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'Situation in China in 2019'

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2019, which also heralds China's 'Year of the Boar' from February 5, will probably be a difficult year for the Chinese Communist Party (CCP) leadership and for Chinese President Xi Jinping, who has concentrated power unprecedented since the time of Mao Zedong. Domestic issues like slowing down of the economy and maintenance of stability will get further accentuated and be high priorities on the leadership's agenda. The apparent bipartisan US 'Trade War' against China, correctly interpreted by the Chinese as intended to prevent the country's rise, will add to the pressure. China's technology-centered 'Made in China 2025' programme is already adversely impacted with advanced European nations joining the US to deny China hi-technology and its telecommunications companies access to new markets and upgraded 5G networks. Push back against the Belt and Road Initiative (BRI), Xi Jinping's prestige project, has also begun. Inner Party criticism and opposition to Xi Jinping are likely to increase and tempt him to divert the people's attention and show that his policies are yielding results with steady headway being made towards achieving the 'China Dream'. His comments on January 2 on reunification with Taiwan are an example. There will be consequent uncertainty in the region as to China's intentions.

Recent months have seen rare public criticism of Party policy by Chinese intellectuals and students. The imposition of increasingly restrictive controls and expanding Party surveillance are important contributory factors. Discontent among China's academics has been festering for months prior to the 19th Party Congress in 2017 as evidenced by the caution against over-estimating China's strength and need to guard against "arrogance" and "conceit" sounded by Luo Jianbo, Head of the China Foreign Policy Center at the prestigious Central Party School in Beijing. He pointed particularly to the nationalist fervour generated by the Belt and Road Initiative (BRI) and the BRI Forum in April 2017. Other Chinese strategic analysts have suggested that discarding Deng Xiaoping's policy of 'lie low, bide your time' was premature.

There were unprecedented public protests against the abolition of tenure for the post of China's President and Xi Jinping ignoring the convention against promoting Party cadres aged 67 and above to the Politburo. Chinese journalists were told that a protest by a retired senior academic in Peking University in March 2018, should not be ignored as it represented the views of persons supporting Deng Xiaoping's policies. A sizeable number in the CCP and Central Committee (CC) are cadres who suffered during the Cultural Revolution and were rehabilitated by Deng Xiaoping! They perceive that safeguards assiduously put in place by Deng Xiaoping to prevent return to 'one-Man' rule like in the days of Mao Zedong and avoid recurrence of the Cultural Revolution, are being dismantled. On July 24, a 10,000-character

essay by Tsinghua University legal scholar Xu Zhangrun resonated across China. It was another protest against Xi Jinping's efforts to usurp all power and build a personality cult.

China's 'Red Nobility', or 'princelings', seem to also have become less supportive. Influential 'princelings' of powerful 'Red Revolutionary' families like Hu Deping, son of former CCP CC General Secretary late Hu Yaobang and Deng Pufang, son of Deng Xiaoping in cautious, but public, statements suggested reverting to the dictum 'lie low, bide your time'. There are also hints of restiveness among students of Marxist orientation. This has potential for trouble.

The slowing economy, drop in FDI and auto sales, growing number of protests across China including by millions of laid-off workers, closure of thousands of private businesses etc., are major concerns. Mounting criticism of economic policies --- Xi Jinping heads the powerful Central Leading Group for Comprehensively Deepening Reforms and the Central Leading Group for Financial and Economic Affairs --- has heightened the leadership's worries. Corrective measures have not yielded results. In mid-December, Renmin University Prof. Xiang Songzuo highlighted serious doubts about the economy at a public function, which was promptly censored on the Chinese internet. He questioned China's real rate of growth -- declaring that a "research group of an important institution" released an internal report stating China's GDP growth this year was about 1.67 percent; the poor state of private businesses in China; and the lack of confidence. Within days 59-year old Chen Hongtian, Chairman of the Cheung Kei Group and member of the Chinese People's Political Consultative Conference (CPPCC), warned nearly 150 tycoons based mainly in Shenzhen and Hong Kong, that China's private business entrepreneurs should prepare for a "winter colder and longer than expected". The group includes Tencent Chairman Pony Ma, the Chairman of carmaker BYD, Wang Chuanfu, and the Chairman of courier service SF Express, Wang Wei. Meanwhile, State owned Enterprises (SoEs) have expanded to enter virtually every sector of economic activity.

Xi Jinping separately moved to bolster the confidence of private entrepreneurs by addressing letters to a hundred of them in October and meeting them, but uncertainties regarding private property and role of private entrepreneurs remain. Supermarket tycoon and founder of Wumart Stores, Zhang Wenzhong on November 1, told entrepreneurs at a forum that the courts had released him and returned his property after 5 years of imprisonment and cautioned this could happen to any of them. He said this is because "Our basic economic system has been written into the country's and the party's constitution. It won't change." Xi Jinping did not announce any reforms in his speech on the 40th anniversary of the 'reforms and opening' in Beijing on December 18.

To defuse the backlash to China's declaration that it would become a technologically advanced global power by 2025, Xi Jinping is contemplating tactical concessions to the US. The 'Made in China 2025' plan for upgrading China's technological capabilities is being reworked to "play down China's bid to dominate manufacturing and be more open to participation by foreign companies." Stipulations in 'Made in China 2025' to increase domestic content of components and materials to 40% by 2020 and 70% by 2025 could be lowered. Aspects of Beijing's ambitious industrial program may be postponed to 2035.

Having promoted nationalism and ideology to burnish the CCP's legitimacy and credentials including his own, Xi Jinping cannot afford to appear weak. Xi Jinping will probably lean towards using state controls to keep the economy stable. There is unlikely to be any dilution

in Xi Jinping's ambition to achieve the China Dream and be placed alongside Mao Zedong and Deng Xiaoping in the pantheon of China's communist heroes.

If the economic downturn gets serious, Xi Jinping would be tempted to play on nationalist sentiments. Displays of strength against Taiwan, Japan or India would in each case have the People's Liberation Army (PLA) play a major role. With restructuring and modernisation still incomplete and almost 60 per cent of the PLA officer corps charged with corruption and dismissed or in jail, Xi Jinping will need other options. In the South China Sea he could claim achievements without military conflict. Xi Jinping will step up propaganda and united front initiatives to demonstrate tangible progress towards the China Dream. His comments this year on Taiwan and push for influence-building in India represent this. A breakthrough on issues relating to Tibet like the Dalai Lama or Karmapa could also figure.

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