

Testimony before the House of Commons' Special Committee on Canada-China Relations

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Thank you for the opportunity to testify before the Special Committee. It is my honor to be here.

Leading up to the 20th National Congress of the Chinese Communist Party scheduled for October 16th, 2022, the political environment in China has been tense. A lot is at stake as President Xi Jinping is widely expected to be appointed for the third term and to hold on to power for at least another five years.

I would like to offer three predictions on the political and economic landscape of China in the next five years, with implications for our bilateral relations.

1. Erosion of elite political stability: President Xi will be further consolidating his authority within the Party's upper echelons of power. With his various political campaigns launched in the last decade, most notably the Anti-Corruption Campaign, President Xi has eradicated not only corrupt officials, but also members from the rival factions. The foundation of elite support is changing, however, from one that is united by spoils to one that is increasingly ruled by fear. For decades since reform and opening, spoil sharing has been the glue that holds the system together. That arrangement has been eroded by Xi's attempt to curtail crony capitalism and reduce the role of entrepreneurs. But a system that is ruled by fear (because of lack of alternatives) is likely and most probably to be less stable than one underpinned by sharing of spoils (held together by mutual benefits).
2. Increasingly restless society despite crackdown: At the nonelite level, the Party may appear to have strong grip on society, continuing its stranglehold on the civil society while doubling down on surveillance and stability maintenance. However, this façade belies a society that is becoming more contentious and fractious in the coming years, short of large-scale collective actions or social movements.

The first signs of a growingly restless society have emerged in the past six months with popular discontent with Zero Covid, while the rest of world has moved on to learn to live with Covid. The responses to zero-Covid have evolved from widespread compliance in the first 18 months to growing in-person resistance and strident discordance on the Internet (because the people lack the capacity to organize in person due to political control and social distancing). As I have

argued in my recently published book, [Outsourcing Repression: Everyday State Power in Contemporary China](#) (Oxford University Press), based on a decade-long study of how the Chinese state implements its ambitious urbanization policy, which has much similarity with Zero-Covid, nonstate actors such as grassroots brokers and volunteers play an outsized role. Because these people are embedded within the society, trusted by the community, their administering of everyday policies are more likely to result in compliance than if government officials were sent. Donning white hazmat suits, state-mobilized volunteers are involved in the mundane routine of taking temperatures, administering Covid tests and controlling people's movement. This strategy of outsourcing social control to selected members of the society is fundamental to the exercise of everyday state power in China.

Recent events have tested the limits of this hugely successful strategy. As people are required to sacrifice their personal freedom and at times being separated from their loved ones, being denied medical care, for the sake of zero covid that is becoming nonsensical, they are becoming increasingly blasé and restive, and discordance has amplified. As Xi tightens the grip on society after the Party Congress, more nonsensical policies, like Zero Covid, will emerge -- as we have seen with the extremities of the Great Leap Forward in the early 1950s under Mao – Chinese society will inevitably become more contentious despite political repression.

3. Economy undergoing structural changes: The risk factors for the Chinese economy have also been amplified. The Chinese economic model that relies on the real estate sector as a growth engine is grinding to a halt as the economy slows, and property developers face challenges in financing ongoing construction projects. Consequently, banks' bad loans and local government debts are mounting to record highs. In the past summer, many households across the country who have paid advanced deposits but ran into failed projects organized a large-scale collective action to pressurize the government for a rescue plan. Cross-regional collective action is rare in China, and this should be taken as a serious warning sign for the implications for social stability of an economy undergoing structural changes. In addition, Xi's regime is not heeding the advice of foreign investors who have been issuing warnings of the detrimental effects of Zero Covid and government crackdown on business confidence. All is not well on the economic front.

Implications for bilateral relations:

To sum up, the Chinese political and economic landscapes are undergoing some structural transformation, which creates enormous uncertainty for its domestic social stability as well as foreign diplomacy. Foreign countries that can effectively deal with China are those that have the capacity to conduct scenario planning – to devise action plans to respond to a range of diverse scenarios in the coming years. No one can be absolutely certain which direction political wind will blow. We must be prepared to change and adapt our strategy swiftly when necessary. Strong China endowment begets this adaptive capacity.

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