.6 years). According to the same index, in India the average amount recovered by creditors was 26% (against 37% in China).

The new law aimed at radically limiting the time needed for the settlement of insolvencies bringing it down to 180 days, extendable by 90 additional days. It also mandated the creation of a database of serial defaulters. According to the Financial Times, this was «the most significant reform» hitherto adopted by Modi. Of course, the actual working of the law depended on its implementation and on the creation of a pool of insolvency professionals who could assist defaulting firms and creditors (mainly banks) in adhering to the new regulations and procedures. In fact, effective implementation appeared challenging, particularly because of its political repercussions. Banks – especially state-owned ones, amounting to three quarters of India’s banking assets – were under severe stress due to «bad loans» granted to insolvent businessmen who, in many cases, were making use of at least a part of the funds thus obtained to fund political parties, which, in turn, offered protection to the borrower, letting him/her avoid repayment.

The second major economic reform – and, undoubtedly a major success for the Modi government – was the approval of GST Act. However, it is worth stressing that the GST Act was the first major economic reform passed, more than two years after becoming prime minister, by a politician who had promised and was indeed supposed to radically transform the country. As noted by Sumit Ganguly, «the passage of this legislation […] underscores how little Modi’s government has actually accomplished in its attempts to transform India’s economy».

The GST Act introduced a nation-wide indirect taxation system that aimed at rationalising a number of state-level legislations that caused inefficiencies and delays, while pushing up costs. The promulgation of the Act put an end to an almost two decade-long legislative process. The key opponents to the GST bill had been the state governments, which feared losing revenues. The central government had to invest a significant amount

27. World Bank, Resolving Insolvency Index (http://www.doingbusiness.org/data/exploretopics/resolving-insolvency).
30. ‘India has a new law on bankruptcy’, Livemint, 12 May 2016.
32. The best known case is that of Vijay Mallya. See, ‘Let’s get a few things straight about the Vijay Mallya saga’, Scroll.in, 13 March 2016.
of energy in convincing the states and reached its objective through a rather inclusive policy-making process, which, eventually, resulted in a large consensus.\textsuperscript{34} This was necessary not only because the Modi government lacked a majority in the Upper House, but also because, as per the Constitution, the bill needed to be ratified by at least half of the state governments.

Eventually, the central government was able to take most states on board. The GST Council finalised the structure of the new indirect taxation regime in November, which is based on multiple tax rates. The GST is expected to be rolled out from 1 July 2017. About half of the items in the inflation basket, including food, will not be taxed. Other items of mass consumption will be taxed at 5%. Luxury and sin goods\textsuperscript{35} will be levied at 28% plus a cess to compensate the states of any revenue loss for the next five years. Most other items will be taxed at 12 or 18%\textsuperscript{36} Some analysts pointed out that the actual number of rates could be significantly higher, up to twelve, which could cause significant classification problems in a rapidly changing economy.\textsuperscript{37}

The government’s main obstacle was that, in order for the GST to become operational, the cooperation of the state governments was still very much needed to pass a number of implementing laws and executive orders at the state level. There were two main problems, one technical and one political. The former was that the states – including BJP-ruled ones – wanted to exercise exclusive jurisdiction on small-scale taxpayers (below Rs. 15 million), whereas the centre was insisting on imposing a form of dual control. At the closing of the year under review, the stalemate still continued.\textsuperscript{38}

The second problem was that some state governments and the main national opposition party, namely the Congress, expressed new doubts on the effects of the GST implementation, asking for its delay, following the Modi government’s sudden decision on the demonetisation of the currency (8 November). West Bengal’s Finance Minister Amit Mitra – who was the chair of the empowered group of state finance minister and who played a significant role in winning the resistance of the state governments to the new tax regime – put into question the entire structure of the GST. He argued that the demonetisation was bound to cause a significant drop of the GDP, thus affecting the states’ revenues. In this situation, he claimed, the implementation of the GST by 1 April 2017 was unlikely.\textsuperscript{39} In fact, as other

\textsuperscript{34} ‘How the political battle on GST was won’, Livemint, 5 August 2016.
\textsuperscript{35} Sin goods are goods deemed harmful to society, such as alcohol and tobacco.
\textsuperscript{36} ‘Council fixes 4-level GST rate structure’, The Hindu, 3 November 2016.
\textsuperscript{38} ‘GST council meet: Most states voice opposition against dual control, says report’, Indian Express, 2 December 2016.
\textsuperscript{39} ‘Thanks to demonetisation, forget GST now’, Financial Express, 1 December 2016.
states requested additional compensation under the new GST tax regime to offset the consequences of demonetisation, Arun Jaitley himself, namely the central Finance Minister, said that a more likely implementation deadline would be the 1st of July 2017. \(^{40}\)

The third major decision in the economic field was the demonetisation of the Rs. 500 and Rs. 1,000 notes announced, with a four-hour notice, on 8 November 2016. This unexpected and bold move made 86% of the country’s cash, to use Modi’s own words, «worthless pieces of paper».\(^{41}\) Indians were given the option to either deposit the «worthless» notes in their bank accounts – knowing that any deposit above Rs. 250,000 would be scrutinised and taxed – or to change them at the counter, but subject to very strict limits.\(^ {42}\)

The sudden lack of cash severely disrupted India’s formal and informal economy, the latter accounting for at least 80% of the workforce and 45% of the GDP.\(^ {13}\) Cash transactions represent 98% of the total.\(^ {44}\) Not surprisingly, long queues formed outside of the banks, where people stood in lines for hours – which caused at least 50 deaths during the first month\(^ {45}\) – to change their notes. India’s informal economy suffered from a sort of cardiac arrest. Farmers suddenly could not buy seeds and fertilisers or pay agricultural labourers right in the middle of the winter sowing season. The problem was aggravated by the fact that, because of some unknown reasons, rural cooperative banks were not allowed to change the old notes. Farmers were also finding it difficult to sell their products because traders did not have cash to buy them. According to some preliminary estimates, sales of farm staples fell by 50%.\(^ {46}\) Shopkeepers and street vendors struggled to find customers, because either the potential buyers lacked cash, or because they held only the newly introduced Rs. 2,000 note, which would have been difficult to change for smaller notes even in the absence of a cash crunch. In Bihar, a Scroll.in reporter found that cauliflowers were being sold at Rs.

\(^{40}\) ‘July 1 more realistic deadline for GST: Arun Jaitley’, Times of India, 16 January 2017.

\(^{41}\) ‘Excerpts from PM Modi’s address to the nation: «Hoarded notes will become just worthless pieces of paper»’, Indian Express, 9 November 2016.

\(^{42}\) The limits changed numerous times, but at no point they were over Rs. 4,000 per day.


\(^{44}\) ‘Modi’s attempt to crush the black economy is hurting the poor’, The Economist, 3 December 2016.

\(^{45}\) ‘India’s demonetisation: ‘Modi didn’t think of the poor’, Al Jazeera, 6 December 2016.

\(^{46}\) ‘India’s currency reform was botched in execution’, The Economist, 3 December 2016.
1 per kilo, about 1/12 of their normal price.\textsuperscript{47} A small survey conducted by Jean Drèze in Ranchi (Jharkhand) indicated that small shops and business witnessed a 46% average decline in their earnings.\textsuperscript{48} More generally, investments saw a «sharp fall» after 8\textsuperscript{th} November,\textsuperscript{49} mainly as a consequence of a drastic contraction of internal demand.\textsuperscript{50}

The poor have been hurt the most: on the one hand, the overwhelming majority of them do not have a bank account – only 53% of Indians do\textsuperscript{51} – and even when the poor do, they often need to travel long distances to reach a bank branch. This forced them to spend days queuing to change their small savings, losing days of work. Furthermore, labourers faced the difficult choice of either being paid late or to accept the old currency, exchanging it on the black market for a 10-20% fee, which, of course, eroded their already small earnings.\textsuperscript{52} In fact, in the closing weeks of the year under review, many small and medium business shut down because of their inability to pay labourers, who, in turn, went back to their villages in huge numbers.\textsuperscript{53}

At the closing of the present article, what the overall impact would be on India’s economic growth (which is to a significant extent demand-driven) was not clear. Ambani Capital cut its GDP-growth projection for 2017/18 from 7.3 to 5.8%;\textsuperscript{54} HSBC estimated a fall by 1 percentage point,\textsuperscript{55} while former Prime Minister Manmohan Singh predicted a 2% drop in the rate of growth.\textsuperscript{56} The Reserve Bank of India (RBI) and the World Bank cut their growth forecast by 0.5 and 0.6% respectively, bringing it down to 7%.\textsuperscript{57} Overall, there seemed to be a virtual consensus that although growth

\textsuperscript{47} ‘Cauliflower sells for Rs one a kilo in one Bihar market as demonetisation depresses demand’, \textit{Scroll.in}, 30 November 2016.


\textsuperscript{50} ‘Indian auto sales see biggest drop in 16 years’, \textit{Reuters}, 10 January 2017.


\textsuperscript{52} Diego Maiorano, ‘India’s crackdown on cash corruption is really all about politics’, \textit{The Conversation}, 21 November 2016.

\textsuperscript{53} ‘India’s currency crisis is stalling small industries and sending workers home’, \textit{Washington Post}, 25 December 2016.

\textsuperscript{54} ‘Demonetisation to drag down GDP growth to 5.8%: Ambit Capital’, \textit{The Economic Times}, 18 November 2016.

\textsuperscript{55} ‘GDP to fall post demonetisation, follow-up reforms key: HSBC’, \textit{Business Line}, 20 November 2016.

\textsuperscript{56} ‘Manmohan Singh speaks: It’s a mess, loot, will cut GDP by 2 per cent points’, \textit{The Indian Express}, 25 November 2016.

would remain robust, demonetisation would negatively affect it, at least in the short term.

The demonetisation move was initially presented by Modi as an unprecedented attack to «black money» and counterfeit currency. The idea was that those who owned large amounts of undeclared cash would face the difficult choice of either declaring their illicit incomes – and pay taxes on them – or loose heavily, by having their own cash made worthless. Counterfeit currency holders, on the other hand, would have no option but the latter. However, it was immediately clear that these could not be the real intention of the government, as shown by the fact that less than 5% of the total unaccounted income is kept in cash.\(^{58}\) In fact, the bulk of illicit income is reinvested in gold, land and shares or deposited as hard currency in foreign accounts. Assuming that those who hold large amount of currency will try to laundry their money by paying a 40% fee, their total loss would be about 2% of their illicit income. In fact, while, at the closing of the present article, the RBI had not provided yet the data on the amount of old notes that were deposited, some estimates indicated that as much as 97% of them had been deposited and, therefore, the government move had been successful even if, naturally, within the limits of that less than 5% of the total unaccounted income kept in cash.

As far as fake currency is involved, its incidence, according to official estimates, is limited to about 0.022% of the total circulating cash.\(^{59}\) Anyway, the new notes have the same (poor) security features of the old ones. In other words, it is unconceivable that the government willingly caused a severe disruption of India’s economy searching for such limited objectives.

There were, however, three further – and much weightier – reasons for demonetisation.

The first one was to supply the banking system with much needed cash. We mentioned above that India’s banks were under severe stress due to a huge amount of «bad loans». Furthermore, the demonetisation-related surge of liquidity led some banks to cut their lending interest rates, which may stimulate investments in the medium term.\(^{60}\) However, on the one hand, the Reserve Bank of India left the main interest rate unchanged in


its first monetary policy committee meeting after demonetisation, on the other hand, as demand for consumer goods got depressed, inventories were piling up, leading to the postponement of investment decisions. In fact, at the end of the period under review, corporate-credit growth reached its lowest rate in thirty years.

The second further reason explaining demonetisation is that, by forcing people to use or open bank accounts, it may constitute a strong push towards a cashless economy, which, in turn, appears to be one of the government main aims. Significantly, at the end of 2016, this objective substituted, in the government’s own declarations, the attack on black money as the main aim of the demonetisation. Indeed, there are some signs that the government had, if not a clear strategy, at least a policy direction in this regard. In fact, a few months after taking office, Modi had launched a massive programme for the creation of bank accounts for the poor, the Jan Dhan Yojana. As per 30 November 2016, almost 260 million such accounts were opened. A sizable number of these accounts were empty or not used and at least some of them have been «seized» by wealthy people in need to launder their cash in the wake of the demonetisation. This, however, does not detract from the fact that the government appeared determined to push even the poorest sections of the society to have (and use) a bank account. Demonetisation was bound to force many to do just that.

Such evolution appeared to be favoured by the fact that, in April 2016, the National Payment Corporation of India launched the Unified Payment Interface (UPI), a mobile-based system for making cashless payments. Given that India is one of the fastest-growing markets for smartphones, it is likely that the demonetisation would force many users to familiarise with cashless payments – UPI and other eWallet services such as PayTM, Freecharge, Mobikwik, Ola Money, Airtel Money, HDFC PayZapp, SBI Buddy among others.

62. ‘The high economic costs of India’s demonetisation’, The Economist, 7 January 2017.
64. The authors thank Matteo Miavaldi for bringing the facts mentioned below to their attention.
66. Ibid.
Also related to the realisation of a cashless economy appeared to be another move. This was the passing by the Indian Parliament of the Aadhaar Act on 11 March 2016, which gave legal backing to the project (initiated by the UPA government) of registering the entire population’s biometric details and issue a unique identity number (the Aadhaar). According to a statement by the government on 5 April 2016, by then more than one billion Indians, namely 93% of the adult population, had an Aadhaar number. In December 2016, the government announced that the Aadhaar card was to work as a debit card and allow electronic payments.

Finally, it is worth pointing out that some state governments are supplementing the centre’s strategy by incentivising cashless payments through a set of state-level policies.

Linking Aadhaar with payments has huge implications, as it will be possible to link demographic features to spending habits, thus creating a commercially invaluable database. However, it remains to be seen the extent to which Indians will embrace the cashless economy. Even an increase by 100% in cashless transactions will still make them a negligible part of the total. Furthermore, there are doubts that India lacks the necessary infrastructure to embrace the cashless economy.

The third further and weightier reason explaining demonetisation is political. On the one hand, perhaps the most affected actors are political parties that, it is well known, fund their electoral campaign through illicit funds and hoard huge amount of cash before the elections. With the upcoming Uttar Pradesh polls looming on the horizon, Modi’s adversaries (and possibly the BJP itself) were certainly taken by surprise. Accordingly, the demonetisation might have had an impact on their electoral campaigns. On the other hand, the demonetisation has reinforced Modi’s image as a strong and fearless leader who is able and willing to take difficult decisions for the national good. Modi asked Indians to bear with the suffering for 50 days for longer term benefits. Indeed, at the closing of the present article the government’s message appeared to be working. Calm had been maintained.

69. ‘Over 100 cr. people have Aadhaar number: Govt.’, The Hindu, 5 April 2016. See also Government of India, Unique Identification Authority of India (https://uidai.gov.in).
70. ‘Govt plans Aadhaar-based app to replace debit, credit cards, PIN numbers’, Livemint, 6 December 2016.
72. ‘5 Hurdles To PM’s Push For Cashless Economy’, IndiaSpend, 3 December 2016.
and there were signs that demonetisation was indeed rather popular. It is significant that the BJP performed pretty well in the local elections shortly after demonetisation in Rajasthan, Maharashtra and Gujarat and in a series of by-polls in Madhya Pradesh, Assam and Arunachal Pradesh.

3. Domestic politics

The two most important political developments during 2016 were, first, a series of state elections in Assam, West Bengal, Tamil Nadu and Kerala, which gave the BJP much reason for hope after the disastrous Delhi and Bihar elections in 2015. The second development was represented by a series of caste-based agitations. In Haryana, Maharashtra and Gujarat, dominant peasant castes asked for reservations in public jobs and universities. Telangana and Gujarat, moreover, saw large-scale protests by Dalits, which could have important repercussions on the 2017 elections in Punjab and Uttar Pradesh.

3.1. State elections

During 2016, four important states went to poll: Assam (4-11 April), West Bengal (4 April-5 May), Kerala (16 May), Tamil Nadu (16 May). Overall, the results were good news for the BJP.

3.1.1. The elections in Assam

Actually, the results in Assam were excellent news for the saffron party, which, in conquering its first ever victory in state, won 48% of the seats and, together with its allies (the Asom Gana Parishad, AGP and the Bodoland People’s Front, BPF), obtained a solid majority in the state assembly (see table 2).

74. ‘In rural UP, demonetisation causes «temporary pain» but draws support’, Hindustan Times, 18 November 2016.
75. ‘Rajasthan local polls: BJP edges out Cong, Vasundhara Raje gets PM pat, The Indian Express, 3 December 2016.
76. ‘BJP wins big in Maharashtra council polls; Modi says poor back demonetisation’, Firstpost, 28 November 2016.
79. Also, on 16 May, elections were held in the Union territory of Puducherry. The Elections were won by the Congress, which conquered 15 of the 30 seats and formed the new government with its ally, the DMK, which had won 2 additional seats. ‘Pondicherry (Puducherry) Assembly elections 2016 result: Congress emerges single largest party’, International Business Standard, 19 May 2016.
### Table 2 Assam elections results and comparison with the 2011 elections

<table>
<thead>
<tr>
<th>Alliance</th>
<th>Party</th>
<th>Seats</th>
<th>Change of Seats</th>
<th>No. Vote Share</th>
<th>Change Vote Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>NDA</td>
<td>BJP</td>
<td>60</td>
<td>+55</td>
<td>29.51</td>
<td>+18.04</td>
</tr>
<tr>
<td></td>
<td>AGP</td>
<td>14</td>
<td>+5</td>
<td>8.14</td>
<td>-8.15</td>
</tr>
<tr>
<td></td>
<td>BPF</td>
<td>12</td>
<td>NA</td>
<td>3.94</td>
<td>-2.19</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>86</td>
<td>NA</td>
<td>41.5</td>
<td>NA</td>
</tr>
<tr>
<td>UPA</td>
<td>Congress</td>
<td>26</td>
<td>-53</td>
<td>30.96</td>
<td>-8.43</td>
</tr>
<tr>
<td>Grand Alliance</td>
<td>AIUDF</td>
<td>13</td>
<td>-5</td>
<td>13</td>
<td>+0.48</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>126</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Election Commission of India

The spectacular performance of the BJP was mirrored by spectacularly disappointing one of the Congress. The Grand Old Party was certainly hampered, to a certain extent, by anti-incumbency, as it was led by the sitting chief minister, Tarun Gogoi, who was looking for a fourth consecutive term. However, this factor alone cannot explain the extent of the victory of the BJP.

Three factors seem to have played an important role in the poll results. First, unlike the electoral campaigns of 2015 in Delhi and Bihar – badly lost by the BJP – the conduction of the electoral strategy remained firmly in the hands of the state-level leadership. In fact, the Prime Minister visited the state only thrice.\(^{80}\) Second, the BJP was able to attract several political leaders into the party’s fold.\(^{81}\) The two most prominent examples were, Sarbananda Sonowal and Himanta Biswa Sarma. The former had joined the BJP in 2011, leaving the AGP and eventually becoming the party’s chief ministerial face; the latter, a former minister in the Gogoi’s Cabinet and a serious contender to the candidacy of chief minister for the Congress, had decided to leave the party as it became clear that Gogoi intended to pass the chief ministership to his son. The third factor which played a role in the BJP’s victory was that the saffron party was able to set the electoral agenda by focusing on the issue of illegal immigrants from Bangladesh, who tend to be largely Bengali-speaking Muslims and Congress’s voters. While the issue has dominated Assam’s politics for decades, the BJP managed to polarise society along religious lines in an «unprecedented» way.\(^{82}\) This was due in no small measure to two causes: the

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\(^{81}\) Ipsita Chakravarty, ‘Assam goes saffron: Four ingredients that the BJP got right in this campaign’, *Scroll.in*, 15 May 2016.


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first was the alliance with the AGP, a party that was born out of the agitation against illegal immigrants in the 1980s; the second was that the BJP’s chief ministerial face, Sonowal, was widely known in the state for his battle against foreigners. Furthermore, the party, its allies and the RSS, all embraced the distinction between Hindu «refugees» and Muslim «illegal immigrants», which became dominant theme of the electoral campaign in what can be seen as a local variant of the polarisation agenda promoted countrywide by the BJP. Post-poll data show that the strategy worked: on the one hand, 75% of Assamese Hindus and 68% of Bengali Hindus saw the «illegal migration» issue as important.83 On the other hand, about 63% of the Hindus – irrespective of the language spoken – voted for the BJP. The Muslim community, on the contrary, failed to coalesce behind any single party and divided its vote between the All India United Democratic Front (AIUDF) and the Congress.84 In fact, it seems that the fears that the AIUDF – a party strongly associated with Bengali Muslims – could become the kingmaker, led many Hindus to vote en masse for the BJP, particularly in Upper Assam.85

3.1.2. The elections in West Bengal

In West Bengal the BJP obtained its best ever performance in the state. However, this amounted to a mere three seats and a 10.7% vote share (Table 3). On the one hand, the party clearly failed to keep the momentum of the 2014 Lok Sabha elections when it won an impressive 17.02% of the votes (see table 3 or fig. a).

<table>
<thead>
<tr>
<th>Alliance</th>
<th>Party</th>
<th>Seats</th>
<th>Change No of Seats</th>
<th>Vote Share</th>
<th>Change Vote Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>/</td>
<td>Trinamool Congress</td>
<td>211</td>
<td>+27</td>
<td>44.9</td>
<td>+5.97</td>
</tr>
<tr>
<td>Congress+Left Front</td>
<td>Congress</td>
<td>44</td>
<td>+2</td>
<td>12.3</td>
<td>+3.21</td>
</tr>
<tr>
<td></td>
<td>Left Front</td>
<td>32</td>
<td>-30</td>
<td>25.9</td>
<td>-14.13</td>
</tr>
<tr>
<td></td>
<td>Total C+LF</td>
<td>76</td>
<td>NA</td>
<td>38.2</td>
<td>NA</td>
</tr>
<tr>
<td>/</td>
<td>BJP</td>
<td>6</td>
<td>+3</td>
<td>10.7</td>
<td>+5.92</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>294</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Election Commission of India

83. Ibid.
84. Sanjeer Alam, ‘Assam Assembly polls: Cong-Ajmal pact would have been zero sum game’, Indian Express, 21 May 2016.
The declining vote share, especially in urban areas, probably indicates that many of those who voted for the saffron party in 2014 did so only in order to elect Modi as Prime Minister. On the other hand, however, the vote share obtained by the BJP in 2016 is a signal that the party is now a non-negligible force in the state. Of course, this is not the first time that the BJP performs so well. In 1991, when the BJP was riding the Ram Janmabhoomi wave, it obtained 11.7%, which plummeted to 1.6% at the 2006 state elections. However, the collapse of the Communist Party of India (Marxist) – the CPI(M) – whose vote share declined from 37.13% in 2006 to 19.75% in 2016 – indicates that there is a political vacuum in the state that the BJP is keen to fill in.

The big story of the West Bengal election is, of course, Mamata Banerjee’s Trinamool Congress (TMC) spectacular victory. This is due to two main factors. First, Mamata’s management of the economy has been remarkably good. The state’s GDP grew significantly faster than the average of the other states and so did the per capita income. This has been accompanied by a doubling of the state’s tax revenues, which in turn allowed the state government to triple expenditure in the social sector and to focus on infrastructures, particularly in rural areas. Post-electoral data show that «development» was by far the most important issue for West Bengal’s voters, and that 57% of them were satisfied with the performance of the state government. Moreover, the TMC also implemented the MGNREGA rather well (compared with the Left Front government pre-2011) and launched a number of extremely popular schemes for promoting education, including one that gave one bicycle to every student in class 9-12 and one that offered scholarships to girls that remained in education. The TMC government also launched a scheme for the distribution of extremely subsidised rice and wheat to 80% of the state’s population just a few months before the polls. In short, Mamata reinforced her image of a tough leader who cares about the poor, which she has earned when the struggle against the Left Front-promoted farm-grabbing brought her to prominence.

The second factor explaining Mamata Banerjee’s spectacular victory was the weakness of the opposition. Whereas the combined vote share of

87. Shoaib Daniyal, ‘Is West Bengal’s economy actually reviving under Mamata Banerjee?’, Scroll.in, 4 April 2016.
89. Vibha Attri, ‘Corruption an issue in West Bengal, but development No. 1’, The Indian Express, 22 May 2016.
90. Sam Solomon & Jyoti Prasad Chatterjee, ‘West Bengal: Left-Congress alliance weak in arithmetic and chemistry’, The Indian Express, 22 May 2016.
91. ‘Mamata’s masterstroke ahead of polls: foodgrain at Rs 2/kg for 80% of Bengal population’, The Indian Express, 28 January 2016.
the Congress and the Left Front at the 2014 Lok Sabha elections was only marginally lower than that of the TMC, their badly-assembled alliance did not work out the way their respective state leaderships had hoped for. This was in no small measure due to the hesitation of both national-level leaderships, which delayed the formalisation of the alliance until one month before the elections.

3.1.3. The elections in Tamil Nadu

In the south things went, predictably, less well for the BJP. Table 4 shows the results of the elections in Tamil Nadu.

<table>
<thead>
<tr>
<th>Alliance</th>
<th>Party</th>
<th>Seats</th>
<th>Change No. of Seats</th>
<th>Vote Share</th>
<th>Change Vote Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>/</td>
<td>AIADMK</td>
<td>134</td>
<td>-16</td>
<td>40.77</td>
<td>+2.37</td>
</tr>
<tr>
<td>DMK-led</td>
<td>DMK</td>
<td>89</td>
<td>+66</td>
<td>31.64</td>
<td>+9.25</td>
</tr>
<tr>
<td></td>
<td>Congress</td>
<td>8</td>
<td>+3</td>
<td>6.42</td>
<td>-2.88</td>
</tr>
<tr>
<td></td>
<td>Indian Union Muslim league</td>
<td>1</td>
<td>+1</td>
<td>0.73</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Total DMK-led</td>
<td>98</td>
<td>NA</td>
<td>39.81</td>
<td>NA</td>
</tr>
<tr>
<td>/</td>
<td>BJP</td>
<td>0</td>
<td>0</td>
<td>2.84</td>
<td>+0.29</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>232</td>
<td></td>
</tr>
</tbody>
</table>

Source: Election Commission of India

As expected, the two Dravidian parties – the All India Anna Dravida Munnetra Kazhagam (AIADMK) and the Dravida Munnetra Kazhagam (DMK) – which form a key element of Tamil Nadu’s politics at least since the early 1980s, got the bulk of the popular vote. They reached this result on the basis of rather similar electoral manifestos that made a number of «populist» (but progressive) promises – free laptops, subsidised scooters, etc. More surprisingly perhaps, the so-called third front (the People’s Welfare Front, PWF), comprising a plethora of small and mostly caste-based parties, plus the two communist parties, failed to conquer a single seat and secured only 6.1% of the votes.93


Even more surprising, however, was the victory of the incumbent AIADMK, for at least three reasons. First, no party had won a second consecutive term since 1984. Second, the AIADMK won on its own.\textsuperscript{94} Third, poll data show that there was significant resentment against the AIADMK government and that Jayalalithaa's popularity was declining.\textsuperscript{95}

However, it seems that the only credible opponent, the DMK-led alliance, failed to capitalise on the anti-incumbency sentiments. Several factors contributed to the DMK's defeat. Particularly important was its inability, on the one hand, to project a new face as the chief ministerial candidate, which is something that has turned out to be increasingly important in a number of Indian states. In fact, the party did little to dispel the belief that the 92-year-old DMK leader and five-time chief minister, Muthuvel Karunanidhi, would once again become the head of the state government. On the other hand, the DMK chose its allies poorly. First, it failed to enlarge its coalition to include at least some of the parties that later coalesced into the PWF; and, second, it struck an alliance with the Congress party which proved to be a liability more than a resource\textsuperscript{96} – out of the 41 seats that the DMK left to the Congress, the latter won just eight. Perhaps the most crucial factor, however, was the DMK's inability to convince women that it was a preferable alternative to the AIADMK. Post poll data show that the AIADMK had a 10% advantage on the DMK among women voters.\textsuperscript{97} This was despite the fact that the DMK had championed the banning of the sale of liquor – a proposal that was extremely popular especially (but not exclusively) among women\textsuperscript{98} – and despite the fact that Jayalalithaa only half-heartedly promised a phased banning, displaying a reluctance that is probably explained by keeping in mind that the sale of alcohol provides as much as 20% of Tamil Nadu's tax revenues.\textsuperscript{99}

3.1.4. The elections in Kerala

In Kerala, the electorate chose once again to oust the sitting government (as it did since 1982). Congress-led United Democratic Front (UDF) suffered a resounding defeat at the hands of the Left Democratic Front (LDF). Table 5 gives a summary of the results.

\textsuperscript{94} Seven candidates from other minuscule parties were included in the AIADMK's list.
\textsuperscript{96} K. Venkataramanan, 'The Jayalalithaa strategy', \textit{The Hindu}, 20 May 2016.
\textsuperscript{97} Rahul Verma & P. Ramajayam, 'Lokniti-CSDS Post-poll Analysis: Women bought Jaya her return ticket'.
\textsuperscript{98} Vibha Attri & Jyoti Mishra, 'Lokniti-CSDS Post-poll Analysis: In both Tamil Nadu and Kerala, support across board for prohibition', \textit{The Indian Express}, 24 May 2016.
\textsuperscript{99} 'Total prohibition of alcohol in Tamil Nadu is financially unviable', \textit{The Hindu}, 23 July 2015.
Two points are worth noting. First, whereas recent elections in Kerala had resulted in wafer-thin majorities, the LDF came out of the elections with a solid control of the state assembly, despite a decline of its vote share. The UDF’s vote share, on the other hand, declined by almost 7%. Poll data show that almost 80% of the voters saw the UDF government as «corrupt» (and a third of the total voters saw it as «very corrupt»).\textsuperscript{100} The UDF government had been involved in a number of scams. Particularly damaging for the government was the 2013 «Solar Scam» – which saw the direct involved chief minister Oommen Chandy\textsuperscript{101} – and the allegations against members of the government regarding the renewal of licences for selling alcohol to bars and clubs. The latter also undermined the moral stance taken by the UDF government on the issue of alcohol prohibition – a highly popular policy in the state\textsuperscript{102} – championed by the Congress party itself.\textsuperscript{103}

The second remarkable feature of the Kerala elections was the result of the BJP. For the first time in the history of the state, the saffron party conquered a seat in the legislative assembly. Furthermore, the BJP was the

\begin{table}
\centering
\begin{tabular}{|l|l|l|l|l|}
\hline
\textbf{Alliance} & \textbf{Party} & \textbf{Seats} & \textbf{Change No. of Seats} & \textbf{Vote Share} & \textbf{Change Vote Share} \\
\hline
\textnormal{LDF} & CPI(M) & 58 & +13 & 26.52 & -1.66 \\
& CPI & 19 & +6 & 8.12 & -0.6 \\
& Other & 14 & +7 & NA & NA \\
& Total LDF & 91 & +23 & 39.1 & -5.96 \\
\hline
\textnormal{UDF} & Congress & 22 & -16 & 23.70 & -2.70 \\
& IUML & 18 & -2 & 7.40 & -0.52 \\
& Other & 7 & -8 & NA & NA \\
& Total UDF & 47 & -25 & 36.6 & -6.9 \\
\hline
\textnormal{NDA} & BJP & 1 & +1 & 10.53 & +4.42 \\
\hline
\textbf{Total} & & \textbf{140} & & & \\
\hline
\end{tabular}
\caption{Kerala elections results and comparison with the 2011 elections}
\end{table}

\textsuperscript{100} Sandeep Shastri & KM Sajid Ibrahim, ‘Lokniti-CSDS Post-Poll Analysis: Why this vote for change was different’, \textit{The Indian Express}, 23 May 2016.
\textsuperscript{101} ‘Kerala solar scam: Saritha Nair, Biju Radhakrishnan get three years in jail’, \textit{The Indian Express}, 16 December 2016.
\textsuperscript{102} Vibha Attri & Jyoti Mishra, ‘Lokniti-CSDS Post-poll Analysis: In both Tamil Nadu and Kerala, support across board for prohibition’.
runner-up in six other constituencies. More significantly, the BJP got over 10% of the popular vote (15% including its allies). Modi’s party managed not only to keep its social base among the upper castes intact, but made inroads among social segments that had traditionally supported the UDF, including Dalits and Christians, and, to a lesser extent, among the backward castes, which form the core of the LDF’s support. On the other hand, however, distrust for the BJP’s divisive policies – which are supported by a very large network of RSS’s shakas in the state – remain unpopular in Kerala: over 50% of the respondents to the Lokniti pre-poll said that they would never vote for the BJP.

3.1.5. The impact of the 2016 state elections

Overall, as figure ‘a’ shows, the 2016 state elections were good news for the BJP. On the one hand, the party conquered a state (Assam) where it had traditionally been weak, obtaining a victory that could represent a starting point for further penetration into India’s North-East. The results in Kerala were also encouraging. On the other hand, the BJP failed to capitalise on the good results obtained in the 2014 elections in West Bengal and Tamil Nadu. In the former case, however, the party was able to establish itself as a conspicuous presence in Bengali politics, at least in terms of its vote share. The news for the Congress were much less positive, as the party was unable to reverse the declining trend that started with the resounding defeat at the 2014 elections.

<table>
<thead>
<tr>
<th>State</th>
<th>Parties</th>
<th>2011 state vote share</th>
<th>2014 Lok Sabha vote share</th>
<th>2016 state vote share</th>
<th>2016 state seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>BJP</td>
<td>11.47</td>
<td>36.86</td>
<td>29.5</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Congress</td>
<td>39.39</td>
<td>29.9</td>
<td>31</td>
<td>26</td>
</tr>
<tr>
<td>West Bengal</td>
<td>BJP</td>
<td>4.06</td>
<td>17.02</td>
<td>10.2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Congress</td>
<td>9.09</td>
<td>9.69</td>
<td>12.3</td>
<td>44</td>
</tr>
</tbody>
</table>

104. ‘Left gets it right.’, *Frontline*, 28 May 2016.
<table>
<thead>
<tr>
<th></th>
<th>BJP</th>
<th>Congress</th>
<th>BJP</th>
<th>Congress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerala</td>
<td>6.03</td>
<td>10.47</td>
<td>10.5</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>26.4</td>
<td>31.47</td>
<td>23.7</td>
<td>22</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>2.22</td>
<td>5.56</td>
<td>2.8</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>9.3</td>
<td>4.37</td>
<td>6.4</td>
<td>8</td>
</tr>
<tr>
<td>Total 2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BJP</td>
<td></td>
<td></td>
<td></td>
<td>67</td>
</tr>
<tr>
<td>Congress</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Election Commission of India

Fig. a - Congress-BJP election results 2011-2016

Chart elaborated by Diego Maiorano on the basis of the data available in Election Commission of India, Elections Results – Full Statistical Reports (http://eci.nic.in/eci_main1/ElectionStatistics.aspx)
3.2. Caste protests

A major source of concern for the Modi government was the emergence of caste-based protests in a number of Indian states. These protests were of two types. Those of the first kind, which occurred in Haryana, Maharashtra and Gujarat, were characterised by the dominant middle castes’ demand for public sector jobs and for places in public universities. The second type of protest, which occurred in Gujarat, saw the Dalits expressing their anger against the discriminations which they continued to suffer.

The demands for reservations had several traits in common. First, they were all initiated by middle peasant castes: the Jats in Haryana, the Patels in Gujarat and the Marathas in Maharashtra. These three castes are the perfect exemplification of what the Indian sociologist M. N. Srinivas called «dominant caste», by which he meant a caste that «preponderates numerically over other castes and […] it also wields preponderant economic and political power. A large and powerful caste group can be more easily dominant if its position in the local caste hierarchy is not too low». 107 In fact, these three castes have been dominating their respective states’ politics for several decades after independence 108 and have used their position of power to expand their dominance to other sectors of the economy beyond agriculture.

However, and this is the second common element, the shift towards the urban sectors of the economy does not involve the totality or even the majority of the dominant caste. As a consequence, the members of these castes who remained «stuck» in the agricultural sector – except those holding very large amount of land – saw both their economic and social status rapidly decline, as agriculture entered a period of stagnation at the beginning of the 1990s. Their situation was further aggravated by the shrinking by over 60% of the average size of landowning in the last four decades. 109

The third common element explaining the middle castes’ agitation is the inability of these castes’ younger generation to enter the formal sector of the economy, despite the fact that their privileged position had assured them an education. This, of course, has a lot to do with the inability of the Indian economy to generate enough jobs. In this situation, the resentment against lower caste groups that benefit from the reservation policy grew unabated and fuelled the demand for reservations in the public sector and in higher education institutions.

Finally, another common element explaining the middle castes’ agitation is the very low sex ration in the three states. According to the 2011

census, there were only 929, 919, and 879 women per 1,000 men in Maharashtra, Gujarat and Haryana, respectively. In Haryana, the situation was such that women were literally «imported» from other parts of the country to meet the demand for brides.\textsuperscript{110} It is clear then that, in a context where the overwhelming majority of marriages are arranged, families prefer to marry their daughters to men (even from lower castes) employed in the formal economy. Hence the restlessness of unemployed or underemployed young men belonging to dominant castes and their readiness to join the agitations requesting reservations for their own castes.

The three caste groups which engineered the reservation agitations were not homogenous groups, but were stratified along class lines. As Kumar Kekar notes regarding the Marathas, the protests were led by the lower sections of the community who felt «isolated, neglected, marginalised in the job market and denied opportunities in higher education».\textsuperscript{111} The same type of class differentiation could be seen within the Patels and the Jats.\textsuperscript{112} This was bad news for Modi, as it was overtly evident that this section of the electorate had clearly not seen \textit{achhe din} («good days») coming, as promised by Modi during his electoral campaign. On the contrary their prospects to join India’s economic miracle looked gloomy. It was also a worrying sign for India as a whole, as it was clear that the precarious balance among castes, reached in the early 1990s, was under severe stress.\textsuperscript{113} As per a Supreme Court order, no more than 50\% of the available jobs can be reserved for particular groups. Therefore, opening the access to reservation to additional communities means eroding the available jobs for those which already enjoy it. Opening the Pandora’s Box of job reservations could have serious consequences on India’s social stability.

Gujarat saw the emergence of another type of widespread protests, namely the one launched by the Dalit communities. On 11 July 2016, a group of gau rakshak (cow protectors) attacked a Dalit family at Una, in Gujarat, who were skinning the carcass of a cow – a job traditionally reserved to Dalits, as it is considered highly impure by Hindus. The attackers filmed themselves lashing seven Dalit youth and spread the video through social media and WhatsApp. The police did not intervene.\textsuperscript{114} Against the expectations of the gau rakshak, however, the Dalit community reacted strongly. Thousands of Dalits took the streets of Gujarat in what has been the largest

\textsuperscript{110.} ‘India’s «imported» brides’, \textit{BBC News}, 23 May 2011.
lower caste protest of the last thirty years. The protestors also refused to perform their «impure» job and deposited hundreds of cow carcasses in front of government buildings and police stations. Gujarat’s chief minister, Anandiben Patel, resigned.

Modi – as usual, in this kind of situations – was very slow to condemn the Una attacks. He did so almost one month after the episode, but did it in unusually strong terms. The usual hesitation is due to the dilemma that the prime minister faces when Hindu extremists commit crimes that he cannot just ignore – like the 2015 lynching of a Muslim man accused of having cow meat in his house. The dilemma stems from his institutional compulsions as prime minister, which require him to condemn such acts and the demands of the network of Hindu extremist organisations that form the core of his own party’s support base. The unusually strong condemnation, on the other hand, was probably due to electoral considerations. With two states going to polls in 2017 (Uttar Pradesh and Punjab) where the proportion of Dalits is 21 and 32%, respectively, the prime minister could not afford to be seen as an anti-Dalit figure. Furthermore, Modi could not afford to offer the Dalit leader of the Bahujan Samaj Party (BSP), Mayawati, a formidable card to attack him and a powerful weapon to unite the Muslims and the Dalits behind the BSP. However, the Vishva Hindu Parishad (VHP), namely one of the most redoubtable organizations of political Hinduism, did not digest Modi’s pragmatism well and warned the prime minister that he would pay the insult to the gau rakshaks in 2019.

4. Foreign policy

Since his ascent to power, Narendra Modi’s foreign policy has appeared to be characterized by the pursuit of two key objectives: projecting India as a major power on the world stage and getting all possible foreign help in promoting India’s own economic development. Up to the end of 2014, these objectives were vigorously pursued by following two main strate-

115. Aarefa Johari, ‘An assault on Dalits may have triggered the biggest lower-caste uprising in Gujarat in 30 years’, Scroll.in, 20 July 2016.
120. ‘You’ll pay for it in 2019 polls, VHP warns PM Narendra Modi’, The Indian Express, 8 August 2016.
gies. The first was the strengthening of the political, economic and military connection with the US, while attempting, with some success, not to damage the traditional ties of friendship with Russia. The second strategy was the pursuit of a binary approach to China, based on the concomitant attempt at both engaging and containing it.

In the year under review, while the two main strategic objectives remained the same, the policies which were implemented to reach them gradually morphed into something different. In particular, the pursuit of an increasingly closer relationship with Washington appeared to become an end in itself, rather than a means to an end. In turn, the increasing closeness between New Delhi and Washington had the net result to negatively affect the India-China relation (which, on the other hand, was no doubt one of the results pursued by Washington in strengthening its relationship with New Delhi). As a consequence, in spite of some half-hearted attempts by both New Delhi and Beijing to play down their differences, India’s China policy transmuted from a binary policy of engagement and containment into a unitary one, where the engagement part had vanished, leaving only an increasingly stark adversarial containment aspect.

4.1. The India-US relationship

4.1.1. India’s increasingly close alignment to Washington

At the beginning of the year under review the initiative in promoting the India-US bilateral relationship appeared to firmly be in the hand of the US. Washington clearly aimed at reaching two main objectives. The first was cajoling New Delhi into signing at least one of the three «foundational» agreements which, in Washington’s appraisal, were a sine qua non in fleshing out the India-US military framework of cooperation originally signed in 2005 and renewed in 2015. These «foundational» agreements were the Logistic Support Agreement (LSA), the Communication Interoperability and Security Memorandum Agreement (CISMOA) and the Basic Exchange and Cooperation Agreement for Geo-Spatial Cooperation (BECA). These pacts, according to Washington, would make possible an enhanced integration between the armed forces of the two countries and would allow the transfer of sensitive military technology from the US to India.

The second objective pursued by Washington was inducing India to take part with the US in the joint patrolling of the South China Sea.

Both objectives were pursued by Washington in such a public and blatant way to embarrass both the Modi government and even some of the

most outspoken pro-US Indian commentators.\textsuperscript{122} In fact, both the Modi government and most Indian commentators, while not adverse to an increasingly close embrace with the US, were reluctant to appear to openly and provocatively taking an anti-China stand (as both the signing of a military agreement with the US and taking part in joint patrols in the South China Sea were bound to be seen). As a result, while the negotiation for the LSA went on, Indian Defence Minister Manohar Parrikar was sent to Beijing to convince the Chinese that the pact itself was not aimed against them.\textsuperscript{123} At the same time, Parrikar bluntly denied that the Indian government was entertaining any project of jointly patrolling the South China Sea with the US Navy.\textsuperscript{124} This being the situation, on 12 April the news became public that India and the US had agreed «in principle» to a somewhat modified version of the LSA, which now took the name of Logistic Exchange Memorandum of Agreement (LEMOA).\textsuperscript{125} Later on, on 18 May, a flotilla made up by four of the most powerful and modern ships of the Indian Navy left India for the South China Sea and North West Pacific,\textsuperscript{126} beginning, according to former Indian Ambassador M.K. Bhadrakumar, «an incomprehensible mission lasting a month and a half for no rhyme or reason other than simply annoying Beijing».\textsuperscript{127} Finally, in June, units of the Indian, US and Japan navies started the 20th session of «Exercise Malabar», with a first harbour phase at the Japanese port of Sasebo (10 to 13 June), followed by a sea phase in the Philippine Sea (14 to 17 June).\textsuperscript{128} The exercise confirmed both the increasing


\textsuperscript{125} ‘Indo-US Logistic Support Agreement is anti-national: Congress, Left slam Modi govt for move which «will hit India’s independences», \textit{Firstpost}, 13 April 2016; ‘India will be seen as part of US military bloc: Congress on logistics agreement’, \textit{The Indian Express}, 13 April 2016.


military closeness between the US and India and the permanent insertion of Japan in the exercise itself. As noted elsewhere, Japan’s inclusion in the annual Malabar exercise was something that Beijing resented as an expression of the US China-containment policy.\(^{129}\)

All the above means that, although cautiously and somewhat hedging its bets, New Delhi was progressively giving in to Washington’s wishes. The gradual reorientation of New Delhi’s stand was encouraged by Washington, which expressed its support for India’s plans to expand its navy from 130 to 166 warships, inclusive of a third aircraft carrier. Also Washington sponsored the plan of selling and producing in India two state-of-the-art US military aircrafts: Lockheed Martin’s F-16, a single-engine multirrole all-weather fighter jet, and Boeing’s F/18-Hornet, a twin-engine supersonic, all-weather carrier-capable multirrole combat jet.\(^{130}\)

4.1.2. Narendra Modi goes to Washington … once again

Just on the eve of Exercise Malabar 2016, namely from 6 to 8 June, Narendra Modi undertook his fourth trip to the States in little more than two years. In fact, which side – if Washington or New Delhi – took the initiative in making possible Modi’s visit remained unclear, as unclear remained the Indian Premier’s real objectives in visiting the US once again. According to Washington-based analyst Seema Sirohi, the visit primarily aimed at «consolidating the gains made under President Barack Obama while stanching the negativity in the US Congress».\(^{131}\) In fact, what is certain is that, in the run-up to Narendra Modi’s visit, the «negativity» against India was running high in the host country. On 24 May, two weeks before Modi’s landing in the US, a hearing of the Senate Foreign Relations Committee (SFRC) on US-India bilateral relations saw several senators harshly criticizing India. These criticisms encompassed both India’s dismal record in the field of civil rights and its alleged lack of concrete steps as far as economic reforms were concerned.\(^{132}\) Particularly hard hitting in his criticism was SFRC Chairman


\(^{131}\) Seema Sirohi, ‘Modi in the U.S.: a changed landscape’, Gateway House, 29 May 2016. The explanation given by Arun Singh, India’s Ambassador in Washington, was very much the same. The visit, argued Singh, was «really a part of consolidating and celebrating the India-US relationship […] seeing what more can be done as we move into the next year when there will be transition of the administration in the US and also elections in the US Congress». ‘Modi’s US visit: Consolidating & celebrating a relationship’, Business Standard, 2 June 2016.

\(^{132}\) Seema Sirohi, ‘What explains India getting such a public lashing from US lawmakers on the eve of Modi’s visit?’, Scroll.in, 29 May 2016. See also Vicki Needham, ‘Business groups push White House, Congress to improve US-India relationship’, The Hill, 24 May 2016.
Bob Corker, who accused India to have «12 to 14 million slaves», and who was «reportedly upset with India over the non-consummation, so far, of the Indo-US Civil Nuclear deal in the shape of a contract for an American reactor».

Modi’s stay in the US (6-8 June 2016) was accompanied by «the extraordinary decision by the US Congress’ Tom Lantos Human Rights Commission to hold a special hearing on June 7», which was finalised «to examine the current state of human rights in India, challenges to fundamental freedoms, and opportunities for advancement». In spite of all this, Modi’s visit went off positively, having its two highlights in his meeting with Obama (7 June) and in the speech in front of a joint session of the US Congress (8 June), where the Indian premier was applauded not less than eight times.

The concrete results of the visit could be detected by analysing the joint US-India communique dated 7 June 2016. Cutting through the mumbo jumbo which – as is often the case in similar cases – made up the bulk of a quite lengthy document, the most important point was the announcement of «the start of preparatory work on site in India for six AP 1000 [nuclear] reactors to be built by Westinghouse» and to be financed by India and the U.S. Export-Import Bank, working together «toward a competitive financing package for the project.» It is worth stressing that, in the aftermath of the release of the joint communique, the US legislators’ preoccupations for India’s mishandling the civil rights of its minorities

133. Seema Sirohi, ‘What explains India getting such a public lashing’. The rather funny number of «12 to 14 million» slaves seems to be based on the Global Slavery Index published by the Walk Free Foundation, created by Australian billionaire Andrew Forrest. According to Seema Sirohi (‘Modi in the U.S.: a changed landscape’, Gateway House, 29 May 2016): «Apparently the figure of 12 million [slaves] includes every oppressed group in India from child labour to trafficked women to bonded labour and anyone earning less than a dollar per day» (emphasis added). Of course Ms. Sirohi’s claims appears difficult to accept, as the number of people earning less than a dollar a day in India is much, much huger than 12 to 14 million. In fact, according for example to interview released by well-known JNU economist Himanshu in 2015, 75% of the 670 million Indians living in rural areas earn an average of Rs. 33 per person, namely around half US dollar. Saumya Tewari, ‘75 percent of rural India survives on Rs 33 per day’, India Today, 13 July 2015. There is no reason to think that, since then, the figure indicated by Himanshu has substantially decreased.


135. ‘PM Narendra Modi’s speech in US Congress: Read the full text’, The Indian Express, 10 June 2016.


137. It was some 3,800 word length.

and for the presence of «12 to 14 million slaves» appear to have vanished into thin air.

Two other points in the communique are worth being highlighted. One was the fact that the two parties «welcomed the finalization of the text of the Logistics Exchange Memorandum of Agreement (LEMOA)» and announced that the US recognized India as «a Major Defense Partner». In turn, the last point implied that the US was ready to favour the flow of military technology to India «to a level commensurate with that of its closest allies and partners».

Still, at the end of the day, apart from the case of the six nuclear reactors for which «the beginning of engineering and site design work» was to start «immediately» and be followed by the «finalizing the contractual arrangements [between the Nuclear Power Corporation of India Ltd, and Westinghouse] by June 2017», the concrete result of the visit were «very meagre – almost zero». In fact, the signing of LEMOA, which was supposed to take place in the run up to or during Modi’s visit, did not happen. Moreover, what concretely was implied by India’s elevation to «Major Defense Partner» remained hazy. Finally, there was no significant positive development in the US-India economic relationship. In particular there was no progress on the negotiation of the Totalisation Agreement, aimed at avoiding double taxation of income with respect to social security taxes, and, in the joint communique, a «deathly silence» was maintained on the much sought after (by the Americans) Bilateral Investment Treaty.

4.1.3. India’s failed attempt at joining the Nuclear Supplier Group

Among the objectives eagerly sought after by the Modi government with the US’s active support, two were considered particularly important for reaching the dual goal of establishing India as a recognised world power and making possible its limitless access to and participation in high military technology and nuclear trade. They were, respectively, the membership in the Missile Technology Control Regime (MTCR) and in the Nuclear Supplier Group (NSG). In both organizations, the application of an aspirant member could be accepted only if all the member-states agreed with it.

139. Ibid., section 16 and 17 respectively.
140. Ibid., section 17.
141. Ibid., section 3.
The MTCR, established in April 1987 and including 34 countries (plus four «unilateral adherents», which followed its rules without being members), formally aimed at slowing «the spread of missiles and other un-manned delivery technology that could be used for chemical, biological and nuclear attacks».

However, for India, joining the MTCR had the advantage to allow her to meet the US legal requirements needed for buying around 100 US-produced armed drones, the Predator C Avengers, which Washington had employed with deadly results in Afghanistan and in the Pakistan North-Western Provinces.

With the support of the US, India had applied for entrance in the MTCR during the organization’s plenary meeting of 5-9 October 2015. However, «in a surprise move», Italy had blocked India’s application, by pointing out that the South Asian country was not a party to the Non Proliferation Treaty. This, Italy claimed, «was an obstacle given the MTCR’s goal of upholding all treaties pertaining to weapons of mass destruction».

However, since then, the real cause of Italy’s «surprise move» had been removed, and the above quoted June US-India final communique had rightly given for granted «India’s imminent entry» into the MTCR.

On its part, India’s entry into the NSG was not a foregone conclusion. The 48-countries group, which had been created by the US in 1975, had as its declared task framing and implementing the rules controlling the sharing of nuclear technology and the trade in fissile material. Ironically the group had been created by US President Richard Nixon as a reaction to India’s first nuclear test (18 May 1974) and with the main objective to put an embargo on India’s access to nuclear technology and uranium.

144. Praveen Swami, ‘What are MTCR and NSG, and why does India want to be their part’, The Indian Express, 10 June 2016.
147. Italy’s move was a «leverage to push New Delhi to take a more amenable position on the stay of the two Italian marines facing murder charges in India over the 15 February 2012 killing of two fishermen». Ibid. The two Italian marines were forced to stay in India for four and two years respectively (one was repatriated before the other after suffering a heart attack). During all this time, far from being able to put the two Italian marines under trial, the Indian judicial system had been incapable to bring any formal charge against them. This had induced the European Parliament to adopt a resolution in January 2015, declaring that the detention of the Italian marines without any formal legal charge was a «serious breach of their human rights».
‘MEPs call for Italian marò accused of killing Indian fishermen to be repatriated’ (Press release), European Parliament News, 15 January 2015. Finally, in May 2016, India accepted an international arbitration on which of the two countries had jurisdiction over the case, and let the second marine go home; ‘India lets Italian marine go home as UN mediates over fishermen shooting’, The Guardian, 26 May 2016.
a mineral which, in India, is scarce). Things had changed in the 2005-08 period, when the US and India had reached the India-US civil nuclear agreement. One of its results had been that, in 2008, the US had successfully pressured the NSG to allow India a «waiver», which, de facto, gave the South Asian country most of the advantages coming from a membership in the NSG. This means that India’s desire to join the group as a full member had less to do with practical advantages than with its symbolic meaning.\footnote{According to Ashok Sajjanhar, membership in the NSG would provide «greater certainty and a legal foundation for India’s nuclear regime and thus greater confidence for those countries investing billions of dollars to set up ambitious nuclear power projects in India». See Ashok Sajjanhar, ‘Why is NSG Membership important for India?’, \textit{Institute for Defence Studies and Analyses, DSA COMMENT}, 21 June 2016. In fact, as long as the 2008 waiver was in force the numerous nuclear corporations – in particular French, Russian and American – jostling for fat contracts in India appeared totally unconcerned about India being or not being a full NSG member.}

As significantly stated by India’s Minister for External Affairs, Sushma Swaraj, joining the NSG would make India part of «rule making» as opposed to being a «rule taker».\footnote{‘Centre names China as country blocking India’s entry into Nuclear Supplier Group’, \textit{The Indian Express}, 21 July 2016.}

In pursuing full membership in the NSG, India had the US full support, which had been reiterated in no uncertain terms in the June US-India joint communiqué. Also, Narendra Modi had finalized some of his hectic world trips to bring on his side some of the NSG member nations which still appeared cold towards India’s full membership. However, the 26th NSG plenary, held in Seoul (23-24 June), resulted in an authentic diplomatic debacle for India, as «to New Delhi’s and Washington’s chagrin», the NSG plenary did not even formally discuss India’s application. Instead it held a general discussion on the rules governing the adherence of new states and issued a statement at its conclusion that said “full, complete and effective” implementation of the Nuclear Non-Proliferation Treaty (NPT) should remain the basis of NSG membership.\footnote{Wasantha Rupasinghe, ‘US attempt to hustle India in Nuclear Supplier Group stalls’, \textit{World Socialist Web Site}, 5 July 2016. See also ‘Public statement after NSG plenary meeting’, \textit{The Hindu}, 24 June 2016.} This, of course, neatly blocked any present and future Indian membership, given India’s long-standing policy not to sign the NPT.

A few days later, on 27 June 2016, as a kind of consolation prize, India was finally able to join the MTCR, which, apart from making possible for her to acquire the US killer drones, was supposed to allow her to buy high-end missile technology.\footnote{‘India to become full member of MTCR today’, \textit{The Indian Express}, 27 June 2016.}
4.1.4. The reasons of the NSG debacle

India squarely put the responsibility for its failed attempt to join the NSG on a «single country», namely China,\footnote{Initially China was not explicitly named, but on 20 July India’s Foreign Minister Sushma Swaraj explicitly indicated it as the country which had created «procedural hurdles» to India’s NSG membership. ‘Centre names China as country blocking India’s entry into Nuclear Supplier Group’, \textit{The Indian Express}, 21 July 2016.} a thesis which was promptly taken up and amplified by the bulk of the Indian media. However, even if China’s role as the leading country in blocking India’s march to full membership is undeniable, the accusation that it accomplished it single-handedly is disingenuous. Indeed several NSG member countries, although unwilling to take an open anti-India stand, were far from enthusiastic in seeing her gaining full membership. These were those states – such as Belarus, Ukraine and Kazakhstan – which were born from the dissolution of the URSS, inheriting from her conspicuous nuclear arsenals. All these states had been induced to «denuclearize» and to sign the NPT by the joint pressure of the US and Russia. The same had happened with South Africa, which during the apartheid regime had produced its own nuclear weapons.\footnote{M.K. Bhadrakumar, ‘Modi’s India belongs to USINJA – not BRICS’, \textit{Indian Punchline}, 25 June 2016.} If these countries, although unhappy about India’s membership, were reluctant to openly oppose it, there were others that, mainly on principle and, no doubt, unencumbered by any relevant ties with India, were clearly averse to opening the door to a state which had always highlighted its unwillingness to sign the NPT. These states included Brazil, Ireland, Austria, Turkey and New Zealand.\footnote{‘Brazil, others oppose NSG entry of non-NPT nations like India: Reports’, \textit{Hindustan Times}, 23 June 2016.}

On its part, China had argued the anti-Indian position taking the moral high ground. According to China, allowing full membership of a state which had stubbornly refused to sign the NPT would endanger the whole nuclear non-proliferation regime and contravene a key NSG guideline. As stressed by an editorial of the official Chinese Communist Party daily Global Times: «[…] India wants to be the first exception to join the NSG without signing the NPT. It is morally legitimate for China and other members to upset India’s proposal in defense of principle».\footnote{‘Delhi’s NSG bid upset by rules, not Beijing’, \textit{Global Times}, 28 June 2016.}

Once all the above has been pointed out, it remains the fact that – as shown in a successive section of the present article – China’s opposition to India’s membership in the NSG was a natural by-product of the deterioration of the India-China bilateral ties during the year under review.
4.1.5. Locking in the US-India military connection

The second half of the year under review saw the locking in of the military US-India connection. On 29 August, Indian Defence Minister Manohar Parrikar and US Defense Secretary Ashton Carter at long last announced the signing of the LEMOA.\footnote{U.S. Department of Defense, \textit{U.S.-India Joint Statement on the visit of Minister of Defence Manohar Parrikar to the United States}, 29 August 2016.} While Parrikar insisted that LEMOA «does not create any obligation on either party to carry out any joint activity», most analysts saw it as «a major and decisive step in the direction of making India a ‘linchpin’ of the US rebalance to the Indo-Pacific».\footnote{Joshy M. Paul, ‘Locking in US-India ties’, \textit{East Asia Forum}, 1 October 2016.} As a matter of fact, the plain truth was that, by then, the military connection between India and the US had become so close that the number of US-India joint military exercises exceeded those held by the US with any other friendly nation.\footnote{Deepal Jayasekera, ‘US war planes and battleships to start using Indian bases’, \textit{World Socialist Web Site}, 31 August 2016.} Also, the US had become India’s main supplier of weapons and weapon systems, as, according to Modi himself, the related imports had moved «from almost zero to ten billion dollars in less than a decade».\footnote{‘PM Narendra Modi’s speech in US Congress: Read the full text’, \textit{The Indian Express}, 10 June 2016. Modi’s estimate was possibly an undervaluation, as according to the CNN, «sales of US defense equipment to India now reach $14 billion, up some 50-fold from a decade ago». Ravi Agrawal, ‘Why India’s Prime Minister is in Washington … again’, CNN, 7 June 2016.}

The August Carter-Parrikar meeting also triggered a process aimed at getting a precise definition of what India’s designation as US’ «Major Defence Partner» concretely implied, in particular with reference to technology transfer and cooperation.\footnote{Sushant Singh, ‘India, US finalise Major Defence Partner agreement’, \textit{The Indian Express}, 9 December 2016.}

While the two parties were discussing the question, a legislative process, which had started in the US in the first part of the year and was aimed to institutionalize the US-India military connection,\footnote{U.S. Congress, \textit{H.R.4825 - U.S.-India Defense Technology and Partnership Act}, introduced to the House of Representatives by Rep. George Holding on 22 March 2016 (https://www.congress.gov/bill/114th-congress/house-bill/4825/all-info), and \textit{Advancing U.S.-India Defense Cooperation Act}, introduced to the Senate by Sen. Mark R. Warner on 9 May 2016 (https://www.congress.gov/bill/114th-congress/senate-bill/2901/all-info). Both bills explicitly aimed at expressing «the sense of Congress» that «the U.S.-India defense partnership is vital to regional and international stability and security».} progressed up to its successful conclusion, in spite of some difficulties.\footnote{‘U.S House approves move to bolster defence ties with India’, \textit{The Indian Express}, 20 May 2016; Lalit K. Jha, ‘US Senate Fails to Pass Amendment to Boost Defence Sales to India’, \textit{The Wire}, 16 June 2016; ‘US Senate refuses to grant India «strategic defence partnership»’, \textit{The Brics Post}, 16 June 2016.}

The decisive turning point...
point was reached with the insertion of an «India Amendment» in the US National Defense Authorization Bill 2017, namely the US Defence budget for the year 2017, and its enactment on 8 December 2016.\(^\text{163}\) The «India Amendment» mandated the Secretary of Defense and Secretary of State to jointly act to «recognize India’s status as a major defense partner of the United States», and to «designate an individual within the executive branch», who would «help to resolve remaining issues impeding United States-India defense trade, security cooperation, and co-production and co-development opportunities». More generally, the two US Secretaries were directed to act in such a way as to «facilitate the transfer [to India] of advanced technology» and «enhance defense and security cooperation with India in order to advance United States interests in the South Asia and greater Indo-Asia-Pacific regions».\(^\text{164}\) In order to highlight the Congress interest in the concrete implementation of a military partnership with India, the «Indian Amendment» mandated the two Secretaries to jointly submit, «not later than 180 days after the enactment of this Act, and annually hereafter» a report «on how the United States is supporting its defense relationship to India» in relation to the objectives highlighted in the Act. They were also instructed to conduct an assessment – «on ongoing bases» – of the extent to which «India possess capabilities to support and carry out military operations of mutual interest to the United States and India». In turn, this assessment was to be used by the President «to inform the review by the United States of requests to export defense articles, defense services, or related technology to India».\(^\text{165}\)

Although short on specifics, the «Indian Amendment» clearly highlighted the bipartisan Congressional consensus on the fact that India was seen as a precious instrument in propping up the US military hegemony in the Asia-Pacific, and, consequently and within the limits defined by this task, deserving of receiving all the necessary military technology, including high tech weaponry. Also, the «Indian Amendment» had been thought as

\(^{163}\) For the process leading to the insertion of the «Indian Amendment» in the US Defence budget for the year 2017 see ‘US Congress seeks major defence partner recognition for India’, The Indian Express, 1 December 2016; ‘Recognise India as America’s Major Defence Partner, US Congress Asks Obama Administration’, Swarajiya, 1 December 2016; ‘US vows to expand ties with «major defence partner» India as Ashton Carter meets Manohar Parrikar’, The Times of India, 8 December 2016; ‘US Congress passes bill declaring India «major defence partner»’, Hindustan Times, 9 December 2016.


\(^{165}\) Ibid., pp. 565-66.
a legal proviso binding the new Trump administration, which was about to take charge on 20 January 2017.

The bilateral aspect of the Major Defense Partnership was taken care during Ashton Carter last official visit to India, soon after the approval of the National Defense Authorization Act 2017. When meeting for an unprecedented seventh time, the US Defense Secretary and the Indian Defense Minister announced the finalisation of the Major Defense Partnership between the US and India (8 December 2016). Although the details of the benefits accruing to India were not made public, the US engaged at institutionalising «the progress made to facilitate defense trade and technology sharing with India to a level at par with that of the United States’ closest allies and partners». Quite truthfully, in commenting the state of US-India relationships, Ashton Carter noted that «defense relations» had become a «major driver» in Indo-US bilateral relations.

4.2. The India-China relationship

4.2.1. The contingent and long term difficulties in the relationship

As noted above, during the year under review, the India-China relationship became increasingly adversarial, in spite of some half-hearted attempts by the two parties to play down their differences. The dismal state of the bilateral relationship was epitomized by two decisions by China: its role in stopping in its track India’s application to the NSG – which has been discussed above – and its «technical hold» on India’s request to the UN to designate Masood Azhar as a terrorist. Masood Azhar, a Pakistani national, was held responsible by India for several terrorist attacks, among which there were the 13 December 2001 attack on the Indian Parliament and, during the year under review, the attack on the Pathankot airbase (which is discussed below). Hence India’s request to the UN 1267 Committee to des-
ignore Azhar as a terrorist, which would impose a global travel ban and an international asset freeze on him. The UN 1267 Committee, made up by 15 member countries and in charge of imposing sanctions on terrorist Islamic organizations, had already declared Jaish-e-Mohammad, the Pakistan based organization founded and headed by Masood Azhar, as an al-Qā‘ida-related terrorist outfit in 2001.\textsuperscript{170} This and Masood Azhar well known terrorist activities should have made the acceptance of India’s request – which was co-sponsored by the US, the UK and France – a foregone conclusion. However, China put a «technical hold» on it, for the first time on 31 March 2016 and for a second time on 1 October 2016, which, as the 1267 UN Committee works on consensus, was enough to thwart India’s request.

As China herself has to tackle what she defines Islamic terrorism in her own Xinjiang Uyghur Autonomous Region, and given a world environment of «growing global crescendo against terrorism»,\textsuperscript{171} her obdurate stand on Masood Azhar, which isolated her from the other 14 members of the 1267 Committee, was somewhat surprising. It has been explained by pointing out to several motives: the growing strategic and economic closeness between China and Pakistan, and the pivotal role of the latter in defending China’s interests in such organizations as the Organisation of Islamic Cooperation, where China is not represented; India’s increasingly closeness to the US, which was perceived by China as a threat; and last but not least China’s resentment towards India for offering protection and asylum to the Dalai Lama, who, in defending Tibetan rights in Tibet, was seen by China as playing a role equivalent to that of Masood Azhar, as a self-proclaimed defender of Muslim rights in India.\textsuperscript{172}

When all this is said, the fact remains that both the NSG and the Masood Azhar spats were less the cause than the symptoms of a deep-seated malaise affecting the bilateral relations between the two Asian giants. This malaise had as its possibly starting point the 1962 India-China war and the inability/unwillingness of both parties to find a lasting solution to the problems of which the 1962 war was both the consequence and the cause. This does not mean that there have not been attempts to solve the problems dividing the two giant neighbours; but it certainly means that these attempts have not been sustained and persistent enough. No doubt, the reciprocal lack of trust and respect between the two peoples at large, which could not but be reflected in the attitude the two political leaderships, and

\textsuperscript{170} A good introduction to the history of Jaish-e-Mohammad and Masood Azhar’s activities is given by Muzamil Jaleel, ‘Explaining the history of Masood Azhar’s Jaish-e-Mohammad, the mystery of its re-emergence’, \textit{The Indian Express}, 5 January 2016.

\textsuperscript{171} ‘China’s hold on Masood Azhar’s UN terror listing to lapse soon’, \textit{The Times of India}, 27 September 2016.

\textsuperscript{172} Elizabeth Roche, ‘Why is Masood Azhar so important to China?’, \textit{Live Mint}, 17 October 2016.
which weakened the political actions of the few leaders willing to close the
gap between the two nations, has been a main cause of the substantial fail-
ure of the past attempts to rapprochement.

Regrettably, even some of the strategies which have been pursued
to close the gap between the two nations have unexpectedly backfired. This is the case of the economic connection, whose enhancement started
to be pursued in earnest in particular following the visit of Indian prime minister Atal Behari Vajpayee to China in 2003. Since then, the
economic interexchange between the two Asian giants has spectacularly
grown, but so has India’s trade deficit vis-à-vis China. In the assessment
of the President of the Confederation of Indian Industry, Naushad Forbes: «From just about $3 billion in trade at the turn of the century, the [two] countries are now eyeing $100 billion worth of merchandise trade. However, the imbalanced nature of this engagement raises is-
sues of sustainability». In fact, as noticed by The Wall Street Journal:
«Some of China’s biggest exports to India are telecommunications equip-
ment, computer hardware, industrial machinery and other manufactured
goods», while «India sends back mostly raw materials such as cotton yarn, copper, petroleum products and iron ore». Given the different added
value of the two typologies of goods, India’s trade deficit vis-à-vis China
was a foregone conclusion. Of course, the deficit against India in the commercial balance could have been rectified by increasing Chinese investments in India. But in spite
of India’s rosy expectations on the subject, this had not happened or, rather,
had happened in an inadequate manner. While India was well-aware of the
problem and the need to solve it, China, in spite of some fair promises, still during the year under review did not take any concrete step in the direc-
tion wished for by India.

4.2.2. The India-China competition in Asia and Africa

Even without the specific reasons of friction which have character-
ized the India-China relation at least since the early 1960s, two neighbour-

ing and rapidly growing giant countries, with clear and understandable ambitions to wield their influence on the world stage – such as China and India have been since the late 1970s and the early 1990s respectively – were, in a way, bound to enter into a competition. This, of course, is exactly what has happened and what did characterize their respective foreign policies in Asia and Africa also in the year under review. India, in competition with China, attempted to strengthen its influence in Africa;\(^\text{178}\) continued to reinforce its connection with Vietnam; and backed Indonesia’s position on the South China Sea dispute with China.\(^\text{179}\) On its part China, in direct competition with India, strengthened its presence in Nepal and in Bhutan, tried to do the same in Bangladesh and in Sri Lanka, and, more importantly, went on with its project to make of Pakistan the fulcrum of the gigantic Belt and Road Initiative (formerly the One Belt One Road or OBOR project).

4.2.3. India and the China-Pakistan Economic Corridor

There is no need to dwell on the OBOR as it has been discussed elsewhere in this and in the past issues of Asia Maior. What it is important to stress here is that the OBOR is generally perceived by New Delhi as an exclusively geostrategic project, which has among its main targets that of surrounding and isolating India with a series Chinese-controlled bases and areas of influence. The economic imperative which is driving China in implementing the OBOR and which is possibly the project main engine, while clearly seen by many Asian countries – including the majority of the South Asian ones – has constantly been ignored by the bulk of Indian politicians and intellectuals.\(^\text{180}\) Now, in 2016, the pivot of the whole project appeared to be the China-Pakistan Economic Corridor (CPEC). As noted by former Indian Ambassador Talmiz Ahmad – one of the few intellectuals to have a well-balanced and on the whole positive view of the project: «Finalised in April 2015 on the basis of 51 agreements, the CPEC consists of a series of highway, railway and energy projects, emanating from the newly developed port of Gwadar on the Arabian Sea [and connected to Western China], all of which taken together will be valued at $46 billion. These projects will generate 700,000 jobs in Pakistan and, when complet-


ed, add 2-2.5% to the country’s GDP».181 Of course, being the pivot of a project which is seen by India as a geostrategic threat, the CPEC has been openly criticized by India. This criticism had been grounded on two main points: the first is that the corridor will go through sections of the former princely state of Kashmir, which have been annexed by Pakistan but that India still claims as part of its own territory; the second objection is that, in spite of what is claimed in the OBOR vision and action plan document – highlighting the need to subordinate the implementation of the project to extensive consultations with the affected countries –182 no consultation with India has preceded the launching of the CPEC, which «was presented [to India] as a fait accompli».183

Badly concealed by these denunciations, there is the fact that the OBOR in general and the CPEC in particular are seen by India as targeted to promoting an exponential growth of Chinese influence in Asia – which, in turn, is seen as _per se_ detrimental to India’s own influence – and bound to disconnect India from its own hinterland. In fact, according to this interpretation, the «CPEC is rewriting the economic geography and regional integrity of the subcontinent in a manner that will require more than a tactical, episodic response».184 This is a direct result of the fact that the CPEC is bound to firmly connect Pakistan to Xinjiang, breaking its admittedly tenuous but potentially strong historic connection with the remainder of the India subcontinent and creating «a new economic and strategic geography that China wants to define».185 By doing this the CPEC not only will open a rapid access to the Indian Ocean for China, but will give it «a presence and for all purposes a colony [sic!] that will allow it room for immediate military and political influence in India’s neighborhood and West Asia».186

4.3. The India-Pakistan relationship

What just said about the lenses through which India sees the CPEC can be kept in mind as a necessary backdrop of the analysis of the deteriorating relations between India and the most powerful of its South Asian neighbours, namely Pakistan.

183. Ibid.
185. Ibid.
186. Ibid.
4.3.1. The deterioration of the India-Pakistan relationship: From the Pathankot attack to Modi’s Independence Day speech

The present authors’ analysis of the evolution of the India-Pakistan relationship in 2015 ended by highlighting its unexpected turn for the better epitomised by India’s External Affairs Minister Sushma Swaraj and her Pakistani counterpart Sartaj Aziz talks in Islamabad, followed on 25 December by Narendra Modi’s «surprise move», namely his «unscheduled stopover» in Lahore, to meet the Prime Minister Nawaz Sharif on his birthday. However, the present authors also cautioned their readers that the history of the difficult Pakistan-India relationship, «particularly in the last few decades», was such to make anybody sceptical about the fact that any sudden positive turn could really last over time. They pointed out that: «Both in Pakistan and India there are powerful interests which militate against any real and long-lasting detente between the two countries.» This explained why, «in the past decades, any positive diplomatic steps aimed at pushing forward meaningful negotiations between Islamabad and New Delhi have inevitably been marred by the increase in incidents along the border and, sometimes, by terrorist attacks.»

In 2016, the above (easy) prophecy was soon proven right: at the beginning of the year the Indian air force base of Pathankot, in Punjab, was attacked by a six men terrorist commando coming from Pakistan (2-4 January). Before all the terrorists were eliminated, seven Indian soldiers were killed and another 20 were wounded. Also, the Pathankot attack was coupled by the abortive attempt to storm the Indian Consulate in the Afghan city of Mazar-e-Sharif (4 January), an attempt in which one or more Pakistani military were said to be involved.

Although the two terrorist attacks did not immediately put an end to «the recent Modi-Sharif camaraderie in Lahore», they nevertheless caused a suspension of the already planned Indo-Pak Foreign Secretary-level talks, which were supposed to launch the «Comprehensive Bilateral Dialogue» announced by Swaraj and Aziz in Lahore. However, although bleak, the situation was not without silver linings, as shown by two facts. The first was that Masood Azhar, the head of Jaish-e-Mohammed, namely

188. Sudha Ramachandran, ‘Indo-Pak peace talks should continue despite terrorists’ bid to derail them’, Asia Times, 9 January 2016. On the involvement of Pakistani military see the testimony of Sayed Kamal Sadat, police chief of the Balkh province, as reported in ‘Blast near Indian consulate in Afghanistan’s Jalalabad’, Times of India, 13 January 2016.
189. Sudha Ramachandran, ‘Indo-Pak peace talks should continue’.
the Pakistan-based terrorist outfit which the Indian authorities immediately pointed out as responsible for the Pathankot attack, was put «under protective custody» by the Pakistan authorities; the second positive development was that India and Pakistan agreed on the sending of a special Pakistani team to Pathankot, to investigate the terror attack.\footnote{‘India to help Pakistan probe Pathankot terror attack’.}

In the following months, both measures did not have any significant follow-up: Masood Azhar disappeared from public view\footnote{Azhar reappeared at the beginning of October, when he addressed by phone thousands of his supporters, who were taking part in a very well organised rally in Muzaffarabad. ‘The return of Masood Azhar’, \textit{Dawn}, 8 October 2016.} and the Pakistani enquiry on the Pathankot attack did not led to any tangible result.\footnote{‘Rajnath’s Pakistan Visit Will Be Template for Justifying Modi Trip Admist No Improvement in Ties’, \textit{The Wire}, 29 July 2016.} In spite of this, the relationship between the two countries did not appear to be beyond repair, as shown by the fact that Indian officials made clear that, anyway, Modi would take part in the SAARC meeting, to be held in Islamabad on 9-10 November.\footnote{\textit{Ibid.} SAARC is the South Asian Association for Regional Cooperation.}

Things, however, started to decisively worsen following the resurfacing of the Kashmir problem.\footnote{The Kashmir problem is too complex a topic to be dwelt here, even in an introductory fashion. On it, see Victoria Schofield, \textit{Kashmir in Conflict. India, Pakistan and the Unfinished War}, London: I.B. Tauris, 2000, and Marco Valerio Corvino, ‘The resurfacing of the Kashmir question as an internal Indian problem’, in this same volume.} On 8 July, the killing by Indian security forces of Burhan Wani, the young and charismatic leader of Jaish-e-Mohammed, a Kashmiri anti-Indian militant group, suddenly triggered a new and massive wave of popular unrest in the Kashmir Valley.\footnote{The Kashmir Valley is by far the most populous area in the state, which makes of Jammu and Kashmir the only Muslim majority state in India. For an analysis of the 2016 unrest in the Kashmir Valley, see Marco Valerio Corvino, ‘The resurfacing of the Kashmir question as an internal Indian problem’, in this same volume.} This, in turn, offered the opportunity and, at the same time, in a way, forced the Pakistani political leadership to play its time-tested role of defender of the Kashmiri people. Pakistan has never renounced the claim that the whole of the formerly princely state of Kashmir – which India and Pakistan partitioned between themselves by force of arms in 1947-48 – is legitimately part of Pakistan. The claim is based on the fact that Pakistan was born as the fatherland of the Muslims living in colonial India and that the princely state of Kashmir had a Muslim majority. Accordingly, Pakistan has always presented itself as the defender of the rights of the Kashmiri people in India-held Kashmir.

\footnote{191. ‘India to help Pakistan probe Pathankot terror attack’.} \footnote{192. Azhar reappeared at the beginning of October, when he addressed by phone thousands of his supporters, who were taking part in a very well organised rally in Muzaffarabad. ‘The return of Masood Azhar’, \textit{Dawn}, 8 October 2016.} \footnote{193. ‘Rajnath’s Pakistan Visit Will Be Template for Justifying Modi Trip Admist No Improvement in Ties’, \textit{The Wire}, 29 July 2016.} \footnote{194. \textit{Ibid.} SAARC is the South Asian Association for Regional Cooperation.} \footnote{195. The Kashmir problem is too complex a topic to be dwelt here, even in an introductory fashion. On it, see Victoria Schofield, \textit{Kashmir in Conflict. India, Pakistan and the Unfinished War}, London: I.B. Tauris, 2000, and Marco Valerio Corvino, ‘The resurfacing of the Kashmir question as an internal Indian problem’, in this same volume.} \footnote{196. The Indian state of Jammu and Kashmir is subdivided in Jammu, the Kashmir Valley and Ladakh. Ladakh – the widest area in the state – is sparsely populated by people who mainly follow Buddhism; Jammu is populated by Hindus and the Kashmir Valley by Muslims. However, the Kashmir Valley is by far the most populous area in the state, which makes of Jammu and Kashmir the only Muslim majority state in India. For an analysis of the 2016 unrest in the Kashmir Valley, see Marco Valerio Corvino, ‘The resurfacing of the Kashmir question as an internal Indian problem’, in this same volume.}
Although the massive majority of the Kashmiri Muslims do not identify with either Pakistan or the brand of Islam there prevailing, the fact remains that the policy of defender of the Kashmiri in India not only has consistently been followed by all Pakistani governments, but has conquered the support of the Pakistani public opinion. This being the situation, ignoring the Kashmiri unrest would have been politically risky for the Sharif government. Accordingly, Sharif took the plunge and started to denounce what was happening in the Kashmir Valley. Following even here a time-tested Pakistani strategy, Pakistan’s Prime Minister also tried to internationalise the Kashmir question. He called the Middle Eastern countries to raise their voices «over the grave human rights violations taking place in India-held Kashmir» and wrote on the subject to UN Secretary General Ban Ki-moon and UN High Commissioner for Human Rights Zeid Ra’ad. All this could not but have repercussions on India’s attitude towards Pakistan. Indeed, Indian Prime Minister Narendra Modi not only answered in kind to Sharif’s anti-Indian démarche, but upped the ante. In mid-August, he publicly denounced Pakistan for human rights abuses against its own citizens not only in the Pakistani part of Kashmir, but in the Pakistani southern province of Balochistan. Modi publicly brought up these topics twice: the first time during an «all-parties conference», convened on 12 August by the Indian Prime Minister to discuss the unrest.

197. Even as recently as 2009, an opinion poll designed by Dr Robert Bradnock, of King’s College, London, and Ipsos MORI and administered by Ipsos MORI in conjunction with FACTS Worldwide, showed that only a microscopic minority among the Kashmiris based in the Kashmir Valley – from 2 to 7% - favoured the annexation of Kashmir to Pakistan. Indeed, a massive majority – from 75 to 95% - was for independence. See Robert Bradnock, Kashmir: Paths to Peace, London: Chatham House, 2010, in particular Section 6, Options for the political future. The report is also available at https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Asia/0510pp_kashmir.pdf.


200. The Pakistani part of Kashmir is called «Azad Kashmir», namely «free Kashmir», by Pakistan and «Pakistan Occupied Kashmir (POK)» by India. In a way, adopting one or the other label means to implicitly espouse either the Pakistani or the Indian official position vis-à-vis the Kashmir question. As the present authors’ views do not coincide with either, they have tried to make as little use as possible of both the terms «Azad Kashmir» and «Pakistan Occupied Kashmir/POK».

in the Kashmir Valley; the second time three days later, during his 15 August Independence Day address to the nation. In the latter occasion, Modi not only repeated the accusations made on 12 August, but claimed to be speaking in the name of the people of Balochistan, Pakistan Occupied Kashmir and Gilgit-Baltistan.\footnote{202}

Modi’s remarks, although somewhat justified by the Pakistani diplomatic offensive, did sign the opening of a new and more aggressive phase in India’s Pakistan policy. Indian politicians had routinely criticized Pakistan for its behaviour on the two sides of Kashmir, which was justified by the fact that – exactly as Pakistan – India officially claims the whole of the formerly princely state of Kashmir as its own.\footnote{203} However, attacking Pakistan for its policies in Balochistan was something unprecedented, which denoted «a first, and deliberate, shift in India’s consistent policy of refraining from commenting on the internal affairs of another country».\footnote{204}

More importantly, Modi’s claim to speak on behalf of the inhabitants of Balochistan was a not so veiled threat to the unity of Pakistan. In uttering it, Modi was making his own the strategy of «offensive defence» originally advocated in February 2014 by Ajit Doval (whom Modi had chosen as his National Security Advisor a few months later). Illustrating its «offensive defence» theory at the 10\textsuperscript{th} Nani Palkhivala Memorial Lecture at SASTRA University in February 2014, Doval had said, «You [Pakistan] can do one Mumbai [the reference is to the 2008 Mumbai terror attack], you may lose Balochistan».\footnote{205}

\section*{4.3.2. Teetering on the brink of war? From the Uri terrorist attack to the «surgical» Indian military strikes inside Pakistan}

An already tense situation took a new turn for the worse on 18 September, when a four men commando coming from Pakistan-held Kashmir attacked an Indian military base at Uri. Before the four assailants could be disposed of, 17 Indian soldiers had been killed and at least 20 critically

\footnote{202} The part of the formerly princely state of Kashmir now part of Pakistan has been divided in two different provinces: Azad Kashmir and Gilgit-Baltistan. For the full text of Modi’s 15 August 2016 speech see: ‘Narendra Modi’s speech on Independence Day 2016: Here’s the full text’, \textit{The Indian Express}, 15 August 2016.

\footnote{203} India’s claim is based on the fact that the last ruling maharaja of Kashmir, Hari Singh, signed an «instrument of accession» of its state to India.

\footnote{204} ‘Answering Pakistan’s provocation’, \textit{The Hindu}, 17 August 2016.

\footnote{205} Videos of Ajit Doval’s speech at SASTRA University are available at https://www.youtube.com/watch?v=N7ESR5RU3X4 and https://www.youtube.com/watch?v=MH44LwtetWw. See also Neha Dwivedi, ‘«You can do one Mumbai, you may lose Balochistan»: NSA Ajit Doval, in Feb 2014’, \textit{The Hindu}, 6 January 2015. When Modi publicly took the new position on Balochistan, the «shifting of gear» (in Ajit Doval’s words) to a more aggressive stance vis-à-vis Pakistan had been already hinted at more than once not only by Ajit Doval but by Defence Minister Manohar Parrikar. See Ashok K. Mehta, ‘Talking tough with Pakistan’, \textit{The Hindu}, 18 July 2015.
injured in what was «the most deadly attack on Indian troops in Kashmir in more than two decades».  

Not surprisingly this brought about the vociferous request by the Indian public opinion to «punish» Pakistan. To it Modi responded with a set of different policies. While the possibility of a «swift» military strike against Pakistan was taken into consideration, Modi denounced Pakistan as a global sponsor of terrorism not only in India but also in Afghanistan and Bangladesh and announced that India would mount a global diplomatic campaign to isolate Islamabad.

More ominously, the Indian Prime Minister chaired a meeting to review the Indus Waters Treaty, namely the 1960 water-distribution treaty which allocated the exploitation of the rivers flowing through historical Punjab (which had been partitioned by India and Pakistan in 1947). According to the treaty, the exploitation of the waters of the Indus, the Chenab and the Jhelum (the «western rivers») went to Pakistan and that of the Beas, the Ravi and the Sutlej (the «eastern rivers») went to India. Although the Indian Government did not seem intentioned to violate the letter the treaty, it appeared willing to exploit to the maximum some loopholes in the treaty, which allowed India to make use of the waters of the rivers assigned to Pakistan for «non-consumptive» uses. Also, the Indian government decided to suspend the twice-a-year meeting between the Indus water commissioners of the two nations.

The problem of the sharing of the waters of the «eastern rivers» pre-dated the beginning of the Uri-triggered India-Pakistan crisis and was such to cause much anxiety in Pakistan, namely a country which was already coping with a situation of increasing hydric scarcity. Even before the beginning of the Uri-triggered crisis, Pakistan was so alarmed by the cavalier manner in which India was planning to build two major hydropower projects on the

211. ‘India to speed up hydropower building on rivers flowing to Pakistan’, Dawn, 27 September 2016
212. ‘Blood and water can’t flow together, says PM Modi at Indus Water Treaty meeting, Govt plans cross-border river strategy’, The Indian Express, 27 September 2016.
Chenab and Jhelum rivers to have decided to bring the matter to the International Court of Arbitration.213

Another diplomatic weapon brandished by Modi against Pakistan in the post-Uri attack period was the decision to boycott the November SAARC summit in Islamabad. On 27 September, it was officially announced not only that India would not take part in the November meeting in the Pakistani capital, but that Afghanistan, Bangladesh and Bhutan would do the same, which, de facto made the meeting impossible.214

The above diplomatic strategies had convinced some observers that they were being implemented instead of a military reprisal. Eventually, however, even this was carried out (28 September). In a five-hour blitz, Indian ground forces supported by helicopter gunships allegedly crossed the LoC («Line of Control», the de facto border in Kashmir) and attacked seven «terrorist launching pads» inside Pakistan territory, inflicting «significant casualties» on «terrorists and those trying to shield them».215

4.3.3. Upgrading the military and diplomatic pressure on Pakistan: from the fire exchanges along the LoC to the denunciation of Pakistan as the «mother-ship» of international terrorism

As a matter of fact, what had amounted to the 28 September «surgical strikes» and if they had been something qualitatively different from the usual more or less heavy exchanges of artillery and light weapon fire along the LoC remained contentious. The Pakistan army simply denied that any «surgical strike» had been carried out, whereas the Indian newspapers wrote enthusiastic articles describing – allegedly on the basis of «eyewitnesses living across the Line of Control» – the «brief but intense fire engagements that destroyed makeshift buildings that housed jihadists» and the «bodies of those killed in clashes» being collected and «loaded onto trucks for secret burials.»216 On his part, Indian analyst and former

214. Wasantha Rupasinghe, ‘India launches campaign to «punish» Pakistan’, World Socialist Web Site, 28 September 2016. The SAARC meeting was officially cancelled by Pakistan on 30 September.
216. Praveen Swami, ‘Surgical strikes: Bodies taken away on trucks, loud explosions, eyewitnesses give graphic detail’, The Indian Express, 7 October 2016. Indeed it is not clear to these authors how Indian journalists could interview «eyewitnesses living across the Line of Control», as claimed by Praveen Swami. After all, Indian journalists are not at liberty to cross the LoC in order to interview the people living on the Pakistan side of the border.
Ambassador M. K. Bhadrakumar, on the basis of a careful analysis of what had been officially stated by the representatives of both the Indian government and the Indian military, after noticing that «almost the entire Indian media coverage is based on off-the-record briefings or hearsay, or, worse still, the fiery imagination of journalists», appeared inclined to espouse Pakistan’s version.\textsuperscript{217} Also two Washington Post’s journalists – who, differently from their Indian counterparts, were able to visit three areas along the Pakistan side of the LoC, supposed to be the theatre of the «surgical strikes» – could not find any confirmation that India «had sent armed troops to conduct late-night ‘surgical strikes’ on militant targets».\textsuperscript{218} The point is that, as noted by a research fellow at a Singaporean centre studying political violence and terrorism: «Notwithstanding its superior conventional might, India does not possess the skills, knowledge and technical resources to conduct precision airstrikes or ground hot-pursuit inside Pakistani territory».\textsuperscript{219}

Summing up, a final judgement on the effective nature and consistency of the 28 September surgical strikes must wait for more substantial proofs than the ones available at the closing of the present article. What is indubitable, however, is that, from the time of the supposed «surgical strikes» the exchanges of fire along the LoC multiplied in intensity and number, continuing up to the end of the period under review. Of course, this caused losses in human life, amounting to several scores, particularly among civilians,\textsuperscript{220} without, on the other hand, changing in the least the military situation on the ground.

While the fire exchanges were occurring along the LoC, India upgraded its diplomatic pressure on Pakistan. As above noted, at the beginning of October, New Delhi renewed the attempt, already made in April, to have Jaish-e-Mohammad chief Masood Azhar declared as a UN-designated

\textsuperscript{217} M. K. Bhadrakumar, ‘India’s «surgical strikes» remain an enigma’, \textit{Indian Punchline}, 2 October 2016. See also, of the same author, ‘India’s terrorism narrative needs rethink’, \textit{Indian Punchline}, 18 October 2016, where Bhadrakumar states: «As regards ‘surgical strikes’, the only written statement or document so far attributable to government merely says that the ‘surgical strikes’ took place ‘along the LOC’». He rightly points out: «Now, you don’t have to be a PhD in [the] English language to know there is some difference between ‘along’ and ‘across’».


\textsuperscript{219} Abdul Basit, ‘India-Pakistan tensions back on the rise’, \textit{East Asia Forum}, 19 October 2016.

\textsuperscript{220} Alex Lantir, ‘Death toll rises to 25, as India-Pakistan border clashes heighten war danger’, \textit{World Socialist Web Site}, 2 November 2016; Wasantha Rupasinghe, ‘Indo-Pakistan tensions escalate’, \textit{World Socialist Web Site}, 8 November 2016; Sampath Perera and Keith Jones, ‘Death toll mounts, as India-Pakistan tensions seethe’, \textit{World Socialist Web Site}, 24 November 2016. Even from the scattered references in the sources just quoted, it is clear that human life losses amounted at not least than 40, but possibly much more.
terrorist, and, as in April, the attempt failed because of China’s opposition. Then, on 27 November, «breaking an unwritten 13-year old India-Pakistan code of conduct», Indian authorities detained a staffer of the Pakistan high commission in New Delhi, interrogated him and finally expelled him for «espionage activities». This triggered an unexpectedly wide round of expulsions and counter-expulsions by the two sides, from which India did not come out with flying colours.221

More significant was the steady attempt carried out by India’s political leadership, aimed at internationally isolating Pakistan. India’s decision not to attend the November SAARC summit in Islamabad, followed by the identical decision taken by Afghanistan Bangladesh, Bhutan and Sri Lanka, forced Pakistan to cancel the meeting (30 September 2016). This was followed by Modi’s attack on Pakistan, during the eighth BRICS summit, at Goa (15-16 October). The Indian Prime Minister alluded to India’s western neighbour as the «mothership» of terrorism, and claimed that: «Terror modules around the world are linked to this mothership.» However, not surprisingly, Modi’s attempt to make the BRICS countries «speak in one voice against this threat» got no response. Both China and Russia had increasingly strong ties with Pakistan, while, clearly, Brazil and South Africa did not appear over worried by «terror modules» which did not operate against them and had no interest to do that in a conceivable future.222

Modi was more successful at the 4th Heart of Asia meeting, held on 4 December in Amritsar. As stated in the organization website, the Heart of Asia – Istanbul process is a gathering of nations and international organizations which provide «a platform for sincere and results-oriented regional cooperation». This platform places Afghanistan at its centre, «in recognition of the fact that a secure and stable Afghanistan is vital to the prosperity of the Heart of Asia region.»223 Before the Amritsar meeting, Pakistan had signalled its intention to try to re-launch the negotiation process with India. However, Sartaj Aziz, Pakistan’s de-facto Minister of Foreign Affairs, was snubbed by his Indian hosts – who went so far not to allow him to hold a press conference or to leave his hotel when not engaged in the conference proceedings.224 More important,


India and Afghanistan mounted a «coordinated attack» on Pakistan, accusing Islamabad to promote terrorism in both India and Afghanistan.\textsuperscript{225}

At the end of the period under review, India’s diplomatic offensive on Pakistan had had mixed results. New Delhi had been able to isolate its western neighbour inside the SAARC region, but, beyond it, its attempts had substantially failed. Of course, they had failed because they were unrealistic and overambitious. Modi had clearly counted on the fact that, while the US-India relations were on the upswing, US-Pakistan relations had become increasingly cold. However, the cooling down of US-Pakistan relations\textsuperscript{226} had been more than counterbalanced by the strengthening of Pakistan’s economic relations with China and its military relations with Russia. To India’s consternation, on the top of it, on 30 November, came US President-elect Donald Trump’s unexpected phone conversation with Pakistan Prime Minister Nawaz Sharif, where the former praised Pakistan as a «fantastic country, fantastic place of fantastic people.»\textsuperscript{227} More ominously for India, Trump was reported saying to Sharif: «I am ready and willing to play any role that you want me to play to address and find solutions to the outstanding problems.»\textsuperscript{228} In other words, Trump offered himself as a mediator in the Kashmir question, going against India’s long-standing position that Kashmir was an exclusively bilateral India-Pakistan problem. Of course, while writing these lines is simply too early to judge if Donald Trump’s words will be followed by hard facts. Certainly, however, they helped to put a question mark on the success of Modi’s policy aimed at isolating and pressuring Pakistan, rather than engaging it.

4.4. The India-Nepal relationship

The other South Asian neighbour with which India had a rather tempestuous relationship during the year under review was Nepal. The year opened while the unofficial blockade imposed by India on Nepal since mid-September 2015 was still on.\textsuperscript{229} However, already at the end of 2015 some


\textsuperscript{226}. Anyway, the US still needed Pakistan’s cooperation in Afghanistan. In spite of India’s lobbying, Pakistan-US relationship could cool down, but was far from its breaking point.

\textsuperscript{227}. Jon Boone, ‘‘Terrific guy, fantastic country’’: Trump heaps praise on Pakistan’s leader’, \textit{The Guardian}, 1 December 2016.

\textsuperscript{228}. \textit{Ibid.}

\textsuperscript{229}. On the reasons behind the blockade and the role of India in it, see Torri & Maiorano, ‘India 2015: The uncertain record of the Modi Government’, pp. 396-401. India claimed that the blockade was the handiwork of the Madhesi people, inhabiting the Terai region and dissatisfied because of the recently approve Constitution. According to India’s spokespersons, trade from India to Nepal had stopped because, as a result of the ongoing Madhesi agitation, Indian truck drivers feared for their lives.
signs were visible that the blockade was about to be lifted.\textsuperscript{230} This indeed happened in early February.\textsuperscript{231}

According to some Nepal’s official sources, already at the end of December, the blockade had inflicted economic damages on the Nepali population which were about to become bigger than those caused by the devastating earthquakes of April and May 2015, and were already causing a major humanitarian crisis.\textsuperscript{232}

The unofficial blockade caused such damages because most Nepali foreign trade is mainly with India or, anyway, goes through India.\textsuperscript{233}

Although the end of the unofficial blockade was followed by New Delhi’s pledge (16 February 2016) to give US$ 250 million to Kathmandu for post-earthquake reconstruction,\textsuperscript{234} the relationship between the two neighbouring countries had by then reached an all-time low. Not surprisingly, the bulk of the Nepali people, which had enthusiastically welcomed Narendra Modi’s visit to Nepal less than two years before (August 2014), had now turned anti-Indian.\textsuperscript{235} On their part, the incumbent Nepali government had become convinced of the necessity to widen Nepal’s connections with China, beside India the only other country with which Nepal has a shared border.

In March, Nepali Prime Minister K. P. Sharma Oli, invited by Chinese premier Li Keqiang, visited China and signed ten agreements. Among them there was a transit agreement, which allowed the land-locked Himalayan country to make use of the Chinese port of Tianjin; the Chinese pledge

Strangely enough, as noted by Indian senior journalist Prem Shankar Jha, «drivers of trucks carrying fruit and vegetables did not seem to share this insecurity» and went on undisturbed with their trade. Prem Shankar Jha, ‘India’s Big Brother Approach Will Not Work With Nepal Anymore’, \textit{The Wire}, 14 April 2016. To be badly hit was the trade of fuel and medicines, which severely affected hospitals, transport and power generation. W. A. Sunil, ‘India steps up pressure on Nepal’, \textit{World Socialist Web Site}, 5 February 2016; ‘Nepal blockade: Six ways it affects the country’, \textit{BBC News}, 12 December 2015.


\textsuperscript{232} ‘Nepal blockade: Six ways it affects the country’.


\textsuperscript{234} ‘India pledges $250 million to help rebuild quake-hit Nepal’, \textit{Asia Times}, 20 February 2016.

to give Nepal US$ 216 million to build both an airport at the Nepali city of Pokhara and a bridge at the Nepali town of Hilsa, connecting the western part of Nepal by road to Tibet. Even more important was the proposal to build a 562-km railway connection between Kathmandu and Lhasa, which would insert Nepal’s railways into the Chinese network of high speed trains.\textsuperscript{236} Also, Oli signed a free trade agreement with China and engaged Nepal to join the OBOR initiative.\textsuperscript{237}

All these projects, if implemented, would cause a major shift in the geopolitical position of Nepal, ending India’s de facto monopoly on Nepali foreign trade, which, in turn, powerfully contributed to make of Nepal a de facto Indian protectorate. However, the implementation of the projects connecting Nepal to China would take time, given the extremely difficult configuration of the terrain on which the proposed infrastructures were to be built. This gave New Delhi all the necessary time to react.

Having discarded the blunt and counterproductive instrument represented by the blockade, India started to operate to bring down Oli’s government. It did so by supporting Sher Bahadur Deuba, leader of the Nepali Congress, a pro-India opposition party, which, however, was the biggest party in the Nepali assembly, and by mediating an alliance between Deuba’s party and the Maoist United Communist Party of Nepal (UCNPM), one of the main parties supporting Oli coalition government. The UCNPM was led by Pushpa Kamal Dahal, a former chief of the Maoist insurgency, still known with his old nom de guerre, Prachanda, namely the «fierce one». The India-mediated alliance between the two parties and their respective leaders had an element of irony, considering that in 2001, during the long civil war that had torn the Himalayan country apart, Deuba had put a bounty of 5 million rupees (US$ 50,000) on Prachanda’s head, and that, two years later, Maoist insurgents had tried to kill Deuba while he was travelling in West Nepal.\textsuperscript{238} However, the attempt to bring the two parties together – an operation which went underway already in April 2016 and saw the active participation of Indian Foreign Minister Sushma Swaraj –was eventually successful. After a false start, it eventually reached its target, bringing about the exit of the UCNPM from the governing coalition and causing the fall of the Oli government on 24 July.\textsuperscript{239}


\textsuperscript{237} Prem Shankar Jha, ‘India’s Big Brother Approach Will Not Work With Nepal Anymore’.

\textsuperscript{238} Gopal Sharma, ‘Nepal picks Maoist as PM, amid revolving-door politics’, \textit{Reuters}, 3 August 2016.

\textsuperscript{239} M. K. Bhadrakumar, ‘India stares at complete breakdown of ties with Nepal’; W. Sunil, ‘Nepal accuses India of attempting regime change in Kathmandu’, \textit{World Socialist Web Site}, 26 May 2016; Utpal Parashar, ‘Nepal PM Oli appears set to lose no-confidence vote as allies depart’, \textit{Hindustan Times}, 24 July 2016; Bhadra Sharma,
The new government, supported by the Nepali Congress, the UGP-NPM and some minor parties, took over on 3 August, headed by Prachanda, who was supposed to leave the prime ministership before the next general elections, scheduled in 2018, to Sher Bahadur Deuba.\footnote{Gopal Sharma, ‘Nepal picks Maoist as PM, amid revolving-door politics’.}

Upon assuming the prime ministership, Prachanda announced that his policy would strike a balance between India and China. Indeed, his first step was sending special envoys to both New Delhi and Beijing to inform the respective governments that Kathmandu desired to maintain a balanced relationship with both countries.\footnote{Ankit Panda, ‘Seeking Diplomatic Balance, Nepal’s New PM Dispatches Special Envoys to India, China’, The Diplomat, 16 August 2016; Srinivas Mazumdaru, ‘Nepal’s new PM seeks to balance ties with India, China’, Deutsche Welle, 14 September 2016.} However it soon became clear that the new balance in the Nepal foreign relations was heavily in favour of India. The already planned visit to Nepal by China President Xi Jinping did not take place. What did take place was a visit by Prachanda to New Delhi and a visit by India’s President Pranab Mukherjee to Kathmandu. More important, up to the end of the period under review, the agreements inked by Oli during his China trip did not appear to have had any concrete follow up.\footnote{Pratik Karki, ‘Prachanda’s India visit: What’s next for India-Nepal relations?’, FirstPost, 16 September 2016; Ashik KC & Deepjyoti Chand, ‘The Tangled Knot of Nepal’s India Policy’, The Diplomat, 3 October 2016; Yubaraj Ghimire, ‘President Pranab Mukherjee in Nepal: No tangible outcome to the visit?’, The Indian Express, 4 November 2016; Sharachchandra Bhandary, ‘2016 AD: A year with mixed results for Nepal in foreign relations front’, Nepali Headlines, 1 January 2017; Kamal Dev Bhattarai, ‘India and China’s Tug of War Over Nepal’, The Diplomat, 6 January 2017.}

Summing up, at the end of the day, India appeared to have re-established its hold on Nepal. However anti-Indian sentiments in Nepal were running high, as shown by the cold reception of the Indian President by the Nepali at large.\footnote{Fruitless Mukherjee’s visit further weakens Nepal’s sovereignty’, People’s Review, 9 November 2016.} Moreover, Indian paramountcy continued to be challenged by China, which still remained the main source of foreign investments in Nepal\footnote{China tops in FDI pledges to Nepal in 2015-16 fiscal year’, Xinhua, 28 July 2016. According to this source more than one-third of total FDI commitments received by Nepal during FY 2015-16 originated from China.} and, on 29 December 2016, agreed to provide a conspicuous one billion yuan (US$ 145 million) loan to Nepal for the implementation of some infrastructure projects.\footnote{Binodkumar Singh, ‘India-Nepal Ties in 2016: A Relationship which remains troubled – Analysis’, Eurasian review, 15 January 2017.} Furthermore, in a move aimed at highlighting the fact that the Nepal-China ties were far from be-
ing decisively weakened, the holding in 2017 of joint military Nepal-China drills was officially announced. It was the first time that such drills would be held, as, previously, Nepal had held them with India and the US only.

246. ‘China confirms joint military drill with Nepal for first time’, myRepública, 29 December 2016. Previously Nepal had held joint military drills only with India and the US.
In 2016, in concomitance with the worsening in the India-Pakistan relations, the situation in the Vale of Kashmir, which is part of the Indian state of Jammu & Kashmir, took a turn for the worse. Although the reciprocal Indian and Pakistani claims to the whole of the formerly princely state of Kashmir remain the main bone of contention between New Delhi and Islamabad, the deterioration of the situation in the Vale of Kashmir was caused mainly by internal reasons, largely unrelated to the increase in India-Pakistan tension. The Indian central government and the Jammu and Kashmir state government reacted to the manifest and manifestly increasing frustration of the inhabitants of the Vale of Kashmir by making use of the iron fist. The year under review saw the unchaining of a most violent and brutal repression, which was in a way epitomised by what a well-known English daily defined «the world’s first mass blinding». As usual, the reaction of the Indian media and the Indian public opinion was – with few and commendable exceptions – one of turning a blind eye to what was happening in Kashmir, when not openly applauding the brutality of the repression and asking for more of the same.

1. Introduction

The Kashmir question has continued to be the main stumbling block on the way to normalisation of the India-Pakistan relationship since independence. However, this problem has been compounded by the fact that, beginning with the early 1990s, Kashmir has also become a major internal Indian problem. The Kashmir issue has multiple causal factors and is deeply complex; accordingly any satisfactory explanation of its causes, even if limited to its internal dimension, would require an analytical effort at exploring, among other factors, the evolution of a distinctive form of Kashmiri nationalism and its relationship to the idea(s) of India, the role of religious radicalism (both Muslim and Hindu), the tensions between national and state political élites, the complex legal and constitutional debates around Article 370 of the Indian Constitution (granting special status to the Jammu and Kashmir State), and the structural economic causes complicating the relationship between the Jammu and Kashmir State Government and New Delhi (such as Kashmir’s dependency on central government loans and its lack of industrial or service sector growth).

However, this analysis cannot be carried out here. The target of the present appendix to the article focused on India in 2016 is decidedly much
more modest, although a necessary one. The only aim of the present article is to set out the political and military events that made 2016 one of the most brutal and violent years in the history of the Jammu and Kashmir state since it became an integral part of India. Although a brief summary will be offered of the post-1947 history of the state, this will be merely introductory, as, in the present article, the focus of the analysis is firmly set on the political developments of 2016.

Such a limited effort may be judged a superfluous one and criticised by saying that most of the aspects explored in the following pages are so well known to make their recounting useless. However, this criticism can be accepted only if one forgets that, on the one hand, the bulk of the Indian media have a persistent tendency to take a strongly partisan pro-New Delhi stand on this issue, and, on the other hand, the issue itself has always been outside the radar of the international media. In other words, Indian public opinion has a distorted vision of the Kashmir problem, while international public opinion substantially ignores it.¹

What has just been said about the one-sided approach of the bulk of the Indian media to the Kashmir problem does not mean that it is impossible to make a balanced and in-depth appraisal of the Kashmir problem through those same Indian media. It does mean, however, that such balanced and in-depth appraisal is not easily carried out and – it can be surmised – implies a painstaking and far-from-useless work.

2. Some preliminary remarks on the origins of the Kashmir question as an internal Indian problem

The events leading to the partition of the formerly princely state of Kashmir between India and Pakistan in 1947 are so controversial that even a short summing up of them is bound to offer its side too much criticism. Here, however, it is necessary to point out that when the colonial domination over South Asia came to an end, Kashmir could have aspired to become an independent country. As the biggest of the Indian princely states, Kashmir was larger than some European nations, e.g. Portugal, while, from a geopolitical standpoint, its position was better than that of Nepal or Bhutan, because, although a landlocked entity, it bordered on four different states (India, Pakistan, China, and Tibet – which, at the time, was a de facto autonomous entity).²

1. Of course, the view of the problem given by the Pakistan media is not less distorted than the one offered by the Indian media, although the biases are of a different kind. Anyway, in the present article the Pakistani press has been rarely used.
2. According to Andrew Whitehead, writing in 2004: «There’s an enormous literature about Kashmir, much of it deeply partisan, densely written and ill researched». Andrew Whitehead, ‘Kashmir’s Conflicting Identities’, History Workshop Journal, No. 58 (Autumn, 2004), p. 335. To a large extent, this holds true even today,
No doubt independence was the goal of Kashmir’s last ruler, Maharaja Hari Singh. But what was the goal of most his subjects is still today a moot point. What happened was that, on the one hand, Hari Singh was unable to reach his goal and, on the other hand, nobody ever asked the Kashmiris what political future they preferred for their own country, as part of Pakistan, as part of India, or as an independent state. Kashmir was carved up between Pakistan and India, with India assuming control of the two-thirds of the former princely state, including of the Vale of Kashmir, where most of the population lived and where most of it was made up by Muslims.

While carving up Kashmir between themselves, both Pakistan and India maintained their claim to the whole of the former princely state. Pakistan justified its claim by pointing out it had been born as the motherland of the Indian Muslims, and a large majority of the Kashmiri – although not their ruler - were Muslims. India, on its part, pointed out Kashmir’s last ruler, Maharaja Hari Singh, had signed an «instrument of accession» of his own state to India (26 October 1947).

The part of Kashmir that was included in Pakistan became Azad Kashmir («Free Kashmir», as officially designed by Pakistan) or POK («Pakistan Occupied Kashmir», as designed by India). Its evolution is outside the scope of this article. The part of Kashmir included in India – which is here of interest – became the Indian state of Jammu and Kashmir. What, at least initially, put Jammu and Kashmir apart from the other Indian states was that, according to the «instrument of accession», it was allowed a very wide autonomy, as the only powers transferred to New Delhi were those related to defence, communications, and external affairs. Also, first the Indian Governor General, Lord Mountbatten, at the moment of the accession, and then, some months later, the Indian Prime Minister, Jawaharlal Nehru, promised that Kashmir’s accession to India would be decided «by reference to the people», through a referendum. However, the referendum was never held and the exceptionally large autonomy of the state, although enshrined...
in the Indian Constitution through article 370, was progressively and decisively whittled away. Accordingly, Jammu and Kashmir became, from a legal standpoint, not different from the other Indian states; in reality, however, it soon came to enjoy much less autonomy than any of them.\(^5\) Political meddling from New Delhi, which started in earnest in 1953, determined a political evolution «characterized by constant election rigging and central government intervention, which prevented the development of fair and autonomous competition among political parties».\(^6\) In spite of this, and in spite of the situation in which Jammu and Kashmir was the only Muslim-majority state in the Indian Union, the bulk of the Kashmiris were loyal to India or, rather, were more hostile to Pakistan than to India, as shown by their pro-India stand during the 1965 India-Pakistan war.\(^7\) Moreover, in the second half of the 1970s, real democracy eventually came to Jammu and Kashmir when, «against all odds», the «first free and fair elections were held in 1977».\(^8\) This new and positive phase, however, came under stress already in 1983 and, in 1987, a turning point was reached in that year’s state elections. The unprincipled alliance of the two main political forces in the state – the National Conference and the Congress (I) – which merged with the apparent aim «to create a political monopoly and capture all the votes in the election»,\(^9\) was strongly and immediately resented by a conspicuous part of the Kashmiri public opinion. On the top of it, things worsened when it became clear that, in spite of their position of political near monopoly, the NC-Congress combine had had no hesitation to rig the elections, which it had done with the complicity of the state police and judiciary.\(^10\)

In all probability, election rigging had an only marginal effect of the election results – which were anyway bound to be gained by the NC-Congress combine. The rigging, however, alienated a conspicuous part of the Kashmiri population, causing it to lose trust in the democratic system. In turn this, for the first time in the post-1947 history of Kashmir, made possible the rise of anti-Indian militant forces, the strongest among which was

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the Jammu and Kashmir Liberation Front (JKLF), which, despite being supported by Pakistan, was a secular pro-independence organisation, whose political aim was not annexation to Pakistan but full independence.

In December 1989, the kidnapping of Rubaya Sayeed, the daughter of the then minister of home affairs in the central government, triggered a chain of events that resulted in an openly independentist insurrection in 1990, led by the JKFL.\(^\text{11}\) Despite the considerable popular backing it enjoyed in the Kashmir Valley, by 1992 the JKLF had been militarily vanquished and the insurrection had been crushed by India through the ruthless application of massive military power. Nevertheless, many small armed Islamic groups – because of Pakistan’s support and the availability of sanctuaries in Pakistan territory – survived the onslaught of the Indian security forces and continued to operate. Some of these groups, particularly the Hizbul Mujahideen, were indigenous; some were partly or mainly made up by Afghans, namely non-Kashmiri, mainly Pakistani, fighters who had taken part in the anti-Soviet jihad in Afghanistan. These groups, although a thorn in the side of the Indian security forces, were unable to mount any major challenge to Indian control on the Kashmir Valley along the lines of the JKFL’s led 1990 insurrection.\(^\text{12}\)

Partly because of the de facto failure of armed struggle, on 9 March 1993, 26 political, social, and religious Kashmiri legal organisations came together to form the All Parties Hurriyat Conference. The new organisation claimed to be the legitimate representative of the Kashmiri people, and, in its constitution, established as its goal the fulfilment of the right to self-determination, inclusive of the right to independence, for the people of Jammu and Kashmir. This objective was to be pursued through peaceful means.\(^\text{13}\) Also, in 1994, JKLF leader Yasin Malik gave up the armed struggle and adopted peaceful methods to pursue Kashmiri independence.\(^\text{14}\)

In the following years, some sort of normality was restored in the Kashmir Valley thanks to the massive presence of the Indian armed forces. As a consequence, after a six-year hiatus, state elections were held in 1996, 2002, 2008 and, in 2014, both state and national elections were held.\(^\text{15}\) But


\(^{12}\) Victoria Schofield, Kashmir in Conflict, pp. 163-188.

\(^{13}\) On the Hurriyat, ibid., pp. 139-60, 201-03; Muzamil Jaleel, ‘Hurriyat: Its History, Role and Relevance’, The Indian Express, 31 August 2015; South Asia Terrorism Portal, All Parties Hurriyat Conference.

\(^{14}\) Victoria Schofield, Kashmir in Conflict., pp. 174-75.

this normalisation was to a large extent only apparent and, at the end of the day, what made it possible was the same reason that made it only apparent. In other words, the continuous and massive presence of Indian military forces, which were engaged in the repression of the surviving militant underground organisations, while resulting in a string of military successes, implied heavy costs in terms of human rights for the civil population. The Indian armed forces, protected by the 1990 Armed Forces (Special Powers) Act (AFSPA), which gave them full immunity from civil prosecution, became responsible for a string of crimes such as killing, the disappearance of civilians, torture and rape, and a general behaviour towards the local population that made «being abused, slapped, or beaten with batons and rifle butts by an Indian trooper» a normal occurrence.16 This being the situation, it should come as no surprise that a recent report of Médecins Sans Frontières «has revealed that nearly 1.8 million adults equalling 45 per cent of adult population suffer from mental distress in the [Kashmir] Valley and a majority of people have experienced or witnessed conflict-related trauma».17

The crimes and abuses of which the Indian armed forces became responsible in Kashmir could be carried out with impunity not only because of the legal protection afforded by the AFSPA to the Indian army, but, more importantly, because Indian public opinion at large and the Indian media turned a blind eye to what was happening in the valley. Successive Indian governments, instead of addressing the root causes of Kashmiri alienation, successfully convinced the Indian public opinion that the disturbances in Kashmir were exclusively related to Pakistan meddling. According to the view that became dominant in India, Pakistan was «the culprit in the Kashmir crisis» and the crisis was purely «about Pakistan-supported terrorism».18

With the beginning of the new century, most of the surviving armed groups active in the Kashmir Valley had been contained, marginalised and, in some cases, either had been destroyed or had abandoned the armed struggle. However, this had not reconciled the majority of the inhabitants


17. ‘One out of every two adults is mentally disturbed in Kashmir: MSF report’, The Indian Express, 20 May 2016.

of the Kashmir Valley to the prevailing political situation, as shown by periodic waves of demonstrations and civil disturbances. In recent years, particularly important had been the massive, Hurriyat-led civil disturbances of 2008 and 2010. That anti-Indian militancy was a release of pent-up frustration for the intolerable political situation prevailing in the Kashmir Valley is shown by the above quoted Médecins Sans Frontières report, which noted that «in some districts where protests and militancy have shown increase» and there was a «lesser prevalence of psychiatric disorders».

3. Towards the disturbances of July-October 2016

At the end of 2015, the situation in the Kashmir valley appeared to be sliding once again towards a new crisis. According to former Indian National Security Advisor M.K. Narayanan, internecine tensions and violence were on the increase, cross-border firings showed no sign of abating, the mood in the valley was sullen and, last but not least, anti-Indian sentiments were growing. In the following months, the worsening situation prompted Narayanan to assert that, already at the beginning of 2016, Kashmir was «facing its gravest crisis since 2008 and 2010». This crisis had two aspects; the first was that

More attacks are taking place, and several of them have occurred in areas far from the border, including in Srinagar itself. Gun battles are lasting for much longer – for days rather than hours. Hardly any of the attackers have been taken alive. What is most disturbing is that many of the infiltrators are finding shelter and refuge with Kashmiri families, reminiscent of and reverting to the situation that existed in the 1980s and 1990s.

But possibly more worrying was the second aspect of the crisis, namely that

In several places across the State, eyeball-to-eyeball confrontation between militant youth and security forces is today in evidence. After a long time, Army vehicles are patrolling civilian localities. Perhaps for the first time after the 1990s, local citizens are openly confronting and preventing the security forces from carrying out anti-terror operations. The Special Operations Group of the Jammu and Kashmir Police has been thwarted on more than one occasion when trying

19. ‘One out of every two adults is mentally disturbed in Kashmir: MSF report’.
to arrest or deal with a suspected militant. At the same time, accusations of genocide are once again being levelled against the police and the security forces.\textsuperscript{22}

Clearly the situation in the Kashmir Valley had become explosive once again. Only a spark was needed to start a conflagration. That came on July 8, with the killing of Burhan Muzaffar Wani, a 22-year-old and very popular top commander of Hizbul Mujahideen.\textsuperscript{23}

4. The disturbances of July-October 2016

Suddenly and unexpected (at least to the Indian public opinion),\textsuperscript{24} Burhan Wani’s funeral (9 July 2016) turned into a gigantic mass demonstration.\textsuperscript{25} This, in turn, sparked incidents and confrontations all over the valley between Kashmiri civilians and both the police and the military forces. Already in the few days following the funeral no less than 22 people had been killed in such incidents.\textsuperscript{26} This, however, was only the beginning of a spiral of agitation and repression, of which the most immediate symptom was the clamping of an indefinite curfew on the whole Kashmir Valley on 15 July\textsuperscript{27} and the continuation of protests, particularly throwing of stones, which went on in spite of the repressive measures taken by the authorities.

A good indicator of the development and intensity of the agitation is given by the number of stone-throwing manifestations; these were 820 in July; 747 in August, and 535 in September. Finally, in October, they sharply declined to 157 and, during the first 20 days of November, dwindled to

\textsuperscript{22} Ibid.
\textsuperscript{24} As admitted some weeks later by BJP influential General Secretary Ram Madhav, considered an expert of the Kashmir political situation, «This phase of violence has come as a bit of surprise to all of us. […] This time there were no issue. It definitely came as a surprise». ‘Ask for the moon but within Indian constitution: Ram Madhav on Kashmir situation’, Hindustan Times, 29 August 2016.
\textsuperscript{25} The first and tentative evaluations spoke of «more than 50.000 people» (Ibid.); however, former National Security Advisor M.K. Narayanan, namely an extremely well-informed analyst, with an in-depth knowledge of Kashmiri affairs, put the number to 200.000. See M.K. Narayanan, ‘Address the «new normal» in Kashmir’, The Hindu, 10 October 2015.
\textsuperscript{26} ‘Who Was Burhan Wani And Why Is Kashmir Mourning Him?’
\textsuperscript{27} ‘Curfew clamped in all 10 districts of Kashmir’, The Times of India, 15 July 2016. Jammu and Kashmir is subdivided in three divisions: Jammu, including ten districts; Kashmir Valley, including other ten districts, and Ladakh, including two districts.
«The protest fatigue, state repression, international apathy towards Kashmir, the social pressures, and heightened tension between India and Pakistan were, according to Professor Gul Muhammad Wani of Kashmir University, the reasons explaining the decline in stone-throwing incidents.

On 15 October, the general curfew was finally lifted.

The whole cycle of disturbances had some clear-cut features. The first is that, in spite of the over-use of the word «violence» by the Indian media when describing what was happening in the Kashmir Valley, the protests were basically non-violent. The second is that the agitation began spontaneously and was carried on quite independently from both Pakistan and armed outfits with a mainly non-Kashmiri membership, such as Lashkar-e-Taiba (LeT) and Jaish-e-Mohammed (JeM).

The third is that the goal of the protesters was not a future accession of the Kashmir Valley to Pakistan, but aazadi (freedom). This, however, does not necessarily mean – and in most cases does not mean - independence from India, and, even less, accession to Pakistan, but, rather, «things like self-determination, independence, autonomy, self-government or devolution of powers». In other words, aazadi is an objective that could be reached by obtaining a substantial amount of autonomy, along the lines prevailing in Jammu and Kashmir before 1953.

The fourth distinguishing feature of the agitation was that its protagonists were young people, sometimes not older than 10 or 12. Both this and the widespread use of stone pelting induced some commentators to speak

29. Ibid.
30. This has been clearly and convincingly argued by senior Indian journalist and analyst Prem Shankar Jha, in a series of illuminating articles on the Kashmir crisis. See, in particular, his 'The Way to Break the Deadlock in Kashmir is Open but Delhi Doesn’t Even Know it’, The Wire, 14 November 2016.
31. See Mir Liyaqat Ali, ‘No proof of Pak involvement in Kashmir unrest: Police’, Kashmiriawareness.org, 19 December 2016, and M.K. Narayanan, ‘Address the «new normal» in Kashmir’ for the non-involvement of Pakistan. Narayanan also stresses the non-involvement of LeT and JeM. According to Narayanan, Hizbul Mujahideen’s cadres «were present in sizeable numbers» in the agitation. But, as Narayanan himself admitted, the Hizbul Mujahideen members were «relatively more indigenous», in other words were mostly Kashmiris, and were characterised by «a distinctly different ‘terror sub-culture’ [from that of LeT and JeM] and identified more closely with the aspirations of the local Kashmiri youth».
32. P. Chidambaram, 'Across the aisle: Kashmir is more than land, it is people’, The Indian Express, 17 July 2016. For similar assessments see Mani Shankar Aiyar, ‘Enraged Kashmiri Youth Will not Be Brought Around Easily’, NDTV, 22 August 2016, and Prem Shankar Jha, ‘The Way to Break the Deadlock in Kashmir is Open but Delhi Doesn’t Even Know it’.
of a Kashmiri intifada, in spite of some key differences between the situation in Kashmir and that in the Israeli-occupied Palestinian territories.34

The fifth characterising element of the agitation was that, after a first phase in which it appeared to be leaderless and anarchic, the joint committee, which represented the two main factions in which the Hurriyat had previously divided, plus the JKLF,35 assumed control and guided the anti-Indian struggle by issuing precise directives imposing the closing down of economic activities in determined periods of time.36

It is necessary to stress the extreme savagery of the repression carried out by the Indian security forces and the police. Particularly brutal was the systematic use by Indian security forces of ‘non-lethal’ pellet ammunition, resulting in the blinding of hundreds of demonstrators plus several onlookers who were not taking part in the demonstrations. Even «children as young as four and five» were victims of «multiple pellets in their retinas,

34. The main difference between the Palestinian and Kashmiri question is that in the Israeli-occupied Palestinian territories the local inhabitants are progressively and systematically deprived of their lands and water by Jewish colonists. Nothing like that is happening in Kashmir.

35. With the beginning of the present century the Hurriyat suffered a series of splits which greatly weakened the organisation. See, e.g., Shujaat Bukhari, ‘Split, yet again’, Frontline, 7 February 2014. In 2015, however, the two main Hurriyat factions, the «radical» one, headed by Syed Abdul Gani, and the «moderate» one, headed by Mirwaiz Umar Farooq, came together with Yasin Malik-headed JKLF to form a joint committee. This joint committee appears to have originally been created in order to «hold talks with Kashmiri Pandit migrants to discuss their return to the [Kashmir] Valley». See ‘As BJP hardens stand, separatists unite, to march together’, Hindustan Times, 8 July 2015; ‘Separatists to hold talks with Kashmiri Pandits on return to Valley’, The Indian Express, 17 June 2016 (from which the quotation is taken). The Kashmir Pandits ran from the Kashmir Valley in 1990, when the JKLF-led uprising was at its height and law and order in the valley had completely broken down. How and why the Pandits were forced to leave the valley is shrouded in controversy and the whole episode still expects its historian. A nuanced introduction to the problem is the long Al Jazeera’s interview to historian Mridu Rai. See ‘Kashmir: The Pandit Question’, Al Jazeera, 1 August 2011.

blinding them partially, or fully, for life». Pellet guns are supposed to be non-lethal weapons, which discharge lead bird-shots, and which should be aimed at the body below the waist. During the July-October disturbances in the Kashmir Valley – which is the only part of India where pellet guns have been widely used since 2010 – it has become clear that the security forces have routinely been aiming at the face of the demonstrators, on the top of this, they have started to use «sharp edged and more irregular pellets», which cause more damage and are more difficult to remove.

During the agitation, according to police figures, 76 civilians and two policemen were killed; 5084 persons were arrested, 500 were detained under the draconian 1987 Jammu and Kashmir Public Safety Act, and an additional 1600 were wanted by the police; 78 buildings were set ablaze; 53 others were damaged. These figures seem to represent a gross undervaluation of the casualties sustained by the Kashmiris and do not take into account those who have been partially or totally blinded by pellets. Although official data on this are not yet available, «Hospital data has shown that the eyes of more than 1,000 people were pierced by pellets in the ongoing unrest, leading to either complete or partial blindness».

37. Mirza Waheed, ‘India’s crackdown in Kashmir: Is this the world’s first mass blinding?’
38. In some cases this has been admitted by the police itself. See, e.g., ‘Hundreds of Kashmiri protesters blinded by Indian shotgun pellets intended as «non-lethal» crowd control measure’, Independent, 14 December 2016. It is worth noticing that, although classified as non-lethal weapons, during the 2016 agitation, pellet guns have killed at least eight people, according to official sources, or no less than 18, according to the Jammu-Kashmir Coalition of Civil Society. Ibid.
41. Casualty evaluations scattered in most of the sources hitherto quoted are at least some 20% higher than the official figures just quoted. For example, at the end of October, the pro-Government NDTV asserted that: «More than 90 people have been killed and over 10,000 have been injured in over 100 days of unrest in Kashmir during clashes between protesters and the security forces». See ‘Delegation Led by BJP’s Yashwant Sinha Meets Separatist Syed Ali Shah Geelani’, NDTV, 26 October 2016.
As noted above, on 15 October the general curfew in the valley was lifted. However, this does not mean that either the repression or the popular struggle in the valley was over. The curfew was re-imposed in some parts of the valley, and some key Hurriyat leaders, who had been freed after long periods of detention, were rearrested. All in all, however, by the end of the period under review, after «the biggest crackdown in two decades», an appearance of law and order was restored in the valley. But the scars left were deep and painful and the general attitude of the Kashmiris towards India had definitely worsened. According to the testimony of former BJP Minister Yashwant Sinha, who had visited Kashmir twice during the disturbances as part of a group of concerned citizens, «Earlier, the protests [in the 1990s, and later, during 2008 and 2010] were verging on anger, then full of anger; this time the protest has turned into hatred».

5. New Delhi’s reaction to the Kashmiri disturbances

In the year under review, the government of Jammu and Kashmir comprised a coalition between the BJP and a recently created local outfit, the People’s Democratic Party (PDP), headed by Mehbooba Mufti. The «Agenda of Alliance» on which the BJP-PDP entente was based clearly stated the coalition government would «facilitate and help initiate a sustained and meaningful dialogue with all internal stakeholders, which will include all political groups irrespective of their ideological views and predilections». However – and not surprisingly as, in spite of Ms. Mufti being the Chief Minister, the dominant partner in the coalition was the BJP – this engagement had no follow up. Equally unsurprising is that, when, in July 2016, the valley exploded, the state government reacted only through repressive measures, discarding any meaningful political initiative. This resulted in a delegation of the Kashmiri opposition parties approaching Narendra Modi on 22 August. The delegation voiced its concern for the disproportionate use of force against the people in Kashmir and complained about the lack of any political initiative by the state government. Modi - who, up to that point had never made any public statement on what was happening in Kashmir – showed himself duly pained about the situation and emphasized the need of a dialogue to find

43. E.g. Prem Shankar Jha, ‘The Way to Break the Deadlock in Kashmir is open but Delhi Doesn’t Even Know it’.
44. ‘Kashmir witnesses biggest crackdown in two decades’.
«a permanent and lasting solution to the [Kashmir] problem within the framework of the Constitution».47

What followed, however, confirmed once again the eerie similarities between the Palestinian and Kashmiri questions. In other words, a negotiation was slowly and painfully put in motion. However, if one goes beyond the pious platitudes voiced by some key Indian politicians,48 the negotiation’s only aim soon appeared to be that of buying time, while the policy of repression on the ground continued unabated. The high point of this policy was the decision taken on 12 August at an all-party meeting chaired by Modi to send an all-party delegation in Kashmir «to meet any leader or individual or groups ‘including separatists’».49 The delegation, headed by Home Minister Rajnath Singh and made up of 26 politicians belonging to 20 parties, went to Kashmir on 4 and 5 September, but was unable to talk with the Hurriyat-JKLF leadership. This left Rajnath Singh in the position to put the blame for the lack of progress on the supposed obduracy of the Hurriyat-JKLF leaders.50 However, the position of closure of the Hurriyat-JKLF leaders had some very sound reasons. The first was that there was a long story of negotiations in the 1990s, in 2008, and in 2010, in which the Hurriyat had been involved and which had brought no result at all. Of course, this was a deadlock that could be solved through confidence-building measures, such as the lifting of the curfew, the suspension of the AFSPA, at least in the urban areas, and the stoppage to the use of pellet guns. Also, and rather significantly, the three main leaders who could be seen as representing the insurgents - namely the heads of the two Hurriyat factions, Syed Ali Shah Geelani and Mirwaiz Kashmir Mohammad Umar Farooq, and the leader of the JKLF, Yasin Malik – were all detained or under house arrest. Of course, to free them could have been a good way to facilitate a meaningful negotiation. However, this action was not taken.51

47. ‘Modi hints at Kashmir talks, says need to find a permanent solution’, Hindustan Times, 22 August 2016.
48. Among these, the prize goes to Modi’s declarations during his monthly radio programme Mann Ki Baat in late August. Modi declared that «ekta» (unity) and «mamata» (love) where the basic mantras for addressing the Kashmir problem. Significantly, he continued by decrying «those pushing children to create unrest», adding that those responsible for it would have «to give an answer to those ‘innocent’ kids some day». ‘Unity And Love Are Basic Mantras To Address Kashmir Problem: PM Modi’, NDTV, 28 August 2016.
50. ‘Kashmir is, was and will always be an integral part of India: Rajnath Singh in Srinagar’, First Post, 5 September 2016.
At the end of the day, the all-party mission in Kashmir did not bring about any result. Not even the limited but in a way highly significant measure of giving up the use of pellet guns was taken. This was a measure that had explicitly been advocated by an important member of the all-party delegation, CPI-M General Secretary Sitaram Yechury, and the leader of the opposition in the Rajya Sabha, Congressman Ghulam Nabi Azad. In mid-October, the home minister officially approved the use of PAVA shells, bullets filled with chili, in place of the infamous pellets, and, later, vindicated his decision as an answer to the preoccupation raised by those who criticised the employment of pellet guns. However, the plain truth is that pellet guns continued to be used in the Kashmir Valley for the whole period under review, as shown by the observation that, still in mid-December, both the Jammu and Kashmir chief minister and the Supreme Court were invoking a more restrained and less mindless use of pellet guns.

After the failure of the All-Party Delegation mission to Kashmir, a diplomatic channel was still kept open by two successive missions headed by former BJP Minister Yashwant Sinha. Sinha was able to meet Geelani and Mirwaiz Umar Farooq and discuss the situation with them. Yet it is unclear if Sinha was leading a Trak-2 diplomatic mission on behalf of the Indian government – something which he denied – or if his was only a fact-finding mission by a group of concerned private citizens.

6. The Indian public opinion reaction to the Kashmiri disturbances

In a way, the BJP tepid reaction to the Kashmir disturbances is not surprising, given its long-standing ideological bent of complete closure towards the political aspirations of the only Muslim majority state in the Indian Union. But it is true that the positions of the other political forces,
including the main opposition party, the Congress, have not been substantially different.

There was only a conspicuous although solitary exception to the attitude of complicity of the main Indian political parties and politicians to the repression in Kashmir. This was the public standing by former Congress minister and senior leader P. Chidambaram. In 2010, Chidambaram authored a proposal for the implementation of a substantial dose of autonomy to Jammu and Kashmir, along the lines prevailing before 1953. In the words of another former Congress Minister, Mani Shankar Aiyar, «former Congress Home Minister [P. Chidambaram] had suggested that we begin with 1947, when the state’s accession was accepted with only three subjects allotted to the centre [Defense, Foreign policy and Communications], and then work our way over the next seven decades to determine what Indian legislation they [the Kashmiris] wanted withdrawn and what left operational». According to Aiyar, «this suggestion had in fact been taken by the [Home] minister, when he was [Home] minister; all the way to the cabinet committee concerned». Unfortunately, the resistance to Chidambaram’s proposal inside his own party had been so powerful that, despite the Home Minister’s remarkable political weight, the proposal itself had been shelved, without becoming public domain.57

At the beginning of the 2016 disturbances, Chidambaram had gone on record in both an article published in a well-known Indian daily and in an interview to India Today television saying the approach of both the Jammu and Kashmir and national governments to the Kashmir question «was wrong». «We ignored the grand bargain under which Jammu and Kashmir acceded to India», he had said; and had gone on, stating: «I think we broke our promises, we broke the faith of the people of Kashmir». Chidambaram had hinted at the «small beginning» made in 2010, which, however, in a government that «was sharply divided» on the Kashmir question, came to naught. In particular, in Chidambaram’s reconstruction, the main obstacle to an innovative solution was that «the political leadership [was] unwilling to overrule the defence establishment».58

Chidambaram’s positions could have been a meaningful political platform if officially taken up by his own party. The Congress, however, maintained a low profile on the whole Kashmir question and openly dissociated itself from Chidambaram’s standing.59

57. Mani Shankar Aiyar, ‘Enraged Kashmiri Youth Will Not Be Brought Around Easily’ (from which the quotations have been taken); see also Prem Shankar Jha, ‘A Framework for Peace in Kashmir Already Exists. All Modi Must Do Is Embrace it’, and his ‘A Crucial Throw of Dice for Democracy in Kashmir’.

58. ‘After Jyotiraditya’s call for plebiscite, Chidambaram seeks «more autonomy» to Kashmir’, Znews, 21 July 2016 (from which the quotations are taken); ‘Chidambaram suggests solution for Kashmir crisis’, The Hindu, 21 July 2016; P. Chidambaram, ‘Across the aisle: Kashmir is more than land, it is people’.

59. ‘Congress distances itself from P Chidambaram’s remarks on Kashmir’, The Indian Express, 17 August 2016.
At the end of the day, however, the Congress’ wobbling on the Kashmir question comes as no surprise and not so much because of a weakness by his leadership. Clearly, the unfeeling attitude of the BJP, the Congress, and the other main political parties to the repression unleashed in the Kashmir Valley was a reflection of the increasingly chauvinistic attitude of the articulated Indian public opinion. The Indian media – as had been the rule in the past – showed a complete closure to Kashmiri aspirations and, instead of being revolted by the sheer brutality of the repression in the valley, egged on the government for more repression and more violence, «celebrating the killing, maiming, and blinding of young Kashmiris». In particular: «Powerful TV studios urge[d] the state to be more aggressively macho, while actively suppressing or distorting news from Kashmir». As noted by Yashwant Sinha: «Sections of the Indian media, specially some TV channels, are hated in the Valley with a passion which is unbelievable». And, as admitted by him: «They [the Indian media] have contributed in no small measure in creating the kind of misunderstanding which exists in the minds of the people there».

Of course the prevailing aggressively chauvinistic attitude of the Indian public opinion as far as the Kashmir question is concerned does not mean that voices of sanity are completely absent. After all, the present analysis of the repression in Kashmir is largely based on articles authored by Indian journalists, intellectuals, and even politicians who represent these voices of sanity. However, this does not detract from the observation that the general closure of the Indian mind, so much in evidence since the BJP rise to power, is an undeniable and worrying phenomenon taking place under our very eyes. This being the situation, the attitude of the Indian public opinion towards the Kashmiri crisis is but one aspect, even if a particularly glaring and preoccupying one, of a more general and developing process.

60. Mirza Waheed, ‘India’s crackdown in Kashmir: is this the world’s first mass blinding?’
This essay analyses the predominant domestic and foreign policy events that occurred in Pakistan in 2016 through the lens provided by the country’s main economic developments.

With the aims of decreasing the fiscal deficit/GDP ratio and following the guidelines of the international financing institutions, Pakistan was implementing structural reforms aimed at increasing tax revenue, cutting public expenditures, easing the market interest rates through liberalisation measures, and improving the performance of the energy sector. Among these reforms, particularly the one related to the revenue system was highly needed. The description of Pakistan’s overall taxation system and its features, given in this essay, provides also the background to contextualise the Panama Papers scandal that hit Pakistan and its Prime Minister in the year under review.

In 2016, concessional loans, while resulting in steady, but mild growth, did not ensure a long-term positive trend of sustained growth or of improvement of the economy of the country at large.

In the fiscal year 2016-2017, high budgetary allocations were confirmed for the defence sector, whose outlay was raised of about 18%. Over the years, costly military interventions launched to combat internal anti-government armed militancy have had a negative impact on Pakistan’s economic growth in terms of resource reallocation, military expenditures, and the contraction of trade, business activities, and investments at large. Yet, military operations brought back under the control of the Security Forces areas which were the most volatile before the Army interventions. In 2016, fewer militants’ attacks than in the previous year were recorded, mostly against soft targets like academic institutions.

Foreign relations were characterised by the deterioration of Islamabad’s ties with Washington and New Delhi. At the same time, regional political realignments provided an unprecedented economic opportunity to Pakistan, with China becoming the leading economic partner of Islamabad. However, the relations with China were challenged by armed militancy and unrest, potentially capable to undermine the economic alliance of the two Asian countries.

1. Introduction

Pakistan’s economy has alternated between low and high growth rates since 1947. Low rates marked the period immediately after independence, the 1970s, and the democratic governments of Benazir Bhutto and Nawaz
Sharif in the late 1980s and 1990s.\textsuperscript{1} Higher growth rates were recorded during the military governments, particularly during the rule of General Zia-Ul-Haq (1979-1988) and of General Pervez Musharraf (1999-2008). More recently, the democratically elected government of Yousuf Raza Gilani (2008 - 2013) recorded a 3% growth in the GDP (Gross Domestic Product). Finally, during the current administration of Nawaz Sharif, national economic performance has mildly improved.\textsuperscript{2}

The country has a long track record of dependence on ODA (Overseas Development Assistance).\textsuperscript{3} Pakistan has been receiving support from international financing organisations since its birth, but in 1988, a Structural Adjustment Programme was launched under the aegis of the IMF (International Monetary Fund) and the WB (World Bank), entailing an initial package of neo-liberal policy reforms. Since then, the governments of Pakistan have been striving, with varying success, to implement the reforms needed to honour Pakistan’s commitments to the international institutions.

The prominent role of Pakistan in the war in Afghanistan, particularly after 9/11, offered a game-changing opportunity for Islamabad in terms of the inflow of foreign financial aid; however, it also had an impact on the national economy due to the high cost of the national defence apparatus.

The recent economic agreement with China is a new opportunity for Pakistan: nevertheless, it is a challenging one, considering both the mutating broader regional geopolitical trends and alignments, and the escalating tensions with Washington and New Delhi.

2. Economic growth and challenges

Pakistan’s mounting total external debt and liabilities reached US$ 61.357 billion in June 2016, about 20% of its GDP.\textsuperscript{4} A report of the Economic Affairs Division for the Senate Finance Committee states that from 2005 and 2015, Pakistan obtained loans for more than US$ 45 billion.\textsuperscript{5}

IMF credit\textsuperscript{6} is made available under multiple lending/concessional arrangements (Structural Adjustment Programmes) tailored to the beneficiary

\begin{itemize}
\item 1. Benazir Bhutto was Prime Minister in 1988-1990 and in 1993-1996; Nawaz Sharif was Prime Minister in 1990-1993 and in 1997-1999.
\item 3. Non-concessional flows and aid for military and anti-terrorism purposes are excluded from ODA.
\item 4. The external debts account for about 30% of the total. ADB - Asian Development Bank, Basic 2016 Statistics (http://www.adb.org); State Bank of Pakistan, Pakistan’s External Debt and Liabilities - Outstanding (http://www.sbp.org.pk).
\item 5. ‘The Peculiar Case of Taxation’, Pakistan Today, 14 November 2015.
\item 6. A history of Pakistan-IMF relations is provided in Akbar Zaidi, Issues in Pakistan’s Economy.
\end{itemize}
countries’ balance of payments. These programmes are subject to differing disbursement schedules, maturities, and interest rates.\(^7\) The international financial commitments require beneficiary countries to re-frame their national policies to embrace the core policy measures of the «Washington Consensus» model, which embodies the set of free market economic ideas promoted by the international organisations.\(^8\)

In adherence to the structural changes in the economy required by the international financial assistance, over the last 10 years Pakistan has shown an increasing commitment to enhancing its national macroeconomic stability. At the end of September 2016, Pakistan formally ended a three-year programme with the IMF, an Extended Fund Facility of US$ 6.6 billion.

The year 2016 marked a modest improvement in Pakistan’s economic performance (see table 1).\(^9\) In the fiscal year July 2015 – June 2016, the economic growth rate was 4.5% of the GDP. Although the 5.5% target was missed, an acceleration from the previous year was recorded in the struggle aimed at «steady growth recovery».\(^10\) Accordingly the 2016-2017 budget set an even more ambitious rate of growth for the GDP at 5.7%.\(^11\)

\textbf{Table 1: GDP constant prices (% of change), South Asia}

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<tbody>
<tr>
<td>Afghanistan</td>
<td>8.44</td>
<td>6.479</td>
<td>13.968</td>
<td>3.933</td>
<td>1.282</td>
<td>1.466</td>
<td>2.02</td>
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<tr>
<td>India</td>
<td>10.3</td>
<td>6.638</td>
<td>5.619</td>
<td>6.639</td>
<td>7.244</td>
<td>7.336</td>
<td>7.45</td>
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<tr>
<td>Nepal</td>
<td>4.82</td>
<td>3.422</td>
<td>4.781</td>
<td>4.129</td>
<td>5.381</td>
<td>3.363</td>
<td>0.54</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.58</td>
<td>3.624</td>
<td>3.837</td>
<td>3.653</td>
<td>4.026</td>
<td>4.239</td>
<td>4.5</td>
</tr>
</tbody>
</table>


\(^7\) Details of the IMF’s schemes are available at the link http://www.brettonwoodsproject.org/2005/08/art-320868.
\(^9\) Asad Hashim, ‘Pakistan misses GDP growth target by 0.8 percent, sets 5.7 percent target for next year’, Reuters, 30 May 2016.
As per the IMF’s 2015 figures, Pakistan’s GDP stands at roughly US$ 270 billion and ranks 40th in the list of the largest world economies (in the total of over 190), being the second largest in South Asia after India. Lists maintained by other international organisations such as the WB (and the UN (United Nations) give similar assessments.\[12\]

The main reasons for the overall healthy situation of the fragile Pakistani economy in 2016 can be identified as a combination of multiple factors which brought about the containment of the deficit to 0.8% of the GDP and generated an external surplus. Among these factors there are: the reduction of external sector vulnerabilities; the growth in private consumption; high remittances offsetting the trade deficit; and, finally, augmented financial inflows from CSF (Coalition Support Fund).\[13\]

With the aim of decreasing the fiscal deficit/GDP ratio, Pakistan has placed emphasis on resource mobilisation with subsequent fiscal consolidation measures to increase its tax revenue. Public expenditures have been cut as well, and tariff exemptions and concessions have been reduced. On the monetary side, market interest rates have been eased through cuts of the State of Pakistan Bank’s policy rate; liquidity management has been conducted through open market operations by injecting liquidity in the market, and credit to the private sector has expanded.

In 2016, Pakistan’s international commitments allowed it to consolidate growth in government expenditures, restraining them to 8.1%; tax revenue grew 20% against an increase in direct and indirect tax collection; efforts were made to boost the supply of electricity and access to credit to improve industrial performance. A progressive accumulation of foreign exchange reserves was also recorded.\[14\]

The trade sector still faces major challenges. In 2016, exports declined by 11.1%, mainly due to weak performance in the traditionally leading sectors – textiles and foodstuffs.\[15\] Pakistan’s narrow export base, trade facilities and protectionist trade policies constrained the competitiveness of its exports, and the country scored 144\[15\] (out of 190 countries) in the «doing business» ranking as result of an overall investment climate described as

\[12\] Ibid.

\[13\] The CSF foots the costs above the regular military costs, incurred by Pakistan in fighting terrorism. On this see par. 6.2, below.


\[15\] Textile exports account for about 60% of the total exports and fell by 4.5%. About 63% of the Pakistani exports are sold to only a few destination markets: The United States and Europe (the UK, Germany, France, Italy, Spain) comprise approximately one-third of the total (Pakistan Development Update).
unfriendly. Favourable oil prices and increasing remittances from overseas continued to counterbalance the decline in exports.

Although the agricultural sector, which is predominant in the total economic output of the country, recorded a setback in 2016, the industrial sector recorded growth to 4.4% from 3.62% in the previous fiscal year. Services expanded as well (5.2% compared with 4.37% in the previous fiscal year), and the inflation rate decreased from 4.5% to 3.3%.

The privatisation of state-owned companies was part of the latest 2013-2016 Pakistan-IMF deal. Under the IMF’s Economic Reforms Programme, Pakistan has provided a roadmap for the privatisation of 68 state-owned companies – including Steel Mills, Pakistan International Airlines and State Life Insurance Corporation. Privatisation is a goal of Prime Minister Nawaz Sharif, who believes that it will help Pakistan achieve higher economic growth and further progress in fiscal consolidation. Yet the political implications of the privatisation process have slowed it down, as many of the state owned enterprises are overstaffed, and restructuring would result in severe job losses.

While the growth rate is universally accepted as an essential indicator of good economic performance, the appropriateness of the Structural Adjustment Process in Pakistan has been questioned by many economists and analysts as negatively effecting economic growth. Protracted adherence to debt and consequent dependency on ODA are considered impediments to development, and there are indications that they have prevented distributive and sustainable development. Pakistan ranks 147th out of 188 countries in the 2015 HDI (Human Development Index). Pakistan’s latest HDI value

16. The ranking includes, inter alia, measurement criteria such as the procedures, time and capital to start a business; the procedures, time and cost to connect to the electrical grid; the reliability of the electricity supply; the time for a firm to comply with all tax regulations and tax rates. The World Bank, Doing Business 2017.
18. Agriculture absorbs 45% of employment and accounts for 20% of the GDP (industry 21%; services 55%). Serhan Cevik, Unlocking Pakistan’s Revenue Potential, International Monetary Fund Working Paper, 2016, p. 7.
19. Pakistan Development Update.
22. UNDP, Human Development Report 2015: Work for Human Development, New York 2015. A new poverty line has recently been adopted which identifies almost 30% of the population – 60 million people – as poor. The declining poverty trend since 2001 has continued according to both the old and the new threshold (from 64% to about 30% between 2001 and 2014). As per the UN MPI (Multidimensional Poverty Index, which measures poverty as the result of multiple deprivations in education, health and living standards), in Pakistan, 45.6% of the population are multidimensionally poor, while an additional 14.9% live near multidimensional
is 0.538. While this is above the average of countries with low human development, the measurement of the «loss» in human development due to inequality places Pakistan below the South Asian average.\textsuperscript{23}

3. Fiscal consolidation

The collection of revenue has remained flat for most of the last decade, resulting in an insufficient amount of wealth being mobilized and put to collective use, which has contributed significantly to the fragility of Pakistan’s economy.

Fiscal consolidation was the \textit{sine qua non} requested by the IMF for its support. A full-fledged policy to tackle tax evasion has yet to be introduced, although measures required by the international loans have been taken to comply with the reform process.\textsuperscript{24} Sharif’s government is committed to fiscal discipline, and measures taken in the areas of tax administration and the elimination of tax exemptions have succeeded in increasing the tax-to-GDP ratio. In fact, in 2016 it has increased by over 60% in nominal terms (or 2.4% of GDP) over the past three years to 12.4%.\textsuperscript{25} Yet it remains significantly below those of comparable emerging market economies, and as per the IMF’s estimates, it is below the country’s 22.3% capacity.\textsuperscript{26}

Pakistan faces long-term challenges in collecting taxes. The taxation system relies mostly on indirect taxes collected from a very narrow tax basis due to the way tax liabilities are determined. IMF data for 2016 show that indirect taxes account for roughly 65% of the total tax revenue. Direct taxes, which have increased modestly since the 1990s (from less than 20% to, more recently, 35%-38% of the total tax revenue), are still 55% lower than those of other comparable economies and are mostly collected from businesses. The current level of income taxes in Pakistan – roughly a quarter of the total revenue – is 4% of its GDP.\textsuperscript{27} Over 70% of the total tax revenue is collected mostly from industry, salaried workers, and the services sector. The latter, particularly finance-related and telecommunications, remains the main contributor to growth, accounting for more than 50% of the GDP in fiscal year 2015-2016.\textsuperscript{28}
The administration of the Pakistani tax system is prescribed by the Constitution, which assigns it to both the federal and the provincial governments. The latter have authority over specific economic sectors, while more than 90% of the tax revenue is collected by the federal government, with the provinces relying on transfers of the shared revenue from the central authorities. The 18th Constitutional Amendment (2011-12) has devolved several federal competencies to the provinces, along with a greater share of revenue (57.5%). Yet the decentralisation process has posed effectiveness-related challenges in terms of service delivery and low capacity at the provincial level to generate revenue, due to widespread tax concessions and exemptions.

The agricultural sector contributes minimally to the total tax revenue. Taxes on agricultural income are based on the land size, and land holdings are tax exempted when they are smaller than 12.5 acres, which is the case for the overwhelming majority of holdings in Pakistan. Similar concessions and exemptions are also granted to exporting companies and foreign companies, which are taxed at the same rates as local companies.

The widespread informal economy and income underreporting are additional challenges to tax compliance and enforcement. Tax avoidance and evasion occur on a large scale among both individuals and companies. As mentioned above, most of the taxes are collected from businesses, with less than one-third of registered companies paying income taxes. The number of people registered for Personal Income Tax has almost quintupled in the last 15 years (3.6 million in 2014), but it is still inadequate when compared to the 32 million people employed in sectors other than the agricultural sector.

4. The cost of defence

Pakistan’s efforts to strengthen its internal defence capabilities have resulted in increasingly high resource allocations to the military sector. Following the trend of recent years, the 2016-2017 federal budget raised the defence allocation from US$ 7 billion in the previous fiscal year to US$ 8.3 billion, or 3.6% of the GDP and about 18% of the total annual outlay.

With a share of 47% of the total funds allocated to defence, the Army is the main recipient, while the Air Force and the Navy receive 20% and 10%, respectively, and the Ministry of Defence receives the remaining funds. About the 40% of the defence budget is for employee-related expenses, 25% for operating expenses and a similar amount for physical assets. Social welfare-related costs for military personnel and their families are not part of the defence budget. The nuclear programme and the cost of the military operations underway in the North West of the country (see par. 5.2) are also not included (the former has a development budget from the Pakistan Atomic Energy Commission). The CSF (see. par. 6.2) makes available the equivalent of about 20% of the defence budget, and the contingent liability can mobilise another similar amount.

While the available data do not provide a breakdown of the costs of the control of the anti-government armed militancy compared to the arms race with India and the maintenance of forces on the eastern border, it is a fact that tackling anti-government militancy has necessitated increasing military operations in the last decade (see paragraph 5.2).


40. A list of large-scale military operations conducted in Pakistan’s northern areas and targeting local and foreign militants between 2001 and 2014 is available at ‘Comparing Pakistan’s Past Military Operations with Operation Zarb-e-Azb - PKKH.'
Terrorism has negatively impacted Pakistan’s economic growth in terms of resource reallocation, military expenditures, and the contraction of trade, business activities, and investments at large.\textsuperscript{41} The economic impact of terrorism as a percentage of GDP is estimated as 2.8\%.\textsuperscript{42} The Zarb-e-Azb military operation launched in 2014 has contributed to improving the security situation in the North West of the country (see. par. 5.2). The 2015-2016 Economic Survey of Pakistan acknowledged the critical role played by the intervention of the army toward creating an environment conducive to business and investment, as shown by the declining direct and indirect economic losses, resulting from the militancy.\textsuperscript{43}

5. Domestic affairs

5.1. Panama Papers

The description of Pakistan’s overall taxation system and its features provides the background of the Panama Papers scandal that hit Pakistan and its Prime Minister in 2016.\textsuperscript{44} It originated from a massive leak of files from a Panama-based law firm, Mossack Fonseca, one of the world’s biggest providers of offshore services. The records, obtained by the German newspaper \textit{Süddeutsche Zeitung}, were then shared with the International Consortium of Investigative Journalists, and, subsequently, with their network of international partners, including the Guardian and the BBC (British Broadcast Corporation).

The documents reveal the names of globally known VIPs who have been exploiting offshore tax havens. Among these VIPs, over 200 are from Pakistan and include politicians and their relatives. Among them there are: family members of Pakistan’s Prime Minister Nawaz Sharif; relatives of Shahbaz Sharif, Nawaz’s brother; the chief minister of Punjab, former ministers, senators, etc.

The allegations against Sharif’s family refer to controlled shell companies (Nescoll Ltd, Nielsen Enterprises Ltd and Hangon Property Holdings Ltd, incorporated in 1993, 1994 and 2007, respectively) through which


\textsuperscript{44.} The International Consortium of Investigative Journalists, \textit{The Panama Papers} (https://panamapapers.icij.org).
Nawaz’s daughter and two of his sons had acquired real estate companies in London.

Holding offshore companies is not illegal in Pakistan, yet it has been asserted that Sharif family’s offshore bank accounts contain money gained by corrupt practices when Nawaz’s political career was rapidly ascending.\(^{15}\)

There were tenacious calls for Sharif’s resignation, based on alleged violations of Articles 62 and 63 of the Constitution, which regulate the disqualification of members of the Parliament. These calls were made by multiple parties, among which the PTI (Pakistan Tehreek-e-Insaaf) – whose chairman, Imran Khan, admitted he had also used an offshore company for tax avoidance purposes – and the PAT (Pakistan Awami Tehreek). In November 2016, the PTI organised a large sit-in protest in Pakistan’s capital, Islamabad. The planned protest formed part of an ongoing campaign against government corruption, and was aimed at seeking Sharif’s resignation. In response, the authorities issued a directive banning rallies in Islamabad and the neighbouring city of Rawalpindi for two months, and clashes occurred between police and protesters. Khan called off his protest campaign only after the Pakistan Supreme Court announced the decision to form a commission to investigate corruption.

Facing calls for his resignation, Sharif denied any wrongdoing and expressed his willingness to form a judicial commission to clear his family’s reputation. He described the accusations against him as the work of the detractors who were targeting him and his family for political reasons and said he would resign if found guilty. Nevertheless, he was put under significant pressure. The same has occurred to General Shar Raheel Sharif, the country’s top Army officer, who retired at the end of November 2016. He was replaced by General Qamar Bajwa, who was supposed to restore «across-the-board accountability» and who, indeed, took the unprecedented step of disclosing the names of a group of senior Army officers who had been found guilty of corruption.

5.2. Armed militancy and terrorism, and the fight against them

The turning point in the fight of the Pakistan State against armed militancy and terrorism can be considered the Zarb-e-Azb military operation, which was launched in June 2014 against the TTP (Tehrik-i-Taliban Pakistan, an alliance of a dozen of insurgent groups). It was the response to the attack at the Karachi’s Jinnah International Airport, which had showed that Sharif’s attempts to hold peace talks with the militants had been fruitless.\(^{46}\)

45. In the mentioned period, Nawaz Sharif was the finance minister of Punjab from 1981 to 1985; Punjab’s chief minister from 1985 to 1990; prime minister of Pakistan (between 1990-1993).

The military intervention was widely supported by the political parties and civil society at large. This support became starkly more pronounced after the TTP attack on the Army Public School in Peshawar in December 2014, during which 139 people, mostly students and teachers, were killed.\textsuperscript{47} An action plan was announced by the government pursuant to which security forces and intelligence agencies were to conduct joint anti-terrorism operations.

Since then, operations have been conducted against militant outfits across the country in the Khyber Pakhtunkhwa, Punjab, Sindh and Baluchistan provinces, and in the FATA (\textit{Federally Administered Tribal Areas}). Security forces have regained control over the areas which were the most volatile before the Army operations, particularly Khyber and North Waziristan Agencies, Miranshah, Mirali and Tirah valley. Nawaz Sharif and Chief of Army Staff General Raheel Sharif have repeatedly reaffirmed their intention to eradicate extremism from Pakistan.\textsuperscript{48}

In 2016, TTP and its splinter factions showed their willingness and capacity to carry out attacks against «soft targets». These attacks, however, were fewer in number than in the previous years.

An educational establishment was again stormed on 20 January 2016: The Bacha Khan University campus in Charsadda, about 30 km from Peshawar, was attacked, leaving 21 dead and 35 injured among the students and professors.\textsuperscript{49}

On 27 March 2016, more than 70 people were killed and about 300 wounded when a suicide bomber detonated himself in the crowded Gulshan-e-Iqbal Park in Lahore during Easter celebrations.\textsuperscript{50} The splinter group of the Pakistani Taliban Jamaat-e-Ahrar claimed responsibility for the explosion, specifying that the target of the killings was the Christian community.\textsuperscript{51} The bombing came as protests were held in Pakistan against the execution on 29 February 2016 of Malik Mumtaz Hussain Qadri, the police

\textsuperscript{47}. Marco Corsi, ‘Domestic and Foreign Policy Challenges’, \textit{Asia Maior} 2015, pp. 445-447.

\textsuperscript{48}. Military operations coincided with a decline in terrorism in Pakistan. In 2015, Pakistan recorded a substantial drop in terrorist activity with 45% fewer attacks and 38% fewer deaths than in the previous year. Terrorism in the country is now at its lowest level since 2006. However, although the number of attacks has fallen, terrorism in Pakistan is geographically spreading. It has moved from the border region with Afghanistan and is now present in many other parts of the country, especially in the Punjab province (Institute for Economics and Peace, \textit{Global Terrorism Index}).


\textsuperscript{51}. Jamaat-ul Ahrar broke away from the TTP in 2014 after the latter entered talks with the Pakistani Army. The group, which has professed allegiance to the Islamic State, also claimed responsibility for the 15 March 2015 attacks on two churches in Lahore (Marco Corsi, ‘Domestic and Foreign Policy Challenges’).
guard who had been found guilty of the murder of the former governor of Punjab, Salmaan Taseer. Mr. Taseer had called for the reform of Pakistan’s blasphemy laws, as he considered them to be a tool used to persecute religious minorities.

The Lashkar-i-Jhangvi, a militant group having connections with the Islamic State (IS), claimed responsibility for the raid perpetrated against a police training college on 24 October 2016 in Quetta, the capital city of the Balochistan province, during which over 60 cadets were killed.\(^\text{52}\)

The Shah Bilal Noorani Sufi shrine in the Khuzdar district of the Balochistan province was targeted by militants, with a suicide bomber killing dozens of people on 10 November 2016. The media reported that IS claimed responsibility for the attack, yet police officials believed it could be the responsibility of an anti-Shiite militant group – Jundullah – in retaliation for killing the group’s leader by paramilitary troops.

Since the beginning of 2016, the Pakistani military has intensified its military operations in Balochistan, a vast territory boasting reserves of gas, gold, copper, and untapped sources of oil and uranium. Islamabad’s exploitation of natural resources in the area and the Baloch population’s resistance to it have led to multiple armed uprisings in the region since Pakistan annexed the territory in 1948. In April 2016, the paramilitary forces of the Frontier Corps launched a search for guerrillas from the BLA (Balochistan Liberation Army), a militant organisation. It is believed that the main purpose of the operations in Balochistan is to crush any resistance against the implementation of the China-Pakistan Economic Corridor (see par. 6.1). In fact, the Baloch nationalist groups have opposed the project, as they perceive it as a further step towards making their ethnic group into a minority in their own homeland.

In April operation Zarb-e-Aahan was launched in the Punjab by the military to fight a group of bandits who had kidnapped 24 police officers. The operation ended successfully on 20 April with the unconditional surrender of the surviving members of the band and the liberation of the hostages.\(^\text{53}\)

6. Foreign policy

6.1. The China-Pakistan Economic Corridor

Since autumn 2013 China has launched an ambitious foreign development economic initiative, aimed at recreating the trade connections that,

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\(^{53}\) ‘Chotoo, gang members surrender unconditionally to army: ISPR’, *Dawn*, 20 April 2016.
in antiquity, related China to the Mediterranean world. This «Silk Road Economic Belt» and its overseas version, the «Maritime Silk Road», consist in a series of projects aimed at connecting the East Asian nation to Central Asia and Europe. The initiative, formerly called OBOR (One Belt, One Road) and, more recently BRI (Belt and Road Initiative), reached Pakistan under the framework of the China-Pakistan Economic Corridor (CPEC). In 2015, China pledged US$ 46 billion in support for energy and infrastructure projects to be implemented in Pakistan. In 2016, the size of the financial support to project escalated to US$ 51.5 billion, thanks also to help of the Asian Development Bank.\(^{54}\) According to the CPEC plan, an economic corridor will connect the Pakistani port of Gwadar in Balochistan, which has been financed and constructed by the Chinese on the shores of the Arabian Sea, to Kashgar, in the Muslim majority Xinjiang region of China. The CPEC will include land routes (3,000 km of road and rail infrastructure worth more than 10 billion US$) and a network of gas pipelines extending beyond Pakistan to Iran. In addition to the development of a trade and transport route from Kashgar in China to Gwadar Port, CPEC also envisages the development of special economic zones and projects aimed at attracting Chinese investments. The goal is the construction of nuclear, hydropower, solar, and coal plants which are expected to boost Pakistan’s energy capacity.

Gwadar Port is of strategic interest to China, both economically and militarily.\(^{55}\) Economically it grants access to the Gulf countries; militarily it gives China the possibility to establish a naval base on the Arabian Sea. The port will also play a critical role for Pakistan, particularly with respect to both the outflow of goods from Western China and Central Asia, and the charges – for the port, cargo handling, and freight – that will be earned.

The CPEC agreement is a potential game-changer for Pakistan, given its unprecedented economic dimensions and strategic importance, potentially overtaking the importance of the connection with Washington. In 2016 the concrete possibility took shape that Pakistan could leave the US orbit, just when its market appeared at take-off stage and the country was considered a possible next emerging economy.

Due to the CPEC, in the year under review China was the most important partner of Pakistan in terms of FDI (Foreign Direct Investments). In 2016, the funds injected into the Pakistan monetary system by the CPEC investments provided a remarkable increase (US$ 2.5 billion) in Pakistan’s official reserves. The State Bank of Pakistan revealed that the inflow of


\(^{55}\) The proximity of the port to the Persian Gulf provides China with the shortest route to the Middle East, Africa, and most of the Western hemisphere. ‘Balochistan: The Troubled Heart of the CPEC’, \textit{The Diplomat}, 23 August 2016.
FDI, mostly attributable to China, had increased by 38.85%. On their part, the IMF CPEC-related capital inflows (FDI and external borrowing) were estimated at about 2.2% of the projected GDP in FY2019/20.

Balochistan – namely an area crucial for the successful completion of CPEC – is the largest and poorest province in Pakistan and is rich in natural resources. Baloch nationalists have accused the federal government of the exploitation of the province’s wealth and the violation of its rights. As a consequence, the development of the Gwadar Port – the linchpin of the «Maritime Silk Road» – has proceeded in parallel with an upsurge in extremism in the province. Baloch political parties have opposed the deal with China, and Baloch militant organisations have sabotaged the construction work.

The government of Pakistan has shown its commitment to supporting the smooth development of the CPEC project, and has promised to protect CPEC workers and investments by deploying ad hoc troops. In fact, the growing terrorism in Pakistan is a major concern for the Chinese authorities. Islamabad has repeatedly accused India of fomenting terrorist activities and of establishing training camps for Baloch separatists in Afghanistan, to demotivate China and obstruct the CPEC project.

6.2. The Pakistan - USA relations

Pakistan became a frontline state in the Afghan war against Soviet occupation (December 1979 - February 1989) and in the post-9/11 «war on terror». In both cases, Pakistan was an essential ally of the United States and a major recipient of US foreign aid. Between the two conflicts, Pakistan was sanctioned multiple times by the United States due to its nuclear programme, and in 1999, because of the military coup which brought Pervez Musharraf to power.

The post-9/11 events offered an unprecedented opportunity to Pakistan, when it undertook counterterrorism operations jointly with the United States. The Congress of the United States lifted most of the economic sanctions imposed on Pakistan, and the government of Islamabad was able to re-connect with the international community and had the chance to re-affirm the country’s international reputation.

Until recently, the United States’ military aid to Pakistan has been the largest component of US aid to the country. Since the aftermath of the 9/11

56. Countries other than China have not made a significant contribution to the growth in FDI, except for the United Arab Emirates, Hong Kong, and Italy. FDI has declined in the fiscal year 2015-2016, particularly that from the United Kingdom and the United States. The reason for this decline is the existence of an environment unfavourable to business as mentioned above. See ‘Pakistan needs to look beyond China for FDI’, *East Asia Forum*, 15 August 2016.

attacks, the US has provided most of its disbursements through the Coalition Support Fund, which adds to the resources already allocated to defence by Pakistan's annual budget. The CSF was conceived to support the costs above the regular military costs, incurred by Pakistan in fighting terrorism. It allowed Islamabad’s government to be reimbursed and compensated, respectively, for military expenses incurred and for the support made available to the coalition forces.\textsuperscript{58} Out of a total amount of US$ 33 billion, inclusive of security and economic-related disbursements, the United States has reimbursed approximately US$ 14 billion to Pakistan under the CSF from 2002 to 2016.\textsuperscript{59}

Since the end of the last decade, the United States has been reconsidering its assistance to Pakistan. The decline in the United States’ assistance was partially due to a lack of confidence in Pakistan’s commitment to fighting terrorism. The turnover at the White House in 2009 marked a progressive disengagement of the United States in Afghanistan and the establishment of new broader regional geopolitical trends and alignments. Military reimbursements were also temporarily frozen in 2011 (but resumed later that year), following the bilateral fallout after the United States’ raid against Osama bin Laden’s compound in Abbottabad. The \textit{Enhanced Partnership with Pakistan Act} of 2009 committed US$ 7.5 billion in non-military aid over a 5-year period, followed by a US$ 2 billion military aid package the following year.\textsuperscript{60} In 2016, civilian and military aid to Pakistan was less than US$ 1 billion, the lowest allocation since 2007.\textsuperscript{61}

Counterterrorism and international security were discussed by Pakistan’s Advisor to the Prime Minister on Foreign Affairs Sartaj Aziz, and United States Secretary of State John Kerry on 29 February 2016, in Washington, when they convened the sixth ministerial-level Pakistan-U.S. Strategic Dialogue.\textsuperscript{62} Yet bilateral relations became tense after a Taliban leader, Mullah Akhtar Mansour, was killed on 21 May 2016 in a United States’ drone attack in Balochistan, a province off limits to American air strikes. The acrimony worsened when the United States Department of Defence decided to withhold a US$ 300 million tranche of military reimbursement payments, citing Pakistan’s inadequate attention to the deadly Haqqani network terror group.\textsuperscript{63}

\textsuperscript{58} CSF is not foreign assistance. Yet some sources have mentioned that Pakistan has been under-compensated by the CSF, as it has limited reimbursements to the costs of military operations only. See Akbar Zaidi, ‘Issues in Pakistan’s Economy’, p. 754.


\textsuperscript{60} Akbar Zaidi, ‘Issues in Pakistan’s Economy’, p. 766.

\textsuperscript{61} ‘US Assistance to Pakistan Set to Fall to Lowest Level Since 2007’, \textit{The Diplomat}, 27 August 2016.


\textsuperscript{63} ‘US May Suspend 300 Million Military Reimbursement for Pakistan’, \textit{The Diplomat}, 5 August 2016.
In Pakistan there is the perception that both India and the United States are opposing BRI due to its geo-strategic implications. This perception is grounded on the convergence of India’s foreign policy in the Asia-Pacific region (the «Act East Policy») with the US’s anti-China arc of containment policy, originating from the so-called «Asia Pivot», the strategic rebalancing of the United States’ interests towards East Asia. In short, the United States would support India’s «Act East» policy and would oppose China’s BRI, as a weaker China would be functional to the success of the US hegemonic aims in Asia.

In this overall context, the United States Congress’s concerns regarding human rights violations in the poor and populous province of Balochistan, the linchpin of the CPEC project, and accusations by the House of Representative’s Committee on Foreign Affairs that Pakistan’s military has used American arms against the Balochi population have been considered by Pakistan as having the geo-political strategic purpose of balancing China by backing India as its competitor.64

6.3. The Pakistan – India relations

India has reacted to the increasingly strict Pakistan-China connection by strengthening its own relations with the ASEAN countries under the «Act East» policy,65 and by searching an access to Central Asia that bypasses Pakistan. In May 2016, India, Iran, and Afghanistan reached a trade agreement which gives India access to Central Asia from Chabahar, a port located in South Western Iran and just a few kilometres away from Gwadar. Although a convoluted one, this route will provide India with access to Central Asia and Russia through Iran.

The year 2015 ended with an attempt to launch a peace dialogue between India and Pakistan with the two Prime Ministers, Nawaz Sharif and Narendra Modi, meeting in Paris on 30 November 2015 and in Lahore on 25 December 2015. However, 2016 was characterised by escalating tensions between the two nations. On 2 January 2016, an armed group wearing Indian Army uniforms attacked the Indian Pathankot Air Force Station in the Indian Punjab. The gun battle and the military operation which was launched subsequently by the Indian military continued up to 4 January and left seven Indian soldiers and six militants dead. The attackers were suspected of belonging to JeM (Jaish-e-Mohammed), an Islamist militant group which has been carrying out attacks in the Indian-administered part of Kashmir, and it is believed to have ties with the Tehrik-i-Taliban Pakistan.

64. The United States rejected allegations of its involvement with India in conspiracies against CPEC. See ‘United States Rejects Anti CPEC Accusations’, The Tribune, 8 September 2016.
and Al-Qaeda. Evidence was found linking the attackers to Pakistan, yet Indo-Pakistani joint investigations concluded that there was no evidence of Pakistani involvement.

Following the events of Pathankot, several JeM members were arrested. The initiative seemed to confirm the firmness of the counterterrorism efforts launched by Pakistan in 2015 with the National Action Plan, and was also welcomed by New Delhi as a sign of Pakistan’s commitment to avoid the derailment of the peace process.66 Following the attack, India refrained from indulging in allegations and accusations regarding Pakistan even before the investigations had been launched. Yet the incident led to a breakdown in the India-Pakistan dialogue process.

In July 2016, Indian forces in Kashmir killed Burhan Wani, a young militant separatist who belonged to Hizbul Mujahideen, a pro-Pakistan Kashmiri separatist group. Following his death, protests by the Kashmiri population erupted in the valley, which led to heavy clashes with Indian forces and the establishment of a generalised and indefinite curfew which went on for months. These events led to the further deterioration of Islamabad-Delhi relations, with Pakistan declaring Wani a martyr and bringing up the issue of the Kashmir violence at the UN’s Human Rights Council, while reiterating the right of the Kashmiri people to self-determination.

While the Kashmir Valley was at the centre of unrest, in September 2016 armed terrorists attacked an Indian Army installation in Uri, situated in the Baramulla district of Jammu and Kashmir near the LoC (Line of Control). The long gun battle which followed led to heavy casualties among the Indian soldiers. Lashkar-e-Taiba, a militant outfit formally banned in Pakistan and previously involved in the 2001 Indian Parliament and 2008 Mumbai attacks, claimed responsibility for the operation, while JeM was also suspected of being involved.

The Uri attack triggered a serious bilateral crisis between Pakistan and India, and actual hostilities eventuated. The frequency and the intensity of the cross-border gunfights between the two armies intensified, and «surgical army strikes» were reportedly carried out by the Indian army against the militants’ training camps located in Pakistani territory. This was a controversial issue; in condemning the «unprovoked aggression» of Indian forces which had resulted in casualties among Pakistani soldiers, Nawaz Sharif rejected any involvement of Pakistan in the Uri attack and referred to a ceasefire violation across the LoC with no actual infiltration of Indian military forces. Exchanges of fire across the LoC continued until the end of 2016, as did the tension between the two countries, which expelled each other’s diplomats based on alleged espionage activities.

The escalating tensions led India to boycott the 19th SAARC (South Asian Association for Regional Cooperation) summit held in Islamabad in November 2016 indefinitely postponed after the pull-out by India.
Afghanistan’s political and economic scene in 2016 was largely conditioned by the on-going war. The uneasy balance between Afghan National Security Forces and the insurgents has shown a tendency to shift in favour of the latter. US air support has increasingly emerged as the government forces’ only element of military superiority over the Taliban. This led to the international coalition postponing the planned withdrawal of military assistance to 2017. The year 2016 was also marked by the killing of the Taliban amir Mullah Akhtar Mansour in a US drone strike, and by his replacement with Maulvi Hibatullah Akhundzada. At the same time, the year has also confirmed the Taliban’s tendency to evolve their own organization towards greater professionalization and centralization. Moreover, the Afghan scene has also been marked by indications that the Islamic State’s branch in Afghanistan – Wilayat Khorasan – is taking firm roots in the country, as it has in Pakistan. Wilayat Khorasan was also increasingly competing with the Taliban, who have tried unsuccessfully to halt its spread. On the other hand, a positive development for Kabul has been the signing of a peace agreement between the government and Hezb-i-Islami Gulbuddin, one of the main insurgent groups. In the field of internal politics, the government has struggled to maintain the promises of reform made at the time of the National Unity Government’s appointment. Only in the second half of the year, did President Ghani obtain approval for a new electoral law, which should open the way to parliamentary and district councils elections in 2017. Economic indicators have shown moderate growth over the preceding year, which was favoured by an unexpectedly good harvest. Other important developments include approval of the International Monetary Fund’s program of Extended Credit Facility, the opening of a new train connection with China, and the signing of a tripartite agreement with Iran and India for the development of the Iranian port of Chabahar.

1. Introduction

2016 has been another difficult year for Afghanistan. The hopes that the inception of the National Unity Government (NUG) would bring a breakthrough for the war-torn country have largely been unfulfilled. In the military field, the difficulties of the Afghan National Security Forces (ANSF) have once again been highlighted by the Taliban offensive. This led the international coalition to postpone the planned withdrawal of military assistance to 2017. The year has also been marked by important developments
2. Military stalemate and the extension of Resolute Support Mission

The war has largely conditioned Afghanistan’s political developments in 2016, as during the previous year.¹ The uneasy balance between the ANSF and the insurgents has tended to shift in favour of the Taliban. This situation was partly expected, as a result of the decision of the US and NATO partners to shift the role of their troops from active fighting to advising and training. During 2016, it became increasingly clear from field reports, that the conflict was moving from a state of military balance to one in which the initiative was in the hands of the insurgents. At the same time, the difficulties of the ANSF in facing this challenge without the active support of the international forces became clear. From a strategic point of view, the strategy followed by the Taliban was to attempt the occupation of provincial capitals. This indicates that the Taliban conquest – although very

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brief – of Kunduz city in September 2015, was not an isolated initiative, but a well-planned strategy. In 2016, the Taliban attacked provincial capitals in almost all the regions, including Kunduz, Farah, Maymana, Lashkargah and Tarin Kot. While, before 2014, the Taliban could not attack urban areas because of the cover provided by international air forces, the withdrawal of the International Security Assistance Force (ISAF) changed the balance. The Taliban have increasingly replaced the use of Improvised Explosive Devices (IED) with more ambitious and sophisticated military offensives. The fact that all of these attacks ultimately were repelled by the ANSF, must not lead to underestimations of their importance. In each attack, the failure of the offensive was not caused by the Kabul defence forces, but rather by the intervention of US air power.

The Taliban have also shown the ability to resort to more complex strategies in order to put the ANSF under strain; for example, they have attacked more cities at once, making it increasingly difficult for the Kabul troops and the allies to repel them. Another new tactic used by the Taliban has been that of trying to cut supply lines, in order to isolate provincial cities from Kabul. The insurgents have not altogether abandoned the tactic of launching attacks against government buildings or places popular with foreigners: on 1 January, a bomb blast near a French restaurant in Kabul killed two people and injured fifteen; on 19 April, a suicide bombing targeted a government compound, killing thirty people and injuring hundreds; according to media sources, this has been the single deadliest year for Taliban attacks since 2011.

The insurgents’ increasing military capability has led the Kabul government to blame Pakistan for its alleged support to the Taliban. In December 2016, President Ghani has stated that the Taliban «would not last a month without Pakistan’s support». These developments have also thrown light on the ambiguous nature of the international military presence in Afghanistan. According to the terms of the Resolute Support Mission – which replaced Enduring Freedom on 1 January 2015 – the allies were expected to provide only advisory and training support to the ANSF. However, it was also decided that the US would maintain the presence of Special Units for counter-terrorism against the international jihadists operating in Afghani-

stan. It should be noted, however, that the definition of «jihadist» given at that time – and followed until 2016 – had focused on al Ŷa’ida, IS and the international terrorist network. The Taliban, on the other side, were normally referred to as «insurgents». The main reason for this nuanced terminology was to allow Kabul to carry on with the so-called «Afghan-led» peace process.\(^7\) Now, in the light of the increasing difficulties of the ANSF, the category of terrorist has become broader to justify US interventions to stop the Taliban. This has forced the US to once again step into the frontline of the war, contradicting its efforts to present the war as an Afghan «affair» that should be solved only by Afghans. The continued US and international role in the war has also made it increasingly difficult for Kabul to carry on with the peace dialogue. The main argument given by the insurgents against their participation in peace negotiations with Kabul has been exactly the presence of foreign troops in the country. After 2016, it became more difficult for Kabul to say that international troops do not play a leading role in the conflict.\(^8\)

It is not only the difficulties of the ANSF that have forced the US to take the leading role in the war. They also caused the coalition to rethink its overall strategy for Afghanistan. In March 2015, during his first visit to Washington, President Ghani formally asked the US administration to freeze the withdrawal of the troops; a request that Barak Obama accepted.\(^9\) On 20 May 2016, the Foreign Ministers of the countries of the Resolute Support Mission announced their decision to «sustain the NATO-led mission in Afghanistan beyond 2016».\(^10\) At the following meeting in Warsaw in July, and at the Brussels donors conference in October 2016, the coalition confirmed financial support for the Afghan military with a payment of US$15 billion through 2020.\(^11\) While these steps confirmed that the international community did not intend to leave Afghanistan alone, they also reflected the deep concern that US and NATO experts have been voicing about the increasing military capacity of the Taliban. According to media sources, the US commander in Afghanistan, General John Nicholson, submitted his three-month report on the situation to Washington in June 2016. Although the

7. However, individual Taliban leaders have been included in the US list of terrorists and targeted as such.
details have remained secret, the report must have played a decisive role in
making the US administration revise its strategy on Afghanistan. On 6 July,
Barak Obama admitted that the situation in Afghanistan was «precarious»
and that, therefore, the number of US troops in the country had to remain
as it was until the end of his administration; that is, at 8,400, not reduced
to 5,500 as previously announced. In the same statement, the US President
repeated that the role of the US in Afghanistan remained «unchanged»,
being that of advising and training, while admitting that their mission was
also one of «counterterrorism [...] against the Taliban and other groups».  

3. The renewal of the Peace Process and the Taliban response

Besides the military initiative, the year has seen the international
community take new steps to revive the peace process. However, interna-
tional strategy did not focus on bilateral talks between Kabul and Islama-
bad, in the hope that Pakistan would «force» the Taliban to sit and negoti-
tate as had often been the case in the past. The initiative has been led
by the Quadrilateral Coordination Group (QCG), established in 2015 by
Afghanistan, Pakistan, the US, and China. The QCG met five times dur-
ing 2016. However, it has failed so far to convince the Taliban to engage in
direct negotiations. In fact, the lack of response on the part of the Taliban
seemed to be increasingly frustrating for QCG representatives. During its
fourth meeting, in February 2016, the QCG issued an «invitation» to «the
Taliban and other groups» to participate in the next meeting scheduled
in March. However, the harsh tone of the invitation was apparent in the
speech by the Afghan Foreign Minister Salahuddin Rabbani, who said that
«the armed groups who continue to refuse to join the peace talks [...] must
realise that...our brave security forces will not hesitate in their resolve to
fight them resolutely [...]». In fact, the feeling was that the QCG was issu-
ing an ultimatum to the Taliban. Apparently, the initiative did not produce
any effect; the Taliban political office in Qatar issued a statement on 24
February, stating that the movement was «unaware of plans for talks» and
summarised its conditions for joining the peace process: the withdrawal of
all foreign troops; official recognition of the Qatar office; the removal of the
Taliban from the UN’s list of designated terrorist groups; cessation of the
campaign of «arrest and elimination»; the release of Taliban fighters from

12. ‘Obama, in Shift, Says He Will Keep 8,400 U.S. Troops in Afghanistan Until
2017’, Reuters, 6 July 2016; ‘U.S. Commander in Afghanistan Submits his 3-month

prison; and the end of what they called «poisonous propaganda». While the Taliban had already submitted most of these conditions in the past, the inclusion of new requests, such as the UN list seemed to show a hardening of their position. On the other hand, it was interesting to note the absence of references to the role of the sharī‘a in Afghanistan, which had been included in previous statements.

The reaction by the government and the international coalition seemed to follow a double strategy. First, to exploit the existing divisions among the Taliban, and, secondly, to increase military pressure on the commanders less inclined to negotiate. From the first point of view, the coalition chose not to focus on the QCG, rather on the Afghan High Peace Council (HPC), a body established by former President Karzai in 2010, charged with negotiating with the insurgency. This strategy was clearly aimed at strengthening the public image of the process as «Afghan-led». At the same time, Kabul decided on a renewal of the structure of the HPC: Pir Sayed Ahmad Gailani was appointed in February as its new chairman. Gailani is highly respected in the country, as a veteran leader of the jihad against the Soviets and because of his position as head of the Qadiriyya Sufi order in Afghanistan. Other changes in the HPC composition included a reduction in the number of members from 70 to 50, and the appointment of new Deputy Heads and members of the Executive Board of Advisors. Interestingly enough, the changes indicated the political will of the NUG to maintain certain political lines for the peace process. In particular, according to many observers, the appointment of two Hazaras and three women signalled that the Kabul government was not ready to negotiate at the cost of minority and civil rights. On the other hand, the decision to carry on two parallel peace initiatives – the QCG and the HPC – confirmed the ambiguity surrounding the peace negotiation. It was easy, for some critical voices to suggest that the «real» process was in fact the one of the QCG, while the HPC was only a façade, aimed at giving credibility to the peace process. In any case, the new impetus seemed to produce some results. On 18 May, a draft peace agreement was announced between the HPC and the Hezb-i-Islami Gulbuddin (HIG), one of the main insurgent factions, although lately autonomous from the Taliban. The draft was formally signed by President

Ghani and Gulbuddin Hekmatyar on 29 September.\textsuperscript{20} The deal with HIG was certainly an important result: HIG was one of the oldest militant factions in Afghanistan, which had been active since the 1970s. In fact, the negotiations between the government and Hekmatyar have been ongoing since at least the period of Hamid Karzai. This said, the importance of the event should not be overemphasised. Although influential, and led by a charismatic leader, the HIG has a history of changing sides. Since 2001, the group has shifted alliances more than once. Moreover, a section of the party, led by Abdul Hadi Arghandiwal left the insurgency in 2008, and legally entered Parliament. Finally, HIG’s leader Hekmatyar was an aging man, said to be in poor health. He might, therefore, have accepted the deal in order to be granted permission to return to his country.\textsuperscript{21}

The details of the deal are also delicate. According to media sources, HIG has agreed to abandon the insurgency in exchange for their removal from the list of terrorist organizations, and permission to act as a political party in Afghanistan.\textsuperscript{22} Moreover, the agreement would have paved the way for the participation of the party in government institutions and electoral reform.\textsuperscript{23} This latter point was of particular interest, since the group – like most former jihadist organizations – was in favour of a proportional electoral system. The legalization of the HIG, therefore, might be a factor favouring reform of the electoral system according to that pattern. Some independent observers have also criticised the deal for granting immunity to HIG for its actions during the civil war of the 1990s. This group – together with Shah Ahmad Massoud’s and Burhanuddin Rabbani’s Jamiat-i-Islami and Rashid Dostum’s Jumbesh – was considered responsible for some of the bloodiest battles in the country after the withdrawal of the Soviets, particularly in the city of Kabul.\textsuperscript{24}

\textbf{4. The killing of Akhtar Mansour}

The second aspect of the coalition’s strategy – targeting hard-line Taliban commanders – led on 21 May to the killing of the Taliban supreme leader, Akhtar Muhammad Mansour in a US drone strike. After the attack, both the US and Afghan governments stated that the killing of Mansour had been brought about by his refusal to accept the peace process.\textsuperscript{25} It was

\begin{itemize}
\item \textsuperscript{20} ‘Ghani, Hekmatyar Sign Peace Deal’, \textit{Al Jazeera}, 29 September 2016.
\item \textsuperscript{21} Thomas Ruttig, ‘Almost Signed?’, p. 10.
\item \textsuperscript{22} ‘Afghanistan Signs Deal with Militant Hekmatyar’, \textit{BBC News}, 22 September 2016.
\item \textsuperscript{23} Thomas Ruttig, ‘Almost Signed?’, pp. 4-5.
\item \textsuperscript{24} \textit{Ibid.}, p. 9.
\item \textsuperscript{25} ‘US drone strike in Pakistan kills Taliban leader Mullah Mansoor’, \textit{The Guardian}, 22 May 2016.
\end{itemize}
evident that Kabul and its international allies wanted to send a signal to all insurgency participants about the consequences of refusing to negotiate. The agreement with Hekmatyar and the killing of Mansour have thus ended up playing an important symbolic role in government propaganda. Somehow, they represented two alternatives for the insurgency. Not surprisingly, the ceremony in which Ghani and Hekmatyar signed the agreement was broadcast live on the Afghan television. During the event, President Ghani urged other insurgency groups to join the process: «This is a chance», Ghani declared, «for the Taliban and other militant groups to show what their decision is: to be with people and join the respected caravan of peace, like Hezb-i Islami, or confront the people and continue the bloodshed».

5. The consequences of Mansour’s death

The loss of Muhammad Mansour should have been, at least in theory, a serious blow for the Taliban. They had lost two leaders within the space of one year, given that Mansour had replaced Muhammad Omar in mid-2015. However, the crisis turned out to be less serious than expected for two reasons. The first was that Mansour, though a skilled military commander who had considerably strengthened the movement, had also been a divisive figure. The second was that, over the past few years, the Taliban had undergone a process of institutionalization and centralization, which had made the movement less vulnerable to the killing of its commanders. From the first point of view, it should be noted that Muhammad Mansour’s appointment as amir had been met with strong resistance from the beginning from some Taliban commanders. This was mainly due to his reputation for being too involved in the narcotics trade, not only for the benefit of the movement, but also for his own. Moreover, he was considered too «mundane», especially when compared to the sober personality of Mullah Muhammad Omar. Finally, some militants thought that Mansour had a too close relationship with Pakistan. The allegations against Mansour even led to the emergence of a parallel structure led by Mullah Rasool. Though this rebellion became marginal in 2016, the mere fact that parts of the Taliban had rebelled against the amir, showed the divisive character of Mansour, as well as the change in the Taliban leadership after the death of the charismatic Mullah Omar. It is likely no Taliban leader after Omar will be able to get the unquestioning obedience of the movement. The fact that Mansour was killed in Pakistani territory, and that his relations with Islamabad had apparently worsened in the last months have led some Taliban members to

28. Ibid.
suggest a Pakistani involvement in the killing. However, the role played by Pakistan in the Taliban’s change of leadership – assuming there was one – is difficult to assess given the lack of objective evidence.29

The new amir, Mawlawi Hibatullah Akhundzada is a very different figure from Mansour. First, he is a religious, rather than a political or military leader. In his youth, he studied religious sciences achieving the titles of shaikh al hadith and shaikh al tafsir. He has also taught many Taliban fighters, which has obviously increased his personal influence. Apart from his teaching, Akhundzada had served as a judge for the Taliban in various provincial courts, before being appointed chief justice by Mullah Omar around 2008. In 2015, he was chosen as a deputy to Mansour. Well-informed sources describe him as a modest, serious person, who was also very conservative on adherence to Islamic law.30 Overall, the appointment of Akhundzada had a unifying effect on the movement. Some observers have even suggested that the choice of a universally respected leader as Akhundzada was motivated by the desire to avoid the divisions of the past.31

6. The reorganization of the Taliban

The change in the insurgency leadership highlights the transformation experienced by the Taliban in recent years. Since 2001, the Taliban had gone through a process of institutionalization and centralization. This means that the Taliban have appeared to be able to weather important changes in the leadership without significantly losing their strategic direction. Originally, the Taliban had a kind of federated structure.32 The movement was a galaxy of militias organised in shuras (assemblies). The main groups – all operating from Pakistani territory – were the shuras of Quetta, Peshawar, and Miran Shah (also known as the Haqqani Group). Below this level, there was a collection of many local groups, which followed the directives of one of the three main shuras. This structure was largely informal, based more on tribal and regional considerations than on ideology. Since the regrouping after defeat in 2001 – particularly after 2009 – the Taliban structure has undergone a process of institutionalization.33 The change was

29. Ibid., p. 2.
30. Ibid.
31. ‘Who is Haibatullah Akhundzada, the New Taliban Leader?’, The Telegraph, 25 May 2016.
motivated mainly by the aim to make the movement into a stronger political force, which could credibly replace the government in Kabul.

Institutionalization was also intended as an attempt by the more politically-minded commanders to take the lead over hardliners. One important step towards this end, was the issue of the Taliban code of conduct or Layha in 2010. The code was issued with the declared aim of disciplining fighter behaviour toward the civilian population, and strengthening the Taliban’s image as a future governing force. Although opinions differ among the analysts on how deep the change has affected the Taliban «DNA», there is a consensus that the insurgency now has a predefined strategy that, at least in the short term, could be implemented even in the absence of a recognised guide. Furthermore, their power structure, which was once decentralised and informal, has become a well-organised pyramidal chain of command. This is currently led by the Quetta Shura (also called Rahbari Shura or Guiding Assembly), which directs the other territorial commissions. After several regroupings within local bodies, the Taliban under the Rahbari Shura in 2016, was believed to consist of the Haqqani Network – whose main base is at Miran Shah, in Pakistan’s Federally Administered Tribal Areas – and by the Mashad Office, which organises the Taliban in the Western districts near the Iranian border. The Peshawar Shura apparently fragmented into two factions in late 2016, one of which amalgamated with the Quetta Shura, while the second formed a new group, called the Shura of the North.

7. The emergence of Wilayat Khorasan

The year 2016 was also marked by the advance of IS into Afghanistan and the Aft-Pak frontier region, through its local organization, Wilayat Khorasan (WK). This group began to take root in Afghanistan in 2014, although only in January 2015 did IS announce its foundation. The spread of WK in Afghanistan, however, has not followed a smooth course because of their competition with the Taliban. Between 2015 and 2016, the organization has been able to settle in different areas of Afghanistan. At the end of 2016, it was present – although with different levels of strength – in the south (Zabul), east (Konar), and in the north and northeast of the coun-

36. «Wilayat Khorasan» means «Khorasan province». The term Khorasan historically refers to a region comprising parts of today’s Iran, Afghanistan, Tajikistan, Uzbekistan, and Turkmenistan.
try (Badakhshan, Sar-e-Pol, Faryab and Badghis).\textsuperscript{37} The expansive ability of WK is based on three main elements: first, its capacity to provide an alternative to those fighters who were dissatisfied with the Taliban leadership. In fact, the greatest expansion of WK coincided with the internal split within the Taliban caused by the appointment of Mansour. Secondly, its financial strength: according to one source, the wages of WK fighters in 2016 amounted to approximately $500 per month, which was considerably higher than the pay of an average Taliban. It is no coincidence that in the second half of 2016, WK had recruited many members from the Peshawar Shura, when the latter had financial problems.\textsuperscript{38}

Despite, or maybe because of its growing influence in Afghanistan, the relations between WK and the Taliban have been difficult.\textsuperscript{39} Originally, the Taliban – as they had done in the past with other organizations such as al-Qa’ida – had agreed to ally with the WK as they considered IS a useful ally.\textsuperscript{40} Moreover, IS had not sent Arab commanders to negotiate with the Taliban, rather Afghans who had fought in Syria and Iraq. However, relations between the two groups broke down, when WK began recruiting in Afghanistan and building a network of contacts with the local tribes, without the authorization of the Taliban.\textsuperscript{41} The rift involved all the various Taliban shuras with one major difference: the greatest opposition to WK’s penetration came from the Qandahar Shura, which, by and large, represents the «heart» of the Pashtun Taliban, which is the custodian of its tribal tradition. Instead, the militias of the eastern provinces, where the tribal bonds are less strong, and where ideology, conversely, is more influential, have been more reluctant to clash with WK. This applies, for example, to the Haqqani Network.\textsuperscript{42} Some elements suggest that religious and ideological differences between WK and the Taliban were also significant enough to prevent a merger between the two movements. From the religious point of view, it is important to remember that while IS is a Salafist movement, the Taliban are inspired by the school of Deoband. This means that the Taliban – though very conservative in matter of Islamic law – do not share the total opposition of IS to the shia and the cult of Sufi saints. In an interesting video released in December 2015, a representative of IS accused the Taliban of having «deviated» from the right path


\textsuperscript{39} Dawood Azami, ‘Why Taliban Special Forces are Fighting Islamic State’, \textit{BBC News}, 18 December 2015.


\textsuperscript{41} \textit{Ibid.}

\textsuperscript{42} \textit{Ibid.}, pp. 5-9.
because of their cooperation with Pakistan and for protecting the tombs of saints.\textsuperscript{43} It is also interesting to note that the leaders of IS and the Taliban – al Baghdadi and Akhundzada – have received the same Islamic title of \textit{amir al muminin} (Commander of the Faithful). Although the title, in itself, does not necessarily imply a claim to the position of Caliph, the use of the same title by the two leaders makes an act of submission by the Taliban leader to al Baghdadi less likely. Another important factor is the growing Iranian influence on the Taliban, particularly in the western districts. The connections between the Taliban and Iran have grown recently, as the former have tried to counterbalance the pervasive influence of Pakistan. For obvious reasons, Iranian authorities have exercised considerable pressure on the Taliban to discourage the alliance between the latter and IS.\textsuperscript{44} Finally, from the ideological point of view, various well-informed sources have emphasised that WK opposes the Taliban’s continued adherence to a national political agenda for Afghanistan, in accordance with IS’ opposition to nation-states.\textsuperscript{45}

8. Electoral reform and the anti-corruption agenda

The activity of the NUG in 2016 has again been dominated by the issue of institutional reform, in particular that of electoral law. After the highly contested 2014 presidential election and the formation of the NUG, Ashraf Ghani and Abdullah Abdullah agreed on a compelling agenda of reforms. Nevertheless, since then almost nothing has been achieved. In theory, the parliamentary and district elections were to have taken place in 2015, but were finally postponed to October 2016 by presidential decree. However, in the end, this deadline was also cancelled, causing critical comments on the part of the donor countries. This said, in 2016, the government took two important steps: in September, the new election law was approved, and secondly, in November, the new commissions charged with the supervision of the upcoming elections – the Independent Electoral Commission (IEC) and the Independent Electoral Complaints Commission (IECC) – were appointed. Some important innovations introduced to halt the electoral frauds of the past include a new voters’ register, new rules for the formation of polling sta-


\textsuperscript{44} Antonio Giustozzi & Silab Mangal, ‘Wilayat Khorasan Unleashes New Wave of Violence but Loses Leader’, pp. 8-9.

\textsuperscript{45} Borhan Osman, ‘ISKP’s Battle for Minds’, pp. 5-6.
Afghanistan 2016

tions, and new and more stringent laws against electoral crime. Moreover, the law also introduced a system of reserved seats for religious minorities (Hindus and Sikhs) and women. However, the measure that caused the most heated controversy is the government directive to the IEC to decide on electoral constituencies. President Ghani and Chief Executive Officer (CEO) Abdullah have taken this step in the absence of a consensus among the various political forces on the constituency system that the State should adopt. The fundamental reason for the disagreement is that the constituencies will in the future affect the choice of the electoral system. While almost all political actors agreed on the necessity to change the current electoral system – the «single non-transferable vote» or SNTV – there has been no consensus so far on whether to introduce a majoritarian or a proportional system. The importance of the issue is understandable, given that the next parliamentary and district elections will elect 660 out of 762 delegates of the future Constitutional Loya Jirga, which will decide on the future Constitution. Therefore, all political forces have been active in trying to influence future elections as much as possible. Although passage of the law was certainly a positive development for the reform agenda, Ghani and Abdullah have been criticised for choosing to pass it through government and not the parliament. Besides causing a further controversy, the NUG’s decision has illustrated the lack of consensus between the most important state institutions on the future direction of the reforms.

The capacity of the NUG to bring important reforms to the public sector was again placed under serious scrutiny in October 2016, when the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) issued a tough report on the Kabul Bank scandal. Although at its very inception, the NUG had decided to address the scandal by reopening the case, since then not much has been done. The MEC’s report has openly criticised the government for its inactivity. It has emphasised that only a limited percentage of «buddy loans» had been recovered, and cited a lack of cooperation and coordination among national entities and lack of transparency in the conduct of the involved institutions.

47. Ibid., pp. 3-4.
48. Ibid., p. 10.
49. Ibid., pp. 3-4.
9. The state of Afghanistan’s economy

The economic situation of the country in 2016 has offered both positive and negative signals. The most important factor influencing the economy, as in previous years, was the issue of security. From this perspective, economic operators have shown appreciation for NUG efforts to tackle violence, although the military situation remained a major source of uncertainty. Economic indicators showed, in the first half of 2016, moderate growth over the preceding year. The GDP increased from 1.5 to 2.0 in mid-2016. This was reinforced by the unexpectedly good harvest, due to rainfall at the end of winter. The rate of inflation has been rising after a long period of deflation. This was caused by depreciation of the currency and subsequent price increases for imported goods. A further important development has been the approval of a three-year Extended Credit Facility by the International Monetary Fund. This was aimed at supporting structural reforms for the development of the private sector and improving fiscal stability to reduce the country’s dependence on donor aid. Another positive step has been the opening of a new train connection with the port of Nantong in China in September. The Afghan government also signed an important tripartite agreement in May with the Iranian and Indian authorities, for the development of the port of Chabahar, in Iran, into a transit hub. As regards domestic revenue, mid-2016 data registered a 35% increase, mainly due to tax increases and the positive effect of fiscal reform. However, negative developments came in the field of opium production. The 2016 Survey highlighted the serious consequences of the Taliban’s advance into various provinces, which led to a 10% increase in poppy cultivation and a dramatic 91% reduction in the eradication of poppy fields.

The year 2016 was an internal and external test for Iranian President Hassan Rouhani. The February legislative elections represented strong support for both his administration and the nuclear accord with the P5+1 group of nations. But the lack of visible improvements at the economic level, the increasing internal criticism from the hardliners, and the demise of Hashemi Rafsanjani, the second most powerful man in Iran, made this the most difficult year of Rouhani’s tenure so far. At the international level, the confrontationist policy towards Saudi Arabia and direct military involvement in Syria caused a deterioration in the country’s external image, generating an increasing regional isolationism, despite the successful conclusion of the nuclear deal. The implementation of the Joint Comprehensive Plan of Action in January brought to an end the nuclear-related international sanctions and started a slow and gradual process of Iranian normalization within the international commercial and financial markets. However, the election of US President Donald Trump and his impending inauguration in 2017 introduced measures that would potentially endanger the continuity of the US-Iran honeymoon.

1. Introduction

The year 2016 proved to be a very difficult year for Iranian President Hassan Rouhani’s administration, which faced challenges both from abroad and from within the country. The external challenges were represented by increasing tension in the region following events related to the wars in Syria, Yemen, and Iraq and the diplomatic escalation with Saudi Arabia and the rest of the Gulf Cooperation Council (GCC) and Arab states. In this regard, the year started with attacks on the Saudi embassy in Tehran and consulate in Mashhad, on 2 January, which escalated already high tensions with neighbouring Saudi Arabia. The diplomatic rift added to Iran’s direct involvement in the Syrian conflict, which deeply affected the Iranian image within the Middle East region. Nonetheless, implementation of the multilateral nuclear accord (Joint Comprehensive Plan of Action, JCPOA) on 16 January represented the most positive aspect of Iranian foreign policy, since the Iranian authorities demonstrated their serious commitment in regard to the international community. In the US, the presidential election of Donald Trump, with his very aggressive stance against Iran and his declared intention of reviewing/cancelling
the JCPOA, also created some concern within Iran in the prelude to the presidential election in May 2017, which may affect the chances for Rouhani to be re-elected.

Internally, the February legislative elections signalled strong support for Rouhani’s project, though not a reformist return to politics. In the economic sphere, to date few achievements can be attributed to the JCPOA and the lifting of economic sanctions.

The death on 9 January 2017 of Hashemi Rafsanjani, a key figure in the history of the Islamic Republic, represented the end of a year that will leave the country under uncertainties for the following year in which Rouhani expects to be re-elected on May 19th. Moreover, bearing in mind the still unclear policy that Donald Trump will implement regarding Iran, his February 2017 temporary ban on Iranian nationals travelling to the US can provide some signals about his stance.

2. Domestic policies

President Hassan Rouhani experienced a difficult year of domestic performance in 2016. Even though the February legislative elections represented clear popular support in regard to the JCPOA, three key factors may leave Rouhani in an uncertain position for 2017, including his chances for re-election on May 19. First, pressure from conservative sectors forced a reshaping of the cabinet; second, increasing discontent is evident from a population that is losing patience with the promised but as yet unaccomplished benefits of lifting sanctions; and finally, the decease of Hashemi Rafsanjani, undoubtedly Rouhani’s strongest supporter, removed an element of political support for the president.

2.1. The February legislative elections

Legislative elections for the Iranian Majlis (parliament) were held in two rounds, on 26 February, when 220 seats were filled, and on 29 April, to fill the remaining 70 seats. These elections were held jointly with the Assembly of Experts elections to choose the 88 clerical members of the collegiate body which has the important function of choosing, confirming the annual performance, and even removing the Supreme Leader of the Islamic Republic of Iran.

Similar to previous legislative processes, 2016 will be remembered for the controversy surrounding the application vetting process. Most first- and second-line reformist candidates as well as many ultraconservatives such as Hamid Resaei were left out of the legislative electoral race after being rejected by the Guardian Council. Even more controversial was the rejection of
the application of Hassan Khomeini, grandson of the Republic’s founder, allegedly due to his refusal to attend an aptitude exam to aspire for a seat in the Assembly of Experts. Nonetheless, most understood that his proximity to figures from the reformist and moderate camps, such as Mohammad Khatami, Rouhani, and Rafsanjani, was the real political motivation behind his disqualification. In spite of these controversies, the 2016 election had the most applicants in the history of Iranian legislative elections: 12,123 compared to 5,405 in 2012, 7,129 in 2008, and 8,172 in 2004. It is also true that despite the historically low acceptance rate (51.3%), the number of accepted candidates who contested the 290 seats – 6,229 candidates, including 586 women – was the highest number ever. The figure was even higher than in 2000, the year when the reformists gained control over the chamber.

The peculiarity of the Iranian electoral system, which allows citizens to vote in any polling station in the country without prior registration, as well as the characteristics of the individual candidacies and lists, make it difficult to properly assess the electoral process as a whole. The international press referred to the existence of three major lists in the legislative elections: the «principlists», or conservatives; the «reformists and moderates», and the «Voice of the Nation». The latter group comprises conservatives critical of the administration of former President Mahmoud Ahmadinejad and who have supported some initiatives of President Rouhani, among them the nuclear agreement. However, the lists, which were many more than these three, are ambiguous and flexible, allowing the same candidate to be on more than one list simultaneously, as has happened in previous elections. The case of Ali Motahari, leader of the Voice of the Nation and main candidate on its list for Tehran, was the clearest in this election, since his name was also included on the reformist list, together with Reza Aref and other allies of Rouhani, Rafsanjani, and Khatami. Other conservative candidates allied with Ali Larijani, the incumbent parliament speaker, also appeared on the reformist lists. As confirmed by some interviews conducted in Tehran among key reformist figures, since there were not enough reformist or moderate candidates, their squad leaders proposed to other independent or conservative candidates who shared common support for the policies implemented by Rouhani that they appear in the «Reformist Alliance» list.

1. Surprisingly, Hassan Khomeini received 55,000 votes in the Assembly of Experts race despite the fact that he was disqualified; he received the second-highest number of votes for the Bushehr district, according to Ensaf News. See ‘که هه ته از اسکه هه?’ (‘A few thousand votes to Hassan Khomeini in Iran?’), Ensaf News, 12 Esfand 1394 (2 March 2016) (http://www.ensafnews.com/23486).
3. Interview with Sadegh Zibakalam, Professor of Political Science at Tehran University, Tehran, February 2016.
This means that not all those who appeared on the reformist lists were in fact reformist, nor even that they accepted being on those lists, as was the case of Motahari, who explicitly denied having agreed to be included in the reformist list or having invited reformists to join his own list.

Regarding the results, the official 62% participation rate was marginally lower than the 64% turnout in 2012, but significantly lower than the 72% in the presidential elections in 2013. Despite noticeable public apathy at the beginning of the electoral campaign, in the end Iranians massively headed to the polling stations, even those who declared that they were not interested or were against the current system. Apparently, despite the aforementioned controversies, there is still room for political debate which is visible in the streets, universities, and the written press. The latter, especially, which reflects the views of the different factions and coalitions taking part in the elections, offered all types of comments, interviews, and pre-electoral statistics – though with little reliability, due to these publications’ partisan and factional bias.

Official Iranian television and printed press outlets made an effort to highlight how the reformist list was able to win the 30 disputed seats in the Tehran district, a fact characterized by many foreign media as a reformist victory and the beginning of a change in Iran. Still, taking into account what was mentioned before, many of the reformists that appear on the Reformist Alliance lists cannot be considered as such even though most of the Iranian press reproduced the figures mentioned in the table below. However, the fact that Hadad Adel lost his seat in Tehran can certainly be considered as big setback for the conservatives. The defeat of this historical head of the conservative list and former speaker of parliament means that at least in the capital the popular support has drifted away from the conservatives. Another aspect that must be highlighted is that Mohammad Reza Aref, the only reformist representative *stricto sensu*, received the most votes among all candidates in the country, at 1,6 million votes, a success which strengthened him against the conservative political establishment.

Majlis composition, 2016-2020

<table>
<thead>
<tr>
<th>List/Group</th>
<th>Number of seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Fundamentalist Front</td>
<td>84</td>
</tr>
<tr>
<td>Reformist Alliance</td>
<td>122</td>
</tr>
<tr>
<td>UFF/RA</td>
<td>3</td>
</tr>
<tr>
<td>Voice of the Nation</td>
<td>10</td>
</tr>
<tr>
<td>Independents</td>
<td>65</td>
</tr>
<tr>
<td>Religious minorities</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>289*</td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on several Iranian press sources.
Note: * The result in one Isfahan province district was cancelled.  

Despite the arguable popular support for reformist candidates, the flexibility and changeability of intra-parliamentarian alliances were demonstrated once again during the first voting process to choose the speaker of the Majlis. On 29 May, Mohammad Reza Aref lost the vote for the temporary speakership when he received only 103 votes compared to the 173 that the incumbent speaker Ali Larijani obtained. The number of votes obtained by Aref does not reflect the 122 seats the reformists had supposedly obtained in the two rounds. After this defeat, Aref withdrew his candidacy for the position, for which a vote was held two days later. On that definitive election on 31 May, Larijani obtained 237 out of 273 votes cast, representing an overwhelming victory that demonstrated the popularity of the veteran conservative politician. The reformist candidate Mostafa Kevakebian obtained only 11 votes. However, the reformists managed to secure the first deputy speakership, with Masoud Pezeskhian receiving 158 votes. Ali Motahari, leader of the Voice of the Nation list, became the second deputy speaker after obtaining 133 votes.

It is worth highlighting the similarities between the Assembly of Experts and Majlis elections in terms of list composition and assessment of results. The composition of the 16-candidate member list for the Tehran district for the Assembly of Experts was even more blurry than that for the Majlis. The two main lists, the conservative one led by Ahmad Jannati, Mohammad Yazdi, and Taqi Mesbah, and the «Hope» list led by Hashemi Rafsanjani and Hassan Rohani, shared seven candidates. This made it almost impossible to assert that there were real ideological differences among

8. For more information, see ‘Isfahan candidate disqualified despite voter support’, Radio zamaneh, 22 March 2016.
them, except for those heading the lists. Among these seven, five obtained a seat, which further complicates the attribution of a victory to either of the two lists. The same phenomenon took place in most districts. Moreover, in some of them there was just a single list proposed to the voters.

The results of the Assembly of Experts elections nevertheless contain some very significant data. Hashemi Rafsanjani, defeated by Ahmadinejad in the 2005 presidential elections, having lost all his popularity and almost politically dead after 2009, seemed to have regained his charisma among Tehranians. He was the most popular candidate with 2.3 million votes, even more than current President Rouhani, who obtained 2.2 million votes, or than Aref in the legislative elections.10 The veteran politician seemed to have had his thousandth – and last – political comeback. This result also seems to be enhanced by the conservatives’ defeat in Tehran, where they were not able to obtain a seat in the assembly for their two main figures, Yazdi and Mesbah.

In sum, these two elections combined were a victory for the candidates and groups who support President Rouhani, which represent a parliament that will not oppose his foreign policy and his foreseeable economic initiatives to attract foreign investments. However, it was not a political opening like the one brought on by the reformist President Mohammad Khatami in 1997. Finally, this was a victory for the «centrists» in the assembly, which would guarantee a smooth transition in case a new leader of the Republic needs to be elected. Nevertheless, the election of the very conservative Ahmad Jannati, head of the Guardian Council since 1980, as speaker of the assembly, after obtaining 51 out of 88 votes,11 shows that even apparent alliances within the chamber do not match with the arguable victory of reformists-moderates in the elections. On the contrary, they reflect the continued control by the conservatives over the key institutions of the Republic, which can be expected to guarantee the survival of the system and the clerical elite in power.

2.2. The institutional struggle

A side effect of the legislative elections was a new chapter in the institutional confrontation within the Islamic Republic. The above-mentioned disqualification of Hassan Khomeini, followed by the unprecedented disqualification of a female reformist candidate, Minoo Khaleghi, after she won her seat for the Isfahan district, brought to the fore a discussion about the electoral oversight role of the Guardian Council. In a very confrontational tone, Rafsanjani – head of the Expediency Council, the third most power-


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ful institution of the country – asked, «Who gave the Guardian Council the right to vet candidates? Where did you get your qualifications? Who allowed you to judge?» Those comments generated a wave of criticism against the veteran politician from the hardliners, who even requested the same Guardian Council to disqualify Rafsanjani from the Assembly of Experts elections.

The Majlis also engaged in the institutional dispute in September by passing a bill limiting the Guardian Council’s electoral vetting powers. The bill stated that the council cannot disqualify a candidate after the vetting process has finished, meaning two weeks before the elections are held. Since all legislation also must be approved by the Guardians, the bill was rejected and returned to the parliament, which re-approved the resolution in October. The bill was again rejected by the end of October, and even though Expediency Discernment Council conservative member Dorri Najafabadi asked for comprehensive electoral reform, the legislative dispute remains unresolved.

In a parallel move, Supreme Leader Khamenei released on 15 October general guidelines for elections that focussed primarily on campaign financing, external support, and vote-buying. Khamenei also referred to an accurate vetting of candidates, supporting the Guardian Council’s «final say in approving candidates», «investigating complaints», and «confirming or annulling elections». The guidelines also reiterated a ban on the armed forces from interfering in elections.

2.3. The reappearance of Ahmadinejad and the conservatives

One of the most interesting political developments during 2016 was the reappearance of Mahmoud Ahmadinejad in the political arena. The former president had been maintaining a low profile since the end of his man-

15. See Office of the Leader, ‘All the people will enhance the dignity and credibility of the elections and disappoint the enemy’, Press release, 7 Esfand 1394 (26 February 2016) (http://www.leader.ir/fa/content/142978/142978/142978/142978).
Luciano Zaccara

date in August 2013. The failed support for his closest collaborator, Esfandiar Rahim Mashaei, for the last presidential elections meant a strong setback for his political career. During the March legislative elections, Ahmadinejad had been gathering his former ministers and collaborators, towards the consolidation of a group within the «principlists» (conservatives) who would support his ideas in the parliament. He had also been mobilizing his followers in several provincial rallies, taking advantage of his still strong popularity in rural areas.

His last public act in August had doubtlessly attracted worldwide attention. He wrote an open letter to US President Barack Obama, criticising his lack of change towards Iran despite the JCPOA, and demanding the removal of the US$ 2,000 million freeze of Iranian funds, which had been supported by a US Supreme Court ruling. This being a symbolic letter, it represented a re-entry in the international scene by Ahmadinejad, following his own tradition of missives to Obama and George Bush.

Even though Iranian presidential election results have proved to be unpredictable since 1997, a very reliable survey conducted by IPOS in February 2015 showed a small difference in voting intention, with 28% for Rouhani and 24% for Ahmadinejad. The same survey instrument indicated an increased margin in 2016, with 41% for Rouhani and 29% for Ahmadinejad. Without doubt, the endorsement of the JCPOA in July 2015, the hope for economic improvement, and the victory of Rouhani’s followers in the legislative elections worked in his favour, although Ahmadinejad’s support had also grown, and would have been encouraging to launch his candidacy.

His intended reappearance, however, was rapidly dismissed by the Leader, who clearly prohibited Ahmadinejad from running for a third term in the upcoming 2017 elections. Khamenei stated on September 26 that ‘a man came to me, and I told him that it would currently be in his interests and the interests of the country for him not to participate in a certain issue. I did not tell him not to participate. I said I do not consider it to be expedient.’ Khamenei stated that Ahmadinejad’s candidacy «would polarize the country.» In a quick reaction, Ahmadinejad replied, ‘I do not plan on participating in next year’s election. Keeping with the will of the leader of the great revolution, I have no plans to be present in the presidential competitions next year.»

Even though the threat represented by Ahmadinejad disappeared by October, Rouhani’s government had already faced strong criticism from the conservative and hard-line factions that forced the resignation of some of his ministers during 2016. On 19 October, Minister of Culture and Islamic Guidance Ali Jannati, Minister of Education Ali Asghar Fani, and Minister of Sports and Youth Affairs Mahmoud Goudarzi all submitted their resignations following several controversies on the implementation of policies. Jannati, for instance, had permitted a controversial concert in the city of Qom, severely criticized by the hardliners. Moreover, Fani was undergoing impeachment proceedings within the Majlis. By 1 November, the replacements of the three ministers – Reza Salehi Amiri as Minister of Culture and Islamic Guidance, Massoud Soltani Far as Minister of Sports and Youth Affairs, and Fakhreddin Ahmadi Danesh Ashtiani as Minister of Education – were approved by the parliament.\textsuperscript{20}

2.4. The demise of Hashemi Rafsanjani

The last remarkable internal political development of the year, however, actually took place in the first week of 2017. The demise of Ali Akbar Hashemi Rafsanjani, arguably the second most powerful politician in the Islamic Republic, represented the end of an era within the Islamic Revolution, and the beginning of a new uncertain one for current President Rouhani and the pragmatists, moderates, and reformist groups.

The unexpected death happened on 8 January, and even though the consequences are not yet clear, it is possible to say that Rouhani as well as the reformists will suffer from the disappearance of his main ally and supporter. The funeral, held at Tehran University on 10 January, was attended by hundreds of thousands of Iranians representing varied social and political backgrounds as well as ages. However, what was clearly visible was the affinity of the many attendants with moderate and reformist ideas. The official ceremony, organized by the government, included an extensive distribution of posters, banners, and publications that were rapidly printed and installed along the route of the burial procession, from Tehran University to the Imam Khomeini shrine. Rafsanjani was buried beside the founder of the Republic, a great honour that to date has been granted only to him. The posters included a broad range of photos – showing Rafsanjani with Khomeini, Khamenei, Khatami, Rouhani, and Hassan Khomeini – covering all periods of his life. The posters also included phrases he spoke while he was head of the Majlis, president, and head of the Expediency Council. The slogans chanted by the massive crowd went from the traditional «death to America» and «Allah akbar» to some more critical to the establishment, such as «ya Hussein, Mir Hussein» and others showing the affinity between

Rafsanjani, current President Rouhani, and former reformist President Mohammad Khatami. Khatami, in fact, was prevented from attending the funeral by the government, in an attempt to prevent the ceremony from becoming a pro-reformist gathering that could have provoked the reaction of the security forces.\textsuperscript{21}

Even though the chances for Rouhani to be re-elected may not be affected by this, it is certainly true that no one is currently entitled to be an intermediary between the most hard-line groups and the reformists as Rafsanjani was. Moreover, Leader Khamenei actually remains the only close disciple of Khomeini still alive, and occupying the highest position in the Islamic Republic without any strong figure that counterbalances his power. The reformist groups may also be suffering from the disappearance of someone who protected them against the attacks coming from the hardliners. Even though Rafsanjani’s popularity had ups and downs since 2005, there was a strong feeling among the youngest generations that he was the most experienced and moderate politician in the country, the one who could prevent the radicalization of government and preserve the internal peace.\textsuperscript{22}

3. Economy

The economic performance of Rouhani’s administration during 2016 was broadly linked to the achievements of the JCPOA and its internal and external effects. While some improvements were visible in terms of new business opportunities and agreements with foreign companies, such as Airbus and Boeing, strong impediments were still affecting other areas, such as Iran’s reincorporation into the international SWIFT banking system. Moreover, the continued low price of oil during the year prevented Iran from having a better financial situation, which started to improve only after the December OPEC deal that ended the decreasing trend due to the implementation of productions quotas for OPEC members, as well as others like Russia that also subscribed the deal.

3.1. Outlook for the financial-economic situation

According to official statistics, the inflation rate dropped in 2016 to single digits for the first time in 25 years, remaining below 9.6\% throughout the year. This was a clear achievement, since Rouhani’s tenure began with an inflation rate of 40\% and he managed to reduce it to an average of 15\%.

\textsuperscript{21} Personal observations of the author while attending Rafsanjani’s funeral, Tehran, 10 January 2017.

\textsuperscript{22} Personal considerations based on several interviews and informal conversations conducted with Iranian scholars, Tehran, 10 to 12 January 2017.
during his first two years of government. The Dollar-Rial exchange rate, one of the indicators that directly affects the Iranian population – since the dollar constitutes Iranians’ primary currency for savings and exchange – did not improve drastically during 2016. According to Iranian Central Bank information, the year started with an official exchange rate of 30,178 IR/1 US dollar, and it finished with 32,399. However, in the first week of January 2017, the free market exchange rate was 39,000 IR/USD. The other challenging indicator, unemployment, seems to resist any governmental policy to tackle it, not having been affected by the prospect of foreign investments following the lifting of sanctions. While in August 2013, when Rouhani’s tenure started, unemployment was at 10.5%, the year 2016 finished at 12.4%, according to non-official data.

The promising prospects for foreign investments haven’t yet been accomplished, despite hundreds of memorandums of understanding signed with either governments or foreign companies.

The external and internal constraints have made the actual amount of investment and commercial transactions not very meaningful so far. These constraints include the lack of a legal framework for certain areas, such as retail, joint ventures, or even private property in the hands of foreign companies. They also include the still very unclear situation of foreign investment and business transactions that are allowed or banned by the multiple sanctions that have affected Iran since 2006.

Importantly, the sanctions that affected the Iranian link with the Society for Worldwide Interbank Financial Telecommunication (SWIFT) were removed following the JCPOA implementation day on 16 January 2016. Banks that specifically remain sanctioned under EU laws, however, would not be allowed to reconnect to SWIFT.

26. In an interview conducted in Tehran on 12 January 2017, a lawyer who works at a private firm specializing in foreign investments mentioned that she had to suggest ad hoc regulations to the Ministry of Finance, in order to create a legal framework to apply to some international contracts that had never been conducted before, since there was no possibility to have them done within the current economic and property system.
established brokerage links with Iranian entities. Another 100 have started negotiations, according to Gholamreza Panahi, vice governor for foreign exchange affairs at Bank Meli Iran.\textsuperscript{29} However, this statement is contradicted by reports that links were established with 264 foreign banks in March.\textsuperscript{30} Simply put, the initial negotiations seem not to be as easy as expected, and foreign banks, mainly the most important ones from Europe and the US, prefer to be cautious in re-establishing links with Iranian firms.

A remarkable improvement during 2016, on the other hand, was the accomplishment of a long-awaited long-term agreement with Airbus that materialized with the landing of the first A-321 in Tehran’s Mehrabad Airport on 12 January 2017. During the year, contradictory information had been published in Iranian media outlets regarding the number of planes and actual expenditures on sales contracts with Airbus, and later with the American company Boeing, which represented expansion plans for state-owned Iran Air. In January 2016, during a visit to Paris by President Hassan Rouhani, a major contract was signed with Airbus to buy 118 planes worth about US$ 27 billion. Negotiations accelerated in October 2016 following the US decision to remove a final impediment for Western aircraft manufacturers to sell planes to Iran under contracts signed after the enforcement of the JCPOA. This approval is necessary, since Airbus buys more than 40% of all its aircraft parts from US companies. Iran sealed another deal with Boeing in June for the purchase of 100 passenger planes worth around US$ 25 billion. In December, the deal with Boeing was finalized, allowing Iran to buy 80 planes within 10 years, with a first plane expected in 2018.\textsuperscript{31}

Another area of improvement was with the automobile industry. In June, the French manufacturer Peugeot Citroen signed a joint venture agreement with Iran’s largest automobile manufacturer, Iran Khodro, that will invest €400 million over the next five years in manufacturing and research and development.\textsuperscript{32}

3.2. Prospects for the oil industry after the JCPOA

The biggest achievement in economic terms is related to the improvement in oil production and its price, a field that might help Iran and its government to enhance its situation and stability. Oil prices remained below US$ 50 per barrel during the whole year, and even below US$ 45 during October and November, due to the impossibility of reaching a reduction

\textsuperscript{31} See ‘Iran to Get First Purchased Airbus Aircraft Thursday’, \textit{Tasnim News}, 8 January 2017.
\textsuperscript{32} See ‘PSA signs JV deal with Iran Khodro’, \textit{Press TV}, 21 June 2016.
agreement within the OPEC framework. The intransigence of Saudi Arabia in accepting a reduction of its own quota also contributed to this low price. But a preliminary deal was finally reached in early December with an overall reduction in 1.2 million barrels per day (bpd), also including non-OPEC states such as Russia, which promised a reduction of 300,000 bpd. Iran, instead, was allowed to increase its production in 200,000 bpd, to compensate for the reductions incurred during sanctions since 2008. As a consequence, Iran finished the year producing more than 4.2 million bpd, while at the beginning the production was 3.3 million bpd. The price slowly increased, as the year finished with the Brent crude oil price above US$ 53/barrel.

The agreement defied expectations, indicating that both Iran and Saudi Arabia can prioritize economics over regional confrontation, bearing in mind that both states were failing to cover domestic spending and foreign adventures in regional conflicts. According to the International Monetary Fund, Iran needs the price of oil at US$ 55/barrel to break even, while Saudi Arabia needs US$ 80. However, the agreement was considered mainly as a victory for Iran in both political and economic terms, since its negotiators managed to convince the OPEC as well as Russian partners that coming back to the quota system was the only possible solution to stop the falling prices. In economic terms, it also proved that Iran suffered fewer negative effects from oil price fluctuation than their regional partners, since the national budget is not massively relying on oil income as it was in the past. The annual budget for the fiscal year March 2016–March 2017 was calculated based on oil prices of US$ 35 to US$ 40/barrel, and an average oil production of 2.25 million bpd. According to those figures, oil revenues would account for 34.6% of state expenditures, compared with 25.8% under the previous budget. Thus, progressive implementation of taxes represented...

33. It is worth mentioning that since the establishment of sanctions against Iranian oil exports, Saudi Arabia replaced the quota that Iran could not fulfil. Then, Saudi Arabia was reluctant to recover the pre-sanctions production quota, according to some analysts, in an attempt to keep a low price that would render shale oil production unprofitable. The low prices would only benefit those states, like Saudi Arabia, with very low production costs, while affecting other producers such as the US, Russia, and mainly Iran.


a huge change in a rentier based economy, making Iran less vulnerable to irregular prices and possible production cuts.

Last, but not least, the prospect for foreign investment in oil technology remains intact, with Royal Dutch Shell restarting its purchases of Iranian crude oil in June 2017. Shell will be the second major oil company after the French firm Total to resume oil purchases with Iran after the nuclear-related sanctions were lifted in January. Nonetheless, 2016 proved also to be a problematic year for achieving new joint venture projects to increase production and refinery capacity.

4. Foreign policy

4.1. Troubled Iran-Saudi relations

Iranian foreign policy during 2016 was marked by increased bilateral tensions with Saudi Arabia since the attack on its embassy in Tehran and consulate in Mashad on 2 January, following the execution of the Saudi Shi’a cleric Nimr al-Nimr. Bilateral tensions were then aggravated by Iran’s direct involvement in the Syrian war, as well as its alleged intervention in supporting the Huthi rebellion in Yemen. Both actions are considered by Saudi Arabia as illegitimate Iranian meddling in Arab countries’ affairs. Moreover, implementation of the JCPOA on 16 January meant for Saudi Arabia and other Arab states that Iran was empowered to support the Syrian regime of Bashar al-Assad, as well as Huthis in Yemen and the Iraqi Shi’a militias, without any impediment. By the end of 2015, Saudi Arabia announced the formation of the Islamic Military Alliance to Fight Terrorism (IMAFT), an intergovernmental military alliance of Muslim and Arab countries to officially intervene against the Islamic State (IS) and other terrorist groups. The coalition was allegedly composed of 34 members at its launch, reaching 39 by March 2016, and 40 by December, with Oman the last country to join in. Neither Iran, Iraq, nor Lebanon were invited to join the alliance, which raised the plausible concern of it being effectively an anti-Shi’a coalition. The organization was based at the Joint Command Center in Riyadh, and created by Mohammad bin Salman Al Saud, Saudi


38. Some countries, such as Pakistan, Malaysia and Indonesia, were included in the official Saudi launching statement without being consulted, and their authorities expressed their surprise and in some cases rejection to join the military alliance. See ‘«Members» surprised by Saudi anti-terror coalition plan’, BBC News, 16 December 2015; and ‘Pakistan surprised by its inclusion in 34-nation military alliance’, Dawn, 16 December 2015.
Arabia’s Minister of Defense, on 15 December 2015. Shortly after, in early February 2016, Saudi officials began to publicly mention the possibility of direct Saudi intervention in Syria. The military spokesman, Brigadier General Ahmed al-Asiri, stated that «the kingdom is ready to participate in any ground operations that the coalition [against IS] may agree to carry out in Syria.» These deployments would be coordinated with Turkish forces. Later on, Saudi Foreign Minister Adel al-Jubeir confirmed Saudi readiness in a German newspaper interview by stating that «if a decision is taken to send in special units against IS, Saudi Arabia is ready to take part.» It is worth noting again that 16 January was «Implementation Day» for JCPOA, meaning that all technical aspects of the deal, such as lifting of sanctions by the UN Security Council and the EU, would come into effect.

In that regard, it is not a coincidence for some Iranian officials that the execution of the Saudi Shia cleric Nimr al Nimr was on 2 January 2016. They believed that Riyadh wanted to send a clear message to Tehran that the kingdom would take a very proactive and assertive posture to guarantee its security. Some assumed that the Saudi decision was taken in order to provoke a direct reaction from the most radical factions inside the Iranian regime in an attempt to destabilize Rouhani’s government. According to this thinking, this would show the world that behind the diplomatic approach of Rouhani’s administration there were hardliners with a more radical posture that was dangerous for regional stability. The reaction was as expected, and on the same day a crowd of protesters attacked the Saudi consulate in Mashhad and later stormed the embassy in Tehran. The latter building was set on fire with Molotov cocktails, but no one from the diplomatic delegations was injured. Even without considering the execution a foreign policy decision, but perhaps an internal one aimed at giving a clear signal to all the opposition forces within Saudi Arabia including both Shia and Salafist followers, what is debatable is the timing of the execution.

Although Iranian President Rouhani condemned the attack, as did Supreme Leader Ali Khamenei, and the government announced that the attackers would be identified and prosecuted, the Saudi authorities decided to sever diplomatic ties with Iran. Saudi Foreign Minister al Jubeir recalled the ambassador in Tehran and expelled the Iranian one in Riyadh, declaring him persona non grata. The other GCC states also condemned the attack, but only Bahrain followed Saudi’s action. The United Arab Emirates only

downgraded its diplomatic relations, and Qatar recalled its ambassador, a clear disappointment for the Saudi king, who expected uniform support from its GCC partners. Saudi Arabia called for an emergency meeting of the Arab League in Cairo on 4 January, at which they condemned the attacks and the Iranian government for failing to protect the embassies. In a statement released after the meeting, the Arab League also condemned the reported discovery by Bahrain of a militant group that it claimed was backed by Iran’s Revolutionary Guards. All member states voted in favour of the resolution except Lebanon. However, only Sudan, Somalia, Comoros, and Djibouti severed ties with Iran, representing another disappointment for the Saudi authorities.

A judiciary process eventually took place in Iran, and a trial against 20 individuals accused of «deliberately destroying» the Saudi embassy ended in 3 November, with some individuals sentenced to six months of imprisonment. Most of them, however, were sentenced to only 91 days of imprisonment.

Bilateral relations between Saudi Arabia and Iran further deteriorated. The Saudi government banned its citizens from traveling to Iran and cut all air connections, announced by the Civil Aviation Authority. Licenses granted to Iranian Mahan Air were also suspended, meaning that it became more difficult for Iranian citizens to do pilgrimage to Mecca. Even though the Saudi authorities stated that the diplomatic rift would not affect the Iranian pilgrims, Rouhani’s government decided, for the first time, to ban its citizens from performing the Hajj or Umrah, citing lack of safety assurances. The controversial decision was heavily criticized by Iranians, being one of the reasons behind the resignation of Minister of Culture and Islamic Guidance Ali Jannati. It is worth mentioning that Iranian officials repeatedly criticized Saudi Arabia for what they perceived as their mismanagement of the Hajj, after a stampede in Mina during the 2015 Hajj left more than 2,000 people dead, including almost 500 Iranians.

The tension with Saudi Arabia also extended to other areas, including even football. Saudi clubs asked the Saudi Arabian Football Federation

The Conference rejected Iran’s inflammatory statements on the execution of judicial decisions against the perpetrators of terrorist crimes in the Kingdom of Saudi Arabia, considering those statements a blatant interference in the internal affairs of the Kingdom of Saudi Arabia and a contravention of the United Nations Charter, the OIC Charter and of all international covenants.

4.2. Iranian involvement in Syria

The Iranian involvement in Syria was, without hesitation, the most controversial aspect of Iranian foreign policy during 2016. Iranian support for the Assad regime was clearly reproduced by all segments of the political, clerical, and military establishment. Iranian direct intervention was evident during the year not only in Syria but also in Iraq, fighting against IS/DAESH (al-Dawla al-Islāmiyya fī ‘Irāq wa l-Shām), and in support of its regional allies. According to Revolutionary Guard Commander Mohammad Ali Jafari, Iran had «over 200,000 armed youths in regional countries» demonstrating the Iranian mobilization capability to support its regional interests. The

50. See 'Arab League labels Hezbollah a «terrorist» group', Al Jazeera, 12 March 2016.
Iranian press, published mainly in Farsi, extensively detailed all the Iranian, Afghan, and Pakistani fighters that were killed on the Syrian battlefield, and therefore considered as martyrs. The deceased in Syria also included clerics as well as high-ranked IRGC (Islamic Revolutionary Guard Corps) officials, such as Brig. Gen. Mohsen Ghajarian, and members of the Artesh, the regular army that is conducting advisory missions. The heavy financial cost of the Syrian war was also reflected in aid provided to the Syrian government, as Foreign Minister Mohammad Javad Zarif stated when recognizing that Iran had sent US$ 2.8 billion in aid to Syria.

The official justification regarding this controversial Iranian involvement in the conflict is linked to the fight against terrorist groups such as IS/DAESH and the Al Nusra front. Both groups are considered a serious and real threat not only for Iranian allies, but for Iran itself. There is a general understanding among Iranians, including the intellectual and diplomatic community, that the strategic defence of Iran currently extends beyond its territorial borders, and that failing to defeat these groups in Syrian or Iraqi scenarios could portend a future direct territorial confrontation along the Iranian borders, or even within the country.

4.2. The United States and the JCPOA

Iranian relations with the United States suffered from ups and downs during 2016. The implementation of the JCPOA brought some relief to the bilateral relations, and both the Obama and Rouhani administrations managed to keep their most radical sectors outside the political debate in order to proceed with the nuclear deal. The good mood helped to resolve some non-related issues such as the quick liberation of two US Navy vessels and 10 sailors, on 13 January. After a purported mechanical error that caused


55. Several interviews conducted in Tehran and Qom, between Iranian scholars, students, diplomats, and religious scholars in February 2016 and January 2017 corroborated this official narrative.
the vessels to drift into Iranian territorial waters, they were detained by Iranian forces. Foreign Ministry spokesman Hossein Jaberi Ansari stated that this was an involuntary and non-hostile act, quickly solved, although it was one of the issues discussed by US Secretary of State John Kerry and Zarif. On the other hand, Iranian authorities also freed four Iranian-Americans on 16 January, including Washington Post reporter Jason Rezaian, in exchange for the release of seven Iranians held in the US for sanctions evasion. In addition, the US also dropped charges and Interpol arrest notices against 14 other Iranians.

In contrast, the American government kept the pressure on Iran, since the US Department of the Treasury sanctioned 11 entities and individuals linked to Tehran’s ballistic missile program in the same month of January. Concurrently, a US Supreme Court decision allowed the victims of terrorist attacks attributed to Iran to collect almost US$ 2 billion in frozen Iranian assets on 16 June. More important, on 1 December the Iran Sanction Act, established by President Bill Clinton, was renewed for another 10-year term. All these measures were strongly criticized inside Iran. The ISA renewal was considered by Khamenei and some other high-rank officials as an enactment of new sanctions, rather than an extension of previous ones, thus, a violation of the JCPOA commitments from the US side.

There is still uncertainty regarding the position that President Donald Trump will take regarding the JCPOA. However, despite the heavy anti-Iranian discourse which characterised Trump’s presidential campaign, most of the interviewed scholars in Tehran showed relative optimism. They argued that, regardless of Trump’s personal approach, the JCPOA involves numerous countries and organizations, and that the US alone cannot abrogate the

57. See Ministry of Foreign Affairs, ‘Spokesman: US marines entry to Iranian territorial water was not hostile’, Press release, 13 January 2016; and 'تاریخ نارادگن' در دهه نوارهای ویرگینیا (The decision about the US marines will be taken by the hierarchy’), Mehr News, 23 Dec 1394 (13 January 2016) (http://www.mehrnews.com/news/3023790/)


deal without triggering a general backlash within the international community. Some also argued that the common interests that were always present in both American and Iranian positions regarding al-Qa‘ida, IS/DAESH, and other terrorist groups should help to reinforce instead of weaken the bilateral relations.

Regardless of the future Iranian policy of President Trump, the Iranian government reassured its commitment towards the JCPOA, fulfilling the requirements established and according to the stipulated timeline. In this regard, the Atomic Energy Organization of Iran (AEOI) confirmed on 14 January 2016 that the Arak reactor core was removed and filled with cement, thereby disabling its ability to produce the levels of plutonium required for a nuclear weapon. This action was a precondition to be certified by the International Atomic Energy Agency (IAEA) in order to proceed to the JCPOA implementation by 16 January after issuing a report verifying Iran’s compliance with its initial commitments under the nuclear deal.\(^6\) The United States and the European Union lifted nuclear-related sanctions in response, although the United Nations arms embargo and sanctions on Tehran’s ballistic missile program remain in place.

Also in accordance with the nuclear deal, Foreign Ministry spokesman Abbas Araghchi stated that Iran had exported 32 tons of heavy water to the US at an estimated cost of US$ 8.6 million, as well as 10 tons of 3.5% enriched uranium to Russia, and had imported 140 tons of yellow cake from Russia and 60 tons from Kazakhstan.\(^6\)

The last report issued by the General Director of the IAEA to the Board of Governors, on 9 November, stated that Iran was fulfilling the requirements of transparency and collaboration with the IAEA inspectors, and that all the steps stipulated in the JCPOA road map had been accomplished in time. Moreover, the report stated that ‘Iran continues to provisionally apply the Additional Protocol to its Safeguards Agreement in accordance with Article 17(b) of the Additional Protocol, pending its entry into force.’\(^6\)

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6. Conclusions

There are few doubts that the election of Hassan Rouhani as president in June 2013 heralded a new phase in the history of the Islamic Republic of Iran. Rouhani was elected on a platform of moderation, pragmatism, and reintegration of Iran into the international community. He openly criticised the conduct of the previous administration in a number of key fields, most notably the nuclear policy and the economic management of the country. He also promised to improve Iran’s international standing and to bring relief to the population after years of economic hardship. His commitment to the international community was demonstrated by direct multilateral discussions that began in November 2013 and concluded with implementation of the JCPOA in January 2016. Regardless of the opposition of the most radical sectors within Iran, Rouhani and Foreign Minister Mohammad Javad Zarif managed to convince the Iranian population of the benefits that the nuclear deal will bring to Iran. Even though few economic achievements are yet visible, among them commercial transactions with Iran by companies like Airbus, Boeing, and Shell, the prospects for future improvement are still intact, since most impediments from the sanctions have disappeared. The lack of trust, however, evidenced by regional instability and by existing legal and political conditions within Iran, seems to discourage the foreign investors who are tempted to invest in Iran. The image of Iran in the region, due to its strong support for the Assad government in Syria, may have affected the interest of businessmen as well.

The demise in January 2017 of one of the most important figures of the Islamic Revolution, Hashemi Rafsanjani, represents the end of a political era in the country, and the beginning of a new one without a ‘mediator’ among the reformist and hard-line factions within the political system. However, the new elected parliament in February represented clear support for President Rouhani. Since the expected economic improvements are not quite visible yet, and foreign relations within the Persian Gulf region seems to have deteriorated, the chances for Rouhani to be re-elected in May 2017 seem to be more reduced than at the beginning of 2016. However, the most likely and popular candidate who could defeat him, former President Mahmoud Ahmadinejad, has been dismissed by Supreme Leader Khameini and no longer represents a viable political threat.
KAZAKHSTAN 2015-2016: BALANCING REGIME STABILITY AMIDST LOCAL AND GLOBAL CHALLENGES

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Twenty-five years after independence, Kazakhstan is still under the rule of its first President, Nursultan Nazarbayev. The biennium 2015-2016 confirmed the continuity of the process of stabilization of the political system started in the previous years. These were also years of challenges to the stability of Nazarbayev's regime, namely the persistence of the economic crisis, the emergence of visible popular discontent, and events allegedly connected with the much-feared threat of Islamic terrorism. This paper argues that, in this period, the authoritarian leadership of Kazakhstan maintained a stable grip on power thanks to an increased use of less repressive and more sophisticated authoritarian tools, such as control of new media as well as the use of institutions and official discourse to seek legitimacy. Far from being a novelty in the style of Nazarbayev's rule, the underplaying of repression in favour of legitimation has intensified in the last two years. This more sophisticated form of authoritarianism is analysed both at the national and international level. Internationally, in fact, the regime continued to pursue an active foreign policy in order to portray itself as moderate, stable and effective. It is argued that this strategy was aimed at boosting the legitimacy of the regime at home, while making it recognized as a reliable ally at the international level.

1. Introduction

2016 marked twenty-five years of Kazakhstan's independence. The President, Nursultan Nazarbayev, began the celebrations on 30 November 2015 with his annual Message to the Nation, a traditional end-of-the-year address where he reminds the people of Kazakhstan of past achievements and warns them about the challenges that lie ahead. This Message accurately identified the local and global challenges that Kazakhstan struggled with in 2015 and would eventually face in 2016. On the one hand, 

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global economic trends, such as sluggish growth and low oil prices, further damaged the country’s already troubled economy and ended up threatening societal stability too. Almost prophetically, the president also warned against the ever-increasing threat of religious-based terrorism, a threat that became close to reality in Aktobe in June 2016. Finally, Nazarbayev pointed at the difficulty of interacting with an international sphere characterized by «harsh competition between regional and global power centres».

Squeezed between Russia and the West, and observing the situation in Syria with concern, Kazakhstan had to balance the difficult regional configuration with its global ambitions in the last biennium.

This paper demonstrates that the leadership of Kazakhstan’s authoritarian regime dealt with these challenges in continuity with the efforts of stabilization started in the previous biennium (2013-14). It did so by applying and further refining the soft authoritarian tools that have become a defining characteristic of its rule. Kazakhstan has first been defined as a «soft authoritarian» regime by Edward Schatz, to underline the contrast between Nazarbaev’s rule and that of other Central Asian dictators. Schatz’s definition includes a full «toolkit»: the use of repression in a targeted and limited manner; the reliance on patronal networks; and the regime’s efforts to dominate discourse-making through media control and discursive persuasion and framing. In the light of the prevalent approach in explaining authoritarian stability, which sees authoritarian regimes having to balance between the three pillars of repression, co-optation and legitimation, it could be said that Kazakhstan relies most heavily on the second and, in particular, the third pillar. Repression, while never absent, is kept at a low-intensity level and conducted in a targeted and sophisticated manner. This way, the regime effectively stifles protest and constrains opposition, while

reducing the number of violent crackdowns that would further enrage the population or provoke international criticism.  

Legitimation indeed takes a central place in the stability of Kazakhstan’s authoritarian regime. Since independence, the leadership has sought popular approval through the creation and maintenance of an image of benevolent ruler fostering economic wealth, promoting societal harmony, and building a stable, effective and internationally recognized state.

This is mostly done through the promotion of certain frames in the official discourse. A first frame relates to performance, or output, legitima-

7. The third pillar, co-optation, is by no means insignificant, as the regime is also made stable by a complex network of patronimial relations. Elites are connected to the centre by multiple ties, concerning business relations, administrative posts and political careers. Sally Cummings, ‘Kazakhstan: power and the elite’, London, New York: IB Tauris, 2002. However, in the evolution of Kazakhstan towards a soft type of rule, those networks are somehow constant, while legitimation’s role grows at the expenses of hard repression. Therefore, this paper does not deal with the dimension of elite dynamics. Nevertheless, a few notes should be made. The most notable change in the higher spheres has been the appointment of Dariga Nazarbayeva, the president’s first daughter, to Senate Spokesperson, in the summer of 2015. This has generated rumours about her preparing to succeed her father, as the Article 48 of the Constitution states that the Senate Spokesperson acts as interim President in case of the leader’s incapacitation. It should be said, though, that Nazarbayeva unsuccessfully tried to get the presidency earlier; also, there are a number of other eligible candidates, including the deputy prime minister Imangali Tasmagambetov. For an overview of the most important changes see: ‘Kazakhstan: Rearranging Chairs on the Ship Astana’, Eurasianet, 14 September 2016.

8. Legitimation defines the process through which a political leadership makes claims to justify its rule. It is a one-sided, leadership-centred view, which cannot and does not aim to assess whether the process is successful in creating legitimacy, which is the true «belief that the existing political institutions are the most appropriate one for the society». Seymour Martin Lipset, ‘Some social requisites of democracy: Economic development and political legitimacy’, American political science review, Issue 53, No 01, 1959, p. 77.


10. Schatz borrows the concept from the literature on Social Movements. The analysis of frames in the official discourse enables researchers to see how ruling elites engage in «reality construction», selectively emphasizing information for a given purpose. Edward Schatz, ‘Access by Accident’, p. 268.
This has first of all a material aspect: the riches obtained from tapping the country’s natural resources are used to maintain extensive redistribution policies and organize large-scale events aimed at building popular consensus. Through framing, the leadership also discursively appropriates the country’s achievements and seeks to transform the popular satisfaction about the provision of public goods into approval for the regime. The second fundamental legitimating frame is international recognition. In the difficult decade of the 1990s, political instability and economic crisis made it impossible to rely on performance. Then, «the elite chose to base its legitimacy claim on external recognition inward to domestic audiences», engaging in intense diplomatic and international activity with the goal of presenting the leadership as professional and deserving of support in front of the domestic audience. This strategy is materialized in Kazakhstan’s numerous efforts in seeking membership in international organizations, facilitating mediation processes and promoting unilateral initiatives. Finally, legitimation in Kazakhstan has an institutional dimension, which serves to «buttress, channel and at times provide a substitute for the popular support deriving from international recognition and a strong economic performance». Elections and the party of power perform this role, translating generic satisfaction for the government’s work in periods of strong economic growth into explicit political support, and substituting for it in periods of recession by becoming providers of input legitimacy.

In this paper, legitimation frames, their institutional dimension, and the overall soft authoritarian nature of the Kazakhstani regime will serve as analytical tools for explaining the developments in the Kazakhstani domestic and international politics in the last two years. In particular, I am going to analyse how the authoritarian leadership of Kazakhstan has dealt with the

13. Government effectiveness and legitimacy are, as Lipset pointed out, separate categories. However, the delivery of goods and services may be used as a legitimization strategy through appropriate framing. Leslie Holmes, ‘Legitimation and Legitimacy in Russia Revisited’, in Stephen Fortescue (ed.) Russian Politics. From Lenin to Putin, pp. 101-126, Houndmills, Basingstoke: Palgrave Macmillan, 2010, p. 106.
17. Ibid.
domestic and international challenges arising in 2015-2016 by using strategies taken from the «soft authoritarian tool kit». At the domestic level, as will be seen in the following two sections, the regime has chosen soft approaches to deal with economic crisis, instability and protest, by seeking legitimacy through the electoral process and the official discourse, while, at the same time, refraining from large-scale repression in favour of subtle forms of control. A partial exception is found in the way the regime has dealt with the threat of Islamic terrorism: its combination of repressive measures and ambiguous framing in this domain actually shows the limitations of the soft authoritarian toolkit. These limitations are also visible in the way the regime manages the internet, which, it will be shown, oscillates between methods of sophisticated control and sheer repression. Internationally, as the last section shows, the leadership has consistently pursued a greater involvement in diplomatic processes and international organizations, with the double goal of strengthening the position of the country in the global arena and, indirectly, gaining domestic legitimacy through international recognition.

2. Dealing with the economic crisis: balancing low output with higher input legitimation

2.1. The Macroeconomic outlook

The macroeconomic situation in 2015-16 followed the same, difficult, pattern of the previous two years. The highest point of the crisis was the decision, in August 2015, to let the national currency (the tenge) float freely. The choice reflected the persistence of the economic crisis that had also led to the previous tenge devaluation, in 2014. In 2015, the GDP growth remained very low, reaching 1.2%, and further slowed at the beginning of 2016, hitting 0.1%. Oil prices were kept low, severely curtailing the country’s revenues from natural resources. The country’s economy was further negatively influenced by slow Chinese growth, which also hobbled oil prices, and by the persistence of the crisis in Russia, which was still dealing with the Ukraine-related sanctions and the implementation of the Eurasian Eco-

19. Ibid.
The implementation of this Union led to a «trade war» with Russia, with both countries trying to limit the imports of certain products from the other. The decision to float the tenge severely affected the population, who had to face higher prices and increasing uncertainty, and possibly felt less confidence in the authorities. Indeed, if the importance of performance legitimacy for the country’s stability is taken into account, the regime had much to fear from such a prolonged crisis. The measures taken, therefore, were not all dictated by the need for austerity. The authorities used the funds of the national sovereign fund Samruk Kazyna to boost the economy, not only by helping out the industrial sector, in particular the national oil company Kazmunaygaz, but also by investing in the country’s development programme Nurly Zhol.

The government further pushed its development agenda by launching a new initiative, called «100 Concrete Steps», in the spring of 2015. The programme had the dual purpose of effectively accelerating modernization while rhetorically reassuring domestic and international audiences about the government’s willingness to take a proactive stance to solve economic problems. Given the persistence of the crisis through the whole of 2015, the regime also tried to reduce its impact on the population. Authorities adjusted wages and subsidies to the new currency value, advertising these measures as a way to «fulfil the government’s obligations towards the peoples». Nazarbayev also attempted to discursively justify the present austerity with future goals of development and prosperity. In the 2016 Message to the Nation, he said that «reforms will not be easy, and possibly will be painful. But we have no alternative. If we do not carry them on, we will be left behind from the world developments. But we, as usual, will do what we have planned».

Finally, as in other periods of economic crisis, the regime


24. ‘Kazakhstan – Explaining the early presidential election’. After the 2014 devaluation, in fact, citizens of Almaty had taken the streets to call upon the government to take action. ‘Politsia razognala miting v Almaty’, Radio Azatlyq, 15 February 2014.


26. As an example of official rhetoric, see the op-ed the then Foreign Minister Erlan Idrissov wrote for the Diplomat: Erlan Idrissov, ‘Kazakhstan: 100 Steps towards a New Nation’, The Diplomat, 25 July, 2015.


28. Ibid.
reacted to these shortcomings in performance, and consequently in the reduced scope for using performance legitimation, by resorting to greater use of input and institutional legitimation. This was chiefly done through the electoral process.

2.2. Early Presidential and Mazhilis elections

Despite, or perhaps because of their highly predictable results, elections play a very important role in the Kazakhstani political system. Their role is not limited to «faking democracy» or mimicking its practices for the benefit of Western observers – although this is an advantage not wasted on a regime that highly values international recognition, as will be seen in the last section of this paper.29 In Kazakhstan, elections contribute to regime stability by sustaining institutional legitimation.30 In critical phases, elections couple with other liberalizing measures to demonstrate the regime’s responsiveness and shift the regime’s legitimation mode to input legitimacy. In other words, the leadership compensates for poor performance by reinforcing the fact, or rather the impression, that it cares about citizens’ voices and participation.

To give priority to economic goals was offered as the official motivation for an anticipated Presidential Election, on 26 April 2015. As one of the members of the Assembly of Nations of Kazakhstan stated: «in conditions of increasing world economic crisis, to hold early Presidential elections would allow the country to implement effectively the program Nurly Zhol and to keep forwarding the country’s long-term development priorities, as defined by the strategic document «Kazakhstan 2050».31 The election, unsurprisingly won by Nazarbayev with a record 95.75% of the vote, can therefore be seen as an attempt to reassure citizens that the leadership was taking ac-


31. The Assembly of Nations of Kazakhstan, also known as the Assembly of People, is a consultative body which gathers representatives of the country’s ethnic groups with the goal of guaranteeing inter-ethnic harmony. As a body, it has the prerogative of legal initiative. It also appoints 9 of the 107 members of the Parliament’s lower chamber, the Mazhilis. ‘Dosrochnye vybory Prezidenta Kazakhstanana predlozhila provesti ANK’, Tengrinews, 14 February 2015.
tion to overcome the crisis. Indeed, according to the opposition politician Zhamarkan Tuyakbai, the worsening economic and social situation in the country required the authorities to «take adequate measures». The timing of elections was strategic: early elections allowed the authorities to delay austerity measures until after the popular consultations, thus preventing the consequent dissatisfaction from being reflected in the vote.

The preoccupation with the economic situation was the ostensible reason for holding early parliamentary elections in 2016, too. «Only unity and concerted actions will help us withstand the new economic shocks», said the petition in which a group of parliamentarians declared that the current legislature had «performed its historical duty» and requested the President to dissolve it. Elections for the Mazhilis, the lower chamber of the Kazakhstani parliament, were held on 20 March 2016, and were an overwhelming victory for Nazarbayev’s party, Nur Otan. Again, elections can be seen as a way to show the government’s responsiveness to the prolonged economic crisis. According to local experts, elections were a sign that the authorities are doing «something», and a way to «avoid the increasing of social pressure in the country». Once again, the timing was deliberate. The forecasts of economic growth for the autumn looked rather grim, so the government wanted to «hold elections while the population still had the impression of a favourable economic situation».

It is uncertain whether the regime’s attempt to create a connection with the population through elections is a successful or a sustainable one. Despite a certain level of genuine consent, the electoral process in Kazakh-

33. ‘Za chem v Kazakhstane organizuiut dosrochnye vybory prezidenta?’ Deutsche Welle, 18 February 2015.
34. The expert Dossym Satpayev considers it likely that Nazarbayev «decided to implement them after an election to counteract the likely loss of support for the government». ‘Kazakhstan – Explaining the early presidential election’.
36. Ibid.
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KazaKhstan is tightly constrained, giving little or no space to opposition forces. Signs of instability and protests have emerged in the last two years, indicating a possible weakening of this connection.

3. The domestic outlook: dealing with popular protest, the threat of Islamic terrorism and the information crisis

3.1. The Land Reform Protests: managing discontent with soft repression

The last biennium witnessed the «worst social unrest» since the riots of Zhanaozen in 2011. The trigger for it was the adoption of new legislation on the status of landed property. In particular, this extended the conditions under which foreigners could rent agricultural land in the country. Protests against the bill erupted at the end of April 2016, when rallies were organized in several cities. Demonstrations started in the west of the country, in Atyrau, on 24 April, and continued on 27 April in Aktobe, also in the west, and in the eastern city of Semey. In later days, protests expanded to the southern city of Kyzylorda and the western town of Zhanaozen. The events were remarkable because of their geographical diffusion and number of participants: the event in Atyrau, with its estimated 4000 participants, was «the largest in Kazakhstan for 5 years». The reason for such a negative reaction is the conviction, seemingly unfounded, that the reform would allow foreigners, Chinese in particular, to purchase land in Kazakhstan. Indeed, by reflecting the «prism of distrust and fear» through which China is seen in the country, the rallies exposed the strong enmity of the local population towards their eastern neighbour.


42. The new bill, approved in November 2015, regulates the conditions under which entities with (at most) 50% foreign ownership are eligible to lease agricultural land in Kazakhstan. The law extends the existent term for leases from 10 to 25 years. It also eliminates the possibility for residents of Kazakhstan to lease land and creates, in its place, an auction-like system for purchasing plots. Dena Sholk, ‘Kazakhstan’s Land Reforms’, The Diplomat, 15 June 2016.


Protests, however, were mainly the sign of widespread popular discontent. The distance between the leadership and the citizenship had increased, as noted before, because of the prolonged economic crisis. The regime definitely feared such an open expression of discontent, as it would damage «the country’s carefully cultivated image as a haven of stability» and delegitimise the leadership of Nazarbayev. As they had done in the past, the authorities tried to deal with the protests with a combination of repression, concessions and discursive tools. However, compared to past occurrences, the reaction to the 2016 demonstrations was softer. The contrast with the 2011 protests in Zhanaozen is particularly significant. Then, demonstrations ended with a violent crackdown by the security forces. As a result, the authorities experienced the disadvantages of using open violence. As Erica Marat explains, by crossing the line between the usual level of state violence to what she calls «transformative violence», the regime ended up energizing the protesters, fuelling instability and attracting criticism from the international community.

In light of that experience, it is not surprising that in 2016 the authorities refrained from large-scale violence. Activists were rounded up, participants were arrested, and demonstrations were interrupted, but it happened without the police forces opening fire on the protesters, or using other forms of hard repression. As one activist said, «it is not intimidation but rather subtle forms of pressure on participants in the rallies».

46. ‘Kazakhstan: Land Issue Fuelling Social Discontent’.
47. Workers of the western oil town had been striking since the summer of 2011, demanding higher pay and, later, protesting against massive dismissals. The conflict escalated on 16 December 2011 (Kazakhstan’s Independence Day), when riots and their violent repression by police forces left at least 16 people dead. Dossym Satpayev & Tolganay Umbetaliyeva, ‘The Protests in Zhanaozen and the Kazakh Oil Sector: Conflicting Interests in a Rentier State’, Journal of Eurasian Studies Issue 6, 2015, pp. 122-129.
50. The activist Max Bokayev, who spoke these words before being arrested, was sentenced to 15 days detention in a late-evening hearing on 17 May. ‘Kazakhstan: Panicked Authorities Rounding Up Activists’.
including calling a moratorium on the reform and establishing a special commission to re-examine the text.\footnote{Dena Sholk, 'Kazakhstan's Land Reforms'.}

Finally, the leadership employed discourse to delegitimise the protests and reassure the rest of the citizenship that their concerns were unfounded.\footnote{After Zhanaozen the regime used discourse to isolate the protesters from the general public. Erica Marat, 'Kazakhstan had huge protests'. David Lewis, 'Blogging Zhanaozen: hegemonic discourse and authoritarian resilience in Kazakhstan', Central Asian Survey, Issue 3, No 3, 2016, pp. 421-438.} Nazarbayev tried to frame the issue in such a way as to separate the disapproval for the reform from criticism of his rule. First, he shifted the blame onto government officials, accusing them of devising an over-complex reform that the population could not understand: «If our people do not understand and trust the decisions that have been taken, then it is not right [to press ahead with them]» Nazarbayev said.\footnote{‘Kazakh leader delays land reform, yielding to protests’, Reuters, 5 May 2016.} Following these statements, the Minister for Economic Issues Yerbolat Dosayev and his deputy Kairbek Uskenbayev were forced to resign from their posts.\footnote{‘Government makes concessions to defuse land protests’.} At the same time, the president blamed the disorders on external «provocateurs», who allegedly speculated on the sale of land, and called for them to be «exposed and punished» for spreading unfounded rumours.\footnote{‘Nazarbayev govorit o «provokatorov» v zemel’nom voprose’, Radio Azattyq, 26 April 2016.} Stories warning of the negative social and economic consequences of protests were published by official media from the beginning of the protests.\footnote{‘Nazarbayev predostereg ot «Ukrainskogo stsenaria» v Kazakhstane’, Radio Svoboda, 1 May 2016.} In particular, in a speech on 1 May 2016, Nazarbayev warned about the development of a Ukraine-style scenario of civil war and economic downfall.\footnote{‘Oil Worker Strike in Kazakhstan Ends without Violence’, oilprice.com, 6 October 2016 (http://oilprice.com/Latest-Energy-News/World-News/Oil-Worker-Strike-In-Kazakhstan-Ends-Without-Violence.html).}

The situation in the last months of 2016 was less tense. Oil workers went on strike in the west, but these protests did not reach the main urban centres.\footnote{Another example of the regime’s use of soft authoritarian techniques was the alleged aggression against the journalist and activist Irina Mednikova. Mednikova, who leads the independent organization ‘Youth Information Service of Kazakhstan’ was attacked near her apartment in Almaty on 12 October 2016. She reported that a bag containing the materials, permissions and money for an upcoming event, who leads the independent organization ‘Youth Information Service of Kazakhstan’ was attacked near her apartment in Almaty on 12 October 2016. She reported that a bag containing the materials, permissions and money for an upcoming event,} The better economic prospects for 2017 might have positively influenced the public mood and reduced the need for soft authoritarian tools of protest management.\footnote{Yet it was such tools that proved insufficient}
to deal with the other great challenge for the stability of the Kazakhstani regime: the returning threat of Islamic terrorism. It is this threat that I now turn my attention to.

### 3.2. Facing the threat of Islamic terrorism

In 2016, Kazakhstan witnessed a return of the threat of Islamic terrorism. While the previous years had been relatively calm, the June attacks in the Western city of Aktobe were a powerful reminder of the threat. The attacks were carried out by a handful of men armed with shotguns and extended over several days, ending only with a large anti-terrorism operation which left a total of 19 people dead and 37 injured. The country was shaken again in July, when a gunman killed five people in the southern capital, Almaty. The reaction to these violent events is an example of the ambiguous way the Kazakhstani leadership deals with radicalization and religious-based terrorism in general. In the words of the expert Luca Anceschi, the attacks reveal the "uneasy nexus between government rhetoric, socio-economic instability and terrorist violence". On the one hand, the Kazakhstani authorities use events like this to securitize a factually low threat of Islamic terrorism. The authorities treat terrorism as a highly dangerous menace in order to reach other goals, such as reacting to an international context that is socializing them in that direction, or to justify tighter measures of control on the population. At the same time, the Kazakhstani leadership depicts the country as a haven of stability and multi-confessional harmony, with the ultimate goal of presenting itself to the international community as a reliable ally in the war on terrorism. Through discourse, the authorities frame radical Islam as non-traditional and alien to the local

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62. Ibid.


society, and Kazakhstan is presented as a place where many religious faiths live together in peace and harmony.\textsuperscript{65}

These approaches were reflected in the ways the regime dealt with the threat of Islamic terrorism in the last two years, particularly after the Aktobe and Almaty events. The authorities were quick in making the connection between the attackers and Islamic radical movements, even when this connection was not supported by evidence. Suspects in the Aktobe attacks were identified as «followers of radical, non-traditional religious movements», which is the way radical Islamists are commonly labelled by authorities.\textsuperscript{66} Furthermore, the authorities attempted to connect the Almaty shooter, Ruslan Kulikbayev, to radical Islamic movements, though these allegations proved unsubstantiated.\textsuperscript{67}

Unsurprisingly, the attacks were used to implement harder security measures, following the usual pattern.\textsuperscript{68} Nazarbayev called for the attacks’ perpetrators to face the death penalty, despite the fact that this punishment had not been enforced since 2003.\textsuperscript{69} The legislation on fighting extremism and terrorism was amended, increasing punishments for those involved in violence, but also imposing significant restrictions on the exercise of religious freedom.\textsuperscript{70} Finally, a new Minister of Religion and Civil Society was established in September 2016, possibly further increasing state control in this area.\textsuperscript{71}

Reflecting the aforementioned ambiguity, the authorities tried to disclaim the presence of active Islamist cells in the country to maintain the carefully constructed image of Kazakhstan as an island of stability. They did so by blaming the attacks on forces acting from abroad. Nazarbayev actually tried to connect the events with the land reform protests, claiming that they

\textsuperscript{65} See the last section of this paper; Maria Y. Omelicheva, Islam and power legitimation: instrumentalisation of religion in Central Asian States, \textit{Contemporary Politics}, Issue 22, No 2, 2016, pp. 144-163; Adele Del Sordi & Emanuela Dalmasso, ‘Religious foreign policy as nation branding’.

\textsuperscript{66} ‘Suspected militants attack Kazakh guard base, kill six’, \textit{Reuters}, 5 June 2016.

\textsuperscript{67} Luca Anceschi, ‘Kazakhstan: the limits of authoritarian crisis management’.

\textsuperscript{68} Experts agree that the threat of extremism and terrorism has been increasingly used as a justification for tighter control on media and civil society. Interviews conducted by the author, Almaty and Astana, 2015. In 2015 several websites were blocked after publishing materials about the Islamic State. Freedom House, ‘Kazakhstan: Country Profile’, \textit{Freedom on the Net 2016}, 2016. The fear of foreign agents destabilizing the country has been the official justification for a new restrictive legislation on Non-Governmental Organizations (NGOs). Civicus, ‘Special series on threats to civic space in Kazakhstan - Part 1: Association’, 3 February 2017 (https://monitor.civicus.org/newsfeed/2017/02/03/special-series-threats-civic-space-kazakhstan-part-1-association).

\textsuperscript{69} \textit{Ibid}.

\textsuperscript{70} Civicus, ‘Special series on threats to civic space in Kazakhstan’.

\textsuperscript{71} \textit{Ibid}.
were parts of a larger plan to destabilize the country in a «coloured revolution» kind of way.\textsuperscript{72} This combination of hard repression and legitimation has proved successful for the moment, but there are serious doubts about its effectiveness and sustainability over time. Anceschi notes how addressing the socio-economic problems that are a more likely cause of instability would be a much more effective long-term strategy than repressing dissent.\textsuperscript{73} Also, the harsher treatment of these events showed the limits of the soft authoritarian approach as well as its instrumental and volatile nature. The opposite ways the regime «managed» the information field during the land reform protests and the Aktobe and Almaty events, which I discuss in the following section, further demonstrate this point.

3.3 The battle on the information field

Both the land reform protests and the violent attacks in Aktobe and Almaty reflected the leadership’s difficulties in managing information. The authorities had to deal with an internet showing its potential as a facilitator of protest, and with the uncontrolled spread of panic-generating rumours. During the land reform protests, the internet’s potential to facilitate protest became particularly evident.\textsuperscript{74} Just as had happened in 2011 in Zhanaozen, new technologies became an alternative source of information to state chan-

\textsuperscript{72} The president declared that he saw «all the signs of a coloured revolution»: «artificially contrived rallies» (the land reform protests) and a violent attempt to seize power from «adherents of radical pseudo-religious movements instructed from abroad». ‘Nazarbayev pologaet, chto v tragedii Aktobe vinovata «tsvetnaya revoluciya»’, MKRU, 8 June 2016 (http://www.mk.ru/politics/2016/06/08/nazarbaev-pologaet-chtov-tragedii-aktobe-vinovata-cvetnaya-revoluciya.html).

\textsuperscript{73} Luca Anceschi, ‘Kazakhstan: the limits of authoritarian crisis management’. Also according to Erlan Karin, expert on terrorism and former director of the Kazakhstan Centre of Strategic Studies, marginalization and criminalization are the key factors in pushing several people, especially youngsters, in the direction of radical ideologies. Personal interview, Astana. October 2015.

\textsuperscript{74} The internet has been found to facilitate protests in different ways: it can provide alternative sources of information, facilitate change of attitudes, decrease the communication costs for oppositional movements, reduce uncertainty about who is actually going to participate and facilitate popular mobilization by spreading dramatic videos and images. Kris Ruigrok, ‘From the web to the streets: internet and protests under authoritarian regimes’, Democratization, Issue 24, No 3, 2017, pp. 498-520. For the role of the internet during the Zhanaozen riots and the subsequent regime reactions, see: Luca Anceschi, ‘The persistence of media control under consolidated authoritarianism: containing Kazakhstan’s digital media’, Demokratizatsiya: The Journal of Post-Soviet Democratization, Issue 23, No 3, 2015, pp. 277-295. For the role of the internet during the land reform protests, see: Nurseit Niyazbekov, ‘Kazakhstan jails activists, plans a Great Firewall to stifle online dissent’, The Conversation, 30 November 2016 (https://theconversation.com/kazakhstan-jails-activists-plans-a-great-firewall-to-stifle-online-dissent-69308).
nels, responding to popular frustration about lack of information. They also contributed to expanding «the movement’s support base by directly appealing to individual users». Finally, by spreading images of violence, the internet mobilized even more people to join the protests. In both events, the regime feared for its stability and consequently increased control over the internet. In Zhanaozen, the authorities tried to shut down the internet during the most intense phase of protests, and afterwards blocked a large number of websites. Possibly learning from this experience, the regime later enacted more sophisticated forms of control, not only making blockings more legitimate but also resorting to bloggers’ co-optation.

The evolution of the regime towards a «networked authoritarianism» became particularly evident during the land reform protests. Then, the regime refrained from making wide use of blockage but tried, instead, to mirror channels of communications used by protesters. When the protests did not stop, and activists started planning a «peaceful meeting» for 21 May, using Facebook, the regime applied digital technologies to get ahead of protesters. They used their extensive surveillance apparatus to get to protest organizers and prevent participation in demonstrations in a way reminiscent of the techniques used by the Syrian and Iranian security establishments. Activists were tracked down using Facebook posts in which they expressed their intention to join the rallies, arrested on the day before the planned protest, and charged with the organization of illegal rallies.

75. Dossym Satpayev & Tolganay Umbetaliyeva, ‘The Protests in Zhanaozen and the Kazakh Oil Sector’, p. 127; E. Marat, ‘Kazakhstan had huge protests’.
76. Nurseit Niyazbekov, ‘Kazakhstan jails activists’.
77. Erica Marat, ‘Kazakhstan had huge protests’.
81. The decision to call for a moratorium on the reform was communicated via a WhatsApp message. Nurseit Niyazbekov, ‘Kazakhstan jails activists’.
ists who monitored or intended to monitor the protests were also arrested.\textsuperscript{85} Possibly getting information about designated meeting areas from the social networks, police forces cordoned off squares in Almaty and Astana on 21 May before the arrival of protesters.\textsuperscript{86}

The system was further tested after the violent events in Aktobe and Almaty in the summer of 2016. In these cases, however, the regime tried to exert its obsessive control over the information sphere, actually going back to sheer repression.\textsuperscript{87} Not only was the internet blocked, but broadcasts were interrupted after news of the Almaty shooting started spreading.\textsuperscript{88} In a way that looked almost Soviet, measures were taken against those who had allegedly spread unfounded rumours on the subject.\textsuperscript{89} Once more sensing the dangers related to «losing on the information field»,\textsuperscript{90} a new Ministry of Information and Communication was established in late May 2016, with the goal of devising a more efficient state information policy.\textsuperscript{91}

The aforementioned attacks were the motivation for the government to adopt new, more pervasive forms of control on the online sphere. Proposed legislation assigns more responsibility to authors of online content.\textsuperscript{92} In addition, the Ministry of Development and Innovation announced the intention to launch a National Internet project. The Great Firewall, named after its Chinese equivalent, will allow security forces to monitor and block all internet traffic on desktop and mobile devices.\textsuperscript{93} This measure will com-
plete the system established since January 2016, when the National Security Certificate was introduced. This system is presented as a way to protect users from harmful content, but according to critics will allow the authorities to view, store and possibly edit all encrypted internet traffic.94

While these last developments show the probable evolution of Kazakhstan towards a «networked authoritarianism», the uncertainty of the regime in the management of the information field during the Aktobe and Almaty events demonstrates how this evolution is not linear. Obstacles are found both in technical problems and different opinions within the leadership. A further obstacle is represented by a more classic «dictator’s dilemma», one which sees the contraposition between the advantages of open communications for the economy and the desire of total control over the internet.95 A further limit might be the fear of international criticism. Indeed, as will be seen in the next section, Kazakhstan engages very actively with the international community, and works hard to build a reputation as a stable and reliable country. In 2015-16, in a period of economic crisis, the role of international recognition as a source of regime legitimation might have been particularly relevant.

4. Seeking legitimacy beyond borders: the international relations

In 2015-16, Kazakhstan initiated or participated in an extraordinary amount of international initiatives, ranging from trying to host negotiations between Russia and Ukraine and signing a new Peace and Cooperation Agreement with the European Union, to getting a temporary seat at the UN Security Council.96 Far from being a novelty – Kazakhstan has been defined as «the most proactive and innovative former Soviet republic in the sphere of international cooperation» – these engagements speak of Kazakhstan’s constant efforts to establish the country as a «reliable and constructive international actor».97 The reason for such a committed and diversified engagement is to be found, according to Engvall and Cornell, in the desire to keep the relative importance of each of the country’s «pillars» of foreign policy in balance. Kazakhstan, in fact, is known for pursuing a «multi-vector» foreign policy: it tries to maintain good relations with a variety of global and regional powers,

96. In addition, Kazakhstan maximized its efforts to host high-profile international events, such as the EXPO, which will be held in Astana in summer 2017. In January of this year, Almaty hosted the 2017 Winter Universiade. Almaty also proposed to host the 2022 Winter Olympics, though the competition was eventually won by Beijing.
including, but not limited to, Russia, the Central Asian nations, China, the United States and the European Union. Such an exercise can be challenging, especially when the relations between different partners deteriorate, as happened during the Ukrainian crisis. Also, in recent years the relationship with Russia has significantly strengthened through the Eurasian Economic Union, diminishing the relative importance of the other pillars and possibly questioning the multi-vector balance. The recent pursuing of opportunities in the global arena should be seen, according to Engvall and Cornell, as a way to counter-balance this situation. In addition, Kazakhstan might have intensified its activity in the policy area of anti-terrorism and inter-faith dialogue to counteract the domestic threats related to increasing numbers of Kazakhstanis joining the Islamic State in Syria.

Though Engvall and Cornell’s perspective correctly highlights the authorities’ efforts to balance different foreign policy needs, it misses an additional dimension to Kazakhstan’s international pro-activeness. International engagement is in fact also used by the Kazakhstani leadership to reinforce regime legitimacy at home, through the mechanism of external legitimation. Edward Schatz calls this mechanism «international recognition»: the leadership of Kazakhstan uses the favourable opinions of international partners to present itself as professional and deserving of support in front of its domestic audience.

Having first developed such a strategy in times of economic crisis, it is not surprising that the regime resorted to international recognition in another phase of economic difficulty in 2015-16, when relying on performance legitimation was difficult. As seen before, the prolonged economic crisis created widespread discontent and increased the distance between the regime and the population. By increasing diplomatic engagement and transmitting the praise gained for it from the international community, Nazarbayev may have tried to find another channel of connection with the Kazakhstanis. In his speeches, particularly in the yearly Messages to the Nation, Nazarbayev

98. Ibid.
100. Despite the trade conflicts that emerged from the implementation of the Eurasian Economic Union (mentioned in section 2.1), it is undeniable that the relationship between the two countries has become significantly stronger since the agreement was made.
102. Ibid.
104. Edward Schatz, ‘Access by Accident’, p. 270. See also the first section of this paper.
105. Ibid.
never fails to stress the proactive role that Kazakhstan has in the international community and how this is appreciated by foreign partners.

In this section, the three main areas of Kazakhstani foreign engagement in 2015-16 are briefly reviewed, and examples from Nazarbayev’s speeches are given to demonstrate how these achievements are used to legitimise his rule in front of the domestic audience.106

First of all, Kazakhstan tried to smooth out the tense relations within the post-Soviet region, mostly originating from the Ukrainian issue.107 Nazarbayev actively facilitated the Ukraine negotiation process, which eventually resulted in the Minsk agreements; he also repeatedly offered Astana as the venue for further peace talks.108 Thanks to his proactive stance, Nazarbayev quickly earned the label of «mediator» and «peacemaker», a role which was widely advertised by the media at home.109 Interestingly, while there is no agreement among experts about the actual capacity of Nazarbayev to exert influence on Putin or Poroshenko, some of them underline the fact that the president uses the issue for «self-promotion» at home.110 In fact, one of the grounds on which Nazarbayev claims legitimacy at home is his commitment «to resolve any conflicts peacefully and doing everything that depends on us for this»111.

Second, in the last biennium Kazakhstan boosted its participation in international organizations. In 2015 Kazakhstan finally completed its

106. The division between areas follows the one found in Johan Engvall & Svante E. Cornell, ‘Asserting Statehood’.
111. Nursultan Nazarbayev, ‘Kazakhstan v Novoi Globalnoi Real’nosti’.
20-year-long accession process to the World Trade Organization (WTO). The accession package was agreed on in June and the country became an official member on 30 November.\textsuperscript{112} Significantly, Nazarbayev chose to give his yearly Message to the Nation on that day, to celebrate an achievement that had long been on the top of his foreign policy agenda: «this event is an important milestone in the history of independent Kazakhstan», he said. And then, stressing the respect of the international community for his leadership, he continued: «[The WTO accession] testifies to the recognition of our country as an equal trade and economic partner».\textsuperscript{113}

In December 2015, Kazakhstan finalized an Enhanced Partnership and Cooperation Agreement (EPCA) with the EU. The Agreement, already announced in 2014,\textsuperscript{114} is somewhat looser than the Association Agreements and accompanying Deep and Comprehensive Free Trade Agreements that the EU has offered Ukraine, Moldova, and Georgia within the framework of its Eastern Partnership. However, it is more ambitious than any agreements between the EU and other Central Asia states, as it aims at «providing a broad framework for reinforced political dialogue, cooperation in justice and home affairs among other sectors, and promoting mutual trade and investment».\textsuperscript{115}

Furthermore, in October 2016 Kazakhstan signed a Memorandum of Understanding with the Organization for Economic Cooperation and Development (OECD).\textsuperscript{116} This was presented to the public as «a sign of the correspondence of our investment climate to the high standards of the organization and a testimony of the enormous work that the leadership has put into the process».\textsuperscript{117} Perhaps the brightest diplomatic success of the last two years was the assignment of a prestigious non-permanent seat at the Security Council of the United Nations. Kazakhstan had painstakingly prepared its bid, with the goal of confirming its willingness to play a constructive role in international affairs.\textsuperscript{118} At the beginning of his 2017 Message to the Nation, Nazarbayev cited it as «proof that the international community knows well and highly appreciates the achievements and successes of Kazakhstan».\textsuperscript{119}

\textsuperscript{113} Nursultan Nazarbayev, ‘Kazakhstan v Novoi Globalnoi Real’nosti’.
\textsuperscript{114} Fabrissi Vielmini, ‘Kazakhstan 2013-2014’, p. 441.
\textsuperscript{116} Johan Engvall & Svante E. Cornell, ‘Asserting Statehood’, pp. 52-55.
\textsuperscript{118} Johan Engvall & Svante E. Cornell, ‘Asserting Statehood’, p. 61.
Last but not least, Kazakhstan pursued what Engvall and Cornell call «unilateral activities». In the last two years, Kazakhstan continued, as it had done in the past, to promote its international position by initiating dialogue platforms and new organizations. In June 2015, the fifth Congress of World Religions took place in Astana. Partly stemming from the need to guarantee the peaceful coexistence of the several religious groups present in the country, the initiative, a creation of Nazarbayev’s, also showed «the Kazakh leadership’s desire to present the country as a model of inter-religious accord and a crossroad between civilizations» and «as a respected international partner with a proven record in working for peaceful, cooperative solutions to pressing global problems».120

Again, the engagement in interfaith dialogue is used extensively in the domestic discourse as a legitimating frame.121 For instance, the page devoted to the event on the president’s website recites: «The initiative of our Head of State to convene the leaders of world religions in Astana has a great significance in the development of a global dialogue of cultures and civilizations».122 The last domain in which Nazarbayev put forward a new, ambitious, foreign policy initiative is global security. In May 2016, he presented a strongly worded manifesto, «The World, The 21st Century», in Washington DC. In it Nazarbayev challenged other world leaders to commit to peace and dialogue and actually provided an agenda not only for Kazakhstan but for the international community as a whole. In an unprecedented effort, Nazarbayev set out a comprehensive programme of actions with the ultimate goal of freeing the world from the threat of conflict, including nuclear disarmament, a ban on the development of weapons of mass destruction, and the creation of weapon-free zones. In particular, the document calls for the substitution of diplomatic blocs, defined as «relics of the Cold War», with intensified collective efforts for building peace.123 The over-ambitious programme extends to addressing the very roots of conflicts by creating «equal and fair access to infrastructure, resources and markets for all nations».124 While there is some genuine commitment to the values of peace and global security, the manifesto looks very much like an operation in public diplomacy, with the goal of pushing the bid for the UN Security Council seat.125 The document en-

121. Adele Del Sordi & Emanuela Dalmaso, ‘Religious foreign policy as nation branding’.
124. Ibid.
125. This is the opinion of the expert Togzhan Kassenova. Quoted in ‘Kazakhstan Unveils Plan To End All Wars; Details To Come’, *The Bug Pit*, 19 April 2016 (http://www.eurasianet.org/node/78381). See also: ‘Strong push for Kazakhstan’s
joyed exceptional coverage from official sources and it is featured on the websites of most Kazakhstani embassies round the world. At home, the state media published articles full of praise for the initiative and the new recognition that the authoritative figure of Nazarbayev and his bold initiative are giving the country.

The activities of the last two years provide several examples of Kazakhstan’s intense international engagement and of its use for legitimation purposes. Nazarbayev and his government have put forward the country’s commitments and achievements on the international scene as reasons for supporting the regime. It is obviously uncertain whether the process legitimation based on international recognition actually results in legitimacy. But the efforts made by the leadership in this direction seem to show that they, at least, believe that it does.

5. Conclusions

This paper has shown that in 2015-2016 the leadership of Kazakhstan’s authoritarian regime continued on the path of stabilization started in the previous biennium. Local and global challenges had the potential to destabilize the rule of Nazarbayev, though. Danger came from the prolonged economic crisis, the emergence of popular protests, the return of the threat of Islamic terrorism, and the re-discovered potential of the internet as a vehicle of protest, as well as a source of panic. To this, the difficult international situation should be added, with Kazakhstan squeezed between Russia, the West and its global ambitions.

This paper has demonstrated that the authorities managed to maintain stability by applying and further refining the soft authoritarian tools that have become a defining characteristic of its rule. Intimidation and soft repression were used instead of hard repression to sedate protests, along with a de-legitimation of protesters. The electoral process was strategically used to reinforce the connection between the leadership and the population through institutional legitimation. Also, more sophisticated tools were introduced in the regime’s control of the internet. However, the soft approaches found significant limits in the treatment of Islamic terrorism. Here the regime adopted a more ambiguous approach, halfway between hard
repression and strategic framing directed at denying the presence of radical movements in the country.

Internationally, Kazakhstan has initiated or participated in an extraordinary amount of initiatives, ranging from trying to host negotiations between Russia and Ukraine and signing a new Peace and Cooperation Agreement with the European Union, to getting a temporary seat at the UN Security Council. It has been shown that the driving force of this proactive stance in the international sphere is not only the regime’s ambition of earning a reputation as a stable and reliable ally, but legitimising its rule in front of domestic audiences.

While it is not clear whether these strategies of legitimation are successful and have actually result in increased regime legitimacy, the leadership’s efforts show that they, at least, believe that these strategies do work. At the same time, attempts at seeking legitimation through democratic-like institutions and a deeper engagement in the international community might have unintended consequences, namely the creation of more openness in the regime which, in the long term, could lay the groundwork for regime change.\textsuperscript{128} The last two years showed that, so far, Nazarbayev has been able to use legitimation as a stabilization tool without running this danger. Obviously, future stability will also depend on the ability of Nazarbayev, now 76 years old, to prepare a smooth succession. Talks of constitutional reform, which would transfer more powers to parliament, are a sign that the preparation for succession might be an important item on the political agenda for the coming years.

How public opinion on the North Korean threat has influenced Japanese foreign policy

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North Korea has been portrayed in various guises in Japanese media, such as a «paradise on earth»; a socialist regime that enforces the unique socialist ideology of Juche; a hermit kingdom isolated from the rest of the world; a member of the «axis of evil», posing a security threat to other nations; or one of the poorest countries in the world with many hopeless street children called kotjebi. As the sequestered nature of the country means that it is difficult to access or to obtain credible information on it, North Korean issues have often been treated sensationaly in Japan, not only in political discussions, but also in daily news. Furthermore, it is quite difficult to understand North Korean actions in a reasonable sense because it commonly employs harsh rhetoric and adopts behavioural patterns that involve taking risks in order to achieve better deals at the last minute; hence, Japanese policymakers have been required to negotiate many obstacles to achieve a stable relationship or a sense of normalisation with North Korea, particularly in recent years, which have seen several crises.

This book examines how Japan has reacted to North Korean threats and why it has chosen these actions. The book’s main question concerns why Japan has merely implemented limited policies such as denouncing North Korea during the missile crisis of 1998, but adopted more coercive means to impose unilateral sanctions in 2006. To answer this question, the author mainly focuses on gradual changes in the Japanese public’s sentiments towards North Korea and the influence of public opinion on external policy. In this sense, this book offers a case study of the multi-disciplinary research...
into political sociology, media politics, decision-making and the linkage between Japanese domestic and foreign policy, and the international relations in East Asia in the post-Cold War era.

The first chapter introduces the main question, which has been already mentioned, and sets the analytical framework of this book. The most important point to note in relation to the author’s framework is that he focuses on the abduction issue above all the North Korean threats discussed in this book. This issue relates to the fact that North Korea secretly kidnapped ordinary Japanese citizens and smuggled them to North Korea during the 1970s and 80s. These hostages were then coerced into serving as Japanese translators or as teachers of intelligence officers in North Korea. By focusing on this, the author intends to carefully exclude nuclear threats from his main analysis, though he supposedly understands their significance and relevance to the sanctions. This is because, he argues, (1) the nuclear tests do not always violate Japan’s sovereignty or directly victimise any Japanese citizens by themselves, and (2) the nuclear threats should be resolved in multilateral forums, like the Six Party Talks, but not through bilateral relations, unlike the abduction issue.

The author begins his presentation of his main arguments in the second chapter of the book. In Chapter II, he discusses the historical background of Japan-North Korea relations up to 2000, particularly focusing on Japanese reaction to the Taepodong-1 missile launch of August 1998 and the incursion of two North Korean fushinsen (mystery/spy vessels) in March 1999. He argues that Japan’s response to these events was limited; it made a statement of condemnation, appealed to the United Nations to pass a resolution, suspended its financial contributions to KEDO, joined the US Theatre Missile Defence (TMD) initiatives, and strengthened its own defensive capabilities. These threats by North Korea were insufficient to provoke leading news media to demand more realistic power-based approaches or to fundamentally change Japan’s post-war anti-militarist identity. The Japanese government maintained its diplomatic goal of achieving normalisation with North Korea and it attempted to mitigate tensions with Pyongyang by sending the Murayama delegation in December 1999.

Chapter III discusses Japan-North Korea relations from 2001 to 2002, prior to the first summit meeting in September 2002. In particular, the author examines how the new leadership of Prime Minister Koizumi Junichiro changed Japanese politics. Koizumi enjoyed considerable popular support from the public as a result of his image as a powerful reformer determined to remove the old political power and radically reform the old-fashioned system. The author emphasises that Koizumi changed the influence the media and public opinion had on Japan’s decision-making mechanism; this was because the legitimacy of his policies largely depended on the strong support of the public. However, in terms of his initial policy toward North Korea, the author also highlights that Koizumi maintained the traditional
Japanese policy of engagement and the diplomatic goal of achieving normalisation with North Korea. At this juncture, December 2001, another *fushinsen* incident raised security concerns among the public, but Koizumi handled the Japanese public’s anxiety and the possible signals his response might send to Pyongyang well; he updated the operational roles of the Japan Coast Guard, but only moderately, and drafted bills for emergency legislation, albeit without putting the decisions to a vote.

Chapter IV contains the main focus of the book, covering bilateral relations from 2002 to 2004. The author discusses the first Koizumi-Kim summit meeting of September 2002 and the Japanese reactions to North Korea’s admissions, particularly concerning the abduction issue and their security concerns. Among the many compromises made at the summit, the author attaches special importance to Kim Jong Il’s acknowledgement of North Korea’s involvement in the abductions and the *fushinsen* incidents. The Japanese found it very unacceptable that North Korea had abducted innocent Japanese people and that, of these abductees, only five had survived.

The author examines how, after the summit meeting, this revelation sparked anger among the Japanese and set the societal discourse on North Korean issues. The Japanese people seriously attacked the press and established authorities who they believed were pro-North Korean, defended the North Korean position, or had neglected this issue: particularly the progressive section of the mainstream media (such as the *Asahi Shimbun* and *Sekai*), socialist or communist political parties (e.g., the Social Democratic Party and the Japanese Communist Party), and the Ministry of Foreign Affairs. The author stresses that the breakthrough in regard to the abductions and other issues at Pyongyang paradoxically made the Japanese more intolerant and inflexible and also raised security concerns. Koizumi maintained the diplomatic goal of achieving normalisation, but had to adjust his position in regard to the implementation of the Pyongyang Declaration by making the abduction issue the highest priority; he also passed emergency legislation bills in June 2003 in response to the rising security concerns among the public.

The fifth chapter illustrates the growing dynamism of Japan’s policy shift to unilateral sanctions and the power transition from Koizumi to Abe Shinzo that occurred between 2004 and 2006. Koizumi visited Pyongyang again in May 2004 to make further deals with Kim Jong II, particularly in relation to mitigating the abduction issue by bringing the abductees’ remaining family members back to Japan and putting the Pyongyang Declaration back on track. Nevertheless, the second summit did not make as much progress as Koizumi wished, and the public realized that North Korea would not sincerely respond to Japanese demands. The author describes how Abe gradually came to represent the growing public clamour for sanctions and enhanced his status as the frontrunner of the possible post-Koizumi leaders; however, Koizumi kept Abe under his control and maintained the diplomatic goal of achieving normalisation until December 2004. At this junc-
ture, the author stresses that a turning point was reached. North Korea had handed over what it claimed to be the cremated remains of the allegedly dead abductee Yokota Megumi, one of the icons of the abduction issue; however, DNA testing in December 2004 proved the North Korean allegations to be false. Japan passed two sanction bills in 2004, which remained unimplemented until 2006, that prohibited the transfer of money and goods to North Korea and the entry of North Korean vessels into Japanese ports. However, the Taepodong-2 launch of July 2006 compelled Japan to take further action, implementing unilateral sanctions and taking a strongly requesting the UN implement international sanctions against Pyongyang, a much stronger reaction than in 1998. The author closes this chapter with an epilogue that explains that immediately after the decision to impose additional sanctions was announced in September 2006, Koizumi finished his term and Abe gained power.

In Chapter VI, the concluding chapter, the author concludes his arguments and presents some implications for future Japan-North Korea relations and a possible revision of the Constitution of Japan. He critically argues that it is unlikely that the abduction issue will be resolved in a manner that satisfies Japan because the Japanese public are unlikely to believe anything North Korea claims, even with transparent and sincere reinvestigation. Additionally, he concludes that although the abduction fever has lost some of its momentum, Japanese policies towards North Korea will continue to be linked strongly to the resolution of the abduction issue.

Through careful examinations and detailed narratives, this book successfully makes important academic contributions, particularly in regard to the following two points:

The first is the relative position of this book among similar literature. While there are some excellent works on the North Korean crisis or Japanese policy toward North Korea, including Yoichi Funabashi’s *The Peninsula Question* and Linus Hagström and Marie Söderberg’s *North Korea Policy: Japan and the Great Powers*, this book presents a quite unique analysis of the question, considering the Japanese public’s discourse on North Korean issues. In particular, the author sets the abduction issue as the main topic, which is quite unique, but absolutely dominant, in Japan-North Korea bilateral relations; other works have merely taken traditional approaches, such as concerning themselves with North Korea’s nuclear development or the missile crisis. In this sense, this book has unique, powerful and long-lasting academic values and, in the future, will be referred to as an excellent case study on this topic.

The second point is the author’s choice of media and his balanced position on the discourse analysis. Some people may be sceptical about the author’s arguments because, even before the missile crisis of 1998, popular jingoistic sentiments and powerful hawkish arguments concerning North Korea were prevalent, as can be seen in conservative/rightist papers such as
the Sankei Shimbun and affiliated media such as Shokun or Seiron. Such critics are probably correct. However, in regard to the main target of the discourse analysis of this book, the author examines articles and editorials of the two leading Japanese newspapers, the Asahi Shimbun and the Yomiuri Shimbun, representing moderate liberals and moderate conservatives, thereby excluding extremely right/left news media or marginal papers.

This selection method fundamentally sets the quality of this research. The abduction issue is essentially a difficult research topic because it has been treated too sensational and politically in Japan. It requires observers to distance themselves from the topic, maintain an objective perspective, and not become involved in any political controversies; otherwise, their research would lose its unbiased position and its academic solidity, becoming simply a product of certain political leanings. However, the author consistently maintains a balanced position and examines those two mainstream papers in order to demonstrate how average Japanese people feel about the North Korean threats and the abduction issue.

Finally, let me conclude my review with a critical comment on the analytical framework and the composite nature of the North Korean threats. In the first chapter, the author defines the framework by focusing on the abduction issue and excluding the nuclear threats from his main analysis of this book. In the following chapters, he explains in further detail how the abduction issue should be distinguished from the nuclear threats in terms of the quality and the perception of the threats. However, as the author himself also presumes, North Korean threats, such as the abductions, the missile launches, and the nuclear development, are essentially compound and interrelated.

This is particularly true in his arguments concerning the Six Party Talks (SPT) and implementation of the additional sanctions (Chapter V). The author describes how Japan attempted to connect the abduction issue with nuclear and other security threats in order to include the abduction issue as an agenda of the SPT and to intensify the contents of the sanctions. Some earlier studies, like Funabashi’s The Peninsula Question, also situate the abduction issue within a broader context of North Korean security threats, including the nuclear and missile threats.

In this sense, I am left with the question of the applicability of his theories – whether the abduction issue can be discussed independently of other dimensions of the North Korean threats or if his arguments can make sense only in a unique case like Japan-North Korea relations. I understand the author is successful in making his analyses more consistent and refined by focusing on a particular aspect of the North Korean threats, such as the abduction issue, because he respects theoretical parsimony in this work; however, I wish the author would discuss the abduction issue within a broader picture of the North Korean crisis so that more observers can discern the relevance of that issue to other North Korean threats.
The Worlds of Words of the Ibis Trilogy
by Amitav Ghosh

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When Amitav Ghosh’s Sea of Poppies was published in 2008 as the first volume of what has by now become the much acclaimed Ibis trilogy, a ten-year-long research project, it was clear that a monumental work, and a literary masterpiece of our times was being shaped. The Italian translators, Anna Nadotti and Norman Gobetti, who worked on the manuscript versions, were the first to take the challenge of translating the work into a South-European language. They found themselves confronted with an unexpected surprise. Even to professional translators as they are, accustomed to translating Indian-English authors or cosmopolitan, transnational writers, the linguistic inventiveness of that first volume was certainly a lesson in English linguistics.

What was to become the «Chrestomathy», one of the precious documents the outstanding character of Neel compiles in the novel, was also a compendium of guidelines for the translators, who had been advised by the author neither to use a glossary at the end of the novel, nor footnotes, nor italics, for English in its 19th Century varieties had become a new language in the novel (American, French-English, Zubben language, British English, Bengali, Hinglish). It is a creative language, but real, bizarre but practical, difficult to pronounce but pragmatic. It is also the language out of «A Laskari Dictionary Or Anglo-Indian Vocabulary Of Nautical Terms And Phrases In English And Hindustani (1882)». The translation of the whole trilogy – as has been noticed – is a case study, which deserves special attention in the field of translation theory and practice, and translation studies more generally.

2. See Amitav Ghosh’s official website (http://www.amitavghosh.com/chrestomathy.html).
The lascars were sailors who «came from places far apart, and had nothing in common, except the Indian Ocean; among them were Chinese and East Africans, Arabs and Malays, Bengalis and Goans, Tamils and Arakanese. They came in groups of ten or fifteen, each with a leader who spoke on their behalf» (p. 13). Thus, Zachary, the black man from Baltimore, who took sail as a carpenter on board the Ibis, has to learn a completely new language from Serang Ali, the head of the lascars: «resum» instead of «rations», «malum» instead of «mate», «serang» for «bosun». And he has to memorize a new shipboard vocabulary. As for syntax then, sentences are not less mysterious to him: «Serang Ali wife-o hab make die,’ came the answer. ‘Go topside, to hebbin. By’mby, Serang ali catchi nother piece wife’…» (p. 15). It is self evident that the trilogy announced itself as one among the best sea epic narratives in the wake of the best American and English literary traditions of Melville and Conrad, but also of the best postcolonial tradition represented, for instance, by Derek Walcott. The schooner Ibis with white-Afro-American Zachary on board is not dissimilar from the schooner Flight with «a rusty head sailor with sea-green eyes, that they nickname Shabine, the patois for any red nigger», in the poem by Derek Walcott, «The Schooner Flight».

Thus, in a few pages the Ibis sails from Baltimore to Cape Town to Calcutta, and the story steers to the mainland in Bihar, India, where a widowed woman, the visionary Deeti, complains because «now, with the sahibs forcing everyone to grow poppy, no one had thatch to spare» (p. 26): «Came the cold weather, the English sahibs would allow little else to be planted; their agents would go from home to home, forcing cash advances on the farmers, making them sign asámi contracts. It was impossible to say no to them» (p. 27). In this simple way, and as if indirectly, Ghosh produces criticism and precise accusations towards British imperialism. The plot is set in 1838, the imposition of monocultures, or «cash crops» as they are called, is already common practice of colonial capitalism as well as the basis of – in the specific case, the monopoly of opium cultivation and trade – an Empire of narco-trafficking.

4. Maybe it is not by chance if the Italian writer Paolo Rumiz goes back to a kind of lascari language of the Mediterranean: «Ala náši, mola cimu / voga napri, fate fate / Ondre, Mike, File, Zane / u ime Boga, voga voga/», quoting a poem by the Dalmatian poet Joško Božanić, written in a lingua franca from the Adria Sea, a language comprehensible to Venetians and to Montenegrins, to fishermen from the Gargano Gulf, to sailors from the island of Curzola. Paolo Rumiz, Il ciclope, Milan: Feltrinelli, 2015, p. 80.


Deeti will be one of a group of men and women, coolies, who sign contracts as indentured labourers to be transported to Mauritius on board the Ibis. They compensate for the loss of black African slaves subsequent to abolitionism. On board the Ibis, there are also Kalua, a giant of a man who had helped Deeti’s flight from what would have been her sati, her immolation on her husband’s funeral pyre, together with other men and women, and two convicts: a Chinese young man and opium addict, Ah Fatt, and an Indian nobleman, Neel, the Raja of Raskhali, who had experienced the humiliation of having his crime tattooed on his skin, nakedness and body search, beatings and mistreatments in a British penal colony. Both the prison island and the opium factory of Ghazipur are described with the vividness, detailed mimetic realism and historic accuracy of Dickens’s or Balzac’s best pages, but also as Foucauldian panopticon-like institutions of surveillance and punishment. Yet, the friendship, solidarity and sense of piety which is soon established between the two convicts, in spite of linguistic, social and cultural differences is among the most moving chapters of Ghosh’s trilogy. Similarly, the small community of neo-slave-like workers who inhabit the dabusa of the ship, including a young French botanist, Paulette, becomes an ideal society of migrants, among whom castes and social differences are abolished, thanks to a voyage that marks the rebirth of these people in a bond of brotherhood and equality that makes them, as Deeti says: «jahaz-bhai and jahaz-bahen to each other; all of us children of the ship» (p. 328); sons and daughters of the maternal womb of the ship, delivering them across the Kalapani, the Black Water, to a new life in a new land. «This vessel was the Mother-Father of her new family, a great wooden mái-báp, an adoptive ancestor and parent of dynasties yet to come» (p. 328). Indentured labour as an hypocritical form of legal slavery, based on five-year contracts is criticised by Ghosh as one of the immoral colonial practices, for it was based on fraud and false promises to illiterate people, girmitiyas, for they signed girmitis, agreements, although they could neither read nor write. On the other hand it is viewed as a possibility to erase the caste system and as an opportunity to start a completely new life elsewhere, free from social and religious constraints. The first volume of the trilogy, which denounces how «British rule in India could not be sustained without opium» (p. 106), closes on a mutiny on board, where Kalua, the convicts and three sailors manage to flee after the killing of a guard and both the ship and the lifeboat are caught in a tempest that disperses them. Interestingly, it closes on a surprising note, the journey of enslavement becomes for all the characters a journey of liberation, for Paulette more than once sets herself free through transvestism, first as an Indian woman in spite of her European ancestry, then as a man. The gomusta, Baboo Nob Kissim meets his other gendered identity on his voyage and changes sex midway, thanks to a hilarious epiphany that testifies the author’s mastery of the comic register. Zachary passes for a white person and erases his racialized identity, thanks to the sea with its symbolic fluidity.
and metamorphic power, thanks to the journey which traditionally is also a descent into one’s soul, and thanks to the ship-as-mother which delivers the lot to a new life. This experience of rebirth is similar to Wilson Harris’s interpretation of the Limbo dance as a rite mimicking the experience of the Middle Passage of the black slaves travelling from Africa to the Caribbean. It had its origins in the overcrowded slave ships, where the dancer transformed himself into a spider-like figure, mimicking the dismemberment of communities, families, relations and, at the same time, the re-combination of the torn limbs in a new life, a new land and a new form. Similarly, the myth of the trickster, the Spider Anansi survived the crossing of the Ocean in the form of legendary fables, that took roots also in the Americas. Thus, the trauma of the passage is overcome and leads to a re-generative life full of creative possibilities.7

The first chapter of the second volume of the trilogy, *River of Smoke* (2011),8 mirrors the first chapter of the first volume, for Deeti is a protagonist also here. She is now a charismatic leader of her community on Mauritius Island and speaks a French-English patois. This is due to the fact that now her owner/master is a Frenchman, and she speaks a bit like Paulette. She paints scenes from her life and of her family on the walls of a cave, a sort of graffiti or rock-paintings. There, she also establishes a shrine for her pujas and asks her son to complete the final picture, in order to leave a trace of the migrants’ passage on that land. Most of the other characters have by now reached the doors of the Chinese Empire. Therefore, the language shifts to Chinese-English or pidgin. Most of the British and Indian merchants’s ships are stuck at the mouth of the Pearl River, between Hong Kong and Macau, unable to proceed further inland, towards Canton. With this volume the reader is stuck, too. This stasis has the purpose to conjure up China and put it in the foreground as a new geo-political theatre of colonial aggression. Thus, we indulge at the mouth of the river in contemplation of all that China discloses, including its language. Foreigners are not allowed into the interior and foreign women are not admitted even in Fanqui Town, the foreign quarter in Canton, where the outposts of Western commercial enterprises are set (the thirteen factories/hongs). This is the case with Paulette, the French woman, who travelled on the Ibis dressed in a sari, and who tended the botanical gardens of Port Louis at Mauritius for a while, disguised as a man, until her identity was revealed and she was invited to take care of a boat-garden by the British botanist Fitcher Penrose. The history of botanical gardens runs parallel to the history of the opium trade, for import of rare plants and flowers to embellish European collections was well on its way. This second volume includes historical characters: major botanists, like Pierre Poivre, Sir Joseph Banks, the scientist who accompa-

nied Captain Cook in his explorations and who became curator of the Kew Gardens in England, and Napoleon. The latter, while in exile at St. Elena, receives two merchants on their way from China to Europe and asks to be informed about the British fortunes in the East. Napoleon is quite satisfied when he hears that the British are having troubles in smuggling their opium into China and takes leave from the two visitors by saying: «What an irony it would be if it were opium that stirred China from her sleep» (p. 166). This chapter allows the author to summarise some important facts for the benefit of Napoleon Bonaparte’s knowledge, but, actually, for the readers’ sake, too: «demand for Chinese tea has grown at such a pace in Britain and in America that it is now the principal source of profit for the East India Company. The taxes on it account for fully one-tenth of Britain’s revenues. If one adds to this such goods as silk, porcelain and lacquerware it becomes clear that the European demand for Chinese products is insatiable. […] there was an immense outpouring of silver from Britain. This indeed was why they started to export Indian opium to China. […] now the supply can barely keep pace with the demand. It is in principle a clandestine trade» (pp. 164-165).

Similarly, through a narrative stratagem and the insertion of some letters, Paulette – and the reader with her – is informed of what happens in Canton and is even led into the forbidden Chinese gardens. She is at anchor in Macau and, since she is a woman, travelling inland is impossible for her. Luckily, a former Indian friend of hers, the son of a Calcutta famous painter, is now sailing to Canton. When she briefly meets him, she manages to entrust him with some botanical drawings in order to collect information about a mysterious and rare flower. Soon, he starts sending her detailed letters about the life of westerners in the Chinese city of Canton. His letters are very similar – in tone and style – to Marco Polo’s accounts: they are full of realistic details and marvel. He tells her about the riots, subsequent to turmoil due to the outlawed opium trade; he describes the factories with their flagpoles (Dutch, English, American…) and the Chamber of Commerce, finally, he describes the life of the city and its shops and markets and buildings. In this way, the reader is taken by hand to Canton through those epistolary chapters.

The figure of the painter becomes crucial at this stage in the plot. He is fond of Italian painters, but he is also an expert in perfect reproductions. His visits to Canton, to the painters’ studios which unfold their secrets – the paper scrolls, the stencil technique, the \textit{équipe} work, the thinnest brushes – strike him as an epiphany: «Should my epic painting be a scroll instead? (Of course I would have to find a fitting name for it, since an ‘epic scroll’ does not sound quite right, does it?) But is it not a stroke of Genius? Events, people, faces, scenes would unroll as they happened: it will be something New and Revolutionary – it could make my reputation and establish me for ever in the Pantheon of Artists» (p. 262).
Perhaps here, the author is speaking through the voice of the painter, creating a metanarrative authorial interrogation. Amitav Ghosh is interrogating himself about the best way of representing his own *Comédie humaine*. His experiments with the historical novel, the epistolary genre, and the film-like alternation of chapters about the parallel lives of the various protagonists – the migrants, the botanists, the painters, the merchants, the soldiers – are meant to be both paintings with an in-depth central perspective reminding of the Renaissance (in the individual chapters) and a Chinese scroll, an epic canvas, a Medieval tapestry as a whole (the three volumes).

The third volume, *Flood of Fire* (2015), opens once again with Deeti, who receives the letters written by the painter Chinnery, and a canvas, representing the destruction of Canton by an immense fire – an event that is still to happen. The plot moves back to India, to both Bombay and Calcutta, where the wives of the merchants have lived separate lives. Mrs Burnham, for instance, after securing a job as a carpenter to Zachary, who had cleared his name at a trial where he had to answer about the accident occurred on the *Ibis*, makes him the victim of her sexual whims. Thus, the novel acquires a touch of the libertine plot, more typical of 18th Century plays and novels, but also shows how class privilege could allow colonialists to control both the soul and the body of subalterns. Mrs Shireen Bahram, once informed that her husband died in China and left a male son there, although shocked and surprised because of his completely unsuspected double life, is convinced to start on a journey to Macau with the excuse to claim back a reward for her husband’s confiscated opium. Kesri, a *sepoy* who had enrolled with the British army, experiences both humiliations and moments of glory in the army. His personal story helps the author to introduce the life in the army into a colonial international context, their uniforms, their hierarchies, their training and barracks life, their pipers and drummers. The language is again a deluge of lexical particularities and informative military jargon. However, Kesri learns about his sister Deeti’s sad destiny, the killing of her husband and mother-in-law, her eloping with a lover, all actions that undermine Kesri’s reputation. In the meanwhile, in China, after the accidental death of Bahram, Neel, the ex-convict now free, loses his job as *munshi* and becomes official translator and interpreter for Chinese authorities. Thus, his journal takes the place of Chinnery’s letters from Canton. The year 1840 opens with news about possible military actions in China by the British, who are determined to ignore the ban on opium trade and to make their way into the interior of the Chinese Empire, in the name of a new divinity: Free Trade. Rumours of war soon spread in India, where the *sepoys* are on the alert and the colony is meant to sustain major financial and military efforts. The third volume promises action, yet its pace is slowed down by the

number of characters who produce interlocked as well as separate plots that occupy very short alternate chapters.

While the first volume of the trilogy was about departures (from India), diaspora, family dismemberment (Deeti abandons her daughter, Paulette abandons her adoptive family), and exile, the third volume is about arrivals (in China), attempts at family reunions (fathers and sons, wives and husbands, lovers). In particular, the figure of Zachary, once again sailing on a ship and destined to be a free, independent opium merchant in China, also becomes a catalyst and through his adventures, we as readers meet one by one all the protagonists of the first volume, for the Ibis has shaped their life collectively and their individual destinies are for ever intertwined.

The new year 1841 begins with a war. With a relatively small – yet, very powerful – flotilla of warships the British manage to take the Chinese by surprise. Their cannons and firearms easily pulverise bastions, walls and fortresses, while the sepoys army surrounds the enemy from behind and slaughter and massacre are thus granted. It is clear that the role of the sepoys is fundamental, yet terribly disturbing to the Chinese, who do not understand why the sepoys from India are attacking them. The war is also something new in history. The war-lords are not the London politicians, but rather rich and powerful British merchants with financial interests in the possibility of opening the opium market in such a vast territory as China. Now, the Ibis is part of the expedition, it transports both opium and soldiers. Thanks to lucky circumstances Zachary is its captain, and he also makes a fortune by selling opium on the Chinese black market. The new Commissioner for the Southern Provinces signs an agreement by which the island of Hong Kong passes under British sovereignty, and huge sums of money are promised as a reward for the opium that had been confiscated to British and Indian merchants. Nevertheless, in the hope to solve the matter through diplomacy, the Chinese authorities only manage to accelerate the British attacks. They are forced into a “flood of fire” that lasts more than one year, and ends under a hurricane that completes the apocalypse of total debacle. Those who do not die under the fire, die because their destiny has been accomplished. The last chapters of this war-novel, with its loaded vocabulary are extremely accurate in historical documentation on war strategies, weapons, military camps, marches, attacks and retreats, deaths and survivals and the horror that accompanied such carnages in colonial history. Among the free merchants, Zachary, who is now one of them, triumphs like a sort of novel Barry Lyndon. He, too, like all the others, is changed the very moment he sets foot on the Ibis.

«That is why the English have come to China and to Hindustan: these two lands are so populous that if their greed is aroused they can consume the whole world» (p. 510), these are the prophetic words Baboo Nob Kissim pronounces to explain the First Opium War. An apocalypse put to an end by the Treaty of Nanking (1842): the definitive, formal passage of Hong
Kong to British rule, the opening of five new free ports, the payment of an immense amount of money as compensation to the British, by which China actually paid its own destruction.

What the trilogy accomplishes is to provide both a microscopic and a telescopic view of History, in a nutshell, four years only, yet those years are still crucial to our modernity and our contemporary world. Amitav Ghosh claimed in an interview that if China and India are experiencing their economic expansion only now it is because colonialism had blocked and prevented their development. It has taken more than fifty years to those countries to regain economic and financial independence and prosperity: «Before the British arrived on the scene, India and China controlled half of the world trade. By the time they left both these countries were utterly impoverished, completely destitute, and today we can see – fifty years after colonialism –, that the countries are finally beginning to reclaim the role they had. That alone tells you the nature of damage that they did. It has taken almost sixty years to even begin the recovery».  

The fascination of Ghosh’s narrative monument (the Ibis trilogy), made up of short fragments of its chapters, which are extremely readable and enjoyable, lies in the humanity of his characters, and in a language that is unpredictably rich – its secrets are unravelled by Anna Nadotti’s article previously quoted – a language that is inventive in its mirroring all jargons, patois, pidgins, idioms, dialects, rhythms and intonations, cries and whispers, voices that we the readers will unlikely forget.

RECONSIDERING TOKUGAWA JAPAN:
FINDING CHRISTIANS WHERE THEY SHOULD NOT BE

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At least since George Elison’s Deus Destroyed: The Image of Christianity in Early Modern Japan was published by Harvard University Press in 1973, historians of early modern Japan have been inclined to accept Elison’s thesis that the Catholic mission to Japan that started with St. Francis Xavier, SJ in 1549 ended in failure. By 1640, Japan was a «closed country» (sakoku) where the long arm of Western culture could no longer reach. The most creative of historians in this tradition turned to a search of the «closed country» period for the indigenous cultural foundations for Japan’s subsequent revolution and modernization in the late nineteenth century. A recent, and more direct, study in the Elison line is Kiri Paramore, Ideology and Christianity in Japan (Oxon: Routledge, 2009) that argues that the anti-Christian placards posted in every village and town in Japan for over two hundred years were not really about Christianity (which had been exterminated) but were more generalized efforts to ensure ideological purity among Confucians and Buddhists. We should have known better. It is a recognized fact that after 1865, 50,000 Japanese Catholics began to emerge from centuries of underground existence. Where did they come from, if Christianity had been wiped out and Deus destroyed in the early seventeenth century?

Now, along comes William Farge with an answer, and it is an answer that should revolutionize how historians think about the Edo Period (1603-1868). Farge introduces us to Baba Bunkō (1718-59), a samurai who was a vociferous critic of corruption among high officials. That much has long been known among Japanese scholars, although truth be told, Baba has not been widely known among scholars of Japanese history outside of Japan. But what previously has not been known at all is that Baba was a Catholic whose criticisms were grounded in his Catholic values and who was ultimately executed, not for his political statements, but for the capital crime of being a Christian. What makes Farge’s discovery so significant is that, while there are a few known cases of hidden Catholics in eighteenth century Japan, they were all peasants and fishermen in far-flung rural areas. In contrast, Baba was an educated samurai and a well-known critic working in the heart of the capital city, Edo.
A Christian Samurai unfolds over the course of ten closely argued chapters. The first chapter «Deus Restored» is a direct rebuttal of the Elison thesis, providing first a critical review of the idea of missionary failure and then introducing us to the major biographical facts pertaining to Baba. The second chapter presents an overview of Christianity under the Tokugawa regime, pointing to historical examples of Christians who surfaced during the «closed country» period, presenting evidence that the threat of actual Christianity was taken seriously by leading intellectuals like Miura Baien (1723-89), and introducing compelling quotes from Baba’s own writing that speak positively about Christianity. It also introduces one of the most compelling pieces of evidence for Baba’s own Catholic faith—his argument that the banner of the 1637 Shimabara (Christian) Rebellion depicts «the body of a person» (p. 33). In fact, there is no natural person depicted on the Shimabara banner; it boasts the image of a consecrated host and chalice, something only a Catholic would call «a person».

Chapters three and four present close readings of Baba’s social and political criticism. Farge does an excellent job of showing Baba’s creative literary skill in using metaphor and analogy to make his points, particularly referring to certain «monsters» that prowl the land. But as Farge notes, Baba’s purpose is not mere frivolity or entertainment. Rather, «his purpose is to elicit a deeper awareness of the realities behind the external appearances of officialdom and to expose the criminality behind the façade of decorum and virtue perpetrated by members of the samurai class» (p.50). One cannot help but wonder if Baba was particularly sensitive to these hidden realities among the officials precisely because he too had to live a hidden life (as a Catholic). Chapter four relates the pivotal case of the corrupt daimyō Kanamori Yorikane. It was Baba’s criticism of Kanamori that led to his own arrest and execution. But as Farge points out through a careful review of legal precedent on similar cases of political satire, no one had ever been executed for the crime of political criticism, and many of those accused of such acts were treated quite leniently by the magistrates. In chapter five, Farge puts Baba’s political and social dissent in broader historical context, pointing out that dissent was actually quite widespread and tolerated in the eighteenth century. Why then was Baba dealt with so differently from others?

In chapter six, Farge draws from Baba’s writings to show that with Neo-Confucianism in decline, a period of moral relativism had given Baba the opening to make his Catholic criticisms. Chapter seven compares and contrasts Baba’s writings with the genre of gesaku writing to argue that it is anachronistic to interpret Baba’s writings from a later distinction between «fiction» and «non-fiction» writing. Baba’s writing used fictional techniques to present criticism of actual people and events. Chapter eight looks at Baba’s criticism of the Yoshiwara pleasure quarters. Here, Farge notes that Baba exhibited an unusual sympathy for the courtesans themselves while
reserving his harshest criticisms for the elite who frequented such places, particularly hypocritical Buddhist monks. Chapter nine follows several of Baba’s writings on the moral decline of his day, and Farge concludes that Baba had a prescient sense of the inevitable collapse of the regime due to the corruption of its moral foundations. The tenth and final chapter steps back and offers rather modest reflections about whether and how Baba can be located within the «Christian literature» of eighteenth century Japan. The key problem is that no baptismal certificate would be available to settle the issue of Baba’s faith, since Catholicism was illegal and intensely persecuted. When positive evidence is not available, the objective historian must turn to whatever circumstantial evidence exists, either in support of or against a proposition. In this spirit, Farge looks at the nature of the values Baba expressed in his writings, and he finds that Baba’s last work, «A Collection of Useless Grumblings» (1758) provides «clear evidence not only of Christian influence but also of his own Christian beliefs and convictions» (p 231). Finally, the volume concludes with a 33 page translation of Baba’s «An Album of One Hundred Monsters», an invaluable text, beautifully translated, for anyone who wants a detailed picture of the social and political history of eighteenth century Japan.

This book offers a great deal to anyone interested in Asian history, the history of Christianity, political and social satire, or comparative political thought. This would be a solid work of historical scholarship even without the valuable translations and the amazing original discovery that Baba Bunkō was a Japanese Catholic when there was not supposed to be any Christian in Japan. But above and beyond the particular argument about Baba as a Catholic, Farge gives us a powerful criticism of ideologically-driven approaches to history that place bias and personal presumptions ahead of objective fact. The best conclusion here is that offered by Farge himself: «The historian must now abandon the traditional pre-conceptions and assumptions that have been erroneously projected onto the history of Christianity in Japan in the Tokugawa period» (p.238).
A new revisionist history of early modern China

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Early Modern China and Northeast Asia. Cross-border Perspectives represents the culmination of a long research work dedicated to the study of Chinese history through a new perspective that goes beyond national histories, while the general trend has been so far to accept the parameters of Chinese nationalist historiography which considers it in a linear way which revolves around the Central Plain (zhongyuan), the cradle of Chinese culture, and its original inhabitants, the Han Chinese.

Central in the book is the concept of «decentering China», which is intended to examine Chinese history «from the perspective of the periphery, and not the core» (p. 1), arguing that it was the interaction between borderlands and Central Plain that worked «as the dynamic engine behind the long-term development of China’s imperial function» (p. 225). By doing so, Evelyn Rawski challenges the conventional notion that sees the Chinese history as a linear narrative, centered on the Central plains and the Han culture, asserting that since the sixteenth century China’s history can be better understood by framing it in the wider regional context of Korea, Japan, Jurchen/Manchu and Mongol.

From this perspective the author rejects Chinese history’s interpretation which sees it in terms of an «encompassing and engulfing strength» that sinicizes all who come under its influence, but brings forward the point of view according to which Chinese history has been significantly affected by a multitude of extrinsic forces with which it has interacted over the centuries. In this way she contributes to discarding the conventional view that Korea and Japan were subordinate actors within a Chinese world, while they were in fact strictly interrelated.

One of the main strengths of the book lies undoubtedly in the impressive language skills possessed by the author – Chinese, Japanese, Korean, and Manchu (one of the two official languages of the Qing state) – and the subsequent masterful use of a staggering array of sources in these languages (pp. 10-14). These include both archival sources – the Veritable Records for the Ming Dinasty, the Veritable Records for the Qing Dinasty, the Veritable Records of the Korean Choson Dinasty and primary sources in Japanese
concerning the invasion of Korea from Toyotomi Hideyoshi, among the others – and an abundant secondary literature in both Asian and Western languages, as revealed by the extensive bibliography at the end of the book. The importance of reading and comparing numerous sources (beyond the Chinese ones) resides in the fact that it «provide(s) valuable information that was censored or edited out of Chinese texts, and reveal other views that are absent from the diplomatic correspondence between states» (p. 14), thus offering divergent interpretations from orthodoxy, represented by Chinese history that has long enjoyed the «hegemony of inscriptions».

The book is articulated in five chapters grouped in two parts, preceded by an introduction and followed by a conclusion, a substantial epilogue and an extensive bibliography. Part I provides an overview of northeast Asia’s role in Chinese history, and thus of China’s position in regional and world history, while Part II focuses on the crucial issues of culture and identity, encompassing what VictorLieberman calls «politici zed ethnicity», i.e. the «cultural practices created by elites that simultaneously affirmed their shared civilization roots and their uniqueness» (p. 105).

The first chapter places northeast Asia with respect to China’s core region in the Central Plain and argues that the creation of Korean and Japanese states was the result of an «intense interaction with other entities on the steppe and the Central Plain» (p. 21). The author divides this long history of interaction in three phases. The first, which lasted until the rise of the Tang (618-907), saw the early formation of autochthonous states on China’s northeast frontier, that interacted more intensively with other polities at the periphery than with China’s core region; the second, which followed the decline of the Tang, witnessed an important shift in power to northeast Asian states – Khitan Liao, Jurchen Jin, Mongol Yuan – that used their military advantage to defeat regimes based in the Central Plain and ruled large empires composed by both nomadic and agrarian subjects. The third phase began with the arrival of Europeans in maritime Asia, an event which disrupted and eventually shifted the power balance among these states. In particular, Korea and Japan began to behave as confident players, and eventually challenged the traditional sinocentric world order (p. 55).

The second chapter deals with the transformative new practices adopted by China and Japan through cross-border commercial activities and multi-state competition between 1550 and 1650. After providing an account of the invasion of Korea by Toyotomi Hideyoshi in 1592 and the rise of the Jurchen/Manchu in the first half of the 17th century, the chapter focuses on the consequences of the increasing trading exchanges initiated with European traders, colonizers, and missionaries, which contributed to «make the 1550-1650 period ‘early modern’» (p. 62), and favored the adoption by the Qing state and Japan of «the perspectives of early modern European states» (p. 101). At the same time, the growing of the territorial awareness, and the rising of the cultural boundaries delineating national self-images,
contributed to make intellectuals in China, Korea, and Japan increasingly willing to articulate their distinctive national identities in the 17th and 18th centuries, as argued in Part 2.

The third and four chapter are more connected as they analyze Japan and Korea’s adaptations (and resistance) of the Chinese model. While the former is specifically dedicated to state rituals, which aimed at legitimat[ing] political systems and creat[ing] symbolic communities (p. 105), reflecting each state’s desire to assert its specific identity; the latter provides a new perspective on the aversion of Chinese Confucian practices, with special reference to the contrast between Chinese patrilineality and Japanese/Korean bilateral kinship. In both cases the author reveals the existence of similar tensions between indigenous traditions and Chinese (Confucian) norms.

A special attention deserves the fifth chapter that looks into the discourse of civilized (hua) and barbarian (yi) propounded at first by Chinese, and adopted later by Korean and Japanese, in order to clarify how elites in the 17th and 18th centuries resolved identity issues.

According to the Chinese scholar Li Dalong, the historical origins of the Hua-Yi discourse in China date back to before 221 BCE (p. 191), while the term huaren (people of Hua, meaning the «core group», i.e. the civilized and educated people) seems to have appeared in 229 CE, in the text Zuo Zhuan (Zou Commentary), to which Rawski refers without explicitly mention it (p. 192). The concept of Huaren was used to distinguish China (the Zhongguo, the Middle Kingdom), which was identified with civilization, from any other reality. From the early texts emerges that the Chinese would consider all those who did not belong to the world of Chinese culture to be «hardly human». Starting from the northern dynasties period (220-589 CE), Chinese writings include many passages describing the Yi as persons without culture, sometimes likening them to «jackals and wolves», «animals», rather than humans (ibid.). In more recent times, the term Yi was a prefix commonly found in references to Englishmen, and in general to all foreigners, in Qing documents.

Interestingly, while the Qing rulers asserted that «Heaven chose a ruling house on the basis of virtue, not ethnicity» (p. 222), Koreans and Japanese in contrast cited the barbarian origins of the Manchu to reject the political legitimacy of the Qing, thus asserting their own view of the Asian world order (p. 222-3).

Finally, the Epilogue scrutinizes some historical understandings that still complicate contemporary China’s relations not only with its northeast Asian neighbors – taken the struggle between PRC and the two Koreas over the historical ownership of Gaoguli/Koguryo as an example – but also with the minority people living within its territorial boundaries that contributed to build Chinese civilization, whose role has yet to be totally recognized by Chinese historiography.
The book offers some interesting clues to understand how Chinese interpret their own history – which directly affect contemporary interstate relations – and the way through which Chinese see themselves. The perspective of «de-centering» China proposed by the author is remarkable and very reliably founded. But «the final product» contains some passages difficult to understand and in general is not easy to read, especially for non-experts. That said it is an outstanding book whose reading/study should definitely be recommended.
APPENDIX
LIST OF THE ASIA MAIOR’S ISSUES

Followed by the recommended shortened style of quotation

Vol. I) Giorgio Borsa e Paolo Beonio-Brocchieri (a cura di), Asia Major. Un mondo che cambia, Ispi/il Mulino, Bologna 1990 (Asia Major 1990);


Vol. IV) Giorgio Borsa (a cura di), La fine dell’era coloniale in Asia Orientale. Asia Major 1993, Ispi/il Mulino, Bologna 1993 (Asia Major 1993);


Vol. VIII) Giorgio Borsa (a cura di), Continua il miracolo asiatico? Asia Major 1997, CSPEE/il Mulino, Bologna 1997 (Asia Major 1997);

Vol. IX) Giorgio Borsa (a cura di), L’Asia tra recessione economica e minaccia nucleare. Asia Major 1998, CSPEE/il Mulino, Bologna 1998 (Asia Major 1998);

Vol. X) Giorgio Borsa e Michielguglielmo Torri (a cura di), L’incerta vigilia del nuovo secolo in Asia. Asia Major 1999, CSPEE/il Mulino, Bologna 1999 (Asia Major 1999);
Vol. XI) Giorgio Borsa, Corrado Molteni e Francesco Montessoro (a cura di) Crescita economica e tensioni politiche in Asia all’alba del nuovo millennio. Asia Major 2000, CSPEE/il Mulino, Bologna 2000 (Asia Major 2000);


Vol. XIII) Elisa Giunchi, Corrado Molteni e Michelguglielmo Torri (a cura di), L’Asia prima e dopo l’11 settembre. Asia Major 2002, CSPEE/il Mulino, Bologna 2003 (Asia Major 2002);

Vol. XIV) Corrado Molteni, Francesco Montessoro e Michelguglielmo Torri (a cura di) Le risposte dell’Asia alla sfida americana. Asia Major 2003, CSPEE/Bruno Mondadori, Milano 2004 (Asia Major 2003);

Vol. XV) Corrado Molteni, Francesco Montessoro e Michelguglielmo Torri (a cura di), Multilaterismo e democrazia in Asia. Asia Major 2004, Bruno Mondadori, Milano 2005 (Asia Major 2004);

Vols. XVI & XVII) Michelguglielmo Torri (a cura di), L’Asia negli anni del drago e dell’elefante 2005-2006. L’ascesa di Cina e India, le tensioni nel continente e il mutamento degli equilibri globali, Guerini e Associati, Milano 2007 (Asia Major 2005-2006);

Vol. XVIII) Michelguglielmo Torri (a cura di), L’Asia nel «grande gioco». Il consolidamento dei protagonisti asiatici nello scacchiere globale, Guerini e Associati, Milano 2008 (Asia Major 2007);

Vol. XIX) Michelguglielmo Torri e Nicola Mocci (a cura di), Crisi locali, crisi globali e nuovi equilibri in Asia, Guerini e Associati, Milano 2009 (Asia Major 2008);

Vol. XX) Michelguglielmo Torri e Nicola Mocci (a cura di), L’Asia di Obama e della crisi economica globale, Guerini e Associati, Milano 2010 (Asia Major 2009);

Vol. XXI) Michelguglielmo Torri e Nicola Mocci (a cura di), Ripresa economica, conflitti sociali e tensioni geopolitiche in Asia, Emil di Odoya, Bologna 2011 (Asia Major 2010);

Vol. XXII) Michelguglielmo Torri e Nicola Mocci (a cura di), L’Asia nel triangolo delle crisi giapponese, araba ed europea, Emil di Odoya, Bologna 2012 (Asia Major 2011);
Vol. XXIII) Michelguglielmo Torri e Nicola Mocci (a cura di), Rallentamento economico e debolezza della politica in Asia, Emil di Odoya, Bologna 2013 (Asia Maior 2012);

Vol. XXIV) Michelguglielmo Torri e Nicola Mocci (a cura di), Il drago-cinese e l’aquila americana sullo scacchiere asiatico, Emil di Odoya, Bologna 2014 (Asia Maior 2013);


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