



# ASIA MAIOR

Vol. XXXII / 2021

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## Asia in 2021: In the grip of global and local crises

**Edited by**  
**Michelguglielmo Torri**  
**Filippo Boni**  
**Diego Maiorano**

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CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

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The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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## CONTENTS

- 9 *Nicola Mocci (22 September 1969 – 29 January 2022)*
- 11 MICHELUGUGLIELMO TORRI, *Asia Maior in 2021: Pandemic crisis; US-China confrontation; authoritarian involution*
- 39 SILVIA MENEGAZZI, *China 2021: Coping with the resilience dilemma of the Chinese model*
- 63 GIULIO PUGLIESE & COREY WALLACE, *Japan 2021: The Liberal Democratic Party emerges stronger despite domestic tumult*
- 95 MARCO MILANI, *Korean peninsula 2021: Managing the crisis and adapting to the new situation*
- 125 AURELIO INSISA, *Taiwan 2021: Heightened geo-economic relevance amid rising cross-strait tensions*
- 153 MIGUEL ENRICO G. AYSON & LARA GIANINA S. REYES, *The Philippines 2021: Populist legacy and looming uncertainties*
- 171 BOIKE REHBEIN, *Laos 2017-2021: Revival of the subsistence ethic*
- 191 CAROLINE BENNETT, *Cambodia 2018-2021: From democracy to autocracy*
- 221 EMANUELA MANGIAROTTI, *Malaysia 2021: A widening political legitimacy crisis*
- 237 EDOARDO SIANI, *Thailand 2019-2021: Military, monarchy, protests*
- 259 MATTEO FUMAGALLI, *Myanmar 2021: Repression and resistance in a multi-cornered conflict*
- 277 SILVIA TIERI, *Bangladesh 2021: The year of the golden jubilee and the second wave of pandemic*
- 297 DIEGO MAIORANO, *India 2021: Politics amid the pandemic*
- 329 DIEGO ABENANTE, *Sri Lanka 2021: From pandemic emergency to political and economic crisis*
- 347 MARCO CORSI, *Pakistan 2021: In pursuit of a pivotal role in post-pandemic South Asia*
- 375 FILIPPO BONI, *Afghanistan 2021: US withdrawal, the Taliban return and regional geopolitics*
- 393 LUCIANO ZACCARA, *Iran 2021: The year of transition*
- 417 CARLO FRAPPI, *Azerbaijan 2021: Towards a new beginning?*
- 445 *Reviews*
- 471 *Appendix*

CHINA 2021: COPING WITH THE RESILIENCE DILEMMA  
OF THE CHINESE MODEL

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*In 2021 Chinese internal politics were dominated by the domestic economy and the COVID-19 pandemic. The celebration of the 100<sup>th</sup> anniversary of the Chinese Communist Party (CCP) worked well to project the numerous successes of Chinese politics through history. Yet, Beijing's insistence on the need to rethink the developmental path of China's economic model also demonstrates the extent to which the important engines that have driven China's growth in the past four decades must now be diverted to an internal dimension. This is the case of the dual circulation strategy and the common prosperity policy, whose guidelines are envisioned by Chinese leaders and political elites to transform the country's existing growth model through a fully fledged internal rebalancing, and which spared not even the once unscrutinized, cross-border flow of data coming out of China.*

KEYWORDS – CCP centenary; COVID-19; dual circulation; common prosperity; data security governance.

*1. Introduction: coping with the resilience of the Chinese model*

The year 2021 was meant to be an exceptionally significant year for the People's Republic of China (PRC) as it marked the centenary anniversary of the Chinese Communist Party (CCP). When founded in Shanghai on 23 July 1921, the CCP had just over 13 members, two Comintern advisors and an informal network of young radical Marxists; today its membership is estimated to exceed 95 million, with about 2.3 million new members joining the organization only in the first half of 2021.<sup>1</sup> This was also the year during which the first of China's two centenary goals (两个一百年) – (1) to transform China into a moderately prosperous society by the Party's centenary; and (2) to become a strong, democratic, civilized, harmonious and modern socialist country by 2049 – was accomplished, according to official Chinese government statements.<sup>2</sup> Remarkably, 2021 was also the year which coin-

1. Patricia M. Thornton, 'Party All the time: the CCP in comparative and historical perspectives', *China Quarterly*, Vol. 248, Supplement S1, November 2021, pp. 1-15; 'China Focus: CPC membership exceeds 95 millions as its centenary nears', *Xinhua*, 30 June 2021.

2. 'Xi declares China a moderately prosperous society in all respects', *The State Council Information Office*, 1 July 2021.

cided with the inauguration of the 14<sup>th</sup> Five-Year Plan (FYP) period (2021-2025), China's top-level policy blueprint, defined by Chinese media as «one of the most important documents on the planet».<sup>3</sup>

At the same time, the year under review was a moment of deepening global isolation for China, amid growing strategic tensions with the United States (US) in parallel with a worsening of relations with the European Union (EU). In the past few years, while the EU and the US developed significant autonomous strategies to deal with China's political and economic challenges, commentators believe that greater cooperation and a harmonization of approaches are now on the agenda for transatlantic cooperation.<sup>4</sup> Though the EU-China Comprehensive Agreement on Investment (CAI) may still be ratified in the future, analysts believe China's assertiveness at the global level has also created space for closer EU-US cooperation and political will as regards China.<sup>5</sup>

As far as the COVID-19 pandemic is concerned, China's Zero-COVID strategy seemed to prove more successful in containing the virus as compared with other countries. Nevertheless, the control and surveillance measures of the population, which were pursued by the government through big data and other physical restrictive measures (lockdowns), further intensified social discontent. This happened even though they were in line with China's State Council strategy, announced in 2020 during the peak of the pandemic.<sup>6</sup>

On the economic side, the Evergrande crisis – China's second largest real estate company – led Western European banks, such as UBS and Barclays, to identify the Evergrande crisis as one of China's two biggest economic problems, the other being production shutdowns across the country.<sup>7</sup> While China's property sector has grown rapidly in recent years, Chinese private developers, including China Property Group, Modern Land and Fantasia, are in trouble, leading investors to believe that the country's real estate sector is more than \$5 trillion in debt.<sup>8</sup> Yet, with a GDP growth of 8.1%, China's economic performance in 2021 remained remarkable, with annual domestic figures topping Beijing's official growth target estimates

3. 'Beijing's plan shows path to the future', *China Daily*, 29 April 2021.

4. Noah Barkin & Agata Kratz, 'Transatlantic tools: Harmonizing US and EU approaches to China', *Rodium Group Report*, November 2021, pp.1-18.

5. 'EU-China deal is still possible - but not before 2023 analyst says', *CNBC*, 15 June 2021.

6. Ausma Bernot, Alexander Trauth-Goik & Susan Trevaske, 'Handling Covid-19 with big data in China: increasing «governance capacity» or «function creep»?', *Australian Journal of International Affairs*, Vol. 75, Issue 5, 2021, pp.1-8.

7. 'The Evergrande crisis is spreading and slowing the Chinese economy sharply, UBS and Barclays warn', *BusinessInsider*, 18 October 2021.

8. 'What is the Evergrande debt crisis and why does it matter for the global economy?', *World Economic Forum*, 21 September 2021.



(6.3%) and, at the same time, outperforming most other major economies in the world.<sup>9</sup>

In the early 2000s, the issue at stake was whether the CCP was willing and able to adapt to the economic reforms that was implementing and whether China's «red» capitalists, that is, private entrepreneurs who also belong to the communist party, were likely to be agents of political change. A major transformation in this regard occurred precisely in 2001, when Jiang Zemin affirmed that private entrepreneurs were making significant contributions to the country's development and modernization. According to Jiang, with that in mind, they deserved a place in the ruling party.<sup>10</sup> This essay suggests that twenty years after Jiang's proposal, China's political leaders are still caught between the Western-capitalist model of development and the resilience of the Chinese model. As far as Party politics is concerned, the national political events and official documents analysed in this essay suggest that the Xi Jinping administration is fully in charge of a rejuvenated authoritarian system promoting the exceptionalism of the Chinese model. However, as highlighted throughout the article in the case of technology industries and data privacy, it is no exaggeration to say that the Chinese model has to deal today with some limitations also featured by the Western model of development, prime among which, the rebuke of growth at-all-costs capitalism in favor of more equitable and sustainable development.<sup>11</sup>

Within the above-mentioned benchmarks, this article analyses the key developments in China's domestic politics in 2021. Following this introduction, the essay consists of three additional sections. Section 2 briefly discusses China's approach to the «Zero-COVID» strategy. As Beijing pursued its solitary path in fighting the virus, the Chinese approach sparked a debate on whether such a strategy was sustainable in the long term and the extent to which the government had staked its political legitimacy on controlling the virus better than other countries. Section 3 is centred on major events that shaped China's political agenda during the year under review. First, it covers the celebration of the centenary anniversary of the CCP with a focus on the Resolution adopted; and second, it analyses recent developments regarding China's data governance regime. Section 3 analyzes China's economy. It offers an overview of China's 14<sup>th</sup> FYP by looking at its key strategic priorities and challenges. It also touches upon the discussion of two important concepts that entered both the Chinese and Western lexicons when discussing China's economic model and development, respectively:

9. 'China GDP grew 8.1% in 2021, though momentum slow in fourth quarter', *The Wall Street Journal*, 16 January 2022.

10. Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change*, Cambridge: Cambridge University Press, 2003, p. 2.

11. Kaiser Kuo & Jeremy Goldkorn, 'Red New Deal or Raw New Deal? Unraveling China's astonishing barrage of regulatory action', *SupChina*, 16 September 2021.

the «dual circulation» strategy and the «common prosperity» concept. Finally, a conclusion wraps up the article.

## 2. *Implementing the Zero-COVID Strategy*

For the year under review the People's Republic of China (PRC) continued to follow a so-called «Zero-COVID strategy». After the initial breakdown of the COVID-19 pandemic in Wuhan, the Chinese government enforced draconian local lockdowns to contain the spread of the virus. Indeed, in 2020, the PRC exercised a firm control over its population, thanks to sophisticated technological instruments coupled with huge efforts to control the freedom of movement of its citizens.<sup>12</sup> Nevertheless in 2021, whereas the majority of countries in the world partially relaxed their restrictive measures due to a slowdown in COVID cases, China remained committed to a containment strategy based on a «zero-tolerance policy» (零容忍政策): borders were closed to prevent contact with the outside world and Chinese citizens became accustomed to severe, albeit more limited, lockdowns. As remarked by Wu Liang, Deputy Director of the National Health Commission's Bureau of Disease Control and Prevention, the overall strategy of zero tolerance has the aim of ensuring epidemic prevention and control while safeguarding China's economic and social development.<sup>13</sup>

According to official data, the strategy implemented by the Chinese government proved successful. The World Health Organization (WHO) database reported that from 3 January 2020 to 29 December 2021, there were 131,315 confirmed cases of COVID-19 in China with 5,699 deaths.<sup>14</sup> If the data were correct, China's management of the COVID-19 pandemic would be substantially more successful than that of other countries in Europe or the US. However, a published investigation by Forbes reported that, in reality, official statistics understate the Chinese COVID death rate by 17,000% and that the true extent of COVID case numbers in China was close to 1.7 million.<sup>15</sup>

Unsurprisingly, Zhong Nanshan, China's top epidemiologist, declared in December 2021: «China's zero tolerance strategy doesn't cost too

12. Francesca Congiu, 'China 2020: The successful struggle against the COVID-19 pandemic and the Xinjiang question', *Asia Maior*, Vol. XXXI/2020, pp. 19-44.

13. '新冠零容忍政策何时考虑停止? 国家卫健委回应', (When will the new zero-tolerance policy considered to stop? Response by the National Health Commission), *BJNews*, 6 November 2021, (<https://m.bjnews.com.cn/detail/163618509514033.html>).

14. World Health Organization, China Situation, 2021 (<https://covid19.who.int/region/wpro/country/cn>).

15. 'Part 1: Beijing is intentionally underreporting China's Covid Death Rate', *Forbes*, 2 January 2022.

much. It's a relatively low-cost approach». <sup>16</sup> Dr. Zhong referred to China's decision to strengthen the zero-tolerance and zero-transmission policies after the appearance of the Delta variant: as soon as the first patient was traced, then close contacts in the transmission chain were screened; finally, all contacts were isolated and tested in time, in order to prevent the disease from spreading in local communities. <sup>17</sup> Among the most striking cases is the one of Walt Disney&Co's lucrative parks, Shanghai Disneyland, where in mid-November nearly 34,000 people underwent testing just after one positive case. <sup>18</sup> Also, in parallel with the Zero-Covid policy adopted in China, the government continued to limit international exchanges. On 15 March, flight restrictions were eased for a selected number of travellers, but the requirements of severe screening and extensive quarantine to enter China still applied. <sup>19</sup>

According to the Chinese state media, the success of the Chinese authorities in dealing with the pandemic lies in having understood – much better than the Western world – that «living with the virus» is not possible. <sup>20</sup> Along this line of thought, the Chinese political elites appear to be convinced that Western governments are not sufficiently attentive to the circulation of the virus, being influenced by public opinions that are critical of the Chinese strategy. Western governments, therefore, are less and less attentive to the repercussions and negative effects that will occur in their countries in the long term. <sup>21</sup>

Once the above has been pointed out, the Chinese government's different approach to fighting the virus appears to be dictated less by the perception that «living with the virus» is not possible than by much more concrete considerations. In fact, the health system in China is weak, which means that abandoning the Zero-COVID strategy could potentially trigger a crisis in health care that would be politically extremely costly for the Chinese leadership. In this regard, China's Zero-COVID strategy is primarily driven by social stability concerns, rather than purely economic considerations. <sup>22</sup>

16. 'Expert says tough anti-virus policy not too expensive', *China Daily*, 2 November 2021.

17. Ibid.

18. 'Shanghai Disneyland lockdown shows China's extreme Covid tactics', *Bloomberg*, 1 November 2021.

19. 'Traveling to China during Covid-19: what you need to know', *CNN*, 22 December 2021.

20. 'Living with Covid-19 doesn't change China's people-centered epidemic coping strategy: experts', *Global Times*, 5 August 2021.

21. 'Europe is paying a higher price for ignorance stubbornness', *Global Times*, 14 November 2021.

22. 'How much longer can China keep its zero-Covid strategy?', *The Guardian*, 1 January 2022.

### 3. China's political agenda

#### 3.1. Party and Politics

Notwithstanding the difficulties in managing the COVID-19 pandemic, the year 2021 stood as a milestone year for the Xi Jinping administration's aim to celebrate China's «rejuvenation». In the course of the year, a total of 15 White Papers were published by the Chinese government.<sup>23</sup> The documents articulate what appears to be a most important domestic political narrative, deemed to be shared by political elites. This narrative aims to strengthen the Party's legitimacy and the reputation of accountability, by stressing the exceptionalism of the Chinese model of development.

From a domestic point of view, the Chinese discourse on development is mostly intended as technology-driven modernization. China's development model differs from the one intended in the West: massive state-led investments in infrastructure in which the state is heavily involved is often opposed US and EU development strategies such as, large investments in public health, women empowerment, support for global civil society, anti-corruption measures.<sup>24</sup> The concept not only differs from the Euro-American concept, but also emphasizes the superiority of the Chinese sound institutional framework, which explores new paths to democracy with distinctive Chinese features.<sup>25</sup> In this sense, in the eyes of the Chinese leadership the element that most distinguishes the Chinese model from the Western one is the huge cohesive force resulting from the unity of three main factors: adherence to the guidelines of the Party; support for the government's choices and regulations; unconditional support from the people.<sup>26</sup> In line with such a narrative, on 25 February 2021, Xi Jinping declared that the eradication

23. Among these, two were dedicated to China's autonomous regions (*Tibet since 1951: Liberation, Development and Prosperity; Xinjiang population dynamic and data*); two to environmental issues (*Biodiversity conservation in China; Responding to Climate change: China's policies and actions*); one to export controls (*China's Export Controls*); one to China-Africa relations (*China and Africa in the New Era: A Partnership of Equals*); four to human rights and democracy (*The Communist Party of China and Human Rights Protection – a 100 year quest; Moderate prosperity in all respects: another milestone achieved in China's human rights; China: democracy that works; Pursuing common values of humanity: China's approach to democracy, freedom and human rights*); one to the political system (*China's Political Party System: Cooperation and Consultation*); three to poverty and development policies (*China's international development and cooperation in the New Era; Poverty Alleviation: China's experience and contribution; China's Epic Journey: from Poverty to Prosperity*). The State Council of the People's Republic of China. White Paper Archive (<http://english.www.gov.cn/archive/whitepaper>).

24. Francis Fukuyama, 'Whose global development will prevail – the West's or China's?', *World Economic Forum*, 13 January 2016.

25. Marina Rudyak, 'The CMP Dictionary. Development', *China Media Project*, 8 June 2021; 'Full Text: China: Democracy that works', *Xinhua*, 4 December 2021.

26. 'Full Text: China: Democracy that works'.

of absolute poverty in China had been accomplished and that China had created another miracle that would go down in history.<sup>27</sup>

From an international point of view, some analysts have warned that although in theory the grand strategy of Xi Jinping pursues the same goals already set by his predecessors (Jiang Zemin and Hu Jintao), on the part of Xi there is the previously absent tendency to believe that the Chinese path of development can also be a model for others to follow.<sup>28</sup> In this sense, it is nothing new to say that Beijing's amalgamation of political authoritarianism, state capitalism and infrastructure development has proved attractive to some countries already fatigued by Western neoliberal policies, as indeed is happening in Latin America.<sup>29</sup> Overall, according to these critics, much of Xi Jinping's political narrative with regards to economic development – framed in terms of a national quest aimed at realising the «China dream» – is ultimately an instrument to regain China's rightful place in the world.<sup>30</sup>

### 3.2. *Celebrating the 100 Year Anniversary of the Communist Party of China*

«Path to Glory». This is the title of the second issue of the 53<sup>rd</sup> volume of the electronic journal published by the National People's Congress of China (NPC) and dedicated to the centenary of the CCP.<sup>31</sup> The issue is one of the few published by the NPC entirely in English.<sup>32</sup> The anniversary is presented as a moment to celebrate the majesty of the successes achieved by the Party; yet, what is noteworthy is the relevance of the events – as reflected in the way they are presented. Xi Jinping's speech aside, attention is devoted to the award ceremony for the July 1 Medal.<sup>33</sup> A total of 29 people received the honour, but the journal tells only three stories: the first is that of Wang Shumao, deputy head of the militia in Tannu, which «provides hundreds

27. 'Xi declares complete victory in eradicating absolute poverty in China', *Xinhua*, 26 February 2021.

28. Sulman Wasif Khan, *Haunted by Chaos. China's Grand Strategy from Mao Zedong to Xi Jinping*. Cambridge: Harvard University Press, 2018, p.211.

29. 'How China beat out the United States to dominate South America', *Buenos Aires Times*, 18 February 2022.

30. '实现中华民族伟大复兴中国梦的关键一步', (A key step in realizing the China Dream of the great rejuvenation of the Chinese nation), *Renmin Daily*, 3 July 2021, (<http://politics.people.com.cn/n1/2021/0703/c1001-32147527.html>).

31. '1921-2021 Path to Glory', *National People's Congress of China*, Vol. 53, Issue 2, 2021, pp. 1-48.

32. The author would like to emphasize how the use of English in official documents published by the Chinese government is used as a communication strategy by the Chinese leadership with the aim of appealing to a foreign audience, in addition to the domestic target.

33. The July 1 medal is the highest honor in the Party awarded to outstanding members of the CPC starting in 2021. The regulation for the award was approved in 2015 by the Political Bureau of the CPC's Central Committee. 'What is the July 1 Medal?', *CGTN*, 28 June 2021.

of pieces of intelligence information from the South China Sea every year»; the second is that of Zhoigar, an ordinary Tibetan villager, who believes that «we must safeguard our territory and never lose it to anyone»; and third is Shi Guangyin, the NPC deputy who sold all his properties to raise money for forest conservation nationwide. Through the journal, the intention is to reach domestic and foreign audiences with the objective to portray the Chinese miracle and its model as something people in the PRC are willing to fight for, ethnic minorities included. This is because in China, the construction of national identity is something rather complex: it is never the consequence of simple political slogans and pure propaganda; rather, it can be the result of very active political debates among political leaders, popular culture and public intellectuals.<sup>34</sup> Nonetheless, the *New China Program for Child Development 2021-2023* (中国儿童发展纲要 2021-2023年) released on 27 September goes against this trend. The new policy has been announced by Chinese authorities as a remarkable step forward for the development of the rights of the children and primary education in China.<sup>35</sup> However, it stands against Unesco policy, which has encouraged mother tongue instruction in primary education since 1953. Specifically, the *China Program for Child Development* refers to strategic measures (chapter 3: *Children and Education*; point 5), such as «gradually promote the universalization of preschool education; implement the education of Mandarin Chinese for preschool children, and promote the learning of Mandarin Chinese before school».<sup>36</sup> As a result – in a severe turnaround from past policies that promoted cultural autonomy for non-Han minority groups – local regulations allowing ethnic minority language education will now be unconstitutional. In this sense, the new program not only sounds as a «top-down approach» with regards to national identity-building, but it is somewhat weakening Chinese propaganda with reference to the rights of ethnic minorities.

The ensuing articles in NPC's e-journal are related to salient issues in Chinese politics: Hong Kong and Macao SARs centenary celebrations; CCP's development-oriented policies; and CCP's idea of advancing people's democracy in China. With regard to the last-mentioned topic, on 4 December 2021 the China State Council Information Office (SCIO) released a White Paper titled «China: Democracy that Works».<sup>37</sup> The Western media criticized the document as Beijing's propaganda aimed at «redefining West-

34. William Callahan, 'Dreaming as a critical discourse of national belonging: China Dream, American Dream and World Dream', *Nations and Nationalism*, Vol.23, Issue 2, 2017, pp. 248-270.

35. 'China outlines development of women, children', *The State Council of the People's Republic of China*, 27 September 2021.

36. '中国儿童发展纲要2021-2030年全文'(Full text: Outline for the Development of Children in China), *National Working Committee on Children and Women under the State Council*, 27 September 2021, ([http://www.nwccw.gov.cn/2021-09/27/content\\_295247.htm](http://www.nwccw.gov.cn/2021-09/27/content_295247.htm)).

37. 'Full Text: China: Democracy that works', *Xinhua*, 4 December 2021.

ern liberal concepts such as universal human rights to fend off criticism from the US and its allies, while justifying President Xi Jinping's authoritarian rule.<sup>38</sup> In their view, the document was a «media blitz», which aimed at reversing the global narrative of what constitutes a democracy, preempting US-led initiative for a Summit for Democracy, which US President Joe Biden was about to inaugurate some days later.<sup>39</sup> Nonetheless, with regard to the Xi Jinping's administration, it must be stressed that the relevance of the term «democracy» had become paramount since at least 2012. At the 18<sup>th</sup> National Congress of the CCP, «democracy» (民主) was already listed among the so-called 12 core socialist values.<sup>40</sup> As of today, core values are perceived by the party as valuable instruments to cement China's socialist culture within the country. In other words, these concepts aim to reinforce the CCP's ideological pillars in line with Xi Jinping's thoughts on socialism with Chinese characteristics, in different domains: public opinion, the media and the internet.<sup>41</sup> This may also suggest that the use of such buzzwords are not as common in China as they are in the West. However, precisely through the use of a lexicon more properly common to the Western world, the intention here is to reinforce an image of China as a non-authoritarian country, challenging the view prevailing in the West.<sup>42</sup>

On 21 July 2021, Xi Jinping delivered a speech in Tiananmen Square, Beijing, in front of a crowd of 70,000 people.<sup>43</sup> According to the *Global Times*, the Party remains unique in many ways: it cannot be compared to any other political party in history. Against this background, the goals of the Party cannot be misinterpreted; they are: getting rid of poverty in China; preventing foreign powers from bullying China; achieving fairness and justice at both domestic and international levels.<sup>44</sup>

The question is what the centenary of the CCP can tell us about China's present role and future trajectory. Is China's model of development really a successful one? The answer according to the Chinese political elites – as portrayed through official speeches on the eve of the CCP's anniversary

38. 'China moves to redefine Democracy to justify authoritarian rule', *Bloomberg*, 9 December 2021.

39. 'China claims to have 'democracy that works' ahead of 'Biden Summit'', *Al Jazeera*, 7 December 2021.

40. Along with prosperity, civility and harmony, the term democracy is listed as part of China's National Values.

41. 坚持以社会主义核心价值观引领文化建设 (Persist in leading cultural construction with socialist core values), 求是 *Qiushi*, 25 January 2021.

42. 关于民主的标准习近平总书记这样深刻阐述', (Regarding the standard of democracy, General Secretary Xi Jinping puts it in this way), *Qiushi*, 15 October 2021, ([http://www.qstheory.cn/zhuantiqu/2021-10/15/c\\_1127962266.htm](http://www.qstheory.cn/zhuantiqu/2021-10/15/c_1127962266.htm)).

43. 'Communist Party centenary: key points from Xi Jinping's Tiananmen address', *South China Morning Post*, 1 July 2021.

44. '100 years on, the CPC has led Chinese people to a successful breakthrough: Global Times Editorial', *Global Times*, 30 June 2021.

celebration – can only be affirmative. In his speech, Xi remarked numerous times on China's 5,000 years of history. In the words of the Leader, «the Party and the Chinese people will keep moving confidently forward in broad strides along the path we have chosen for ourselves, and we will make sure the destiny of China's development and progress rests firmly in our hands».<sup>45</sup>

In the US and Europe, the majority of Western media outlets emphasized the international dimension of Xi's speech, in particular, his criticism of the «sanctimonious preaching» from foreign countries lecturing China on how to behave internationally or how to perform domestically. The Western media also highlighted Xi's remarks that the PRC has stood up to foreign powers and it will not «allow anyone to bully, oppress, or subjugate China».<sup>46</sup> Yet, quite apart from the international dimension of the Tiananmen speech, a great deal of attention throughout Xi Jinping's discourses in 2021 was also given to the outstanding performance of the Party from a domestic point of view, in line with the concept of a new development philosophy.

### 3.3. *The Adoption of a New Resolution*

Following the celebration of the centenary anniversary of the CCP, the 6<sup>th</sup> Plenary Session of the 19<sup>th</sup> Central Committee of the CCP met in Beijing from 8 to 11 November 2021. The focus of the meeting was on two main issues: to cement Xi's historical status and authority; and the «Resolution of the Central Committee of the Communist Party of China on the Major Achievements and Historical Experience of the Party over the Past Century».

The session paved the way for the 20<sup>th</sup> National Congress of the CCP, to be held in 2022, the year when, most probably, Xi Jinping will start his third term in office. The «Resolution» consisted of a total of seven chapters: (1) a great victory in the new-democratic revolution; (2) socialist revolution and construction; (3) reform, opening-up and socialist modernization; (4) a new era of socialism with Chinese characteristics; (5) the historical significance of the Party's endeavours over the past century; (6) the historical experience of the Party's endeavours over the past century; and (7) the Communist Party of China in the New Era.<sup>47</sup>

The document – which, in English, is 15-page-long – is a long list that recounts the Party's historical struggle mixed with its glorious achievements and China's future commitments. In the eyes of the Chinese leaders,

45. Xi Jinping, 'Speech at a ceremony marking the centenary of the Communist Party of China', *The National People's Congress of the People's Republic of China*, 1 July 2021.

46. 'Xi Jinping warns China won't be bullied in speech marking 100 years anniversary of the CPC', *The Guardian*, 1 July 2021.

47. 'Full Text: Resolution of the CPC Central Committee on the Major Achievements and Historical Experience of the Party over the Past Century', *Xinhua*, 16 November 2021.



by 2050 China will have reached new heights in every dimension of material, political, cultural-ethical, social and economic advancement; it will have become a global leader in terms of composite national strength and international influence; it will stand «taller and prouder among the nations of the world».<sup>48</sup>

From a theoretical point of view, reference is made to Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Represents, the Scientific Outlook on Development and Xi Jinping's Thought on Socialism with Chinese characteristics for a New Era. In terms of a domestic political narrative, reference is made to the so-called Five-sphere Integrated Plan (五位一体) and the Four-pronged Comprehensive Strategy (四个全面战略布局).

The two terms were previously mentioned in Xi Jinping's report delivered at the 19<sup>th</sup> National Congress of the Communist Party of China on October 18 2017.<sup>49</sup> More precisely, the Five-Sphere Integrated Plan – referring to the development of socialism with Chinese characteristics encompassing economic, political, cultural, social and eco-environmental development – integrates the Four-sphere Plan announced by Hu Jintao in 2005, which in turn, integrated the Three-sphere Plan introduced at the 6<sup>th</sup> Plenary Session of the 12<sup>th</sup> Central Committee in 1986.

Quite often the concept is employed, in official discourses as well as commentaries, to praise the «Party's understanding and grasp of the laws of socialist construction elevated to a new level», thus fueling the propaganda efforts of the CCP.<sup>50</sup> Nevertheless, the terms stands, along with the myriads of concepts used by the current administration, as «a systematic approach in implementing the new development philosophy, calling for efforts to coordinate internal and international imperatives».<sup>51</sup> After all, ideological effort goes hand in hand in China with concrete economic and political measures.<sup>52</sup>

Lastly, a few words should be said about the new Resolution, with reference to the previous two Resolutions published in 1945 and 1981, respectively. One new aspect is undoubtedly the attention – and approbation – dedicated to the work of the past leaders, namely Mao Zedong and Deng Xiaoping. Quite obviously, the «male lead» in the 2021 Resolution rests Xi Jinping. However, by comparing Xi Thought with the portion of Mao Ze-

48. *Ibid.*

49. 'Full Text of Xi Jinping's report at the 19<sup>th</sup> CPC National Congress', *China Daily*, 4 November 2017.

50. '从五位一体总体布局理解人类文明新形态' (Understanding the new form of human civilization from the Five-Sphere Integrated Plan), *Chinese Academy of Social Sciences*, 12 December 2012, ([http://cass.csn.cn/xueshuchengguo/makeshizhuyixuebu/202111/t20211112\\_5374111.shtml](http://cass.csn.cn/xueshuchengguo/makeshizhuyixuebu/202111/t20211112_5374111.shtml)).

51. *Ibid.*

52. Francesca Congiu & Christian Rossi, 'China 2017: Searching for internal and international consent', *Asia Maior*, Vol. XXVIII/2017, pp. 59-92.

dong Thought in the 1981 resolution one can see the former being over double as compared with his predecessor, a clearest sign of the CCP efforts to solidify Xi Jinping's ideological status.<sup>53</sup> But in fact, criticism of what remain terrible events in Chinese history – such as the Cultural Revolution (1966-1976) – is still reported in the Party's usual way, meaning with no reference to the fundamental weaknesses of the CCP system.<sup>54</sup>

In the *China Quarterly* special issue published in 2021 on the occasion of the centenary of the CCP, the different contributions discussed the complexity of the Party as it enters its second century of existence. For instance, Patricia M. Thornton rests sceptical about considering the CCP as «a singular, internally homogeneous agent of history», not to mention led by one man in charge.<sup>55</sup> Likely, Sarah Eaton and Wendy Leutert even question Xi's protagonism in China's economic governance, arguing in fact that Xi's management of State-owned enterprises (SOE) would be much more in line with that of his predecessor.<sup>56</sup> To understand the Party's multifaceted qualities rather than just its authoritarian practices is key also to Rana Mitter, who defines the CCP in the 21<sup>st</sup> century as «firmly authoritarian, global in scope, consumerist in aspiration and innovative in technology».<sup>57</sup> Yet, according to Mitter, there are four main contradictions that the Party faces today: firstly, the dilemma of a communist party ruling one of the most capitalist countries on earth; secondly, the Party's obsession with control and power of a territory which looks very different compared to 100 years ago; thirdly, the Party's relationship with the wider world; and fourthly, the combination of ancient Chinese values with the process of globalization, which has actually transformed the country very quickly.<sup>58</sup>

#### 4. *The Cyber Arena*

##### 4.1. *The data security policy*

Big data management and technology are topics that the CCP can no longer disregard and, for this reason, China's data governance policy has been

53. Bill Bishop, 'China's Political Discourse November 2021: A New Resolution on History', *Sinocism*, 30 December 2021.

54. Willy Wo-Lap Lam, 'Did Xi Jinping secure «Leader for Life Status» at the Sixth Plenum?', *China Brief*, 12 November 2021.

55. Patricia M. Thornton, 'Party All the time: the CCP in comparative and historical perspectives'.

56. Sara Eaton & Wendy Leutert, 'Deepening not departure: Xi Jinping's governance of China's State-owned Economy', *The China Quarterly*, Vol. 248, Supplement S1, November 2021, pp.200-221.

57. Rana Mitter, 'Power, control and 100 years of the Chinese Communist Party', *The Indiana Express*, 21 July 2021.

58. *Ibid.*

evolving. The Chinese government pursues two specific objectives in its approach to data: (a) the creation of a data market encouraging innovation and digital economic growth; (b) the construction of a legal system that produces and defines data property rights, but in which the state is envisioned as the key regulator and actor in data collection and sharing.<sup>59</sup> Several events relevant to data governance occurred in the year under review. On the one hand, the tech regulatory crackdown intensified, with 12 companies fined on anti-monopoly violations in March 2021 by the State Administration for the Market Regulation.<sup>60</sup> On the other, new regulations, such as the Data Security Law and the Personal Information Protection Law, governing data privacy and security, were passed, meaning that although China's data ownership regime is still in its infancy, it also stands as a key objective among the Chinese political elites.

#### 4.2. *The Data Security Law (DSL)*

On 10 June 2021, the Standing Committee of China's National People's Congress passed the Data Security Law of the People's Republic of China – 中华人民共和国数据安全法 (effective from 1 September 1 2021). Together with two other important regulations – the Cyber Security Law (effective since 1 June 2017) and the Personal Information Protection Law (see the paragraph below) – they represent the three pillars of China's cyber security and data regulation. In the past three years, there has been an important trend towards strengthening data protection in China, but it should be noted that such a trend is also in line with the regulations recently implemented at the global level, for instance the General Data Protection Regulation (GDPR) – the data protection package adopted by the European Union in 2016.<sup>61</sup>

The Data Security Law has three main objectives with a focus on China's core interests: to protect national security interests in the possession, collection and protection of data. The text of the law is divided into 7 chapters with a total of 55 articles. The first chapter titled General Provisions provides important information to set the background, where the definition of data is intended as «any record in electronic or other forms». It follows the definition of data security as «the use of necessary measures to ensure that data is effectively protected and legally used, as well as possessing the capacity to ensure a sustained state of security» (Article 3).<sup>62</sup> Like-

59. Camille Boullenois, 'China's data strategy: creating a state-led market', *EU-ISS*, 6 October 2021.

60. 'China market regulator fines 12 firms for violating anti-monopoly law', *Reuters*, 12 March 2021.

61. Regulation (EU) 2016/679 of the European Parliament and the Council.

62. 中华人民共和国数据安全法 (Data Security Law of the People's Republic of China), *China National People's Congress*, 10 June 2021, (<http://www.npc.gov.cn/npc/c30834/202106/7c9af12f51334a73b56d7938f99a788a.shtml>)

wise, the law applies to data handling activities and security regulations in China. Nevertheless, any activities conducted outside mainland China that might harm the national security of the PRC – being the public interest, the rights of Chinese citizens and its organizations – «are to be pursued for legal responsibility in accordance with law» (Article 2). In fact, despite its domestic dimension, it is worth noting the reference made by the law to the use of data collected within the Chinese territory, but used abroad. For instance, security management measures for the export of important data collected or produced by data handlers within the Chinese territory remain under the supervision of the State Internet Information Department, in agreement with the State Council (Article 31). In a similar way, Chinese organizations and individuals are forbidden to provide data stored within the PRC to foreign justice or law enforcement bodies abroad with no governmental authorization (Article 36).<sup>63</sup>

It is within such a context that, on 29 October 2021, the Cyberspace Administration of China (国家互联网信息办公室) (CAC) released a draft version of the «Measures for Data Export Security Assessment». The core issue lies within the extraterritorial jurisdiction and the transfer of data in foreign territories, and how foreign companies and organizations can transfer user-related data abroad.<sup>64</sup> The document provides important clarifications about the extraterritorial scope of the law such as data handlers' security and transfer risk self-assessments (Article 5); the material to be submitted to the competent authorities in China while requesting the transfer of data (Article 6); and certain practicalities in the handling of data between possessors (data handlers) and users (foreign receiving parties) (Article 9).<sup>65</sup>

It should be noted that security assessments and regulations for outbound data transfer emanating from the PRC do not come out of the blue. Rather, they are part of a more complex matrix of laws and standards that have been implemented by Chinese regulators for half a decade, thus prior to the Xi Jinping administration.<sup>66</sup> However, the issue at stake is whether cross-border data rules represent a change of paradigm with reference to the Chinese tech industry. It seems difficult, for instance, to underestimate the correlation between the new slew of regulations on data security by the government for the year under review and Xi Jinping's efforts regarding

63. *Ibid.*

64. 国家互联网信息办公室关于数据出境安全评估办法征求意见稿公开征求意见的通知 (Notice of the Cyberspace Administration of China on Public Solicitation of comments on the Measures for the Security Assessment of Data Exports – Draft for comment), Cyberspace Administration of China, 29 October 2021, ([http://www.cac.gov.cn/2021-10/29/c\\_1637102874600858.htm](http://www.cac.gov.cn/2021-10/29/c_1637102874600858.htm)).

65. *Ibid.*

66. Samm Sacks *et al.*, 'Knowns and unknowns about China's new draft cross-border data rules', *DigiChina*, 5 November 2021.

tech regulations.<sup>67</sup> The most striking example is the cybersecurity review process undergone by Didi Chuxing, from 2 July 2021 to 23 September 2021, which was conducted by the Cyberspace Security Review Office (网络安全审查办公室) under the supervision of the CAC.<sup>68</sup> The Didi case is particularly symbolic given that the review process started as soon as the firm clinched a US\$ 4.4 billion public offering on the New York Stock Exchange in June 2021. Together with the CAC, a total of 12 Ministries are in charge of cybersecurity reviews, but only four were involved in the Didi review – China’s first ever cybersecurity review into a company.<sup>69</sup> Perhaps as a result of the investigation, on 3 December 2021, Didi delisted its shares from the New York Stock Exchange making it clear to many that what was initially thought as «mutual decoupling» was, in reality, a direct manifestation of Beijing’s willingness to assert greater control over its private companies in line with the policy goals of the CCP.<sup>70</sup>

#### 4.3. *The Personal Information Protection Law (PIPL)*

The Personal Information Protection Law was passed at the 30<sup>th</sup> Meeting of the Standing Committee of the 13<sup>th</sup> National People’s Congress on 20 August 2021. It is structured in 8 chapters with a total of 74 articles. As for other regulations on data governance, the law is the result of previously published drafts. The new law is intended as a *framework law*, meaning that it is not intended to provide specific details about the policy matters it covers, but sets out broad principles, guiding mandates and responsibilities in line with the Party’s objectives.<sup>71</sup>

The implications are manifold. Broadly speaking, the PIPL is envisioned to establish a new comprehensive regulatory framework for personal information in China. In its current form, it stands as the flagship rulebook for those who process the personal information of individuals located in China, regardless of whether data holders are in or outside the PRC. Thus, China’s major data-privacy law represents a major step toward protecting the data of single individuals, inter alia, through the limitation of the use by big tech-companies of algorithmic price discrimination.

67. ‘Techscape: Xi Jinping ‘Little Red Book’ of tech regulations could lead the way’, *The Guardian*, 3 November 2021.

68. Often referred as the Chinese Uber, the full name is Didi Chuxing Technology Co. (滴滴出行). Founded in 2012 and headquartered in Beijing, it offers car-rental services across Asia-Pacific, Latin America, Africa, Central Asia and Russia.

69. ‘Why does ride-hailing giant Didi’s cybersecurity initiative involve so many Chinese government agencies and who is missing?’, *South China Morning Post*, 19 July 2021.

70. ‘With its exit, Didi sends a signal: China no longer needs Wall Street’, *The New York Times*, 5 December 2021.

71. ‘Seven major changes in China’s Finalized Personal Information Protection Law’, *DigiChina*, 15 September 2021.

This is a common practice known as «big-data backstabbing» (大数据修仙), which is representative of the fact that big data technology in China has matured and that China's internet platforms have become increasingly aggressive.<sup>72</sup>

Nonetheless, also in this case, the regulatory differences with similar initiatives in the European and American context should not be underestimated, particularly with regards to national security issues. Whereas the GDPR promotes, at least in principle, the free flow of data across borders, the PIPL requires security assessment by the CAC before a vast array of data be transferred abroad.<sup>73</sup> Moreover, Chinese government authorities possessing some degree of legislative power could use other regulations and potentially circumvent the PIPL.<sup>74</sup> To this extent, and similar to the DSL, the PIPL also stands as a direct manifestation of China's political leaders struggle to deal with conflicting models of development with regards to the data governance regime.

## 5. *The Economy*

### 5.1. *The Report on the Work of the Government*

In the year under review, one of the most important political events occurring in the PRC was the «Two Sessions» (两会), which took place between 4 and 11 March. As a rule, the event – which functions as the annual gatherings of the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress (NPC) – is of particular relevance. The two meetings are held simultaneously but they are very different in nature, legal status and function.<sup>75</sup>

From an economic standpoint, the 2021 gathering was of fundamental importance given that China's 14<sup>th</sup> Five-year Plan covering the years

72. Shen Weiwei, 'Can a new regulation fix China's 'Big Data Backstabbing' problem?', *Sixt Thone*, 26 November 2020.

73. Alexa Lee, 'Personal Data, Global Effects:China's Draft Privacy Law in an International Context', *New America*, 4 June 2021.

74. Angela Huyue Zhang, 'Data Privacy Chinese Style', *Project Syndicate*, 6 September 2021.

75. The CPPCC is not an organ of the state, but it conducts consultations before political decisions are made; its members (2,200) are selected through consultation and recommendations. The NPC is instead considered as the country's top legislature arm with a permanent body (the Standing Committee of the National People's Congress), its deputies are elected from 35 electoral units from different provinces, autonomous regions and municipalities across the country, and it exercises its power by mostly amending and revising the Constitution as well as by deliberating and approving plans for national social and economic development 'Differences between NPC and CPPCC', *The State Council of the People's Republic of China*, 23 February 2016.

2021-2025 was officially endorsed by the NPC on 11 March 2021. A few days before, on 5 March 2021, Chinese Premier Li Keqiang had already delivered a speech at the 4th Session of the 13<sup>th</sup> People's National Congress of the PRC, during which the Draft Outline of the FYP was also presented. Nevertheless, the main document delivered at the session by the Chinese Premier was the *Report on the work of the government* (herein the *Report*). The *Report* was presented on behalf of the State Council and was subjected to comments by the National Committee of the CPPCC.

This policy document highlights that China's first priority must be the recognition of development as the key to addressing all the issues faced by the country. In particular, it refers to the «new development philosophy», in order to guarantee the full potential of China's growth.<sup>76</sup> For the year 2021, the *Report* anticipated a GDP growth of 6%; a consumer price index (CPI) increase of 3%; and a drop of around 3% in energy consumption per unit of GDP.<sup>77</sup> The *Report* offers a comprehensive view of China's economic performance in the year 2020, while presenting major guidelines for driving Chinese economic policies for the year under review. The *Report* also includes a large section on the control of COVID-19.

In general, the document did not reveal anything startling new with regard to China's economic policies. Commentators in the West were in fact unenthusiastic about the scarcity of information provided by the *Report*, mostly noting that China's growth target was estimated at 6% in 2021.<sup>78</sup>

Another important event to be mentioned for the year under review from an economic standpoint is the twentieth anniversary of China's entrance into the World Trade Organization (WTO), precisely on 11 December. The *Global Times*, the English-language Chinese newspaper under the *People's Daily*, described it as the «proud leap» that changed China and the entire world. In a long editorial also equipped with infographics, the story of China's entrance into the WTO is presented as a great success for the global economy, mentioning also the fact that China's entry was strongly promoted by Western countries.<sup>79</sup> Remarkably, nonetheless, Chinese commentators did not miss the opportunity presented by this anniversary to also stress the need to reform the WTO working mechanisms. Specifically they mentioned the shortcomings related to the principle of non-discrimination (非歧视性原则), namely the principle which forbids discrimination between trading partners. According to Chinese commentators, this prin-

76. 'Full Text: Report on the Work of the Government', *The State Council of the People's Republic of China*, 13 March 2021.

77. *Ibid.*

78. 'China sets 2021 GDP growth target of more than 6% as Premier warns of formidable tasks in finance', *CNBC*, 4 March 2021.

79. 'Witnessing the historic moments that secured the world trade boom in past 20 years and the future', *Global Times*, 9 December 2021.

ciple should be implemented through «more representative and open» export-control related mechanisms.<sup>80</sup>

These Chinese stances amount to a discourse that emphasises China's participation in the WTO and world trade as that of a responsible stakeholder. This interpretation remains however in contrast with the majority of news and analyses offered by the media in the West, which instead openly criticized China of undermining the rule-based multilateral trading system.<sup>81</sup>

## 5.2. *Implementing the Dual Circulation Strategy*

Writing in the *China Leadership Monitor*, Adam Segal affirms that «the banner of self-reliance has returned as a guiding policy principle» for the Chinese political elites.<sup>82</sup> Segal believes there is a link between the international level and Chinese domestic politics: as the US excluded China from advanced semiconductor technology and know-how, increased control on Chinese investments in the US, and dramatically decreased the flow of Chinese students and scholars to America, Beijing decided to invest in autoctonous innovation and national control of core technologies. All true, considering that the notion of self-reliance also stands at the core of another of China's most important economic guidelines, known as the «Dual Circulation» strategy (双循环).

The term was listed by *Yicai* – China's leading financial group based in Shanghai – as China's hottest word in macroeconomic policy in 2020.<sup>83</sup> In contrast with other political slogans launched by the Xi Jinping administration since 2012, the most attentive China Watchers have pointed out that the Dual Circulation strategy will not only have fundamental consequences for the world, but is central to the 14<sup>th</sup> FYP, with an entire chapter (4) dedicated to the topic.<sup>84</sup> The strategy is therefore key to the PRC's political economy agenda as it moves away from China's previous rebalancing that limited dependence on exports, by instead reducing dependence on imports and increasing self-sufficiency.<sup>85</sup>

80. Guo Xiaobing, Fair, reasonable and non-discriminatory export control is an important guarantee for globalization, *Global Times*, 29 December 2021; 坚持对外开放始终做全球发展的贡献者 (Insist on opening up and be a contributor to global development), *Qushi*, 10 December 2021, ([http://www.qstheory.cn/qshyjx/2021-12/10/c\\_1128149943.htm](http://www.qstheory.cn/qshyjx/2021-12/10/c_1128149943.htm)).

81. 'WTO members blast China during 20<sup>th</sup> anniversary trade policy review', *Politico*, 21 October 2021.

82. Adam Segal, 'China's Move to Greater Self Reliance', *China Leadership Monitor*, 1 December 2021.

83. '双循环 热词里的中国与世界' (Double Circulation. China and the World in hot words), *Yicai*, 13 February 2021, (<https://www.yicai.com/video/100949141.html>).

84. Alicia Garcia Herrero, 'What is behind China's Dual Circulation Strategy', *China Leadership Monitor*, 1 September 2021.

85. *Ibid.*



The FYP is divided into 19 sections and 65 chapters. It addresses China's future trajectory with regard to three main pillars of development: economic, social and environmental. Chapter 17 is devoted entirely to China's «One country Two systems» policy, with reference to Hong Kong, Macao and Taiwan. It is worth noting some key innovations with respect to the previous 13<sup>th</sup> Five-Year Plan (2016-2020) released in 2016; they are: the objective to achieve the second centenary goal through socialist modernization; the absence of a specific growth target in terms of GDP; a reference to the new development concept that combines sustained and economic development; and two new targets for energy and food security.<sup>86</sup>

By October 2020, the 5th Plenary Session of the 19<sup>th</sup> Central Committee of the CCP had already passed the «Recommendations for the Formulation of the 14<sup>th</sup> Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives through the Year 2035» to guide development under the 14<sup>th</sup> Year Plan. On 3 November 2020, the date at which the CCP's Central Committee's development proposals were made public, the major goals for the next 15 years were also announced. They were: the intention to achieve economic and technological independence, with the aim to allow China to become a global leader in innovation sectors; the implementation of new industrialization strategies; the reinforcement of China's soft power, particularly in the education, sport, culture and health sectors; the maintenance of President Xi Jinping's core position on the Party Central Committee and in the Party as a whole; the continuation of the Party's self-reformation; the strengthening of national rejuvenation through the China Dream.<sup>87</sup>

As remarked by the National Development and Reform Commission in a lengthy editorial published in the English edition of *Qiushi* – CCP's leading theoretical journal – there is a «new development philosophy» guiding the path of China's modern socialist modernization. In the words of Xi Jinping, the new development concept is about the question of how China can achieve a new developmental path in line with the country's needs. This concept – related to innovation, coordination, greenness, openness and sharing – is not new in the Chinese lexicon, having already been announced in October 2015 during the 5<sup>th</sup> Plenary Session at the 18<sup>th</sup> Central Committee of the CCP.<sup>88</sup> For accuracy, changes in China's economic strategy should not be attributed just to Xi Jinping's administration, considering

86. China's 14<sup>th</sup> Five-Year Plan, *United Nations Development Program* (UNDP), No.9, July 2021, pp. 1-6.

87. 'CPC Central Committee's development proposals set long range goals through 2035', *Xinhua*, 3 November 2020.

88. '习近平把握新发展阶段，贯彻新发展理念，构建新发展格局' (Xi Jinping: grasping the new development stage, implement the new development concept, and build a new development pattern), *Xinhua*, 30 April 2021, ([http://www.xinhuanet.com/politics/leaders/2021-04/30/c\\_1127397175.htm](http://www.xinhuanet.com/politics/leaders/2021-04/30/c_1127397175.htm)).

that the reorientation towards a growth model based on self-sufficiency was already part of Hu Jintao's economic agenda.<sup>89</sup>

### 5.3. *Industrial Planning and Sectors*

The FYP also stands as the centrepiece strategy of the Chinese system of industrial planning and policies. According to a report published by the Asian Development Bank (ADB), there are four main areas in which the Chinese leadership has attracted substantial attention: growth and innovation; dual circulation; environment and climate change; and urban-rural inequalities and demographic trends.<sup>90</sup> *KPMG*, an American accounting organization, envisioned 10 main sectors in which the Chinese economy is expected to experience high-quality development as a result of the 14<sup>th</sup> FYP: asset management; the auto industry; banking; energy; health care and life sciences; industrial manufacturing; insurance; technology; real estate; and retail. These sectors are expected to upgrade and change significantly in terms of both challenges and opportunities.<sup>91</sup> Yet, other accounting firms are far less enthusiastic about China's economic performance. To name a few: industrial activities are expected to suffer in the long term because of China's Zero-COVID strategy; a reform with a slightly weaker Renminbi is necessary to compensate for rate cuts of monetary easing; China's energy transition is still far from being completed.<sup>92</sup>

The *2021 Report to Congress* published by the US-China Economic and Security Review Commission indicated three main drivers of growth for the year under review: infrastructure construction; property investment; and export-oriented manufacturing.<sup>93</sup> The first two drivers suffered from excessive central government regulations in the course of 2021, with local governments struggling to cut off loss-making infrastructure projects in specific sectors such as the rail sector, in parallel with a huge cut in terms of outstanding bank loans to the property sector, but in line with central government regulations. The third sector, export-oriented manufacturing, decreased in 2021, due particularly to the global shortage of semiconductors used in automobiles, in parallel with closures at Chinese ports, which have also contributed to important shipping delays.<sup>94</sup> Needless to say, semicon-

89. Francesca Congiu, 'China 2020: The successful struggle against the COVID-19 pandemic and the Xinjiang question'.

90. 'The 14<sup>th</sup> Five Year Plan of the People's Republic of China. Fostering High Quality Development: Observations and Suggestions', *Asian Development Bank*, June 2021, pp. 1-16.

91. 'The 14<sup>th</sup> Five Year Plan: Sector Impact Outlook', *KPMG*, February 2021.

92. 'Perspectives. China's economic and industry outlook for 2022', *Deloitte*, Issue 70, 30 December 2021.

93. '2021 Annual Report to Congress', *U.S-China Economic and Security Review Commission*, November 2021, pp. 1-551.

94. *Ibid.*

ductors are particularly sensitive to China's innovation-driven development strategy, considering China's limited performance in the semiconductor value chains, especially so-called «chockpoints» in terms of IC design and manufacturing.<sup>95</sup>

#### 5.4. *The Debate about Common Prosperity* (共同富裕)

2021 will also be remembered as the year in which the concept of «common prosperity» (共同富裕) entered the lexicon of both Chinese and Western media outlets. Specifically, this happened as a result of the 10<sup>th</sup> Meeting held by the Central Financial Commission in August 2021, when the CCP released a media communique in which Xi Jinping affirmed: «common prosperity is an essential requirement of socialism and a key feature of Chinese-style modernization».<sup>96</sup>

To those familiar with the official discourses and propaganda mechanisms promoted by the CCP, the issue at stake is to understand the domestic policy relevance and implications of such a slogan, and whether it would be translated into real policy actions apart from the Zhejiang region – the coastal province that has been selected so far as the «pilot zone» for pursuing common prosperity.<sup>97</sup> In evaluating the possible hidden meaning of Xi's common prosperity agenda, a tendency among foreign commentators has been to reinterpret it as part of his efforts to recast himself from a princeling to a populist leader. In this light, by maintaining wealth redistribution as a primary objective, and reducing social inequalities, Xi Jinping would also emphasize the superiority of China's governance model.<sup>98</sup>

Yet, according to others, while the legacy of ideology and political culture is key in determining the decisions of Chinese political leaders, President Xi Jinping's elevation of «common prosperity» into a political campaign is a «highly pragmatic and politically astuted strategy». It aims to confront China's huge shake-up in the regulations of markets, while trying to ensure the social stability of China's society as a whole.<sup>99</sup> Barry Naughton, one of the leading experts working on China's economy and policies, coined the term «Summer of 2021» to define the consolidation of the new

95. Mathieu Duchatel, 'The weak links in China's drive for semiconductors', *Institute Montaigne Policy Paper*, January 2021, pp.1-70.

96. 'Xi stresses promoting common prosperity amid high-quality development, forestalling major financial risks', *Xinhua*, 18 August 2021.

97. Minxin Pei, 'The Origins and Implications of Xi Jinping's Common Prosperity Agenda', *China Leadership Monitor*, 1 December 2021.

98. Ryan Ass, 'Assessing China's "common prosperity" campaign', *Brookings*, 9 September 2021.

99. 'What to make of China's drive towards «common prosperity»', *East Asia Forum*, 20 September 2021.

Chinese economic model, started during the year under review.<sup>100</sup> Yet, to fully understand the evolution of the Chinese economy, the linkage between politics and economics must be examined. Regulatory measures and policy implementation, Naughton argues, even if carried out for purely political reasons, will always have economic consequences.<sup>101</sup> When implementing China's economic policies, the guiding principles are: maintaining the Party's total leadership; being people-centered; following the new development concept; further deepening reforms; an opening up and strengthening overall planning and strategic positioning.<sup>102</sup> However, it goes without saying that the Chinese government is aware of the need to implement strict regulatory policies rather than just Party theory.

This has been made clear by the case with China's local government debts. With the 1994 fiscal reform, the central government gave local governments the potential to create new backdoor financial institutions envisioned as the «quid pro quo» offered to sustain their incentives for local state-led growth. However, the government miscalculated the drawback, namely, the excessive accumulation of local government debt with little transparency and central control.<sup>103</sup> The declining ability of local governments to pay off debts had two main results: firstly, an increase in Local Government Financing Vehicles (LGFVs) – bonds sold by local government to increase spending without transparency – and secondly, an increase in public-private partnerships (PPP) – joint ventures between the local government and the private sector, whose debts have also grown since 2014.<sup>104</sup>

## 6. Conclusion

China's domestic politics in the course of 2021 was characterized by two major trends: the management of the COVID-19 pandemic and a major rethinking of the Chinese economic model. Whether China has handled COVID-19 better than other nations remains a controversial issue. The maintenance of containment and closure policies adopted by the Chinese government have impacted greatly on the lives of Chinese citizens, often

100. Barry Naughton, '2021 Dr. Sam-Chung Hsieh Memorial Lecture Featuring Professor Barry Naughton', Stanford Libraries and the Stanford Center on China's Economy and Institutions, *Youtube*, 29 September 2021.

101. *Ibid.*

102. '中华人民共和国国民经济和社会发展第十四个五年规划和2035年远景目标纲要', (Outline of the People's Republic of China 14th Five Year Plan for National Economic and Social Development and Long-range objectives for 2035), Xinhua, 12 March 2021, ([http://www.gov.cn/xinwen/2021-03/13/content\\_5592681.htm](http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm)).

103. Adam Y. Liu, Jean C. Oi & Yi Zhang, 'China's Local Government Debt: The Grand Bargain', *The China Journal*, Vol. 87, No. 1, January 2022, ahead of print.

104. 'Is China's local government debt a concern and what role do LGFVs play in infrastructure spending?', *South China Morning Post*, 2 November 2021.

through measures considered impracticable in Western countries. In the course of 2020, China set a good example of quickly bringing the epidemic under control. As noted, as far as the year 2021 is concerned, the purpose to eliminate the coronavirus entirely from within the country became a priority not just because of health and security reasons, but in the pursuit of long term economic recovery.

The Chinese government's handling the COVID-19 pandemic was at the basis of its narrative, supported in turn by state-run media, of the superiority of the Chinese model. The same narrative was behind the celebration of the 100 year anniversary of the CCP, indeed one of «two centenary goals».

As evinced by the 14<sup>th</sup> FYP, the Chinese leadership has consistently stressed the significance of the new development philosophy guiding China's new stage of development in the Xi Jinping Era. Even if it could be yet another political slogan, this new development strategy is remarkable for its reference to the many dilemmas faced today by China's development model: the ever-widening range of social disparities; the focus on human development rather than just GDP; the «New Normal» of the Chinese economy, not to mention the role of the market in resource allocation.

A final observation regards the third anniversary celebrated by the PRC in the course of 2021: China's 20<sup>th</sup> anniversary entry in the World Trade Organization (WTO). Remarkably, the year also coincides with the twentieth anniversary of the change in the party's constitution to allow businessman (and capitalists) to join the party. Admitting capitalists and private entrepreneurs to party membership did not bring that openness and political pluralism many expected in the West. However, twenty years later, not only Chinese technology giants have now pervaded the global economy challenging the once undisputed supremacy of major Western countries; they also forced the Chinese government to start a regulatory crusade on tech industry. In light of all this, the multiple actions taken by Chinese regulators, while wanting to ensure CCP's full control, may actually symbolize the wavering resilience of the Chinese model of development. At the same time, China's critics might be mistaken in assuming that the new development philosophy results almost entirely by the CCP's propaganda efforts. Over the past decades, China has been the largest beneficiary of globalization and economic integration, and Chinese policymakers are certainly aware of that. The «strength» of the resilience of the Chinese model of development could perhaps be hidden precisely within the adaptability of the Party to cope with globalization forces while accelerating domestic economic reforms, and with a recognition that the process must be carried out respecting the guidelines of the Party.

