After Two Sessions, Xi Turns Focus to U.S. Challenge

*By John S. Van Oudenaren*

On March 10, at the first session of the 14th National People’s Congress (NPC), Xi Jinping was unanimously "reelected" president (主席) of the People’s Republic of China (PRC), with 2,952 delegates in the rubber-stamp legislature voting in his favor and zero abstaining or voting against him (*People’s Daily*, March 11). Now that he has officially retained the head of state position, Xi has attained an unprecedented third term in all three of the top leadership posts, having held the salient Chinese Communist Party (CCP) general secretary and Central Military Commission chairman roles at the 20th Party Congress last October (*China Brief*, October 24, 2022). As a result, this year’s Two Sessions, the NPC and the Chinese People’s Political Consultative Conference (CPPCC; the consultative body that functions as the CCP’s peak united front forum), conclude Xi’s successful consolidation of power for at least another half decade, but very likely longer (*China Brief*, December...
While Xi is unrivaled within the top CCP ranks, he cannot rest on his laurels due to detrimental developments in both the domestic and international arenas since the fall. Mounting public discontent and the rapid deterioration of U.S.-China relations have combined to heighten Xi’s already intense focus on achieving “holistic national security.” The specter of domestic unrest was driven home by both the student-led “white paper revolution” protests last fall and recent mass demonstrations against public pension cuts in cities such as Wuhan (BBC Chinese, February 21; China Brief, November 28, 2022). In his closing speech to the NPC, Xi stressed that “we must better coordinate development and security. Security is the foundation of development and stability is the prerequisite for prosperity” (Xinhuanet, March 13).

On the international front, Xi perceives U.S.-led Western efforts to counter and contain China as the most pressing challenge. Throughout the fall and early winter, Beijing sought to achieve a temporary reduction in tensions with Washington, albeit in the context of domestic preoccupation with the 20th Party Congress and economic revival after nearly three years of zero-COVID lockdowns. In doing so, the PRC aimed to forestall economic decoupling and alleviate U.S. export controls and other measures targeting China’s advanced technology sector. These efforts were already challenged by Washington’s bipartisan embrace of strategic competition with China, but it was the early February spy balloon crisis that ultimately obviated the possibility of even a slight thaw in relations (China Brief, February 13). It is also important to note that the risks of the intensifying rivalry with the U.S. are heightened for the PRC by the simultaneous enmeshment of its most consequential and powerful strategic partner, Russia, in an enervating war with Ukraine. Beijing fears that if Russia collapses or is totally defeated on the battlefield, China would be forced to face the U.S. and its allies largely alone (Eurasia Daily Monitor, March 13).
As prospects for a U.S.-China reset have faded, Xi has embraced his old playbook of confronting America abroad while seeking economic self-reliance at home. As a result, the policy focus at the NPC was on generating growth through domestic consumption and pursuing self-sufficiency in food, energy and advanced technology (China Brief, March 6). For example, the NPC approved a State Council reorganization that creates a Central Science and Technology Commission to centralize Party control of indigenous innovation (Xinhuanet, March 7). In his introductory press conference, incoming Premier Li Qiang pledged to expand existing incentives to promote self-sufficiency in grain production and achieve food security for China’s 1.4 billion people (People’s Daily, March 14; China Brief, June 17, 2022).

The American Problem

Xi has long viewed the U.S. as the primary obstacle to achieving his vision for the great rejuvenation of the Chinese nation. However, he has normally refrained from directly calling out America by name, tending to allude to the U.S. challenge in obvious, but indirect ways. For example, in his 20th Party Congress Report work report, Xi stated that the PRC faces a particularly dire international environment due to efforts by external forces, i.e., the U.S. and its allies, to “blackmail, contain, blockade, and exert maximum pressure on China” (China Brief, November 3, 2022). However, on March 6, in his remarks to a group of business association advisors attending the first session of the CPPCC, Xi explicitly cited the U.S. threat by name. He described the past five years as an “extremely unusual and extraordinary” time, when uncertainties in the external environment have proliferated,” with “Western countries led by the U.S. seeking to implement all around containment, encirclement and suppression of China” (Cankao Xiaoxi, March 7).

Whether Xi intended to accelerate geopolitical competition with the U.S. or if circumstances prematurely drove him down this path, remains uncertain. Following the major U.S.-China flareup over Speaker Nancy Pelosi’s visit to Taiwan last August, Beijing pursued a modest reduction in tensions with Washington, an effort that gathered momentum with then Foreign Minister Wang Yi’s visit to New York last September and the meeting between Xi and U.S. President Joe Biden on the sidelines of the G-20 in November (China Brief, October 19). Despite the intensification of high-level U.S.-China dialogue during this period, the U.S. maintained its focus on strategic competition with China. In October, the Biden administration imposed export controls aimed at curbing China’s development of advanced semiconductors and released a National Security Strategy designating the PRC as “the only competitor” facing the U.S. “with both the intent to reshape the international order” (White House, October 12, 2022; Department of Commerce, October 7, 2022). In January, the incoming House of Representatives created a bipartisan Select Committee on Strategic Competition between the U.S. and the CCP, which Beijing saw as confirming Washington’s wholesale adoption of a “cold war mentality” (Huanqiu, February 6).

In spite of the overall competitive tendency in U.S.-China relations, Beijing placed hopes in high-level diplomacy between Xi’s inner circle and the Biden administration. In January, the PRC Foreign Ministry stated it welcomed a planned visit to Beijing by Secretary of State Antony Blinken in early February (China Daily, January 18). However, Blinken’s visit was canceled on February 3 in response to the PRC spy balloon that penetrated U.S. airspace and traversed the country before being shot down by the U.S. Air Force off the coast of South Carolina. In mid-February, as U.S. ire over the spy balloon imbroglio was peaking, the NPC Foreign Affairs Committee
released a statement in response to the U.S. House Foreign Affairs Committee’s resolution “Condemning the CCP's use of a high-altitude surveillance balloon over U.S. territory as a brazen violation of U.S. sovereignty” (People’s Daily, February 17; Congress.gov, February 9). The NPC statement not only blasts the U.S. for shooting down the balloon but also charges that “some American politicians exploited the issue to fan the flames, exposing their sinister anti-Chinese intentions.”

The Russia Card

On March 7, Foreign Minister Qin Gang addressed the press on the sidelines of the NPC (FMPRC, March 7). As these events are heavily scripted set pieces, Qin’s responses to the respective questions on U.S.-China and China-Russia relations deserve scrutiny. The first question that Qin answered on any bilateral relationship was from TASS, Russia’s state news agency, regarding the state of Russia-China relations. In response, Qin held up the China-Russia relationship as a model for major-country relations. He then contrasted the comity of China-Russia relations with the U.S.’s fraught relationships with both powers, rhetorically asking: “Are exchanges between major countries undertaken through closed and exclusive bloc politics, or open and frank gentlemanly exchanges?” When he was subsequently asked about the state of U.S.-China relations, Qin cited the spy balloon incident as proof of ingrained U.S. hostility, stating that the furious U.S. reaction to “an accident caused by force majeure” reveals its perceptions of China as its “primary rival and biggest geopolitical challenge” are “seriously distorted.”

As the Russia-Ukraine conflict drags on, Beijing is belatedly realizing it must do more to achieve its baseline objective of preserving Russia as a viable major power and strategic partner with which to counter the West. In order to fulfill this objective, the PRC confronts a dilemma, either: 1) greatly increase military assistance to Russia to sustain Putin in his war of aggression against Ukraine; or 2) broker a peace deal that resolves the war on terms that are neutral or slightly favorable to Moscow. The first option is risky, however, as it would incur extensive Western sanctions, which could derail ongoing efforts to resuscitate the economy following three years of pandemic and zero-COVID lockdowns, thereby further fueling domestic frustration with the CCP.

With the Two Sessions completed, Xi appears to be turning his attention to mediating a political settlement between Russia and Ukraine. A call with Ukrainian President Volodymyr Zelenskyy is in the works and Xi is preparing to visit Moscow early next week (South China Morning Post, March 17). In addition to obviating the risk of Russia collapsing or suffering an irreversible defeat, such a breakthrough would serve the PRC’s broader strategic interests in other ways. First, it would cement Beijing’s position as the dominant player in the China-Russia axis, an asymmetry that, although well-recognized in the West, still sits uncomfortably in Chinese strategic circles. Moreover, by positioning itself as the only viable “honest broker” in the Russia-Ukraine conflict, Beijing would undercut the U.S.’s longstanding role as regional security guarantor, driving home the message that America can no longer safeguard European peace and prosperity. While this is unlikely to resonate with most Central and Eastern European countries that have soured on China due to its close ties with Russia, it could appeal to Western European countries such as France that treasure their “strategic autonomy.” Indeed, French President Emmanuel Macron recently stated he plans to visit China in April, presumably following Xi’s March visit to Moscow, in order to discuss the PRC’s proposal for a political settlement of the Russia-Ukraine War (France 24, February 25).
In addition to serving the PRC’s strategic objectives vis-à-vis the U.S., Europe and Russia, mediating Russia-Ukraine peace talks would advance Beijing’s efforts to portray itself as a force for global peace and stability through the Global Security Initiative (GSI), which have gained momentum with Beijing’s recent success in brokering a deal to restore normal diplomatic relations between Iran and Saudi Arabia, long-time geopolitical rivals in the Middle East (FMPRC, March 10; China Brief, March 3).

Conclusion

The most recent indication that Xi is committed to vigorously contesting the U.S. in all aspects of global politics is his announcement at the opening of the CCP’s High-Level Dialogue with World Political Parties High-Level Meeting of a new Global Civilization Initiative (GCI; 全球文明倡议) (Xinhuanet, March 15). Xi stated that the GCI is predicated on respect for civilizational diversity and shared human values; appreciation of different civilizations’ inheritances and innovations; and robust international, people-to-people exchange and cooperation.” Xi’s announcement was accompanied by a torrent of PRC criticism of the U.S.’s Summit for Democracy, the second meeting of which is planned for later this month. In contrast to PRC-led multilateral initiatives, such as GSI and GCI, which are portrayed as inclusive, the Summit for Democracy is cast as exclusive and divisive. For example, Wang Yi claimed the summit “blatantly drew an ideological line between countries and created division in the world,” exposing “U.S. hegemony in the guise of democracy” (Xinhua, March 15). Whether or not the GCI catches on remains to be seen, but its roll-out confirms Xi’s determination to present viable, competitive alternatives to U.S. international leadership across the board.

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National People’s Congress: Premier Li Keqiang Sidesteps Xi’s Economic Approach, Focuses on Reviving Modest Growth

Willy Wo-Lap Lam

(Image: The opening session of the National People’s Congress is held in the Great Hall of the People in Beijing on Sunday, March 5, source: NPC)

Introduction

On Sunday, Premier Li Keqiang presented his final Government Work Report (Report) to the National People’s Congress (NPC) laying out broad economic goals while largely steering clear of President Xi Jinping’s quasi-Maoist approach to the economy (People’s Daily, March 5). As he prepares to retire after a decade as premier, Li Keqiang set a relatively realistic target of “around 5 percent” GDP growth for this year. The leader of the now-decimated Communist Youth League faction of the Chinese Communist Party (CCP), however, has failed to provide convincing evidence that even relatively modest improvements in consumer spending, foreign investment, infrastructure and real estate investment could be attained.

Push to Revive Foreign Investment, Domestic Consumption

Li has, however, demonstrated an eagerness to reassure multinational businesses and investors and has largely steered clear of the quasi-Maoist concepts advocated by President Xi during last October’s 20th Party Congress and subsequent Politburo meetings (China Brief, October 24, 2022). The most significant point raised by Premier Li reflected relatively moderate cadres’ anxiety to lure back multinational firms and factories that
are leaving the People’s Republic of China (PRC) for neighboring countries such as Vietnam, Thailand, Bangladesh and Sri Lanka.

Li claimed that China would up the ante in “intensifying efforts to attract [and] utilize foreign investment” (NPC, March 5; People’s Daily, March 5). He cited the 21 free trade zones that the PRC has opened since 2020. However, earlier pledges about special dispensations for multinationals based in these zones—such as fewer constraints on capital-account movements in and out of the country—have not been honored. Nor did Li mention additional business incentives for foreign investment in his Report.

As domestic consumption has now become the most important locomotive of growth, Li pulled out all the stops to encourage China’s 400 million-strong middle class to spend more on new apartments, electric cars and other big-ticket items. However, both land and apartment sales have hit record lows since early 2022 (Caixin Global, July 7, 2022). Although banks have been instructed to lend more money to overleveraged conglomerates such as Evergrande, the funds would mostly be used to complete unfinished apartments that have already been sold. After all, Li reminded all debt-ridden sectors and companies that “financial hazards and instability” must be avoided. While the official central government deficit is just 3 percent of GDP—a rate that will be maintained this year—the “total social debt” sustained by different levels of government, state and private-sector firms as well, as households, has exceeded 300 percent of GDP since 2020 (Nikkei Asia, December 7, 2022; South China Morning Post [SCMP], May 19, 2020).

Moreover, consumers are also reluctant to spend due to poor social welfare and medical benefits, the full extent of which was exposed during the three-year anti-pandemic campaign. Last month, some 10,000 senior citizens in several cities organized demonstrations in frustration over their monthly health-insurance payouts being cut in half (New York Times Chinese Edition, February 24; BBC Chinese, February 21). The official media has disclosed that in ten years’ time, the government’s pension payment deficit alone could reach 10 trillion yuan [about $1.44 trillion] (Netease, August 15, 2022). While Li committed to raising social security funds, he merely mentioned that the population covered by old-age government benefits had reached 1.05 billion as of last year (Xinhua, January 22).

Innovation Nation?

In the area of manufacturing, Li reiterated the PRC’s prioritization of “indigenous innovation” in cutting-edge technology, particularly in view of the need to reduce dependence on foreign countries for key components such as microchips. Although state media has boasted that R&D spending in China exceeds three trillion yuan (about $433 billion), rendering the country second only to the U.S. in scientific and technological research (People’s Daily, February 24; Gov.cn, January 23), Li offered no concrete details on how the PRC plans to weather sanctions imposed by the U.S. and its European and Asian allies that limit the export of advanced technologies to Chinese firms.

Li reiterated the government’s support for non-state-owned firms, particularly those in the advanced technology sectors. “[The government] will push forward the healthy development on private-sector enterprises, and abolish different types of hidden barriers … so as to uphold the legal rights of entrepreneurs,” the Report said. Yet the outgoing head of government has made no guarantees that the recent crackdown on private
conglomerates will be halted. The Xi Jinping administration has levied heavy fines on technology giants for “monopolistic and anti-market” behavior. Several bosses of big financial and tech firms, such as Bao Fan, Chairman of the investment bank China Renaissance have recently been hauled away for investigation over questionable deals (Asia Financial, February 28; Cn.baaghitv.com, February 17).

In view of the relatively large number of labor and other social disturbances in the country, Li emphasized the importance of “development with security” in his report. A key economic goal is to reduce unemployment. Li pledged that around 12 million new jobs would be created in the cities this year. The Report, however, admitted that in 2022, unemployment benefits were extended to more than 10 million people and that 67 million “members of low-income groups” received unspecified “price subsidies.” As unemployment among the key, age 16-24 demographic rose to 17.3 percent in January, compared to 16.7 percent a month earlier, the goal of reducing the jobless rate is daunting (Ceicdata.com, March 1; Statista.com, January 17).

Continuing Emphasis on Security

The part of Li’s Report that touches on international affairs seemed geared toward reassuring the U.S. and its allies that China would tamp down its “wolf warrior” diplomacy. No provocative statements were made against either the U.S. or other long-standing competitors such as Japan. Li reiterated the government’s determination to forge a “community of common destiny.” It was also revealed at the NPC that the official budget for the People’s Liberation Army (PLA) is just over 1.5 trillion yuan (approximately $216 billion), which is a relatively modest 7.2 percent year-on-year increase (There is general agreement among Western military analysts that a substantial discrepancy exists between actual PLA spending and the budget unveiled at each year’s NPC) (SCMP, March 5; Economic Times, March 5). At the same time, official Chinese media have enthusiastically reported on U.S. Secretary of Commerce Gina Raimondo possibly visiting Beijing soon (Global Times, March 4; The Paper, March 3). It was equally significant that the Report’s Taiwan section included no new threats of military aggression. Premier Li warned that resolute measures would be taken to oppose “Taiwan independence, but emphasized “advancing economic and cultural exchanges and cooperation [and] improving systems and policies that contribute to our Taiwan compatriots.”

Despite the Report’s almost complete omission of Xi’s favorite economic and political precepts such as “internal circulation,” “self-reliance,” “waging struggle” and implementing a “new development pattern,” Li stated the imperative of heeding the instructions of “party core” Xi as well as Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era more than a dozen times. This appears to anticipate another major theme of this year’s NPC and the Chinese People’s Political Consultative Conference, which is a momentous restructuring of the central CCP and government units, wherein party organs absorb more central government functions with President Xi arrogating unprecedented powers to himself.

In the run-up to the NPC, widespread rumors circulated in the Hong Kong media that the Ministry of Public Security and the Ministry of State Security, as well as other intelligence and anti-terrorism units previously under the central government apparatus, could be folded into a newly created CCP unit called the Zhongyang neiwuweiyuanhui; 中央内务委员会 (Central Commission for Internal Affairs) (Radio Free Asia, February 23; Ming Pao, February 23). Although this all-powerful, KGB-like surveillance and policing agency has not
materialized, the newly published State Council restructuring plan includes creation of a National Data Bureau that would centralize control of the CCP’s vast collection of data, including the personal information that consumers have provided to private IT and fintech conglomerates, thereby further enhancing the government’s capacity for surveillance and monitoring of the citizenry. Also significant in the State Council overhaul is plans for the creation of a Zhongyang kejiweiyuanhui; 中央科技委员会(Central Science and Technology Commission; CSTC) within the party apparatus to centralize the CCP’s leadership over indigenous innovation in key tech fields. The Central Government’s Ministry of Science and Technology (MOST) will be reorganized to become the implementation arm for implementing decisions made by the CSTC (Xinhua, March 7; China Daily, March 7). Other restructuring of governmental units includes the establishment of a National Financial Regulatory Commission, which would broaden and strengthen the supervisory functions of the China Banking and Insurance Regulatory Commission and the China Security Regulatory Commission. These two existing regulatory bodies are expected to be either phased out or reduced in importance later this year (Xinhua, March 8).

Conclusion

These efforts to further enhance party and government oversight over tech and IT firms, as well as the flow of state and private capital into companies ranging from logistics concerns to property developers, seem to go against Premier Li Keqiang’s famous advocacy for decreasing party-and-state dominance over the economy (SCIO.gov.cn, June 26, 2019; Xinhua, March 15, 2017). However, this NPC session will witness the departure of relatively reform-minded and Western-educated cadres —and the ascendency of party apparatchiks who have earned President Xi’s total trust. Nevertheless, Xi’s cronies, who dominate both the Politburo and the Politburo Standing Committee, which is China’s highest de facto decision-making body, seemingly did not provide much input into either the economic programs outlined in the Report or the small-group deliberations within the NPC. Since his emergence as number two in the party hierarchy and premier-designate last October, former Shanghai Party Secretary Li Qiang has remained largely quiet on financial and economic matters, which are the primary responsibilities of the head of the State Council or Central Government.

There are worries about whether Xi’s new incoming economic team, which includes He Lifeng, the vice premier-designate in charge of finance, as well as the likely new governor of the People’s Bank of China (PBoC), veteran banker Zhu Hexin, is sufficiently competent to manage complex monetary and fiscal policies as well as international economics (Centralbanking.com, February 24; SCMP, February 1). After all, the outgoing vice-premier in charge of finance Liu He and retiring PBoC Governor Yi Gang both spent years studying in the U.S. and are experts on issues such as international finance. He, a long-time apparatchik in Fujian Province who has enjoyed a long working relationship with Xi, will also be in charge of handling potentially nettlesome trade negotiations with the U.S. Although some have argued that vesting overwhelming authority in President Xi could expedite decision-making and policy implementation, doubts remain as to whether the new team can rise to the challenge of tackling the severe and multifarious problems that now face China.

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Editor’s Note: This article was updated on March 8 to reflect the State Council restructuring plan introduced at the NPC on the same day.
Why Taiwan’s 2024 Presidential Election is Wide Open

Matthew Fulco

Introduction

Shortly after Taiwan’s ruling Democratic Progressive Party (DPP) suffered the worst loss in its 37-year history, Nikkei Asia Review published an article entitled “Taiwan’s KMT has a mountain to climb for 2024 presidential race” that cautioned not to read too much into the opposition Chinese Nationalist Party’s (KMT) success in the local elections last November (Nikkei Asia, November 29, 2022). The piece argued that voters still perceive the KMT as being too close to China, a liability in a national election focused on cross-Strait relations, and hamstrung by uncertainty about who should serve as its presidential candidate next year. Although the KMT confronts significant challenges heading into Taiwan’s 2024 elections, the difficulties the party faces should not be overestimated. Rather than a mountain, the KMT has a modest hill to climb.

Over the past 22 years, Taiwan’s national politics have swung like a pendulum, favoring the DPP from 2000-2008, the KMT from 2008-2016 and the DPP again since 2016. Taiwanese voters, like their counterparts in other thriving democracies, sometimes vote for change even if they are not enamored with a particular candidate. Since Taiwan fully democratized in 1996, no political party has won three consecutive presidential terms, with DPP and KMT presidents alternating every eight years. President Tsai Ing-wen has avoided the kinds of issues, corruption scandals and major popular demonstrations against her policies that undid the presidencies of her predecessors, Chen Shui-bian and Ma Ying-jeou, leading to opposition wins in the 2008 and 2016 presidential elections, respectively. Nevertheless, Tsai has been dramatically weakened by the DPP’s crushing defeat in the November 2022 local elections (Jamestown Foundation, November 29, 2022).
She stepped down as DPP party chair after the elections as the party has taken a hit for its many pandemic missteps, a flagging economy and a contentious cross-strait policy (United Daily News, November 27, 2022). The DPP’s likely candidate in the 2024 election, current Vice President Lai Ching-te, while personally popular, would represent continuity with Tsai’s policies (China Brief, March 3). Together, these factors will likely make the 2024 race the closest since 2004, when the DPP’s Chen Shui-bian and Annette Lu eeked out a victory against the KMT’s Lien Chan and James Soong of the People First Party (PFP) by a margin of just 0.22 percent (Taipei Times, March 21, 2004).

The Weight of Incumbency

In the first two and a half years of Tsai’s second term, the DPP rode high on public support for its containment of the pandemic, a booming economy and a cross-strait policy that stood firm in the face of China’s intractable aggression. So successful was the Tsai administration’s initial pandemic response that Taiwan went 200 days without a locally transmitted COVID-19 case from April to October 2020 (Newtalk, October 29, 2020). This feat earned Tsai a place on Time’s 100 Most Influential People of 2020 list (Time, September 22, 2020) and the Bloomberg 50 (Bloomberg, December 7, 2020). The Tsai administration, however, stumbled in the latter stages of the pandemic, failing to promptly vaccinate the population, investing heavily in domestic vaccines despite their slim prospects for widespread adoption and clinging to draconian pandemic restrictions long after they ceased to serve the interests of public health. More than anything else, the insularity of the administration prevented it from making any significant course corrections. For example, despite the Tsai administration’s mixed record in responding to the pandemic, in last year’s Taipei mayoral race, the DPP ran Tsai’s former Health and Welfare Minister Chen Shih-chung, who went down in defeat to KMT nominee Chiang Wan-an (Taiwan News, November 26, 2022). Only after the DPP’s defeat in November, did the party acknowledge voters may have been unsatisfied with its handling of the pandemic (Focus Taiwan, December 28, 2022).

As the ruling party, the DPP shoulders the blame for public discontent over the pandemic and the government’s response—a vulnerability that the KMT will look to exploit in the 2024 election campaign. The DPP’s biggest vulnerability in this regard is the now-defunct COVID-19 vaccine produced by Medigen Biologics. The Tsai administration championed Medigen, with President Tsai herself being the first to be inoculated with it (Office of the President of the Republic of China, August 23, 2021). The Tsai administration’s rationale for domestic production of COVID-19 vaccines was never clear. Taiwan lacked the capability to manufacture them expeditiously at scale, leading to the controversial decision to grant emergency use authorization (EUA) to Medigen despite phase three clinical trials being incomplete (Focus Taiwan, July 19, 2021).

Polls have shown ambivalence about Medigen among Taiwanese. The Taiwan Public Opinion Foundation (TPOF) found that 48 percent of respondents to its survey about Medigen opposed the government’s decision to grant it EUA and 45 percent did not approve of the government’s decision to develop domestic vaccines (Taiwan News, July 27, 2021). Respondents to a TPOF survey carried out in May 2022 again negatively evaluated Medigen (Radio Taiwan International, May 20, 2022).

Medigen is now embroiled in allegations of insider trading, irregular trading and financial statement fraud. These allegations have further cast a dark cloud over a flagship public health initiative of the Tsai administration. Prosecutors took Medigen chairman Stanley Chang and 16 others in for questioning in
December after investigators conducted raids and seized documents at 16 venues (Taipei Times, December 31, 2022).

Cross-Strait Conundrum

Much like its handling of the pandemic, the Tsai administration’s cross-Strait policy was popular early in her second term, but is showing signs of strain given its inflexible nature. To be sure, Taiwanese elected Tsai in part because they trusted her more than the KMT’s 2020 presidential nominee Han Kuo-yu to safeguard Taiwan’s sovereignty and way of life. As Tsai defeated Han in a landslide in which she received 57.1 percent of the vote, she entered her second term with a strong mandate to stand firm against Chinese aggression (Taipei Times, January 12, 2020). However, the ripple effect from U.S. House Speaker Nancy Pelosi’s visit to Taiwan last August has complicated what had been a straightforward task for the DPP. As long as China’s coercion of Taiwan was confined to sanctions, poaching of diplomatic allies and small-scale gray-zone activity, the Tsai administration could focus on strengthening ties with the U.S., Japan and other democracies, while taking care not to escalate tensions with Beijing. The DPP faced little public pressure to re-establish dialogue with China given it’s hostility toward Taiwan, especially when the pandemic occupied the attention of Taiwanese society. Pelosi’s visit was a game changer, though. Even if many Taiwanese welcomed the diplomatic recognition the visit conferred on their country, after observing China’s unprecedented martial muscle flexing, they realized that the stakes of this game had risen sharply (China Brief, October 4, 2022).

The Tsai administration’s decision last December to extend military conscription from four to twelve months drove home the point that conflict with China, while not imminent or inevitable, is more likely than in the past (Focus Taiwan, December 27, 2022). The conscription decision may prove to be a courageous but politically risky one, as young voters unhappy about having to serve longer could punish the DPP at the ballot box. A Taiwan Public Opinion Foundation (TPOF) poll conducted in January found that 49.5 percent of respondents were dissatisfied with President Tsai’s cross-Strait policies, but 72 percent supported extending conscription to one year. Moreover, only 17.3 percent of those surveyed opposed the extension of conscription. Still, such numbers could be enough to help swing a close election in the KMT’s favor. (TPOF, January 17).

Meanwhile, with an eye on Taiwan’s 2024 election, Beijing has put away its sticks—at least temporarily—and brought out the carrots in a bid to bolster the KMT’s chances and improve its reputation among Taiwanese. This includes lifting import bans on Taiwanese agricultural products, reducing the intensity of incursions into airspace near Taiwan, calling for the resumption of all cross-Strait flights and emphasizing what Beijing sees as shared interests rather than points of contention (Caixin Global, February 8; Taiwan News, January 30).

A survey conducted on behalf of Taiwan’s Mainland Affairs Council in October 2022 found that while 78.2 percent of respondents believe China is unfriendly to the Taiwanese government, just 61.9 percent think Beijing is unfriendly to the Taiwanese people (Taipei Times, October 28, 2022). For this reason, China sees a genuine opportunity to influence Taiwanese voters by trying to portray the ruling DPP as the main obstacle to improving cross-Strait relations. Cognizant that perceptions matter, the DPP and its allies have slammed the recent trip of KMT vice chairman Andrew Hsia to China, his second since last August, accusing him of using the visit “to pay tribute to Beijing and seek support for the KMT in next January’s presidential elections” (The South China Morning Post, February 9).
Risks for the KMT

Despite the relatively favorable electoral landscape, the KMT could still lose the presidential race in early 2024 for several reasons. The first involves the challenge it faces in fielding a candidate who can both satisfy its conservative wing and appeal to non-aligned centrists and “light green” voters. Currently, New Taipei City Mayor Hou Yu-ih appears to be the KMT’s most competitive candidate, but it is unclear if the “deep blues” will support him. They usually prefer a more unabashedly Beijing-friendly candidate. A December 2022 poll by the TPOF found that Hou is the frontrunner in the presidential race with 38.7 percent of the vote (TPOF, December 17, 2022).

Another potential problem for the KMT could be former Taipei mayor Ko Wen-je competing against them as a third party candidate in the race. Ko and his Taiwan People’s Party (TPP) tend to pull more votes from the KMT than the DPP. Ko could lead a TPP ticket, or even appear as vice president on a KMT ticket led by Foxconn founder and billionaire Terry Gou. Taipei City councilor Huang Ching-yin, a TPP member, recently told Taiwanese media that Ko Wen-je’s attitude now “is to put the national interest first and so he may not rule out serving in a deputy role in the 2024 presidential election” (NOW News, February 12).

Finally, the KMT could be adversely affected by Beijing’s reaction to President Tsai’s upcoming visit to California, where she plans to meet U.S. House Speaker Kevin McCarthy and speak at the Reagan Presidential Library. Taiwan reportedly persuaded McCarthy not to visit Taiwan, presumably to avoid a possible repeat—or worse—of last August’s live-fire military exercises (Taipei Times, March 9). However, Beijing is still unhappy about the recognition the U.S. visit will confer on Tsai and can be expected to retaliate. The announcement on March 14 by Honduran President Xiomara Castro that she has instructed the country’s foreign minister to open official relations with China is likely the opening salvo in Beijing’s retaliation. Losing Tegucigalpa will leave Taipei with just 13 diplomatic allies, compared to 22 when Tsai became president in 2016 (Focus Taiwan, March 15). While the KMT may try to use this incident as evidence that the DPP cannot handle cross-Strait relations, voters could just as easily see it as another example of China’s unflagging hostility towards Taiwan, and rally around the flag. Bursts of Taiwanese nationalism work to the benefit of the ruling party, not the KMT.

Conclusion

Taiwan’s 2024 election is shaping up to be its most important and closest contest for the presidency in several decades. For the first time since 2004, neither of the two main political parties has a commanding advantage. Furthermore, although Ko Wen-je could not win the presidency on his own, he could play a spoiler role against the KMT.

Looking ahead, both the DPP and KMT will aim to define the terms of the upcoming election. Actions by both China and the United States will likely play significant roles in determining which narrative prevails. An election that centers on safeguarding Taiwan’s sovereignty will favor the ruling party, while a contest that is a referendum on the DPP’s performance and the need for change will give the KMT an edge.

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2009-2014, and is now based in the United States. He is a regular contributor to The Japan Times, The Economist Intelligence Unit and AmCham Taiwan’s Taiwan Business Topics magazine.
The Chinese Steel Industry: Three Pathways to Green Steel

Chin Hsueh

Introduction

On February 6, the China Meteorological Association (CMA) published the 2022 China Climate Bulletin (中国气候公报) (China Climate Bulletin, February 7). The annual report provides an overall analysis of China’s climate conditions and tracks significant meteorological disasters and major climate events from the previous year (CMA, February 24). The newly released China Climate Bulletin noted that the country recorded its second-highest annual mean temperature in history last year. In fact, last year’s spring, summer and autumn temperatures were the highest since record keeping began (China Climate Bulletin, February 7). During the press conference for the release of the bulletin, Jia Xiaolong, deputy director of China’s National Climate Center, stressed the importance of remaining alert to those "low probability, high impact" (小概率, 高影响) climate events, such as the heat wave that hit China in 2013, driving temperatures above 104 degrees Fahrenheit in at least 40 cities and counties (China News Service, February 7; Sohu, July 30, 2013).
No plausible path to mitigating global climate change exists without China, the world's largest carbon emitter, greatly reducing its carbon footprint. Among China's major GDP drivers, few play a more critical role in the country's decarbonization efforts than the steel sector (International Energy Agency, September 13, 2021). The steel industry is second only to power generation in terms of its carbon footprint, generating about 17 percent of China's annual emissions (China Dialogue, May 23, 2022). In fact, the state-owned conglomerate China Baowu Steel Group (中国宝武), which is the world's largest steel producer, put more CO2 into the atmosphere in 2020 than Pakistan (Jiemian, August 21, 2020). [1]

Three Paths to Reducing the Carbon Emissions From China's Steel Industry

Three main options exist for Chinese steel producers to clean up their business practices. First, they could try to replace traditional, coal-based blast furnaces with electric arc furnaces (EAF), which utilize renewable electricity and high-quality steel scrap, thereby making them more environmentally friendly. [2] The challenge of this approach, however, is that the more prevalent this method of production becomes, the higher the demand will be for high-quality scrap steel, which is only available in certain regions, thereby driving up the costs of steel production. A second option would be to install carbon-capture equipment at existing steel plants. [3] Ideally, this technology could allow steelmakers to continue running their plants without significantly affecting the climate—a business-as-usual approach, albeit with some additional costs. However, carbon-capture projects at steel plants are still in the pilot stage and it will take continued investment to drive down the cost of this technology and make it a viable large-scale solution to bringing down carbon emissions in China’s steel industry. The final pathway to green steel is the adoption of green hydrogen-based technologies. To be sure, green hydrogen remains a nascent industry and its production depends on a reliable renewable power supply. As a result, in order for this approach to be successful, a continuous decline in energy prices is required. Consequently, if green hydrogen can be produced on an industrial scale, it can play a crucial role in lowering the steel industry's CO2 emissions.

That is precisely what the Chinese steelmakers have been aiming to achieve. Of China's six leading producers, which dominate the global steel market, half have already begun to invest in hydrogen technologies in an effort to decarbonize production. For instance, on February 15, 2022, Baowu began the construction of a new, green hydrogen-fueled electric arc furnace in Zhanjiang, Guangdong province (SteelOrbis, February 24, 2022; GLCMI Alliance, November 18, 2022). The project is scheduled to be completed by the end of this year and will be Baowu's first zero-carbon electric arc furnace. Additionally, in November 2021, the company unveiled the Global Low-Carbon Metallurgical Innovation (GLCMI) Alliance (全球低碳冶金创新联盟) and a fund that will invest $5.5 million annually in low-carbon metallurgy research, including hydrogen-related projects (GLCMI Alliance, November 18, 2021). The alliance is a force to be reckoned with, comprising 60 members from 15 countries, including steel companies such as ArcelorMittal and Shougang Group, as well as mining companies such as BHP Group and Rio Tinto Group. Furthermore, last year, Ansteel Group, another prominent steelmaker in China, announced a technological breakthrough in using a green hydrogen-based process to produce steel, potentially giving the company a new valuable intellectual property from which it could profit for years to come (Anshan Municipal Government, September 29, 2022). HBIS Group, another Chinese steel conglomerate, has started construction on the world's first hydrogen metallurgy demonstration project in Zhangjiakou, the hydrogen pilot city in Hebei province (HBIS Group, May 12, 2021).
Bumps on the Road to a Green Future?

Despite these ongoing developments, the road ahead for China to achieve green steel is more likely to be treacherous than smooth. To begin with, hydrogen-based technologies and steel production remain immature and costly. Indeed, successfully developing these technologies to the point that they become cost-effective will require a high level of continued investment in order to scale up both the supply and demand sides of the business. On the other hand, however, experts have estimated that, by turning to hydrogen, China could save nearly $2 trillion between 2020 and 2060 compared to using other clean energy solutions to achieve industrial carbon neutrality (Nature, October 6, 2022). In addition, renewable electricity costs are decreasing, further diminishing the costs of green hydrogen production and enhancing its potential to scale up. Nevertheless, government support, both at the central and the local levels, will be the key to maintaining this trend. To that end, Chinese President Xi Jinping’s goals for China to hit peak carbon emissions in 2030 and reach carbon neutrality in 2060 can potentially bring about two spillover effects (National Development and Reform Commission, November 11, 2021). Firstly, these benchmarks can create political pressure that helps to sustain fiscal support for future green hydrogen experimentation. Secondly, as a result, Chinese steelmakers will feel more comfortable tolerating high risk when making investments in promising but uncertain applications of hydrogen energy technology. Ultimately, due to their immense size, the pathways through which Chinese steelmakers achieve green production will have profound implications for how China manages the transition to a low-carbon economy. Indeed, the pace at which China’s steel industry works towards achieving carbon neutrality over the coming decades will be critical in the global fight against climate change.

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Notes


How China Prolongs Myanmar’s Endless Internal Conflicts

Antonio Graceffo

(Image: Troops from the United Wa State Army, one of the largest ethnic armed organizations in Myanmar, stand for review, source: Wikipedia)

Introduction

Since 1949, Myanmar has experienced the world’s longest ongoing armed conflict. Following the February 2021 coup, which overthrew the government of Aung San Suu Kyi, fighting has intensified, with nearly 3,000 people killed (Reliefweb, January 30). In addition, roughly 1.5 million people have been internally displaced. Around 90,000 people have fled Myanmar and are now residing in refugee centers in Thailand (UNHCR, October 10, 2022). One such refugee, Sun Ti Mar gave up his business, farm and home in Shan State, fleeing with his wife and two children to a refugee camp in Thailand. “Living under military rule was not safe,” he says.

[1] “People who have education, speak English or have contact with foreigners were suspected. Some got arrested and killed. The local authorities called me in for questioning about coordinating with foreign NGOs. Luckily, I answered correctly, and they let me go. But this made me leave Burma.” While he is no longer in immediate danger, life is hard for the 135 families in the camp. Refugees are not allowed to work, and there is no international support, so they lack food. “Life in a refugee camp isn’t easy. I feel like an animal in the zoo. There is no future, no hope, no work, no income,” he says.

Providing an update via satellite phone from inside the war zone, David Eubank, director of Free Burma Rangers—a Christian relief organization active in the area for over 20 years—says that in recent months, airstrikes have deliberately targeted churches and schools. “We’re right near the site of an airstrike attack that happened a few days ago. In Shan State, there were bombs dropped, and multiple strafing runs against a
Catholic prayer chapel. And before that, two schools were destroyed. In January, the government dropped eight bombs on two churches and a school. The kids fled to the jungle, but bombs killed a nine-month-old baby and the mother, as well as a Catholic deacon and a Baptist pastor." [2]

While the people of Myanmar continue to suffer, China has exploited the situation for its economic benefit. Trade and investment with China undermine Western sanctions, help fund the Tatmadaw (the Burmese Army), and prolong the war (Myanmar Now, December 10, 2021; Irrawaddy, July 15, 2022). China has ignored international arms embargoes in order to provide arms to the Tatmadaw, including a submarine (Nikkei, February 16, 2022). At the same time, Myanmar is helping Russia to bypass international sanctions in order to purchase fighter jets, armored personnel carriers, and truck-mounted rocket launchers from Moscow (Myanmar Now, November 29, 2021; Eubank, 2023). [3]

Eubank, a former U.S. Army Special Forces officer, has seen the Tatmadaw use Chinese and Russian weapons. The jet that destroyed a church and killed two religious leaders was a Russian-made Yakovlev Yak-130 fighter. “My teammate was killed, and I was wounded,” said Eubank. Since the beginning of the coup, eighteen members of his NGO have been killed, including three already this year. Other aircraft he has seen deployed by the Tatmadaw are the Chinese Karakorum-8 and the Russian Hind attack helicopter. “Last year, the Hinds attacked us a number of times.” While China is still the primary financier of the war, Eubank says the weapons used by the Tatmadaw are increasingly Russian rather than Chinese, including truck-mounted, multiple-launch rocket systems. “Serbia, Ukraine, and Russia all have them, and all have sold weapons to Burma before, so I don’t know which country these were actually from. I only saw them shooting at me, and I’ve seen photos, but they are Russian-type weapons.” Eubank also observed armored vehicles and light tanks “from different manufacturers, Eastern Bloc, Ukrainian or Russian, even some Brazilian [vehicles].”

Chinese construction projects in Myanmar were largely put on hold for around six months following the coup. However, once Beijing effectively recognized the military government’s State Administration Council, work on infrastructure projects restarted (Nikkei, February 16, 2022). Although much of the world refuses to engage with the military junta, communicating instead with the pro-democracy government in exile—the National Unity Government (NUG) — Beijing denies the legitimacy of the NUG, but did call on it to protect Chinese investments in rebel-controlled areas. The NUG loosely coordinates with many of the rebel ethnic armed organizations.

Shifting Alliances

Myanmar is home to 135 ethnic groups, many of which have formed their own small armies or military wings. These ethnic armed organizations have their own unique, often conflicting, interests, sometimes finding commonality only in their distrust and hatred for the government. As a result, alliances have shifted over the years. China has also backed various groups, in order to help secure minerals or energy resources. Regarding the Chinese presence in Shan State, Sun Ti Mar says: “they do business: Drugs, teak, hydropower, gas, and rare earth.” Eubank reports that in Kachin state, “We’re seeing timber, maybe five hundred trucks a day, crossing into China,” then adds, “The gas pipeline comes down from the ocean, crossing Arakan and Shan State into China. There are also rubies and jade, timber, minerals, and oil and natural gas. And all of that, China is trying to profit from.”
Over the years, ethnic armies have shifted their positions, at times fighting against the government, or agreeing to ceasefires with the government, supporting China, supporting each other or warring with one another. Many of these changes in the alliance are motivated by financial incentives and proximity to natural resources. Rare earth mineral deposits, for example, are located in parts of Kachin State. When exports to China resumed in December 2021, it was assumed that elements within the Kachin military were receiving some type of revenue share from China (Myanmar Now, December 10, 2021). When such deals are reached, observers on the ground usually report seeing an influx of Chinese workers, as they did in Kachin State last year (Irrawaddy, July 15, 2022).

The United Wa State Army (UWSA) is among the largest non-state militaries in the world and constitutes the largest ethnic armed organization in Myanmar, with roughly 30,000 soldiers (Irrawaddy, August 31, 2022). Many UWSA officers speak Mandarin in addition to their own language and Burmese, and some have Chinese names. The UWSA commander-in-chief is Bao Youxiang. His deputy is Zhao Zhongtang. The Wa refers to the area they control as Wa State, even though it is officially located in Shan State. Under Myanmar’s new military constitution, this area is designated as the Wa Self-Administered Region (Irrawaddy, August 31, 2022).

Eubank says that while the Wa see themselves as independent of Beijing, “they must listen to China. One of the UWSA leaders told me, ‘we are sticking to the hand of China. They cannot control us, but they do manipulate us and move us around. And we are to keep the dictators under control.’” Nevertheless, Eubank thinks the relationship between the Wa and China is uneasy. Other armies are in similar situations, receiving funding from China but still attempting to remain independent in their decision making. “The Myanmar National Democratic Alliance Army, including the Mong La Army and Kokang Army, work with China, but are now allied with the Kachin Army, fighting the Tatmadaw, against China’s wishes.”

The Wa have a ceasefire with the government. “They’re staying out of the fight against the Tatmadaw, but are providing weapons and ammunition, at low cost, to ethnic resistance armies.” Eubank says. The Wa have factories where they make weapons and ammunition, he says, “so they’re quietly helping the resistance groups against the government.”

Another large ethnic armed organization is the Shan State Army, whose territory borders Thailand. While Thai is spoken and the Thai Baht is used as currency in the Shan State Army’s strongholds, the Wa use the Chinese Yuan. The products sold in the Shan State’s enclaves are imported from Thailand, while those sold in Wa-controlled areas are from China. Both groups are active in Shan State and do not get along. Meanwhile, groups that have splintered off from the Shan State Army fight on one side or the other, or both. Eubank lists various defections. “A lot of Burmese soldiers switch sides and join the rebels. It would be more, but their families are being held hostage. Many of the proxy armies have switched to the rebel side. At least three of the Karenri factions were officially aligned with the Burmese government but have effectively switched sides,” he says. Even if they are not actively fighting the government, they are “turning a blind eye and letting rebels attack the Burmese army.”

Sun Ti Mar explains how the situation in Shan State deteriorated when the UWSA arrived, accompanied by the Shan State Progress Party (SSPP). “In remote areas, there are a lot of human rights abuses, such as gang-
raping children, both boys and girls. And at the age of twelve, they force boys to join the armed groups.” According to Sun Ti Mar, the UWSA works with the SSPP to fight against the Restoration Council of the Shan State, which is fighting against the Tatmadaw. Further complicating things, some suspect that China has soldiers in the field. Sun Ti Mar claims to have seen Chinese in SSPP uniforms.

**How to End the Conflict**

Eubank says the West could help to resolve the Myanmar situation. “What’s needed is outside help: Political pressure, military aid, and until that happens, humanitarian aid,” he argues. Indeed, the National Unity Government has asked why the West gives billions in military aid to Ukraine, while refusing to help the people of Myanmar defeat the Tatmadaw (South China Morning Post [SCMP], February 13; Irrawaddy, July 29, 2022). Eubank says that villagers constantly tell him: “We don’t need donations of food and medical and clothes and shelter. If you stop the Burma army, we can take care of ourselves.” He clarifies that “this is not a natural disaster like an earthquake. This is a manmade disaster.” Moreover, Eubank quotes villagers who urge, “Someone please give us weapons, so we can fight, or please intervene militarily against the regime.” Speaking for himself, he adds, “Until that happens, they need humanitarian aid like pipes and trucks to bring water to the villagers.”

According to Eubank, 50,000 people are displaced in Kayah State alone, “the entire population has been displaced at least once.” He went on to say that countrywide, there are currently three million internally displaced people who need to be fed and cared for. “We are supporting two field hospitals, which have both been bombed.”

In Eubank’s estimation, the current fighting is the fiercest combat that he has ever witnessed in this war. “The Tatmadaw is coming with a force I’ve not seen in 30 years of this war, but the resistance is also strong. The Karenni Nationalities Defence Force (KNDF) did not exist until after the coup began. It grew from one battalion to 22 battalions of 400 men each.” He added, that they “only have about 100 serviceable weapons per battalion. A separate organization, the Karenni Army went from one understrength battalion to five full battalions now. In the two years since the coup, there has been no major outside support and not much modern weaponry or big weapons coming in, but the ethnic resistance armies are rapidly expanding. They are being supported from all over, from outside, the diaspora sending money, buying weapons, rifles, shotguns, anything they can.”

Holding up his phone so this reporter could hear Christian Karenni children singing in the background, Eubank translates the lyrics, “Goliath, Goliath, you were so huge, but with God’s help, little David beat you.” Noting how the Karenni can identify with David, he concludes: “I don’t see the Tatmadaw winning. They’re stronger than any ethnic armies, but the resistance groups are slowly chipping away at the Burma army. My prayer is that the Burma army falls or changes its heart.”

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Notes


Interviews

Sun Ti Mar, from the refugee camp in Thailand, February 13, 2023, by phone, in English

David Eubank, head of Free Burma Rangers Southern Shan State Burma, February 13, 2023, by phone, in English