

China Blog – August 2021

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Old wine in new skins?

The author of an article which is very worth reading and was published by ThinkChina on 22 July 2021, ponders the question of how the Communist Party of China (CCP) [compares](#) with the old Communist Party of the Soviet Union.

A final answer to this question is – not surprisingly – left open for the time being, although more recent developments point to similarities. The author mentions six indicators to watch out for:

- 1) Systemic ossification
- 2) Outward expansion
- 3) Keeping power in check
- 4) “The people as masters of the country”
- 5) The “cultivation” of people (as a mass, rather than treating them as individuals)
- 6) The police state

The conclusion is worth quoting in full:

“In all six major persistent maladies of the Stalinist system discussed above, China has seen improvements to various degrees during the decades of reform and opening up, but none has been rooted out completely. If we simply add them up without considering the merits of China’s post-reform system, we would get a picture of darkness and evil. That is how the Western countries arrive at the idea of the ‘China threat’. On the other hand, by noting only the strengths of the Chinese system and disregarding its shortcomings, one would come to a diametrically opposite conclusion. Erring in either way is a case of the fabled blind men feeling the elephant, which leads to misjudgement and unnecessary face-offs. It has to be said that the return to orthodoxy in recent years may be exacerbating these maladies. An important reason is that ideologically the CCP is not innovative enough. When blindly driven by its “founding mission”, the party may unconsciously retain or resurrect the flaws of the old system.”

On data manipulation and AI-ambitions

In the aftermath of the long expected and much debated publication of the census results, a demographic expert looks into the data available so far and points to inconsistencies, calling them [manipulation](#) (Project Syndicate, 5 August 2021).

The article refers to past manipulations, how the authorities often relied on the numbers given by local and provincial primary-school enrollment data. However, as state funding is tied to the numbers reported, it is tempting for the local authorities to inflate such data (the example of one city in Anhui Province sourced from a CCTV report inflated the numbers by 30%). Looking at the age cohorts in the different publications of the National Bureau of Statistics and calculating the numbers, the author reaches the conclusion that the true population number in 2020 may have been some 130 million people lower than the number published. Even considering inconsistencies in calculation and the *hukou system*¹ and thus assuming a lower number, this would underline the fact that Chinese statistics always need to be treated with caution (as WWR's [Full Country Dossier on China](#) of March 2021 suggests) and provide good reason for the CCP to delay publishing the numbers.

On a very different note, an article published by the National Bureau of Asia Research on 14 August 2021 discusses China's '[data ambitions](#)', particularly in its aim to become the leading power in artificial intelligence (AI).

It is already common knowledge that (personal) data is an important raw material for business in the 21st century. Apart from China's advantage of scale, being the home of 1.4 billion people (or slightly less, see above), the Communist Party has been promoting a big data strategy since at least 2014. Although this is accompanied by a domestic data protection law, a draft of which was published in 2020 (the Personal Information Protection Law), the goal is twofold – to promote economic innovation and to advance national security concerns, not least by means of internal control. This is also one of the reasons why (social) media businesses have to fulfil local data storage requirements.

At the same time, via its technology, China is exporting this model to other countries, which fits in well with the rising wave of authoritarianism around the world (accelerated by measures deemed necessary to combat COVID-19). Such a trend is not promising for minorities seen as being a [danger to national security](#), like those promoting illegal religious activities (see: WWR, 6 September 2021). As in many other aspects, this leads to a values-based form of competition. As the author at the National Bureau of Asia Research says:

“Democracies and autocracies are in persistent competition over the information environment. This information contest spans the intersecting domains of content, data, and information architecture. At the core of this competition is a values-based distinction between the way democracies view information and the way authoritarian states do.”

It remains to be seen how this competition develops. One thing is certain: Authoritarianism is on the rise and the world is increasingly becoming divided up into two blocs, with authoritarian states on the one hand standing against more liberal, democratic states on the other.

Getting rich – or die trying?

After a widely reported crackdown on tech companies and also on education services, the Communist Party has called for a [more equitable](#) distribution of wealth in Chinese society, as reported by China Digital Times on 18 August 2021. Whereas inequality in society is rightly seen as one of the most

¹ The *hukou system* has its roots in ancient China and is the household registration system in mainland China, linking it with the place of permanent residency. It is connected to many social programs and benefits for those who are registered in the place where they live. As this is most often not the case for the millions of migrant laborers who are registered in rural provinces but who work in the cities on the East Coast, there is much inequality involved and the Communist authorities are trying to reform the system.

dangerous things in a Communist society, Deng Xiaoping famously said “Let some people get rich first” (in a speech in [October 1985](#)). Or translated less literally “To get rich is glorious”. This phrase does not seem to be true anymore, at least not for everyone.

This policy, known as “[common prosperity](#)”, involves a variety of measures which include the regulation of high incomes, the downward adjustment of excessive incomes and the encouragement for high-income earners and enterprises to give back more to society (Neican, 19 August 2021, also provides a translation of the speech). Some tech companies reacted immediately and donated several hundred million USD, which led one observer to smirk: “Philanthropy with Chinese Characteristics for a New Era, anyone?”.

The CCP aims at what it calls an ‘olive-shaped’ income distribution structure with few very rich, a large middle-income segment and few very poor. The only question is if this can be achieved by the measures to be implemented. The task is huge as, although hundreds of millions of people have been lifted out of absolute poverty, 600 million people still live with an income of around 154 USD per month. Also, donating to the state-approved civil society organizations may not be the most effective way to change income patterns, especially as many of them are notorious for their inefficiency and corruption. While the goal of tackling this problem has been on the agenda for a long time already, the timing is surprising, as it comes just a year before the 20th Party Congress in October 2022, where Xi Jinping will aim for a third term. He may be so confident of his grip on power that he is not concerned about any backlash from the super-rich or the dangers of inequality causing any social unrest (of which the CCP has zero tolerance). Either way, the Communist Party is determined to alter the current economic formula and it remains to be seen if this happens without resistance.