

DEFINING CONTRADICTIONS THROUGHOUT POST-FIFTH PLENUM DISPOSITION

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SUMMARY

The policy paper discusses the recent development in private-state sectors nexus in Mainland China. It does so by presenting the outcome of the recent Fifth Plenum, Xi Jinping's instructions and the regulations passed by the Central Committee on *Opinions on Strengthening the United Front Work of the Private Economy in the New Era* and then analysing suspending the public offering (IPO) of Ant Group as the consequence of the discussion about the management of the rising contradictions within the country. By taking a close look at the processes the policy brief argues that the decisions taken by the regulators reflect the growing tensions between bureaucratic cycles and private businesspeople and are in line with defining contradiction by the central authorities. Jack Ma speech delivered during the Shanghai Forum illustrated his frustrations. The decisions taken at the upper level limit the possible future non-state sector involvement in developing the Chinese economy in the strategic sectors of high-tech and finances that would be fully controlled by the party. As summarised the whole situation shows the central government awareness of the deepen domestic splits and conflict over the limited resources and illustrates how the leadership defines contradictions: two rotted in domestic affairs, one external related to the Sino-American relations.

This policy paper was prepared in part by Andres Porras Arteaga a trainee of the Centre of Asian Affairs at the University of Lodz, whom undertook the task of translation support in the interpretation of Chinese source materials and Javor Samuels the intern responsible for proofreading CAA materials.

INTRODUCTION

The ongoing changes in China has attracted global attention. The Fifth Plenum decision on dual circulation economy preceded by Xi Jinping's instructions, Jack Ma failure to introduce Ant Company IPO in Hong Kong and Shanghai and the Central Committee Opinion on private economy became pivotal among the recent decision taken by the central government. In light of the current course of events the questions of whether the private initiatives will be diminished and whether the domestic divisions within China over the future of reform would be triggered remains a discussion. In addition, the question of how the central leadership discusses and define the current contradiction among people should be answered.

"In ordinary circumstances, contradictions among the people are not antagonistic" said Mao Zedong in 1957, but when the times are turbulent the social forces go one against the other and contradiction split up the society. As identified by the leadership in Beijing circumstances are not ordinary and the World faces turbulent times. "China development has entered a period where various risks and challenges are continuously accumulated" said Xi Jinping in 2019, during his meeting in the Central Party School. Thus, any controversial steps cannot be taken during the time of rising contradiction period.

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THE FIFTH PLENUM AND XI JINPING'S INSTRUCTIONS

Above all, the latest Plenum discussed the opportunities and challenges ahead of China. Going through the summary communique the challenges prevails. As stated in the document, the innovation capacity is still lagging behind, the agricultural production cannot meet domestic demands and the disparities between rural and urban dwellers have been deepening. In addition, the ecological and environmental protection and livelihood safety are still behind the social expectations. Then the document calls the party members to carry forward the spirit of struggle, set up the bottom-line thinking, accurately recognizing changes and making scientific responses. In the context of the

international situation the Chinese authorities recognized a ‘profound adjustment in the international balance of power’, that might be interpreted as ‘the US dominant power in on a decline’. The party should recognize the contradictions and formulate a better strategy to manage the growing differences among the society as well as on the international agenda. In such kind of condition, the Plenum recognized the critical role of military forces in the political system of Mainland China. The military needs to build an integrated national defence system and the capability to optimize the layout of the national defence science and technology industry; consolidate the unity between the military and the government; a harmony between the army and the people. It clearly shows that once the problems arise the military will take the party’s side and secure the regime. Moreover, as revealed in the summary communique Xi Jinping positioned himself as the ultimate power who play the role of arbiter inside the system and divide the benefits equally.

Further instructions were given by Xi Jinping. As quoted by ‘Qiushi’ magazine (Seeking Truth) on October 2020 the Chinese leader praised China’s COVID-19 management system and urged the business cycles and policy makers to take advantage of the trend to accelerate the construction of a digital economy, digital society, and digital government. In layman terms, the Chinese should actively participate in the formulation of international rules in the areas of the international digital currency and digital tax in aims of shaping new competitive advantages. Then Xi Jinping highlighted the role of state-owned enterprises as the vanguard in combating the pandemic. Without the state-owned enterprises as an important factor and the political foundation of socialism with Chinese characteristics, China cannot fulfil China’s dream of great rejuvenation in the nation – as the popular slogan goes. Naturally the reforms and optimization of the SOE are needed, but the state sector cannot be denied or weakened. It clearly shows that the core leadership sees the SOE as the political back office that allows the Communist Party of China to refer to socialism, otherwise the whole ideological narratives would go bankrupt.



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In July 2020, during the conference on the private sector the Chairman referred to the social responsibility of private businesses. As was urged the companies have not only economic and legal responsibilities, but also social and moral responsibilities and were named 'social enterprises. The private initiative that are embodied in the society is the powerbase of human resources used then in the business. Only entrepreneurs who sincerely return to the society and fulfil their social responsibilities can truly be recognized by the society and be true 'social companies'. Apart from being active in donating money, providing materials through voluntary services, and making important contributions in the time of COVID-19, the private sector needs to stabilize employment and care about its people. It shows that once there is a limitation in the access to external markets and resources in time of pandemic and Sino-American trade war the government in China expects growing social tensions and use the pre-emptive strike against the private sector. The private businesspeople might serve as the potential 'people's enemy' while the party will be portrayed as the 'people's saviour'. This narrative opens the room for greater role of the government in the economy as the maker of market rules and the maintainer of market fairness, and provider of more quality public services.

CENTRAL COMMITTEE DOCUMENT

In the Central Committee document named *Opinions on Strengthening the United Front Work of the Private Economy in the New Era* three major points should be discussed: the role of government in navigating the market economy, the ideological work for the party, monitoring the private sector in this matter and finally pragmatic acquisition of human resources from the business sector to the party-state structures in China.

Firstly, the United Front serves as the tool for the government to be the rule makers in the market economy, maintainer of market justice and the provider of more quality public services. It plays the role of the enthusiastic flamer and navigator for the private economy in deepening reforms and opening up. By having close contact with the private sector, it urges the part to participate in national governance, giving play to the decisive role of the market in resource allocation and position, the government has the most important role in the national economy. Looking into the CCP theoreticians recognize the private

businesspeople as the group that benefited during China's reforms the most, and potentially it might stimulate further instability in the country. Moreover, at the moment they have failed to repay bondholders on time deepening debt-to-GDP ratio and shows lack of social responsibility.

Secondly, it looks at the private sector as the area that is less subordinate to the official ideology and the current policies at the highest ranks. The united front by ideological guidance is asked to enhance their confidence in development. Inevitably, it shows the contradictions between the party line and the private businesspeople that hope to have different types of economic regulations and more economic freedom. In this context the party should guide the private economy to increase their self-discipline, awareness, build a strong ideological and moral defence line, strictly regulate their own words and deeds, cultivate a healthy lifestyle and create a good public image, Improve the system of friendship and friendship and heart-to-heart communication, make good friends and make friends widely, and create a backbone team of private economic people who are reliable and useful at critical moments. Following the principle of 'Unity-Criticism-Unity (*tuanjie-piping-tuanjie* 团结-批评-团结), expand the scope of unity and reflect tolerance. Interestingly enough the principle appeared for the first time in 1935 in the Wayaobu Manifesto, then was rediscussed by Mao Zedong in 1944 and 1957. By referring to this model the Central Committee called for further mass campaigns as was in the past. Without criticism there is no unity, and no group can expect special privileges in such a competitive atmosphere especially, those in the finance industry.

Finally, the important part of the role of United Front in the private sector is far from ideological and is practical by its nature. The ongoing interference in China's private sector should secure the important place of recruiting party members among outstanding private economic representatives and, promptly recruit private economic representatives with good political qualities, high public recognition and party membership requirements into the party. In other words, this reflect the pragmatic



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and practical nature of managing contradictions in China and refers to Deng Xiaoping motto: “Black cat or white cat, if it can catch mice, it's a good cat”. This clearly shows that the Communist Party of China is aware of having, skillful and pragmatic people on board.

JACK MA AND THE SYSTEM THAT WASN'T THERE

The speech delivered by Jack Ma in Shanghai Waitan Forum seemed to be like in the domestic eye of the storm when Xi Jinping indirectly criticized the private businesspeople. By discussing the future of finances, he indirectly accused regulators and bureaucrats of ‘producing tonnes of useless papers’ and putting on a brave face. China in the context of finance structure would not face the crisis because, the country has no finance system - Jack Ma remarked. The role of big banks like ICBC, Bank of Communication or Agricultural Bank of China is still limited in the general public and are more like big rivers and arteries of blood, however, in today's China the country needs lakes, ponds, creeks and rivers – small institutions for small credit. His accusation went further and touches on the Chinese mentality: “We have always had some inertia in thinking”. Chinese have always copied the Western model while, in the future China should be a leader in the innovative finance. to further elaborate, Ma believed that the technological development will prevent China from the financial crises and in with the use technology it will shape the new global quality in the financial industry. In this context, not regulations but technology is placed here as superior – this goes against the bureaucrats. Moreover, he strengthens his critics over bureaucracy: “Today's technological development has allowed us to do all this. Unfortunately, many people are unwilling to do it”.

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Ma called the bureaucrats to limit their “useless” production of documents and proposed his idea of “plus one minus three”: once they issue one regulation, three should be postponed. The businesspeople hope to make business without strict regulations. The problem is it is the bureaucrats job is to produce documents, regulations, opinions and conducting meeting of *kaihui* (开会). Once speaking so Jack Ma was aware of the future

of IPO of Ant Group, by criticising the regulators he touched a very sensitive issue – the role bureaucrats in Chinese politics. Needless to say, that for ages the bureaucrats were strong enough to change the course of policies in Mainland China. The position of the Chinese clerks was threatened by Jack Ma's ideas and they decided to react. In other words, there is no room in China's political system to touch the bureaucrats. On the other hand, Ma played the nationalistic card and by saying that IPO in Shanghai and Hong Kong stock markets and is a symbol of China's self-reliance approach. He hoped to win the support from the upper level. As said by Ma: this IPO would be the biggest in the world and without NASDAQ and London City assistance, but as it turned out it was not enough. Paradoxically, this might not be in favour of the central government intentions. China needs the World and the World resources in the agriculture sector for example. In the end the Shanghai Stock Exchange announced it would suspend the widely anticipated initial public offering (IPO) of Ant Group and the 'big ideas' of 'China's Bill Gates' was buried alive.

According to the regulators' statement "material matters might cause [Ant Group] to fail to meet the disclosure requirements for the IPO," leading the exchange to postpone the listing of the company indefinitely. Chinese Ministry of Foreign Affairs spokesperson Wang Wenbin added the decision was made to "better safeguard capital market stability and protector investor rights and interests."

CONCLUSIONS

The ongoing controversies in China reflects the discussion about identifying and proper handling of contradictions in the country and in the global affairs. As presented in the Fifth Plenum, today's world is experiencing extraordinary changes not seen in a hundred years. The pandemic, growing instability in the country's finance industry, the declining role of the United States and the growing chaos across the continents is an indication that Chinese leadership needs to be ready for any situation. As reflected in the



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paper the current situations in Mainland is embodied by the intra-party, behind the scene discussions and at least the three types of contradictions should be explored: two domestic and one international.

The first domestic contradiction is between private, and state sector especially in high-tech industry and finance. In this case bureaucratic alignment sees itself as the people's defender against the growing interests' groups. They assumed that only by strong control over the private sector the government would secure stability and in the long-term China's economic growth. But this position was threaten by private businesspeople who declared it as the 'people's servant and defender' and offered more self-reliant capital rising mechanisms, but at the same as argued by the state official, it will produce space for rising young people (one-child policy generation) indebtedness.

The second contradiction is between local leaders that hope to present their best results before of the central government. Then Beijing plays the ultimate role of arbiter who possess the power to resolve the contradictions by assigning different role like in the recent case of Shanghai and Shenzhen. Shanghai, as admitted by Deng Xiaoping in 1992 was not chosen as the leader in the reform and opening up period, and it was a mistake he said. Then the central government tried to compensate for Shanghai, and two policy makers became the central leaders namely Jiang Zemin and Zhu Rongji. The active position of Shenzhen reasoned in counterbalancing of Hong Kong's influences over Mainland China, and for the last forty years the city has fulfilled the central government hopes. Moreover, the local government often use credit as a means to fulfil obligations and plans but struggles to repay their debts. But the overall situation shows that the central government is involved in a never-ending bargaining and managing the horizontal contradictions.

The third contradiction is between China and the West, when the Western countries led by the United States would limit China's access to global resources. Taking this into account the central government in Beijing needs to monitor the private initiatives that in the eyes of the CCP will limit China's capabilities in acquiring resources. To further elaborate, as identified in Beijing, Washington dominant power is in the constant decline, that in the near future would cause even bigger chaos in international relations and the

state needs to maneuverer in the turbulent waters. As said in Beijing, only by strong government China can survive.

The motive of the government highlights an ongoing nationalization of Chinese economy and Ant Group case is just the tip of the iceberg, but shows that in time of conflict with the United States and the period of American power declining Beijing based government recognized that closing the ranks and making the central control will secure China unitary status in the upcoming turbulent years.



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