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ABSTRACT

Subsequent to the collapse of Soviet Union in December 1991, whenever there is turmoil in China, conjectures are often made about the collapse of Communist China on similar lines. China has already adopted the counter measures to ensure that it does not get victimised by the West as they did to the Soviet Union in the name of “peaceful evolution”. Though China has become the world’s second largest economy with a mammoth $18 trillion GDP but it has a record level of “debt to GDP” ratio that had become a cause of credit crisis or an economic slowdown in case of many countries in the past. In spite of various warnings and predictions, China’s economy has not crashed. However, there are certain other factors like: growing and hidden military expenditure, demographic contraction and weakening social cohesion caused by internal disorder, inflation, uneven economic growth, rising gap between rich and poor, ethnic separatism that could be a cause of concern for China. The state-controlled media has consistently build up Xi’s aura like God, capable of doing no wrong. But, there is reportedly opposition to Xi within the CCP, despite his omnipotent position. Therefore, he has been continuously eliminating unfaithful people opposed to his leadership, right after assuming office in 2012 in the name of anti-corruption campaign. Of late, he has cracked down on semi-private groups such as Alibaba, Tencent, Bytedance and several real estate corporations. All these may not bode well for Xi’s personal ambitions as also for the future of China.

Introduction

With a view to alleviate the shortcomings and limitations of Communism, China's President Deng Xiaoping had initiated the bold venture of economic reforms and opening to the outside world in December 1978. He had hoped to absorb Western science, technology and managerial skills without importing foreign culture and foreign values. Deng's vision for transformation was Socialist construction with Chinese characteristics. But "Westernisation" was a global phenomenon that could not be stopped by decree. In the following decade, economic boom carried with it, the concomitant changing values. The Chinese youth felt a social responsibility to be the vanguard of such change and demanded political liberalization, ultimately culminating into million-strong pro-democracy demonstration at Ti'en-an-men Square in May-June 1989. Violent crackdown at Ti'en-an-men brought China universal condemnation, diplomatic ostracism and international economic and military sanctions but Deng reaffirmed his resolve to build Quasi-capitalism in a political dictatorship. He found no contradiction between economic progressivism and his conservative politics. It is widely analysed that in the end, economic prosperity and social affluence would dilute the revolutionary ethics and erode the power base of the Party's dictatorship.

Shortly afterwards, the Union of Soviet Socialist Republics or USSR collapsed in December 1991. Since then, whenever there is turmoil in China, conjectures are often made about the collapse of Communist China on similar lines. Not only outsiders, even Chinese leaders have frequently referenced the erstwhile USSR and asked the Communist Party of China (CPC) to learn from its historical experience. Months after assuming power in 2012, President Xi Jinping himself said that the breakdown in party disciplines led to the downfall of the erstwhile USSR's 20 million-strong Communist Party. Recently, Jia Qingguo, member of China's top political advisory body – the Chinese People's

Political Consultative Conference (CPPCC) - has warned the ruling Communist Party headed by President Xi Jinping that the blind pursuit of "absolute national security" coupled with excessive defence spending can lead to the Soviet-style collapse. In his 22-page article, Jia cited the Soviet Union's decades of massive defence spending as a typical example of the drawbacks of ignoring long-term security, which led to the Soviet federation's ultimate disintegration in 1991.[1] A report published in a Japanese daily said Xi himself is a risk to the Chinese economy because of his "abrupt and extreme" policies. Japanese financial newspaper Nikkei Asia quoted a Chinese political source as saying, "If Xi fails to improve the economic situation by the Communist Party's national congress in autumn, it could affect his power".[2]

Though, it is very difficult to prognosticate 'Whether China is heading for a Soviet Union type Collapse?", however, the subject can be analysed as under:-

- Comparing Chinese and Soviet System of governance and Measures adopted by China to prevent repeat of Soviet Union.
- State of China's Economy.
- Social Cohesion and Internal Factors.

<u>Chinese and Soviet System of Governance and Measures Adopted by China to Prevent Soviet Union like Collapse</u>

Beijing was certain that the West, having victimised the Soviet Union, would resort to the same sinister design of "peaceful evolution" for subverting China. Despite the uncertainties implicit in the future, it was appreciated that China would not follow Russia's chaotic transition; firstly because of the underlying differences in the political system and social structure of the two and secondly China has already adopted the counter measures.

The underlying differences between China and erstwhile Soviet Union are:

- ***Ethnic Cohesion.*** The USSR had severe internal ethnic divisions which ultimately led it toward dissolution. On the contrary, China is 92 percent Han Chinese with much greater ethnic cohesion.

- ***Grass Roots Support*.** Because of its mass-based agrarian revolution, Chinese government has been more responsive to the grass roots while Russian government has always had problems responding to pressures from below.

- ***Wide Political Base.*** Politically risk-less rural reforms by Deng, quickly doubled the income of China's 800 million farmers and established a firm political base. He then broadened the scope of reforms to produce rapid growth. Gorbachev, by contrast, neglected farmers and entrepreneurs and thus narrowed his political base. Focus on heavy industry generated high paying jobs but only small in number. He made things worse by banning vodka.[3]

- ***Faulty Strategy of Gorbachev.*** Attempting perestroika in every sector at once, antagonised many groups simultaneously leading to chaos. China has, throughout its reform process, been much more integrated into the global political economy than was Gorbachev's Russia. China has received greater international economic support and capital flows than Russia. China confronts troubling political and social challenges including whole sale repression of human rights which may generate instabilities. But its reforms stand on a stable foundation, making Russian-style economic collapse in China very difficult.

"Nei-Ching Wai-Sung". To forestall the Soviet like fate, China adopted the double-barreled posture which means "Tight internal control, Relaxed external appearance". The Chinese leadership took the hard headed decisions: First, it would never voluntarily give up its monopoly of power as the Soviet leaders had foolishly done. In this they are confident of success after crushing the democratic forces in Tian-en-men; Second, economic development must continue and the people's livelihood must improve; Third, the government media should regularly play up the difficult life in the Soviet Union by reporting vividly the food shortages, inflation, black market, economic dislocation and the hatred heaped upon the former Communist leaders.[4]

Chinese leadership promised to counter the spectre of chaos (luan) through economic prosperity and political stability by serving as an "Iron-and-Steel Great Wall of Socialism".[5]

State of China's Economy

Gross Domestic Product (GDP). GDP and its annual growth rate is often taken as the measure of a country's economic power. But these are linear projections of economic growth trends which can be misleading. The Australian economist Saul Eslake offered a typical caveat, "These projections may prove inaccurate: by and large they extrapolate the growth rates of the recent past, and make no allowance for a global economic downturn, or for downturns in any individual economy, and they do not seem to make much allowance for demographic factors"[6]. China's uninterrupted double-digit growth rates are of recent origin, essentially since 2003. In 1967 and 1968, China's growth actually fell, by 5.1 percent and 2.9 percent respectively, and in 1976, it fell by 5.8 percent. The first two years marked the beginning of the Cultural Revolution, and the last one its end. These offer a useful reminder of volatility driven by violent domestic upheaval. History sounded a similar warning against linear projections in 1989, the year of the crackdown in Tiananmen Square, when growth plummeted to 4 percent compared with 11.3 percent the previous year. In 1990, growth in China was 4 percent again. China's GDP growth has dropped from a historical high of almost 12 percent in 2007 to 7.6 percent in 2013 and then again to 7.4 percent in 2014[7]. Having overcome the COVID 19 pandemic shock, China's economy grew by 8.1 percent in 2021 and its GDP is now $18 trillion.

The Chinese economy is extremely dependent on exports which amount to around two-fifths of China's GDP and its exports were reduced due to European crisis (2008 - 2012) and fragile US recovery. Unless the consumer market is home-driven, the underlying problem will stay. China is so export dependent that it devotes only 35 percent of its GDP to private consumption, compared to 60 percent in many Western countries.

Debt to GDP Ratio. China is one of the most indebted large economies in the world. China's non-financial sector debt — incurred by the government, corporate, and household sectors — had reached a record level of 272 percent of China's GDP in 2020. President Xi Jinping's strenuous efforts has resulted in reduction of China's debt by 7 percentage points to 265 percent of GDP in the third quarter of 2021 but it is achieved at the steep cost of slower growth.[8] However, this data under-reports the true picture of China's indebtedness, as there are number of hidden components, which are not reflected in balance sheets.[9] Its state-owned banks are sitting on mountains of bad debts and non-performing loans, particularly in the real-estate sector. And this is only on the surface; underneath lies a staggering quantity of murky debt, off-balance-sheet lending, wealth management products, and local government funding vehicles. Overall, China's debt is considerably larger than it appears at first glance, and so high that some analysts feel it is at dangerous levels and could spill over, doing severe damage to the world economy.[10]

Property developers have fallen into debt distress—all together, they have about 33.5 trillion yuan ($5.24 trillion) in debt, which is equivalent to nearly a third of China's GDP.[11] The most visible case is of Evergrande, China's second largest real-estate developer, which has nearly two trillion yuan ($305 billion) of liabilities, including $20 billion in international bonds.[12] It failed to pay a short-term debt in June 2021 and the Chinese government froze the company's bank accounts. It has managed to pay interest on offshore dollar bonds at the end of the grace period but is unable to refund the invested amount to investors, who are queuing up before its offices demanding the refund of their deposits.[13] In October, Chinese luxury apartment developer, Fantasia Holdings Group, failed to pay $315 million owed to lenders, comprising a $206 million five-year bond repayment and a 700 million yuan ($109 million) loan from the property management unit of Country Garden, China's second largest developer. This was followed by China Properties Group's subsidiary Cheergain Group that defaulted on $226 million worth of debt payments. Beijing based developer - Modern Land failed to pay either the principal or interest on a $250 million bond that was due on October 25. Home Builder Sinic Holdings Group defaulted on some of its bond payments worth $250 million. Yet another Chinese developer, Kaisa Group Holdings, valued at about $1 billion, is in danger of missing its debt payments.[14]

These cases were highly publicized but they are just a tip of the iceberg because levels of China's true level of debt is far beyond the real-estate sector. Most commercial banks in China are state-owned, which provide loans to state-owned, state-controlled, or state-favored companies and industries based on government directions rather than on economic pragmatism of ensuring the repayment of money. As a result, these

Chinese banks have acquired bad loans of $540.79 billion in 2020 and are also holding non-performing loans (referred as "special mention" loans by Chinese) totaling $990.22 billion in danger of default. However, Chinese banks' actual exposure to non-performing-loans could be much higher than reported.[15] Chinese banks are not doing as well as they appear to be.

Moreover, non-traditional financial institutions are overlapping source of debt - the so-called shadow banking industry and as a whole it was estimated to have a total value of about $13 trillion in 2020.[16] Further, with a view to fund the property industry, banks are selling wealth management products as low-risk, high-yield investments, totaling almost $1 trillion.[17] Over the past decades, the central government has pressurized local governments to increase economic growth through infrastructure spending, funded through local government financing vehicles (LGFV). China's local government debt outstanding stood at 25.7 trillion yuan ($3.97 trillion) at the end of 2020, public data shows. But LGFVs have accumulated massive hidden debt that threatens financial stability, analysts say. Nomura estimated in a note in April that local government hidden debts reached 45 trillion yuan ($6.95 trillion) at end-2020.[18] In addition to known debt there is "hidden debt," being handled by local governments (standing as guarantors for other entities that borrowed money) and according to a Goldman Sachs estimate, China's "hidden local government debt" rose to around 53 trillion yuan (US$8.2 trillion), equal to around 52 per cent of China's GDP at the end of last year from 16 trillion yuan in 2013.[19]

Before the Global Financial Crisis (GFC) in 2008, productivity and net exports provided meaningful support to investment-led growth in China. In contrast, most of the post-2008 period growth has been supported by sharply rising bank lending and debt creation - a potential pitfall that was tolerated because job creation and increasing living standards were a priority. As a result, in the span of a decade, China has moved from being a low credit and debt economy, to a relatively high credit and debt economy.[20] The debt-to-GDP ratio is growing at a rate of about 11 percent per year. ***As China's GDP has grown by less than 11 percent annually for the past 11 years, its debt is outpacing its GDP growth.***[21]

Is China's Economy Heading for a Crash? In the last few years, a number of studies have predicted that China's economy would be heading for a crash. This debate has been raging since 2010 and the cause is attributed to the ballooning 'credit gap' or the increase in private sector credit as a proportion of economic output. McKinsey Global Institute in its report of 2015 brought out that fueled by real estate and shadow banking, China's total debt had nearly quadrupled, rising to $28 trillion by mid-2014, from $7 trillion in 2007. At 282 percent of GDP, China's debt as a share of GDP was larger than that of the United States or Germany. Three developments were considered potentially worrisome: half of all loans were linked, directly or indirectly, to China's overheated real-estate market; unregulated shadow banking accounts for nearly half of new lending; and the debt of many local governments was probably unsustainable.[22] A study of the extreme credit boom cases over past 50 years revealed that out of 33 nations (with a minimum credit gap of 42 percentage points), 22 suffered a credit crisis in the subsequent five years, and all suffered a major economic slowdown over that period. On average, annual GDP growth rate fell from 5.2 percent to 1.8 percent. Not one country got away without facing either a crisis or an economic slowdown. China's credit gap is in excess of 71 percentage points.[23] The key to foretelling credit trouble is not with the size but the pace of growth in debt. During a rapid credit boom, more and more loans go to wasteful endeavours. Creditors start funding projects which are not even touched in ordinary times. Faults are committed in the dash for growth. That is the reason ghost cities appeared in China; an economy driven for many years by investment, has lately been overtaken by increasingly inefficient investment. Today, one-third of new debt goes just to pay off old debt.[24]

Shanghai's stock market crisis which occurred on 24 August 2015, or so called "Manic Monday" triggering a global stock market crash was bound to happen given the bubble created by the government policy in previous years. China's foreign exchange reserves fell by $ 94 billion to $ 3.557 trillion as the country's central bank sold down some of its massive stockpile to support the renminbi.[25] China's stock market lost 30 percent of its value since its June (2015) high. China had to spend $236 billion on its market bailout.[26]

In spite of various warnings and predictions, China's economy has not crashed. With real estate and cryptocurrencies having fallen under tighter government scrutiny, Chinese investors are turning to the local stock market. Since late July 2021, daily trading volume in mainland Chinese 'A' shares had held above 1 trillion yuan ($154.56 billion) and climbed to a high for the year of 1.71 trillion yuan on 1st September. On the same day, trading volume in the Shanghai composite alone was 842.2 billion yuan, the highest since China's stock market crashed in the summer 2015.[27] Xi Jinping's clarion call for "common prosperity" — moderate wealth for all, rather than just a few — in finance and economic meeting on 17 August has emerged as Beijing's impetus for new policies.[28]

China is still one of the world's preferred destinations for foreign direct investment. In spite of the havoc caused by the Coronavirus pandemic on the world economy, in 2021, inflow of foreign direct investment in China hit a record high of $ 173.48 billion according to China's Ministry of Commerce.[29] While there has been a general trend of foreign companies leaving China, there are still 175,400 foreign firms registered in the country, trying to capitalize on its 1.4 billion potential customers.[30]

Military Expenditure. Beijing announces a single overall figure for its official defence budget for the year during the Annual March session of the National People's Congress (NPC). This figure is usually revised at a later date to reflect routine adjustments to actual spending during the course of the year. Like previous years, on 5 March 2021, the first day of the new NPC session, was highlighted by the announcement of China's 2021 defence budget, which was set at 1.36 trillion yuan ($209.16 billion based on the current exchange rate), a 6.8 percent increase from the 1.27 trillion yuan ($183.5 billion) budget set last year.[31] On 05 March this year, continuing with the rising trend, China has hiked its annual defence budget for 2022 by 7.1 percent to $ 230 billion (1.45 trillion yuan) from last year's $209 billion.

China's national defence white papers separate the PLA's Official budget into three main categories: personnel, training and maintenance, and equipment; each of these had reportedly been consistently allotted roughly 33 percent of the defence budget. China is most transparent about the first category of defence spending and least transparent about the third.[32] However, lately China has commenced releasing these figures and equipment category's share has been consistently increased from 34 percent in 2011 to 41 percent in 2017.[33] China observers who have been keeping a close watch on China's defence budgets, claim that China intentionally under reports actual military spending. Major items not included in the official defence budget, for instance are:

– The People's Armed Police (PAP), a paramilitary force charged with maintaining internal security and supporting the military in times of war, is under the command of the CMC but not included in the budget. The PRC government categorises the PAP budget under expenditures for the public safety under the Ministry of Public Security (MPS), outside the national defence budget. The PAP is financed by both central and local governments (both under the MPS budget). While the PLA budget is under expenditures for national defence. The Chinese Coast Guard, which plays a key role in asserting China's maritime claims and was placed under the control of the PAP in 2018, is likewise excluded from the official budget.[34]

– China does not release any information publicly about the specific costs of procuring weapons & equipment built by the domestic defence industry as also about Research & Development expenses. Further, a significant percentage (by cost) of its most advanced weapons technology and some weapons platforms are acquired overseas or developed through foreign assistance.[35] There are numerous examples - two of these are: When China purchased 72 Su-27 fighter jets from Russia in 1995 for about $2.8 billion, the entire amount was covered by the State Council and was not deemed a defence expenditure.[36] Same was applicable for acquisition of Kilo-class submarines and Sovremenny class destroyers from Russia; The actual cost of constructing China's first domestically-made aircraft carrier—an estimated $ 20 billion was also not included in the defence budget.[37]

– The defence expenditure does not include Chinese spending on nuclear weapons and strategic rocket programmes. Other major exclusion in the Budget is the proceeds from the sale of weapons and equipment manufactured at the armament factories owned by the PLA.[38] Proceeds from arms sales totaled nearly $8 billion between 1987 and 1991 (1988 being the peak with $3.75 billion).[39] There was a drop around 1996-1998 but again Chinese volume of weapon exports grew rapidly. Since 2010, China has been able to accelerate its arms export, with the ambition to become one of the world's leading arms exporter and it was the fifth largest exporter of arms in 2016-2020, behind the United States, Russia, France and Germany.[40]

– The official national defence budget does not include the costs of direct subsidies to Chinese arms-production industries. These were instead likely to fall under the budget for industrial subsidies. In 2016 the subsidies received by six unnamed Chinese arms-production companies reportedly accounted for more than half of their net profits. The China Electronics Technology Group Corporation (CETC) is one of the major examples.[41]

– Official figures also do not account for aspects of China's space program, extra-budgetary revenues from military-owned commercial enterprises, e.g., hotels and hospitals, defense mobilization funds, authorized sales of land or excess food produced by some units, recruitment bonuses for college students, and provincial military base operating costs.[42]

– From the Chinese perspective, the expansion of islands in the South China Sea is a civilian operation. Military hangars, anti-aircraft missiles, runways and military- grade radar systems, among other things, have been installed. The militarization of the South China Sea is probably not part of the official defence budget.[43]

Given the aforesaid ambiguities, it is difficult to estimate actual PLA military expenditure due to China's general lack of transparency about how its official defence budget is calculated, poor accounting and incomplete transition from a command economy to a market economy. The U.S. Defence Intelligence Agency (DIA) had estimated that China's actual military spending has been twice (low) or maximum thrice (High) the Chinese Official Military Budget.[44] According to the official budget, China's military spending in 2019 was about US$175 billion, while external estimates range from $200 billion in 2019 by the US Department of Defense (DOD), up to $261 billion in 2019 by Stockholm International Peace Research Institute (SIPRI).[45]

In the past China's defence budget had increased at an average 3.5 percent from 1978 to 1987, 14.5 percent from 1988 to 1997, 15.9 percent from 1998 to 2007 and 9.5 percent per year from 2005 through 2014.[46] The surge in China's defence expenditure is remarkable, no matter how it is calculated and despite the fact that it began from a very low base. China's defence budget has been roughly consistent with its GDP growth in terms of percentage share. SIPRI's estimates put China's military burden—the share of military expenditure in GDP at 1.7 percent of GDP, down from 1.9 percent under the old estimate.[47] In contrast, the United States' military spending was 3.7 per cent of its GDP while the corresponding number for India was 2.9 per cent (but that includes pensions) respectively. From 2011 to 2020, American military expenditure dropped by 10 per cent, but China saw a 76 per cent growth while India's military spending grew by 34 per cent.[48]

One of the main reasons for the Soviet Union's disintegration is stated to be its decades of enormous military expenditure. As a result, the Soviet Union lagged behind in economic development and was not able to support its massive defence spending. People's lives did not improve for a long time and this caused loss of political support. ***In case of China, there are no visible signs that are indicative of its military expenditure outstripping the economic development or impeding its economic progress.***

<u>Demographic Contraction</u>. The demographic inputs that facilitated China's explosive economic growth between 1979 and 2008, are no longer available. In modern societies, it is the youngest cohorts of the labour force, which has the greatest potential to contribute to productivity. In China, this cohort has been shrinking for a generation. In 1985, 15- to 29-year-olds accounted for 47 percent of China's working age population which came down to about 34 percent in 2009. By census bureau projections in another 20 years it will fall to barely 26 percent of China's conventionally defined labour force. It is not only the Chinese workforce that will be ageing but Chinese society overall will be graying at a rapid pace. Just 31 percent of the Chinese workforce, mainly in the state sector receive a public pension. For rural China, pensions are virtually non-existent. Thus hundreds of millions of elderly citizens will have to fall back on their shrinking families at the very time when the boost to growth and incomes from the demographic dividend of an expanding labour force goes into reverse.[49] In China in 2017, the ratio was six workers in the 20-64 age bracket supporting one senior citizen at least 65 years old. This will decline to 2.0 workers in 2039 and 1.6 in 2050.[50]By 2050, a third of the population, around 480 million people, are expected to be over 60. The ageing population of China is considered to be one of the important factors that would not allow the Chinese economy to improve. Rapid ageing will threaten China's hegemony in low-end manufacturing by pushing up labour costs. In fact, the average monthly wage rate in China has already reached more than $600, whereas among the ASEAN, Thailand's monthly wage of about $400 is the highest and Indonesia's monthly wage of approximately $200 is the lowest.[51]

Another striking feature of China's demographic profile is a chronically imbalanced sex ratio: more than 32.7 million males than females under the age of 20.[52] A marriage squeeze of monumental proportions is building up in China. Crucially, there is a decline in number of marriages. Between 2013 and 2019, the number of people getting married for the first time in China fell by a crushing 41 percent, from 23.8 million to 13.9 million, according to data released by China's National Bureau of Statistics.[53]

Though, China's 'One-Child Policy' ended in 2015, but during the 35-year course of the policy, the preference for male children resulted in the choice by millions of parents to abort female foetuses so they could try again in the hopes that their one child would be a male. With single-child families becoming increasingly common, the traditional extended family network of China is turning into a **"kin-less family"** i.e. only children begotten by only children, with no siblings, uncles, aunts or cousins. This will destroy the social fabric of China and will also complicate the Chinese way of doing business.[54]

Conclusion

There are number of predictions about slowing down of China's economic growth to the extent of 4 to 5 percent in next few years. But that should not be the cause for China's collapse because its economy is too big - at $18 trillion, being the world's second largest economy, it is capable of absorbing plenty of shocks. Even with 4.5 percent annual growth, its GDP will become $26.97 trillion in 2030.

However, China's weakness lies in its social cohesion. The Uyghurs, the Tibetans, the Huis, the Mongols and the Kazaks have posed serious challenges to the Chinese state's ability to maintain ethnic harmony. These groups are proving difficult to integrate because of their religious and linguistic diversity. They encompass huge territories and natural resources and serve as the strategic buffer zones for China's land security in the North, West and South. The complex ethnic relations and national identity have the potential to challenge the Communist Party's legitimacy, regime stability, effective governance, national sovereignty and territorial integrity. That is the reason China applies high-handed approach to keep these minorities suppressed and carried out demographic inversion in their regions by locating Han Chinese in large numbers but maintains a facade of creating autonomous regions for them. Nationalism has become an alternative source of political mobilization. Thus Chinese nationalism is growing side by side with ethnic identity. However, it is not yet clear, whether the growing sentiment of Chinese nationalism is only a Han phenomenon or if it is also shared among minorities.

Ethnic separatism alone will never be threatening enough to pull a strong China apart. But a China weakened by internal disorder, inflation, uneven economic growth, rising gap between rich and poor (despite all the rhetoric by Global Times for China having attained $12,551 per capita GDP in 2021, 40 percent of its 1.4 billion people earn just 1,000 yuan ($155) per month on average)[55], struggle for democratic succession or even struggle for succession within the Communist Party which emerges during every hierarchical change, could become further divided along cultural and linguistic fault lines. After all Ethnic strife did not dismantle the former Soviet Union; but it did come apart along boundaries defined in large part by ethnic and national difference.

The sentiments generated against China during pandemic leading to loss of Xi Jinping's international reputation and the efforts of other powers to disconnect their trade with China, the growing debt problems relating to BRI projects, deteriorating internal situation in Xinjiang, Tibet and Hong Kong, and growing rivalry with Taiwan do not augur well for China and in particular for Xi Jinping, who wants a third term for himself by this year-end.

The state-controlled media has consistently hailed Xi as a sympathetic, just and wise leader, and build up his aura like God, capable of doing no wrong and the same is being fed to the people through propaganda. Strict control over information and an extensive secret police system prevent any retaliatory statements. But, there is reportedly opposition to Xi within the CCP, despite his omnipotent position. Therefore, he has been continuously eliminating unfaithful people opposed to his leadership, right after assuming office in 2012 in the name of anti-corruption campaign. The effort was dubbed the *"tigers and flies"* campaign i.e., entrapping both high-ranking "tigers" and low-level "flies". From 2012-17, more than 900,000 party members had been disciplined and 42,000 expelled and prosecuted in criminal courts and that included 170 high-level tigers.[56] However, the campaign still continues - trapping 178,431 officials for interrogation and / or execution by February-July 2021 alone and it included the heads of 1,258 departments.[57] Xi has cracked down on semi-private groups such as Alibaba, Tencent, Byte dance and several real estate corporations. The domino effect is feared if this "too big to fail" company is allowed to destroy and destroy the savings of many investors. He even banned all private tutorial schools in July 2021, forcing them to become non-profit organizations. Recent blizzard of new laws and regulations aimed at private firms and entrepreneurs are hardly compatible with the productivity growth and innovation on which China's futuristic economic ambitions depend. Xi Jinping is sitting on a tinder-box, whether it will be ignited by a single cause or by cumulative and collaborative reasons; whether there will be an internal upheaval or it will be stimulated by an outside power; whether it will be in near future or too far in the future; it can not be predicted.

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