

*Analysis based on our daily newsletter, **Conversations in Chinese Media (CiCM)***

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***CiCM***  
***INSIGHTS***

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*Issue 4: An assessment of strategy and execution by CCP under Xi based on ground level chatter and case study of Heilongjiang Province*

## Introduction

China has extended its presence to remote parts of the world by providing extensive loans in Africa, South Asia, island nations and Latin America. These loans have been made purely on commercial and strategic basis, irrespective of the regime type in the home country. China portrays these loans as its commitment to fill the infrastructural gap in the Asian region and beyond, but the question remains, at what cost? China's outreach has been influenced by domestic socio-economic considerations, and has implications for international systemic orientation. Amidst these extensive and grandeur economic projects, infrastructural gap in some of China's provinces has largely been ignored. The big concern that arises now is how can a nation that could not revitalize its heavy industries in the northeastern province initiate global projects and provide such extensive loans. The loans are even extended to financially unsustainable countries like Pakistan (Grey-listed nation under Financial Action Task Force) and numerous others.

Under the centralized leadership of President Xi Jinping and the Communist Party of China (CCP), numerous provinces and municipal corporations are under enormous debt and are on the verge of bankruptcy. This CiCM insight investigates China's progression towards its stated objective, 'China Dream' through a socio-administrative mechanism based on 'Socialism with Chinese characteristics'. By our daily newsletters, we investigate the reasons, causes & effects of the situation and anticipate broader challenges and implications on the Chinese socio-economic and cultural landscape. This insight argues that this internal government debt is part of broader- systematic plans with strategic depth to cause internal migration.

### **Brief Highlight of Issue based on Ground Level Chatter**

It was noted in our daily newsletter for [27.12.21](#) that local authorities and district administration are charging unreasonable rates and taxes from residents and owners of small businesses in Heilongjiang Province. In the case of Bazhou City in Hebei Province. It noted that the local authorities started collecting garbage disposal fees for the first time in more than ten years, and no notice was served by the concerned departments beforehand. The charges are 1yuan per square meter. Controversy arose after a small snack bar had to pay 400 yuan in fees (calculated for two years) even though small businesses could not operate amid the lockdowns. The store owner claimed that he had returned to his native place due to the lockdown. Authorities asked businesses owners to pay fees, fines, and taxes immediately; if failing to do so will be summoned by the district administration.

Such instances have increased fear of district administration amongst the public, as observed by social media posts by small business owners across China. The current state of Bazhou city of Hebei Province is just the tip of the iceberg; the province of Heilongjiang has also reported similar instances. Several regions in China are not receiving the required funds and are at crossroads of bankruptcy. The main superficial reason is the drop in housing prices as the real estate sector and a decline and the energy shortage in China led to power outages throughout China.

Authorities imposed unjustified fines in several provinces that included a braised chicken and rice fast-food restaurant owner receiving a notice to pay the penalty for not having an alarm for potential safety hazards and blocking the corridor of the next shop. The owner was required to rectify immediately. The owner took the bill to the town government comprehensive law enforcement brigade office and surprisingly informed verbally that the fine was 50,000 yuan for alarm and 150,000 yuan for blocking the way. His store has an annual income of just around 100,000 yuan. Similarly, a nearby education and training institution got fined 100,000 yuan, a foot bath shop 200,000 yuan, a tobacco and tea hotel 10,000 yuan, and a property company in the same locality was fined 70,000 yuan. Such a crackdown on middle-income citizens showcases the dire need of the local authorities. Such a crackdown on middle-income citizens showcases the dire need of the local authorities.

A possible reason for municipal governments imposing unjustified fines on the someone of China is that provinces and municipal corporations in China are under enormous internal debt and are not getting enough of the budget from central leadership in CCP to pay their employees. Thereby, they have imposed unreasonable fines on local vendors to generate revenue, as covered in our daily newsletter dated [27.12.21](#). A nation that provides so much extensive debt to governments regardless of climate, distance, ethnicity, and conviction to CCP. The Chinese city of Hegang announced that it is freezing the hiring process on all posts. The municipal and provincial governments are under massive debts and are not in a condition to pay their current employees. Discontent from ground level chatter observed investigates the causes and background of the issue by taking the Heilongjiang Province as the case study.

## **Geography of Heilongjiang Province**

- Heilongjiang is the northernmost province of China that borders Mongolia and Russia.

- Heilongjiang means black dragon that is derived from the name of a river that divides China and Russia. The water of the river remains black due to fertile black soil in the region.
- The climate in winters can drop down to -50 degrees while summers are pleasant. Most of the part of Heilongjiang province is covered with snow in winters while 1/6th of the land of the province is covered with forests. People rely on agriculture for their daily needs and winter tourism is the main source of income. The province was also impacted by floods and a tornado in 2021.
- The region was once well-known for its coal mines. However, these have been exhausted since 2011. While still operating in smaller numbers, the coal mines are low on productivity and cost-effectiveness as compared to the past. The region gets enough water supplies and once provided a connecting route from Siberia to Russia. Hegang city was situated at the center of the rail route.

### **Culture and Identity:**

- As per the last consensus analysis report by the province in the year 2000 that measured people according to ethnicity in the region 95% of the people in the region were Han Chinese. The population has shrunk the most in this province, most probably due to the one-child policy and internal migration to find employment.
- The architecture of the region is inspired by western architecture. A glimpse of Russian and French architecture could be seen throughout the province. The city of Henan is also called Moscow of the far east.
- The buildings are huge in size in comparison to other places in China and though the exterior of the buildings might seem western but interiors are mostly decorated in Chinese traditional style.
- It is said that comparatively rich people used to live in this region and have now shifted to Beijing and Shanghai. The food and beverages are also more similar to Russia and the West in comparison to so-called dominating mainland culture. Russian bread and sausages, French bread and Russian vodka are readily sold at dining restaurants and bakeries in the market. That is distinct from other provinces of China. People in harsh winters prefer to eat ice cream at large.
- The region is popular for its Ice and Snow Festival. During the festival, huge blocks of ice are cubed from the frozen river in winter and brought to the city. Then further, local laborers decorate the complete city. The province becomes a center of attraction during the new year vacations in China.

- Some of the largest Russian cities in its far east are located on the adjacent border to the province and cross-border market and ice hockey matches between the two sides show the existing ties in the China-Russia relationship.

### **Situation Brief:**

The region was once an industrial base for China for heavy manufacturing and mining. The city of Hebin was at the center of the rail route connecting Serbia and Russia- this boosted the local market in the province. Since the opening up of the economy by China, the state-owned enterprises could not perform well and had to discontinue their operations. These used to provide ample employment for the population. The government revenue has decreased to a large extent in the past decade due to the following reasons:

- The coal mines were exhausted in 2011 and the current mining that is going on is not that profitable.
- The state-owned enterprises had to shut down since opening up and plans like Revitalise Northeast China have not performed well.
- The major source of revenue collection for the Provincial government and Municipal government was a land sale. But as the population of the region declined and land for industrial use didn't provide any comparative advantage, the requirement for land decreased.
- One of the major sources of income for the province for the last 8-10 years was tourism and the province was able to attract Chinese local tourists for a new year vacation, but due to the intense Covid-19 situation and restrictions imposed, the popular winter festival couldn't also do that well. Similarly, with a new wave of COVID-19 coming through in China, the winter snow and ice festival couldn't do well. Covid-19 restrictions affected local businesses, restaurants, and street-side vendors of the province.
- The province encountered natural disasters such as floods and hurricanes that impacted not only people residing in cities but also those doing agriculture in the far-flung parts of the province.
- Agriculture is not the major source of revenue but is affected by Climate Change and Natural disasters had increased government expenditure for social security as relief work alongside the pandemic cost a tremendous amount of money.
- Due to lack of money allotment from centralized leadership and incapability to generate revenue through usual means the province and municipal corporations have started imposing unreasonable and unjustified taxes to save themselves from bankruptcy.

- There are also instances of corruption that are noted in this province. As noted in our newsletter dated 02.02.22 Discipline Inspection and the National Supervisory Commission published an article on the confession of the former vice mayor of Harbin City in Heilongjiang province, Wang Yanmin. He is accused of "being arrogant in power, lazy at work and moving away from party principles". He confessed he was willing to seek promotion but was charged for forging, transferring, and hiding evidence, resisting organizational censorship, engaging in superstition activities, instigating others to bring books and media with "serious political problems" into the country to hide and read them privately.
- These unjustified taxes and lack of employment opportunity makes people migrate to provinces with better opportunities such as Xinjiang, Tibet where CCP provides incentives to settle, and to industrialized areas where the cost of living is high and real estate prices are at their peak.
- Until migrants own accommodation in these industrialized areas they are treated as class 2 citizens and are even could not avail of all benefits promised through the revolution to all citizens. Though no exact figures for internal migration were available as per custom during lunar new year Chinese people return to their respective home towns and villages to celebrate our newsletter dated 01.02.22 reported that 1.154 million passengers traveled to the province for this spring festival despite strong travel restrictions imposed amid the Beijing Winter Olympics.
- Xi's idea of common prosperity is one of his priorities for building its one-of-a-kind Chinese socialist society. To attain this goal Xi is running its own form of the cultural revolution that is specifically targeted towards Xinjiang and Tibet region so that the people of this province can assimilate with the Han Chinese and thereby CCP makes Han Chinese people stay along with their families along with various others ongoing camps. The cultural diversity of Uyghurs and Tibetians is considered a threat to national security and thereby cultural assimilation is necessary for the Party.

### **Ongoing government policies for the region:**

- Revitalize Northeast China looks at the region as a whole and includes many other states; this plan aims to revive the heavy manufacturing industries in the region.
- The Municipal Governments to bring a fiscal reform have stricken revenue collection.
- Recently launched 14th Five-Year Plan for Optimizing the Business Environment" of Heilongjiang Province has done little better for the province.

## **Economic crises in Heilongjiang Province as result of systematic planning or mere negligence under centralized power?**

- Building common prosperity and a sense of equality in society are central to Xi Jinping's domestic policies, but there is a wide gap in policy implementation and intentions of these policies. CCP has centralized power in the hands of Xi Jinping as President. These centralized policies under Xi have negatively impacted some of the provinces in China. Most of Xi's fiscal policies are designed for China's industrial circle on East Coast around Beijing, Shanghai, Guangzhou, and Shenzhen. States such as Heilongjiang that were once popular have lost their main revenue collection sources and are pushed by these centralized policies into an internal debt and the current situation so severe that could even cause bankruptcy. The broader law enforcement policies in China are designed keeping in mind Tibet Autonomous Region and Xinjiang. The **execution of these plans in some provinces has caused discontent** against the CCP and even made people question the reason for the revolution and how much is current CCP leadership is in line with the original ideas.
- Policies such as Education reforms banning private tuition were highly appreciated in other parts of China but in places, where opportunities to get educated are limited, it just adds to the problems that the citizens are facing and makes them migrate to places with better opportunities.
- Though Xi was himself part of the cultural revolution and had seen the devastating effects of the same, his ideation of Mao and his policies has not moved. In numerous instances, **CCP and Xi use small pawns** to protect their image so that commitment to the revolution by the population is not hampered. His centralized policies have negatively impacted several states and went against his idea of building a common and prosperous society. The disparity in states across China is very evident from the impact on Heilongjiang province.
- One of the most vital aspects of common prosperity is to bridge the gap between rich and poor through developing a Chinese socialist society however it is easier said than done. The idea of **common prosperity of Xi is only limited to a region and society**. He worked to reduce exposure of elites and social media influencers to other parts of the country by banning them and even holding investigations on them but has done little to uplift the status of several provinces which further deprived them. Heilongjiang faces high disparity from other provinces even for healthcare, natural disaster relief and education along with an extreme climate and high unemployment.

- Many policies of CCP have negatively impacted this province as these policies are not drafted keeping in mind the situation of these provinces.
- The **One-Child Policy has resulted in the decline** of more than 15% population in the last ten years for Heilongjiang (see Image 1). People in less industrialized areas get fewer leaves for getting married and not much was done over the issue until recently One Child policy in China was changed over the declining population in other parts of China that bothers Xi. **Internal migration is the second big reason for the declining population.** Extreme climate and strict taxation structurally focus people to relocate to some specific areas.
- It could also be said that maybe CCP is **systematically neglecting** these particular regions so that people that are here and are Han Chinese **migrate** to regions such as Xinjiang and Tibet where government spending is more and there are more chances of employability.
- The regions of Tibet and Xinjiang have a **low cost of living** and are integrated with other incentives provided by CCP to citizens for settling in those regions. Securing employment and cost of living in these provinces is very high and, people from villages are treated as class two citizens until they own land in the province. **It is systematically managed by CCP so that flow of labor is in line with needs.**
- The manufacturing industry controlled by CCP under Xi through a system makes people from these provinces that are Han Chinese relocate to specific provinces of their interest that aids Xi Jinping idea of common prosperity and his Cultural Revolution 2.0
- Indirectly this led to the rise of minority politics in China as Xi's focus has been constrained to Xinjiang, Tibet, Hong Kong, and Macau while the majority is intentionally made to suffer for achieving a larger goal. PLA has to spend extensively in these regions and is expected to continue doing so for provinces that need immediate attention. Unlike all other populist leaders, Xi despite being considered as the voice of the majority has shifted to minority politics like socialist and opposition parties in democratic states, unlike any other populist leader.
- China is providing extensive loans and contributing to infrastructure development globally but one of its states constituting of majorly Han Chinese feels deceived by promises of Xi Jinping and the Communist Party of China. Everything currently is going by the long-term plans of China and Xi's focus and dedication in achieving these goals. However, the immediate impact on domestic populace of Xi's foreign ambitions and goal to make a socialist country with Chinese characteristics is huge.

**Image 1: PROVINCIAL POPULATION GROWTH 2010-2020 in percent**  
(Source: China's Population Census; EAI COMMENTARY by Bert HOFMAN)

