

Defense & Foreign Affairs Special Analysis

Founded in 1972. Formerly *Defense & Foreign Affairs Daily*
Volume XXXVIII, No. 15 Thursday, February 20, 2020

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Early Warning

Global Event: Managing the PRC Implosion

Analysis. By Gregory R. Copley, Editor, GIS/Defense & Foreign Affairs. What are the ramifications of the economic collapse which reached tipping point in the People's Republic of China (PRC) by early 2020?

Several questions arise. How quickly and how deeply was the economic decline occurring? Could it be halted and remedied? What are the potential stages of progression of economic/strategic implosion? What impact would it have — within the options of slow or rapid decline, or potential remediation — on the PRC's domestic and international actions?

What impact would it have on the global economy, and could a global recession or depression result? Would the transformation trigger a coup against Pres. Xi Jinping from within the Communist Party of China (CPC)? Would the CPC be able, in the medium term, to retain control of mainland China? Would Xi attempt either a reversal of some of his unproductive policies? Would he seek a strategic distraction?

To what extent is the outflow — flight — of capital from the PRC likely to be a short-term boost for investment destinations, such as North America, Australasia, and Europe? And to what extent can the PRC's *renminbi* currency be stabilized and kept relatively tradeable? Indeed, are plans to bring the *renminbi/yuan* to global convertability now over, at least for the time being, and potentially for as long as the CPC remains in power?

Scores of downstream consequences need to be considered, including the impact on already delicate political situations in the US and Europe (precipitating a collapse within the Continental European economies). And for the population of China itself which, during an interregnum, would have grave difficulty in feeding itself.

The key to the scale and impact of the event lies in its management, both domestically and internationally. The US trade deal signed with the PRC on January 15, 2020, was an attempt to help prop up the PRC economy by US Pres. Donald Trump. He had no wish for the PRC economy to implode in 2020, thus impacting the global and US economies in a US Presidential election year.

The tipping point for the strategic and economic posture of the People's Republic of China was reached as a confluence occurred in a number of trends. Far from being the "inevitable" global power (or hegemon, as the Communist Party of China likes to refer to

it) by 2049, it is probable that the economic strength of the PRC had already peaked well before 2019.

In many ways, it was Pres. Xi Jinping who has engineered this position in his quest to consolidate personal power. He spurned the private sector, which Deng Xiaoping (1978-92) unleashed following the death of Mao Zedong.

Even if we assume at this stage — and it would be wrong *not* to favor this assumption — that the CPC can somehow stabilize its position, retain power, and restore a modicum of order, then it is still true that the CPC has now lost the momentum it had been building toward global power projection. At the most optimistic outlook for the CPC and Xi, the PRC *could* resume its “New Long March” toward strategic competition with the US and the West, but its pace and invincibility would have become tarnished.

The novel coronavirus (COVID-19) pandemic which began at the end of 2019 in Wuhan, a port city in central Hubei province of the PRC, proved to be merely the tipping point for the PRC’s economic crisis. The problem had been emerging over several years of economic fragility. The PRC had become economically and strategically over-extended over the preceding three or more years, a problem which became compounded by Pres. Xi’s internal measures to prioritize control over the freedoms which had enabled the private sector to continue surging.

With COVID-19’s spread, the PRC’s ability to sustain inward foreign direct investment evaporated; the ability to trade through the crisis ended as ships and aircraft could no longer deliver raw materials and export finished goods. Many land and air borders were closed. They will be re-opened in due course, but the damage had already been done by late February 2020.

The strategic implosion of the PRC has not been due to the skills of its competitors. Quite the opposite; most of the PRC’s trading partners *enabled* the CPC in its expansionism, and were reluctant — with the exception of US Pres. Donald Trump — to even challenge the premise of the “inevitable rise” of the CPC-run PRC. So it was the PRC leadership which itself presided over the PRC’s ill-fortune, largely through an unwarranted rise in hubris; in believing its own propaganda. This led it to under-estimate its reach over, for example, the people of Hong Kong, and of Taiwan. But to this was added the inevitable final push of nature, with the alignment of stars which brought on the COVID-19 pandemic. But even that was compounded by mis-handling by the CPC.

Again, at the most optimistic outlook for the CPC, the strategic reach of the PRC from early 2020 onward will be leavened by the loss of prestige and respect for it from the international community and many of its own citizens. In this respect, because of the timing of affairs, it is more damaging than the Tiananmen Square suppression of Chinese protests in 1989.

This is the year which changes everything.
