

CONFUSION AND ENTERPRISE

Fudan International
Strategic Report 2017



Institute of International Studies, Fudan University

Preface

The past 2017 saw an interweaving confusion and enterprise.

The two biggest black swans in 2016 left the world befuddled in 2017: are we seeing a reversion of globalization? Is the multi-lateral trade system collapsing soon? Will the global governance reach an end? What will the United States under the Trump administration look like, and how will it impact the rest of the world?

While the United States chose to look inward, China, as the second largest economy and the biggest growth engine in the world, entails even more importance in its leading role. President Xi Jinping, in his speech at the World Economic Forum at the beginning of 2017, proposed a “China solution” to globalization and global governance. The First Belt and Road Forum for International Cooperation held in Beijing attracted state leaders from across the world. The highly expected initiative, defining China as the vanguard of globalization, created a new round of buzz in the international community. The significant missions announced after the conclusion of the 19th National Congress of Communist Party of China painted a promising future picture for the country, which will position its strong leadership to guide the world. As the Chinese saying goes, a true hero will always survive the vicissitude of the times. China’s resolute and vision have instilled the puzzled world with momentum and confidence.

Global politics always follows the guidance of major powers. Economy was a heavy-weight variant to global politics in 2017, as evidenced by Trump’s enthusiasm in boosting U.S. economic growth and China’s focus on the implementation of the Belt Road Initiative. After years of geopolitical wrangling, state leaders have finally shot economy to the top of their political agenda. This new shift will shed more light on the importance of regional economy, which will inevitably see countries amending their foreign policies to reflect the change.

It is fair to conclude that the reshuffling of world order accelerated in 2017, creating new dynamics to which countries responded differently. Some appeared to be lost, some remained to be aggressive; some were knocked over while some endeavored to buck the trend. This round of strategic and policy adjustments will see winners and losers of global leadership and interests. It is vital to make the right choice in this ever-changing world.

Changes and adjustments are set to be the new norm in 2018. The world needs less confusion and more enterprise. This year also marks the 40th anniversary of China’s reform and opening-up. While following closely the trend of the times, China needs to further deepen and widen the reform to keep moving forward.

WU, Xinbo

Dean, Institute of International Studies, Fudan University

Contents

Preface

1. Forward or Backward: How the World Has Changed in 2017	1
2. World Economy in 2017: Solid Growth with Lingering Risks	7
3. China's Foreign Policy: A New Chapter of China Wisdom and Vision	11
4. The U. S.: President Trump and the Tale of Two Americas	17
5. Russia: Not Enough Bright Spots to Cast Light on Shadows	21
6. The European Union : Accomplishments and Challenges Coexist	26
7. France: the Proactiveness and Retrenchment behind Its Ambition	31
8. Japan: Duality and U-turn under 'Abe the Unopposed'	36
9. India: A Year of Transition	41
10. Middle East: Another Eventful Year	47
11. Korean Peninsula: Changes & Shocks under The Moon's Administration	52
12. Korean Nuclear Crisis: Mission Unaccomplished	57
13. New Phase for The Belt and Road Initiative	62

1. Forward or Backward: How the World Has Changed in 2017

WEI Zongyou

Professor, Center for American Studies, Fudan University

If 2016 is a year defined by black swans, 2017 was the year that witnessed the unilateralism and disavowal or withdrawal of US from many international obligations and regimes by President Donald J. Trump, who vows to put “America First”, and their impacts on international order and international relations.

U.S. Withdrawal and Ensuing Uncertainties

After Trump took office, he knitted populism and “America First” into his policy directions both home and abroad. His larger-than-life personality and anything-but-Obama mindset caused the biggest round of withdrawals by the U.S. from many international treaties after the WWII. He alleged that previous administrations, especially the one governed by his predecessor, made a series of domestic and foreign policies that debilitated and weakened the U.S. To reverse the downturn, it is imperative to launch aggressive reform at home and make foreign policy corrections. Being a staunch champion of “America First”, President Trump advocates a consolidation and expansion of anything that is for American interests and an eradication and aversion of things that are against. He claims that he is the president of the United States, not that of the world, and will defend American interests, not those countries far away.

This foreign policy orientation is strongly anti-globalization, anti-multilateralism and averse to global governance. Apart from security and prosperity at home, the two core interests of the United States of America, Trump will not shy from walking away from cumbersome international obligations.

On January 23 when he swore in to the White House, President Trump waited no time to sign an executive order to pull the U.S. out of the Trans-Pacific Partnership Agreement (TPP) to live up to his campaign promise. It also marked the beginning of a string of exits from global efforts by the U.S. When he was in Hanoi last November for the APEC meetings, President Trump defended his policy priorities and stressed that he will sign no multi-lateral trade agreements with many restraints that will hurt U.S. interests. He also requested a renegotiation of NAFTA with Mexico and Canada

by threatening to quit. President Trump also forced its Asian allies including Japan and South Korea to relaunch negotiations on long-standing bilateral free trade agreements to correct “unfair” terms and defend business interests for the U.S. He was also blatant about his discontent with the World Trade Organization, criticizing that the latter has not been transparent on some policy executions, and caused damage to the U.S. interests. On June 1 of 2017, President Trump announced his decision to pull the U.S. out of the Paris Agreement approved by 197 member states, stating the reasons including hurting employment in the U.S., restraining U.S. energy development and large scale redistribution of American wealth. The global fight against climate changes retrogressed after this withdrawal. The State Department then announced on October 12 that the U.S. will exit the UNESCO, and subsequently left the organization unpaid with its over 500 million USD membership fee. The Trump administration declared on October 13 that the U.S. will re-impose economic sanctions on Iran, defending that the latter has substantively broken the principles signed into the Iran nuclear deal. Though the deal is not facing an immediate retreat from the U.S. it is highly expected that President Trump will order the U.S. to leave if the Congress and its ally states declined a proposal to toughen the deal execution. His remarks were strongly criticized by even many of U.S. allies. Furthermore, The U.S. Ambassador to the United Nations Nikki Haley said her country will no longer be a part of the New York Declaration for Refugees and Migrants, a UN deal aimed at improving livelihoods of migrants and refugees. Haley stated that the withdrawal was due to “numerous provisions that are inconsistent with U.S. immigration and refugee policies and the Trump administration’s immigration principles”. President Trump was also assertive on his tough stance on NATO, which was repeatedly accused by him of underpaying defense cost.

President Trump’s unilateralism and withdrawal has posed the most severe challenges to the post-WWII international order that US established and dominated since the fall of Soviet Union. Some scholars from Western countries claim that the actions by the Trump administration has seriously undermined the liberal international order and brought about great uncertainty. The U.S. under the governance of Trump has grown to become the biggest revisionist power of the current international order.

“America First” and Its Shockwave

The “America First” strategy proposed by President Trump also brought new uncertainties to relations among major powers. The EU felt the earliest brunt. The long-standing cross Atlantic alliance is facing unprecedented challenges after

Trump's rebuke to NATO, applause to Brexit, withdrawal from the Paris agreement, finger-pointing at the EU refugee policies and admiration to Putin. German Chancellor Angela Merkel was so disillusioned as to urge that: "The era in which we could fully rely on others is over to some extent," she told a crowd at an election rally in Munich. "We Europeans truly have to take our fate into our own hands." The EU Economic and Financial Affairs Council sharply took a hit on President Trump's domestic and foreign policy directions in one of its internal documents, raising concerns about Trump's investment, tax and health care reform policy. The trade protectionism, as stated by the EU official papers, is detrimental to both the U.S. and the rest of the world. The back and forth reflected a growing rift between the two allies.

Despite all the rhetoric, President Trump failed to improve the U.S. relationship with Russia. His personal appreciation for Putin was overshadowed by the Russian investigation overseen by the Department of Justice, supported by the Congress and heavily reported by the media. Some of his campaign team, cabinet members and even family members fell victim to the extensive probe, which crippled President Trump's hope to seek for a better relationship with Russia. The Congress passed legislation about imposing further sanctions on Russia and tied it up with those against North Korea and Iran in June and July of 2017. Just before President Trump begrudgingly signed it into law, Russia expelled large-scale diplomats and staff working in US Embassy and consulates in Russia for retaliation. Russia Prime Minister Dmitri Medvedev tweeted in response, "The Trump administration has shown its total weakness by handing over executive power to Congress in the most humiliating way." Trump's hope of improving or resetting relations with Russia dashed.

The Sino-U.S. relationship withheld the shock of the election of Trump. When the President-elect Trump took a congratulatory call from incumbent top leader of Taiwan Tsai Ing-wen, which broke decades long protocol implicit between China and U.S., it gravely challenged the One China principle of China. However, President Trump ultimately acknowledged the importance of the One China policy after strenuous communications from the Chinese side and cleared a major stumbling block in the bilateral tie. A top-level meeting between the two Presidents from both countries in Mar-a-Lago in April 2017 yielded great results. The Chinese president Xi Jinping also underlined the role of four newly-established high-level mechanisms for dialogue and cooperation between China and the United States in such areas as diplomacy and security, economy, law enforcement and cyber security, as well as

social and people-to-people exchanges. Since then, the two leaders managed to maintain the bilateral relationship on a stable footing by communicating with each other in high frequency through calls, correspondence and meetings at international summits such as G20 and APEC. On November 8 2017, President Trump paid a state visit to China and received pomp and circumstances prepared by the host. This was the first foreign leader visit after the 19th National Congress of CPC, and also marked the success of a mutual visit within the first year of Trump's presidency. During his two-day stay in China, he and President Xi had a number of formal and informal meetings and discussions, which underscored the wide influence of a healthy Sino-U.S. relationship. Both sides agreed to closer cooperation and dialogues on crucial regional and global matters by enhancing high-level exchanges, expanding collaborations and managing conflicts on the basis of mutual respect.

China and the U.S. enjoyed a good start of its relationship thanks to concerted efforts by both governments. However, Trump's "America First" policy and zero sum mentality defined China as an adversary, poses challenges and uncertainties to the development of a healthy China-US relations. The latest US National Security Strategy issued on December 18th of 2017 painted China as a major source of threats. The report categorized China and Russia as "revisionist powers" that are posing main challenges to the U.S. national security in the new era of major states rivalry. It claims that China is bent on replacing the U.S. power and influence in the Indo-Pacific region, expanding the its flagship economic model driven by state enterprises, and shaping the regional order according to its own preference. "Its (China's) efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability." The report also confirmed that, "China's infrastructure investments and trade strategies reinforce its geopolitical aspirations". "Competitors such as China steal U.S. intellectual property valued at hundreds of billions of dollars." The Sino-U.S. relationship is almost certain to feel the full brunt should the Trump administration decided to put the words in actions.

China's endeavor and global governance reform

Despite of a more self-conscious and less globalization-minded U.S., the level-headed Chinese leadership has stayed true to their strategic designs and grown to become an active leading force of global integration and governance.

President Xi Jinping spoke clearly during the 2017 World Economic Forum in Davos of China's position. "Many of the problems facing the world are not caused by economic globalization"; "Just blaming economic globalization for the world's problems is inconsistent with reality, and it will not help solve the problems"; "In the face of both opportunities and challenges of economic globalization, the right thing to do is to seize every opportunity, jointly meet challenges and chart the right course for economic globalization". By making one of the strongest notes during the global event, he promoted China to be the vanguard of globalization in face of rising protectionism and populism.

China has not only talked the talk, but also walked the walk. Year 2017 marked the beginning of the Belt & Road Initiative – an initiative proposed by China, but benefiting the entire world. The Belt and Road forum for International Cooperation was held on May 14-15 in Beijing, where leaders and heads of states from over 100 countries, regions and international organizations gathered to discuss future opportunities and platforms for cooperation and solutions. China, along with many others parties present, envisioned a more connected world with renewed growth strength and momentum that creates better livelihoods for the people.

China also understands the importance of cooperating with other emerging economies to scale up globalization achievements that will benefit even more developing countries. During the 9th BRICS Leaders Meeting held in Xiamen in early September, chiefs from the BRICS countries exchanged their views on international order, global economic governance, BRICS cooperation and international and regional hot button issues with openness, inclusiveness and win-win principles being reiterated. His speech highlighted that in this second "golden decade" of BRICS cooperation, China is seeking to strengthen the strategic coordination with BRICS countries to promote open, inclusive, balanced, equal and win-win economic globalization. China will adhere to building a multi-lateral trade system, acting against trade protectionism, facilitating global governance reform and narrowing north and south gap to generate new momentum for global growth.

China is also sparing no efforts to live up to its due responsibilities in tackling climate change and working out solutions to regional affairs of key concerns. In response to America's withdrawal from the Paris agreement, the Chinese Ministry of Foreign Affairs reassured China's commitment to a full implementation of the Paris agreement and enhances its measures to cope with global warming, regardless of any changes in the external environment. On June 2, China and the EU jointly announced

that they will take measures to accelerate the retirement of fossil fuel as well as its irreversible process, to which an EU official commented, “As the new era of climate change begins, EU and China are ready to be the trailblazers.”

Although China’s leadership in climate change and support of keeping the Iran nuclear deal are largely welcomed by Europe, some western countries, long used to be leaders in global governance, are still not ready to see a China playing a leadership role. They look with great concerns and worries about China’s BRI, doubting its geopolitical and military intentions as well as geo-economic implications. They’re also very uncomfortable at the role of China’s state-owned enterprises in developing China’s economy and in executing BRI, and worried about an alternative state-driven mode of development. This “China Threat” mindset partly shows that the West is still bogged down by ideological differences and haunted by Cold War mentality, and will continue to be a drag to China’s aspiration for a peaceful development and a larger role in global governance.

2. World Economy in 2017: Solid Growth with Lingering Risks

SONG Guoyou

Director, Economic Diplomacy Center of Fudan University

The world economy registered some encouraging growth in 2017, staying largely immune from the two “black swans” a year ago – Brexit and Trump presidency. Furthermore, it successfully staved off another global financial crisis that often occurs every 10 year. Global economy in 2017, as implied by a number of healthy indicators, was in general smooth and satisfying with further growth momentum gaining track. Nevertheless, global economic governance ran into major hiccups that crippled a number of international economic mechanisms. Despite all the sound growth numbers, it is still too hasty to overlook looming risks and major uncertainties.

A Review of 2017

The world economy achieved good growth in 2017. The International Monetary Fund (IMF) revised up its forecast of global economic growth to 3.5% in April 2017 and again to 3.6% after six months. A solid rebound of developed markets contributed to a stronger global economy in 2017, which outgrew 2016 by 0.4%. Developed countries saw their GDP grew 2.2% on average, up by 0.5% year-on-year. The U.S. as the bellwether achieved a 2.2% or more economic expansion outperformed the 1.5% growth a year earlier. European economy also weathered the potential side effect from Brexit as well as political elections in France and Germany, and managed to strike a 2.1% growth rate, up by 0.5% in 2016. Japan successfully beat earlier expectations with a 1.5% GDP growth. Emerging markets grew by 4.6% in the past year, still faster than industrial countries but the margin is narrowing. Chinese economy remains stable with reasonable growth. Economists are guiding 6.8% growth rate, which makes it the best-performing major economy in 2017 with rising influence and statue.

Globalization was able to fend off invigorated protectionism forces after Donald Trump was elected. Regardless of worldwide concerns, global trade is expected to be 4% larger than 2016, which will also be the first time in years that saw trade growth outpaced that of GDP. This is a remarkable tipping point, as many world economy bears took slow trade growth as a key argument for their pessimism. Foreign Direct Investment (FDI) across the world managed to rebound from a two-year fall and shot up at a faster rate than GDP in 2017. Stronger trade and investment rekindled confidence in economic globalization.

Capital markets across the world also sustained impressive rallies throughout the year. Investors reveled in one after another record-high in U.S. equities thanks to expectations on stimulating policies by Trump administration. China A-share managed to float around the level of 3,300 points. Nikkei and Hang Seng both up by over 20%, while European bourses closed more than 10% higher than a year ago. If the ups and downs of equity value are a fair barometer of global economy, worldwide rallies in 2017 manifested investors' confidence, increased wealth and stronger consumption. Bond market also benefited from the tailwind, with almost 7 trillion USD worth of bonds issued this year worldwide.

International energy markets maintained steady on whole while commodity prices were also managed to stay a stable footing. The production cut passed by OPEC at the end of 2016 intended to beef up crude price by slashing supply. Brent Crude managed to stay above \$60 as a result, but the price increase was still eclipsed by global economic growth. One of the major bullish factors was the pro-energy policies rolled out by the Trump administration. A number of executive orders signed by the POTUS eased restrictions on domestic energy production in the U.S. Growing crude oil, coal and LNG output replenished the shrinking supply after the OPEC cut and reined in the rising price, thus created a favorable energy supply environment.

An Analysis of 2017

Key economic figures indicate both encouraging and worrying signs. To be fair, the downside is not created by some weak economic fundamentals, but rather a trio of philosophy, governance and mechanism of the world economy. The coexistence of progress and challenges constitute the overall landscape of global development.

There is an obvious retreat from economic liberalism and a subsequent rise of protectionism. The U.S. under the Trump administration reverted from its arduous commitment to global free trade and decided to put America first. The new trade policies highlighting "fair trade" and "reciprocal trade" will run the risk of stymying potential global trade growth. A strong supporter of unilateralism, Donald Trump waited no time to pull the U.S. out of Trans-Pacific Partnership (TPP) and launched North America Free Trade Agreement (NAFTA) renegotiation. He chose to resort to domestic jurisdiction for bilateral trade friction and diminished the effectiveness of policy coordination among major powers as a result. The rise of economic nationalism created real disturbance to global economy.

Major powers showed less interest in improving global economic governance, which was left to be rather disappointing throughout the year. Trump administration decided to adopt a hands-off approach to global governance due to lack of willingness for sustaining a multilateral mechanism. Europe was preoccupied with the ramifications of Brexit with little resources left for affairs outside the continent. China understands the importance of engaging in global governance, but playing a singular active role is not enough to reinvigorate the mechanism. Subsequently, global governance in 2017 made little progress, and even saw some key global initiatives taking steps back. G20 Summit concluded in Hamburg with no significant achievement. Trump exited the Paris climate agreement and left other stakeholders in major disappointment. Doha Round negotiations were almost “on the brink of demise” as it continues to lose its appeal to participants.

Global economic governance is also facing challenges with its legitimacy and effectiveness of reform being constantly questioned. International organizations such as IMF and World Bank are still operating under the dominance of western country bloc. They never fully reflect the interests of rising emerging economies, who were disgruntled by multiple failed requests for a quota reform to build a fairer mechanism. While on the other side, Trump administration asserted that current global economic system is unfairly favorable to developing countries at the expense of matured economies. By demanding more actions against countries including China, Trump administration made global organizations to make a choice between following his words or cutting U.S. funding. The split dragged down the efficiency of governance across the world as a result.

An Outlook for 2018

Resilient recovery and stronger momentum sustained good growth worldwide in the past year. Faster economic expansion, orderly reform and improved trade bode well for the world in 2018. To understand how significant a progress it can make, it is necessary to walk through the following four factors that will define global economy in 2018.

First, is it possible to haul up labor productivity in the short run? Some economists believe the growth we saw in 2017 was a cyclical result after 10 years of lukewarm economic performance. It is almost impossible to strike out a strong and firm growth without productivity rise in real term. The disappointing fact is, with global

productivity reaching a ceiling, there is yet to be a major technological breakthrough in place to help achieve this target.

Second, has competition among major economies spiraled out of control? Cooperative competition creates positive driving force for growth, while confrontational competition unnerves all countries across the globe. President Trump's UN speech focuses on "principled realism" and highlighted competition, or economic rivalry in particular, among major powers. It is becoming more obvious that more economies are scrambling for better positions in advanced manufacturing, global market and state-of-the-art technologic know-hows. The world has placed its attention on President Trump's approach to Sino-U.S. relationship.

Third, will looking geopolitical risks finally break out and how much negativity are they likely to weigh on global economy? If the encouraging growth in 2017 owes its credit to overall peace and stability across the world, the same cannot be guaranteed in 2018. The widespread concerns of regional confrontations continue to rise and cast a shadow over growth. Much discussion is about North Korea, whose nuclear ambition may lead to fights among military forces. An unwanted such scenario, which will mostly involve three largest economies in the world, is destined to create bigger uncertainties for the world economy.

Fourth, what is the coupling effect of tax reform and rate hike going to look like? President Trump finally achieved his first legislative win at the end of 2017 by signing the stimulant tax bill approved by Congress. The U.S. Federal Reserve is also estimated to do a number of hikes in 2018. Both of these actions are likely to provoke similar responses from other countries to fend off risks. It is easy to find in the text book of the consequences of either tax cut or more expensive borrowing: aggressive fiscal policy can boost growth and tighter monetary policy aims at controlling liquidity. The world will be faced with more complexity with both effects kick in at the same time.

3. China's Foreign Policy: A New Chapter of China Wisdom and Vision

LIN Minwang

Assistant Dean, Institute of International Studies of Fudan University

In the run up to a rise of anti-globalization and protectionism, China's foreign policies won worldwide acclaim for its part and parcel "China Solution". The 19th National Congress of the Chinese Communist Party held in October 2017 took stock of major diplomatic achievements and laid out overarching guidelines in the new era. In his speech to the Congress, President Xi Jinping reaffirmed that China will adhere to the path of peaceful development and constructing a community of common destiny for mankind. China is dedicated to build a new international order featuring mutual respect, fair, justice and win-win cooperation. A China's solution to global governance and major-country diplomacy with Chinese characteristics were both introduced in 2017.

A "China Solution" to Global Governance

President Xi mentioned in his 2016 New Year speech, "The world is so big, and there are so many problems. The international community expects to hear China's voice and see China's plans. China cannot be absent." However, Donald Trump was elected to be the President of the United States in that very same year. The amount of uncertainties created by his remarks championing protectionism has unnerved the world.

Against this background, President Xi addressed the World Economic Forum Annual Meeting 2017 with a keynote speech titled "Sharing the responsibility of the times to promote global development". His words inspired answers to the questions of "what has gone wrong with the world?" and "what should we do". China is ready to pursue globalization, world governance, an opening global economy, inclusiveness and win-win results. It shall work with all countries to advance the great cause of building a community of shared future for mankind. The international community extolled this solution proposed by China, joking that China and the U.S. have "switched their roles", as China is posing to be a true leader.

Building a community of common destiny for mankind is the global governance solution put forward by China. The mission, derived from China's conventional wisdom "all under heaven are one family", was firstly introduced by President Xi in 2013 when he was explaining China's position on improving global governance. Some principles raised by China, including achieving shared growth through discussion and collaboration, community of common destiny for mankind, The Belt & Road Initiative, Mass entrepreneurship and innovation were later enshrined in some UN resolutions, recognizing China's philosophy on a global platform.

The Belt & Road Initiative is a practice of building a community of common destiny. Since firstly introduced four years ago, it has been widely acknowledged as a solution to an array of global and regional economic challenges. The Belt and Road Forum for International Cooperation held in Beijing in May, 2017 attracted state leaders from 29 countries, senior representatives from over 130 countries and heads from more than 70 international organizations to design future cooperative path. The fruitful forum not only facilitated a sea of cooperative projects, but also formed a global consensus on pushing forward the Belt & Road Initiative that aims to bring dynamics to the region.

Aside from promoting its Belt & Road Initiative and organizing an eponymous international forum, China also played a leading role in founding the Asian Infrastructure Investment Bank and the Silk Road Fund. Its commitment to build a community of common destiny is best epitomized by its efforts in hosting a number of major international events, including the APEC Leaders' Economic Meeting, G20 Summit in Hangzhou, 9th BRICS Summit in Xiamen and the Conference on Interaction and Confidence-Building Measures in Asia. Holding high the banner of trade and investment liberalization and facilitation, China has risen to become one of the most vocal champions of globalization.

Major Country Diplomacy with Chinese Characteristics

Since the 18th CPC National Congress, President Xi has been gradually putting forward and enriching the concept of major country diplomacy with Chinese characteristics which emphasizes that efforts in foreign affairs shall have clear Chinese characteristics, Chinese style, and Chinese manner. In the report at the 19th CPC National Congress, Xi further pointed out that major country diplomacy with Chinese characteristics shall focus on "actively develop[ing] global partnerships and expand[ing] the convergence of interests with other countries ... promot[ing]

coordination and cooperation with other major countries and work to build a framework for major country relations featuring overall stability and balanced development ... deepen[ing] relations with its neighbors in accordance with the principle of amity, sincerity, mutual benefit, and inclusiveness and the policy of forging friendship and partnership with its neighbors ... guided by the principle of upholding justice while pursuing shared interests and the principle of sincerity, real results, affinity, and good faith, work[ing] to strengthen solidarity and cooperation with other developing countries .. strengthening exchanges and cooperation with the political parties and organizations of other countries, and encourag[ing] people's congresses, CPPCC committees, the military, local governments, and people's organizations to engage in exchanges with other countries." In 2017, China has made firm strides in the implementation of major country diplomacy with Chinese characteristics.

China's diplomacy in 2017 was one step closer to building a framework for major country relations featuring overall stability and balanced development. China-US relations went through a temporary setback after U.S. President Donald Trump took office. On April 6th, President Xi and President Trump held their first heads-of-state meeting in Mar-a-Lago Florida, where they acknowledged the strategic importance of Sino-U.S. relations. In November 2017, President Trump visited China for the first time, marking Sino-U.S. relations' smooth transition from under the cloud of uncertainty. Although in the first National Security Strategy report published by the Trump administration on December 8th 2017, China was listed as a "revisionist power", there are reasons to believe that the bilateral relationship will weather the impact.

There continues to be high-level strategic cooperation between China and Russia. Russian President Putin personally attended the The Belt and Road International Forum. President Xi returned the favor with a state visit to Russia in early July. Moreover, Russian Prime Minister Dmitry Medvedev's visit to China was even scheduled to be the first foreign affairs event after the 19th CPC National Congress, which demonstrated the fact that China-Russia relations is treated as an important vehicle for China's major country diplomacy.

Four major partnerships between China and the EU continued to deepen in 2017. In early April, President Xi went on a state visit to Finland, which was also his first trip to Northern Europe. In early July, he visited Germany and attended the G20 Summit, during which time he had extensive meetings with European heads of state, including

his meeting with the UK Prime Minister Theresa May where they acknowledged that China-UK relations shall stick to the general direction of the “golden era”, and his first meeting with the new French President Macron where he stressed the necessity to continue to look at China-France relations from a strategic level and a long-term perspective, so to develop for the better. Relationship between China and Germany made a smooth transition with Merkel’s reelection. Meanwhile in early June, Premier Li Keqiang went on official visits to Germany and Belgium, and held the EU-China Summit with the President of the European Council Donald Franciszek Tusk and the President of the European Commission Jean-Claude Juncker, where they formed a series of new cooperation initiatives based on the content of the comprehensive strategic partnership between China and the EU.

China’s diplomacy in 2017 achieved positive progress through the improvement of its relations with its neighboring countries. China and Japan appeared to have their ties “defrost”. 2017 and 2018 respectively mark the 45th anniversary of the normalization of China-Japan relations and the 40th anniversary of the conclusion of the Treaty of Peace and Friendship between Japan and China, creating a window of opportunity for improving the bilateral tie. Both countries are trying to seize this opportunity. In May, Secretary-General of the Liberal Democratic Party (LDP)Toshihiro Nikai led a delegation to attend The Belt and Road Forum. On September 28, Prime Minister Abe was invited to the Chinese National Day reception held by the Chinese embassy in Japan, indicating the two states were making positive efforts towards the improvement of their relationship.

China and South Korea saw a turn for the better in 2017. South Korea’s new president Moon Jae-in has been continuously overcoming difficulties since his election in May. In October, South Korea stated that it would not participate in the missile defense system constructed by the U.S., and take a break on THAAD. The trilateral security cooperation among South Korea, the U.S. and Japan would not develop into a military alliance. This statement created a foundation for the improvement of China-South Korea relationship. From December 13th to 16th, Moon Jae-in was on a state visit to China, turning the two state talks back to normal track.

China and India suffered a major setback in their relationships in 2017, with the overall situation remaining undisturbed. From June to August, the border security forces of the two countries were engaged in a 72-day long standoff in Donglang area in Tibet Autonomous Region. The incident was eventually solved peacefully through diplomatic measures, demonstrating the fact that the bilateral relations were gradually

maturing. Nevertheless, it left the two countries with lessons to be learned. The foreign ministers' meeting among China, Russia and India, as well as the re-opening of the 20th meeting of special representatives on the China-India boundary question indicated that the two countries were learning from the past and seeking a fresh start for China-India relationship.

China's diplomacy in 2017 further strengthened its solidarity and cooperation with developing countries. The Belt and Road International Forum for International Cooperation in May strengthened China's solidarity and cooperation with developing countries. The BRICS Summit held in Xiamen in September adopted the "BRICS Plus" cooperation model. As an innovative effort, dialogues between emerging markets and developing countries were held, and leaders from Egypt, Guinea, Mexico, Tajikistan, and Thailand were invited to attend the event. The summit focused on the implementation of the 2030 Agenda for Sustainable Development. China is trying to build the BRICS cooperation mechanism into a new platform for south-south cooperation with global influence.

In November 2017, Premier Li Keqiang attended the Summit of China and Central and Eastern European Countries in Budapest, where he recapitulated the cooperations in the past 5 years, and reinforced the direction for deepened cooperation in the future. It is worth mentioning that with the rapid development of this dialogue mechanism, the EU, Austria, Switzerland, Greece, Belarus, and the European Bank for Reconstruction and Development have also joined in as observers.

China's diplomacy in 2017 achieved rapid advancement in managing its relations with its neighboring countries. China-Philippines relations continued to deepen and develop after their recovery in 2016. Mongolia and Singapore also stepped closer to China after their relations with China went through a series of setbacks and reassessments. In December, Mongolia's new Foreign Minister Damdin Tsogtbaatar visited China. In September, Singaporean Prime Minister Lee Hsien Loong went on a whirlwind visit to China. Both visits highlighted the adjustments made by China's neighboring countries in their foreign policies towards China. After the 19th CPC National Congress, President Xi visited Vietnam and Laos, further helping China build a community with a shared future with its neighboring countries.

Meanwhile, China is becoming more proactive in shaping its peripheral environment through multi-lateral platforms and mechanisms. The Belt & Road Initiative has

achieved outstanding results in infrastructure building in China's neighboring countries. China and Kazakhstan's cooperation in capacity building has been continuously deepening. The construction of the China-Laos railway connecting Laos' capital Vientiane and Kunming, Yunnan has been going at full steam. The China-Thailand railway project has also successfully started after a few setbacks. The Belt and Road Initiative-related construction has even achieved record-breaking progress in South Asian countries including Nepal, Afghanistan, Bangladesh, and Maldives. Another periphery-management mechanism that has been developing rapidly is the Lancang-Mekong Mechanism. In just 1 year, the development of the Lancang-Mekong Mechanism has reached astonishing speed (often referred to as the "Lan-Me speed" or the "Lan-Me efficiency"). It has built a complete framework for the cooperation system and has laid out specific cooperation projects. China is actively shaping the new reality of the Indo-China Peninsula.

Another universally recognized fact is that China has been more actively using shuttle diplomacy in managing its relations with its neighboring countries. Myanmar's government was condemned and sanctioned by the US and the EU because of the Rohingya persecution in Myanmar. On this issue, China will stay true to the principle of non-interference in other country's internal affairs, and actively coordinated the effort for Myanmar and Bangladesh to adopt the three-stage plan to solve the Rohingya crisis. In the same way, China has been playing a more active role as a mediator between Afghanistan and Pakistan. In June, Afghanistan and Pakistan established the China-Afghanistan-Pakistan Foreign Ministers' Dialogue mechanism after a whirlwind visit of China's Foreign Minister Wang Yi. In December, the first trilateral dialogue was held. This mechanism will play an important role in facilitating the reconciliation and reconstruction of Afghanistan's internal affairs and the improvement of the bilateral relations between Afghanistan and Pakistan.

In conclusion, China's diplomacy in 2017 has been more proactive, more mature, and more confident. In terms of global governance, as the "China solution" has been widely commended, there will be more "Chinese element" in the international community. With the implementation of major country diplomacy with Chinese characteristics, China's global influence and regional power is also growing rapidly.

4. The U.S.: President Trump and the Tale of Two Americas

WU Xinbo

Dean, Institute of International Studies, Fudan University

Director, Center for American Studies, Fudan University

On January 20, 2017, Donald J Trump officially assumed the presidency of the United States. Widely known as a unique and unconventional figure, he always created news headlines and uncertainties. Both his style and policies embodied him as an unprecedented national leader who further divided the country between establishment and anti-establishment, 19th-Century-America and 20th-Century-America, and Democrats and Republicans.

Who is President Trump?

Three keywords defined Trump's presidency: Twitter, anti-establishment and faction. Twitter is an important publicity tool during his campaign for him to "talk directly" to the voters. He kept this tradition even after entering the White House. His bold and unfiltered messages on Twitter were widely taken as controversial and provoked backlashes from even his supporters. Branding himself as an anti-establishment President, Trump's deeply rooted mistrust and revulsion against the media was epitomized by his request for a State Department budget cut and a fierce battle with the mainstream media. His appointments of several senior White House positions all went to his family members, manifesting his way of corporate governance and lack of faith in the establishment. By the end of 2017, Trump still has not fully filled his cabinet seats, leaving open 10% of Secretaries, 30% of Deputy Secretaries and 60% of the Director-Generals. The vacant seats largely hampered the policy implementation, and also deepened Trump's reliance on his inner circle. However, even within the group of people who stay the closest to the President, factions and cliques of "Americanism" and "globalism" were formed based on their own vested interests and values. The vital role played by the Trump family in the White House also complicated the situation.

After taking the office, President Trump went all out to reverse almost everything done in the previous administration: pulling the U.S. out of Trans-Pacific Partnership (TPP), abolishing The Affordable Care Act, exiting Paris Agreement and threatening to abrogate the Iran nuclear deal. At the same time, Trump hurried to install a number

of controversial policies, including the travel ban, restrictions on illegal immigrants and a Border Wall. He also worked closely with the Congress to push forward a tax reform and an infrastructure bill. Even with Republicans controlling both the White House and the Congress, not much has been achieved in the past year. The voting to retire ObamaCare ran into roadblocks with the veto of several Republican Senators. The abandonment of Iran nuclear agreement also met headwind. The travel ban made frequently headlines and was finally approved by the Supreme Court at the end of 2017. Though contractors have been building prototypes for the Mexican border wall, uncertainties loom as to whether the project will be acknowledged by the Congress. Despite the largely unclear infrastructure bill, the tax reform bill was so far the biggest achievement by the administration. The legislation, passed by Congress on December 21, and signed into law by the President, marks the biggest tax reform since 1986.

What Has President Trump Achieved?

In his first year in the White House, Trump faced low polling rate, a divided country, worse party wrangling and backlash from the establishment. His approval rate floated around 30% for most of the time in his first year as the President, marking a historic low. The inveterate feud between Republicans and Democrats worsened. The investigation into Russian's involvement in the election was not entirely groundless, but it is also taken as a sign that the Democrats are not taking their election loss very well. The political division has affected the deeper level of the American society. People in blue and red states are living starkly different lives defined by their own trusted sources of news, books, music and TV programs. Some analysts believe that the United States is the most divided since the end of Civil War. Republicans have also fallen into a number of tribes, namely the establishment, the anti-establishment, the mainstream and the alt-right. Mainstream republicans, who are still largely composed of the establishment, are open and candid about their disputes with the President, especially on issues of major importance. Democrats' win in Virginia and Alabama at the end of 2017 also marked a turning point of the political landscape, and is expected to bring huge pressure on the GOP in the coming mid-term election in 2018.

The economy, on the other hand, tells a quite different story. The U.S. economy grew by around 2.5% in 2017. Unemployment has dropped to 4.1%, the lowest in decades. Stock markets rallied to historic highs, creating an overall financial wealth larger than pre-crisis level and the highest level household income since 1999. It is still arguable

to say that these are the direct contributions of Trump policies, but his priorities to cut tax and loose up regulations definitely helped to boost business and consumer confidence. The recently approved tax bill is likely to invigorate the business and economy. It is estimated that growth rate in 2018 will be as high as 3%, the fastest since 2008 financial crisis. Yet, this trend may not be sustainable.

The policies against immigration and minorities rolled out by the Trump administration provoked serious debates and caused rifts among races. The infamous “travel ban” announced by the White House soon after Trump took office was suspended and ruled as unconstitutional by a number of regional federal courts. It finally came into effect on December 4 of 2017, when the Supreme Court decided to back this controversial executive order. The fatal clashes between White Supremes and anti-racist groups on August 11 of 2017 in Charlottesville, Virginia killed three people and injured another 30 more victims. Though the social mainstreams defended cultural pluralism by condemning and scolding the rise of White Supremes and racial hatred, as Trump’s policies of restricting immigration and scaling back social welfare proceed, the ethnical confrontation may become exacerbated.

Trump’s call for America First has effectively scaled back its foreign policy footprint overseas. To start with, he has already pulled the U.S. out of TPP, The Paris Agreement and UNESCO. On top of that, the Transatlantic Trade and Investment Partnership (TTIP) negotiation has been put on hold, and other existing deals such as NAFTA and the U.S.-South Korea Free Trade Agreement were also demanded to be renegotiated. As a result, the U.S. came under criticism by its allies of unilateralism, failed leadership and narrow pursuit of interests. Perhaps it was the Middle East that saw most of the achievements by this administration. He beefed up the strike on ISIS, repaired ties between Saudi Arabia and Israel and attempted to abolish the Iran nuclear deal. However, his tough stance against Iran and his decision to move the US Embassy in Israel from Tel Aviv to Jerusalem provoked backlashes and intensified tensions among the countries in the region. In its dealing with major powers, ties with Russia experienced another nosedive, whereas its relationship with China was one of the rare bright spots. Alliance with Japan and South Korea was able to be back on a relatively stable footing, while the European allies are feeling a chilling snub from Washington. On the North Korea nuclear program, Trump still lacks a credible and feasible approach, and some of his rhetoric and actions only add more uncertainties to the region. All in all, little foreign policy progress has been achieved in Trump’s first year, and even worse, the international prestige and stature of the U.S. were compromised as a result.

A review of his first year in the office is enough to arrive at the conclusion that he plans to bring the U.S. back to the 19th Century: a white male dominated country with strong manufacturing, tough restrictions on immigrants and discriminations against the ethnic minorities. As a strong advocacy of national interests, Trump has shifted the foreign policy priorities to America itself. He is likely to agree to some types of international engagement and intervention pertaining to the interests of the U.S. Its obligations to allies will be recalculated based on the gains, and a minimum involvement in a multi-lateral system is expected.

How Far Can President Trump Go?

President Trump was known to be an unconventional president and challenged the political traditions in the White House. The question is, how much farther can he go?

Mueller's investigation into the alleged Russian collusion might be on top of people's mind in 2018. Aside from some senior staff on his campaign, doubts have been looming large whether Trump's family members (including son-in-law Jared Kushner) or even he himself will be indicted. If any of these names were named, Republicans will have to choose whether to distance themselves from President Trump to compete in future elections, one of which being the mid-term in 2018. Losing more seats would be disastrous for the GOP, who has already suffered from a defeat in Virginia and Alabama at the end of 2017, making Congress even more divided and potentially crippling the White House governed by President Trump. It is widely known that President Trump is not a fan of policy making or execution. Instead, he is more result-oriented. As more government vacancies need to be filled by professional political appointees, there will be a rise of establishment power in the administration. They can easily leverage Trump's negligence over the policy process and skew it to their own favor. In a word, Trump's 2018 will face major uncertainties.

5. Russia: Not Enough Bright Spots to Cast Light on Shadows

FENG Yujun

Deputy Dean, Institute of International Studies, Fudan University

Director, Center for Russia and Central Asia Studies, Fudan University

Russian foreign policy gained some achievements in 2017. Despite the good news, the inroads made were only partial and cannot cover the larger failure. The progress Russia had made was not enough to solve deeper structural problems in its national development and foreign policy strategies.

Foreign Policy Highlights and Achievements

The most remarkable foreign policy event in 2017 is undoubtedly its sweeping success in Syria after two years of military action. It was able to keep Bashar al-Assad, a key Russian ally, in his position, thwarting the subversion planned by the rebel forces supported by Western countries. On top of that, Russia kept its air and navy bases in Tartus and Lattakia, two military key points in Syria and consolidated its strategic stronghold in East Mediterranean to maintain Black Sea and Mediterranean geopolitical strength built around since as early as 18th century. Also, Russia laid out a multi-layer Middle East network with itself at the core. To elaborate, Russia formed an alliance on a voluntary basis with Syria, Iran and Turkey to facilitate “temporary cooperation”. Beyond this new friendship, Russia worked closely with Iran and Azerbaijan to create favorable conditions around the Caspian Sea. Saudi King’s historic visit to Russia signaled a breakthrough in the bilateral relationship and Russia’s rising influence in the region. Aside from all the above efforts, Russia tried to leverage Qatar diplomatic crisis to seize more strategic gains in Middle East.

Nevertheless, Russia is still miles away from dominating Middle East, where the geopolitical, ethnic and religious diversity and complexity are beyond the control of any major power. It is imperative to look into the sustainability of the Russia-Turkey-Iran trio, which seems more likely a temporary alliance, as Iran desires to gain dominance in the region and Turkey joins to tackle the rise of Kurds. Perhaps these two countries, if at full liberty of choice, would prefer to stand with the United States than Russia, with whom they have feuded for centuries. Similarly, to respond to the quick rise of Iran in recent years in Middle East, the United States and Gulf states led by Israel and Saudi Arabia are inching closer to the region. Instead of a complete

withdrawal from Middle East and giving away its influence to Russia, the United States chose to tinker its policies towards the region.

The second most significant foreign policy achievement made by Russia is its acceleration of “looking to the east”, which to some extent solved the stalemate after the Ukrainian crisis. By facilitating more interactions with Asian countries including Vietnam, Japan and India, Russia is responding actively to the new geopolitical landscape in Asia Pacific. It engaged in the DPRK nuclear crisis and played a positive role in mediation by sending a delegation led by Valentina Matviyenko, Chairwoman of the Federation Council to North Korea for ice breaking talks. It is also encouraging to see Russia, as a middleman, relaying messages between the United States and DPRK. Its joint statement with China on solving Korean Peninsula crisis and being vocal on THAAD system further consolidated and intensified Russia’s clout in the region. In addition, Russia also put forward the concept of “Great Eurasian Partnership Program” to form a closer bond with ASEAN and APEC countries. By building a cross-continental geopolitical and economic framework, Russia endeavors to avert pressure imposed by western countries and seeks for a foreign policy breakthrough by reaching out to others.

An indispensable component of Russia’s “looking to the east” strategy is to deepen its comprehensive strategic partnership with China. Top state leaders from both countries have shown their keen interests in forming a tighter bond, exemplified by the signing of multiple documents including Joint Statement on Deepening the Comprehensive Strategic Partnership of Cooperation, Joint Statement on Current World Order and Major International Issues, The Treaty of Good-Neighborliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation Implementation Guideline (2017-2020) and Joint Statement on Korean Peninsula Issue. It is also clear that the two sides are hoping for more practical results from a closer relationship, as bilateral trade volume grew by more than 20% in the past year thanks to faster implementation of numerous investment projects. It should be recognized that Russia survived rounds of tough sanctions imposed by Western countries through China’s generous investment deals. In October, 2017, China and the Eurasia Economic Union signed a joint statement about the successful conclusion of negotiations on economic and trade cooperation. Both sides agreed to further cut non-tariff trade barriers and increase trade facilitation.

Russia made further progress in assuring sustainable development of Eurasian Economic Union through signing a number of new cooperative agreements in

customs, trade, tax and energy. Meanwhile, Union members including Kazakhstan and Belarus are actively reaching out to China, Japan, South Korea, the United States, the EU and even Middle Eastern countries in an effort to diversify its trade and economic partnerships and shake off a presumable dependency on the Union.

Fundamental Problems Create Systematic Risks

Failures to promote more economic cooperation aside, Russia encountered numerous political and strategic miscalculations in the post-Soviet times. The Baku-Tbilisi-Ceyhan pipeline commissioned in 2006 has already changed the petroleum politics around the South Caucasus and the Caspian Sea. The inauguration of Baku-Tbilisi-Kars Railway in 2017 further signaled declining Russian influence on energy and infrastructure in the region. Russia also seemed to grow even more estranged from its political allies. The 2017 Russia-Belarus joint military exercise was overshadowed by a row between the two, who could not agree on whether the two presidents, Lukashenko and Putin, to visit together or separately. This matter, though may be of little significance, epitomized the underlying mistrust between Russia and its allies. In cultural aspects, Russia is seeing the Slavic civilization being gradually dismissed by more and more Central Asian countries, such as Kazakhstan who decided to replace Cyrillic with Latin alphabet as the writing system for the Kazakh language by 2025. As more and more Central Asian countries realized Russia can no longer be positioned as a strong leader, the diminishing cultural influence in the region will be one of its biggest challenges in after the Soviet Union collapsed. On the Ukrainian crisis, the eastern part of the country is now technically in a stalemate and Minsk Protocol is just words on a piece of paper. The Donbass region is also facing different threads of power struggles, complicated by the self-declared Donetsk and Lugansk People's Republics. This war-torn region is an inseparable part from Ukraine as well as a burden to Russia. The issue of Crimea also adds complexity to the big picture.

In hope of an auspicious reboot of its relationship with the United States under the Trump administration, Russia had to, instead, witness the bilateral tie almost fall into a gridlock. Aside from facing tougher sanctions, Russia also engaged in a tit-for-tat diplomats kick-out and media censorship, bringing its relationship with the United States into a downward spiral amid frequent rows over a variety of issues, including scrambling for a better position in Middle East. Feud between Russia and the United States has deteriorated from geopolitical and strategic disputes to intervention into domestic policies after one year into the Trump presidency. The alleged collusion

between the Trump campaign and Russia state power created fierce backlash in the United States and worsened the already complex and strained relationship between the two countries. Trump's Russian scandal is yet to be dismissed, after the Department of Justice and Congress designated a special counsel to launch a full investigation into the Trump campaign and its possible ties with Kremlin. It has risen to become a highly sensitive political issue across the country, making "anti-Russia" a politically correct verbiage. Putin also conveniently painted the United States as an "external opposite power" to pardon poor economic growth in Russia, and make into an imperative part of Putin's propaganda for his fourth term as the President. It is easy to arrive at the conclusion that Putin has no motivation to improve its relationship with the United States before he is reelected in May, 2018. The two major powers will remain to be each other's "limited opponents" for quite a while in the future.

Regardless of the discord between the United States and Europe, Russia's relationship with its fellow European countries remained bleak, as it is still reckoned as a "common enemy" by the West. NATO members anted up military expense and arm force department under the challenges by Russia and pressure by the United States. Most European countries worried about how Russia leveraged the power of Internet to intervene into their domestic politics, including Brexit vote in the UK, Catalonia referendum in Spain and the rise of alt-right political parties. Ukraine is also deemed as a security time bomb by EU. Therefore, 23 EU member states signed a binding defense treaty in Brussels on November 13, 2017 to launch the Permanent Structured Cooperation (PESCO). PESCO is a Treaty-based framework and process to deepen defense cooperation amongst EU Member States who are capable and willing to do so. The aim is to jointly develop defense capabilities and make them available for EU military operations. Member states will live up to commitments including defense budget contribution and investment in R&D. The UK Prime Minister Theresa May visited Warsaw on December 21st, 2017 and signed a defense treaty which provides a framework for enhanced co-operation in training, information sharing, defense procurement and joint exercises between the NATO partners, who also reached a consensus on an initiative to blunt Russian propaganda in the region. On the same day, the Council of the European Union announced an extension of sanctions on Russia until July 31st, 2018. The sanctions, initially introduced in 2014 against the backdrop of the Ukrainian crisis, was expanded and linked with the implementation of the Minsk Protocol in March, 2015. It is almost certainly that if Russia cannot fully implement the Protocol, the EU will not lift up the sanctions, which can be prolonged every six months. Russia can never resume a benevolent diplomatic relationship with the EU if sanctions are standing in the way.

With Vladimir Putin announcing his bid to run for President in 2018, the lack of strong opponents almost assures his fourth term in the office. Nevertheless, it helps little in solving the structural problems Russia is facing. Victories in Syria will not wipe out its strategic antagonists on other fronts. Russia is still posing a great amount of uncertainties to the region and even the rest of the world.

6. The European Union : Accomplishments and Challenges Coexist

DING Chun

Director, Center for European Studies, Fudan University

2017 was supposed to be a year of celebration for the European Union - this year marked 60 years' anniversary of the signing of Rome Treaty. However, the festive mood was largely dampened by a string of events starting from as early as 2009 including European debt crisis, refugee crisis, Ukrainian crisis, terrorist attacks and Brexit. This year, the European Union arrives at a crossroad where it is facing both progression and puzzles. Though the EU is yet to be out of the woods, it becomes more pragmatic and positive. Regardless, it is still up for many challenges to come.

In general, 2017 saw the EU winning back some public favor with a more solid footing against the background of the 60th anniversary of the founding of the EU, less refugee disturbance and better economic growth, laying a good foundation for restarting. Meanwhile, Brexit and Trump's victory in 2016 manifested a sharp rise of populism, which posed a challenging situation for the EU, who felt the urgency to react. The EU member states managed to remain true to their initial purpose, taking concrete steps with full resolute to restart. Countries including France and Germany continued to act as the main driver of the integration to carry out their leadership and add more adhesiveness to the union.

EU Members Making Inroads

The EU continued to march forward in 2017 with restored confidence and reached a number of encouraging milestones.

In March of 2017, a *White Paper on the future of Europe* kicked off public discussions on the five possible scenarios of Europe as a bloc. This self-reflection came in after Brexit to give a positive response to the major issues that are critical to the future of EU and European integration. Apparently, Brexit was an event that prompted the EU to dismiss their ideals and wake up to the realities. The White Paper was thus recognized as the birth certificate of the post-Brexit Europe. Leaders from 27 member states later gathered together in Rome to sign the Rome Declaration, calling for greater unity to face common future challenges even with one member quitting. According to the Rome Declaration, member states are allowed to move forward at their own pace that suits them the most, as long as they are heading

towards the same direction. A “multi-speed Europe” is coming into being.

When the notion of a “multi-speed Europe” was firstly introduced in as early as 1980s, it fairly reflected the unruliness of each single EU country, who rightfully wanted to develop at their own paces. While nowadays, it brings new hope to reinforce a more practical integration. Under the current circumstances, where it is impossible for all member states to simultaneously agree upon a deepening of the integration, multi-speed is a plausible choice, which allows member states with more flexibility to fine-tune their own strategies to a best-fit. Acknowledging the fact that not all member states can agree to a synchronized strategic setting, the EU no longer requires mandatory participation, but instead, encourages members to decide whether to form an alliance “on a voluntary basis” in certain areas, including defense, security and tax. The handling of refugee crisis applied this new rule, with Germany acting more independently.

An encouraging and adventurous deal already achieved as the result of a “multi-speed Europe” is Permanent Structured Cooperation, or PESCO, which united 25 member states to commit to a more autonomous future defense framework of Europe. The treaty that has been signed by most of the member states saw the absence of the UK, which has already decided to quit the bloc, and Denmark and Malta, two countries known for their neutral stance. Although it would be premature to read too much into a common defense cooperation among the EU states, as it is no way near replacing NATO, collaboration in military space among European countries are definitely strengthened, marking a bright new start of EU integration in the new era. Facing the internal and external challenges, the EU finally found a breakthrough to promote the cooperation integration and made the European defense concept come into a reality. To elaborate, PESCO, designed to create a stronger EU in defense, demands the form of a defense affair mechanism, a coordination command center and a military action unity and covers everything from personnel, arms forces, weapons, logistics and even military hospitals. This groundbreaking long-term military commitment also allows more flexibility to EU activities and helps EU to shake off some of its dependency on the US.

Between April to June of 2017, the EU rolled out three documents on economy and trade, defense and social dimension, which spoke in length about solutions to deepen integration of a European bloc in the further. Donald Tusk, President of the European Council, won support from leaders of 27 member states with his agenda covering Euro Zone reform, refugee crisis, internal security, trade and finance. This is widely

recognized as an architect for a European integration relaunch.

The public's confidence in supporting European integration is also ramping up. Polling data shows that around 40% of the responders feel positive towards EU, up by 5% from last year, while 21% of the people disagree, down by 4% compared with the same time last year. 57% said they are sanguine about the Union's future, whereas 37%, or 7% less from last year, remain pessimistic. An obvious rise in public favor is a piece of great news for EU politicians.

The emerging populism was also successfully curbed to avoid further divergence. The elections in the Netherlands, France, Germany and Austria saw some articulate populist contenders, who failed to win.

Emmanuel Macron, the newly elected French President, proposed a series of new measures to rekindle the integration process. The Franco-German Axis has the power to revive the diminishing European integration efforts by reinforcing their cooperation. Macron, in hope for laying the foundation for a reforming and economically stronger France through the reform of the EU, supports cutting red tapes, expanding military cooperation, a tax overhaul, more cross-broad exchanges among young people and strengthening democracy across Euro Zone and even the entire European Union. His proposals cover a number of hot button issues: set up an office on refugee sanctuary to facilitate coordination on refugee crisis, called for the implementation of the EU military budgets by 2020 to strengthen common defense at the EU level set out an ambitious vision for a "profound transformation", which includes boosting efficiency, decreasing deficit, slashing the number of seats in the European Commission that would boost integration between EU countries, making European Parliament seats vacated by Brexit be available on a pan-European list, and appoint an EU Minister of Finance to oversee a common budget. More importantly, he called for a stronger and more unified Franco-Germany Axis to deepen bilateral cooperation. At the EU Summit held at the end of 2017, the two countries materialized their common aspiration by reaching a consensus on a vital Euro Zone reform before March of 2018.

Reality And Challenges Faced by Europe

Ideals for often times are different from realities. Challenges and confusion are not yet to be dispersed, Regardless of several integration achievements accomplished by the EU and member states.

A string of affairs including debt default, refugee inflow, terrorist attacks, Ukrainian crisis and widened social income gaps, cast more shadow onto the communities. Populist parties took the chance and rise up quickly, providing oxygen for alt-right power. Aside from Austria, where populism gained an upper hand in their national election, other countries underwent leadership elections in 2017 dismissed candidates who chanted populism as the ruling party. However, some political parties, with block refugees as their only political agenda, have taken a seat or two in the national parliament, or have simply grown into the largest opposition party. For instance, Party of Freedom, a Dutch right-wing populist party, has risen to become the largest opposition party in the Parliament. National Front, another right-wing force in France, also won 33% of the vote in the second round of tallying, a record high in the party's history. Even in Germany, where alt-right thoughts and presence are highly unfavorable, Alternative for Germany, which is a force of such, gained 7% votes and rose to become the third largest party in the Parliament with potential to become the main opposition party.. Austria saw a coalition government formed between alt-right Freedom Party of Austria and the Christian democratic and conservative Austrian People's Party. As a result, Macron, French President, and Mark Rutte, the Prime Minister of the Netherlands, have to unwillingly lean right to retain voters affected by the rising protectionism. Meanwhile, parties with a neutral stance are bearing the biggest brunt, and non-populist politicians face a narrowing margin of error, since any possible policy slip-up will lead do a large wave of populism comeback.

Disagreements among members on what constitutes a “multi-speed Europe” naturally stand in the way of more progress. Central and Eastern European countries worry that more flexibility means the emergence of more cliques, or small circles. They hold the belief that “multi-speed” will be used as an excuse by core countries such as France and Germany to get rid of peripheries and develop on their own. The Visegrad Group composed of Poland, Hungary, Czech Republic and Slovakia jointly claimed that all types of cooperation should be open to every EU member. They have voiced their rejection to form a multi-speed EU. Even within the core bloc composed of France, Germany, Italy and Spain, who are in favor of a multi-speed Europe, debates about the priorities still linger, and there is no concrete plan for the implementation of the multi-speed policy.

A relaunch and further integration of Franco-German Axis are also daunting tasks. To start with France, attempts with economic system and social welfare system overhaul, including labor market reform, spoke in volume of its lack of capability to push forward an even more significant integration. On German's side, Angela Merkel, who

is still in search of a coalition after the election, remained largely distracted. Therefore, Franco-German Axis may not come into effect immediately. Furthermore, the two countries may not fully see eye-to-eye with each other when it comes to the nitty-gritty of a Euro Zone reform plan. For instance, French's proposal to designate a Finance Minister to oversee the common Euro Zone budget did not win support from Germany, and France's hope to issue Euro bond is also interpreted by Germany as a trick to transfer debts among EU members.

EU structural and systematic flaws also constitute reasons for recovery slowdown. The push for further integration is likely to be hampered by long and sophisticated legislative mechanisms, or a go-to habit of resorting to "direct democracy", such as a referendum, when seeking public opinions. A number of tentative reform measures boil down to amendments of EU treaties, which require a majority pass of the European Council, parliamentary approvals of member states and positive results of referendum. The EU is predestined to face behemoth push-backs from different members and interest groups.

7. France: the Proactiveness and Retrenchment behind Its Ambition

ZHANG Ji

Vice Director, Center for French Studies, Fudan University

France in 2017 staged a high profile comeback into the limelight with the help of its presidential election that created shockwaves. *Front National*, the far-right force that almost swept across the nation, further created another backlash to the notion of European integration after Brexit, and penetrated populism into the political landscape of the rest of the world. The defeat of *Parti Socialiste* and the dramatic quitting of Les Républicains, both of which are traditional major parties, marked the generation shift of political powers and the fall of traditional parties in Europe. Under the leadership of Emmanuel Macron, *En Marche*, a young centrist party, rose quickly out of almost all expectations and brought hopes to fend off populism, rejuvenate France and reinvigorate Europe. The dismayed but unrelenting French people again placed their fate in the hands of their President, a hero-like figure who is widely expected to bring the country back to the right trajectory. With Britain's breakup from EU, the U.S.'s washing its hands of Europe and Germany's predicament in the cabinet-forming, France, still a Eurosceptic not long ago, sees the opportunity of becoming a dominant force in Europe, where it wants to take the leadership to steer the sinking EU ship and revive the banner of independent diplomacy as a major power on the world stage.

Regardless of its renewed confidence, France has to face the fact of diminishing national power, deepening social economic model crisis, a more divided European Union because of its rapid expansion and the turbulence and influx of refugees from Middle East caused by the interference into wars in Middle East. The foreign policy of Macron administration, which has to work out a delicate balance, embodies the characteristics of both proactiveness and retrenchment.

The French Election Made The World Watch

The presidential election in 2017 was the most eye-catching election in recent years for several reasons. First of all, Trump's victory and Brexit warned people of the possibility of yet France as another black swan. The presidential election was regarded as the dam blocking a new flush of populism. Secondly, populist parties have never won such popularity throughout the history in France. Marine Le Pen (21.3%) from Front National and Jean-Luc Melenchon (19.58%) from the far-left Party, *La France insoumise*, won over 40% of votes in the first round. Le Pen even

made her way into the second round, marking her party's best election result in history. Thirdly, the fifth Republic also saw its first time without a traditional left-wing or right-wing candidate making into the second round of voting. The failure of both Socialist Party and the Republicans provided space to extreme parties, and also greatly increased the uncertainties of the election. Fourthly, thoughts and propositions anti-globalization, anti-European integration and anti-immigrants inundated the campaigns. A conventional rivalry between left and right has degraded into a showdown between lovers and haters of globalization and European integration. Eight of the eleven candidates proposed a breakaway from EU or the Euro Zone in one form or another.

The election was widely seen as defiance against establishment and status quo. The campaign manifesto of traditional parties also turns to be closer to extremity. The mass public, though disappointed in the society, traditional parties and elite politicians, was left with no choice but to choose between either polarized parties or a young nascent one. It is an structural response to a country suffering from long-term anemic growth, declining international status, successive terrorist attacks and national security challenges due to a refugee crisis.

Macron's winning alleviated the huge shockwave that the election may bring to the international politics and Europe integration. However, what can be deducted from the election is a solid build-up in the French society of populism and pushback against globalization, European Union and immigrants. Even though they failed to seize a governing position this time, their power in the Parliament and local government was significantly expanded. No one, either the President-elect or other parties, can afford to overlook this shift of political ecosystem and the change of public opinions. Not much time has been left for Macron and the "progressivism" he has been championing for, since populism and extreme parties will sweep back again in no time if the problems above can not be effectively solved. These concerns will act as restraints on Macron's foreign policy choices.

The Foreign Policies with A Mix of Proactiveness and Retrenchment

Macron's foreign policy manifests the openness and progressiveness of a major European power active in consolidating its leadership in Europe and securing national security. It also responds to people's call for protectionism and an inward-looking policy design. There are several aspects supporting this statement.

Firstly, Macron's European policy is both open, progressive and protective. Its openness is especially true compared with Le Pen's closed belief in populism. By proposing a sovereign, united and democratic Europe that can provide protection with higher efficiency, Macron sympathizes with the concerns of French people about integration and globalization, while also renewed his commitment to stick with Europe against the background of rising skeptics and criticism.

With Brexit, the Franco-German Axis was strengthened in fear of a falling-apart Europe. While Angela Merkel was having headache about forming the cabinet, France was offered the chance to reclaim the leadership in EU. By putting forth an array of solutions to current EU crises and propositions to enhance European integration, Macron aims at seizing the leading role when Germany was mainly distracted, averting the past matrix of "strong Germany weak France".

Firstly, on strengthen EU's diplomatic and military power, he called for other EU countries to voluntarily participate in common security and defense policy led by France and Germany so as to prepare for a scenario absent of U.S. military involvement. On improving the efficiency of tackling immigration and refugees, he supported a tougher boarder controls by installing European border police force, but also pursued a refugee asylum reform. He also proposed a common Euro Zone budget for the purpose of risk sharing and further integration to reboot European economy. He also wanted to establish a Finance Minister of the Euro Zone, ratchet up public investment, improve social welfare, and stimulate economic growth and create more jobs and prosperity. Actively in seek of a solution to tackle mounting pressure from hardworking Eastern Europeans, the President was committed to help his people fend off the clash from a free flow of labour force taking away their jobs.

Secondly, to directly respond to France's security environment and French people's jittering about national security, Macron enhanced security and defense policies. First, he appointed Jean-Yves Le Drian, then Head of the Defense Ministry under Francois Hollande as his Foreign Minister to give a full play of his rich and valuable national security experiences derived from his past posts. France and Europe needs stronger defense capability, which can be achieved through a larger defense budget, namely 2% of GDP by year 2025. Strikes against terrorism have also been shored up. However, it should focus on those areas and sources that directly threaten France's security rather than a broad engagement in international combating terrorism efforts. Through collaboration with other European countries, EU boarder control should be strengthened, while also reformed its asylum system to orderly regulate the inflow of

refugees. Macron took an immediate trip to Africa soon after he took the office. His speech at the French military base in Mali reassured his administration's dedication in anti-terrorism, and to work out a possible cooperation on refugee problems.

However, Macron has to take into considerations of the fiscal burden incurred by his plan to fortify national security. His 850 million euro military budget cut provoked backlash from its chief of staff, who later resigned to express his disappointment. To avoid further discontent, Macron promised that he will raise the budget for military from 32.7 billion euro in 2017 to 34.2 billion euro in 2018, and gradually to its ultimate target of 2% of GDP by 2025 without allowing extra spending from other ministries. Nevertheless, there will always be a contradiction between security and development if fiscal conditions made no improvement.

Thirdly, Macron gave up neo-conservatism in his foreign policy, which reflected some degree of strategic retrenchment. Macron reviewed the neo-conservative military intervention of two predecessors. Earlier military intervention into Libya, Cote d'Ivoire, Mali and Central African Republic cost France sizable spendings and gave rise to failed states that became hotbeds for terrorism, from which France suffered. To change anti-terrorism strategies, Macron needs to start from striking against terrorist organizations such as ISIS who posed threats to France's national security, but not in the purpose of a regime change. He also has to be more open-minded about seeking international cooperations, especially when it comes to working with countries including Russia, Turkey and Iran, who traditionally belong to a different camp. Foreign policy and diplomacy are important tools to avoid blood shedding. France can also consider breeding reliable agents to fight against terrorists, instead of having French troops taking the battlefield.

Last but not least, it is also in France's interests to form more balanced and flexible relationships with major powers. After all, the country's foreign policy tradition states it to be "independent". Macron hopes to achieve a balance between his dealings with Russia and the U.S. He is also active in playing a mediation role between major powers with ideological conflicts and strategic dispute. He was the first state leader of western countries to invite Vladimir Putin for a state visit, in hope for practical dialogues about cooperations on strikes against terrorism and Syria conflicts. While at the same time, he was also candid on affairs related to Ukraine, Syria and human rights, not shy of leveling his disagreements with Putin. Despite previous unpleasant encounters between the U.S. President Donald Trump and leaders from other European countries especially Germany, Macron extended invitation to President

Trump for a state visit in an effort to change his stance on withdrawing from the Paris Agreement. Trump's isolationism and unilateralism intensified disputes with European countries on NATO, security and free trade. However, Macron stressed the importance of cooperative efforts on terrorism and Syria by the U.S. and Europe together. He also seeks to work with Turkey and Iran on both of these issues to restore French influence in Middle East.

8. Japan: Duality and U-turn under ‘Abe the Unopposed’

HU Lingyuan

Director, Center for Japanese Studies, Fudan University

As in any other year, 2017 was not short of challenges and risks for Japanese politics and diplomacy. But unlike before, the Abe administration has displayed two distinct features: duality with the U.S. and U-turn with China.

Diplomacy is an extension of domestic politics. In 2017 in Japanese domestic politics, nothing riveted people's attention more than the October election. 5 years into the presidency since his re-election, by 2017, to many people, Abe has become “Abe the Unopposed” and has turned arrogant. His poor handling of the Moritomo Gakuen and Kake Gakuen school scandals made many voters turn against him. His public support nosedived. At one point, it plummeted dangerously to approximately 30%. His answer was a snap election. The gamble paid off. Yet Abe scored the victory only after a series of blunders by two of his most powerful rivals: Yuriko Koike of Kibō no Tō (Party of Hope) and the then leader of the Democratic Party Seiji Maehara. Their mistakes splintered the opposition and put Abe back into power. There are two developments following the general election. In domestic politics, Abe secured a two-thirds majority in the Lower House that raised his chances of revising the pacifist Constitution. Diplomatic wise, Abe, with his power consolidated, is more confident and has more wiggle room when dealing with America and China.

Duality with The United States

The U.S.-Japan bilateral relationship in 2017 can be best described by the duality of conflicting economic interests and converging security interests. The duality came into play as a result of the hiccups in the process of globalization and assumption of American presidential power by a most unlikely candidate - Donald Trump. One of the first things President Trump did was to withdraw from the negotiations process over the Trans-Pacific Partnership, or TPP. The U.S. pulling out was seen as a big blow for Abe and his efforts to use TPP as an economic bulwark against China, which is not part of the agreement. And President Trump's hostility did not stop with TPP. He also shelved the Transatlantic Trade and Investment Partnership, or TTIP, which is a deal to bring closer the economic ties among the U.S., the EU and Japan. With both trade deals near bankruptcy, Abe's plan to impose economic constraint on China while boosting Japan's economy by forming an alliance in the trans-pacific and transatlantic

regions that is led by the U.S. and Japan and supported by the EU became almost impossible to come to pass. But Abe was not resigned to defeat; he decided to go it alone. On the one hand, he worked hard to preserve solidarity and to secure an agreement among the TPP-11 countries. On the other hand, he reached out to the pro-establishment lawmakers in the U.S. and looked up to them to turn Trump around. Abe even nestled the hope of having America back in the TPP in the post-Trump era. In addition, Japan played into the grievances on the part of the EU towards Trump's treatment of TTIP and sped up talks for the EU-Japan Economic Partnership Agreement or EPA. Negotiations for EPA were finalized in the last month of 2017.

Although the post-war era has seen frequent trade friction between the United States and Japan, the two countries have always worked closely in regional and global economic and trade cooperation, with Japan often actively engaged in the U.S.-led initiatives. But what is different and noteworthy in 2017 is that Japan was often seen acting on its own, partly out frustration, and perhaps partly because Japan saw a great, symbolic opportunity to finally break away from its bondage with the U.S. and to establish more autonomy, something it has been trying to do for years. But there is one thing Japan should not leave out in its reckoning: by posing as a champion for free trade, Japan is not only making itself look good, it also makes Trump and his nationalist economics look bad. Facing the trade-savvy Trump, it remains to be seen what price Japan will have to pay.

In the area of security, both Japan and the U.S. have increased their defense budget. And in many cases the two countries' military strategies fit in with one another. Japan's "Southwest Shift" strategy puts the emphasis on better deployment and drills, by itself and with the U.S., to increase Japan's capability to recapture "a remote island invaded by an enemy force" and to block China's east coast access to the Western Pacific in the case of emergency. In addition, amid tensions with North Korea and greater U.S. presence in the region in a bid to grab more strategic interests, Japan maneuvered to step up and deepen substantial military cooperation, including the deployment of THAAD or the Aegis Ashore missile-defense system, with the Americans in the Asia Pacific and other regions. On Trump's first tour to East Asia, Japan worked hard to echo his "Indo-Pacific" strategy, the same way it trumpeted TPP, which started as a call for the creation of an economic and trade platform by a number of Asian countries, and turned it into a counterweight to China. But the "Indo-Pacific" strategy is different from the Obama administration's "pivot" to Asia, another strategy on which the two countries worked closely together, in that the former aims at obtaining more sea and air space. If Japan is successful, then China will be securely

contained in a network consisting of strategies mimicking the “Security Diamond”, a strategic framework involving the U.S., Australia, Japan and India, and the “Arc of Freedom and Prosperity”, a new Japanese diplomatic pillar reaching out all the way to Central Asia and even Europe.

On the whole however, not much has changed in Japan’s security measures in 2017. At the core, it is still about strengthening and creating containment against China. If anything is different, that is Japan has realized that when the U.S. is not to be relied upon (which is increasingly the case since Trump came into power), it can create new security networks to protect itself. But despite the progress, there were but few breakthroughs in U.S.-Japan security cooperation in 2017, mainly because Trump’s East Asia strategy is yet to take shape. Much remains to be observed.

In a nutshell, the U.S.-Japan bilateral relationship last year can be best described by its duality: deepened security cooperation and contradictory economic interests.

U-Turn on China

Japan’s China policy has seen major adjustment in 2017 as the Abe administration tried to steer the Sino-Japan relationship into a friendlier environment. Abe’s re-election in 2012 was followed by 5 years’ of rapidly deteriorating relations and historically low levels of amity between the two countries. To many observers, the adjustment was abrupt. They were quite surprised, for example, when the customarily stubborn Abe, accompanied by a group of high-level officials, attended a ceremony that marks the 45th anniversary of the normalization of Japan-China relations at the Chinese Embassy in Tokyo, the first ever sitting Japanese PM to do so. What’s more, Japan’s ruling party heavyweights, including LDP Secretary General Toshihiro Nikai, attended the Belt and Road Forum for International Cooperation in Beijing. In his speech in Beijing, Nikai announced Japan will cooperate with China on the Belt and Road Initiative. And Japan moved soon enough. Following Nikai’s speech, Japan sent its biggest ever business delegation to Beijing to hold talks on cooperation; after a hiatus of several years, Japan restarted a program which sends Japanese bureaucrats to study in China; the two countries reaffirmed their commitment to the maritime and air communication mechanism and reached consensus on how to prevent accidental maritime run-ins. All the progress has made possible the meeting between President Xi Jinping and PM Abe at the APEC meeting in Da Nang. There have been more exchanges between the politicians and peoples from the two countries, with Sino-Japan ties constantly warming up. Such observation is backed by the opinion poll jointly conducted by The Genron NPO and China International Publishing

Group.

If everything goes as Abe planned, then he will first have the resumption of the China-Japan-South Korea trilateral summit during Japan's rotating chairmanship, then he will visit China in 2018, followed by President Xi's visit to Japan in the same year, thus fundamentally improving the bilateral ties.

Much calculation goes into Abe's U-turn on China. The three main reckonings are as follows.

First, China has played its part well. The Belt and Road Initiative has been increasingly recognized and accepted as a project promoting win-win cooperation. And as the initiative gains traction and as China steps ever closer to the world's center stage by presenting itself in a positive light and by offering useful public goods to other countries, it is growingly difficult for the Abe administration to pull off its "contain China" strategy, which not only has yielded little, but also has sometimes backfired. Faced with the realities, Abe was forced to make adjustment. Second, the administration and the elite in Japan felt that the United States is a less and less reliable ally. In this day and age, it is way too risky to put all eggs in one basket. It is time to change course. Third, the way the Abe administration sees it, given the two countries' common interests on the matter, the heightening North Korean nuclear threat is offering a window of opportunity to improve the China-Japan relationship. To Japan, the only way to address the threat is for China to continue with the effective measures already in place against North Korea. Against this backdrop, warming up towards China is in line with Japan's interests.

Most observers in China believe that all the changes in Japan's China policy in 2017 were ultimately tactics. They do not think Abe will abandon his long-held rightist, conservative stance. Given Abe's track record in his attitude towards Japan's wartime history, many in China still have misgivings about him. An insurmountable barrier is Abe's wish to amend the pacifist Constitution. He has always wanted it to do so and has already drawn a timetable and roadmap for the act. The decision to revise its Constitution, of course, falls into the category of Japanese domestic affairs. Yet Abe's conservative and reactionary viewpoint on history creates suspicion in the minds of many from the countries Japan invaded in WW2, including China, about the real intention behind any constitutional changes. This is going to be a major challenge for Abe as he seeks to improve the ties during his term of office. There are people, however, who believe that national interests run supreme over Abe's own ambitions

and that the relations will improve.

2018 marks the 40th anniversary of the signing of the China-Japan Treaty of Peace and Friendship. The two countries should take the opportunity to better the bilateral relations. President Xi's second term has just started; Abe, in theory, will be in office for the next 4 years. President Xi always says that countries should work together to build "a community of shared future for mankind". This attitude should help resolve the mistrust some people in Japan have towards China. The 19th CPC National Congress has laid down the strategy of further opening up China to the world, a strategy that will create greater space for economic and trade cooperation between China and the rest of world, including Japan. The strategy is a solid foundation on which the two countries can engage in bilateral, regional and global cooperation. An improved Sino-Japan relationship is in the interest of the two peoples and world peace and prosperity. We hope that in 2018, China and Japan will build on this year's progress and take the bilateral relationship to a new level. This is something that will require wisdom and concerted efforts on the part of both countries to bring about.

9. India: A Year of Transition

ZHANG Jiadong

Director, Center for South Asian Studies, Fudan University

India went through major changes in its domestic, economic and foreign policies in 2017. The ruling Bharatiya Janata Party (BJP) consolidated its governing power by winning the largest state Uttar Pradesh (UP) and seized the presidency. Its economy rebounded in the latter half of 2017 after some slow growth in the second quarter. In foreign policies, India managed to advance its relationship with the U.S. and Japan, while not afraid of risking a strained tie with China over a boarder tension at Dong Lang (Doklam) area.

BJP Wins Stronger Support

BJP made an impressive comeback in 2017, recovering quickly from the brutal loss in Delhi and Bihar that cost the party and the Prime Minister Narendra Modisignificantly just a year ago. Starting from the end of 2016, BJP began to prepare for the election across states in 2017 through stronger unity and coordination within the party, seeking possible allies and creating chasm among oppositions. On 8 November 2016, the Government of India announced the demonetisation of all ₹500 and ₹1,000 banknotes that debilitated campaign of other parties in effect. BJP gained a leading position in regional parliamentary elections in the states of UP, Gujrat and Himachal Pradesh.

BJP's victory in UP, a northern state with over 200 million inhabitants, is perhaps India's the most consequential political event in 2017. The final election results showed that BJP won 325 out of 403 seats in the local parliament, controlling 80% of the representatives. No single party has obtained such landslide victory in UP in the past five decades. BJP's extraordinary success is similar in a way to its defeat in 2016, as it came out way beyond polling data and media expectations.

BJP also saw its candidate winning the presidential election. Ram Nath Kovind, a BJP member, received 65.65% of the valid votes and beat the Opposition candidate, former Speaker of the Lok Sabha Meira Kumar. Kovind became the second Indian President who is from India's lowest Dalit caste since the country's independence. Not only both the incumbent President and Prime Minister are from BJP, they are also members of India's right-wing, Hindu nationalist organization Rashtriya

Swayamasevak Sangh (RSS).

Now that the BJP owns the national executive branch, over half of the Lok Sabha seats and the majority of Chief Minister positions in major Indian states. As much as helpful it is to the BJP's ruling and Modi's governance, the party is still facing a number of challenges.

The strong and favorable political position of BJP led to a rise of Hindu Nationalism. For instance, some states installed consumption bans on beef and alcohol. The new UP government painted the city buildings and buses with dark red color that symbolizes Hinduism. Even Taj Mahal, the most symbolic historic landmark of India has been dropped from the tourism booklet of UP. These measures have undoubtedly hurt India's economy, civil space and international image.

Despite holding a majority in Lok Sabha, or the lower house of the State Parliament, BJP is not yet dominant in Rajya Sabha, the upper chamber, to control legislation. BJP currently owns 339 out of the 545 seats of Lok Sabha, but only 73 out of the 250 seats in the upper house. This situation cannot be swiftly reversed even with BJP winning in UP.

The political victory of BJP derived mostly from the personal charisma of Prime Minister Modi, begging questions of whether its political clout will be sustainable for a longer run. For Modi, he is more of a politician good at power struggle and less of a technocrat who focuses on national stability and growth. Modi went back to his home state Gujarat to go head-to-head with the Vice President of Indian National Congress Rahul Gandhi. BJP seized a majority of Gujarat parliament as a result, but with a thinner margin of 20 seats fewer than previous terms.

Economy in Need of Steam

One of the most important campaign promises of BJP was to boost economy. However, sluggish economic growth has almost become the BJP's Achilles heel. India suffered from the worst growth rate since Modi's administration after the demonetization in 2016 and national tax reform (GST) in July of 2017. India's economy only grew by 5.7% from April to June in 2017, down from an annual average of 7% a year ago. To boost lackluster economic performance, the Indian government announced a recapitalization plan totaling 32.5 billion USD targeting state owned banks and a 5-year infrastructure plan investing a total of 107 billion

USD. The decisive fiscal policies picked up the growth pace in the last three months of 2017.

Indian economy can still enjoy some bullish factors. A common domestic market is in the making. Trading across the nation was rather fragmented, as the national Indian market was composed of 29 smaller separate markets. Economic activities are also more regulated. With a wider digital and Internet adoption, technological startups will see their businesses boom. A report on global competency shows that India has the largest number of tech startups right after the U.S. and UK.

However it is too early to be sanguine. India is also subject to a number of issues carrying downside risks. To start with, a widening wealth gap is detrimental to the overall health of the Indian society. According to data compiled in 2000, the richest 1% Indians controlled 36.8% of the social wealth. That number rose to 53% in 2017. As of now, about a third of the world population who live with less than 1.9 USD daily income, or 224 million people, live in India. Labor utilization is also alarmingly low compared to its huge population. 30% of the young Indians are left idled and female unemployment rate is one of the highest in the world. The advent of new technology, such as artificial intelligence, also threatened many jobs in the IT industry. Private sector in India is suffering from flaccid growth and the economy has to be driven by government-led investment. Take April to June of 2017 for an example, the private sector, which accounts for 90% of the Indian economy, only expanded 4.3% vs. 5.7% of the national headline growth rate. This government-driven economic model is anything but sustainable, as it puts more credit on the state banks' loan book and adds more burden to its fiscal balance.

Faster Changes to Foreign Policy

India is also quickly moving away from a non-alignment foreign policy tradition, seeking closer ties with the U.S. and Japan on politics and defense. It was the same year when Modi visited Israel and President Trump declared Jerusalem its capital, proving India chose to stand together with the U.S. when it came to their positions on a rivalry between Israel and Middle East.

Regional security and economic development are major strategic objectives of India. The new government made it clear that maintaining regional dominance is a priority on top of its agenda. This strategy has been adopted by India for years: declared a neighbor first foreign policy in 2014, reaching out to the Indian Ocean countries in

2015, and moving towards the Middle East and Persian states in 2016.

Most of its diplomatic achievements were made in and around the Indian Ocean region, with which India's cooperative mechanism is making solid progress. Other regional and sub-regional cooperative establishments with India at its center are also moving ahead quickly. India is also actively blending into the West camp. It joined Missile Technology Control Regime (MTCR) at the end of 2016 and The Wassenaar Arrangement (WA) at the end of 2017 with the help of the U.S., Europe and Japan.

However, it was not only progress India has been making. When its government decided to quickly shift around its foreign policy focus, India was making new friends at the same pace as it was losing old ones. Almost all its diplomatic efforts made in South Asia have been rendered useless by 2017. Its policy against Nepal was a failure proved by recent election results. Relationships with Pakistan and China further deteriorated. Sri Lanka also decided to rent its port to China. After staging an opposition to South Asian Association for Regional Cooperation (SAARC), India decided to push forward the Bangladesh, Bhutan, India and Nepal (BBIN) Initiative, which was vetoed by Bhutan Parliament anyway. The failure epitomized India's lack of hard power also weakened its soft power and foreign policy influence.

The newly raised term "Indo-Pacific" brought much more foreign policy space to India. Indo-Pacific now becomes an essential element in the U.S. under President Trump, who has attached great importance to this concept during his Asia visit and National Security Strategic Report. India quickly realized that it has risen to a more important position on the geopolitical map and asserted that Asia Pacific is a combination of land and ocean with China at its center; while Indo-Pacific bears only the concept of ocean with India at its core. But on the other hand, India was afraid that the prevalence of "Indo-Pacific" concept will inadvertently legitimize China's Belt and Road Initiative, proliferating China's economic and military presence and interests in the region.

Harsh Relationship with China

2017 is arguably the worst year for Sino-India relationship since the beginning of the 21st century. After a border clash in 1962, the two states were able to settle each other with a "cold peace" status - whereas in 2017, it worsened to a "cold conflict" situation. The risk of a direct clash at the strategic level between the two countries rose sharply.

India acted more blatantly with its attitude towards the Belt and Road Initiative proposed by China, emerging from its passive silence in the past to an outspoken opposition and raising its counter-initiative. India was the only major country that did not attend the Belt and Road Forum held by China in May of 2017, and proposed some draft ideas of regional coalition without China's presence, such as the Asia-Africa Growth Corridor (AAGC) together with Japan.

The Indian military presence in Donglang displayed the sensitivity and complicity of Sino-India relationship. The clash is not the largest, longest or most expensive, but the most consequential. This is the first confrontation beyond the disputable territory between the two states, and caused perhaps one of the most serious damages and calamities to the bilateral relationship. India might have taken it an act of success: China is after all not that mighty and unstoppable if India is resolute enough. For China, India has always been a diplomatic eyesore in the past, and now it has grown capable of posing unexpected threat. This round of "conditional threat" has prepared both sides to be more mentally prepared for any possible escalations. The standoff may have ended with a peaceful solution, but the risks of a future military outbreak have risen significantly.

China and India are competing more intensely with each other in the Indian Ocean region. Nirmala Sitharaman, Indian Minister of Defense, claimed that China has deployed 8-10 warships in the past three years in the name of fighting against pirates. She raised the number to 14 in August of 2017. To respond to a near long-term military station by a country from outside the region, Indian navy has placed 12-15 vessels alongside key checkpoints in the northern Indian Ocean, with the help of GSAT-7 satellite and the patrol aircraft P-8 Poseidon (P-8I). The Goa Maritime Conclave (GMC) held by India in November was attended by 10 Indian Ocean countries to enhance the intelligence sharing of the coastal countries.

2017 saw the risks and crises that may arise from the "cold peace" between China and India. The two states never truly took against each other mainly due to their limited national defense capability and international position in the past. Their paths never crossed with each other due to physical barriers such as the Himalayas standing tall in between, and both of their absence at the center of the international stage. However, some new factors emerged in recent years and changed the broad picture. The two neighboring countries possess the hopes and abilities to strengthen border controls and made conflict management more challenging. Their rising international statuses bring them more often head-to-head with each other at global conferences, making the

strategic competition more complicated. Indian's ambition to advance its manufacturing means the trade imbalance between the two will be of more acute concerns. Peoples' willingness and ability to speak out through social media has made the mass public available for a form of diplomatic engagement as they wish, making the bilateral tie more subject to public opinion, sometimes nationalism sentiment.

The simultaneous rise of China and India brought more opportunities for encounters on a multi-lateral, regional and international basis. The strategy to politely stay away from each other for peace-keeping will no longer work against this background. Keeping parallel diplomacy in politics and military, while carrying out cultural and economic interactions, seems to be the only plausible policy choice at this moment, but it also bears more risks than before. The showdown between the Elephant and the Dragon may have finally arrived, and its sooner-than-expected arrival has brought new uncertainties to the future of China and India, especially the latter.

10. Middle East: Another Eventful Year

LIU Zhongmin

Chief of the Middle East Studies Institute, Shanghai International Studies University

Middle East in 2017 continued to be dominated by the theme of state transformation and regional pattern reconstruction. The restructure of regional and external powers has been lasting around state transformation, geopolitical game and strike against terrorism. But there are still some good news: Gulf States, spearheaded by Saudi Arabia, showed their resolute to reform; Islamic State was stripped off all meaningful territories by November 2017; Syria civil war is finally drawing to an end thanks to will of political solutions. Nevertheless, shockwaves created by the geopolitical reshuffle were strong enough to disturb state reforms. Spillovers from ISIS failure further intensified the deficit of security, development and governance long plagued Middle East.

Regional games between world major powers saw Russia expanding its clout, while the U.S. appeared to further distance itself from the region. “America First” strategy put forward by President Trump has shaped his diplomatic policies on the basis of pragmatism and opportunism, which gave rise to undesirable consequences in the region. Adding to the already challenging state reform process and power struggle among main regional players, political fragmentation within and among Middle Eastern countries worsened. Two opposing camps headed respectively by Saudi Arabia and Iran became even more deeply mired in a face-off reminiscent of Cold War.

Leaders of Saudi Arabia, Turkey and Egypt chose to firm their grip with more power consolidation in the past year, manifested by a constitutional referendum held in Turkey and a number of royal arrests made by the reformist Salman family in Saudi Arabia. Abdel-Fattah el-Sisi, the incumbent President of Egypt, has branded himself as a political strongman since he took office. Having more power centralized to the top is, in general, good for security and stability, but political muscle-flexing also gave rise to uncertainties. Countries such as Egypt are far from finding the right cure to their fundamental problems that lead to economic challenges and security vulnerabilities.

Despite the inroads made in decimating Islamic State in 2017 by the U.S., Russia, Syria and Iraq, it is even more worrying to see that anti-terrorism is now being used as

a utilitarian tool by major powers for geopolitical advantages. Spillover and dispersion created by the falling extreme Islamic groups further dissipated and localized terrorism activities, which posed grave threats to regional and global security. The attack occurred in Egypt Sinai Peninsula in November 2017 exemplified further penetration of Islamic State.

It is fair to say that Middle East landscape remains to be complicated and riddled with hot button issues. This essay will walk through and analyze major challenges that faced by the region in 2017.

More Fragmented, and Even More Confrontational

Middle East in 2017 was defined by two trends: fragmentation and major power competition, epitomized by further divergence within and among countries in the region, and intensified stalemate between Saudi Arabia and Iran.

Some Middle Eastern states became more fragmented, as manifested by Syria, Yemen, Iraq and Lebanon, sectarian and tribe divisions grew even further. With its civil war finally approaching to an end, The Democratic Federation of Northern Syria founded by Kurds has become a de facto autonomous region in Rojava with the support of the U.S. and Russia. Its leaders have proposed a post-war federal system idea. Syria must face the new challenge from the Kurds region as well as the sharp conflicts between Sunnis and the Bashar al-Assad regime. Iraq has been divided by Sunnis, Shias and Kurds since the war broke out in 2003. While the referendum held in September of 2017 by Kurds may have yielded nothing, it does not take many efforts to tell Iraq is worryingly divided at this moment. Yemen is in some even muddier water. Aside from the long-term battle between Houthis and Yemen President Abdu Rabbih Mansour Hady, the alliance between Houthis and former President Ali Abdullah Saleh took against each other and killed the latter. Yemen is likely to stay in this war-torn status, if not worse, in the near future, with fights continuing between South and North and Al Qaeda stationed in its southeast part. Lebanon is also challenged by serious confrontation among different sectarians, as evidenced by a sudden resign submitted by its Prime Minister Saad Hariri in November of 2017.

The fragmentation of Middle East also manifested a broader fragmented picture of the entire Islamic world. Since the Arab Spring movement in 2011, the complication of regional hot issue especially Syria issue, the emergence of ISIS, and the cease of diplomatic relationship between Saudi Arabia and Iran further divided the quarreling

Middle East. The diplomatic breakup between Saudi Arabia and Qatar created massive rift within the Gulf Cooperation Council (GCC), and further intensified the rivalry among Saudi Arabia, Iran and Turkey. Middle Eastern countries also tend to disagree with each other on how to fight off terrorism. After rallying 34 Sunni countries to found an anti-terrorism alliance in 2015 in fighting against ISIS, Saudi Arabia hosted a summit under the same topic and announced the formation of Islamic Military Counter Terrorism Coalition composed of 41 Sunni countries in November 2017. It has become clear that Sunnis were called upon together in the name of anti-terrorism by Saudi Arabia to confront the growing Shia camp championed by Iran.

Saudi Arabia and Iran are gradually plunging Middle East into the battlefield of almost another Cold War. Countries in the region fell into two major camps, headed by Saudi Arabia and Iran respectively that further divided the GCC. Some countries such as Oman and Iraq tried to be more diplomatic and stay neutral. Countries like Turkey, on the other hand, saw greater interests to be raked in to swing between the two. A growing sectarianized Middle East opened doors to external powers for manipulation and intervention and created development space for ISIS. Also, more countries are taken as western power proxies to act on their behalf. Saudi and Iran confronted over issues in Syria, Yemen, Qatar and Lebanon in 2017, with the conflicts bearing the risks of further escalations.

U.S. Is The Biggest Force Pulling The String

Donald Trump has laid out his Middle East strategy under the arch of “America First”, making integrating groups of allies, tackling ISIS, and containing Iran as his main priorities. While his strategic layout still remains largely in the making, its intention of dividing and manipulating major countries in this region is already expected to be profiteering and risky.

President Trump’s choice of Saudi Arabia to be the destination of his first state visit was designed to improve the fading alliance between the two countries under the Obama administration. He successfully sold 110 billion USD worth of weapons to Saudi by portraying Iran as the largest threat in the region and reaped benefit from the long-standing rivalry between Iran and Saudi. The U.S. also expressed its decision to abolish the Iran nuclear deal and ramped up sanctions over Iran.

The U.S. also pursued utilitarian diplomacy through heightening the internal conflicts

among the Middle East region and states. Since Saudi and Qatar announced the breakup of their diplomatic tie from June 2017, the U.S. has been taking advantage of the discord within the GCC. It has also benefited from the rising power of Kurds in Iraq and Syria. On one hand, it helped Kurds in the two countries. On the other hand, it supported the Iraqi government to suppress Iraqi Kurdistan independence referendum.

The boldest move by the U.S. is perhaps to acknowledge Jerusalem as the capital of Israel. The decision was announced abruptly at the beginning of December of 2017. It has been argued that President Trump made such announcement out of immense political pressure, especially those of the Russian collusion probe and mid-term election in 2018. He is living up to one of his campaign promises to move the U.S. embassy in Israel from Tel Aviv to Jerusalem. He has lambasted Obama's Israel policy and strongly condemned the UN resolution on the Israeli settlement before he swore in. After he took office, his son-in-law Jared Kushner, a Jewish, was named as the Senior Advisor to be in charge of Middle East policies. Kushner also traveled with President Trump to Israel and visited the Wailing Wall. President Trump has realized that the deeply divided Middle East, or even the Arabian World, has been massively weakened and can no longer pose effective threats to the U.S.

President Trump's Middle East policies carry serious consequences. The direct calamity of his recognition of Jerusalem as the capital quickly worsened the State of Palestine-Israel relations. Critics have argued that President Trump's policy decisions will be detrimental to the U.S. interests, regional security and even the global order. The Arab countries will be even more disgusted with the U.S. due to a lack of counter measures. Religious tensions will be heightened among Muslims, Christians and Jews that can empower all the forces against the U.S., Israel and the West. President Trump's retrogressive policies will mount the hatred from extreme Muslims against the U.S., and will even provide opportunity for extremists' and terrorists.

Good and Bad News from Saudi's Reform

The aggressive reform carried out by Saudi Arabia in 2017 was a highlight in the region. King Salman appointed his son Mohammed bin Salman as the Crown Prince in June 2017, making him heir apparent to the throne. Under the guidance of Saudi Vision 2030, Mohammed conducted comprehensive reforms, such as a Saudi Aramco IPO, building a luxurious resort on the Red Sea, granting women the rights to drive vehicles, making the Islam more moderate and launching an anti-graft campaign

against the top leaders in politics, economy and businesses. These series of unprecedented and rule-changing reform measures were rather eye catching. The rest of the international community highly acclaimed for these progressive steps, while remaining cautious due to the political risks that may ensue.

The risks first lie in the conflicts between reform and an authoritarian government. King Salman's rename of his successor made the next King a generation younger and brought new vigor into the Kingdom. The Salman family kept centralizing their power so as to facilitate reform. But based on their hard efforts of eradicating their political rivals in the name of anti-corruption, it is not difficult to conclude their reign is not perfectly solid yet. They will also be more likely to face royal power struggles, or even usurpation or assassination, as they were once a part of the Saudi royal history.

The other source of the risks derives from the growing of different ideological camps including conservative, moderate and liberalism. The King's and Crown Prince's support for a more moderate Islam will not satisfy the Liberals who have been yearning for an even bigger push for changes, and may also be defied by the Conservatives, extremists or even terrorists who loathe religious modernization. The Saudi King must understand the strength of the opposition powers.

Foreign policy also needs to be heeded for a delicate balance. The Crown Prince's decision to turn more outward proved to be expensive, flimsy and more dependent on the U.S. The reckless advances in foreign policy may cause a drag to the domestic reform.

Saudi Arabia is standing at a cross road. Reform-minded rulers will lead the country to a right direction, but it is up to their wisdom to set the right pace, settle internal and external disputes, wipe out political rivals, and perhaps the most important, avoid another bloody royal power struggle, which has been repeated for so many times in the history.

11. Korean Peninsula: Changes and Shocks under The Moon Jae-in Administration

ZHENG Jiyong

Director, Center for Korean Studies, Fudan University

Korean Peninsula in 2017 continued to be filled with noise and clashes. South Korea experienced its first-ever president impeachment throughout its history, creating unprecedented political shockwaves. Angry Koreans elected Moon Jae-in, who benefited from the Candlelight Revolution and defeated the Conservative party and swiftly changed the security and foreign policy afterwards. However, the Korean Peninsula in 2017 was still far away from getting away from the clout of major international powers. Moon faces tough situations both home and abroad, as it is already challenging to improve its relationships with other countries, and it is even more so to contain the escalating tensions between the two Koreas.

Rise And Fall of Korean Political Parties

South Korea went through quite some ups and downs in 2017.

Impeachment of Park Ghen Hye managed to temporarily temper the political chaos in South Korea. On December 9, 2016, the National Assembly voted to approve the attempt to remove Park from her position after litigation against her confidantes and allies were made. On March 10, 2017, the Constitutional Court of Korea voted to confirm an impeachment decision. This marked a milestone to see a fair verdict for Park's abuse power and subsequently appeased public anger. South Koreans comment that they are finally back to the point where they feel what to be done by a state has been done. This round of scandal had a seismic impact on the conservative bloc in South Korea that fully exposed the loopholes and blemishes of the Korean political eco-system. As the scandals gradually folded out, the conservative power acted in rush to deploy THAAD and signed a number of government deals including the one on comfort women with Japan, without proper support from the Congress. Obviously, their nastiness rooted causes for a future public pushback that further split the country.

A string of serious scandals not only cost Park's presidency, but also the conservative's public trust. Moon Jae-in, the Democratic United Party of Korea candidate, won the general election held in May of 2017 with the help of the Candlelight Revolution and impeachment. The government finally seemed to be back on track again, but Moon's victory was largely built upon people's disappointment at the previous administration. Progressive party as the only available choice at

that time must try hard to please the public and opposition party. This background predestined a challenging policy design process by Moon. Conservatives are still the main controller of military and intelligence, posing great hurdles for the Moon administration, who was forced to say one thing but do another, especially when it comes to sensitive issues about the alliance with the U.S., command rights transfer and more. The Democratic United Party is still largely playing defense to tackle joint challenges posed by the other three non-ruling parties.

Korean politics went through frequent divergence and merges. Park's impeachment brought questions to the legitimacy of the Grand National Party. To avoid further collateral damages, the Party split into two separate parties, namely Liberal Korea Party and Korean Patriots' Party. The former Chief of National Security, former Head of National Intelligence Service, senior advisors and parliamentary members who were close to The disgraced former President were all purged by Liberty Korea Party and Democratic Party of Korea as a result of her falling. The Patriots' Party and the People's Party, who share similar political philosophies, began to mull the possibility of an integration of the two so to retain enough seats in the National Assembly. The Democratic Party was not immune to internal power struggle despite its ruling party dominance. Opposition parties will do anything to rally together and speak against Moon's policy decisions. This suffocating political vibe is expected to impose serious challenges on the incumbent's domestic and foreign policy implementation.

Facing a series of political confrontation, Moon is largely preoccupied with the legacy issue from his predecessor. Internally, the government needs to be back on track, while externally, it is urgent for him to consider how to repair the diplomacy damages caused by the THAAD deployment.

Major Powers Spoke Louder

Major powers experienced quite some volatility in 2017 when they dealt with both Koreas. China's relationships with the Peninsula countries also changed dramatically against the background of competition and cooperation with the U.S., deterioration of North Korea nuclear crisis and THAAD.

China's relationship with North Korea experienced a sharp nosedive in the past year. Out of international obligations and concerns about domestic security, China has to strictly follow and execute UN resolutions with the principle of no war, no chaos, no nuclear being constantly challenged. North Korea's heavy reliance on China as the result of a long-standing isolation status of North Korea made this these tough rounds of sanctions seems like a "China action" and significantly irritated North Korea. Kim Jong-un's regime continuously criticized China as an executor of the U.S., and deteriorated from an already cold relationship to a certain degree of

confrontation. To improve the situation, China sent several special envoys and high-level personnel to North Korea, whose representatives were also invited to pay back a visit. Nevertheless, these efforts were of little help.

China's interactions with South Korea almost ground to a gridlock in 2017. After Park Ghen Hye was detained, conservatives headed by Chief of National Security Office Kim Kwan-jin rushed to bring in THAAD, which severely hurt its relationship with China. After Moon assumed the office, North Korea's reckless missile filings pushed South Korea to enhance the THAAD system force and further irked China. After rounds of negotiations and coordination, the two sides finally reached the "no war, chaos or nuclear" consensus on October 31 of 2017 and guided the bilateral relationship back to a normal track with conditions. President Moon's China visit and meeting with President Xi from November 13 to 16 marked a U-turn of the stalemate. South Korea, largely dismayed by exclusion of major powers on the nuclear crisis, decided to act friendly towards China, whose proposal of suspension to suspension stated a halt of joint military exercise between South Korea and US within a certain period of time and region. All these signs led the two sides to a warming relationship.

Major powers are also playing more important roles in solving North Korea crisis. Back-and-forth among China, Russia and the U.S. intensified as the Koreans inching closer to the red line. The U.S., shrewdly took North Korea as an excuse for ramping up presence in Asia Pacific, aimed at leveraging more power over Japan and South Korea, while also reining in China at the same time. A delayed North Korea solution schedule easily played into their hands. What surprised all is how quickly North Korea was able to ramp up its nuclear missile capability, which meant the time of the U.S. to further leverage the issue for geopolitical influence has come to an end. Russia, appearing to be more involved in the Peninsula affairs, supported North Korea through underground oil export or intelligence sharing, in hope for a strong enough distraction for the U.S., who has been in rivalry with Putin's regime in Middle East and Eastern Europe. The U.S. threatened China that it would impose secondary boycott should there be no improvement on the nuclear crisis, and gradually realized this was perhaps the most effective way to rein in the hot-headed Kim Jong-un. It is fair to say that interactions among major powers in the region helped to alleviate the tension to some extent, but also brought up future risks.

Drama between The North and South

There is also a rising amount of tumult between South and North Korea. North Korea, who for long has only been interested in a direct talk with the U.S., always shut down a talk request from its neighbor on the south. However, this foreign policy preference was not reciprocal. The U.S. never took the approach seriously and thus place North Korea in a diplomatic gridlock. To make a

breakthrough, the North felt the need to tinker its diplomatic priority and and break the ice with South Korea.

Rounds of international sanctions pushed North to look to South. Diplomatic, political and military pressure and UNSC sanctions induced by heavily-condemned missile tests almost cut out all foreign currency income and friends with diplomatic ties of North Korea. Fast and further deterioration of external environment and diminishing international recognition also led to worse internal situation. The almost crippling domestic economy disgruntled its people, who started questioning the capability and leadership of the Korean Workers Party, which, as a result, become less popular. North Korea is in urgency to make inroads in foreign relationships to look less isolated. Thus, it is the best and easiest to start from its neighbor.

Struggling economy was also a major driving force. North Korea realized the importance of freeing up more market activities to beef up frail domestic economy. In search for more capital and aids that can conjure up more growth, DPRK will be have to be more friendly towards South Korea and its financial support to tear down the blockade created by sanctions that almost stifled its economy.

There were some warming signs between North and South after Moon became President, as the latter was potentially reckoned by his Pyongyang counterpart as a more sincere partner to work with than his predecessor Lee Myung-bak or Park Ghen Hye. Also, South Korea can provide an international platform, such as Pyongcheung Winter Olympics, to the North, who can take the chance to improve its international image. Another outbreak of a Peninsula war would be unacceptable for South Korea, which also plays to a no conflicts among the Koreans bottom line held by North Korea. The two sides definitely have something to work on together. North Korea needs South's endeavor in maintaining peace to gain more space and time for self. The rapport laid a solid foundation for a better relationship.

Moon faces tough choices. Either being too soft or too hard with North Korea means either losing dominance or no progress towards the tension, or a higher chance of an outbreak of war. South Korea also suggested its own version of suspension to suspension plan that needs the cooperation from its neighbor on the north especially during the Pyeongchang Winter Olympics. It is still too early to say whether the U.S. will come on board with Moon's proposal.

In general, the Peninsula saw a dislocation competition and cooperation in 2017, featuring a chicken game between DPRK and the U.S. Meanwhile, North Korea is seeing its interactions with major powers evolving. The Peninsula dynamics is gradually becoming a reflection of power play among China, Russia and the U.S. North Korea's repeated high intensity nuclear test can be

understood as a counter measure against its arch enemy the U.S., who responded with joint military exercise with South Korea, declined North's unconditional dialogue request and made no commitment to cease the exercise. Russia became more involved in the Peninsula

Moon's administration will continue to test waters in domestic and foreign policies with a reclusive neighbor in the region with alarming volatility and uncertainties.

12. Korean Nuclear Crisis: Mission Unaccomplished

ZHENG Jiyong

Director, Center for Korean Studies of Fudan University

The Korean Peninsula in 2017 was defined by accumulated intimidation and an escalated Armageddon that almost led to physical clashes. On September 3 of 2017, North Korea completed its 6 nuclear test, before it threatened a strike on the Continental United States. Another two rounds of intercontinental ballistic missile (ICBM) launch tests on July 4 and November 29 provoked the U.S. President Donald Trump saying his country will respond with fire and fury. Since then, talks of a military option to deal with North Korea have been heard more and more often among the decision makers in Washington.

The deterioration of the Peninsula nuclear crisis in 2017 was mainly a result of the following factors.

North Korea Nuclear Capability Grows Fast

North Korea could not be clearer with their determination to achieve a nuclear self-defense capability. It benefited from its squabbling neighbors fighting over the deployment of THAAD and major powers' hesitance to take further actions against this reclusive country. This ambiguity provided North Korea with enough time and space to accelerate its research on nuclear missiles.

North Korea almost shocked the world with its breakthrough in making super-atomic bomb and successfully conducted a number of miniature H-bomb tests. Its sixth nuclear test on September 3 caused a 6.1 magnitude earthquake followed by multiple aftershocks, with the strongest of 4.7 magnitudes. Mountain collapses, cracks and landslides were seen within 36 kilometers from the epicenter. The H-bomb, estimated to have a yield of 200-250 kilotons, had its prototype displayed through a report by its official mouthpiece Rodong Sinmun. The real warhead could also be found in a number of celebratory videos published by the North Korea government.

It is also possessing stronger missile technologies after notable improvement. In July and November the country tested high-altitude ICBMs with a range of 11000-13000 kilometers, capable of striking the U.S. mainland, making breakthroughs in warhead miniature and rocket engine know-hows. North Korea also made notable progress in short and medium range ballistic missiles and regular nuclear warhead miniature technologies. It also manifested its ground force and survival power and underwater striking capabilities by conducting submarine-launched ballistic missile tests in the Sinpo navy base.

After its ICBM test on November 29, Kim Jung-un declares a completion of the nuclear capability construction. Whereas judging from the facts collected, its purported full nuclear might may not have been fully achieved based on the technology it has demonstrated in terms of atmospheric re-entry ablation, Multiple Independently Targetable Re-entry Vehicle (MIRV) and telemetry technology. By making such claims, Kim hopes to start negotiations with the U.S. at an earliest possible date by showcasing its nuclear capability. He also seems to be a believer of strengths leading to peace. The impression of a resumption of economic development and willingness to hold talks will smooth out the social turmoil resulted from international sanctions. It is also hoping to create chasm in the international community in terms of their positions on how to handle North Korea, and buy more time for a meaningful missile technology breakthrough.

North Korea may have already mastered the best of nuclear power it is capable of achieving with its current level of development. Though it is of some degree of intimidation to the U.S., considerable technological challenges and difficulties have not been cleared out of the way. Blisters will have a chilling effect on the U.S. to some extent, especially on South Korea and Japan. But the overall threat from Kim's regime is well manageable if placed in the comprehensiveness of the APAC and Korean Peninsula strategy of the U.S. It is estimated that North Korea is willing to pay a higher price to advance its military atomic capability so to belligerently wield a nuclear stick, but in fact just to seek peace with the U.S.

Strong Backlash from The International Community

North Korea's loud nuclear ambition and brinksmanship were strongly condemned by the international community. The UN Security Council has approved multiple rounds of resolution of imposing sanctions on North Korea, while South Korea, the U.S. and Japan made their own plans of restrictions and even spoke of the possibility of waging a full-scale war. This series of actions and threats almost North Korea no choice but to accelerate progress on its nuclear prowess that only exacerbated the standoff.

The United Nations ruling is completely in compliance with the international laws. The UN Security Council passed five resolutions and one Presidential Statement about North Korea in 2017, marking the most serious global efforts to rein in the defiant state. The sanctions cover two nuclear missile related substances, along with minerals, seafood, petroleum, coal, and even overseas labors and economic cooperations.

The single-sided sanctions and secondary sanctions initiated by the U.S., South Korea and Japan also pushed forward the rest of the international community to follow suit. Aside from those

passed by the UN Security Council, these three countries tried sanctions on and under the table, even threatening a Proliferation Security Initiative (PSI) against North Korea. The U.S. also made clear of its choice of putting secondary sanctions on countries such as China who trades with North Korea. The tactic has yielded some real results.

The U.S. and its allies in the region also managed to cut the diplomatic and military ties North Korea has with other countries. By leveraging their influences on defense, foreign policy and economy, the three countries coerced countries who are either friendly or trading partners with DPRK and cut off almost all its interactions with the rest of the world.

Kim Jong-un and other state leaders were also said to be put under personal security threats. The U.S. and South Korea are almost ready for the details and implementation of the Decapitation Strike against North Korea, enabling a possible espionage assassination through drones or missiles for fixed-point elimination. The shocked DPRK chiefs strengthened personal security clearance while avoiding all unnecessary visits. They even camouflaged or transferred possible objects vulnerable for attacks to underground.

Through above mentioned measures, the U.S. has almost completed military, diplomatic and economic isolation of North Korea from the rest of the world, making the latter nothing but a lone wolf. North Korea was almost paralyzed with paltry economic activities and foreign currency income. The trade ban of nuclear-related substances only poured oil on the flames. North Korea declared that it is already in war with the U.S. and its south neighbor, putting together a Sanctions Damages Investigation Committee to demand compensation and hold accountable of the person in charge. The most significant effect from perhaps the toughest sanctions imposed on North Korea so far is to further strengthen its resolve to ramp up its nuclear capability at its earliest possible.

The Crisis Escalates

The degree of unity of the international community to speak out against North Korea's nuclear ambition inversely speed up its pursuit for a nuclear Armageddon. Its extreme objective of pressing the U.S. with nuclear power has completely changed the nature of the Peninsula nuclear issue, which used to be a vicious cycle of nuclear tests followed by military exercises from the other side and now upgraded to an entirely different level of rhetorics.

It is noteworthy that the incumbent state leaders of both North Korea and the U.S. have a defiant temperament. After Donald Trump moved into the White House, he manifested his negotiating power as a veteran businessman and pushed China to exert pressure on its rebellious ally. He used

the same tactics of brinkmanship adopted by North Korea to disrupt its accumulated gains as a result of such maneuver. That explains North Korea's bellicose actions throughout the year: to test the new bottom line of the U.S.

Major powers also squabble too long about how to handle the defiant state, leaving enough room and time for the latter to equip itself with nuclear power. The U.S. still hopes to keep the Peninsula under a degree of chaos between war and peace to put a leash on Japan and South Korea as well as rein in China. The U.S. can even accept Kim's possession of nuclear, but not missile. Many different arguments heard in the U.S. also gave North Korea delusions that the U.S. will gravel. China's principle of no war, chaos or nuclear is now often times misinterpreted as China is deterred by these three possible scenarios. The deployment of THADD that severely dampened mutual trust between China and South Korea was also used by North Korea as an excuse. Russia's active engagement in 2017 also added another heavyweight player to the Peninsula situation.

The risks of a war on the Peninsula surged. Americans no longer supported an objective view after Otto Warmbier, a detained American student, died six days after being released by the North Korea regime. With North Korea repeatedly threatening a mainland strike on the U.S., it left the most powerful country in the world no choice but to consider the increasing likelihood of resorting to military forces. The U.S. also put high hopes on the effectiveness of sanctions, arguing that North Korea will be plunged into a steep economic downturn sooner or later. At the same time, the U.S. has been doing the war talk, prepping China for possible encounters on the battlefield or post-war arrangements (as the Secretary State Rex Tillerson claimed the U.S. only cared about nuclear substances, and will retreat back to behind The 38th Parallel after it was taken care of). For President Trump, who is a staunch champion of America First, it is his huge embarrassment to hear relentless ranting from North Korea. With the Russian investigation edging on to his son-in-law Jared Kushner and mid-term election getting closer, it is unclear whether President Trump will resort to a military attack on North Korea to divert attentions. To view simply from the perspective of military strength, the U.S. would win the war easily, should there be one. Even a possible nuclear contamination can be contained within a certain area, proving the worst results of a war can be accepted.

Also, both countries are inching very closely to the red line set for each other. The U.S. has certain base case scenarios that will trigger a military strike against North Korea: a physical attack on the U.S., hitting an aircraft or warship, bombs falling in American land including Hawaii and other territories and a physical attack on Japan or South Korea. North Korea may act like a lunatic rogue state, but to look closer, it is in fact exercising aggression and coercion to its best interests based on an assumption of rationale of all parties. The intense back-and-forth may only be a form of

muscle-flexing, while avoid crossing each other's bottom lines to stay away from a real outbreak of a military confrontation.

What happened in 2017 made the Peninsula denuclearization almost impossible. The U.S. is even less likely to launch a peaceful negotiation under North Korea's extortion. However, it also wants to avert a military conflict that will hold South Korea and Japan hostage, which will pose even more uncertainties to its future APAC strategies. The delicacy, sensitivity and unpredictability will still dominate the Peninsula in 2018, with relevant parties reinforcing their positions with rhetoric, constraints and blisters. The Korean Peninsula might only be a slip-up away from a devastating military confrontation.

13. New Phase for The Belt and Road Initiative

ZHANG Jiadong

Director, Center for South Asian Studies, Fudan University

In 2017, the convening of the Belt and Road Forum for International Cooperation and the incorporation of “following the principle of achieving shared growth through discussion and collaboration and pushing for Belt and Road development” into the Constitution of the Communist Party of China meant that the initiative has entered a new phase for implementation and adjustment.

Initial Results

From the initiation of the concept, to its formal launch, and then the start of construction of key projects, BRI is seeing results.

First, BRI has become a hot topic. International coverage of the initiative went through three stages: lukewarm, hostile and balanced. Since 2013, the reporting in the west and some relevant big countries was tentative and then wary. The change came following the 2016 U.S. presidential election when international media started to cast BRI in a brighter light. Major media outlets increasingly used words like “economic globalization and trade liberalization” when covering BRI. International academic activities on BRI are also picking up. Many countries, including those not along the Belt and Road, have set up their own BRI research projects.

Second, BRI has received wide support and active participation. BRI is not the first initiative calling for better connectivity in the world; it will not be the last one either. But it is the first of its kind to be taken seriously on a global scale: endorsement from more than 100 countries and international organizations, including the United Nations. 29 foreign heads of state and government and over 1500 representatives from more than 130 countries attended the Belt and Road Forum for International Cooperation in May 2017 in Beijing. Even the more reserved countries have readjusted their attitude towards the initiative. For example, in June 2017, at the G20 summit, Japanese Prime Minister Shinzo Abe told Chinese President Xi Jinping that Japan is open to cooperate with China on BRI. Several countries even came up their own versions of BRI, such as the Asia-Africa Growth Corridor (AAGC), an infrastructure project launched jointly by Japan and India.

Third, dedicated mechanisms have been put in place to roll out the initiative. In China, a special leading group to oversee the implementation of BRI was formed. Internationally, relevant mechanisms for meetings, negotiations, and financing have been set up. The Asia Infrastructure Investment Bank (AIIB) and the Silk Road Fund were created and began working.

Fourth, key projects have been launched and are seeing results. Transportation, energy/electricity and agriculture have always been the sectors of focus for BRI projects. Although it is not all smooth sailing, rapid progress has been made. Flagship programs such as the Jakarta-Bandung Railway Project and the China-Pakistan Economic Corridor are making steady progress. Setbacks with countries like Sri Lanka have been overcome. A deal was sealed and now the Chinese operators are running the Hambantota port. A crude pipeline to China through Myanmar began operations, through which 4 million tons of crude entered China as of October 2017. BRI is boosting China's foreign trade. Statistics show that trade between China and countries along the Belt and Road picked up significantly in the first half of 2017.

Challenges and Risks

Some of the issues and risks that emerged when BRI was first launched are still with us. This requires relevant parties to pay serious attention.

Political risk is the major risk faced by BRI. It is three-fold. One, global powers remain suspicious about BRI. The United States and others have already come up with their counterweight initiatives. Two, China's complicated relations with its giant neighbors such as India have been a constraining factor for BRI development. For example, India could be seen behind many of the setbacks and delays in China's cooperation with Pakistan and Sri Lanka on infrastructure projects under BRI. Three, political instability in some of the countries along the initiative also poses threat on the sustainable advancement of BRI projects.

Cultural risk is another factor. The initiative stretches across countries with very different religious beliefs, customs and traditions, and cultures, creating a severe challenge to the Chinese involved in the projects. On the one hand, different ways of life provide ripe ground for friction and dispute between the Chinese and the locals; on the other hand, cultural difference may hinder the inclusion of BRI projects into host countries' indigenous social and economic systems, affecting the long-term development of the initiative.

On the micro level, security is yet another major concern. Along the BRI are some of the world's most conflict-prone countries and regions, where both conventional and non-conventional security risks flare up constantly. Also hanging over the initiative are terrorist threats and pirate attacks on the participating countries, including China's neighbors. Not only will security risks raise cost and lower efficiency for Chinese companies investing in the infrastructure projects, they will also dampen Chinese companies, especially private Chinese companies' enthusiasm for the initiative. Concern for security was a main factor for the reduced Chinese investment in BRI countries in 2016.

In the short run, financial risks will be yet another major concern for China. The massive investment scale of some partnerships between China and other countries, accounting for dangerously high portion of target countries' GDP, some over 20% or even 25%, can lead to potential financial risks for both sides: for target countries, risks caused by massive outflow of foreign reserve once the payment cycle starts; for China, uncertainty over whether invested funds can be returned in a proper way. Between 2016 and January 2017, China's foreign reserves went down by \$1 trillion, but only a small part was counted as effective outbound investment. Obviously, the need to control systemic risks should always keep people vigilant when seeking international cooperation.

A long-term risk factor is related to talents. BRI is not just about businesses venturing out and outbound investment; the process needs the right people. China is in urgent need of versatile talents who have capital, know-how, management experience and entrepreneurship, more so than just capital and technology. It is imperative for China to beef up management capabilities of businesses and organizations participating in BRI projects, as well as the cross-cultural communication and leadership of persons involved.

The Next Chapter for BRI

The Belt and Road Forum for International Cooperation held in May 2017 in Beijing marked the formal conclusion of the launching stage of the BRI. The 19th Party Congress convened in November, stressing diplomacy's role in domestic economic development and the importance of major-country relations, marked the beginning of further development and implementation of the BRI. Going forward, the initiative will see the following adjustments and changes:

The first shift is from single-mindedly “going out” to emphasizing both “going out” and “coming back”. At the early stage of the BRI, China focused on how to “go out”. It mobilized massive resources and efforts to identify partners, including other countries and international organizations, and to launch some major cooperation projects. Now that we have come to a new chapter that features deepened implementation, it is more about generating return on investment while going out, so more emphasis will be given to projects that are truly collaborative and mutually beneficial. China is building the Asian Infrastructure Investment Bank (AIIB) to international standards, in order to better integrate into the international financial system; it has also strengthened management to improve the quality of overseas investment by Chinese companies. At the same time, China has begun to review the efficiency and general conditions of some on-going major projects.

The second shift is from broad implementation to specific breakthroughs. At the beginning, the focus was on expanding new areas for partnership and developing new partners. China has therefore reached various forms of partnership agreements or letters of intent with over 100 countries and international organizations. This will make sure that the target of geographic expansion be achieved. Now the BRI places a greater premium on the relationship with some important regional partners, and less so on the number of partner countries. By no longer listing the number of partner countries or labelling them on a map, the initiative wants to highlight its openness and flexibility.

The third shift is from developing new projects to identifying and enhancing the potentials of existing projects. At first, the progress of BRI implementation was measured by the number and scale of new agreements and projects. However, in this new chapter, the focus will move from new projects to taking existing projects to a deeper level and improving their efficiency. Deepened development of existing projects has resulted in, among other, the China-Pakistan Gwadar Port project and the China-Sri Lanka Hambantota project.

The fourth shift is from being driven by the Chinese government alone to participation and cooperation by diverse partners at various levels. When the BRI was first launched, its main driving force came from the Chinese government, especially the central government, which encouraged local governments to get involved or even take the lead. Since early 2017, Hong Kong, Shanghai, Chongqing and other cities that were not part of the original BRI initiative have started to play a more active role.

Instead of SOEs, local and private enterprises have become the main players. National policy banks used to be the primary source of funds, but now the market financial system is. These changes signal a stronger role of the market. Foreign-invested companies have also become important partners under the initiative. For example, the Japan Chamber of Commerce in China set up a liaison council dedicated to BRI in June 2017.

In conclusion, the Belt and Road initiative is the natural next-step after decades of development of China from focusing on attracting foreign investment to promoting outbound investment. Thanks to the initiative, China enjoys higher international standing, and building of infrastructure and interconnectivity have become hot topics in the international community. However, the initiative is faced with challenges, and has even raised tension between China and some countries. While upholding the principle of openness, flexibility, and market-orientation, China will stably and orderly drive for the implementation of the initiative, and push forward with international cooperation along the route in the spirit of wide consultation, joint contribution and shared benefits.