

# MAC 2022 Third Quarter Report on the Situation in Mainland China

News Reference Material

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The Mainland Affairs Council (MAC) issued a written report on the situation in mainland China for the third quarter of 2022. The key points of the report are summarized as follows:

## **(1) Internal Situation**

In the political arena, Xi Jinping pledged to build China into a powerful modernized country through "Chinese-style modernization" in the report of the 20th National Congress of the Chinese Communist Party (CCP) (hereinafter the "20th Party Congress.") The report also highlighted objectives including shoring up "national security" and "invigorating the country through science and education." In addition, the CCP amended its party constitution to enshrine the "two maintains." At the first plenary session of the 20<sup>th</sup> CCP Central Committee, Xi unveiled the party's new top leadership, secured the extension of his presidency, and seized full control of the Politburo by appointing all new members from the "Xi's clan"; these developments all defied the retirement/promotion conventions of "seven up, eight down," seniority, and career experience. The Politburo meeting demanded a determination to consolidate the centralized and unified leadership of the CCP Central Committee and prepare the ground for spreading the spirits touted in the 20<sup>th</sup> Party Congress. On his inspection tours both before and after the 20<sup>th</sup> Party Congress, Xi stressed the importance of upholding cultural confidence, reinforcing the "red" genes (i.e. carrying forward the revolutionary traditions), striving to become a manufacturing powerhouse, and achieving rural revitalization. Several officials in

the political and law enforcement sector, such as Fu Zhenghua, were given heavy prison sentences; Fan Yifei, Vice President of the People's Bank of China, was investigated for corruption.

In the economic sphere, mainland China's economy grew at a pace of 3.0% in the first 3 quarters of the year (with growth rate in Q3 at 3.9%). The housing market cooled down; fiscal deficit widened; the Consumer Price Index (CPI) hit the highest level since April 2020; and the unemployment rate among the 16-24 year-olds topped 15% for the 9<sup>th</sup> consecutive month. Mainland China's foreign investment concentrated in countries along the Belt and Road Initiative, and its foreign exchange reserves continued to shrink. International agencies generally paint a gloomy picture of mainland China's economic outlook due to its dynamic zero-COVID policy, housing crunch, etc., and have moved to lower their forecasts of mainland China's annual economic growth to between 2.7% and 3.9%.

In social areas, mainland China relaxed entry restrictions at the end of August; however, the number of COVID-19 infections surged again following the October 1 Holiday, prompting many areas to tighten control measures that sparked public grievances. In the Yangtze River area, the droughts in summer and fall led to power cuts and production halts in many localities. The CCP demanded that online influencers be responsible for reinforcing the party-state ideology. Moreover, the CCP took advantage of folk-religion events such as worshipping the Yellow Emperor to promote a motherland-embracing community awareness among Chinese citizens at home and abroad. When it comes to governing Xinjiang, the main policy objectives remain to be driving economic development, promoting the "Sinicization of Islam," and enforcing strict social controls. In terms of governing Tibet, the CCP imposes tight control over the Tibetans residing in its territory, offers rewards for tip-offs on "Tibetan independence" activities, and severely curtails freedom of religion.

## **(2) Foreign Relations**

The foreign policy section of the 20<sup>th</sup> Party Congress report mentioned the "Global Development Initiative" and "Global Security Initiative," advocated autonomy in foreign policy, and voiced opposition to foreign interference with mainland China's internal affairs. The CCP accused the US of trying to frame mainland China as a rival plotting to reshape the international order with the latter's rollout of the CHIPS and Science Act and relevant security strategy documents; mainland China denounced these policy measures as seeking "decoupling," "politicizing economic issues," and clinging to the Cold War mentality. Following the 20<sup>th</sup> Party Congress, the CCP has been active in the area of foreign relations: for instance, Xi Jinping met with visiting heads of state (from Vietnam, Pakistan, Tanzania, and Germany), and Wang Yi had phone calls with foreign ministers of Russia and the US on top of meeting with foreign ambassadors posted in China (i.e. the ASEAN and US ambassadors to China). As it emerged from the COVID-19 pandemic, mainland China also embarked on physical meetings on foreign affairs (such as participating in the ASEAN Summit series, G20 Summit in Indonesia, and APEC Leaders Summit in Thailand).

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

In the report of the 20<sup>th</sup> Party Congress, Xi declared that he would fully implement a system where the chairman of the Central Military Commission (CMC) holds ultimate responsibility; he also stated that the military would grasp the characteristics and patterns of information-based and smart warfare to win local wars. At a meeting with leading cadres of the military following the 20<sup>th</sup> Party Congress, Xi reiterated the urgency to resolutely achieve the revolutionary objective of ushering in the centenary of the founding of the People's Liberation Army (PLA). During an inspection of the Joint Operations Command Center of the CMC, he emphasized the need to focus all energy on fighting and accelerate work on strengthening the military's ability to claim victory. The latest CMC

leadership remained a seven-member structure, with two vice chairmen appointed from the operational system. The fact that He Weidong and Miao Hua had both previously served in the Eastern Theater Command suggests that the CCP is gearing up for a military conflict with Taiwan. Mainland China held joint air force training exercises with Thailand to learn from the West and boost its beyond-visual-range (BVR) air combat ability. Joint military exercises between the CCP and ASEAN countries will become routine activities.

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

In the 20<sup>th</sup> Party Congress report, Xi reiterated policy goals such as enforcing the "one country, two systems," exercising "comprehensive jurisdiction," "patriots ruling Hong Kong/Macao," and supporting Hong Kong and Macao to resolve deep-rooted issues and problems. The Hong Kong government set up a working group and defined performance indicators to address Xi's demand on July 1 to "effectively resolve the people's concerns and difficulties." John Lee called maintaining national security a "war" and demanded effective legislations; therefore, he vowed to fully lay the groundwork for implementing the legislation of Article 23 of the Basic Law. Official forecasts for Hong Kong's annual economic growth were downgraded again. Mainland China and Hong Kong jointly promoted the "Swap Connect" to optimize currency swap operations. In the first Guangdong-Hong Kong-Shenzhen meeting since John Lee took office, consensus was reached on a number of cooperation initiatives. In addition, Macao began public consultations on its amendments to the "National Security Law"; it also plans to follow Hong Kong's example by requiring public servants to take an oath of allegiance.

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

The 20<sup>th</sup> Party Congress report reiterated that it was the party's historical mission to resolve the Taiwan issue and achieve full unification. Mainland China vowed to implement its "overall strategy on Taiwan" and highlighted its "opposition to independence and foreign interference." The report stated that mainland China would "never promise to renounce the use of force and will reserve the option to take all necessary actions"; it would also support the so-called "patriotic and pro-unification forces" and deepen the multifaceted "integrated development" between the two sides across the Taiwan Strait. Furthermore, it was written in the CCP's party constitution to "resolutely oppose and contain Taiwan independence." In addition, the CCP recently called for the resumption of the "Mini Three Links." Several mainland Chinese cities released documents on providing Taiwan "equal treatment." Meanwhile, the CCP took advantage of the occasions of cross-Strait exchanges to step up promotion of policies outlined at the 20<sup>th</sup> Party Congress and express opposition to cross-Strait decoupling. In the future, mainland China will continue to strengthen cross-Strait economic exchanges and other cooperation as part of its "united front campaign driven by cross-Strait integration."

On the international stage, the CCP emphasized that the Taiwan issue is at the heart of China's core interests and that only when the two sides across the Taiwan Strait are unified will there be real peace. Mainland China accused the US of sending wrong and dangerous signals by clarifying that it would "assist in defending Taiwan." Mainland China also spoke about how its new or resumed diplomatic ties with 9 diplomatic allies of Taiwan served as an effective blow to the provocation of Taiwan independence separatist forces and success in consolidating its "one China" narrative on the international arena. On the sustained concerns about cross-Strait peace manifested in the Taiwan-related acts proposed or passed by the US and in the statements from the international community, the CCP urged foreign countries to abide by the "one China" principle and stop both arms sales to and official/military contacts with Taiwan. The CCP claimed that Taiwan's attempt to "reject unification by force," collusion with foreign powers, and independence-seeking provocations are doomed to fail;

it stressed that the PLA is training and preparing for war and is determined to counter any form of Taiwan independence and external forces. Until recently, the CCP military aircraft and warships remain active around Taiwan and the median line of the Taiwan Strait. There has not been an end to mainland China's diplomatic suppression and military intimidation against Taiwan.