Four Implications of the Wagner Revolt for China, PRC Constitution Designates Xi a Dictator, and the Threat of Chinese E-commerce

China Insider #29

TRANSCRIPT

Miles Yu, Senior Fellow and Director, China Center, Hudson Institute
Shane Leary, Research Associate and Program Manager, China Center, Hudson Institute


About Hudson Institute: Founded in 1961 by strategist Herman Kahn, Hudson Institute challenges conventional thinking and helps manage strategic transitions to the future through interdisciplinary studies in defense, international relations, economics, health care, technology, culture, and law.

Hudson seeks to guide public policy makers and global leaders in government and business through a vigorous program of publications, conferences, policy briefings, and recommendations.
Miles Yu:
Welcome to China Insider, a podcast from Hudson Institute's China Center.

Shane Leary:
It's Tuesday, June 27th, and we have three topics for today. The first are the four major implications of the Wagner Revolt in Russia for the PRC. The second is whether Joe Biden spoke accurately when he referred to Xi Jinping as a dictator this past week. And the third is the growing threat of Chinese e-commerce and how these companies subvert American tariffs and undermine the free market. Miles, how are you?

Miles Yu:
Very good, Shane. Hope everything's okay with you.

Shane Leary:
Yes, things are good. So, let's just jump right into our first topic. Perhaps the biggest story in the news over these past few days was the call for rebellion by Russia's premier mercenary outfit, the Wagner Group. Wagner's leader, Prigozhin, made dramatic statements last Friday claiming Russian forces had attacked Wagner camps in Eastern Ukraine and called for rebellion against Russian military leadership. What looked like an open rebellion was abruptly halted as Wagner forces were marching to Moscow. Belarussian President Lukashenko mediated the deal between Prigozhin and Putin. And at this point, it's unclear what Prigozhin's fate will be, but we can say for certain that we've begun to see some serious cracks in Russia's political-military stability. Simultaneously, the New York Times reported on Friday that a state-owned Chinese company, Poly Technologies, who had previously been sanctioned for providing missile technology to Iran, has supplied thousands of pounds of gunpowder to Russia, enough for at least 80 million rounds of ammunition. And this comes immediately after Blinken's statement from Beijing that there was no evidence the PRC was providing lethal assistance to Russia for use against Ukraine. So, Miles, there's a lot to digest here. Broadly, what do you make of these developments, particularly the implications of Russia's recent rebellion for the PRC? What does this mean for China-Russia relations, and in particular, China's supposed lack of support for Russia and the Ukraine War.

Miles Yu:
Traditionally, whatever happens in Russia would have a very immediate and profound impact on what's going on in China. This has been true since the 1917 Bolshevik Revolution. So, in this particular stage of the game, I think it is in the Chinese government's every interest to sustain the rule of Vladimir Putin because they are now strategic partners. They share the same logic of aggression in Ukraine and in Taiwan, they share the same exact geopolitical position on global order. So, this is a very, very big shock not only to Moscow, but certainly a big one for China. I would say it is even unsettling for Beijing. Now, from what I can tell, the Wagner Revolt, let's just say, let's just call it that, reflected three major problems for Vladimir Putin. Number one, it's basically military loyalty. The Russian regime no longer has communism. It doesn't have this very strong sort of a "party commands the gun" structure.

So, the relationship between the Vladimir Putin regime and the Wagner Group is basically mercenary and legally even contractual. So, it's not political, it's not ideological. So, literally the Kremlin does not have intrinsic control over Wagner. So that's the mercenary relationship.
Secondly, Prigozhin’s real threat to Putin, in my view, is not how strong the Wagner Group is, threatening Moscow. It's really about the cascading effect of defection of the regime's core elements. A regular Russian army, for example, a security personnel, this is what really spooked Vladimir Putin because the regime, pretty much like a Czarist war in World War I, it started the big and grandiosely, but then sort of petered-out. I mean, it's just become a quagmire for Putin. So, there is a lot of disenchantment within the ranks of the regular Russian army. That's why Prigozhin's revolt created an opportunity for potentially mass defection of the region's regular forces.

The third fear of, or challenge to Putin, I think is the fear of Prigozhin's connection with foreign powers. At this time, if Prigozhin's Wagner Group is openly sided with some foreign power, say NATO or the United States, it's going to be a very serious problem for Putin. So, that's why he quickly dispatched his pal, Lukashenko, to Prigozhin to basically sort of neutralize this possibility of foreign connection with the Wagner Group, and they provided Prigozhin in a safe space in Belarus, which is obviously under the control of Vladimir Putin. So, those are three major threats to Putin. Each one of them is going to be terribly, terribly unsettling to China. Because that's why China is watching this with great anxiety and great care. Let me just put it this way. There are several implications for China. The most important thing is that Prigozhin’s revolt created an alternative to a very unpopular regime.

This is what the CCP fears most. That is, any potential Wagner-type of crack within the Chinese system is going to be an alternative to the Xi Jinping regime. That's what they're afraid of. So, alternative denial is the Chinese Communist Party's primary and only way to deal with situations like this. This actually highlights the difference between CCPs totalitarianism versus Putin's authoritarianism. In other words, in China, which is totalitarian, the CCP must have “iron grip” control over all military units. And I think this is one of the lessons that Xi Jinping really, really draws upon. That's why, immediately, you see the Chinese government stressed the importance of political commissars at all levels of the PLA. As a matter of fact, in the last several months, in all Chinese state media, you see this party line that “all the problems Russia faces in Ukraine is precisely because of a lack and disappearance of the Soviet-era political system, political commissar system within the Soviet Russian army.”

And that China has it, Russia doesn't have it. So, right now China say this is why you did it wrong, “big bro.” But I think deep inside there's also another deep fear of coup for Xi Jinping. Keep in mind, this is not just empty talk. Fear of coup is very real for Xi because under Xi's 11-year rule, he had conducted a massive purge within the Chinese People's Liberation Army. Almost the entire senior military leadership under his predecessor, Hu Jintao, had been purged. There were close to 100 generals and admirals who have been purged, including the two most senior officers, that is General Guo Boxiong, who is now serving in prison for a life term, and General Xu Caihou, who was purged but died in custody during the so-called investigation. So, the resentment within the PLA against Xi Jinping is real. So, that's why you can see, every time Xi Jinping travels, even within China, his security detail is just enormous, it rivals that Kim Jong Un’s or Muammar Gaddafi’s.

It's just, it's a spectacle everywhere he goes. And also, that's why Xi Jinping constantly changes his central garrison unit’s leadership and the constant changing of theater commanders within China’s five theater commanders. So, this is why I think this is the implication. If I may, I will say this Wagner Revolt also really spooked the Chinese leadership because it also fears massive defection. Defection prevention is a top priority during much of the PRC regimes since the
1950s. Every time you have a defector flying a plane to Taiwan for example, or South Korea, it becomes a huge political earthquake within the Chinese regime. So, we have a lot of documents really talking about this in the 60s, 70s, 80s. And now I think the CCP strengthened its grip over the PLA, but the possibility is still there. You can see, if you have something similar like Wagner Revolt in China, I mean this is a real problem.

Another thing that I think that Xi Jinping has done since the coup is that he absolutely prohibits PLA officers from contacting foreign countries. This is one of the things I mentioned about Putin, he went on to neutralize Prigozhin from connecting with foreign powers. So, I mean, I think it's absolutely taboo right now for any PLA officers to contact foreign government entities and their counterparts. That's why we see that Secretary of State Blinken's trip to China trying to establish the military-to-military hotline and communication channel was basically futile. I mean, this is logical. And by the way, it was during the crisis of the Wagner Revolt, there was an emergency meeting between the Deputy Foreign Minister of Russia and the Chinese Foreign Minister, Qin Gang, in Beijing. And the talk was hush-hush. I think they were talking about how to jointly deal with this potential crisis, which turned out to be not a big, big crisis. And it was also in Russia's interest to get China involved in support of the Vladimir regime in the potential civil war.

Shane Leary:

So, you've outlined some clear differences, I think, between Putin's authoritarianism and Xi's totalitarianism. You've sort of drawn out some of the measures, some of the preventative or preemptive measures that Xi Jinping has taken to prevent something like this. In your opinion, this ideological component that China still very much has - that has sort of faded away in Russia following the collapse of the Soviet Union - does that strengthen the regime's chances against a potential coup? Or is China better suited to prevent something like this? You think?

Miles Yu:

To answer that question, you have to do something that's very Chinese, that is be dialectical in our response. There are, you know, yes and no. Yes, definitely, it is the cardinal principle of the Chinese communist regime that the party must, I stress, must command the gun. In other words, the Chinese People's Liberation Army is absolutely the “party army.” The party is the most powerful and meaningful, the highest commanding authority over all Chinese military units. That's why it's very, very difficult for a coup to take place. But, precisely because of that, let's be dialectical, precisely because party loyalty trumps everything else, so, in the professional promotion process right now, Xi Jinping tends to promote those guys who are politically loyal to him, but not necessarily professionally proficient. So, that's why within the ranks of the PLA, you have this kind of, a very deep conflict between the ideologically correct and the militarily professional and capable. And that's why the resentment against this “party absolutely controls over the gun” also is growing. So, you can see it both ways. The are two elements of this very delicate balance finally will result in something fundamental and meaningful when one tips over the other. So we'll see. This is an ongoing process that we'll keep watching.

Shane Leary:

No, that's very interesting. But, before we move on, I do just want to touch on this development of Poly Technologies supplying gunpowder to Russia. Does this surprise you? What do you make of this? What do you make of the significance of this? Especially in light of Blinken's comments very recently where he stated “the US government had not seen anything right now
to contradict China's claims that they're not providing lethal aid.” He did follow that by saying they have some concern about private companies, which seem to be an odd statement given that we know the distinction between private and public and China is rather empty. Should we expect more of this? Is there a shift towards a more overt support for Russia in the Ukraine War?

**Miles Yu:**

To treat the CCP, you have to really adopt the policy of “distrust and verify.” Don't take their treaties, their pledges very seriously because their beginning point is to bamboozle you for immediate gain. And they're violent, anyways. So, it didn't surprise me at all. Now, the same logic would go to Russia as well. Remember about two months ago, Xi Jinping went to Moscow to meet with Putin, this to hobnob and create a very, very serious statement. In that statement, one of the most important points was that both Russia and China resolutely oppose the deployment of nukes in foreign countries. A few weeks later, Vladimir Putin basically violated that solemn pledge. He deployed nukes to Belarus, China didn't say a thing. So, from the beginning, these two basically collaborated with each other in close cahoots. So, this weapons supply assistance to Russia did not surprise me at all. It will not surprise me again. So, the key issue right now, then, is how to make our pledge credible. We promised to punish China if China supplied lethal assistance to Russia. Now they're caught. And so it's up to the Biden administration to make the pledge real and credible.

**Shane Leary:**

Moving on to our next topic, coming out of what Blinken framed as a positive step in US-China relations as a result of his recent trip. Immediately following that, President Biden made some remarks that caused a bit of a stir at a fundraising event. He openly referred to Xi Jinping as a dictator. Beijing responded predictably with rhetorical outrage with Foreign Ministry Spokesperson, Mao Ning, condemning these as extremely absurd and irresponsible comments. And going even further to say it was a blatant political provocation. What do you make of this? Was this a calculated remark by Biden? Was this an off-the-cuff slip? And more fundamentally, is it prudent for an American president to refer to Xi Jinping in this way.

**Miles Yu:**

Foreign Ministry Spokesperson, Madam Mao Ning, committed a serious political crime by challenging the legitimacy of Xi Jinping's role. Now, the very first sentence of the Chinese constitution reads as follows. And I quote, “the People's Republic of China is a socialist state under the people's democratic dictatorship,” unquote. So, Xi Jinping's real title, his constitutionally defined title, as the President of China, is People's Democratic Dictator, pure and simple. So, by saying that whatever President Biden said was extremely absurd and irresponsible, is in violation of basic facts. Madam Mao Ning did precisely that. So, she is basically, she should reflect on her own misdeeds and maybe go to some kind of labor camp to reform her thoughts. Listen, Xi Jinping is a dictator. There's no question about that. And in addition to the constitutionality of his dictatorship, he's chairman of everything. He's not only the General Secretary of the Chinese Communist Party, a Chairman of Chinese Party Central Military Commission, he's also the President of the PRC.

He's also the chairman of all kinds of commissions, National Security Commission and Nature Conservation, you name it. So, this is the man really, really represented a consummation of
what a dictator really is about. He has more official titles in his own hands than Mao, Hitler, and Stalin combined, I mean this is basically absurd. As I said earlier, there is this Chinese Marxist-Leninist definition of dictatorship of the proletariat. And the Chinese Communist Party's constitution, clearly commits the party to upholding the so-called four cardinal principles. And these four cardinal principles define what communist China is really all about. So, these four cardinal principles are: the Chinese Communist Party is committed to upholding socialism, people's democratic dictatorship, the supremacy of Chinese Communist Party, and the supremacy of the Marxism, Leninism and Mao Zedong Thoughts. And that's it. So, this is in the Chinese party's constitution. So, to deny otherwise is absolutely absurd. And so, President Biden should keep calling him dictator and we should all should call him dictator. I mean, the Chinese constitution call him dictator, so be it.

Shane Leary:

It's sort of hilarious to see them present outrage at something they call themselves. For our last topic, a new report from the House Select Committee of the CCP found that Chinese e-commerce companies, such as Shein and Temu, have been exploiting trade loopholes to import goods to the US without paying import duties, but perhaps more substantially avoiding human rights reviews. They're relying on the De Minimus provision of the Tariff Act of 1930, which waives these tariffs for shipments under $800. And in taking this approach, they've been able to import over 600,000 shipments a day as of last year, and likely higher today, of goods which the committee has strong reason to believe are in many cases manufactured with forced Uyghur labor. So, by shipping in such small portions, they're able to skirt the compliance requirements for the Uyghur Forced Labor Prevention Act or UFLPA, which would otherwise prohibit the importation of goods manufactured with forced labor in the PRC. I'd like to get your thoughts on these particular practices, but before I do, maybe could you talk a little bit about Chinese e-commerce broadly and whether we should be concerned with them encroaching in American markets?

Miles Yu:

Chinese e-commerce is a huge potential market. I mean the largest, the world's largest e-commerce platform is Alibaba. I mean Amazon is huge, but the Chinese one is far more serious than Amazon. Amazon is more sort of a consumer electronic commerce platform. China's Alibaba handles payment systems, it handles other very critical personal identifying information, the PII. So, the Chinese commerce e-commerce, actually, is far more serious than what you alluded to earlier in your question about the use of forced labor in Xinjiang and other places. Let me put it this way: right now, you go onto to amazon.com, something around 70 to 80% of the sellers are from China. So, China is conducting an enormous amount of e-commerce with the United States. The problem for China is that Amazon is an American company. Its protection of privacy is based upon American standards. China doesn't want that. They want something like Alibaba that commands close to 600,000 customer information database.

That's why China moved in to control Alibaba about the year or two ago, because they want to control big data and control information. With Amazon being the primary venue of Chinese e-commerce right now, it's harder for Chinese to do that. That's why Shein and Temu have potential to beat out Amazon to become the predominant e-commerce platform in the United States and in the West. And this has a serious national security concern because if a Chinese company occupies a huge market share in e-commerce, information on privacy and personal security are in grave danger. So, this is a very important national security concern. So, in
addition to what you said about use of forced labor, so there's that aspect. On the other hand, operationally, Shein and Temu also have a lot of problems. If, I don't know if you receive some of their promotion materials or not, I have received them.

They were just shameless. They slashed down their price dramatically. You can get right now the promotional items from Temu and Shein at a fraction of the price that you would get from Amazon, from other American e-commerce or even other box stores. And this is basically in violation of a whole bunch of free market mechanisms, in my view. On the other hand, Shein and Temu appeal to the basic instincts of consumers by promoting sexy models, very young models, and some of the basically pretty cheap shots, in other words, to gain attention. So, their whole purpose right now is not to compete fairly in the free market system, but to compete like predators. And that's basically something that American regulators should definitely pay attention to. Finally, I will say the problem with Shein and Temu is this: it's the whole issue of reciprocity. American e-commerce market is totally open to the Chinese company, but you cannot say the same about Chinese company being open to the American e-commerce.

So, China controls market access, totally in violation of its commitment to WTO when they joined more than 20 years ago. So, Shein and Temu must be regulated and must be sort of held accountable for all kinds of its behavior. And also the Chinese government must really, really consider the issue of reciprocity. We cannot just open up our market to Chinese companies and not the other way around. So, for those reasons, I think it's absolutely legitimate and necessary for Congress to investigate these companies. And I think that the regulators and the executive branch agencies should also take action immediately.

Shane Leary:

Certainly, it seems that not only should we work to close these loopholes, but that our current rules and regulations don't go far enough at all. Well, I think that's all the time we have for today. Miles, thank you so much for joining me and I look forward to speaking to you next week.

Miles Yu:

Thank you, Shane, and looking forward to talking to you too.

Wilson Shirley:

Thanks for tuning into this episode of the China Insider, a podcast from the China Center at Hudson Institute. We appreciate Hudson for making this podcast possible. Follow Miles and all of the additional great work we do at hudson.org. Please remember to rate and review this podcast and we'll see you next time on the China Insider.