A MACDONALD-LAURIER INSTITUTE PUBLICATION

Commentary

TRUE NORTH IN CANADIAN PUBLIC POLICY

MARCH 2022

The Party-State's growing control over China's commercial interests: An argument for diversification

Akshay Singh

Introduction

There is no denying that the People's Republic of China's (PRC) economic growth over the past four decades has been impressive. The Communist Party of China has artfully leveraged this growth to mold a belief (Mitter and Johnson 2021) that its style of authoritarian governance will return the country to its rightful place in the world and became obsessed with "growth at all costs" after seeing an opportunity to wield economic growth to both legitimize and stabilize the Party (Pilling 2014). Despite a recent emphasis on quality of growth rather than pure numbers (Inman 2021), growth metrics remain an important political tool (Wang and Tu 2021) through which the Party projects strength, raising concerns regarding the reliability of official statistics (Brown 2022).

Even though the PRC did economically liberalize in many ways following Deng Xiaoping's "Open Door Policy" in 1978 (Kobayashi, Jia and Sano 1999), it would be a mistake to believe that Party leaders abandoned the central tenets of Leninist thought (McGregor 2011). Control over the outcomes and structure of the country's economy have been crucial for the Party (Mitter and Johnson 2021), and central authorities are deeply entwined in the PRC's economic planning and regulation. Foreign investment and involvement in many sectors of the country's domestic economy, for example, are still tightly regulated (Huang, Tang and Keene 2020).

While the PRC has built valuable international linkages with many liberal democratic trade partners, these trade ties have also become tools for economic coercion (Glaser 2021) and political leverage (Seskus 2021), which the Party wields when it finds itself in diplomatic disputes or disagreements.[1] Under Party Secretary Xi Jinping, the PRC has also further "securitized" its economic well-being, including by passing several pieces of legislation (CRS 2021) to ensure Chinese entities across the globe comply with the Party-State's guidance and enhance the PRC's national interests. The PRC has also taken a more forward-leaning role in trying to shape international organizations and norms (Chhabra et al. 2020) to better suit the Party's worldview. Concerns about prioritization of political interests over commercial ones are especially valid now given questions about how the PRC is going to navigate and/or support its relationship with Russia.

This commentary highlights how the PRC's economic performance is important to the Communist Party's legitimacy and stability and argues that the inherently political nature of the country's economic performance makes it difficult to fully understand the PRC's economic realities. It also emphasizes how the PRC has benefited greatly from access to international markets while simultaneously protecting domestic companies and industries. Lastly, the commentary explores the impacts of increasing Party-State involvement in and control of the PRC's economy and argues that countries like Canada need to diversify trade relationships (e.g., via an Indo-Pacific trade strategy) for the purposes of building resiliency and reducing risk.

The Party-State's economy

The PRC's state capitalist economy is extremely complex. Regions have diverse strengths, weaknesses and idiosyncrasies. And, as many have pointed out, the PRC's people are not a monolith (Wong 2021). That said, central agencies and the Party seek to plan the Chinese economy as a whole (e.g., through the Central Economic Work Conference) (Pang 2021). Authorities also release economic guidance through various plans or documents, for example, Five-Year Plans and industrial policies such as "Made in China 2025" (Kennedy 2015).

In the 1990s and early 2000s, significant economic growth followed large-scale privatization of several state-owned enterprises (SOEs) in the PRC and a push towards encouraging entrepreneurs and "private" Chinese companies to be more involved in the economy (Borst 2021).[2] The Party-State also guided large-scale lending through vast state-owned financial institutions and has been able to shape macroeconomic economic policy with specific goals in mind (Wei 2021).

Growth as a measure of political legitimacy

Recent improvements in living standards and the growth of a new urban elite in the PRC are impressive, but we should not be blinded about the historical realities of the PRC's political and economic systems as well the brutality of the Party's previous economic doctrine. And while newer Party and government policies have made positive impacts, often overlooked is the fact that people in the PRC have been successful despite the Party and not necessarily always because of it (Branigan 2015). Had it not been for Mao's disastrous economic and social policy (Branigan 2013; Demick 2021) and rampant Party corruption under subsequent leaders (especially under Deng[3]), many Chinese people across the country could potentially have had a brighter future today.

Recent growth in the PRC and improving conditions, therefore, have served as a welcome developments and potent propaganda for the Party (China Media Project 2021). The PRC's political elite have managed to invite foreign direct investment (FDI) and some economic liberalization while maintaining (if not strengthening) political control, thereby dashing the hopes of many western observers that political liberalization in the PRC would follow its economic "miracle" (Gallagher 2002). The Party has latched onto this point in particular, arguing that its system offers an alternative to western-style democracy (Xinhua 2022) while portraying itself as the savior of the Chinese people for having "lifted" citizens from poverty (Xinhua 2021). Party leadership also appears to have pegged their own success to their ability to grow the Chinese economy, or at least maintain the perception that the PRC is economically prosperous (State Council of the PRC 2021).

The threat of social instability

By the early 2000s, despite strong growth, it became clear the PRC was starting to face additional social issues, including increased inequality (Meng et al. 2005). Growth of the PRC's domestic "private" sector pushed forward economic liberalization and helped Chinese nationals – especially those with the right connections – tap into new sources of wealth in the PRC and abroad. Yet many were left behind, especially in rural areas (Yeung and Chen 2019). Demographic and societal challenges continue to pose major concerns to this day (Roberts 2021) and rising inequality, demographic and social challenges run the risk of compromising the Party's narrative on Chinese growth, therefore creating potential issues for the Politburo.

The politicization of growth in the Chinese system leads us to one critical point: the PRC must remain economically successful (or be perceived as such) for the Party to remain legitimate and stable. It is no wonder, then, that social stability is immensely important to Party leaders (Yeung and Chen 2019). Indeed, the Party has developed an incredibly sophisticated system of censorship, social controls and monitoring to limit public discontent in the country (Blumenthal and Zhang 2020). This political imperative makes it practically impossible to completely disentangle the PRC's political leadership's views and aspirations from its economy. It is also difficult to conclude with certainty that the PRC's economic data is completely reliable (though this is not a problem unique to the PRC).

Local governments are known to "smooth" or flat-out fabricate data (Siqi 2020); this is at least partly meant to show central authorities that ambitious goals are being met. This issue seems to have improved somewhat or at least become more transparent after the PRC's shift to favour "quality" growth. Yet the fact remains that central authorities have built-in political incentives to make the PRC's economic growth seem better than it is (Harada 2018). Manipulation of GDP data is one inherent risk of the PRC's opaque economic and political system, and keen observers should use a multitude of economic indicators to understand the PRC's true economic health.

Leveraging international freedoms to the PRC's benefit

At the dawn of the 21st century, the PRC found itself in an interesting economic position. Taking advantage of bulging coffers after receiving historic amounts of FDI (Gallagher 2005), Party leaders sought to implement the PRC's now-famous "going out" strategy (General Office of the State Council 2006). This initiative encouraged Chinese investment internationally and has helped the Chinese government build influence abroad while allowing Chinese companies to grow. Following the PRC's acceptance into the World Trade Organization (WTO) in 2001 (WTO 2022), Beijing also found itself facing relatively few barriers internationally as they looked to invest billions of dollars into various sectors.

"Private" PRC companies, some benefiting from generous state subsidies and preferential treatment (Matano 2001), were welcomed abroad even as their international competitors continued to face stiff challenges operating *in* the PRC. Chinese companies invested abroad in sectors (e.g. telecommunications infrastructure) that foreign companies could only dream of entering in the PRC. With the help of subsidies, Chinese companies also offered products at highly competitive prices (Haley and Haley 2013), undercutting established brands and building larger market shares. Chinese entrepreneurs with little-to-no western competition also steadily developed their own e-commerce and Internet ecosystem on the "Chinese Internet," which still remains relatively walled-off from the outside world. With no realistic international competition at home, these entrepreneurs also began integrating themselves into digital commerce platforms around the globe.

Beijing has therefore enjoyed the best of both worlds. The PRC's technology giants, in particular, have expanded massively in international markets (Hoffman and Attrill 2021). "National Champions" like Huawei and Alibaba have become important parts of the international economy and are embedded in key supply chains and commerce infrastructure (Melnik 2019). While web services from Google, Facebook and Twitter are blocked in the PRC (Zucchi 2021), private enterprises like Bytedance and Tencent (Ryan et al. 2019) are able to collect massive amounts of data and revenue via their internationally-available applications TikTok and WeChat, respectively. It is important to mention that these companies have also been accused of enabling Beijing's authoritarianism and censorship beyond the PRC's borders (Tarabay 2020).

The PRC's technology giants, in particular, have expanded massively in international markets.

While there has been some international push-back to PRC investment in sensitive sectors in countries like the United States (Wang 2021) and Australia (Duran 2021), most Chinese enterprises (especially private ones) enjoy relatively open access to the international economy once they clear domestic Chinese regulatory requirements on outbound investment (Deloitte 2018). Unfortunately, many Western companies still do not enjoy reciprocal access to the Chinese market, and the ones that are able to do business in the PRC must ensure they do not become too "political" and discuss sensitive topics like human rights abuses in the PRC, lest they be penalized (Fish 2021). Foreign enterprises operating in the PRC have also historically been forced to engage in joint ventures with Chinese entities (Bradsher 2020) and, in some cases, to hand over their intellectual property if they intend to successfully do business in the PRC (Sykes 2021).

Despite new trade agreements with the PRC, liberal democracies have not made much headway in securing access to the same sectors of the Chinese market that PRC-based companies have invested in internationally for years. For example, the European Union (EU) and the PRC's proposed Comprehensive Agreement on Investment (CAI) will allegedly allow greater access to the PRC's consumer market. However, it still leaves Europe in a disadvantageous position given that EU companies still cannot invest or own assets in vast swathes of the Chinese economy (García-Herrero 2021). And while the PRC did make commitments in the CAI to phase out joint venture requirements in certain sectors (e.g., automotive and health) (European Commission 2020), the Party rendered the EU's "wins" practically meaningless by issuing new national security rules on foreign investment mere days before details on the CAI were announced (Reuters 2020).

The new rules restrict foreign investment in major Chinese economic sectors (e.g., critical infrastructure, energy, natural sources, and agriculture) and areas that are deemed by the Party and Chinese government to be important to national security (Bloomberg 2020). In December 2021, Chinese regulators went even further and released proposed rules that would give the Chinese government the power to cancel overseas listings if authorities "deemed it a threat to national security" (Cheng 2021). These guidelines followed the dramatic collapse of Chinese giants Didi and Ant Group's initial public offerings (IPOs) the same year.

The PRC's vague and purposefully broad national security legislation, coupled with its regulatory regime's opacity and complexity, effectively nullifies any future commitment to opening up its economy. Under this current protectionist economic governance paradigm, it is quite possible Western companies will not be fully access the Chinese market for some time (or perhaps ever). In the meantime, however, Beijing will want to continue doing business on its own terms. Interestingly, the Western world seems content to let the Party dictate these rules in the hope of gaining access to a substantial enough portion of the Chinese market; this is a desire that Chinese leadership uses very well to its advantage.

The Party is everywhere: New efforts to guide and control the Chinese economy

So far, we have covered why economic growth is important to the Party and how the PRC seeks to protect and support its domestic industry. At the core of these two discussions has been the Party's strong desire for control whenever possible. This desire seems to have intensified in recent years, with the Politburo now seeking to ensure that both public and private entities understand the Party's supremacy in all commercial affairs.

While the Party-State has sought to more deeply embed itself in and control Chinese enterprises under General Secretary Xi Jinping (CRS 2021), this is not a new problem. Signs were clear by the early-2000s that the PRC's economic story was going to continue to be somewhat unique and not one that the West would necessarily like (Yang 2003). In 2003, writing about Hu Jintao's ascension to Party General Secretary the previous year, Dali Yang noted that the PRC's leaders had taken "a hard-line stance," and the new leadership showed no signs of easing up on its "economic liberalization and political authoritarianism" (Yang 2003, 40).

This trend has certainly continued under Xi's tenure. In 2020, the Party called for the United Front Work Department to increase Party "ideological work and influence” in the private sector with a goal to “explore the establishment of a modern enterprise system with Chinese characteristics” (Livingston 2020, 1). The Party also sought to “continuously enhance the political consensus of private business people under the leadership of the party” (Wei 2020). This work builds upon work from 2016 onwards to increase Party guidance in SOEs (Feng 2016).

These directives came just weeks before Jack Ma’s aforementioned planned IPO of Ant Group was scuttled by PRC authorities, apparently by Xi himself (Yang and Wei 2020). Ma’s fall in particular has clearly been intended to send a message to Chinese entrepreneurs: the Party should be at the core of their planning processes and, to be successful, private enterprises cannot risk offending Party-State interests.

National security and economics

Under Xi, the PRC has also passed several pieces of legislation that challenge Western norms regarding intellectual property protection, security, the privacy of information, and freedom of trade. Many of these new laws and regulations impact foreign entities in the PRC as well as Chinese entities around the globe – often giving the state enormous power to access confidential and private information, which would normally be strictly protected in liberal democracies by an independent judiciary.

For example, the PRC has implemented laws and regulations on counterespionage (2014), cybersecurity and foreign non-governmental organizations (2016), oversight of lawyers and law firms (2016/2018), standardization (2018) and encryption (2019/2020), among others (Tanner 2017; CRS 2021). According to the US Congressional Research Service, these laws and regulations “require companies, organizations, and individuals – both foreign and domestic – to cooperate with the Chinese state in national security matters, affecting a range of economic activities and technology issues” (CRS 2021, 3).

Furthermore, in 2017, the PRC also implemented the now well-known National Intelligence Law (NIL), which obligates Chinese entities to assist state officials in carrying out “national intelligence work” – a deliberately broad term that appears to encompass everything from sovereignty to people’s well-being and economic and social development (Chinese National People’s Congress 2017). This raises concerns that any PRC entity across the globe, be they private (e.g., Huawei, Bytedance, Alibaba, Baidu, Tencent) or public (e.g., universities, SOEs), could be compelled to assist the PRC government on national security matters at any time. Interestingly, the NIL also appears to allow state officials to make requests of foreign entities in the PRC and “enter relevant restricted areas and venues” to “read or collect relevant files, materials or items” (China Law Translate 2017).

Continuing the trend of trying to broaden the scope of Chinese legislation, the PRC also implemented a new Data Security Law and Personal Information Protection Law in September 2021, both of which included new guidelines on the transfer of data outside of the PRC. Notably, the Data Security Law impacts companies doing business with Chinese citizens both inside and outside the PRC (Foreign Policy 2022).

Implications for the West

As noted previously, neither the PRC nor its citizens are a monolith. While the Party seeks to exert stronger control and influence over the Chinese economy, many PRC stakeholders still have the flexibility to interact in economic activity that can and do benefit both the PRC citizens and the global economy. That said, the developments referenced in this paper highlight one important point: as the PRC's economy becomes more controlled and influenced by the Party-State, our certainty that Chinese enterprises will abide by commercial imperatives and not political or diplomatic ones decreases. In other words, greater political influence over the PRC's economy introduces uncertainty into the PRC's international behaviour and makes it increasingly unreliable as a trading partner.

While countries like Canada should still engage with the PRC economically and perhaps even grow trade in certain areas beneficial to their interests, they can no longer afford to solely depend on the promise of the Chinese market for their prosperity. The PRC's behaviour on the international stage, for example in relation to Russia's invasion of Ukraine (Schumann 2022), further reinforces the notion that the Politburo does not ascribe to the norms central to the functioning of an open international system based on the rule of law.

Despite our best hopes and wishes, we must accept that the PRC rejects liberal internationalism as we know it, and continues to shape the international system as per its norms and not our own. The PRC is likely not going to reciprocate our openness, and this may be our long-term reality. Accepting these facts, Canada and its partners must then need to seriously think about opportunities to diversify and grow trade beyond the PRC. It is encouraging to know that many are shifting their attention to other potential partners in the Indo-Pacific; however, this shift needs to be much more aggressive and coordinated amongst like-minded countries if the West is to protect its own interests in the medium- and long-term.

About the author

Akshay Singh is an international affairs and security scholar and a non-resident research fellow at the Council on International Policy. He holds an MA and BA from Simon Fraser University, where he focused on political science, history, and international security issues.

References

Brown, Tanner. 2022. "China's Economic Numbers Once Again Have the Skeptics Suspicious." *Barron's*, January 18. Available at https://www.barrons.com/articles/chinas-economic-numbers-once-again-have-skeptics-suspicious-51642519847.

Bradsher, Keith. 2020. "How China Obtains American Trade Secrets." *The New York Times*, January 15. Available at https://www.nytimes.com/2020/01/15/business/china-technology-transfer.html.

Brannigan, Tania. 2013. "China's Great Famine: The True Story." *The Guardian*, January 1. Available at https://www.theguardian.com/world/2013/jan/01/china-great-famine-book-tombstone.

Brannigan, Tania. 2015. "Goodbye to Smog, Cold Noodles and Breakneck Change: My Seven Years Covering China." *The Guardian*, June 1. Available at https://www.theguardian.com/global/2015/jun/01/smog-noodles-china-pollution-injustices-achievements-tania-branigan.

Bloomberg. 2020. "China Adds Rules on Foreign Investment in National Security." *Bloomberg*, December 19. Available at https://www.bnnbloomberg.ca/china-adds-rules-on-foreign-investment-in-national-security-1.1538830.

Blumenthal, Dan and Linda Zhang. 2020. "China's Censorship, Propaganda & Disinformation." *Jewish Policy Center*, July 10. Available at https://www.aei.org/articles/chinas-censorship-propaganda-disinformation/.

Borst, Nicholas. 2021. "Has China Given Up on State-Owned Enterprise Reform?" *The Lowy Institute*, April 15. Available at https://www.lowyinstitute.org/the-interpreter/has-china-given-state-owned-enterprise-reform.

Cave, Danielle, Fergus Ryan and Vicky Xiuzhong Xu. 2019. "Mapping More of China's Tech Giants: AI and Surveillance." *Australian Strategic Policy Institute*, November 28. Available at https://www.aspi.org.au/report/mapping-more-chinas-tech-giants.

Chhabra, Tarun, Rush Doshi et al. 2020. "Global China: Global Governance and Norms." *Brookings Institution*, October. Available at https://www.brookings.edu/research/global-china-global-governance-and-norms/.

China Law Translate, 2017. "National Intelligence Law of the P.R.C. (2017)." *China Law Translate*, June 27. Available at https://www.chinalawtranslate.com/en/national-intelligence-law-of-the-p-r-c-2017/.

China Media Project. 2021. “Selling China’s Anti-Poverty Model.” China Media Project, March 16. Available at https://chinamediaproject.org/*2021/03/16/selling*-chinas-anti-poverty-model/.

Chinese National People’s Congress. 2017. “National Intelligence Law of the People’s Republic.” C*hinese National People’s Congress*, June 27. Available at https://cs.brown.edu/courses/csci1800/sources/2017_PRC_NationalIntelligenceLaw.pdf.

Cheng, Evelyn. 2021. “China is Clarifying Rules for Overseas IPOs. Here’s What We Still Don’t Know.” *CNBC*, December 27. Available at https://www.cnbc.com/2021/12/27/china-is-clarifying-rules-for-overseas-ipos-us-what-we-dont-know.html.

Congressional Research Service (CRS). 2021. “China’s Recent Trade Measures and Countermeasures: Issues for Congress.” *Congressional Research Service*, December 10. Available at https://crsreports.congress.gov/product/pdf/R/R46915.

Deloitte. 2018. “Legal Framework for Chinese Outbound Investments.” *Deloitte*. Available at https://www2.deloitte.com/dl/en/pages/legal/articles/chinese-outbound-investments.html.

Demick, Barbara. 2021. “Uncovering the Cultural Revolution’s Awful Truths.” *The Atlantic*, January/February. Available at https://www.theatlantic.com/magazine/archive/2021/01/chinas-rebel-historians/617265/.

Duran, Paulina. “Australia Open to China Investors But Security Issues Crucial – FIRB.” *Reuters*, October 13. Available at https://www.reuters.com/business/australia-open-china-investors-security-issues-crucial-firb-2021-10-14/.

European Commission. 2021. “Key Elements of the EU-China Comprehensive Agreement on Investment.” *European Commission*, 30 December. Available at https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2542.

Feng, Emily. 2016. “Xi Jinping Reminds China’s State Companies of Who’s the Boss.” *The New York Times*, October 13. Available at https://www.nytimes.com/2016/10/14/world/asia/china-soe-state-owned-enterprises.html.

Financial Times. 2020. “China blurs lines between private and state business.” *Financial Times*, October 8. Available athttps://www.ft.com/content/c70ff5bb-dff9-4ad1-9574-75e58c3c87c1.

Fish, Isaac S. “Foreign Firms Under Fire for Condemning Rights Abuses in China.” *Politico*, April 8. Available at https://www.politico.com/newsletters/politico-china-watcher/2021/04/07/foreign-firms-face-attacks-for-condemning-rights-abuses-in-china-492397.

Foreign Policy. 2022. "Why China's New Data Security Law Is A Warning For The Future Of Data Governance." *Foreign Policy*, January 28. Available at https://foreignpolicy.com/2022/01/28/china-data-governance-security-law-privacy/.

Gallagher, Mary E. 2002. "Reform and Openness: Why China's Economic Reforms Have Delayed Democracy." *World Politics*, 54 (3): 338-372.

García-Herrero, Alicia. 2021. "Europe's Disappointing Investment Deal with China." *Bruegel*, January 4. Available at https://www.bruegel.org/2021/01/europes-disappointing-investment-deal-with-china/.

General Office of the State Council. 2006. "更好地实施"走出去"战略. *General Office of the State Council*, March 15. Available at http://webcache.googleusercontent.com/search?q=cache:FvDugP8_RjkJ: www.gov.cn/node_11140/2006-03/15/content_227686.htm+&cd=1&hl=en&ct=clnk&gl=us.

Glaser, Bonnie S. 2021. "How China Uses Economic Coercion to Silence Critics and Achieve its Political Aims Globally." *Statement before the Congressional-Executive Commission on China*, December 7. Available at https://www.cecc.gov/sites/chinacommission.house.gov/files/documents/CECC%20Hearing%20Testimony%20-%20Bonnie%20Glaser.pdf.

Haley, Usha C.V. & George T. Haley. 2013. "How Chinese Subsidies Changed the World." *Harvard Business Review*, April 25. Available at https://hbr.org/2013/04/how-chinese-subsidies-changed.

Harada, Issaku. 2018. "Chinese Local Governments Rush to Admit Fake Data." *Nikkei Asia*, February 11. Available at https://asia.nikkei.com/Economy/Chinese-local-governments-rush-to-admit-fake-data.

Hoffman, Samantha and Nathan Attrill. 2021. "Mapping China's Tech Giants: Supply Chains & the Global Data Collection Ecosystem." *Australian Strategic Policy Institute*, June 8. Available at https://www.aspi.org.au/report/mapping-chinas-tech-giants-supply-chains-and-global-data-collection-ecosystem.

Inman, Philip. 2021. "Xi Jinping's Drive for Economic Equality Comes at a Delicate Moment for China." *The Guardian*, September 2. Available at https://www.theguardian.com/world/2021/sep/02/xi-jinpings-drive-for-economic-equality-comes-at-a-delicate-moment-for-china.

Ji, Siqi. 2021. "China Anti-Corruption Probe Finds Local Governments are Still 'Fabricating' Economic Data." *South China Morning Post*, September 3. Available at https://www.scmp.com/economy/china-economy/article/3147494/china-anti-corruption-probe-finds-local-governments-are-still.

Kobayashi, Shigeo, Baobo Jia, et al. 1999. "The "Three Reforms" in China: Progress and Outlook." *Japan Research Institute*, RIM, 45 (September). Available at https://www.jri.co.jp/english/periodical/rim/1999/RIMe199904threereforms/.

Kennedy, Scott. 2015. "Made in China 2025." *Center for Strategic & International Studies*, June 1. Available at https://www.csis.org/analysis/made-china-2025.

Livingston, Scott. 2020. "The Chinese Communist Party Targets the Private Sector." *Center for Strategic & International Studies*, October 8. Available at https://www.csis.org/analysis/chinese-communist-party-targets-private-sector.

Matano, Shinya. 2021. "The Impact of China's Industrial Subsidies on Companies and the Response of Japan, the United States, and the European Union." *Mitsui & Co. Global Strategic Studies Institute*, January. Available at https://www.mitsui.com/mgssi/en/report/detail/__icsFiles/afieldfile/2021/02/19/2101c_matano_e.pdf.

Melnik, Jeffrey. 2019. "China's "National Champions": Alibaba, Tencent, and Huawei." *Entrepreneurship in Asia*, 24(2): 28-23.

Meng, Xin, Robert Gregory & Youjuan Wang. 2005. "Poverty, Inequality, and Growth in Urban China, 1986-2000." *Journal of Comparative Economics*, 33(4): 710-729.

McGregor, Richard. 2011. "5 Myths About the Chinese Communist Party." *Foreign Policy*, January 3. Available at https://foreignpolicy.com/2011/01/03/5-myths-about-the-chinese-communist-party/.

Mitter, Rana and Elsbeth Johnson. 2021. "What the West Gets Wrong About China." *Harvard Business Review*, May-June. Available at https://hbr.org/2021/05/what-the-west-gets-wrong-about-china.

Pilling, David. 2014. "China Abandons its Pursuit of Growth at all Costs." *Financial Times*, January 22. Available at https://www.ft.com/content/f0e1907a-82ab-11e3-9d7e-00144feab7de.

Reuters. 2020. "China Issues National Security Rules on Foreign Investment." *Reuters*, December 19. Available at: https://www.reuters.com/world/china/china-issues-national-security-rules-foreign-investment-2020-12-19/.

Roberts, Dexter Tiff. 2021. "Can China's Communist Party defuse its demographic time bomb?" *Atlantic Council*, December 21. Available at https://www.atlanticcouncil.org/blogs/new-atlanticist/can-chinas-communist-party-defuse-its-demographic-time-bomb/.

Schumann, Michael. 2022. “China’s Russia Risk: How Beijing Manages its Relations with Moscow Will Help Define it as a Great Power.” *The Atlantic*, March 9. Available at https://www.theatlantic.com/international/archive/2022/03/xi-putin-friendship-russia-ukraine/626973/.

Seskus, Tony. 2021. “Farm Groups Hope End of Meng Wanzhou Case Leads to Resolution of Canola Dispute with China.” *CBC News*, September 28. Available at https://www.cbc.ca/news/business/canada-china-canola-trade-1.6191706.

The State Council of the People’s Republic of China. 2021. “Xi Declares China a Moderately Prosperous Society in All Respects.” *The State Council of the People’s Republic of China*, July 1. Available at http://webcache.googleusercontent.com/search?q=cache:8S4WtIqTgSsJ:english.www.gov.cn/news/topnews/202107/01/content_WS60ddd47ec6d0df57f98dc472.html+&cd=2&hl=en&ct=clnk&gl=ca.

Sykes, Alan O. “The Law and Economics of “Forced” Technology Transfer and Its Implications for Trade and Investment Policy (and the U.S.–China Trade War).” *Journal of Legal Analysis*, 13(1): 127-171.

Tanner, Murray Scott. 2017. “Beijing’s New National Intelligence Law: From Defense to Offense.” *Lawfare*, July 20. Available at https://www.lawfareblog.com/beijings-new-national-intelligence-law-defense-offense.

Tong, Bao. 2015. “How Deng Xiaoping Helped Create a Corrupt China.” *The New York Times*, June 3. Available at https://www.nytimes.com/2015/06/04/opinion/bao-tong-how-deng-xiaoping-helped-create-a-corrupt-china.html.

Wang Cong and Lei Tu, 2021. “Xi declares completion of moderately prosperous society.” *Global Times*, July 1. Available at https://webcache.googleusercontent.com/search?q=cache:ucS3Mvhlx0QJ:https://www.globaltimes.cn/page/202107/1227540.shtml+&cd=3&hl=en&ct=clnk&gl=ca.

Wei, Lingling. 2021. “Xi Jinping Scrutinizes Chinese Financial Institutions’ Ties With Private Firms.” *The Wall Street Journal*, October 11. Available at https://www.wsj.com/articles/xi-jinping-scrutinizes-chinese-financial-institutions-ties-with-private-firms-11633972484.

Wei, Lingling. 2020. “China’s Xi Ramps Up Control of Private Sector. ‘We Have No Choice but to Follow the Party.’” *The Wall Street Journal*, December 19. Available at https://www.wsj.com/articles/china-xi-clampdown-private-sector-communist-party-11607612531.

Wang, Blair. 2021. “CFIUS Ramps up Oversight of China Deals in the US.” *The Diplomat*, September 14. Available at https://thediplomat.com/2021/09/cfius-ramps-up-oversight-of-china-deals-in-the-us/.

Weinstein, Emily. 2021. "Don't Underestimate China's Military-Civil Fusion Efforts." *Foreign Policy*, February 5. Available at https://foreignpolicy.com/2021/02/05/dont-underestimate-chinas-military-civil-fusion-efforts/.

Wong, Brian. 2021. "The West Needs to Understand that China's People are not a Monolith." *Nikkei Asia*, 2021. Available at https://asia.nikkei.com/Opinion/The-West-needs-to-understand-that-China-s-people-are-not-a-monolith.

World Trade Organization. 2022. "China and the WTO." *World Trade Organization*. Available at https://www.wto.org/english/thewto_e/countries_e/china_e.htm.

Xinhua News. 2022. "Institutional Strengths Empower China's Development for Greater Global Benefits, Experts Say." *Xinhua News*, October 3. Available at http://webcache.googleusercontent.com/search?q=cache:6F5S3X2YYhAJ:www.xinhuanet.com/english/20220310/ead529572a4a42d2ac2f90f655f1aebf/c.html+&cd=2&hl=en&ct=clnk&gl=ca.

Xinhua News. 2021. "How China has Lifted Nearly 800 million People out of Poverty." *Xinhua News*, April 6. Available at http://webcache.googleusercontent.com/search?q=cache:wcP7Ey6vDTQJ:www.xinhuanet.com/english/2021-04/06/c_139862741.htm+&cd=1&hl=en&ct=clnk&gl=ca.

Yang, Dali. 2003. "China in 2002: Leadership Transition and the Political Economy of Governance." *Asian Survey*, 43(1): 25-40.

Yang, Jing & Lingling Wei. 2020. "China's President Xi Jinping Personally Scuttled Jack Ma's Ant IPO." *The Wall Street Journal*, November 12. Available at https://www.wsj.com/articles/china-president-xi-jinping-halted-jack-ma-ant-ipo-11605203556?mod=searchresults_pos2&page=1&mod=article_inline.

Yeung, Karen & Celia Chen. 2019. "Are China's Social Ills from Four Decades of Rapid Economic Growth Approaching a Tipping Point?" *South China Morning Post*, 25 July. Available at https://www.scmp.com/economy/china-economy/article/3020017/are-chinas-social-ills-four-decades-rapid-economic-growth.

Zucchi, Kristina. 2021. "Why Facebook is Banned in China & How to Access It." *Investopedia*, December 31. Available at https://www.investopedia.com/articles/investing/042915/why-facebook-banned-china.asp.

Endnotes

1 This is not to say that other states do not use economic statecraft to their advantage. However, in the case of the PRC, the frequent use of economic coercion to pressure liberal democracies to abandon policies (e.g., in relation to hosting the Dalai Lama or taking sovereign decisions to protect their national security) that are perceived to harm the Party's interests is particularly troublesome.

2 The line between "private" and state enterprises in the PRC can be extremely blurred (Financial Times 2020). Given the role of central authorities in the PRC's economy, private enterprises often must abide by strict rules and regulations if they wish to thrive. Complicating this problem is the fact the Party pushes strongly for Military-Civil Fusion and for increased integration between military and sectors (Weinstein 2021), especially in relation to emerging technologies and other know-how of economic benefit.

3 Deng famously noted the party would have to "let some get rich first." See Tong 2015.

TRUE NORTH IN CANADIAN PUBLIC POLICY

excellent THOUGHT-PROVOKING

> "Canada shall be the star towards which all men who love progress and freedom shall come.
>
> – Sir Wilfrid Laurier

high-quality insightful CONSTRUCTIVE important forward-thinking

Critically acclaimed, award-winning Institute

The **Macdonald-Laurier Institute** focuses on the full range of issues that fall under Ottawa's jurisdiction.

- Winner of the Sir Antony Fisher International Memorial Award (2011)
- Templeton Freedom Award for Special Achievement by a Young Institute (2012)
- Prospect Magazine Award for Best North America Social Think Tank (2018)
- Short-listed for the Templeton Freedom Award (2017)
- Cited by five present and former Canadian Prime Ministers, as well as by David Cameron, the British Prime Minister.
- *Hill Times* says **Brian Lee Crowley** is one of the 100 most influential people in Ottawa.
- *Wall Street Journal*, *Economist*, *Foreign Policy*, *Globe and Mail*, *National Post* and many other leading publications have quoted the Institute's work.

WHERE YOU'VE SEEN US

CTV
cpac FOR THE RECORD
Corus ENTERTAINMENT
CBC news
FP Foreign Policy
tvo
The Economist
WALL STREET JOURNAL
THE HILL TIMES
THE GLOBE AND MAIL CANADA'S NATIONAL NEWSPAPER • FOUNDED 1844
NATIONAL POST

constructive important forward-thinking excellent insightful high-quality active

Ideas change the world

WHAT PEOPLE ARE SAYING ABOUT **MLI**

The Right Honourable
Paul Martin

I want to congratulate the **Macdonald-Laurier Institute** for 10 years of excellent service to Canada. The Institute's commitment to public policy innovation has put them on the cutting edge of many of the country's most pressing policy debates. The Institute works in a persistent and constructive way to present new and insightful ideas about how to best achieve Canada's potential and to produce a better and more just country. Canada is better for the forward-thinking, research-based perspectives that the **Macdonald-Laurier Institute** brings to our most critical issues.

The Honourable
Jody Wilson-Raybould

The **Macdonald-Laurier Institute** has been active in the field of Indigenous public policy, building a fine tradition of working with Indigenous organizations, promoting Indigenous thinkers and encouraging innovative, Indigenous-led solutions to the challenges of 21st century Canada. I congratulate **MLI** on its 10 productive and constructive years and look forward to continuing to learn more about the Institute's fine work in the field.

The Honourable
Irwin Cotler

May I congratulate **MLI** for a decade of exemplary leadership on national and international issues. Through high-quality research and analysis, **MLI** has made a significant contribution to Canadian public discourse and policy development. With the global resurgence of authoritarianism and illiberal populism, such work is as timely as it is important. I wish you continued success in the years to come.

The Honourable
Pierre Poilievre

The **Macdonald-Laurier Institute** has produced countless works of scholarship that solve today's problems with the wisdom of our political ancestors. If we listen to the **Institute**'s advice, we can fulfill Laurier's dream of a country where freedom is its nationality.

MACDONALD-LAURIER INSTITUTE

MLI
TRUE NORTH IN CANADIAN PUBLIC POLICY

323 Chapel Street, Suite 300,
Ottawa, Ontario K1N 7Z2
613-482-8327 • info@macdonaldlaurier.ca

@MLInstitute
facebook.com/MacdonaldLaurierInstitute
youtube.com/MLInstitute
linkedin.com/company/macdonald-laurier-institute