

# **MAC 2021 Third Quarter Report on the Situation in Mainland China**

News Reference Material

Date: November 19, 2021

The Mainland Affairs Council (MAC) issued a written report on the situation in mainland China for the third quarter of 2021. The key points of the report are summarized as follows:

## **(1) Domestic Affairs**

In the political arena, the Chinese Communist Party (CCP) convened the “sixth plenary session” of the 19<sup>th</sup> Central Committee in November. The session presented an overview of the achievements and experiences of the party over the past hundred years and passed the “third historical resolution.” It also highlighted Xi Jinping's achievements in 13 areas during his time in office and established the guiding role of “Xi as the core” and “Xi Jinping Thought.” The party also decided to hold its “20<sup>th</sup> National Congress” in Beijing in the second half of next year. Xi Jinping called for the promotion of “common prosperity,” improvement of mechanisms for the three distributions, and strengthening measures to fight monopolies. This quarter, Xi and other high-level officials made inspection visits to various places with a focus on energy transition, ecological protection, and rural revitalization. Officials deployed flood and epidemic prevention measures to win the fight against cluster epidemics. The party also rectified the education of political and legal teams and upgraded grid-like grassroots governance. It intensively reshuffled local officials, including the appointments of nine new provincial party committee secretaries in Anhui, Jiangsu, and other provinces.

In the economic sphere, mainland China's gross domestic product (GDP) grew by 9.8% in the first three quarters of the year. However, the youth unemployment rate remained high. In the first three quarters of 2021, the producer price index (PPI) increased by 6.7% year-on-year, meriting particular attention to production-side inflation. The problem of reduced production capacity aggravated due to the "dual control implementation of limiting total energy consumption and reducing energy intensity" and provincial power rationing measures. Due to the impact of repeated struck of the COVID-19 pandemic, the Evergrande debt crisis, the dual control implementation of limiting total energy consumption and reducing energy intensity, antitrust measures, tightened supervision, and other measures, the economic growth slows and most international institutions lowered their forecasts of mainland China's GDP growth to between 7.6% and 8.5% this year. On the other hand, the CCP has formally applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

In the social arena, Xi launched rectification campaigns such as the "double reduction" and the "clean up" directed at the Internet, education, entertainment, gambling and other fields. He promoted ideological indoctrination and cleaned up government-business relations. Xi also visited Tibet to highlight the CCP's total control and to emphasize the establishment of a "community of the Chinese nation," and demanded that ethnic minorities obey the party's leadership. Official reassignments in Mongolia and Tibet implied an intent to prevent leaders from becoming overly-involved in the interests of local ethnic minorities, and the central government's consideration to clean up local forces.

## **(2) Foreign Relations**

Xi Jinping attended the United Nations (UN) General Assembly, the BRICS Summit, Shanghai Cooperation Organization Summit, G20 meeting, and several other important international conferences via video links. Xi emphasized that members of the international community should uphold mutual respect and create

win-win cooperation. He also stated that mainland China will not have new overseas coal power building projects in the future; he called for the practice of true multilateralism and contribution to global governance. Xi criticized people for forming coteries, stating that drawing a line based on ideology only harms technological innovation. He also called for joint efforts to tackle the challenges of climate change. Xi Jinping and Joe Biden held their second phone call in September and held a video summit on November 16<sup>th</sup>. Mainland China stated that the two sides should respect each other's core concerns and properly manage differences. In the new era, mainland China and the US should adhere to the three principles of "mutual respect, peaceful coexistence, and win-win cooperation." Xi proposed prioritizing four areas: jointly exhibiting great power responsibility, promoting equality and mutual benefit, controlling differences, and strengthening coordination and cooperation. He criticized certain people in the US for "playing with fire" by attempting to "use Taiwan to contain mainland China." The European Union (EU) released the "EU Indo-Pacific Cooperation Strategy Report," expressing concern over the fact that mainland China continues to enhance its military deployment in the Indo-Pacific region.

### **(3) Military Developments and Regional Security**

Xi Jinping promoted nine officers to the rank of general. The influence of military power in mainland China increases. The CCP signed the Military Service Law to improve conscription quality. The CCP vigorously developed intercontinental missile silos to strengthen strategic deterrence. For the first time US polls showed majority support for defending Taiwan. Mainland China and the US maintained communication at the operational and tactical levels. Mainland China and Russia held their first joint naval exercise. The joint fleet crossed the Tsugaru Strait and Osumi Strait and sailed clockwise around the Japanese archipelago. The CCP claimed the exercise was not aimed at the third party. The US and Japan criticized the action as a demonstration and bullying.

#### **(4) Situation in Hong Kong and Macao**

The Hong Kong government established a "Candidate Eligibility Review Committee." The committee was criticized for its insufficient transparency. The Election Committee's election process left little room for competition and was criticized for being a "small-circle election." The "Hong Kong National Security Law" continued to be used to force civil organizations, popular fronts, and teachers' unions in Hong Kong to disband. The pro-establishment camp secured major wins in Macao's seventh Legislative Council election, though voter turnout fell below 50% for the first time: the lowest rate since the handover. The CCP announced two major projects—the "Guangdong-Macao Intensive Cooperation Zone in Hengqin" and the "Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone." It also launched the "Southbound Bond Connect" begin to more closely link mainland Chinese and Hong Kong financial markets.

#### **(5) Taiwan Work**

In a speech to commemorate the Revolution of 1911, Xi Jinping emphasized the policy of "anti-independence," "peaceful unification" and "one country, two systems" formula. Taiwan-related content in the communiqué and resolution of the "sixth plenary session" of the 19<sup>th</sup> CCP Central Committee reiterated the "one China" principle and the "1992 Consensus." It called for firmly opposing interference by foreign forces and firmly seizing control and initiative in cross-Straits relations. It also stressed that unification is a historical mission. The CCP has recently intensified efforts to "oppose independence and promote unification." The Taiwan Affairs Office (TAO) said that so-called "Taiwan independence diehards" would be punished under the law. The office criticized President Tsai Ing-wen's National Day address for blatantly touting the "two-state" theory and opposed any form of "constitutional amendment for independence." It underscored that unification is the future of Taiwan. It also deceptively claimed that

after unification Taiwan's fiscal revenue would be used entirely to improve the livelihood of the Taiwanese people. The TAO and various provinces and municipalities continued to publicize the "22 measures on agriculture and forestry." The CCP also suspended wax apple and sugar apple imports from Taiwan without warning.

During a video summit with Joe Biden, Xi Jinping stated that the "one China" syllogism is the real status-quo and core content of the Taiwan issue. He underlined that mainland China will have to take decisive measures if Taiwan independence separatist forces provoke and push, or even cross mainland China's red line. On Taiwan's application to join the CPTPP and participate in the UN, the CCP reiterated its misinterpretation of UN Resolution 2758. It claimed that, as a province of mainland China, Taiwan is not eligible to join the UN, and it opposed Taiwan's signing of any official agreement and participation in any organization. The CCP criticized actions by the US, Europe, and other countries in support of Taiwan. It urged other countries to fulfill the pledge they made when establishing diplomatic relations with mainland China and to abide by the "one China" principle. On military affairs, the CCP criticized the US as a risk maker for sending naval ships through the Taiwan Strait and visits to Taiwan by US representatives. It staunchly opposed and denounced these actions. The Eastern Theater Command announced that it would conduct joint combat readiness patrols directed at the Taiwan Strait. People's Liberation Army (PLA) planes continued their incursion in Taiwan's southwest airspace. Between October 1<sup>st</sup> and 5<sup>th</sup>, the PLA carried out 150 sorties to militarily intimidate and pressure Taiwan, and blamed Taiwan for these actions. An assessment showed intensified actions to "oppose independence and promote unification," and coerce Taiwan into accepting its political position.