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TOP STORY

Xi emphasizes Taiwan, national security and social stability

To thunderous applause from delegates, Xi Jinping used his opening speech at the 20th Congress of the Chinese Communist Party (CCP) to reassert Beijing’s “strong determination” against interference and secession in Taiwan. Even though there wasn't a big shift in language regarding the geopolitically fraught cross-strait issue, Xi chose to break with tradition and address it early in his speech – a clear indication that Beijing is unlikely to back down on its efforts to "re-unify" with Taiwan.

Both triumphant and full of warnings of dark times ahead, the CCP leadership's 72-page report, distributed to delegates at the congress, dedicated a new section to national security and social stability – a clear sign they are now priorities over the long-time focus of economic growth. Xi went on to praise “dynamic zero,” insisting on the policy's success in saving lives in the fight against Covid-19 – even though the lockdowns have hammered economic growth. Since China officially reached its goal of becoming a "moderately prosperous" society last year, the report named "socialist modernization" as the main goal over the next five years. Xi warned CCP cadres against “fatigue,” emphasizing that this goal would bring with it “new great struggle”.

At the same time, Xi used his report to delegates to signal his holding steady in economic policy. Opening up select parts of the economy – by aspiring to market reforms and liberalization – is meant to continue, even as strong state-owned enterprises and the pursuit of economic and tech self-reliance remain parallel goals. This is not a contradiction, but a norm – based on Beijing’s goals for different parts of the economy, there are different rules and objectives for each. But more interesting indications of upcoming economic policy could arguably be found in other sections of the report.

The newly added science-technology-innovation section showed that Beijing wants to intensify its technological self-reliance. It outlined how education, science, technology and talent will be the strategic drivers of China's transformation into a "modern socialist country" – the leadership knows China needs highly skilled workers, including foreign talent, to upgrade its labor force. The CCP will set targets, while companies lead the charge, supported by a more closely aligned innovation ecology. The terms “science and technology” (科技) were mentioned more often than at the last congress, in 2017.

MERICS analysis: “The report shows the continuity of the CCP’s policy direction and priorities. But the congress’s most fundamental political change cannot be found on paper. Instead of stepping down after two terms as CCP General Secretary to make way for a younger leader, Xi Jinping has set himself up as his own successor,” says Katja Drinhausen, Head of MERICS Politics & Society Program. “In his first decade in power, Xi formulated grand ambitions for China and the CCP. He has now locked them firmly in place and paved the way for his mission to make them reality.”

Media coverage and sources:

- BBC: China’s Communist Party Congress: A really simple guide
- GRID: Two major speeches from Xi Jinping reveal how China has changed
- China Daily: Full text of Xi Jinping’s report at the 19th National Congress
This is the number of times Xi Jinping used the term “national security” (国家安全) in his speech at the CCP’s National Congress – a steep rise from 18 mentions in 2017 and a mere four in Xi’s predecessor Hu Jintao’s speech 2012. Over the last ten years, the report’s references to “security” have almost tripled, from 36 to 91. These changes illustrate vividly how much Chinese politics has changed since Xi came to power. Quickly adopting the strong-man role, he unveiled his concept of “comprehensive national security” as far back as 2014.

**More on the topic:** To understand how Xi and the CCP’s preoccupation with ensuring security has reshaped the party-state’s domestic and international conduct, read our [MERICS China Monitor](#) on the topic by Katja Drinhausen and Helena Legarda.
TOPICS

Rare protest in Beijing shows control is not absolute

A dramatic one-man protest in Beijing for political reform and an end to Xi Jinping’s zero Covid policy made the news all over the world, except in China. But the images still spread quickly on Chinese social media, via file-sharing tools – and then even as printed posters and public graffiti. Censors suspended so many users that the hashtag “my WeChat account is suspended” briefly became a top-trending item on Weibo – before it was censored, too. Police required printing shops to scrutinize all poster orders and some schools even ordered students to deactivate file-sharing on their phones.

Just days before the start of the 20th Party Congress, protest banners in Beijing declared “I don’t want take a test, I want to eat,” “I don’t want a cultural revolution, I want reform,” and called for Xi Jinping to be removed from power. The lone protester that hung them there was quickly apprehended, but his message reverberated across China and around the world – and cast a shadow over Xi’s meticulous party congress choreography. While the man’s concerns and demands likely do not represent majority opinion, they appeared to articulate some deep-rooted sentiments.

Citizens are suffering the effects of a stagnating economy, the threat of more Covid-19 restrictions, and an increasingly restrictive socio-political climate. Despite the emphasis on the theme of “security” at the party congress and the huge police presence in the capital, the protest and its echo show that social order can still fray. A viral campaign by overseas self-produced media encouraged many to translate and re-print the banners, which were then hung as posters in universities as far afield as Berlin and New York.

Media coverage and sources:

- Bloomberg: Anti-Xi Slogans in Rare Beijing Protest Spread Within China
- MIT Technology Review: WeChat users are begging Tencent to restore their accounts after a Beijing protest
- China Digital Times: [After this, will they implement real-name verification for printer machines and restrict airdrop?]
- Radio Free Asia: [Protest banners appear in Beijing speaking out against Covid-testing and for the removal of Xi Jinping]

Q3 economic data delayed without reason or rain date during Party Congress

Two key economic releases were delayed ahead of and during China’s party congress – attributed by some media to pre-congress Covid restrictions that kept officials from signing off on the data. The General Administration of Customs was expected to release trade data on October 14, and the National Bureau of Statistics and others had scheduled broader Q3 economic data on October 18. Instead, both postponed data without clarification or rain date, just ahead of the anticipated releases. Despite a report by Bloomberg
blaming pre-event Covid restrictions, it was notable that other data slated for release was not postponed. This raises the question of why.

It is also possible that the CCP did not want Xi’s speech bookended by weak trade data and mediocre growth results. Only time will tell – when the data is finally released. Either way, however, the delays do not reflect well on these institutions. On the one hand, failure to prepare for zero-Covid restrictions ahead of a long-announced Party Congress would be a significant blunder in planning, involving many bureaucrats over weeks and months. On the other, concealing poor data to protect Xi would be at least as damaging to their credibility. Both situations reflect the primacy of the party, its needs and ideology, over the state and its rules and procedures.

**MERICS analysis:** “This may have been an ideological move to protect Xi’s image by hiding bad news, but even a failure to plan ahead for Covid rules before the party congress displays a certain degree of public incompetence for the party state - so much for their image as a 3-D chess master with a 100-year plan,” says *Jacob Gunter*, MERICS Senior Analyst. “Such interventions not only hurt economic sentiment, but also demonstrate that even the National Bureau of Statistics and the General Administration of Customs, which seem less ideologically driven, are beholden to the political whims of the CCP.

**Media coverage and sources:**
- The Japan Times: [China’s unprecedented GDP data delay fuels worries about growth](https://www.japantimes.co.jp/news/2022/10/19/asia/china-economy-world/)

**Amid US semiconductor restrictions, China focuses resources on self-reliance**

The semiconductor industry will be a test bed for China’s new approach to technological self-reliance, outlined in its recent report to the party congress – especially after the US introduced export controls denying it access to essential equipment, technology and software for chip design and production at the start of October. By stifling China’s chip industry, the restrictions go far beyond merely pegging China a few steps behind and aim to choke progress altogether. They also push Beijing to double down on self-reliance, as semiconductors are essential for developing artificial intelligence and other digital technologies crucial to China’s long-term ambitions.

Until now, China’s progress has been uneven. It can produce most types of lower-end chips, is doing well in memory chips, and occasionally reports experimental breakthroughs. However, these rely on foreign inputs that China may now lose access to. Aware of this weakness, the CCP has outlined a “new-style all of state effort” (新型举国体制) to achieve self-reliance. This approach brings together various tasks such as concentrating resources under Beijing’s guidance; promoting synergies between companies, universities, and research labs; reforming national labs and research funding; and launching a batch of forward-looking megaprojects.

However, because the semiconductor industry is highly globalized with complex supply chains and technologies, stronger state orchestration may not be the answer. ...
dissatisfaction with the current situation is clear from its scrutiny of the National Integrated Circuit Industry Investment Fund, or "the Big Fund", the organization it tasked in 2014 with building up the sector. At least twelve high-ranking officials and fund managers are under investigation for corruption, including the fund's director Ding Wenwu.

**MERICS analysis:** "Simply appointing a new batch of fund managers will not make the big fund the success Beijing needs," says MERICS expert Jeroen Groenewegen-Lau. "An ‘all of state effort’ would involve tasking an agency or company, together with key stakeholders from industry and academia. This would build national teams and shelter them from market forces, a big shift away from mobilizing capital markets in these key technology areas. However, the complexity of the technology makes success very uncertain."

**More on the topic:** Industry, allies and partners face tough choices as US-China tech war escalates. Short analysis by Rebecca Arcesati and Antonia Hmaidi.

**Media coverage and sources:**
- The China Quarterly (forthcoming): The promise and pitfalls of government guidance funds
- Bloomberg: Here's what China experts are saying about Xi's big speech
- Bloomberg: US Chip Sanctions and Covid Spawn China's Secondhand Semiconductor Market

**MERICS CHINA DIGEST**

**Kenya wants China to extend repayment period for USD 5 billion debt (Bloomberg)**

Seeking to reduce debt vulnerabilities, the Kenyan government wants to ask China to extend the repayment period the loans it used to build a new railway line. Kenya's transport secretary-designate Kipchumba Murkomen said that servicing the Export-Import Bank of China loans, due in 15 to 20 years, is choking the country's economy. (22/10/19)

**China auto market faces slowdown as inventory builds - CMBI (Reuters)**

Chinese car manufacturers delivered a record number of 1 million vehicles to dealers from January until the end of September 2022, report analysts at the China Merchants Bank International (CMBI) quoted by Reuters. As deliveries increased by 33 percent and sales climbed only by 9 percent, this could lead to a market slowdown next year according to the experts. (22/10/19)

**Hong Kong’s wealth gap reaches ‘tipping point’ under Covid as unemployment rises among poor, Oxfam says (Hong Kong Free Press)**

The Covid pandemic has worsened Hong Kong’s wealth gap. According to a new Oxfam report, the city's poorest earn 47 times less than its richest residents. Before the pandemic, the highest earners made 34.3 times more those who earn the least. (22/10/06)