

Perspectives

The PRC's new year



Rowan Callick

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Xi Jinping survived the worst that the 2020 Rat Year could throw at him – COVID-19, continuing protests in Hong Kong, increasingly focused antipathy from Team Donald Trump, an economic downturn – thanks to the year-appropriate cunning, transforming his challenges into positives, with a little help from ideological genius Wang Huning.

Covid: The People's Leader wins the People's War, while the capitalist nations wilt.

Hong Kong: The National Security Law masterstroke subjugates the city, with the added bonus of spooking Taiwan too.

Trump: Down and out, trashing the former high ground of liberal democracy en route.

Economy: Rapid turnaround for the short-term at least, in part thanks to capitalist countries' Covid-era subsidies being directed by consumers into renewed demand for Chinese products.

Xinhua summarises 2020 thus: 'China had to confront challenges on multiple fronts - control the coronavirus outbreak, buck the declining trend of the economy, and cope with a deteriorating external environment. Xi personally led the nation's fight... As a result, China has emerged among the first countries to contain the virus, reopen the economy safely, and restore economic growth.'

Indeed. Xi looks to be on much surer ground as the Year of the Ox starts on February 12. This is an auspicious year for folk who, like Xi, keep on keeping on.

The astrologers say that hard work and positive thinking are key features of years of the ox, an animal prized for strength, and for driving fruitful harvests. In ox years, there's a premium for keeping one's cool, and not changing course.

Last Sunday night SBS TV featured a news segment about the exodus of people from Hong Kong. An interviewee, from a very wealthy Hong Kong family, said such folk were merely acting out of 'fear of the unknown.' She was very precisely wrong. The issue confronting cosmopolitan Hong Kongers today is exactly the opposite: fear of the known, of the very clearly articulated, planned and executed New Era that Xi is implementing for Hong Kong, and for the People's Republic of China (PRC) as a whole, and beyond. Its very predictability is its problem, for many.

Xi himself was born in a Year of the Snake, a zodiac figure alleged to be marked by mystery, acumen, and even powers of divination – perhaps appropriate for the fulcrum of a party that sets great store by secrecy within its innermost sanctums, despite its clear enunciation of the direction it is setting for the nation.

This year will bring further challenges of course, but core directions are set.

On July 1 the Chinese Communist Party (CCP) will celebrate the centenary of its founding at an inaugural secret meeting in Shanghai. This is the great set-piece event of the year for General Secretary Xi, who has emerged as the party's most powerful leader after Mao Zedong.

In the 1920s, the Soviet Union's party supervised and guided the CCP. Today, the tides have turned around, and economically struggling Russia has come to depend heavily on its great fellow-authoritarian neighbour.

Xi had hoped to be able to celebrate, at the centenary, the doubling of the PRC's economy in 10 years. But Covid has stymied that, since it would have required 5.6 percent growth in 2020 when it only achieved a still-highly-creditable 2.3 percent.

But of course, he will be able to underline many other mighty achievements – chiefly, the party's continuous 72 years in power, pipping the Soviet party. The Russians under Mikhail Gorbachev had decided that their party's ideology and governance were wrong and the doors should be opened to democracy, but that foreign investors should largely be kept out. The Chinese party leaders decided in 1989 the opposite: to strengthen orthodox party ideology and close the door on liberal thinking, while opening it to overseas investors.

Big celebrations will take place in Shanghai where the party first met and chose as its general secretary Chen Duxiu – not Mao, who looms largest at the centre of the tableau at the site's museum today. And the party's own military force, the People's Liberation Army, may also parade in Beijing, whose streets are more appropriately grand. As ever, neither the public nor even the party's 91 million ordinary members are likely to be invited to participate in or view directly the special events.

Details of the PRC's new, 14th Five-Year Plan will be announced at the National People's Congress annual fortnightly session, which is likely to return to March despite the current flare-up of Covid cases in Hebei province around Beijing.

The new plan may opt for greater flexibility by forgoing a gross domestic product target. It should spell out more clearly details of Xi's 'dual circulation' program for the economy. This will strive towards a stronger focus on domestic consumption and on developing the PRC's own fully integrated high-tech sector as already presaged by the 'Made In China 2025' scheme that went into abeyance, publicly at least, during the US trade war; it continues to spend more on importing semi-conductors than oil. An aim is thus 'to invest in China, for China.'

The second 'circulation' comprises the continuing exigencies of international economic engagement, now becoming less of a priority. 'Dual circulation' may end up as a subtle variant on decoupling. As Xi has said, the plan will aim to 'prevent and dissolve the hidden risks and actively respond to the impact and challenges brought about by changes in the external environment.'

The PRC will also, in its new Five-Year Plan, wish to signal the seriousness of its intent to reach carbon neutrality by 2060, when Xi will reach 106.

The plan will reiterate the party's desire to shift focus from speed of development to quality of development.

A core 2021 economic task on which Xi is already set, is to 'prevent the disorderly expansion of capital,' said State Administration for Market Regulation head Zhang Gong. This means, he spelled out, 'enhancing anti-monopoly rules' to bring the PRC's privately-owned tech giants, led by Alibaba and TenCent, more firmly under party control, aligning their interests with the state's.

When Alibaba founder Jack Ma described, at a Shanghai conference on October 24, the PRC's big state-owned banks as harbouring 'a pawnshop mentality,' Xi ordered personally – according to a credible *Wall Street Journal* narrative – the halting of what would have been the world's largest initial public offering, of Alibaba's financial operations, Ant Group. A week later, Xi's top economic advisor Liu He led a meeting of financial regulators in planning the tough response. As the *Journal* explained, 'Xi has displayed a diminishing tolerance for big private businesses that have amassed capital and influence, and are perceived to have challenged both his rule and the stability' that the party's leadership prioritises.

Such unease about giving the private sector too long a leash, has been sharpened by a growing popular pushback against routine e-commerce workers' cultures such as the '996' of third-force (after Alibaba and JD.com) Pinduoduo: 9am to 9pm, six days a week, with two employees suiciding in 2021 already. Jia Guolong, the CEO of popular restaurant chain Xibei Canyon, online advocated instead a '715' culture: 15 hours a day, seven days a week.

In terms of international relations, Xi's speech to the Davos cognoscenti on January 25 underlined the strength and predictability of his chosen course, and of his consequent messages to international policy-makers, lightly concealed beneath routine globalist platitudes: Abandon ideological prejudice (you will suffer consequences if you challenge Xi Jinping Thought and its extensions such as 'a shared future for mankind'); confrontation is the only result of building small circles, starting a new Cold War, decoupling or sanctions (the PRC will oppose on all fronts it can, democracy-alliances such as the Quad); discard discriminatory and exclusionary standards, rules and systems and thoughts of decoupling, take down barriers to tech exchanges, keep supply chains smooth, advance high-quality Belt & Road cooperation (economic benefits will continue to flow as long as you encourage PRC corporations like Huawei or China Railway International to take the lead in shaping and upgrading your tech and infrastructure platforms).

Also internationally, if the Olympic Games go ahead in Tokyo it is likely that Xi will restore the important state visit postponed due to Covid last April, seeking to cement a new era in PRC-Japan relations following the retirement of Shinzo Abe, as Tokyo weighs – cautiously as ever – how reliable a partner Washington is likely to prove in the future, however exalted the changed post-Trump rhetoric.

Xi will start to test the calibre of Joe Biden, a figure well known to Beijing in his former roles – including through applauding, publicly, the rapid return of Washington under him to multilateralist commitments.

The rapid degeneration of the initial bromance between Xi and Trump into a trade war, has helped Xi to pursue his instinctive PRC-exceptionalist and partially-protectionist path without even needing to take much effort to persuade others in the core central leadership, or in the broader mainland Chinese population. Trump's rhetoric and initiatives patently, for any senior cadre, demanded the kind of response to which Xi was already inclined – including bringing Hong Kong firmly within 'one country, one system.'

Nina Xiang, the founder of China Money Network that tracks the PRC's venture and tech sectors, told *Nikkei* recently that the PRC relies on advanced tech imports because it still lacks the capacity to make those products and has few alternative suppliers, while the US relies on the PRC for low-end goods driven by cost-saving and has readily available substitutes.

'The tech war and the pandemic,' she said, 'have set off at least a partial tech decoupling process that's unlikely to be reversed.' However, 'Joe Biden should understand that it is in US interests to try to maintain China's tech reliance, and that Donald Trump's measures in fact accelerated China's effort to achieve self-sufficiency.'

While widely criticised in Western countries, the PRC's Covid diplomacy – distributing personal protective equipment and now vaccines – can claim handy success in its main Belt & Road targets across Asia and in Africa.

Foreign Minister Wang Yi has in January reinforced this effort by visiting five African countries, then four southeast Asian nations – Indonesia, Brunei, the Philippines and Myanmar, with the latter, a strong supporter of Beijing, handily now becoming the key coordinator for ASEAN-PRC connections for the next three years.

This role for Myanmar emerged as even more fortuitous for Beijing when military chief Min Aung Hlaing removed the government with a coup in February. Wang had held talks with the general during his visit a few days earlier. Such leaders tend to be less complex for countries like the PRC to deal with than elected democrats.

Throughout this year, Xi will also be preparing for the next five-yearly National Party Congress, due in late 2022. This provides a management challenge since within the leadership calendar it is the meeting at which the party had effectively agreed as it reeled first from Mao's Cultural Revolution then from Tiananmen 1989, the general secretary would pass the baton to his chosen successor following two terms.

But Xi has had the parliament abolish its own term limits for the state presidency, and the party – whose top job comprises the core role for a PRC leader – cannot be expected to challenge his clear determination to keep going, now aged 67. He has not hinted at a successor or brought anyone with the likely qualifications including of age in to the top party ranks. His chief advisor is the brilliant party thinker and strategist Wang Huning, who at 65 comes from the same generation.

The prospect, about which Xi is ever-alert, of popular disaffection will always haunt the pavilions of Zhongnanhai, the party leaders' compound where he lives and works. The lingering, flickering outbreaks of Covid serve as reminders of such potential fragility – with the authorities attempting to stagger people's holidays this year as a result.

The main annual holiday is the Spring Festival for Chinese New Year, and usually lasts 40 days – with much of the population originally planning to travel to their home towns at some stage during the 40 days between January 28 and March 8, in the world's largest regular human migration. To upset this is to upset many millions. But this is what is happening, with a resurgence of Covid cases including in Hebei province surrounding Beijing – and with the lower level authorities as usual proving the most risk-averse and thus most inclined to tell people simply to stay put.

Ministry of Transport spokesman Wu Chungeng said that the number of trips anticipated this New Year period was 1.15 billion, the least since such data was first published in 2003, when 1.8 billion trips were made.

Such scaling-back, and the outside prospect of a damning report by the World Health Organization on the origins of the outbreak, underline that Covid can still re-emerge as the likeliest challenge to Xi in this Ox Year – though he will also, almost certainly, plough ahead towards core party goals, and declare further victories.

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He was China Correspondent and Asia Pacific Editor for *The Australian Financial Review*, China Correspondent twice for *The Australian* and a senior writer for *Time* magazine.

He has published three books published in both English and Chinese: *Comrades & Capitalists: Hong Kong Since the Handover* in 1998 by the University of NSW Press; *Channar: A landmark venture in iron ore*; and *Party Time: Who Runs China and How* published in February 2013 by Black Inc in Australia, then internationally in September 2013 by Palgrave Macmillan as *The Party Forever*. He won the Graham Perkin Award for Journalist of the Year for 1995, and two Walkley Awards, for Asia-Pacific coverage, for 1997 and 2007. He was awarded an OBE on recommendation of the Papua New Guinea Government in 2015.