

MAC 2023 First 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 first quarter of 2023. The key points of the report are summarized as follows:

(1) Internal Situation

In the political arena, the Chinese Communist Party (CCP) held the first meetings of the 14th Chinese People's Political Consultative Conference (CPPCC) and National People's Congress (collectively known as the "Two Sessions"), where senior government officials were appointed for the next five years. Xi Jinping was re-appointed as president of the People's Republic of China (PRC) and chairman of the Central Military Commission; Han Zheng was appointed as vice president of the PRC; and Li Qiang became the premier of the State Council. Reports related to the "Two Sessions" emphasized "Xi's core" and advancement of Chinese-style modernization. Amendments to the "Legislation Law" were passed, consolidating the role of constitutionality in the legislative process. The CPPCC Charter was amended to include words highlighting the party's leadership in all aspects. A new round of party and state institutional reforms was initiated, including the establishment of "three commissions, one department, and one office" under the CCP Central Committee. The State Council reforms focused on restructuring the financial regulatory system and the science and technology sector. The CCP launched a party-wide campaign to identify and resolve major problems, during which Xi Jinping and other senior officials visited various places for research and inspection, particularly on the agricultural, fishery,

and manufacturing industries; the officials also emphasized technological innovation and high-quality development. The CCP recently held the first meetings of the new session of the Central Comprehensively Deepening Reforms Commission and the Central Financial and Economic Affairs Commission to set the direction for political and economic development. The party continues to drive its anti-corruption campaign, targeting state-owned enterprises, financial system, and the General Administration of Sport. Several mid-level officials came under investigation on corruption charges.

In the economic sphere, the government work report issued by the "Two Sessions" set an annual economic growth target of 5.0% and emphasized "seeking progress amid stability," namely carrying out work to achieve "steady growth, stable employment, and stable prices" and preventing major risks. In the first quarter of 2023, mainland China's GDP growth was at 4.5% and the consumer price index (CPI) rose by 1.3% year-on-year. The manufacturing and non-manufacturing indices were both in the expansion zone in March. Unemployment rate stood at 5.3%, with youth unemployment rate at 19.6%. Shanghai, Beijing, Hangzhou, and Shenzhen promoted street stall economy to stimulate employment. International organizations estimated mainland China's annual GDP growth at between 4.5% and 6.1%.

Recent events such as the white hair movement, protests by local bank depositors, and disappearance of a teenager in Jiangxi have all undermined public trust in government authority. Mainland China's Cyberspace Administration launched a special campaign to regulate self-media and control public opinion. The Xinjiang and Tibet issues remained in international spotlight.

(2) Foreign Relations

After the "Two Sessions" in March, the CCP has been actively promoting head-of-state diplomacy. Xi Jinping went on a State Visit to Russia in late March. He emphasized the priority of China-Russian relations and expressed intention to

de-escalate tensions in Ukraine. The two sides signed multiple cooperation documents and issued a joint statement. In April, Xi spoke with the Ukrainian president by phone and reiterated mainland China's aim at promoting peace and dialogue. Regarding relations between China and the United States (US), Qin Gang met with the US ambassador to China in May and urged the US to stop hollowing out the "one China" principle, to which the US responded that its "one China" policy has not changed. US Secretary of State Antony Blinken expressed hope to reschedule his trip to mainland China. In March, Wang Yi brokered an agreement between Saudi Arabia and Iran to restore diplomatic relations; in April, Qin Gang witnessed the reestablishment of diplomatic ties between the two countries. In addition, Qin Gang visited Indonesia in February and chaired the 4th meeting of the Joint Commission on Bilateral Cooperation between China and Indonesia. In mid-April, he visited Uzbekistan to attend the 4th Foreign Ministers' Meeting among the Neighboring Countries of Afghanistan. Later that month, he went to the Philippines and called for proper handling of the Taiwan issue and maritime affairs, while urging the nation to uphold strategic autonomy. Qin also presided over the 4th China-Central Asia Foreign Ministers' Meeting. In early May, he visited Myanmar and then went to India to attend the Shanghai Cooperation Organization Foreign Ministers' Meeting, calling for an easing of border tensions between China and India. Moreover, Qin visited Pakistan to attend the China-Afghanistan-Pakistan Foreign Ministers' Dialogue, emphasizing that China would promote cooperation among the three sides. The CCP's foreign policy this quarter aimed to underscore mainland China's role as a peacemaker, show that it has not been isolated by the US, and drive a wedge between the US and its allies by winning over the latter.

(3) Military Developments and Regional Security

Xi Jinping inspected the navy of the Southern Theater Command and called for strengthening combat readiness to defend mainland China's territory and sovereignty. On April 5, the aircraft carrier Shandong crossed the Bashi

Channel to conduct training in the West Pacific. US military planes and ships sailed through the Taiwan Strait, moves that the CCP criticized as disrupting cross-Strait and regional peace. The US and the Philippines held the "Shoulder-to-Shoulder" joint military drills from April 11 to 28. The CCP condemned the exercises for undermining mutual trust between countries in the region and heightening tensions as a result. The CCP Ministry of National Defense recently strengthened international military cooperation and exchanges. It conducted joint military exercises with Cambodia (March 20 to April 28), Iran and Russia (March 15 to 19), Singapore (April 27 to May 1), and Laos (May 9 to 28). Mainland China's Defense Minister Li Shangfu visited Russia from April 16 to 19, during which he met with Vladimir Putin and Russia's Defense Minister Sergei Shoigu. He called for strengthening military cooperation between mainland China and Russia and reaffirmed that both sides will safeguard their respective core interests. Li attended the Shanghai Cooperation Organization Defense Ministers' Meeting on April 27 and 28. He emphasized mainland China's willingness to strengthen strategic mutual trust and counter-terrorism cooperation with all parties. He also met with the Indian defense minister and urged the continued promotion of normalized management of border situations. In March, mainland China enacted the "Reservists Law" to meet the needs of military preparedness, support combat readiness, and maintain stability in the non-frontline.

(4) Situation in Hong Kong and Macao

Hong Kong has witnessed a steady stream of arrests since the "Hong Kong National Security Law" came into effect, including former members of the Hong Kong Confederation of Trade Unions and individuals found in possession of the picture book *Sheep Village*. A new appointment of overseas judge was made to demonstrate independence of the trials and maintain confidence in the judiciary. Restrictions on protests and gatherings in Hong Kong have increased in the post-pandemic era. The CCP established the "Hong Kong and Macao Work Office" that is directly under the CCP Central Committee, while the "Hong

Kong and Macao Affairs Office of the State Council” was retained in name but not as a standalone agency. With Hong Kong and Macao respectively, mainland China fully reopened borders, continued to promote financial cooperation, and strengthened educational integration. A US think tank noted Beijing's influence on Hong Kong's governance. Given the impact of the National Security Law on freedom of information, the ongoing US-China rivalry, and geopolitical risks, foreign investors are advised to assess risks in making investment. Hong Kong's economy contracted by 3.5% in 2022 as the government sought to revive the post-pandemic economy. Macao's economy fell by 26.8% in real terms in 2022. However, there has been a noticeable post-pandemic recovery in Macao's tourist arrivals.

(5) Taiwan Work

During the "Two Sessions" in March, senior CCP officials reiterated their established policies on Taiwan. Premier Li Keqiang stated in the government work report that mainland China would advance cross-Straits economic and cultural exchanges and jointly promote Chinese culture. During a press conference, the CCP's Foreign Minister Qin Gang quoted the CCP Constitution and stressed that the Anti-Secession Law had already made it clear that Taiwan independence and separatism cannot co-exist with cross-Straits peace and stability. At the closing ceremony of the National People's Congress, Xi Jinping underscored the need to implement the "Overall Strategy," uphold the "one China" principle and the "1992 Consensus," and firmly oppose external interference and "Taiwan independence" separatist activities. The CCP held a Working Conference on Taiwan Affairs on May 9 and 10. During the conference, Wang Huining emphasized the imperative of comprehensively implementing the "Overall Strategy," gradually expanding cross-Straits exchanges, and conducting in-depth investigative studies. Furthermore, Taiwan Affairs Office (TAO) Director Song Tao stated during a symposium marking the 30th anniversary of the "Koo-Wang Talks" that adhering to the "1992 Consensus" is a matter of principles.

The CCP responded to President Tsai Ing-wen's transit stop in the US and meeting with US House Speaker Kevin McCarthy with harsh rhetoric and military intimidation. On April 6, mainland China's four departments (Ministry of Foreign Affairs, Foreign Affairs Committee of the National People's Congress, the TAO of the CCP Central committee, and Ministry of National Defense) issued a joint statement criticizing the US for sending the wrong message to the Taiwan independence separatist forces. They also accused the Democratic Progressive Party authorities of insisting on their pro-independence stance and therefore pushing Taiwan toward the brink of war. On April 7, the TAO of the CCP Central Committee and TAO both imposed sanctions on the Republic of China's Ambassador to the US Hsiao Bi-khim and persons in charge at the Prospect Foundation and the Council of Asian Liberals and Democrats. On April 8, the Eastern Theater Command announced the operation of combat readiness security patrol encircling Taiwan and began the "Joint Sword" exercise. On April 12, the CCP's Ministry of Commerce initiated a trade barrier investigation on 2,455 Taiwanese products. Recently, the CCP has intensified united front work against Taiwan. Song Tao met frequently with individuals and groups from various sectors in Taiwan and urged them to uphold the "one China" principle and "1992 Consensus." Furthermore, the TAO announced on March 15 that mainland China would resume imports of chilled largehead hairtail and frozen horse mackerel from Taiwan. It also adjusted the boarding requirements for cross-Strait passenger routes by accepting negative antigen test results obtained within just 24 hours before departure.

Internationally, the CCP has been seeking to consolidate the "one China framework." During a meeting with French President Emmanuel Macron and European Commission President Ursula von der Leyen, Xi Jinping stated that it is wishful thinking to expect China to make compromises on the Taiwan issue. At the Munich Security Conference, Wang Yi stated that Taiwan has been part of China since ancient times and can never become a nation. Furthermore, three CCP departments (Ministry of Foreign Affairs, TAO, and Ministry of National Defense) addressed Taiwan-US interaction by reiterating that the Taiwan issue is

a red line that cannot be crossed in China-US relations. Mainland China will take all necessary measures to defend its sovereignty and interests. It is assessed that the CCP will continue to employ a two-pronged approach of applying pressure and intimidation to create a growing tension of the Taiwan Strait being "on the brink of war," while stepping up measures to promote integration with Taiwan and engage in a cognitive warfare of "making a choice between peace and war."