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## CHINA'S COMMUNIST PARTY CELEBRATES ITS CENTENARY – WHAT NEXT?

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The Chinese Communist Party (CCP)'s centenary celebrations were extensively covered in the Chinese media. Xi Jinping, who holds China's three top positions of CCP General Secretary, Chairman of the Central Military Commission (CMC) and Chinese President, delivered an important speech on the occasion on July 1, 2021. His speech provided a few pointers about future plans including an indication that he intends to remain in power. His speech affirmed that the Party will adhere to the prescription Xi Jinping gave in 2017: "the party, government, military, civilian and academic, east, west, south, north and center, the party leads everything".

### **The highlights and Xi Jinping's speech**

An interesting and possibly little noticed sidelight was the reversal of a decision regarding the People's Liberation Army (PLA)'s participation in the CCP's centenary celebrations. On March 23, 2021, the spokesman of China's Ministry of National Defense stated at a press briefing that there will be no parade by the PLA and it will not have a role in the Party's celebrations. Yet on July 1 there was a fly-past by PLA Air Force (PLAAF) aircraft, a parade and a 100-gun salute for the Party by PLA contingents. The CCP leadership probably decided that PLA participation is essential to demonstrate its "absolute obedience" to the party and to underscore the Party's firm grip on the PLA.

The emphasis of Xi Jinping's 7000-character speech was on the Chinese people, the CCP, ideology and 'rejuvenation'. Its focus was sharp as it was one-third the length of Jiang Zemin's 21,000-character speech delivered at the CCP's 80th anniversary in 2001. Xi Jinping mentioned the CCP 200 times and 'rejuvenation' 26 times. The emphasis on ideology sought to justify the Party's policies and push for ideological education in schools, colleges, and universities as well as enhanced ideological monitoring of the academic fraternity. The assertion that 'only socialism could save China and only socialism could develop China' accorded legitimacy to the Party's policy. It also explains the thrust to establish Party cells in State owned Enterprises (SoEs) and private, including foreign, enterprises. Adding emphasis, he said the Party is indispensable for China's progress. Xi Jinping declared: 'China's success hinges on the Party' and 'without the Chinese communist party, there will be no new China and no national rejuvenation'.

Noteworthy was the apparent, albeit oblique, acknowledgement of the criticisms -- many, rather unusually, directed at Xi Jinping personally and the CCP -- that had spilled over into China's social media and cyberspace since 2020. These were prompted by various factors, like his ignoring the term limits for appointments of senior cadres, mismanagement of the outbreak of the COVID pandemic in its initial stages etc. In an attempt to deflect the criticism, Xi Jinping said "the Party has to earn and keep the peoples support". In the same context he said 'the Party does not represent any individual interest group, power group, or privileged stratum'. Coincidentally, around this time the Chinese media publicised the incident of Zhang Tao, Chairman and Communist Party Secretary of China Aerospace Investment Holdings, who severely beat two senior academicians and scientists of the China Aerospace Corporation on June 6 resulting in their hospitalisation. Zhang Tao is a highly connected 'princeling' and was punished only after July 4. Xi Jinping's remarks reinforce his insistence that Party cadres need to live simply and once again get closer to the people.

Pointing to the serious and publicised apprehensions of the CCP leadership that the US and West are trying to destabilise China, Xi Jinping warned foreigners not to interfere in China's internal affairs. Otherwise, he said, they will "smash their heads against the solid steel of the Chinese people". His remark comes in the wake of public warnings by the Chinese media and China's Ministry of State Security (MoSS) of attempts by the US and Western powers to instigate a 'colour revolution' in China.

Significant was Xi Jinping's reference to the Belt and Road Initiative (BRI), China's flagship project personally backed by Xi Jinping. It was the only concrete project of China's "second century" goal that was mentioned in his speech and he stressed that it "will continue to progress". The BRI is intended to project state power and represents Xi Jinping and China's global ambition. Its mention clearly hints that Xi Jinping fully intends to continue pursuing his expansive global agenda to make China a leading world power by 2049. Xi Jinping's mention of the "full reunification" of China, while referring to Taiwan, reinforces this.

### **China's 'second century' Goal**

China has now embarked on its 'second century' goal. Crucial, however, will be the next 20 to 30 years -- by when Xi Jinping intends to make China a "power with pioneering global influence" and rival or surpass the U.S. -- till 2049/2050. Present indications are that China's leadership will find it difficult to achieve this goal. In addition to Xi Jinping continuing in power for at least the next two terms if not longer, there are at least two other issues that China's leaders will have to confront.

### **Internal difficulties**

The informal annual Autumn conclave of veteran leaders at the seaside resort of Beidaihe, during their discussions this year reportedly agreed that China is facing a 'severe economic crisis'. This confirms reports that China's economy is in dire straits despite the upbeat reporting by China's official media. The second is China getting potentially isolated internationally, especially by the world's major advanced countries. In addition to reacting to China's aggressive policies, an important factor for governments will be the public pressure

because of surging global anti-China sentiment due to the Covid pandemic. These are exacerbated by the worsening Sino-US ties. Even as the U.S. and EU begin to recover from the devastating effects of the Covid pandemic, they are very unlikely to open their markets to China to anywhere near the same extent as earlier. This will push China's export-dependent economy into deeper distress.

There are other economic difficulties currently confronting China. Around 300 million workers who left urban centers and went to their villages have, according to official Chinese data, not yet returned to work. This was indirectly confirmed by China's National Bureau of Statistics when it announced in August 2021 that inequality in urban and rural incomes is already 32% and widening. 60% of small and medium businesses in China are officially acknowledged to have closed. The weak recovery in services—which absorbs most college graduates—has aggravated the already high youth joblessness with unemployment among the 16 to 24 age group averaging 14 per cent since 2019. A drop in living standards is likely and inflation is rising. An important indication of China's economic difficulties is that the budget approved by the National People's Congress (NPC) -- China's version of a Parliament --- in March 2021 effected a 50% reduction for all government ministries and departments and a further 5 per cent in March 2022. The budget of China's public security apparatus, however, increased both years while the budget of the Ministry of Foreign Affairs increased marginally this year.

There are other longer-term issues, like the graying of China's population which has begun to burden revenues, pension and social welfare funds. It has also reduced the labor force and affected productivity.

At the same time, in an apparent bid to regulate the industry and ensure enhanced Party control in a growing adverse international environment, the Chinese authorities began cracking down on big business and FinTech since last year. In a number of instances they intervened on the eve of the companies being listed on foreign stock exchanges leading to a sharp fall in stock prices and heavy losses by foreign investors. The first to be 'disciplined' was Jack Ma's Alibaba. Others under investigation, or who have been punished, are Wang Xing of Meituan and Liu Changle of Phoenix TV.

An additional political price was recently imposed on China's successful billionaire businessmen entrepreneurs and profitable businesses under the slogan "common prosperity", enunciated by Xi Jinping on August 17. Reflecting apparent fear, many businesses complied promptly. On August 18, Tencent pledged to contribute 50 billion yuan (US\$ 7.73 billion) to low-income groups, basic healthcare and education. On August 24, internet commerce firm Pinduoduo and a rival of Alibaba announced a donation of this year's entire first quarter profit totaling US\$ \$374 million to support agriculture and rural areas. It promised to donate future profits up to a total of 10 billion yuan. Meituan founder Wang Xing donated 10% of his stake to his philanthropic foundation in June.

The Economist reported that the number of Chinese nationals seeking asylum abroad went up from 15,362 in 2012 to 1,07,864 in 2020. This does not include those leaving China illegally or who have funneled money abroad through illegal channels. These actions have hurt China's investment climate and foreign investors are becoming increasingly averse to investing in

China. Chinese businesses have also become cautious about listing on foreign stock exchanges.

### **China's external environment**

Deteriorating Sino-US relations are a major concern for the Chinese leadership. There is bipartisan consensus in the US Congress that China needs to be contained and, the Biden Administration is continuing with its predecessor's tough policies. The hardened US attitude is visible across a number of areas including Taiwan and Tibet -- areas of "core concern" for China --- with the passing of the US Policy Act on Tibet. US pressure on China's 'Made in China-2025' hi-tech programme has resulted in it slipping behind its deadline by at least a decade with an adverse fallout likely in other sectors.

There is also the possibility of clashes. China's leadership and analysts are very apprehensive of more U.S. actions aimed at China, especially now that the U.S. has withdrawn from Afghanistan. The U.S.-led exercises in the South China Sea and adjacent waters and of the Quad are being watched very carefully. The arrival of British, French and German warships, evoking memories of China's 'century of humiliation', would be disconcerting for Beijing. Apprehensions have increased with senior U.S. Admirals speaking of the enhanced possibility of clashes between the U.S. and China in the South China Sea.

Taiwan's profile as an area of potential conflict has increased in recent months. Aggressive actions by the PLAAF and PLA Navy have raised temperatures. U.S. weapons sales to Taiwan and elevated prominence given to Taiwan by Trump and the successor Administration have added to the pressure. The international environment has become more adverse with Japan's Defense Minister identifying Taiwan and the waters around it as of "vital importance" to Japan, and observations in Japan's Defense White Paper, and the talks in the last week of August between leaders of the LDP and Taiwan's ruling DPP.

The considerable tension between China and India is unlikely to ease for quite some time and has the potential to suddenly escalate sparking serious clashes. China continues to claim Ladakh and other territories in India's possession with Chinese President Xi Jinping showing no inclination to discuss the issue with India's leaders. Reports of China's continuing military build-up and Chinese President and Chairman of the Central Military Commission Xi Jinping's "special" meeting with PLA officers in Lhasa on July 23, suggest additional preparations. Till the Chinese leadership withdraws the PLA to its positions prior to May 2020, tension will remain. Any further Chinese actions raise the high possibility of armed clashes.

In this backdrop, China needs markets abroad. With US and European markets unlikely to open to China as earlier, the Indian market getting progressively restricted, and global supply chains reorienting to restrict, or eliminate, China's role, Beijing faces serious economic difficulties ahead. If China's economic condition deteriorates, popular discontent and dissatisfaction will grow, and this will adversely impact Xi Jinping's credibility and the CCP's legitimacy. Chinese analysts already privately blame Xi Jinping's aggressive policies for antagonising China's neighbours and the rapid deterioration in relations with the US.

### **Chinese Leadership**

With the 20<sup>th</sup> Party Congress next year probably approving Xi Jinping continuance for the third term, he is very unlikely to compromise his agenda or make the concessions necessary for repairing ties with the US. The current thinking in the CCP leadership appears to be that the US is now in irreparable terminal decline and this is China's window of opportunity. Recent initiatives for contact taken by the US are being viewed as "weakness" and Chinese Foreign Minister Wang Yi's lecture to the US Special Envoy on Climate John Kerry showed this. This assessment, of course, appreciably raises the risk of clashes. Xi Jinping's ambition to make China the pre-eminent regional power will mean the continued pursuit of aggressive policies to 'recover' territories claimed by China and maintain pressure on India, Taiwan, Japan and others with clashing maritime territorial claims. If China's leadership assesses that the US is too weak, or unwilling, to intervene then Xi Jinping could well gamble on a military effort to 'reunify' Taiwan with the Mainland. Xi Jinping's big ambitions, the changing situation in Afghanistan and temptation to advance the BRI, could also entice Xi Jinping into 'assisting' the Taliban with men and material.

### **Emerging internal political scenario**

It is improbable that domestic discontent will compel Xi Jinping to temper policies or withdraw from his bid to continue in office. Measures taken by him in the past 2-3 years have strengthened his control on the CCP CC, Politburo and Politburo Standing Committee and minimised the possibility of his being surprised by an unanticipated agenda or development. Unless the number of discontented or dissatisfied cadres in the CC reach a critical mass, it is very unlikely that veteran cadres will extend their support to Xi Jinping's ouster. Neither do reports suggest that Xi Jinping was criticised at the recent Beidaihe meeting.

If popular dissatisfaction rises, Xi Jinping will exponentially increase his already heavy reliance on the security apparatus. The latter, including the PLA and People's Armed Police Force (PAPF), would visibly gain in influence. The PLA's obedience and loyalty to the CCP and Xi Jinping is already being continuously reinforced and tested through consecutive ideological campaigns and emphasis on political reliability. During travels outside Beijing, Xi Jinping makes it a point to visit nearby PLA establishments and talk to personnel. Despite earlier denials, the PLA was given a role during the party centenary celebrations. Additional allowances were announced for retired PLA veterans and families of serving personnel just before the Party's centenary. Increased dependence on the security forces could see their inclusion in larger numbers in the CCP Central Committee or Politburo.

A lot depends on the attitude of the US and China's neighbours. It is very unlikely that India, Japan, Vietnam and, probably Indonesia, will easily yield to Chinese dominance. The US and Europe too have finally begun to see that China views dominance of Asia, or the Indo-Pacific, as the stepping stone to becoming the leading world power. The stakes are high for the US with Beijing having openly challenged Washington's status as the sole superpower. Unless the US seeks a compromise with China and yields its position, China's neighbours can anticipate a difficult next 30 years. If, as is likely, US-China relations continue to deteriorate and Washington steadily ratchets pressure then China's rise will get derailed. The next ten years will be crucial in global geopolitics.

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