

MAC 2022 Fourth 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 in the fourth quarter of 2022 (and the beginning of 2023). The key points of the report are summarized as follows:

(1) Internal Situation

In the political arena, mainland China continued to advocate its staunch support for the "Two Establishes" and the party's leadership role following the "20th National Congress of the Chinese Communist Party (CCP)" (hereinafter the "20th Party Congress.") Many of the CCP's organs ushered in senior leadership changes, including the State Council, provincial administrative and party offices, local People's Congresses, local committees of the Chinese People's Political Consultative Committee (CPPCC), and the democratic parties. Moreover, the CCP announced the list of new delegates to the National People's Congress and National Committee of the CPPCC as the party gears up for the national leadership reshuffle in the "Two Sessions" in March. The Politburo Standing Committee concluded that the CCP Central Committee made perfectly correct moves in its COVID-19-related major judgments, policy decisions, and adjustments, having created a miracle in the history of human civilization. Addressing the CCP's work this year, Xi Jinping emphasized that mainland China would strive to achieve an economic turnaround, advance the "Chinese-style modernization," and move towards technological independence. He also commented that the fight against corruption remains severe and complex. The mainland Chinese authorities continued to investigate corruption cases in regards to grain reserves.

In the economic sphere, mainland China's economy grew by 3% and the Consumer Price Index (CPI) was 2% in 2022. The COVID-19 pandemic rendered a 2.9% economic growth in the fourth quarter, slower than that in the third quarter. The monthly performance readings for mainland China's manufacturing and non-manufacturing industries in December indicated contraction. The Central Economic Work Conference declared that its main objective for 2023 would be "seeking progress while maintaining stability," meaning it would prioritize economic recovery and expansion of consumption. The No. 1 Document of many provincial governments focused on economic work, stimulating consumption, and stabilizing foreign investment and international trade. International forecasts on mainland China's economy growth in 2023 ranged from 4.0% to 5.7%.

In social areas, strict lockdowns in various localities last November triggered the "Blank Paper Movement" that threatened the CCP's authority to rule, but the abrupt relaxation of controls led to mass infections and panic-buying/hoarding of medical supplies. Before the Lunar New Year holiday, various mainland Chinese cities declared that they had passed the peak of the COVID-19 pandemic; after the holiday, the CCP officials asserted that there was no virus resurgence or mutation. The mainland Chinese authorities claimed that, from December 8 last year to February 8 this year, there have been more than 80,000 cases of COVID-19 deaths in hospitals. The COVID-19 pandemic and control measures exacerbated local fiscal deficits and debts. In addition, initiatives of medical insurance reform in many cities triggered large-scale protests.

(2) Foreign Relations

After the 20th Party Congress, Xi Jinping soon embarked on his "head-of-state diplomacy" by meeting with leaders of the United States (US), Japan, and other countries at the G20 meeting in Indonesia last November. The high-level US-China interaction following the Biden-Xi meeting might have resulted in nascent détente in their bilateral relations, but the latest event surrounding the CCP's

reconnaissance balloon prompted US Secretary of State Antony Blinken to postpone his visit to mainland China as the two sides continued negotiations in this regard. In November and December, Xi attended the APEC Summit in Thailand and traveled to Saudi Arabia for the “China-Arab States Summit” and “China-Gulf Cooperation Council (GCC) Summit.” Moreover, he presented a video speech to the Conference of the Parties to the “Convention on Biological Diversity.” (In addition, Wang Qishan attended the “Conference on Interaction and Confidence-Building Measures in Asia” in October; Li Keqiang presided by video at the Meeting of the Council of Heads of Government (Prime Ministers) of Member States of the “Shanghai Cooperation Organisation (SCO),” attended the “Leaders' Meetings on East Asia Cooperation,” and presided over the “1+6 Roundtable” in November and December). In mid-February this year, Wang Yi visited France, Italy, Hungary, and Russia, attended the Munich Security Conference, and met with US Secretary of State Antony Blinken and other officials. The CCP's high-profile post-pandemic foreign affairs campaigns suggest that mainland China is reopening to the world and attempts to mitigate the impact of containment by the US and Europe.

(3) Military Developments and Regional Security

Mainland China's Ministry of National Defense reiterated that its focus in 2023 would be on getting ready for war and sharpening its joint and trans-theater combat capabilities. In January, the People's Liberation Army (PLA) launched training mobilization. Central Military Commission Vice Chairmen Zhang Youxia and He Weidong urged the PLA to speed up work on building the military. In December last year, the Liaoning aircraft carrier conducted exercises near Guam for the first time. When the USS Nimitz aircraft carrier conducted drills in the South China Sea in January and February this year, the PLA sent ships to monitor while releasing images of its Shandong aircraft carrier on training exercises. The US Department of Defense released the “2022 Report on the Military Power of the People's Republic of China,” raising concerns for the PLA's expansion of nuclear arsenal and faster transformation into a mechanized, informatized, and

intelligentized military force. Moreover, the report outlined the CCP's four possible military actions against Taiwan, including an "air and maritime blockade," "limited force or coercive actions," "air and missile campaign," and a "full-scale invasion of Taiwan."

(4) Situation in Hong Kong and Macao

The chief executives of Hong Kong and Macao went to Beijing to present work reports at the end of last year. Xi praised John Lee's resolute defense of national security and Ho Iat Seng's maintenance of overall social stability. Former Director of the Office for Safeguarding National Security Zheng Yanxiong was promoted to Director of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region. In his Lunar New Year message, Zheng said that the "one country" principle must be firmly upheld and the advantages of "two systems" fully realized. The Hong Kong Journalists Association stopped publishing the "Annual Report on Freedom of Expression"; an international news organization suspended operations in Hong Kong. Net emigration from Hong Kong in 2021 exceeded 50,000, marking a 30-year high. The overseas companies based in Hong Kong started to show a trend of "mainland Chinese companies advancing and foreign companies retreating." In addition, in 2023, Macao is expected to continue the Wealth Partaking Scheme, tax relief, and other beneficial measures for the public.

(5) Taiwan Work

At the New Year's reception for the CPPCC and State Council, Xi Jinping stated that last year, the CCP carried out major struggles against separatism and foreign interference, and had a firm grip on the initiative in cross-Strait relations. In his New Year's message, Xi said that "the two sides across the Taiwan Strait belong to one family." Member of the CCP Politburo Standing Committee Wang

Huning attended a meeting of the "All-China Federation of Taiwan Compatriots" and called for promoting cross-Strait people-to-people exchanges. Taiwan Affairs Office Director Song Tao stated in his New Year's message that mainland China would begin extensive and in-depth discussions on cross-Strait relations and national unification with the people of foresight from various sectors of the Taiwan society.

The CCP has recently been stepping up its Taiwan work. Wang Huning, Song Tao, and heads of mainland Chinese cities met with members of Taiwan's opposition parties and said that they would strengthen contact, exchanges, and cooperation on the basis of the "1992 Consensus" and opposition to "Taiwan independence." Song Tao also took the opportunities of paying tribute to Master Hsing Yun, meeting with Taiwanese agricultural & fishery industries groups, and receiving religious groups from Taiwan to promote the resumption of cross-Strait exchanges. Additionally, mainland China dropped its previous bans on Taiwanese exports of various food items, citing some businesses' successful completion of registration requirements. Furthermore, mainland China continued to push for the resumption of the Mini-three-links and service points for direct cross-Strait flights.

During his meeting with Joe Biden, Xi Jinping emphasized that the Taiwan issue is at the heart of mainland China's core interests and a red line in China-US relations that must not be crossed. On the issue of US-Taiwan interaction such as the potential visit by US House Speaker Kevin McCarthy and visits to Taiwan by parliamentarians of relevant countries, the CCP emphasized that mainland China would resolutely defeat foreign interference and "Taiwan independence" schemes. The mainland Chinese authorities also stated that the combat readiness patrols and simulated combat drills in the sea and airspace around Taiwan were responses to US-Taiwan collusion and retaliation against external provocations. Looking into the future, the CCP will double down on its maneuvering of the carrot-and-stick strategy, involving both persistent political and military intimidation and promotion of unification and integration through various cross-Strait exchange

platforms and individuals. This is all part of the CCP's plan to accomplish its united front work under the pretext of facilitating people-to-people exchanges.