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'CHINA'S CENTRAL ECONOMIC WORK CONFERENCE FLAGS THE DIFFICULTIES AHEAD'

by JAYADEVA RANADE

China's important annual Central Economic Work Conference was held in Beijing from December 8 – 10, 2021. The conference is an important forum where Chinese leaders map out the country's economic priorities for the coming year and when analysts can gauge the state of China's economy.

2. This Central Economic Work Conference was held in the backdrop of the continuing deterioration in Sino-US relations, global economic and social distress and surge in anti-China sentiment caused by the Covid pandemic, China's plateauing economy, and looming severe socio-economic problems. Difficulties are accentuated by issues like rising prices, growing unemployment, closure of businesses -- official Chinese data revealed that 4.37 million micro and small businesses, described as the "backbone" of China's private sector, closed in the first 11 months of 2021 – and banks and bank outlets, and the reports since late last year of pay cuts and withdrawal of performance bonuses of officials in even the more prosperous provinces and cities like Jiangsu, Zhejiang, Guangdong, Fujian and Shanghai.

3. In a talk at the 14th Golden Kirin Forum on December 2, Tsinghua University economist David Li Daokui warned that the next five years could be the toughest in China's 40 years of reform and opening up. He listed weakening external demand, industrial chain restructuring, pressures of carbon reduction, and insufficient domestic demand as among the contributory factors.

4. In the run up to the conference, Chinese Premier Li Keqiang chaired a symposium of economic experts and business leaders on November 18, to get a feedback and suggestions from top advisors before setting the economic policy agenda for 2022 at the Central Economic Work Conference. Later, on December 6, Chinese President and CCP CC General Secretary Xi Jinping convened separate meetings of the Politburo Standing Committee and the Politburo to discuss the economic challenges facing China and the proposed remedial measures.

5. Reporting (December 6) on the Politburo Standing Committee and Politburo meetings, Xinhua said apart from highlighting "the strong leadership of the Party Central Committee with Comrade Xi Jinping at the core", the meetings emphasised the need to focus on innovation-driven high-quality development, tackle the pandemic, continue to improve the people's livelihood, stabilise the macroeconomic market, maintain economic operations within a reasonable range, and maintain overall social stability. They called for enhancing "the

core competitiveness of the manufacturing industry, enhancing the resilience of the supply chain and promoting construction of affordable housing to better meet the reasonable housing needs of buyers". The last flows from Xi Jinping's remark in August 2017 "houses are built to be lived in, not for speculation". Science and Technology received special attention, with the meetings resolving that implementation of science and technology policies should be accelerated, key core technologies tackled and national strategic science and technology forces strengthened. They called for realising "a virtuous circle of science and technology, industry, and finance".

6. The Politburo also "pointed out that it is necessary to do a good job in all aspects of the year-end" and "make overall arrangements for coal, electricity, oil, and gas transportation to ensure supply to ensure that the people live through the winter warmly. It is necessary to ensure the payment of wages for migrant workers". The reference to coal and electricity would be related to reports appearing from October that since August over 20 provinces in China have limited electricity usage causing blackouts in certain regions.

7. The lengthy almost 10,000-character statement issued at the conclusion of the Central Economic Work Conference flagged these problems while underscoring the severity of the difficulties. Significantly, it hinted at anticipated social unrest by mentioning "stability" 25 times. The Global Times (December 12) asserted that stability is a big theme. It said the meeting "prioritised stability, a word that was mentioned 25 times, for 2022, vowing to improve people's livelihood, stabilize the macro economy, and maintain social stability".

8. Equally significant was a Commentator's article in the People's Daily (December 16) which stressed the importance of Xi Jinping's leadership at this time. The article highlighted that "the Central Economic Work Conference pointed out that it is necessary to adhere to the centralized and unified leadership of the Party Central Committee, calmly respond to major challenges, and move forward in unison". It asserted that "Practice has fully proved that the decision and deployment of the Party Central Committee with Comrade Xi Jinping at the core are completely correct". The article did not minimise the difficulties and stated that China's economic development is "faced with the triple pressures of shrinking demand, supply shocks, and weakening expectations" and that "the external environment has become more complex, severe and uncertain". It urged cadres to work hard and focus on economic work.

9. Xinhua (December 10) stated that Chinese President Xi Jinping delivered an "important" speech at the conference where he described "2021 as a milestone for the Party and the nation". He reviewed the country's economic work in 2021, analysed the current economic situation and outlined the next year's economic work. Xinhua reported that the statement issued after the Conference cautioned that China's economic development is facing pressure from demand contraction, supply shocks and weakening expectations, and that "the external environment is becoming increasingly complicated, grim and uncertain". It said "We must face the difficulties squarely while staying confident" and remain "committed to China's own cause". The Central Economic Work Conference stated that China will continue to implement a "proactive fiscal policy and a prudent monetary policy and some infrastructure investment will be accelerated". This latter assertion could have been prompted by some estimates that 1.8 trillion yuan (US\$ 283 billion) in unspent money is to be rolled over to 2022. The statement included long sections on 'common prosperity', unemployment, thrift and conservation.

10. The Central Economic Work Conference noted that China maintained a leading position in the world in economic development and epidemic control, with progress made in scientific strength, industrial chain resilience, reform and opening-up, people's livelihood and ecological civilization. It, however, urged proactive efforts to align with the highest international economic and trade rules, deepen reform via high-level opening-up, and boost high-quality development. Xinhua reported that the meeting "stressed the necessity to adhere to the centralized, unified leadership of the CPC Central Committee, promote high-quality development and pursue progress while ensuring stability". It stressed the need "to safeguard macroeconomic stability, keep major economic indicators within an appropriate range and maintain social stability to prepare for the Party's 20th National Congress". Ning Jizhe, Deputy Head of the National Development and Reform Commission (NDRC), pointed out that the conference put "stable economic growth" at its core. He added "The huge potential of China's development lies in the vast rural areas and the central and western regions. We should tap into this potential and transform the potential into effective demand".

11. Articles published in the People's Daily (December 12) and the South China Morning Post (December 13) highlighted that Xi Jinping called for self-sufficiency in energy, food and minerals to meet global challenges. He said resource shortages could turn into a 'grey rhino' risk – an obvious yet ignored threat – for the world's No. 2 economy. Xi Jinping said China must establish a "strategic baseline" to ensure self-sufficiency in key commodities, from energy to soybeans, as the secure supply of primary products moves up China's long-term agenda. The Central Economic Work Conference identified the secure supply of primary goods such as agricultural products, minerals and energy as one of five "significant theoretical and practical issues" to prepare for amid the Covid-19 pandemic and changing international relations. It said the four other government priorities were "common prosperity", capital regulation, defusing major financial risks and carbon neutrality. The People's Daily quoted him as saying "[We] should fortify the national strategic materials reserve system to secure minimum needs at critical moments."

12. On grain security, Xi Jinping said China's "arable land area is reducing" and cash crops were being favoured over cereals and legumes. "The more food we have, the more we should think about the time of no grain." "I have repeatedly said Chinese people's rice bowls should be firmly held in our own hands, never let others take us by the throat on eating, which is a basic survival issue." The CCTV newscast on December 14 said Xi had pointed out that 'seeds are the foundation for agricultural modernization. The ethnic seed industry must be promoted, and the security of seed sources must be raised to a strategic level related to national security'. Separately, at another forum on December 11, Han Wenxiu, a Deputy Director of the CCP CC's Central Committee for Financial and Economic Affairs, said that "great shortages of primary commodities are likely to evolve into a grey rhino."

13. Xi Jinping also emphasised "stability" as the economic priority for 2022, ahead of the Winter Olympics and the 20th National Party Congress. He called on local cadres to adjust their approach in implementing national carbon emission targets and said "[We] should make the direction right, make the focus clear ... should prevent the 'devil in the details' hurting the overall situation."

14. The Central Economic Work Conference is undoubtedly gearing up for a tough years ahead. China's leadership is acutely aware of the deteriorating international environment and economic difficulties which will complicate China's 'rise'. Agriculture and food-grain production has been receiving noticeably elevated attention throughout 2021 as has been the maintenance of the supply chain, which becomes important in view of the growing strain in Sino-US relations. China's exports to the US were valued at US\$ 452.58 billion in 2020. The Chinese leadership's apprehensions about the difficulties for China in the coming years were spelt out in June 2020 by Zhou Li, a former official of the CCP CC's International Liaison Department and career diplomat. Many of these are touched upon in the statement of the Central Economic Work Conference.

(The author is former Additional Secretary, Cabinet Secretariat, Government of India and is presently President of the Centre for China Analysis and Strategy.)

