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PREFACE

Journal "Asian Issues", which fourth issue is in front of you, is the product of common aspiration and eagerness of researchers gathered in the Institute for Asian Studies, whose aim is to get Asia – that is more and more important and strong globally – closer to our academic and general public.

Editorial board's program orientation is based on studying of Asia that could lead to better understanding of the plenty of its models of political and economic organization, different cultures, ethnic, religious and other identities of its peoples, as well of numerous mechanisms that connect Asian states and societies through different frameworks of co-operation – in trade, environmental protection, culture, political and others, including security. Economic rise of some of the biggest Asian states, their ever more intense mutual cooperation, by strength of their separate and combined size, but also by their cultural and political influence - change regional, and global institutions, processes, relations and manners, and by doing that they influence our lives.

Our view on Asia is view "within" as we try to study, understand, accept and present Asia to the interested parties by measuring its achievements, reality and potentials by Asian merits, with having starting point in Asian culture, tradition, interests and need of the region's communities, as we believe that is the proper way to understand this, by many parameters, the most dynamic world region.

ПРЕДГОВОР

Часопис „Азијске свеске“, чија је четврта свеска пред вама, резултат је заједничких хтења и ентузијазма истраживача окупљених у Институту за азијске студије, чији је циљ да регион Азије, све важнији и снажнији у глобалним размерама, приближи нашој академској и широј јавности.

Програмско опредељење Уредништва темељи се на изучавању Азије са циљем бољег разумевања богатства њених облика политичког и економског уређења, различитих културних, етничких, верских идентитета народа који је насељавају, као и бројних механизма којима су државе и друштва Азије међусобно повезани у разноврсне облике сарадње - од трговинске, еколошке, културне, политичке и бројних других, све до безбедоносне. Економски успон неких од највећих азијских држава, њихова све интензивнија сарадња, снагом своје појединачне и удружене величине, али и културног и политичког утицаја, мењају регионалне, али и глобалне институције, процесе, односе и начине и тиме утичу и на животе сваког од нас.

Наш поглед на Азију је поглед „изнутра“, јер настојимо да Азију проучавамо, разумемо, прихватимо и представимо заинтересованима мерећи њена достигнућа, њену стварност и потенцијале азијским мерилима, полазећи од тамошње културе, традиције, интереса и потреба локалних заједница верујући да је то најбољи начин за разумевање овог, по многим параметрима, најдинамичнијег светског региона.

Gerd Kaminski*

Tianxia and Chinese Foreign Policy**

Abstract

Increasing power and self-confidence plus rising nationalism have been responsible for the development of the sino-centric Tianxia School. The vanguards of this school are Zhao Tingyang and Yan Xuetong. Tianxiaguan – Tianxiaism challenges the classical Western rules of international relations and peace – keeping by offering a Chinese pattern which is based on the experiences of Zhou Dynasty and the later tributary state system. This group of Chinese scholars believes that the Tianxia model would be more successful than the United Nations. After much attention during the start of the school and some commitments to the principles of Tianxia thinking during the first years of Xi Jinping’s administration the influence of the school seems to be fading and a return to Deng Xiaoping’s cautious foreign policy rather likely.

Keywords: *Tianxia, Tianxiaism, Zhao Tingyang, Yan Xuetong, Zhou Dynasty, Tributary State System, China – Centrism, Confucianism, Deng Xiaoping, Xi Jinping*

* * *

In 1988 the Austrian magazine *China Report* edited by me published an article by Prof. Zhang Qingxiong from Fudan University with the headline: “Chinese Tradition and its Confrontation with Western Civilization.”¹ He explained that the scholars of that time were split in two camps: “One camp believes that the Chinese Society on long term does not make substantial progress which is due to the stagnant character of Chinese philosophy. In order of injecting vitality into Chinese society it would be necessary to introduce philosophical thinking from the West. The other camp on the contrary is convinced that Western philosophy goes to unharmonious extremes.”

Nurtured by increasing power², growing confidence and the complementary to China’s rising nationalism³, the camp favoring traditional Chinese values seemed to get the upper hand in the first decade of the 21st century. Chinese scholars like Li Yunlong from the Party School joined the ranks of those who demanded – contrary to the 4th of May Movement

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1 G. Kaminski (ed.), *China Report* 1987/88, no 97-98, pp. 44-50

2 G. Kaminski, “Xi Jinping’s Chinesischer Traum und die chinesische Außenpolitik”, in G. Kaminski (ed), *Wen versus Wu: Streit und Streitschlichtung, Krieg und Frieden in der chinesischen Tradition und Gegenwart*, Vienna, 2016, pp. 216-259

3 Y. Guo (ed.), *Cultural Nationalism in Contemporary China*, New York, 2009, pp. 17-113

and a long time practice of the CCP⁴ – a re-assessment of Confucius: “The process of building China’s socialist new culture is also one that we strive to preserve and carry forward the essence of Confucian thoughts give them new contents and resume their vigor and vitality.”⁵

In the framework of “Anti-West Cultural Nationalism” as Pang Qin has put it, zealots like Li Xiguang and Liu Kang claimed that the Western countries intended to turn China into something like Mexico or India. Guan Shijie, Director of the International and Intercultural Communication Program at Beijing University, as early as in the nineties was the herald of a slogan which seems to have become mainstream in this century: “Time has come for the West to learn from the East.”⁶

In 21st century Confucianism changed from pure academic discussions into practice and everyday life.⁷ The Neoconfucianists took Confucianism to hammer a weapon against unfortunate Western influence.

Pang Qin believes that this reshuffling of Chinese outlook to the situation in China and abroad can be explained by Huntington’s theory on “modernization and cultural resurgence.” Westernization, in its early phase, promotes modernization. In its later phases “modernization enhances the economic, military and political power of the society as a whole and encourages the people of that society to have confidence in their culture and to be culturally assertive. At the individual level, modernization generates feelings of alienation and anomies as traditional bonds and social relations are broken and leads to crises of identity to which traditional culture may provide an answer.”⁸

During the first decade of the 21st century not few of the Chinese experts started to believe that China should move out of the shadow of humbleness with the aim of grasping global leadership.⁹ The question is how?

The question “how?” was answered by a not too big but influential group of scholars based at China’s Elite – Tsinghua University. Their argument is that the kings of Western Zhou Dynasty (II. Century – 771 B.C.) after the overturn of Shang Dynasty came from a tribe less powerful than the other tribes which had united in a coalition for fighting against the last Shang King. Their argument is that the Zhou King substituted power by

4 G. Kaminski, “Traditional Elements in Xi Jinping’s Socialism with Chinese Characteristics in a New Era”, in G. Kaminski (ed.), *Chinese Strategies*, Vienna, 2019, pp 20-27

5 Y. Li and Z. Qian, *Confucian Culture and Human Rights Development*, 2014, Available at: http://www.chinahumanrights.org/html/2014/PAPERS_1030/986.html (accessed 1 February 2019)

6 Q. Pang, “The rise of cultural nationalism in contemporary china: the main content and causes”, *Elixir Social Science*, no. 36, 2011, p. 3362

7 J. Wang, G. Kaminski, R. Trappl, *Konfuzius, Mensch, Macht und Mythos*, Vienna, 2013; J. S. Rošker, *Modern Confucianism and Chinese Theories of Modernisation*; J. Wang, *Die öffentliche Präsenz von Konfuzius in China*, pp. 37-62; O. Weggel, *Der Konfuzianismus als Antipode der westlichen Gesellschaftsordnung*, pp. 71-94.

8 Q. Pang, op.cit, p. 3364

9 S. Mokry, ‘Decoding Chinese Concepts for the Global Order’, *Merics China Monitor*, October 4th, 2018, Available at: https://www.merics.org/sites/default/files/2018-10/181008_MERICS_ChinaMonitor_Foreign_Policy.pdf, p.8, (accessed 1 February 2019); B. Hückel, ‘Theory of International Relations with Chinese Characteristics’, *diskurs-zeitschrift* [website], No.2, 2012, Available at: <http://www.diskurs-zeitschrift.de/theory-of-international-relations-with-chinese-characteristics-the-tian-xia-system-from-a-metatheoretical-perspective/>, p. 39, (accessed 1 February 2019);

virtue which enabled him to provide peace and harmony thus securing stability for China = *Tianxia* ("all under heaven", official name for the Chinese empire till the fall of the dynasty 1911, that means for the whole world.) They further argued that after that unification of China in 221 BC, the Chinese emperor was ruling China and the vassal states like a benevolent father. Due to China's highly developed civilization and the virtue of the Chinese emperor the rulers of the tributary states did come by their own free will for subduing to the central ruler. According to the *Tianxia* School China was able to secure peace and prosperity for all till the bellicose Western imperialist powers destroyed this peaceful cosmos guided by virtue and wisdom.

Among the scholars of the *Tianxia* group School Prof. Zhao Tingyang with his *Tianxia* studies starting at the nineties has been in a vanguard position. According to Zhang Feng three features characterize the *Tianxia* approach:¹⁰

"First, its motivation originates in a desire to enrich modern IR theory and, no less importantly, to draw policy lessons for China's rise today. Second, it seeks to do so by drawing on China's political thought from the golden age of Chinese philosophy in the Spring and Autumn and Warring States period (770-222 BC). [...] trespassing on the subfield of International Political Theory (which, it must be pointed out in the present context, is almost entirely Eurocentric)."

Zhao Tingyang published his book *Tianxia Tixi: Shijie Zhidu Zhexue Daolun* (The *Tianxia* System: An Introduction to the Philosophy of a World Institution) in 2005. This book was a bestseller in China and drew much attention, same when an English edition was published in the USA by Princeton University Press. William A. Callahan believes that Zhao's book was a breakthrough in moving the existing debate on *Tianxia* into the focus of political discussion.¹¹ "Although Chinese scholars have been employing traditional concepts – including *Tianxia* – to explain current domestic and foreign policies for more than a decade, Zhao's plan for a Chinese– inspired world utopia provides an exemplary case of the workings of normative policymaking because it dramatically shifted these discussions from the margins to the mainstream. The popularity of Zhao's very singular understanding of *Tianxia* thus powerfully demonstrates a broader trend that will outlive the considerable impact of his particular book: 'Chinese-style IR' has become a topic of conversation not just among public intellectuals and IR scholars but also in the much broader arenas of popular culture and state policy as a sort of patriotic cosmopolitanism."

According to Zhao, the other countries could freely decide whether they would join the tributary state system headed by the Chinese emperor. In this connection Zhao interprets the Confucian term *ren* (to love other human beings) with the meaning of 1000 hearts.

He supposes that the Chinese *Tianxia* System was successful because the Chinese Em-

10 F. Zhang, "The Tsinghua Approach and the Inception of Chinese Theories of international relations", *The Chinese Journal of International Politics*, Vol. 5, 2012, p. 75

11 W. A. Callahan, "Tianxia, Empire and the World: Chinese Visions of World Order for the 21st Century", W.A. Callahan, E. Barabantseva (ed.), *China orders the world: Normative Foreign Policy*, Washington, 2011, p. 92

peror has been able to win the hearts of other people.¹² -- He who is benevolent has no enemies!¹³ It is interesting to note that Yu Dan who has won much fame by making Confucianism popular on TV and selling more than ten millions copies of her book on the Analects of Confucius pays much attention as well to this kind of ancient heart symbolism. Like Zhao Tingyang she puts the heart in the center of her Confucian presentations. At UNESCO in Paris she kicked off an international contest for designers focusing on 'xin', the Chinese character for "heart".¹⁴

Zhao Tingyang believes that other states including the USA could learn from this kind of benign and moral leadership. He is also convinced that his *Tianxia* would work better than the system of the UN.

"The UN has made great efforts to validate rational dialogue to replace conflict. There is no doubt that rational dialogue has had an impact in reducing wars and fighting, but not in conflict reduction, and instead has encouraged the strategic game of non-cooperation, thus universally enhancing the personality of the selfish maximizer. And, worse, the United Nations has no power to stop a superpower from universalizing itself alone in name of globalization. The UN is more of a political market for nations and less of an institution for the world itself."¹⁵

Zhao explains how *Tianxia* outranks the order of the Roman and British Empire and USA hegemonism. Rome was an expansionist superpower, the British Empire a mixture of nationalism, imperialism and colonialism and the USA in fact is camouflaged Neo-Imperialism. *Tianxia* would unite the hearts of all people with politics and the world:

"Our globe needs a world theory, rather than an international theory, to speak for the world. And the theory of All-under-Heaven as a world theory could provide a better view for political philosophy and political science."¹⁶

Feng Zhang, Zhao's colleague at Tsinghua University, pointed out:

"this philosophical theory of international relations has had a huge impact on China's community of international relations scholars, stirring up excitement as well as curiosity. This is due, in part, to the fact that Chinese scholars in this field have not been able to produce a theory as sophisticated as this..."¹⁷

Zhao's views were supported in certain points by Qin Yaqing, Vice-President of Chinese Foreign Affairs University. He recalls the interpretation of *Tianxia* by John K. Fairbank:

"Fairbank thus discusses the important differences between the traditional Chinese world

12 T. Zhao, "Rethinking Empire from the Chinese Concept 'All-under-Heaven'". Callahan, Barabantseva, 2011, p. 28

13 X. Yan, *Ancient Chinese Thought, Modern Chinese Power*, Princeton 2011, p.180

14 Yu Dan, interviewed by Gerd Kaminski in Vienna on Nov. 11th 2018

15 T. Zhao, "Rethinking Empire from the Chinese Concept 'All-under-Heaven'". Callahan, Barabantseva, 2011, p. 30-31, 32ff.

16 T. Zhao, op.cit, p. 32ff.

17 Z. Feng, *The Tianxia System: World Order in a Chinese Utopia*, Reviewed by Z. Feng, Global Asia Book Review, p. 108

view and the Western view of the international system; in China the world is a holistic unit that is based on order, rather than Hobbesian culture's battlefield of nation-states. Accordingly, the *Tianxia* system is not a Hobbesian culture because the units do not fight with each other; it is not a Lockean culture because units do not compete with each other and it is not a Kantian culture because units do not relate as equal friends."¹⁸

In a similar way like Zhao Tingyang, Yan Xuetong, director of Tsinghua's Institute of International Studies looks into the Chinese past for solutions in regard of modern Chinese foreign policy. In the preface of his book "Ancient Chinese Thought, Modern Chinese Power"¹⁹ Yan mentions a meeting with Henry Kissinger in 2008:

"During a conversation in Beijing in 2008, Dr. Henry Kissinger told me he believed that – when China became a strong world power – the Chinese government would adopt ancient Chinese philosophy rather than Marxism or Liberalism to guide its foreign policy."²⁰

Yan himself points to the great echo his book gained nationally and internationally:

"By the end of 2012, the book seems to have struck a chord in different disciplines and in different countries. The Photo of United States Vice-President Joe Biden holding this book in Chengdu Airport, China, in August 2011 reflects the book's attractiveness to politicians. The New York Times commissioned and published my article linking the core idea of this book with China-United States relations in late 2011, and it turned out to be one of the top ten most emailed articles the day it appeared. Finally, the World Economic Forum's annual 2012 meeting in Davos held a special session on this book"²¹

Yan stresses that the *Tianxia* concept has already been introduced in the late 19th century by the important reformer Liang Qichao. *Tianxia* forms a moral authority. For China's rise it would be of great importance to study the Chinese classical philosophers. Only by moral conduct would it be possible to rule the world. For achieving this aim military power could be neglected:

"The superior morality of King Tang of the Shang and King Wu of the Zhou were such that they could attain leadership of all under heaven based on the small cities of Bo and Hao, respectively. The religious authority of the Vatican is rather like what Xunzi says about humane authority. The territory of the Vatican is even smaller than that of Singapore and its economic might is not as great as Singapore's. Moreover, it has no army. Nevertheless, the Vatican's authority in world affairs is far beyond Singapore's. This example can help us to understand why Xunzi thinks that morality is the foundation for attaining leadership under heaven."

Xunzi thinks that people who possess humane authority do so because they implement moral norms. Speaking of the sage king, he says:

¹⁸ Y. Qin, 'The Possibility and heritability of a Chinese School of International Relations Theory', Callahan/Barabantseva 2011, p. 42f.

¹⁹ X. Yan, *Ancient Chinese Thought, Modern Chinese Power*, Princeton, 2011

²⁰ X. Yan, op.cit, p. 11

²¹ X. Yan, op.cit, p. 11

"Unlike others, his benevolence stretches to all under heaven; his justice to all under heaven; his authority to all under heaven. Since his benevolence stretches to all under heaven, there is no one in all under heaven who does not love him. Since his justice stretches to all under heaven, there is no one in all under heaven who does not respect him. Since his authority stretches to all under heaven, there is no one in all under heaven who dares oppose him. Relying on the authority of invincibility and a policy of winning people's support, one can win victories without wars, acquire without attacking. Troops in armor are not sent out and yet all under heaven submits. This is the man who knows the humane way of leadership."²²

Nele Noesselt summarizes Zhao's and Yan's approaches like this:

"Yan's concept melts China's proclamation regarding a "harmonious world" and "peaceful rise" which have so far been classified as political slogans with "conceptual pillars of an alternative model of the international system that could serve as a blueprint for other state actors."²³

"Zhao Tingyang's system is characterized by harmony and diversity, and cooperation between different civilizations and sociopolitical systems. Zhao Tingyang's configuration of the *Tianxia* in the context of the twenty-first century is not limited to the tributary system, which served as the 'operational foundation' over hundreds of years, instead it upgrades the *Tianxia* from a regional institutional framework to an abstract global model."²⁴

Another representative of Tsinghua University's *Tianxia* School is Prof. Qian Xun. I interviewed him at International Confucius Society in Beijing in 2011, he told me:

"Harmony as a principle of international order goes back to the principles of Zhou Dynasty. If soft power is well applied it is natural to attain influence on other countries. If China is successful in being better than others in the world community they will be willing to learn from China. This is different from a hegemonist state who forces his ideas on other states. Mongolians and Manchus were happy to learn from Chinese culture. If a state is strong he can influence others. Each nation has its own culture. We welcome to learn from us."

A scholar who up to a certain extent could be counted among the "*Tianxia*-ists" is Prof. Qin Yaqing who holds the position of President of China Foreign Affairs University which is a unit of the Chinese Foreign Ministry. Qin Yaqing in his books and essays pays attention to Zhao Tingyang whom he identifies as the most important representative of the *Tianxia* School. According to Qin "Three views are particularly significant in Zhao's theory: the *Tianxia* system created by the Chinese practice, its ordering principle of family ties, and its inspirational potential to develop a genuine global system for today's world."²⁵

22 X. Yan, *Ancient Chinese Thought, Modern Chinese Power*, Princeton, 2011, p. 87

23 N. Noesselt, "Is there a Chinese School of IR?", *Giga Working Papers*, No. 188, March 2012, p. 18

24 N. Noesselt, op.cit, p. 20

25 Y. Qin, "Cultural and global thought: Chinese international theory in the making", *Revista CIDOB d'Afers Internacionals*, no 100, 2012, p. 70

Qin agrees to Zhao's argument that "the Zhou Dynasty succeeded in maintaining legitimacy, order, and peace because it established an all – under – heaven system (*Tianxia*), a universal system inclusive of all nations, and a world of, and for all peoples."²⁶

Qin identifies shortcomings of the *Tianxia* System of Zhou Dynasty and later after the unification of China 221 BC the *Tianxia* System of tributary states with the Chinese Emperor in the center but he also stresses the merits of the system.

"The Tributary System, based upon the *Tianxia* philosophy, is a system of inequality. This is the part that goes against human desire for equal recognition and it is perhaps the most important cause for the collapse of the Tributary System when it clashed with the Westphalian one. However, there are some other important ideas and practices in this system as well as in the philosophy that may be quite positive. The first is the holist approach. Since *Tianxia* was a combined whole, the concept of the subjectivity, or the subjective 'I', was not conspicuous at all and therefore there existed no dichotomy of the self and the other (Feng, 1991). As a result, in the Chinese mind, there could be something far away in time and space, but there was never something that was opposite, intolerant, and needed conquering. The far-away was indeed an extension of the self, like great grandfather and the great grandsons in the temporal framework or the center of a ripple and its gradually spreading circles in the spatial framework. This holist worldview is different from the Western dualistic view of the two opposites, where an inevitable conflict is implied."^{27,26a}

But Qin disagrees with Yan's sino-centric ambitions and offers his own system relating *Tianxia*, Yin-Yang and Western rationality in his own concept of "Relation Governance."²⁸

"For he and his colleagues have tried to find how to use ancient Chinese ideas to make up for the inadequacies of the American IR theory, especially in the key concepts such as power. By this logic, they champion a hierarchical international system, study strategies for seeking to attain hegemony, and offer prescriptions for China's rise. I am more complementary. I have developed a general theory on relationality, which is the pivotal concept in Chinese society, developed over millennia, and practiced by generations, just as rationality is in Western societies. Furthermore, since the nature of the meta-relationship (or the relation between *yin* and *yang*) is considered to be harmonious, ideas and values from different cultures and civilizations, like streams of water from different sources."

In his book "A Relational Theory of World Politics" published also in 2012 Qin on one hand defends Zhao Tingyang against attacks from Western scholars:

"In IR, for example, the practice and performance in the Westphalian international sys-

26 Y. Qin, *op.cit.*, p. 71

27 Y. Qin, "Why is there No Chinese International Relations Theory?", *International Relations of the Asia-Pacific*, Volume 7, Issue 3, September 2007, p. 313–340

28 Y. Qin, "Cultural and global thought: Chinese international theory in the making", *Revista CIDOB d'Afers Internacionals*, no 100, 2012, p. 85

tem differs significantly from the practice and performance of the Chinese tribute international system. IR theories with a theoretical hard core cultivated by the Westphalian practices may not explain and interpret well phenomena in the tribute system".²⁹

On the other hand he finds fault with Zhao's overdone evaluation of collectivity:³⁰

"I do not, however, agree with Zhao on the argument that coexistence comes before existence in the social world. If we follow such an order of ranking, we tend to believe that, existence is conditioned on coexistence.

It is not only misleading, but also tends to justify dictatorship or collective violence which suppresses legitimate self-interest in the name of the state or of any other collectivity..."

Qin calls Confucian societies relationship societies. "In such societies the self is a rational self (which comes near to the Western rational approach) ... intensely aware of the social presence of other human beings" (Confucian approach).³¹

Two years later in his essay "Continuity through Change: Background Knowledge and China's International Strategy" Qin pointed out that Zhao's interpretation of *Tianxia* would seduce new Chinese leaders to adapt a line of foreign policy of "intensifying irreconcilable competition for global leadership with the established hegemon – the United States – in an anarchic world."³²

We owe another model of *Tianxia* to Prof. Xu Jilin with still more pheralistic pattern which at the same time is criticizing other scholars and leaders overshooting in paying tribute to ancient dominant China centrism.³³

Prof. Xu Jilin offers in his "New *Tianxia*" an alternative model of world order. Like the Tsinghua School his concept roots in Chinese history but in contrast his "New *Tianxia*" is de-centered and non-hierarchical. Xu turns against Chinese "nationalism and statism" which "have risen to tremendous heights". According to Xi *Tianxia* never belonged to China alone.³⁴ He ridicules those who oppose the "sin of learning from the West" and propose "everything is good if it comes from China." Those extremists have misunderstood the real meaning of Chinese universalism.³⁵

Hierarchical *Tianxia* is "reactionary and wishful thinking."³⁶ Xu pleads for developing a "New *Tianxia*"³⁷:

29 Y. Qin, *A Relational Theory of World Politics*, (first published 2012), New York, 2018, pp.48-49

30 Y. Qin, *op.cit.*, pp. 127-128

31 Y. Qin, *A Relational Theory of World Politics*, (first published 2012), New York, 2018, p. 129

32 Y. Qin, "Continuity through Change: Background knowledge and China's International Strategy", *The Chinese Journal of International Politics*, Vol 7, no.3, 2014, p. 301

33 J. Xu, "The New *Tianxia*" [website], 2018, <https://u.osu.edu/mclc/2018/10/18/xu-jilin-the-new-Tianxia/>

34 J. Xu, *The New Tianxia: Rebuilding China's Internal and External Order*, p. 3

35 J. Xu, *op.cit.*, p. 5

36 J. Xu, *op.cit.*, p. 6

37 J. Xu, *op.cit.*, p. 7

"What is 'new' about the new *Tianxia*? In comparison with the traditional concept, its novelty is expressed in two dimensions: one, its de-centered and non-hierarchical nature; two, its ability to create a new sense of universality. Traditional *Tianxia* was a hierarchical concentric politico-civilizational order with China as its core. What the new *Tianxia* should discard first is precisely this centralized and hierarchical order. What is 'new' about the new *Tianxia* is the addition of the principle of the equality of nation-states. In the new *Tianxia* order, there is no center, there are only independent and peaceful peoples and states who respect one another. Nor will there be a hierarchical arrangement of power in terms of domination and enslavement, protection and submission; instead it will be a peaceful order of egalitarian co-existence, one that spurns authority and domination. Even more important is that the subject of the new *Tianxia* order has already undergone a transformation: there is no longer a distinction between Chinese and barbarian, nor between subject and object. Instead it will be something like what the ancients said: '*Tianxia* is the *Tianxia* of *Tianxia* people.' In the internal order of the new *Tianxia*, Han people and the various national minorities will enjoy mutual equality in legal and status terms, and the cultural uniqueness and pluralism of the different nationalities will be respected and protected. And in the international, external order, China's relations with its neighbors and indeed every nation in the world, regardless of whether they are great or small nations, will be defined by the principles of respect for each other's sovereign independence, equality in their treatment of each other, and peaceful co-existence."

New *Tianxia* is the return to the ideal of the superior man. "The superior man acts in harmony with others but does not seek to be like them. The different value systems and material pursuits of various civilizations and cultures are accommodated in the same world using harmonious methods, sharing the most basic consensus regarding mutual values."³⁸ New *Tianxia* means unity in diversity.

Xu scourges not only other scholars but also criticizes weak points of Chinese foreign policy. He claims that under prevailing circumstances:

"China's original imperial character not only will not disappear, but in fact will grow stronger. Why is that even as China repeatedly states that its rise is peaceful it cannot convince its neighbours? One important reason is that within China's terrifying imperial body lurks a frightening soul that values national supremacy above all else an empire without consciousness of *Tianxia*."³⁹

Xu mentions the haughty character of Chinese statements on the international floor:⁴⁰

"The spokespeople for China's foreign ministry often use the following phrases to express China's national will: 'This is a domestic political matter, we do not permit foreigners to

38 J. Xu, *The New Tianxia: Rebuilding China's Internal and External Order*, p. 9

39 J. Xu, *op.cit.*, p. 18

40 J. Xu, *op.cit.*, p. 19

meddle;' or 'This regards China's sovereignty and core interests, how can we permit foreign countries to intervene?' In an international society that has already established measures of universal value, China remains a stranger to the discourse of universal civilization, and protects herself through the rigid discourse of national sovereignty. The traditional Chinese empire attracted many countries to its court over the years not because neighboring countries feared the empire's military force, but because they were attracted by its advanced civilization and institutions. This kind of civilizational attraction is precisely what is meant by a country's soft power."

Xu believes that the regime's new political and military assertiveness cannot be related with the real nature of the former tributary system.⁴¹

"The Chinese empire of the past had friends everywhere, yet today rising China has enemies all around. Some hawks in the military have even complained that 'China is surrounded on all sides.' Whether these enemies are real or imagined remains to be seen, but what is clear is that the form of thinking that places national supremacy above all easily creates enemies, even where there aren't any... In the past Mao Zedong proudly proclaimed that 'we have friends all over the world'. Yet today's China is just the opposite: 'We have enemies all over the world'."

Xu blames those who wrongly interpret Deng Xiaoping's guiding principles for foreign policy:⁴²

"In the proposal that Deng Xiaoping offered in the 1980s to resolve the Diaoyutai Island (known as Senkaku in Japanese) dispute, 'Avoid Conflict, Collectively Develop,' we see the intelligence of traditional *Tianxia* playing an important role in contemporary international society. Yet to the present day, people only pay attention to the strategic meaning of the proposal. They lack an understanding of the Eastern wisdom that lies behind it, an intelligence that provides new principles for dealing with rules of the international games that are played in the ocean."

Xu concludes his essay by calling upon discarding the old *Tianxia* which should not serve to create world order by Chinese supremacy but pleads for a new *Tianxia* on basis of equality and multi-state-system.⁴³

41 J. Xu, *op.cit.*, p. 20-21

42 J. Xu, *op.cit.*, p. 22

43 "The new *Tianxia* emerges from the historical wisdom of pre-modern China, discarding and de-centering traditional *Tianxia*. Rejecting hierarchy and placing mutually-shared equality at its core, it attempts to establish a new and 'commonly shared' universalism. Historical *Tianxia* used imperial methods of governance to serve as its institutional body. Traditional empire is different from the modern nation state, which seeks to homogenize and incorporate all into a single system... The traditional empire's *Tianxia* wisdom can provide us insights today in the following ways: the overly singular and uniform logic of the nation-state cannot, internally, resolve the minority issues in the border regions, while externally it is not helpful in easing conflicts over political sovereignty with neighboring countries. To the unified logic of the nation-state should be added the flexible diversity and multiple-systems of empire, providing balance. In sum, in the core regions of China, 'one system, different models' should be implemented; in the border regions, 'one nation, different cultures' should be realized; in Hong Kong, Macau, and Taiwan, 'one civilization, different systems' should be experimented with; in East Asian society, 'one region, different interests' should be recognized; in international society, 'one world, different civilizations' should be constructed. In this way, the internal and external order of the new *Tianxia* can be established, creating the conditions for the mutual co-existence, indeed the mutual benefit, not only for all of China's domestic ethnicities but for all East Asia's nations, creating a new universalism for a future world order." J. Xu, *The New Tianxia: Rebuilding China's Internal and External Order*, p. 28

It is interesting to observe that Confucian “*Tianxiaism*” has not been limited to the Chinese mainland, we can also see its impact on scholars in Taiwan and even Chinese scholars oversea. Shih Chih-yu from National Taiwan University is focusing on this new development.⁴⁴

“The nascent attention to the Confucian notion of all under heaven suggests an alternative. This alternative has an even stronger potential of expanding the China-centric circle because ‘all under heaven’ has its origin in pre-1949 historiography, hence a potential realignment with China scholars in Hong Kong and Taiwan. At a time Euro-centrism in Taiwan loses intellectual productivity due to repeated re-appropriation that reduces it to no more than a matter of political technicality, Confucianism could be attractive. Confucianism’s cultural sensibility may further facilitate a non-Euro-centric realignment with other East Asian China experts in Japan and Korea who increasingly conceive of Confucianism respectively as their forefathers’ legacy. Most importantly perhaps is that when realignment of this sort alerts Western China watchers, who typically considers Confucianism a disguise of soft power, and yet adherence to Confucianism does not lead to any deliberate response, then a non-Euro-centrism that does not target Euro-centrism may eventually come into being.”

Shih believes that “Confucianism, among most other Chinese classics, was already quasi- IR theory in its time, to the extent that it began as a philosophy to rescue the All-under-Heaven order from decaying into a warring system among kingdoms.”⁴⁵

A lot of other Taiwanese scholars like Chang Chi-hsiung have offered in-depth studies on the Chinese *Tianxia* world order and the tributary state system.⁴⁶

“In this, World Community’centered on China and following the “five-lun” international relations” class hierarchy, the center protects the surrounding area and the surrounding Yuping Center forms a pattern of mutual dependence and coexistence between China and its neighbors. The death of the lips, the rise and fall of the dying, and the gradual development of the Chinese world order; because China has never interfered in the internal affairs of the country, it has also developed the “rule of inaction” of national autonomy and kingdom autonomy, which is able to stabilize the traditional East Asian international system. For a thousand years.”

Other Chinese scholars outside of the mainland have also been influenced by the wave of *Tianxiaism* – even though in different grades. The Hongkong natives Michael Ng-quinn and Victoria Hui have pointed out that Chinese *Tianxia* universalism did exist long before the start of European history.⁴⁷ The approach of other Chinese scholars in overseas is a mixture of admiration and caution.

44 C. Shih, “The China Studies That Defend Chineseness: The Im/possibility of China-centrism in the Divided Sino-phone World”, 2011, available at: <https://www.20.uni-heidelberg.de/md/20/sino/research/09shihchihyudefendchineseness.doc> (accessed 28 March 2019)

45 C. Shih and Chiung-chiu Huang, *Balance of relationship and the Chinese School of IR. Being simultaneously Confucian, post-Western and post-hegemonic*, Zhang Yongjin and Chang Teng-chi, 2017, p. 179

46 Q. Zhang, “Disintegration and Regeneration of the Modern East Asian International System”, *China Social Science News*, (Section 613, June 27th 2014), T. Chang, *Debating the Chinese School of IR: A reflective review from Taiwan*, Y. Zhang and T. Chang, 2017, pp. 87-90

47 C. Shih, op.cit, p. 11

Xu Tao who teaches in Japan comments:

"In the *Tianxia* System theory, not the state, but *Tianxia* = world-ness is the most basic political concept and political principle. In a word, *Tianxia* is presented as a legitimate world order view... So 'with the recognition framework of' state-internationality-world-ness' the '*Tianxia*' system... will contribute to the solution of globalized world issues."⁴⁸

But on the other hand with the experience of an observer outside of China he warns:⁴⁹

"On the other hand, as Kawashima Shin (2014, pp. 100-114) points out that in the process of constructing 'Chinese theory' or a 'Chinese school', especially (re)interpreting Chinese traditional thought, like '*Tianxia* system' and 'Tribute system', Chinese scholars should be more conscious of the presence of other East Asian countries and hold a talk with their scholars. Most East Asian countries were members of '*Tianxia* system' and 'Tribute system' in the past, and are influenced strongly by China's rise at present. Building a new regional order in East Asia and constructing a new regional identity based on regional historical recourses and dialogues of knowledge with East-Asian/Asian countries may be the most urgent problem for Chinese scholars."

A comment from Prof. Zhao Suisheng, Denver University, USA, points in the same direction. He does not hesitate to find merits in the old system of tributary states:

"Although the tributary system sometimes embarrassed the tributary states and bore a heavy cost to China, it was valuable for both the tributary states and the tribute receiver... The Chinese court also benefited from this system. Although, in financial terms, China gave far more than it received, the tribute received from neighbouring countries was the ritual that acknowledged the superiority of the Chinese culture, recognized the greatness of the Chinese civilization and the existence of Chinese authority... The Chinese world order was an ethical hierarchy, maintained by the power of the Chinese civilization."⁵⁰

But Zhao also emphasises that contrary to the idealistic views of *Tianxiaism* "warfare was constant in imperial China" and Korean scholars show concern whether with *Tianxiaism* "an expansionist-territorial imagination" has come back and gained ground in China as it is re-emerging as a great power.⁵¹

Zhao finishes his article raising doubts about contradictions which he traces in nowaday's Chinese foreign policy:

"Reconstructing the benevolent Chinese world order but following social Darwinist logic in the twenty-first century, how a powerful China would seek to regain its historical

48 T. Xu, 'The Emergence of the "Chinese School"? The "Sinicization" of International Relations Theory in China', *ICCS Journal of Modern Chinese Studies*, Vol.11 (1) 2018, p. 35

49 T. Xu, op.cit, p. 37

50 Zhao Suisheng, "Rethinking the Chinese World Order: the imperial cycle and the rise of China", *Journal of Contemporary China*, 2015, Available at: <http://7dx.doi.org/10.1080/1080/1080/10670564.215.1030913>, p. 4

51 Zhao Suisheng, op.cit, p. 8

preeminence in the region and behave on the world stage is anyone's guess."⁵²

As far as I am concerned, I cannot but confer my own scepticism in regard of the hard-core sino-centric *Tianxia* theories. Commenting the ideal of benevolent sage kings we may consent that at the beginning of Zhou Dynasty according to Chinese historiography such rulers may have existed. Yet in the course of generations not few kings turned out to be undutiful and unvirtuous.

The tyrannical king Li was expelled in 842 BC. Order was reestablished by king Xuan (827-788 BC) not by moral charisma but by successful warfare.⁵³ It might also be true that the league of independent Chinese states starting 771 BC after the death of the undutiful and unvirtuous king Yao under the hegemonic leadership of the strongest state ("ba") has paid tribute to virtue and benevolence.⁵⁴

Alas, the system under humane and moral auspices did not last very long. The multi-state-system was seriously affected when contesting "bas" were emerging. The system perverted from a peace – keeping to a warmonger system. States were no longer evaluated by cultural and moral progress but by their standard of military power. Already at the time of Confucius in the common language the terms "A state of how many li in square" (1 li= 95km²) and "A state of how many war chariots" were alternatively used, even by the sage himself.⁵⁵

Chinese princes, who in the course of time acclaimed kings titles, preferred aggressive power politics to Confucian benevolence and have been scarcely virtuous as one can easily learn from the Analects and Confucius Annals of Spring and Autumn. To style the tributary state system evolving after the unification of the empire in 221 BC as a kind of peaceful and benevolent world order has not few flaws. That goes for the historical facts, which get quite another not so peaceful evaluation by numerous authors,⁵⁶ as well as for the virtuousness of the paternalizing Chinese emperors. Even though one has to admit that the Chinese Empire was more peaceful than other big powers and in contrast to Russia, which absorbed its neighbors, the smaller states around China did survive. As far as the virtuousness of Chinese emperors is concerned Prof. Liu Dalin in two voluminous opuses has pointed out how many Chinese emperors were sex maniacs driven by their desires in such an extent that they did not pay attention to what was going on in and outside China.⁵⁷

52 Zhao Suisheng, op.cit, p. 22

53 Chang Chi-yun, *The Restoration of the Western Chou Dynasty Through its Northern and Southern Expedition*. Chinese Culture (Taipei), Vol.4, No.4, March 1963, pp. 22-28

54 See Liu Bochi, Ch'un – Meng Zhang – Zhi (The Conference of States and the policy of Alliances during Spring – and Autumn Period), Taipei, 1962, p. 21, Tang Wu, *Zhongguo Yu Guojifa*, (China and International Law) Vol.1 Beijing 1957, p. 3; Gerd Kaminski, *Völkerrecht und Außenpolitik: Historische Grundlagen*, Vienna 1972, pp. 69-70

55 James Legge, *The Chinese Classics*, Vol.1, Confucian Analects, London 1892, Reprint Taipei, p. 247

56 See for instance Angela Schottenhammer, *War and Peace along the Historical Silk Roads*, Gerd Kaminski (ed), Wen Versus Wu, Vienna 2016, pp.34-38; William A. Callahan, *Tianxia, Empire and the World: Chinese Visions of World Order for the 21st Century*, William A. Callahan, Elena Barbantseva, (ed); *China Orders the World*, Washington 2011, p. 104; Wang Yuankang, *Harmony and War*, Confucian Culture and Chinese Power Politics, New York 2011, pp. 34-180

57 D. Liu, *Zhongguo Gudai Xingwenhua 中国古代性文化 (Sex Culture in Ancient China)*; D. Liu, *Zhongguo Xingshi Tujian 中国性事图鉴 (Illustrated History of Sex Culture in Ancient China)*; See also G. Kaminski, *Das Spiel von Wolken und Regen*, Vienna 2019 especially, pp. 176-205

Therefore I tend to join those critics who believe that *Tianxiaism* is an interesting, highly romantic, idealistic approach but divorced from the real facts of Chinese history.⁵⁸

Xi Jinping and *Tianxiaism*

First of all it should be noted that traditional elements from Chinese history and philosophy did not start to influence Xi Jinping at the time of evolving *Tianxiaism*.

China daily has published a list of books on President Xi Jinping's shelves. It starts with a picture book on the Chinese national hero Yuefei.⁵⁹

Yue Fei was not only famous in Chinese history because of the words his mother tattooed on his back "Serve the country loyally" but especially for his call versus the Northern barbarians: "Give back our mountains and valleys!" Because of his staunch fighting for regaining the lost territories and his uprightness Yue Fei has been canonized as the president of the underworld commission of adjusting justice. There the good and bad deeds of deceased are appraised with a final judgement of Yue Fei.⁶⁰

The book on Yue Fei was Xi Jinping's favorite when he was five years old. It is likely that Xi Jinping at the turn of the century became part of the mainstream of re-evaluating classical Chinese wisdom related with anti-West cultural nationalism⁶¹ which I mentioned at the beginning of this article. Self grown scepticism towards prevalence of Western ideas in China can be traced in a lot of phenomena which happened after he took over the leadership in party and state.⁶²

58 See fi. Feng Yhang, Confucian Foreign Policy Traditions in Chinese History, *The Chinese Journal of International Politics*, 2015, p. 197, pp.200-202, 213; Yao Suisheng (2015), p. 21; Thuy T Do, China's Rise and the "Chinese Dream" in IR Theory, Reforce Paper presented to the Second Oceamic Conference on International Studies, University of Malbourne, 9-11 July 2014, pp. 7-9, 11; Zhang Yongjin and Barry Buzan, The Tributary System as International Society in Theory and Practice, *The Chinese Journal of International Politics*, Vol.5, 2012; p. 16, 19, 31; Hun Joon Kim, Will IR Theory with Chinese Characteristics be a Powerful Alternative?, *The Chinese Journal of International Politics* 2016, p. 78; Allen Carlson, It Should Not Only Be about Nationalism: China's Pluralistic National Identity and its Implications for Chinese Foreign Relations, *International Studies*, 2011, 48, p. 232; Amitav Acharya, Barry Buzan, Why is There no Non-Western International Relations Theory? Ten Years on, *International Relations of the Pacific*, 2017, p. 32; William A. Callahan, Elena Barabantseva, *China Orders the World*, Washington 2011, p. 91-p.117; Salvatore Babones, Taking China Seriously: Relationality, *Tianxia* and the "Chinese School" of International Relations, *Oxford Research Encyclopedia*, Oxford University Press (USA), 11.2.2019, p. 9-13; Nele Noesselt, Is there a Chinese School of IR?, *Giga Working Papers*, No.188, March 2012, p. 19,21-22; Nele Noesselt, Revisiting the debate on constructing a theory of international relations with chinese characteristics, *The China Quarterly* 222 (2015), p. 442-444; Zhang Feng, *The Tsinghua Approach*, p. 87, 95-96, Zhang Feng, *The Tianxia System: World Order in a Chinese Utopia*, Reviewed by Feng Zhang, *Global Asia Book Review*, p. 111, 112

59 Available at: http://www.chinadaily.com.cn/a/201701/01/WS5a38cd5da3108bc8c6735d56_1.html

60 Anne Goodrich, *Chinese Hells*, St. Augustin 1981, p. 27

61 Another important research on this subject is Guo Yingjie's *Cultural Nationalism in Contemporary China*, which makes clear that among the Chinese people there was growing national conscience and that among the pre-Xin leadership there were already Jiang Zemin and Li Ruihuan who promoted national pride and objection towards blind veneration of the West. New York 2004, pp. 32-34; Generally about Traditional elements in Xi's politics see Gerd Kaminski, *Xi Jinping, Chinesischer Traum und die chinesische Außenpolitik*, Gerd Kaminski (ed), Wen versus Wu, Vienna 2016 and Gerd Kaminski, *Traditional Elements in Xi Jinpings Socialism*, Gerd Kaminski (ed), *Chinese Strategies*, Gerd Kaminski 2019, pp. 20-70

62 To mention a few examples: the control of teaching materials used by foreign lecturers at Chinese universities, the recent rule to prevent Chinese primary and middle school students from enrolling in international schools or international sections of regular schools (China Daily April 9, 2019), the objections against celebrating Christmas and Valentines in China and the attempt to popularize Chinese New Year instead all over the world, to replace Santa Clause by kitchengod Cao Wang Ye, Valentine's Day by Sheperd and Weaver Maid, the revival of rules from the sixties and seventies for Chinese officials about getting too close with foreigners, the sinicizing of Catholic and protestant churches, the commending of Chinese dress in comparison with jeans, the pressure on Kentucky Fried Chicken to promote ancient Chinese culture in their restaurants and more of the same. - See Kaminski (2019), pp. 39-50

But there is no doubt that think tanks and individual scholars were and are exercising influence on the Chinese leaders. Xi Jinping makes no exception.⁶³ At the beginning of his administration Xi made clear that he shares the opinions of the considerably large group of leaders and scholars who believe that, taking into account China's economical and political rise, Deng Xiaoping's advise that China should keep a low profile is outdated.⁶⁴ The assertiveness of Xi Jinping's foreign policy during the first years seems to mirror opinions of colonel Liu Mingfu and other hawks of the PLA.⁶⁵ William Callahan and other Western advisors believe that Liu Mingfu's bullish book "Chinese Dream" (2010), which precedes Xi Jinping's "Chinese Dream", had an impact on Xi's political convictions.⁶⁶ Liu Mingfu's arguments are much more pointed than those of the *Tianxia*ists but he also pays tribute to *Tianxia* ideals by emphasizing China's historical function to lead the world and in regard of the tributary other rulers "like little brothers". Yet contrary to the Tsinghua school he stresses that China that time has been "too peaceful".⁶⁷ But according to some scholars⁶⁸ and also in my opinion it is also possible to trace in Xi's political line the *Tianxia* ideas of Yan Xuetong and his Tsinghua School:

"After Xi Jinping came to power in 2012, we see a clear foreign policy change, in which China starts to emphasize the importance of 'striking a balance between upholding justice and seeking interests' (*Yi Li Guan*) in international relations. Although the Chinese government does not directly recognize that they adopt some elements of 'moral realism' in making foreign policy decisions, the clear similarity between the two reveals that Yan's ideas were purchased in the 'free market.'"

This is also proved by the Chinese media. Xi Jinping: One world, one Home: "These diplomatic golden sentences reach the hearts of the people."⁶⁹ Xi Jinping's *Tianxia* Weigong – the world is one:

"The Chinese have admired a *Tianxia* feeling since ancient times. From 'harmony is more important' and harmony of all nations to the 'what you don't want don't do it to others' and 'All in the four seas are brothers (Confucius)."⁷⁰

Xi Jinping's newest saying: The root of *Tianxia* is the country and the root of the country is the family. On occasion of spring festival 2018 Xi Jinping said:

63 A member of one of the most influential think tanks told me recently: "Xi sometimes listens to us, sometimes not."

64 G.. Kaminski (2016), op.cit, pp. 276-284

65 G. Kaminski (2016), op.cit, pp. 243-269, 313-316

66 W. A. Callahan: China dreams: 20 visions of the future, New York, 2013; p.58, see also E. Luttwak, The Rise of China vs. The Logic of Strategy, 2012, pp. 24-27

67 M. Liu, The China Dream, New York 2015, p. 16, 68, 102

68 Huiyun Feng and Kaihe, Why Chinese IR Scholars Matter, The Griffith-Tsinghua Project "How China Sees The World" Working Paper, Series No.1 (2016), p.11, see also p. 5

69 W. Liu, CCTV Website, 2018, Available at: <http://news.cctv.com/2018/06/23/ARTI9HHB1V9pD2SdU3RMoSCF180623.shtml> (accessed 7 March 2018)

70 W. Li, J. Li, 31.1.2018, *Renminribao Haiwai Ban*, Available at: http://paper.people.com.cn/rmrbhwb/html/2018-01/31/content_1833725.htm (accessed 7 March 2019)

“Integrate personal dreams and family dreams with national and international dreams. With the wisdom and strength of more than 400 million families and more than 1.3 billion people we will gather together to win the great victory of socialism with Chinese characteristics in the new era and realize the greatness of the Chinese nation.”⁷¹

Brown points out that Xi Jinping’s assertiveness has been rather successful.⁷²

“Much of the testing of commitments and resolve that China is clearly involved with around the region – building installations on islands, using proxy agents to clash with others and demanding observation of borders right down to the coast of Malaysia – shows how much latitude China has. It is able to spot weaknesses, chinks in people’s armour, and raise questions of whether, in a crisis, people would really stand by their alliance.”

This counts especially for the first years of Xi Jinping’s administration. I agree with scholars like Kery Brown that Xi Jinping’s overture of assertiveness was powered by *Tianxiaism*.

On the other hand this assertiveness has produced a lot of critique outside of China but even in China. Just to pick a few examples. Lisa Rofel university of California writes in her essay “China’s *Tianxia* worldings”: “I would agree that this postsocialist world is much farther away from any concept of *Tianxia* than the socialist past.”⁷³ The director of Asia Studies at the European Council of Foreign Relations calls Xi’s foreign policy “ambitious and expansive”. “He still has both the time and the power to correct this course.”⁷⁴

But this advice to adjust course comes at a time when we can observe indications that this is already happening in the recent years. Political setbacks – see above “We have enemies all over the world” and economic setbacks did contribute to a more cautious approach to *Tianxiaism*. Chinese foreign policy seems to move away from Tsinghua Schools assertive and sinocentric concepts in the direction of Xu Jilin pluralistic relationalist *Tianxiaism*.⁷⁵ Or as the New York Times in its May 7th 2019 issue has chosen to put it in a more blunt way: Lian Yizheng (former editor of the Hongkong Economic Journal) in “Xi Jinping Wanted Global Dominance He Overshot”

Another paper, Global Times, which is a speaking tube of the Chinese Communist party, published a commentary by Shi Yinhong, director of the center for American Studies at the People’s University, expressing concern about “blimpish patriotism and overdone confidence” as early as November 26th 2016.

71 Y. Gao, 2018, “*Tianxia zhi Ben zai Guo, Guo zhi ben zai Jia*”, *Zhongguo zhi Sheng* [website], Available at: http://china.cnr.cn/yaowen/20180215/t20180215_524136549.shtml (accessed 7 March 2019)

72 K. Brown, *China’s World*, London, New York, p. 213

73 B. Wang (ed), *Chinese Visions of World Order*, p. 224

74 E.C. Economy, 2019, “The Problem with Xi’s China Model”, *Foreign Affairs*, Available at: <http://www.foreignaffairs.com/articles/china/2019-03-06/problem-xis-china-model> (accessed 7 March 2019)

75 See f.i. Xi’s speech at UN, Geneva, Jan 18th 2017: “Work Together to Build a Community of a Shared Future for Mankind”. In an information letter for the army, the Chinese journalist Duo Wei had an interview with Chu Yin, member of the Global Think Tank. Chu emphasized that *Tianxia* never comprised the whole world but only China and its neighboring countries. (June 2018)

In fact, the assertiveness of Chinese foreign policy is fading in favor of giving more weight to harmony in spite of differing opinions, shared interests, common destiny of mankind, win-win and peace. The Chinese core interests, which have been expanded before to include the South Sea Islands, according to talks with other members of Chinese think tanks have been readjusted again.

These signals are well received at least in the European community. At the Munich Security Conference in February 2019 Angela Merkel spoke against American exceptionalism, particularism and selfishness. By asking for "win-win-solutions" she used Xi Jinping's terms.

My recent talks with experts from units under the Central Committee, the Chinese Foreign Ministry and top academic circles, who probably do not care much to be cited, could harvest similar opinions: The USA are in decline but their hegemony shall last for a comparatively longer time. If China-centrism, then only local. The "China Rules the World Theories" from assertive members of the Tsinghua School cannot be taken serious. China does not follow the Russian "hard pattern", but keeps to a "low profile". China is a regional power. In regard of Russia: "We don't share everything". The Chinese media are against the USA. But stable relations with the USA is important. The USA are demonizing China. China must prove the contrary. China has a lot in common with the EU. We have much in common especially, when it comes to our old civilizations. China could learn "morals" from EU. In regard of 16+1 those countries have bad infrastructure and are short of money, but China should respect the EU intents. BRI investments should be done more cautiously. The EU's worries regarding "sensitive enterprises are to be respected." "EU and China are the same camp."

The influential Prof. Wang Jisi, Beijing University and President of the very important think tank Institute of International and Strategic Studies declared at the time of the overtake by the new administration "The Chinese leadership does not dream of turning China into a hegemon or standard bearer".⁷⁶

Looking at recent facts and figures he is probably right.

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⁷⁶ J. Wang, 2011, "China's Search for a Grand Strategy", *Foreign Affairs*, Available at: <http://www.foreignaffairs.com//articles/china/2011-02-20/china-s-search-grand-strategy> (accessed 1 February 2019)

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Герд Камински

Tianxia и кинеска спољна политика

Апстракт

Све већа моћ и самопоуздање плус пораст национализма одговорни су за развој синоцентричне школе Tianxia. Предводници ове школе су Zhao Tingyang и Yan Xuetong. Tianxiaguan – Tianxiaism преиспитује класична западна правила међународних односа и очувања мира нудећи кинески образац који се заснива на искуствима династије Џоу и каснијег система вазалних држава. Ова група кинеских научника сматра да би модел Tianxia био успешнији од Уједињених нација. Након много пажње и посвећености неким од принципа Tianxiai размишљања током првих година администрације Си Ђинпинга, чини се да утицај школе бледи, а повратак на опрезну спољну политику Денг Сјаопинга прилично је вероватан.

Кључне речи: Tianxia, Tianxiaism, Zhao Tingyang, Yan Xuetong, Џоу династија, систем вазалних држава, Кина - централизам, конфуцијанизам, Денг Сјаопинг, Си Ђинпинг

Giovanni Nicotera*

Development and Fate of Muslim Radicalism in China**

Abstract

The economic growth and development delivered by the Chinese Communist Party to its people have not brought peace to Xinjiang. On the contrary. After decades of relative tranquillity that had followed the founding of the People's Republic, violent extremist attacks have been carried out by Uyghurs on and off not only in this northwestern region, but in several other provinces, regions and municipalities. For several reasons, the Uyghurs have felt left behind as they have seen their liberties and traditions threatened and trampled. In addition, an unstable Central and South Asian environment, together with the possibility of travelling, available to some of them in the past and the opportunity to learn on the Internet, all have contributed to the radicalization of this ethnic group. As a result, some of them have decided to resort to violence. Beijing could have revisited its overall policies against ethnic minorities to assess where they have failed, but it has chosen instead an alternative strategy based on control and on the use of force. This strategy appears to be successful in keeping in check violence and restoring peace in the restive region, but brings with it probably the end of an old culture.

Keywords: Xinjiang, Uyghur, OBOR, radicalism, minorities, artificial intelligence, administrative detention.

1. Introduction

Quetta, the capital of Balochistan province, Pakistan, 24 May 2017, two Chinese citizens working there as teachers are abducted and few days later killed by members of the Islamic State. What may seem a minor, though very tragic, incident in an unstable region, becomes particularly relevant because Quetta is placed across the forthcoming China Pakistan Economic Corridor (CPEC), which is at present the major project under the One Belt One Road initiative. Its relevance, however, is much greater than that as it adds up to other recent incidents, thus contributing to forming a growing chain of violence against Chinese citizens in China and abroad¹.

Particularly surprising was the suicide bomb attack against the Chinese embassy in

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¹ Previously Fan Jinghui, a former middle-school teacher in Beijing and freelance advertising consultant was killed in Iraq, in November 2015. Fan was the first Chinese citizen to be killed by the Islamic State.

Kyrgyzstan's capital Bishkek² where, on 30 August 2016, a van exploded after ramming through its gates killing the driver and injuring three local staff. According to Kyrgyzstan's³ security services (GKNB) the suicide bomber was an ethnic Uyghur member of the East Turkestan Islamic Movement, an extremist separatist organization that China, together with few other countries including the US and the European Union, consider a terrorist organization.

Only by reading these and other recent events jointly, the entire significance of what is happening becomes evident. China can no longer enjoy the benefits that globalization bestowed upon her without paying the price that comes with it: in order to continue growing China needs, like other global players, to venture abroad, thus becoming more visible and exposed to today's dangers, from terrorism to piracy, from ethnic conflicts to wars.

But the problem for China is more complex than it is for the other powers that developed before her. China in fact hosts a conspicuous Muslim minority, part of which is dissatisfied with life under Beijing's rule and is becoming more radicalized. In today's interconnected world this radicalism can more easily reach out to, and combine forces with, more radical and violent foreign Muslim movements such as ISIS, Al Qaeda and the Taliban. This new scenario increases the chances that Chinese citizens and interests become now targeted by Muslim radicals both within and beyond China's borders.

2. History of attacks attributed to Muslims in China

Until a few years ago attacks carried out by Muslim extremists against Chinese citizens had taken place mainly in China's north-west province Xinjiang. Lately, other provinces, regions and municipalities have been affected too. It is a real game-changer, but it was not always like that.

The period 1949-1980 was a peaceful one at least in respect to religion-motivated terrorism. A country leaving behind two wars - one against Japan and the other against the nationalist Guomindang, poor and isolated, and led by a powerful Communist Party could not have possibly given birth to the kind of violent terrorist actions we see today. In those days the only violent actions were those perpetrated by the Party\State against its own citizens through several movements from the Great Leap Forward to the Cultural Revolution⁴. Later, with Mao's death, people's time and attention was devoted to rebuilding, feeding and healing the nation.

Things started to change in the 1990s when sporadic, though mostly minor, incidents began. One, however, stood out and marked this decade: on 25 February 1997, in Urum-

² It is not the first time that Chinese officials are targeted in the city, with two shot dead in 2000 and a consul and his driver killed in 2002 in incidents that authorities blamed on Uyghur militants.

³ Agence France-Press, "Uyghur militant behind attack on China's embassy in Kyrgyzstan named by security service", *South China Morning Post*, Available at: <http://www.scmp.com/news/china/diplomacy-defence/article/2016322/kyrgyzstan-blames-chinese-embassy-attack-uygur-jihadis>, (accessed on 06/09/2016).

⁴ During the decade that goes under the name of Cultural Revolution, ethnic minorities, including the Uyghurs, suffered particularly with their religion, culture and language being targeted

qi, bombs exploded on three buses causing 9 dead and 74 injured. After that China enjoyed again two decades of relative tranquillity only to be awakened on 5th July 2009 when, always in Urumqi, a large-scale rioting by Uyghurs was suppressed with 184 lives lost and 1,100 injured⁵. The Xinjiang Production and Construction Corps (XPCC),⁶ led the crackdown, which the Uyghurs consider a massacre. Notably, the incident was characterized by odd modalities with some of the attackers utilizing syringes believed to be infected with HIV, and it had long-lasting consequences on life in China with the interdiction of several social networking services and other restrictions on online social media which continue to the present day.⁷

Since then there has been an escalation in violence. In 2011⁸, in 2012⁹, in 2013, and particularly in 2014¹⁰, ethnic Uyghurs carried out numerous attacks. The years 2013 and 2014, in particular, are to be remembered as, for the first time in the history of the PRC, the attackers targeted major Chinese cities (Kunming in Yunnan and Guanzhou in Guangdong) and even the capital Beijing where the attack took place right in Tiananmen square¹¹ one of the most protected sites on the planet, few hundred metres away from the Ministry of Public Security and from Zhongnanhai where the Chinese leadership live.

The scale and the extension of the range of attacks caught the authorities by surprise, forced them to review the intelligence and surveillance *apparata* and made their prevention job more difficult because as of now attacks could occur anywhere. In fact, despite the clamour raised by this event, few months later, on 1 May 2014, three people were killed and 79 injured when assailants stormed Urumqi's south railway station just as President Xi Jinping was completing a tour of the region and security measures should have been at their peak. This last attack is also relevant as it may be considered the first in China whereby the attackers employed both explosives and a suicide technique. Modalities witnessed before only in Afghanistan, Pakistan and in the Middle East are now being tested in the second economic power. Though no group claimed responsibility, Beijing put the blame on the East Turkestan Islamic Movement (ETIM).

3. The origin of the problem

The Uyghurs live primarily in the Xinjiang Autonomous Region (XAR). One-sixth of Chi-

5 D. Eimer, "As China reels from 184 deaths in Urumqi riots, a beaten woman fears for her husband", *The Telegraph*, 11 July 2009, Available at: <https://www.telegraph.co.uk/news/worldnews/asia/china/5805352/As-China-reels-from-184-deaths-in-Urumqi-riots-a-beaten-woman-fears-for-her-husband.html>, (accessed on 11/12/2017).

6 The XPCC (*xinjiang shengchan jianshe bingtuan*) originates from the fusion of the 1st army corps and the 22nd army corps. Led by General Wang Zhen it brought Xinjiang back under China's control and was for many years in charge of establishing and defending agricultural settlements and garrisons for those Han population settling down in Xinjiang. Today it is a paramilitary organization with production and paramilitary tasks.

7 Facebook, Instagram, Google were from then on not available in the PRC.

8 In 2011 three attacks took place respectively in Hotan, Kashgar and Pishan with 27 dead and 51 injured.

9 On 29 June 2012, an attempted hijacking of flight Tianjin Airlines 7554 took place right after taking off from Hotan airport causing 2 dead and 14 injured.

10 Attacks took place in Bachu, Beijing, Aksu, Kunming, Kirghilik-Kashgar, Tibet.

11 On 28 October 2013, in Tianmen square, Beijing, a vehicle carrying three Uyghurs hit an old bridge and exploded, killing all the three onboard and two tourists and injuring 38 others.

na's territory, landlocked, covered with mountains, deserts, and grasslands, this region is more similar to a Central Asian country than to rice fields of southern China, cradle of China's civilization.

They are a Turkic ethnic group with features different from the Han and ranging from Caucasian to Mongolian, that practices mostly Sunni Islam, and speak a Turkic dialect. They are not the only Muslim group in China however, with the other one being the Hui who are more numerous (20 million vs. 8 million), and not concentrated in only one region like the Uyghurs and, most importantly, they are ethnically Han unlike Uyghurs.

After Mao's death, at least for two decades, the Uyghur population had a relatively peaceful life, also enjoying some privileges such as a slightly higher salary than the majority Han¹². While the salary was the same for all Chinese of equivalent function, the Uyghur were given a subsidy to buy lamb as they could not eat pork which was cheaper.¹³ They were also granted daily work-breaks to pray and were allowed to rest on Fridays in respect of the day when Muslims across the globe gather to pray. The result was that they were working less than the majority Han, but got payed more and consequently the Han started to harbor resentment.¹⁴ Moreover, they were allowed like other minorities to have more than one child. The Uyghurs considered such more favourable treatment a sort of partial compensation for the occupation of their land by the Han Chinese¹⁵. Indeed, from 60BC under the Han dynasty to 1949 with the foundation of the PRC, Xinjiang had been often but not always, a protectorate of imperial China, thus enjoying brief periods of independence.

Taking advantage of removal of travel restrictions that accompanied Deng's era, a few Uyghurs left Xinjiang to study religion in Saudi Arabia. When they got back they had mastered Arabic language and were indoctrinated in Wahabbism, an ultraconservative doctrine of Islam which is considered by many¹⁶ to be inspiring the global terrorist movement from Al-Qaeda to ISIS. Such newly acquired knowledge allowed them upon return to replace the old mullahs who - like in other Communist countries - had managed to keep alive only a milder, secular form of Islam, so that Uyghurs overall could not be considered, until the return of these students, radical Muslims in any way.

But other events, besides the return to Xinjiang of these Wahabi scholars, played a role in what we can consider the beginning of this process of self-conscience and radicalization. Firstly, the 1989 defeat of the Soviet Army in Afghanistan showed to young Muslims, whether Arabs, Pakistanis, or also Uyugurs, that it is possible to win a superpower. Secondly, in the 1980s and 1990s Afghanistan had become a place where young Muslim extremists from around the globe could train – especially in the use of improvised explosive devices (IED) and other explosives - and fight through the inevitable contacts with

12 F. Sisci, "Radicalismi cinesi", *Settimana News*, 9 September 2017, Available at: <http://www.settimananews.it/religioni/radicalismicinesi/>, (accessed on 15/03/2018).

13 Ibid.

14 Ibid.

15 Ibid.

16 The European Parliament as well.

the Taliban, the teachers in Pakistan's madrassas and in Central Asia. Thirdly, the Internet offers today the possibility to learn and empower also to those unable to leave Xinjiang for going abroad, thus playing virtually the role that Afghanistan plays practically on the ground by putting in touch young jihadis from around the world. Lastly, the bond among them was easily forged as this youth, the Taliban, ISIS, Al-Qaeda, and ETIM all belong to Sunni Islam.

This neighbouring Central Asian radical environment, together with Beijing's rough application of laws and policies on minorities, triggered in the 1990's first attacks by Uyghurs in the PRC as we have seen before. It is in this period that Han and Uyghurs, formerly friendly neighbours, started to live separate lives. Old practices such as mixed marriages, previously allowed, started to disappear and several religious privileges so far enjoyed by the Uyghurs were abolished: Ramadan was prohibited and religious schools tightly controlled. New waves of migrant workers mostly ethnic Han started to arrive and settle there in separate enclaves watering down the already less numerous Uyghur population.

4. China's assessment and response

Central level authorities are aware that their combined strategy of repression and improving of living conditions has failed, and are attempting to remedy the situation though measures taken are contradictory. Few appear liberal,¹⁷ several are repressive and, moreover, measures are often applied superficially or insensitively by local officials. Some measures in particular, whether adopted occasionally or long term, have lately heightened the already tense situation. Among them it is worth recalling the imposal of travel restrictions and the return of passports, the collection of DNA samples¹⁸, an extensive police presence, a pervasive video surveillance and the use of administrative detention on a broad scale. To make things worst, the local Uyghur police has lost Beijing's trust and Chinese leaders now completely rely on ethnically Han public security and paramilitary forces. This local ethnic police had for long allowed Beijing to be close to the local population as far away as tiny villages and in touch with their hearts and minds, thus permitting the monitoring of moods, the prevention of offensive actions and the fine-tuning of policies if needed. In other words, an effective policing method¹⁹ has today given way to a top-down, ethnically different and personally indifferent police force.

For long, but not anymore, China has failed to fully recognize that the reasons behind the deterioration of the situation in Xinjiang were of her own making and established instead that religion, and the influence exerted on the Uyghurs from extremists abroad, particularly from Pakistan, were to be blamed. As a result, in the early 2000s China started to support this country at the expense of India²⁰. In exchange for China's support, Pakistan

¹⁷ For instance, President Xi Jinping's invitation to Han public servants and teachers to study the local language goes in the right direction.

¹⁸ Benjamin Haas, "Chinese authorities collecting DNA from all residents of Xinjiang", *The Guardian*, 13 December 2017, Available at: <https://www.theguardian.com/world/2017/dec/13/chinese-authorities-collecting-dna-residents-xinjiang>, (accessed on 22/01/2018).

¹⁹ Such proximity police is also known as "community policing".

²⁰ F. Sisci, "Radicalismi cinesi", *Settimana News*, 9 September 2017, Available at: <http://www.settimananews.it/religioni/radicalismi-cinesi/>, (accessed on 15/03/2018).

committed to control the Uyghurs on its territory and curb flows inside and outside its borders and to make sure weapons and explosives would not fall into their hands²¹. This cooperation between the two countries was not flawless and yesterday like today the role of the Pakistani government and of its security services in the fight against terrorism remains ambiguous. For instance, some Uyghurs were allowed to continue military training in Pakistan's province Waziristan. But the cooperation between the two proved useful in one important aspect: not only Uyghur's capabilities were curtailed, but sophisticated weapons and explosives did not fall into the hands of Uyghur militants as testified by the fact that so far Uyghurs for most of their attacks had to resort to basic offensive weapons such as kitchen knives, needles, black powder and gas tanks.

Overall, Beijing believes it has good reasons to keep a strong control over Uyghurs. Since 1991, when the USSR imploded also because of minorities' issues, China had kept a close eye on all ethnic minorities, and not only the Uyghurs, because most of them live on China's borders. If grievances from one of them grow into an armed insurgency, then they may fight for separation possibly leading – Beijing fears – to a break-up scenario similar to the last years of the Soviet Union and the initial ones of the Russian Federation.²² Furthermore, the events from 9\11 onwards, and in particular the threat of ISIS remnants moving towards Asia, strengthen their conviction that Muslim religion is a great danger to their society.

5. The present day

The Uyghurs have grown more conscious of their identity and rights, and do not see their conditions getting improved as it is steadily happening to their Han neighbours. This self-awareness and awakening is happening moreover in a completely different geopolitical landscape. With almost complete defeat of ISIS in Iraq and Syria, trained jihadi fighters are moving out of the Middle East and several are on the way towards Central Asia, South and South East Asia. Among them there are Uyghurs as well, this seems now beyond doubt,²³ and some may be attempting to re-enter China. In fact, according to Chinese government the number of these experienced fighters that were intercepted trying to re-enter rose, 16 times in 2017²⁴ with respect to 2016, though authorities failed to provide evidence and the exact number.

This completely new geopolitical scenario changes the size and potential of the enemy Beijing is confronting: no more a disgruntled, backward and isolated minority, but an aware and determined force with strong and dangerous connections abroad. The ingredients for a powerful explosion are almost all there. The ideology is now available local-

21 Ibid.

22 China attributes the fall of the Soviet Union to a mix of weak control of its ethnic minorities on the borders and of satellite states in Eastern Europe, and to the launching political reforms before ensuring economic growth.

23 While the exact number of Uyghurs involved in fighting in Syria remains difficult to determine, it appears to have grown significantly since 2012.

24 W. Wu, "China saw 16-fold increase in returning jihadis in 2017, analysts say", *South China Morning Post*, 2 April 2018, Available at: <http://www.scmp.com/news/china/diplomacy-defence/article/2139983/china-saw-16-fold-increase-returning-jihadists-2017>, (accessed on 05/05/2018).

ly, barely contained by the limitations imposed by Beijing on mosque prayers, lessons in madrassas, the media and the Internet. The forces capable of carrying out the attacks are either available locally or they are closing in, and today they are being trained.. The main missing ingredient are those modern weapons and explosives which brought havoc not only in the Middle East and Central Asia, also in Europe lately²⁵. Here in fact Beijing is still one step ahead of its adversaries: finding automatic firearms and sophisticated explosives is almost impossible. This, however, may change one day, also thanks to the forthcoming interconnectivity between China and the rest of the world as a result of the “One Belt One Road” project. The increase in transport connections and in transported cargoes will offer more opportunities for smugglers to ship illegal weapons, together with other illegal goods such as drugs or counterfeits, and, moreover, to smuggle-in trained fighters. Last but not least, dissatisfied and radicalized youth could resort to other attack techniques witnessed in Europe itself, where in the absence of firearms and explosives, civilian vehicles are stolen and utilized as ramming weapons.

The size of this threat may even increase as the problem is not just represented by some Muslim radicals, but also by the mix of growing Muslim radicalism within a minority and an overall sense of isolation, disappointment and resentment brewing among the majority. More members within this disgruntled majority may be tempted to join the minority and determine a further escalation of radicalism in Western China. And that could not stop there. If control measures on religion start to be applied on other so far untouched Muslim communities like the Hui²⁶, they too could start harboring resentment and eventually one day resort to violence, though at present this seems very unlikely.

6. Conclusion

China is not facing a full-fledged terrorist campaign, but it is evident that today the CPC is up against a growing Muslim radicalism within China and a trans-nationalization of the Uyghur fight.

If China really wants to preserve peace in the North-West, prevent violence from spilling over other regions, letting alone ensuring safe passage for cargoes and people moving along the new Silk Road, it should fundamentally revisit the national policies towards ethnic minorities with specific attention towards religion and social integration.

In particular, Beijing should make sure that the Uyghurs become true beneficiaries of economic and social development as much as the majority Han is and reduce the growing gap.²⁷ Authorities should also see that Uyghurs get access to senior jobs in the public administration, including positions in the police and the regional government, and facil-

²⁵ Berlin, Paris.

²⁶ Reuters, “China’s Hui Muslims fear education ban signals wider religious crackdown”, *South China Morning Post*, 17 February 2018, Available at: <http://www.scmp.com/news/china/policies-politics/article/2133641/chinas-hui-muslims-fear-education-ban-signals-wider>, (accessed on 03/04/2018).

²⁷ The national government is in truth continuing the battle to reduce poverty, and not only part of ethnic minorities are still poor but also several millions Han still leave under the poverty threshold.

itate a return to the past of social mixing and interactions between Han and Uyghurs so that fears, anxiety and prejudice on both sides are reduced. More control on the hateful language and on the anti-Islam rethoric circulating on the Internet and a non-stigmatising press coverage would be additional pillars of a new succesful integration and appeasing strategy.

Will all of this happen? The reality on the ground and Beijing's firm ideas on the danger represented by minorities' settlements at the borders and by religion as an independent power from the Party, do not allow optimism.

It is likely that China will mainly resort to her wide arsenal of repressive and control tools: from administrative detention in re-education camps to close door trials, from the use of paramilitary force in tasks usually entrusted to civilian police to the latest weapon, the application of artificial intelligence (AI) in combination with surveillance.²⁸ The rapid increase in its use in Xinjiang and beyond, may finally bring about not only the end of privacy, but also convince even the more radical of them that there is no future for their fight. Uyghur radicals, facing almost certain identification even before carrying out their attacks, may decide to abandon the cause of separatism with some of them going back to ordinary civilian life and some eventually deciding to continue the fight in the name of Islam outside China's borders by joining terrorist organizations in Central, South and South-East Asia and the Middle East. The decrease in violent attacks in China these last months appears to anticipate this ultimate result.

In historic perspective Xinjiang seems today much closer to following the fate of Inner Mongolia – where a sudden influx of ethnic Han in the 1960s contributed to the depletion of the grasslands and to the end of the way of life of its shepherd population - and of Tibet where an ancient culture is fastly disappearing.

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Ђовани Никотера

Развој и судбина муслиманског радикализма у Кини

Апстракт

Економски раст и развој који је Комунистичка партија Кине омогућила свом народу није донео мир Синђангу. Напротив. Након деценија релативног мира који је уследио оснивањем Народне Републике, догодили су се насилни екстремистички напади Ујгура, не само у овом северозападном региону, већ и у неколико других провинција, региона и општина. Из бројних разлога, Ујгури се сада осећају занемареним и виде своје слободе и традицију угроженим. Поред тога, нестабилно окружење у средњој и јужној Азији, заједно са могућношћу да путују, која се некимма пружала у прошлости и приликом да уче путем Интернета, допринело је радикализацији ове етничке групе. Као резултат тога, неки од њих су одлучили да прибегну насиљу. Пекинг је могао ревидирати своје свеукупне политике према етничким мањина како би проценио где оне нису успеле, али је уместо тога изабрао алтернативну стратегију која се заснива на контроли и употреби силе. Чини се да је ова стратегија успешна у контролисању насиља и поновном успостављању мира у нестабилном региону, али са собом доноси вероватно и крај једне старе културе.

Кључне речи: Синђанг, Ујгури, ОБОР, радикализам, мањине, вештачка интелигенција, административни притвор

Wang Peng*

Study on the Evaluation of China's Environmental Regulation Effect: A Spatial Perspective Based on Industrial Green Development**

Abstract

On the basis of a comprehensive understanding of green growth and efficiency, this paper constructs the metrics of industrial green development in China and adopts the spatial Durbin model to analyze the panel data of provincial industrial sector during 1998 and 2012, aiming to test the effect of China's environmental regulation empirically by taking the spatial influence of regional environmental regulation into account. It is found that: (1) no matter which spatial weight matrix, geographic adjacency, economic development level or geographical economic adjacency, is used, China's environmental regulation is significantly effective to industrial green development as a whole. However, regional environmental regulation does not effectively promote the industrial green development of the region, but has a significant positive spillover effects on other regions. So, the effectiveness of China's overall environmental regulation is mainly decided by the spatial spillover effects from other regions. (2) Industrial green development in the region may be transferred through pollution-intensive industries, thus has an adverse spatial impact on the industrial sectors of other areas. (3) Firm size, industrial capital intensity and industrial innovation help promote regional industrial green development, while ownership structure and external trade play an unfavorable role. What's more, the promoting effect of foreign direct investment is not significant.

Keywords: *Environmental Regulation, Green Total Factor Productivity, Industrial Green Development, Spatial Durbin Mode*

1. Introduction

As a main way to solve environmental problems, government environmental regulation basically is to force each economic agent to reduce pollutant emissions and comply with environmental laws and regulations so as to create a good ecological environment, by relying on government's authority and tangible institutional arrangements. The ultimate goal of environmental regulation is to change the traditional extensive economic growth mode and achieve green and sustainable economic growth. Under the background that global economy development is generally unsustainable, when pursuing economic development, each country is paying more and more attention to the "green development" mode.¹ On the one hand, green development requires the development of economy; on

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1 T. G. Ehresman, C. Okereke, "Environmental Justice and Conceptions of the Green Economy", *International Environmental Agreements: Politics, Law and Economics*, vol.15, no.1, 2015, pp. 13-27.

the other hand, it emphasizes the principle of sustainability and environmental protection. Green development is essentially a production mode which tries to improve output efficiency while reducing the input of non-renewable factors and pollutant emissions at the same time.

At present, many scholars have carried out newest researches on the effects of Chinese environmental regulation, which mainly focus on the influence of environmental regulation on economic growth, technological innovation and total factor productivity².

As long as the environmental regulation is within a reasonable range, it will promote the improvement of total factor productivity. However, these researches from the perspective of economic growth, technological innovation or total factor productivity can not fully evaluate the actual role of environmental regulation in economic green development, because economic growth, technological innovation and total factor productivity are only the necessary condition but not sufficient condition when environmental regulation plays a role. When environmental regulation promotes the growth of economic aggregate, if this growth still depends on traditional way of high input, high consumption and high emissions, even if the economy develops quickly, we cannot say that the environmental regulation has a positive effect on economy.

2. Evaluation Theories and Mechanism Analysis of Environmental Regulation Effect

It is necessary to comprehensively consider the various attributes of environmental regulation when evaluating and studying China's environmental regulation effects. This paper will be carried out from the three effects of environmental regulation when proposing theoretical basis to evaluate its effectiveness. (1) Green effect of environmental regulation.³ (2) Technology innovation effect of environmental regulation.⁴ (3) Growth effects of environmental regulation.⁵

In conclusion, effective and well implemented environmental regulations should have the following features, promoting growth, increasing efficiency and environmental protection. This paper believes that when evaluating the effect of China's environmental regulation it should examine the impact on industrial green development. If environmental regulation does not lead industries into a path of green development, the government

2 Jiang Fuxin, Wang Zhujun, Bai Junhong, "Dual Effects of Environmental Regulation on Technological Innovation — Empirical Study based on Dynamic Panel Data of Jiangsu Manufacturing Industries(in Chinese)", *Journal of China Industrial Economics*, no.7, 2013, pp. 44-55; Zhao Xiaowei, "Competition Strategies of Local Government Environmental Regulation and Regional Growth Effect — Evidence from Above Prefecture-Level Cities (in Chinese)", *Journal of Finance & Trade Economics*, no.10, 2014, pp. 105-113; Wang Jie, Liu Bin, "Environmental Regulation and Enterprises Total Factor Productivity — Based on the Data of China's Industrial Enterprises (in Chinese)", *Journal of China Industrial Economics*, 2014, no.3, pp. 44-56.

3 M. Bhattarai, M. Hammig, "Institutions and the Environmental Kuznets Curve for Deforestation: A Cross-country Analysis for Latin America, Africa and Asia", *World Development*, vol.29, no.6, 2001, pp. 995-1010; A. M. Leiter, A. Parolini, H. Winner, "Environmental Regulation and Investment: Evidence from European Industry Data", *Ecological Economics*, vol.70, no.4, 2011, pp. 759-770.

4 M. E. Porter, C. Van der Linde, "Toward A New Conception of the Environment-Competitiveness Relationship", *The Journal of Economic Perspectives*, vol.9, no.4, 1995, pp. 97-118; P. Lanoie, M. Patry, R. Lajeunesse, "Environmental Regulation and Productivity: Testing the Porter Hypothesis", *Journal of Productivity Analysis*, vol.30, no.2, 2008, pp.1 21-128.

5 W. Thomas, "Do Environmental Regulations Impede Economic Growth? A Case Study of the Metal Finishing Industry in the South Coast Basin of Southern California", *Economic Development Quarterly*, vol.23, no.4, 2009, pp. 329-341.

cannot be regarded to have implemented effective environmental control measures.

The industrial green development of one region has some spatial influence on the surrounding or other regions. Two transmission mechanisms will be discussed. One is the spatial spillover of industrial green technology. Because there are frequent personnel and capital flows between regions which have geographical proximity, similar structure or relatively close economic ties, it is easier to form spatial diffusion of industrial green technology or organizational modes between regions. The other one is the spatial transference of pollution-intensive industries. If the industrial sectors of one regions try to get greener and cleaner development, the existing local pollution-intensive industries should either invest greatly in pollution treatment and technological upgrading or transfer to other areas which have weaker regulation. The size and direction of final spatial effect depend on the interaction of positive and negative aspects. If the technology diffusion effect is stronger, then the industrial green development in one region will form positive spatial spillover effect, otherwise spatial negative externalities.

The industrial green development of a region is not just influenced by local environmental regulation, but also influenced by the regulation of other regions. As a result, local government may be inclined to reduce the implementation intensity of environmental regulation to attract foreign capital inflows and promote economic growth. A lot of studies have confirmed that there exists spatial effect in environmental regulation of local government. So, it is very necessary to introduce spatial factors into the evaluation of China's environmental regulation effects.

3. Research Models and Methods

This paper constructs an econometric model to evaluate the effects of Chinese local environmental regulation. The basic model is a linear equation about the influence of environmental regulation on Chinese industrial green development. A spatial Durbin panel data model (SDPDM), which simultaneously reflects the characteristics of spatial heterogeneity and competition, will be adopted to accurately examine the effect of China's environmental regulation.

According to the construction method of spatial Durbin model proposed by LeSage and Pace⁶, the spatial Durbin equation of the research model is set as:

$$GD = \rho \sum_j W_{ijt} GD_{jt} + \delta \sum_j W_{ijt} ER_{jt} + \kappa ER_{it} + \beta Z_{it} + \gamma \sum_j W_{ijt} Z_{jt} + \mu_i + \lambda_t + \varepsilon_{it}$$

Therefore, coefficient κ is used to determine the impact of China's environmental regulation on region while δ refers to the spillover effects of regional environmental regulation, which comprehensively reflects the implementation effect of environmental regulation. The regional industrial green development indicators can be expressed as:

$$GD_{it} = IGR_{it} * GTFP_{it}$$

6 J. P. LeSage, R. K. Pace, "The Biggest Myth in Spatial Econometrics", *Econometrics*, vol.2, no.4, 2014, pp. 217-249,

Among the industrial green development indicators, the key is the growth of green total factor productivity ($GTFP_{it}$). This paper adopts the Malmquist-Luenberger (GML) productivity index based on directional distance function (DDF) to estimate the growth of provincial industrial green total factor productivity.

On the basis of the production possibility frontier, directional distance function can be used to calculate the distance between each decision-making units of production and production possibility frontier, namely relative efficiency. The specific form of directional distance function is expressed as:

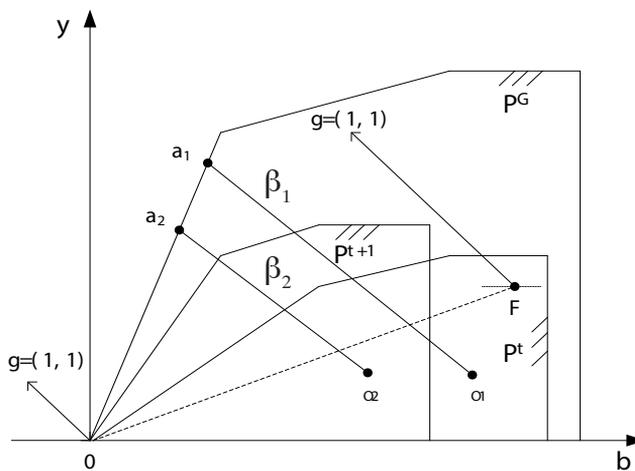
$$D(x,y,b;g) = \max\{\beta:(y,b) + \beta g \in P(x)\}$$

The gross Malmquist-Luenberger (GML) productivity index is defined as:

$$GML^{t,t+1}(x^t, y^t, b^t, x^{t+1}, y^{t+1}, b^{t+1}) = \frac{1 + D^G(x^t, y^t, b^t)}{1 + D^G(x^{t+1}, y^{t+1}, b^{t+1})}$$

Figure 1 shows the geometric representation of gross Malmquist-Luenberger (GML) productivity index. P^G , P^t and P^{t+1} represents the production possibilities sets of gross, period t and period t+1. o_1 and o_2 respectively represent the input - output of decision-making units (DMU) in period t and period t+1. o_1a_1 and o_2a_2 are the distance to gross production technology frontier following distance g . Obviously, compared with o_1 , in similar desirable output, the undesirable output of o_2 decreases. Therefore, the green total factor productivity of DMU increases. Traditional Malmquist-Luenberger (ML) productivity index uses geometric mean to measure total factor productivity.

Fig. 1 Geometric representation of gross GML productivity index measurement



4. Measurement of Environmental Regulation Intensity and Setting of Spatial Weight Matrix

This paper constructs a composite index to measure regional environmental regulation intensity. Selecting the emission of industrial SO₂, COD and industrial smoke (dust) to construct the index of environmental regulation intensity:

$$ER_{it} = \frac{1}{3} \sum_{j=1}^3 (p_{ij} / \frac{1}{30} \sum_{i=1}^{30} p_{ij})$$

This paper proposes 3 spatial weigh matrix. (1) Geographic adjacency weight W^G . (2) Weight of economic development level W^E . (3) Geographic and economic adjacency weight W^{GE} .

5. Spatial Relationship Test and Model Explanation

This paper adopts Moran index to test the spatial correlation of China environmental regulation, and the results is shown in Table 1. It can be found that in three kinds of spatial weights, China environmental regulation rejects the null hypothesis that there isn't spatial correlation at 1% significance level. What's more, as Moran index is greater than zero, the regional regulation in China is not randomly distributed, but has some positive spatial dependence. Therefore, the analysis should not be carried out by traditional measurement methods, but with the aid of spatial econometric analysis tools.

Tab.1 Spatial correlation test results of China environmental regulation

Types of spatial weights	W^G	W^E	W^{GE}
Moran'I	0.477	0.500	0.439
Moran'I z-Statistic	15.098	14.601	8.945
p-value	0.000	0.000	0.000

This paper further carries out spatial error and spatial lag selected LM test to analyze the residuals of OLS regression, the results are shown in Table 2. The results show that in geographic adjacency weights (W^G) the Morgan index of OLS residual is not significant. However, in economic development level weights (W^E) and geographic and economic adjacency weight (W^{GE}) the Morgan index is significantly positive.

Tab. 2 Spatial error and spatial lag model test results of OLS residuals

Types of spatial weights	W^G	W^E	W^{GE}
Spatial error Maron'I test	1.173	143.069 ***	1202.130***
Spatial error LM test	17.731 ***	3.650 *	5.961 **
Spatial error Robust LM test	22.791 ***	6.249 **	11.418 ***
Spatial lag LM test	0.294	2.490	3.797 *
Spatial lag Robust LM test	5.354 ***	5.090 **	9.254 ***

Notes: ***, ** and * respectively represent significance level of 1%, 5% and 10%.

According to the test results of spatial relationship above, this paper selects Spatial Durbin Panel Data Model (SDPDM) to further analyze the data. In order to estimate the two effects of explanatory variables, this paper uses the concepts of average total effect, average direct effect and average indirect effect to assume a spatial Durbin model:

$$y = \sum_{r=1}^k S_r(W)x_r + (I_n - \rho W)^{-1} \omega$$

Therefore, the average indirect effect is measured by the total effect of explanatory variable change in one region minus the direct effect of the region. It reflects the sum of effects on other regions, namely spatial spillover effects. For simplicity, average total effect, average direct effect and average indirect effect are expressed by total effect, direct effect and indirect effect.

6. Empirical Results and Robust Test

This paper firstly estimates traditional panel regression equation without spatial factors, the regression results show significant area effects and time effects. In order to further determine whether the area effects and time effects are fixed or random, it should estimate the random effect and fixed effect from the perspectives of space and time and then select estimation models based on Hausman test. The test value of Hausman test is 42.54 and $p = 0.000$, significantly rejects the null hypothesis that differences of estimated coefficient is non-systematic, indicating that spatial fixed effect model should be applied. At last, this study carries out Wald test to the parameter estimation of spatial fixed effect Durbin model so as to determine whether the model can be simplified as spatial lag model or spatial error model. The p value of Wald test is less than 0.01, which significantly rejects the null hypothesis that the model can be simplified.

According to the empirical results of environmental regulation effect, this paper finds that although the overall environmental regulation in China has played a positive role, this effect is mainly from the spatial spillover effect between regions. The environmental control does not make a desired effect in the local region, but has a positive role in other regions. Or conversely speaking, the environmental regulation effect of the region is not significant, but significantly influenced by the positive spillover of other regions. The total effect is significantly positive. So, the direct effect of local region does not achieve positive effect of environmental regulation. On the one hand, it may be due to China environmental regulation not making a positive effect on the control of industrial pollution emissions. In order to ensure sustainable economic growth and stable revenue sources, local government may be inclined to relax executing intensity, resulting in industrial pollution cannot be effectively mitigated and controlled. On the other hand, China environmental regulation may impede enterprise technological innovation, thus the positive effect on promoting industrial growth fail to emerge. So, it requires governments to design better and more rational environmental regulation tools.

Although the local effect of China's environmental regulation is not valid, it has a positive spillover effect on the neighboring regions or regions with similar economic development level. The local regions can obtain the benefits of "free riding" from the environmental regulation of other regions.

Finally, this paper carries out robust test to the empirical results obtained above. The robust test applied in this paper is to replace the level in current period (represented by ER (-1)) with lag 1 environmental regulation intensity, so as to reflect the lagging quality of environmental regulation effect. It can be known that, the regression results of robust test are basically the same as the results of spatial Durbin Model, indicating that the total effect of China's environmental regulation is positive. However, the effect on local region is not significant, while it has a positive spillover effect on other regions.

7. Conclusion and policy implications

Environmental regulation is not only government's action to solve environmental problems, but also an important driving force for economic development mode transformation and sustainable development. The empirical results of spatial Durbin model show that although China's environmental regulation has significant positive impact on the overall industrial green development, this effect is mainly derived from spatial spillover effects between regions and the environmental regulation of local region does not play an effective role. Local industrial green development does not have significant positive spillover effect on other regions, but negative spatial effect. The robust test with lag 1 environmental regulation intensity as a proxy variable also significantly supports the conclusion. What's more, generally, enterprise scale, industrial capital intensity and industrial R & D are conducive to regional industrial green development, while property construction and foreign trade have negative effects, and the promotion effect of foreign direct investment is not significant.

The conclusions of this paper have important policy implications for environmental regulation such as environmental governance and environmental institutional reform in China. It is still difficult to assess green GDP and there is no successful experience to learn from. This paper suggests using the product of industrial economic growth and green total factors productivity to represent regional green development indicator so as to simultaneously reflect growth and quality. Although the estimation effect of this indicator demand to be further testified, it still can be an important reference for current China's environmental regulation and local green development evaluation.

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Ванг Пенг

Студија о процени ефеката регулатива у области животне средине у Кини: просторна перспектива заснована на индустријском зеленом развоју

Апстракт

На основу свеобухватног схватања зеленог раста и ефикасности овај рад конструише мерење индустријског зеленог развоја у Кини и усваја просторни Дурбин модел за анализу панелних података провинцијског индустријског сектора током 1998. и 2012. године, са циљем емпиријског тестирања ефекта регулатива о животној средини у Кини узимајући у обзир просторни утицај регионалне регулативе о животној средини. (1) Утврђено је да су кинеске регулативе о заштити животне средине значајно ефикасне за индустријски зелени развој у целини. Међутим, регионална еколошка регулатива ефикасно промовише не само индустријски зелени развој региона, већ има значајне позитивне ефекте на друге регије. Дакле, ефикасност целокупне регулативе у области животне средине у Кини углавном је одређена ефектима просторног преливања из других региона. (2) Индустријски зелени развој у региону може се прениети кроз индустрију која је интензивни загађивач, тако има негативан просторни утицај на индустријске секторе других подручја. (3) Величина предузећа, интензитет индустријског капитала и индустријске иновације помажу у промоцији регионалног индустријског зеленог развоја, док власничка структура и спољна трговина играју неповољну улогу. Штавише, ефекат промовисања страних директних инвестиција није значајан.

Кључне речи: Регуллатива заштите животне средине, индустријски зелени развој, просторни Дурбин модел

Xianbin Wang*

Investment Approval System Reform and Investment Growth**

Abstract

The relationship between administrative regulation and economic prosperity is an important issue of public economics. This paper exploits the 2004 China investment approval system reform as a quasi-natural experiment, and identifies the impact of investment approval control loosening on investment by Difference-in-differences method. Based on the data of China's industrial enterprises in 2001-2007 years, we find that the relaxation of investment approval control significantly promotes the growth of fixed assets investment in corresponding industries. This effect has region and enterprise heterogeneity. The investment growth of higher productivity enterprises is faster, and the effect of reform is more significant in provinces with lower government efficiency. This study provides theoretical support and empirical evidence for orderly easing the government's regulation of micro economic activities to promote economic development.

Keywords: Investment Approval System, Investment Growth, Reform, China

1. Introduction

In economic growth theory, capital accumulation is an important driving force for economic growth. For developing countries, low per capita capital stock constitutes an important obstacle to economic growth. Investment has become an important way to promote economic growth in these countries. However, in many developing countries, investment activities often do not perform well due to market imperfections and institutional distortions. Therefore, the government's improvement of the market system is a feasible way to promote fixed asset investment. However, what kind of government policies are effective, how effective are they? These issues are still not well studied in economics.

This paper exploits the 2004 China investment approval system reform as a quasi-natural experiment, and identifies the impact of investment approval control loosening on investment by difference-in-differences method. Based on the data of China's industrial enterprises in 2001-2007 years, we find that the relaxation of investment approval control significantly promotes the growth of fixed assets investment in corresponding industries. This study provides theoretical support and empirical evidence for orderly easing the government's regulation of micro economic activities to promote economic development.

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2. Institutional Background

Since the reform and opening up, the reform of China's investment system has gone through three stages.

The first stage is the reform of the central investment system after reform and opening up to 2004. The planned economic system began to transit to a market economic system. The administrative examination and approval system remained the instruments by which the government controlled the society. In the investment system, there is still a lack of full implementation of corporate investment decision-making power, inadequate fair government investment management and investment decisions, many eyesight, cumbersome procedures, and lack of transparency in the approval procedures and standards.

The second stage is the reform of the investment system in 2004 to the 18th National Congress. The "Administrative Permission Law" implemented on July 1, 2004 is an important symbol of the institutionalization, standardization, and legalization of China's administrative examination and approval system. In terms of investment approval, on July 16, 2004, the Chinese Central Government promulgated the "Decision of the State Council on the Reform of the Investment System".¹ This is a landmark document in the investment approval reform for two reasons. First, the status of corporate investment entities is clarified, and the company's investment decision-making power can be exercised by the company itself. Second, it clearly defines the scope and form of investment approval. For the first time, this document clearly puts forward approvals, reviews, and filings, as well as the "Catalogue of Investment Projects Approved by the Government," which became the core content of China's investment approval system at the operational level. The document stipulates that the examination and approval system for government investment projects shall still be implemented. For projects where enterprises do not use government investment, no examination and approval system will be implemented, and the approval system and filing system will be implemented in different circumstances. Among them, the government only approves major projects and restricted projects from the perspective of safeguarding public interests. Other projects, regardless of their size, are replaced by the filing system. Business investment projects, if they are within the scope of the "Approved Catalogue," are subject to government review and approval. If an enterprise invests in a project outside of the "approved catalogue", it reports the incident to the competent authority for examination. The project's market prospects, economic benefits, sources of funding, and product technology programs are all determined by the company's independent decision-making and risk-taking. And companies should handle environmental protection, land use, resource utilization, safe production, urban planning and other licensing procedures and confirmation procedures for tax reduction and exemption.

The third stage is the 18th Congress so far. In 2012, the 18th CPC National Congress emphasized the "deepening reform of the administrative examination and approval system." The new government carried out drastic reforms in the economic management system and mechanisms, changed government functions, delegated authority for approval,

1 GF [2004] No. 20

and cancelled or simplified a large number of approved projects. In 2013 and 2014, the China's Central Government revised the "Catalogue of Investment Projects Approved by the Government" two times. At the end of 2014, the government has again drastically reduced the preconditions for the approval of business investment projects and pushed the reform to a new height.

3. Literature

The influence of business environment and government regulation on business activities and economic growth is an important economic research issue that leads to rich literature.

Exploiting the input cost data of the World Bank (Business Environment Index), Djankov *et al.* (2002) compares the differences in entrepreneurial costs in different countries and finds that the cost of entrepreneurship in continental Europe was significantly higher than in the United States, as well as the cost of starting a business in developing and emerging economies is generally higher than that of industrialized countries.² In view of the negative effects of strict government regulations, many countries have carried out reforms of government control systems and began to relax market access control and make the market play a greater role. A large number of empirical studies have shown that many countries or regions deregulate through the administrative examination and approval system reform, and reducing government's improper intervention is conducive to lowering the cost of enterprises, thereby promoting the entry of enterprises, increasing employment, and promoting economic growth.

For developing countries, Alfaro and Chari (2014) studies the economic impact of India's partial removal of industry access control reforms in the early 1990s.³ They find that more small businesses to have entered the market after the government had loosed access control to certain industries. Industry growth is still dominated by large companies, and the degree of misallocation of resources is weakened. Kaplan *et al.* (2011) studies the impact of a rapid start-up enterprise system reform (SARE) implemented in Mexico in 2002 on business entry, and finds that the start-up of enterprise system reforms increases the number of newly established companies by 5%, but this promotion effect tends to disappear after 15 months of policy implementation.⁴ Bruhn's (2011) study of Mexico's rapid start-up of the enterprise system reform also concludes that the reform promotes new enterprises to enter the market.⁵ At the same time, the study also finds that the reforms improve the employment rate in the region.

In developed countries, relaxing government regulations also help companies enter the market and increase employment opportunities. Bertrand and Kramarz (2002) studies

2 Djankov, S., R. La Porta, F. Lopes-de-Silances, and A. Shleifer, 'The Regulation of Entry', *The Quarterly Journal of Economics*, vol. 117, no. 1, 2002, pp.1-37.

3 Alfaro, L., and A. Chari, 'Deregulation, Misallocation, and Size: Evidence from India', *Journal of Law and Economics*, vol. 54, no. 4, 2014, pp.897-936.

4 Kaplan, D.S., E. Piedra, and E. Seira, 'Entry Regulation and Business Start-Ups: Evidence from Mexico', *Journal of Public Economics*, vol. 95, no. 11-12, 2011, pp. 1501-1515

5 Bruhn, M., 'License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico', *The Review of Economics and Statistics*, vol. 93, no. 1, 2011, pp. 382-386.

the impact of French retail industry entry control on the employment growth of the product market, and finds that strengthening the access control will increase the concentration of retailers and slow the rate of employment growth in France.⁶ Branstetter et al. (2014) studied the “On the Spot Firm” reform that was introduced in Portugal in 2005 to reduce the cost of enterprises, and finds that the number of new firms entering the market and the number of jobs increase significantly after the reform. Most of these newly-entered enterprises are concentrated in low-tech industries (agriculture, retail, etc.), with small average sizes and weak survivability.⁷

Empirical studies compare the effect of government regulation in different countries on the socio-economic dimension, and find that strict market access control would prevent companies from entering and reduce employment opportunities. Scarpetta et al. (2002) finds that high levels of product market and labor market regulation hinder the emergence and expansion of efficient and innovative companies, resulting in resource mismatch and lowering productivity in OECD countries.⁸ Desai et al. (2003) finds that entry control has a negative impact on business entry in European Union.⁹ Exploiting the Amadeus (Pan-European Corporate Finance Database) study of EU countries’ companies, Klapper et al. (2006) finds that severe market access regulation prevents the entry of new companies and makes incumbent companies that originally entered the higher-cost industries grow slowly.¹⁰ Ciccone and Papaioannou (2007) finds that in countries where registering new businesses takes less time, more companies emerge in industries experiencing global demand expansion or technology transfer.¹¹ Dreher and Gassebner (2013) compares government regulations in 43 countries in 2003-2005 and finds that in countries with more procedures for registering new companies and higher minimum registered capital requirements, the entry of companies is more likely to be hindered.¹²

In addition, strict market access controls may also cause corruption. Djankov et al. (2002) measures the degree of government control in 85 countries by the entry cost data of the World Bank (the Doing Business Index).¹³ The more regulated countries are more corrupt and have greater proportion of underground economy, and provide the lower quality of public goods and private products. Dreher and Gassebner (2013) finds that in countries with high levels of government regulation, the companies are more motivated bribe gov-

6 Bertrand, M., and F. Kramarz, ‘Does Entry Regulation Hinder Job Creation? Evidence from the French Retail Industry’, *The Quarterly Journal of Economics*, vol. 117, no. 4, 2002, pp. 1369-1413.

7 Branstetter, L., F. Lima, L.J. Taylor, and A. Venâncio, ‘Do Entry Regulations Deter Entrepreneurship and Job Creation? Evidence from Recent Reforms in Portugal’, *The Economic Journal*, vol. 124, no. 577, 2014, pp.805-832.

8 Scarpetta, S., P. Hemmings, T. Tresselt, and J. Woo, ‘The Role of Policy and Institutions for Productivity and Firm Dynamics: Evidence from Micro and Industry Data’, *OECD Economics Department Working Papers*, no. 329, 2002.

9 Desai, M.A., P.A. Gompers, and J. Lerner, ‘Institutions, Capital Constraints and Entrepreneurial Firm Dynamics: Evidence from Europe’, *NBER Working Papers*, no. 10165, 2003.

10 Klapper, L., L. Laeven, and R. Rajan, ‘Entry Regulation as a Barrier to Entrepreneurship’, *Journal of Financial Economics*, vol. 82, no. 3, 2006, pp.591-629.

11 Ciccone, A., and E. Papaioannou, ‘Red Tape and Delayed Entry’, *Journal of European Economic Association*, vol. 5, no. 2-3, 2007, pp. 791-825.

12 Dreher, A., and M. Gassebner, ‘Greasing the Wheels of Entrepreneurship? Impact of Regulation and Corruption on Firm Entry’, *Public Choice*, vol. 155, no. 3-4, 2013, pp. 413-432.

13 Djankov, S., R. La Porta, F. Lopes-de-Silances, and A. Shleifer, ‘The Regulation of Entry’, *The Quarterly Journal of Economics*, vol. 117, no. 1, 2002, pp.1-37.

ernment officials in order to get started business, and they obtain approval for operation approximately 50 days in advance through corruption. Corruption becomes a means to help companies enter the market in highly regulated countries.¹⁴

As the 18th CPC National Congress has speeded up the decentralization reform of administration, China's economists begin to pay attention to the economic logic and economic effects of the government's administration decentralization reform, and focus on studying the reform of the administrative examination and approval system. Exploiting the prefecture-level city data from 2000 to 2013, Xia and Liu (2017) finds that the reform of the administrative examination and approval system promotes economic growth, by the means of establishing administrative examination and approval centre.¹⁵ Wang and Feng (2018) also use the establishment of an administrative examination and approval centre to portray the administrative approval reforms in different cities.¹⁶ The prefecture-level cities that set up an administrative examination and approval centre in 2002 are treated as treatment groups. And those prefecture-level cities that established in 2007 and later that did not set up an administrative examination and approval centre are treated as a control group. Combining with the data of Chinese industrial enterprises and patent data from 1998 to 2006, they adopt the difference-in-differences method and the triple difference method, and find that the reform of administrative approval significantly improves the level of enterprise innovation. Bi et al. (2018) also uses the establishment of an administrative examination and approval centre to portray administrative reforms in China's different regions.¹⁷ Based on data from 333 prefecture-level and 2,852 county-level administrative approval centres and 1998-2007 industrial enterprise data, they study the impact of the approval reform on the enterprise entry. They find that the establishment of an administrative examination and approval centre has significantly increased the rate of enterprise entry. This effect is mainly achieved through the inter-departmental coordination of the administrative examination and approval centre.

Most of the existing literature discusses the impact of the business system on business entry, while there is little literatures that specifically study the impact of investment regulation on corporate investment. We conduct a special empirical analysis of this issue.

4. Empirical Strategy

In 2004, the reform of the investment approval system led to changes in the level of approvals faced by companies in different industries around 2004. For this adjustment, a natural research strategy is the difference in differences method. We regard the reform of the investment approval system led by the China State Council in 2004 as an important natural shock. The characteristic of this reform is that there is a difference in the degree of

14 Dreher, A., and M. Gassebner, 'Greasing the Wheels of Entrepreneurship? Impact of Regulation and Corruption on Firm Entry', *Public Choice*, vol. 155, no. 3-4, 2013, pp. 413-432.

15 Xia, J.C., and C. Liu, 'Administrative Approval Reform, Transaction Cost and Economic Growth of China', *Management World*, no. 4, 2017, pp.47-59. [In Chinese]

16 Wang, Y.J., and X. Feng, 'The Reform of Administration Approval System and Firms Innovation', *China Industrial Economics*, no. 2, 2018, pp.24-42. [In Chinese]

17 Bi, Q.M., X.L. Chen, X.X. Xu, and S.J. Li, 'Administrative Approval Reform and Firm Entry', *Economic Research Journal*, no. 2, 2018, pp.140-155. [In Chinese]

investment review and approval in different fields. We will match this field difference to the National Standard Industry Classification Code. We can identify different adjustments in industries with relaxed investment approval and industries that are not relaxed. We use the differences in the time dimension and industry dimension of investment approval to construct a dual difference model for empirical analysis and identify the investment effect of investment approval reform. Specifically, we use the following benchmark model:

$$y_{jit} = \beta_0 + \beta_1 reform_t \times Nocontrolled_j + X_{jit} \Gamma + \gamma_t + \eta_t + \varepsilon_{jit}$$

We confine the samples we surveyed to the manufacturing industry or companies. Our approach to obtaining treatment and control groups is to compare the three-digit manufacturing industries that are still subject to investment approval after 2004 to those that no longer are approved for investment against the government-approved list of investment projects (2004). Regulated industry: a total of 13 three-digit code manufacturing industries were still subject to investment approval control after 2004: communications equipment manufacturing (401); steel and iron castings manufacturing (359); common non-ferrous metal smelting (331); basic chemical raw material manufacturing (261); Fertilizer Manufacturing (262); Cement, Lime, and Gypsum Manufacturing (311); Rare Earth Metal Smelting (333); Automotive Manufacturing (372); Ship and Floating Device Manufacturing (375); Papermaking and Paper Products (221) Manufacture of synthetic materials (265); sugar production (134); cigarette manufacturing (162). There are also some industries and sectors where agriculture and service industries are subject to approved controls. We do not discuss them because of data scarcity.

The explained variable y_{jit} is the logarithm of the fixed asset investment of industry j enterprise i in year t . The reform of the investment approval system took place in 2004. The China's State Council issued a decision on reform in mid-July of that year. Since the China's central government's policy has often had a time lag from its introduction to implementation and impact, we set 2005 as the first year for the policy to play its role. The dummy variable ($reform_{it}$) for the reform of the investment approval system is assigned a value of 0 in 2004 and before, and a value of 1 after 2004. $Nocontrolled_j$ is an industry dummy variable that denotes the industries affected by the investment approval reform. The above 13 three-digit code manufacturing industries are assigned a value of 0 and 1 for other manufacturing industries.

The sample period is 2001-2007. The reasons for concentrating the sample period in 2001-2007 are as follows: First, our manufacturing enterprise data comes from the Chinese Industrial Enterprise Database. The database based on the above-mentioned statistics has been collected since 1998, and the industrial enterprise database used by most scholars is between 1999 and 2007. Second, in 2008, the Chinese economy was affected by the external economic crisis, and the behavior of the macro-economy and micro-enterprises was adjusted. For the sake of stability, we do not extend the sample beyond 2008. Third, the reform of the investment approval system took place in 2004, and the period before and after the policy shock can be fairly balanced in 2001-2007.

5. Results

We first study the average investment effect of the investment approval system reform. Table 1 reports the basic regression results. The empirical results show that after the reform of the investment approval system in 2004, the investment of industrial enterprises with significantly relaxed degrees of investment approval control is, on average, 5 per cent of points higher than the investment of industrial enterprises with no change in investment approval degrees. This shows that our empirical results not only have statistical significance, but also have significant economic significance.

Table 1. The investment effect of investment approval system reform

	(1)	(2)
nocontrolled	0.209*	0.187
	(0.119)	(0.115)
reform	0.143***	-0.070***
	(0.010)	(0.010)
reform×nocontrolled	0.031***	0.039***
	(0.010)	(0.010)
Control variables	NO	YES
Enterprise fixed effect	YES	YES
Year fixed effect	YES	YES
Province fixed effect	YES	YES
Industry fixed effect	YES	YES
N.	1,115,057	1,104,749
No. of Enterprise	385,836	381,625
R2	0.014	0.049

We further analyze the dynamic investment effect of investment approval reform. We want to see whether this kind of investment effect gradually increases or gradually declines over time or is relatively stable. We use the difference in investment between the treatment group and the control group in 2004 as a benchmark, and then examine whether there are significant differences between the investment differences in the treatment group and the control group in other years and in 2004. The empirical results present in table 2. show that the investment gaps between the treatment and control groups in 2005, 2006, and 2007 have significantly increased. This shows that after the reform of the investment approval system in 2004, the investment in enterprises in the regulation relaxed industries was significantly higher than that in industries with unchanged degrees

of regulation. In most of the years before 2004, there was no significant difference in the investment differences between the treatment group and the control group in 2004. This also shows that the treatment group and the control group meet the conman trend hypothesis.

Table 2. The dynamic investment effect of investment approval system reform

	(1)	(2)
nocontrolled	0.197* (0.119)	0.188 (0.116)
reform	0.141*** (0.014)	-0.070*** (0.014)
nocontrolled×D2001	-0.003 (0.020)	-0.030 (0.019)
nocontrolled×D2002	0.012 (0.018)	0.001 (0.018)
nocontrolled×D2003	0.035** (0.016)	0.018 (0.016)
nocontrolled×D2005	0.051*** (0.015)	0.045*** (0.014)
nocontrolled×D2006	0.045*** (0.015)	0.040*** (0.014)
nocontrolled×D2007	0.033** (0.015)	0.040*** (0.015)
Control variables	NO	YES
Enterprise fixed effect	YES	YES
Year fixed effect	YES	YES
Province fixed effect	YES	YES
Industry fixed effect	YES	YES
N	1,115,057	1,104,749
No. ofEnterprise	385,836	381,625
R2	0.014	0.049

6. Heterogeneity

6.1. Is the effect of the reform of the investment approval system related to corporate productivity?

Although investment approval reform may lead to a more significant increase in corporate investment in industries with weakened approvals, this stimulatory effect may be different for companies with different efficiencies. After investment regulation is relaxed, companies can make investment more convenient. This may provide more market opportunities for those companies that already have higher operating and investment efficiency, but it may also result in those enterprises that have relatively low efficiency gaining greater access. Therefore, the relaxation of investment regulation, which is more conducive to the investment growth of enterprises with high efficiency or low efficiency, is an empirical issue that needs to be confirmed by empirical evidence.

In order to verify this problem, we construct a triple-interaction term, which is interacted by *nocontrolled*reform* with the TFP variables of the company (*productivity*). In the empirical equation, we make the TFP index of the company do not change with time. We obtain the TFP index of each company that does not change with time by arithmetically averaging the TFP indicators of each year of the company from 2001 to 2004.

The empirical results show that the coefficient of the triple-interaction term is significantly positive at the statistical level of 10%. The investment effect of the reform of the investment approval system is more prominent for highly efficient companies. Therefore, from the perspective of optimizing the allocation of resources, the reform of the investment approval system promotes resource allocation efficiency.

Table 3. The effect of the reform and corporate productivity

	(1)	(2)
nocontrolled	0.174 (0.158)	0.101 (0.155)
nocontrolled*productivity	-0.003 (0.012)	-0.005 (0.012)
reform	-0.077 (0.056)	-0.246*** (0.055)
reform*mlp04	0.040*** (0.010)	0.032*** (0.010)
nocontrolled*reform	-0.065 (0.060)	-0.055 (0.059)
nocontrolled*reform*productivity	0.017* (0.011)	0.017* (0.011)

Constant	6.136*** (0.693)	1.663** (0.677)
Control variables	NO	YES
Enterprise fixed effect	YES	YES
Year fixed effect	YES	YES
Province fixed effect	YES	YES
Industry fixed effect	YES	YES
N	896,855	891,319
No. of Enterprise	263,140	261,271
R2	0.014	0.050

6.2. Is the effect of the investment approval system reform related to local government efficiency?

The investment effect of the investment approval system reform does not only vary in enterprise dimension but also varies with the differences in economic and social characteristics of different regions. The investment effect of investment approval system reform may have different performance in different government efficiency regions. One possibility is that, in regions with high local government efficiency, after the degree of investment regulation is relaxed, the enterprises get greater investment enthusiasm and enthusiasm, which means that the effect of the region with high local government efficiency is more pronounced. Another possibility is that, in areas with low efficiency of local governments, after the level of investment regulation is relaxed, corporate investment is greatly reduced by government restrictions, which makes it easier to carry out investment activities. Therefore, this is a question to be empirically tested.

In the empirical equation, we construct a triple-interaction term, which is interacted by *nocontrolled*reform* with the local government efficiency indicator (*goveff*). We make the efficiency indicators of local governments do not change over time. We obtain the government efficiency index of each province that does not change with time by arithmetically averaging the provincial government's 2001-2004 government efficiency indicators. By adopting the average government efficiency, we avoid the disturbance of the transition of individual years to reflect the efficiency of local governments more accurately and reasonably. Using the data before 2005, that is, the data before the reform of the investment approval system, makes the regression more exogenous.

The empirical results in table 4 show that the coefficient of the triple-interaction term is significantly negative. The investment effect of investment approval system reform is more prominent in the provinces where local government efficiency is lower, which supports the second theoretical assumption.

Table 4. The effect of the reform and local government efficiency

	(1)	(2)
nocontrolled	0.082 (0.154)	0.046 (0.151)
nocontrolled×goveff	0.000 (0.000)	0.000 (0.000)
reform	-0.586*** (0.078)	-0.716*** (0.076)
reform ×goveff	0.002*** (0.000)	0.001*** (0.000)
nocontrolled×reform	0.305*** (0.083)	0.362*** (0.081)
nocontrolled×reform×goveff	-0.001*** (0.000)	-0.001*** (0.000)
Constant	-1.121 (3.966)	-7.517* (3.932)
Control variables	NO	YES
Enterprise fixed effect	YES	YES
Year fixed effect	YES	YES
Province fixed effect	YES	YES
Industry fixed effect	YES	YES
N	1,115,057	1,104,749
No. of Enterprise	385,836	381,625
R2	0.014	0.049

7. Conclusion

How government institution and policy affect the investment activities is an important transitional economic research issue. This paper exploits the 2004 China investment approval system reform as a quasi-natural experiment, and identifies the impact of investment approval control loosening on investment. Because the 2004 China investment approval system reform does not treat manufacturing industries equally, we use difference-in-differences method to study the effect of the reform. Based on the data of China's industrial enterprises in 2001-2007 years, we find that the relaxation of investment approval control significantly promotes fixed assets investment growth in corresponding industries. This effect also has distinguished region and enterprise heterogeneity. The investment growth of higher productivity enterprises is faster, and the effect of reform is more significant in provinces with lower government efficiency.

These results have important Implications. First, our result confirms that, in transitional economies, government deregulation of general market activities can promote market prosperity and investment. For capital accumulation is the important driving force for economic growth in developing countries, it is necessary to promote market deregulation. Second, government regulation system reform is an important way to improve market resource allocation efficiency. The reform reduces the institutional obstacles and policy distortions of production factor flow. Finally, to a certain extent, the reform of the central government can narrow the gap in regional institutional capacity and achieve coordinated regional development.

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Сјанбин Ванг

Реформа система одобрења улагања и инвестициони раст

Апстракт

Однос између административне регулације и економског просперитета важно је питање јавне економије. Овај рад користи реформу система одобрења улагања из Кине 2004. године као квази природни експеримент и идентификује утицај ублажавања контроле одобрења улагања на инвестирање методом "difference in differences". На основу података кинеских индустријских предузећа у периоду 2001-2007 година, откривамо да смањење контроле одобрења улагања значајно промовише раст улагања у основна средства у одговарајућим индустријама. Овај ефекат има регионалну и хетерогеност по предузећима. Раст улагања предузећа са већом продуктивношћу је бржи, а ефекат реформе је значајнији у провинцијама са нижом ефикасношћу владе. Ова студија пружа теоријску подршку и емпиријске доказе за ублажавање владиног уређења микроекономских активности ради промовисања економског развоја.

Кључне речи: систем одобрења улагања, инвестициони раст, реформа, Кина

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