

## **Xi reaffirms leading economic role for SOEs**

*There may be a trade-off between greater Party control and economic efficiency*

China's paramount leader Xi Jinping has used a visit to the facilities of state-owned steel-maker Magang – headquartered in Anhui Province – to underscore his support for the core role of SOEs in the Chinese economy. China watchers have interpreted the visit as a prelude to the Party's Central Committee plenum in October, where both the 14th Five Year Plan (2021-2025) and 2035 targets will be discussed. SOEs are strongly expected to feature heavily in both of these initiatives.

SOEs have enjoyed a privileged position under Xi, who has sought to reinvigorate the Party's control over both public and private firms. COVID19 relief measures have followed this pattern and much of the new lending has been directed towards SOEs. In early July, Xi approved a three-year plan aimed at enhancing the role of SOEs as a "key pillar and force" for the country's "revitalisation". Despite Xi's plans, efficiency remains a persistent problem. In 2019, China's SOEs registered a return on assets of only 0.7 percent. Conventional wisdom suggests a choice has to be made between political control and economic dynamism. Xi's China is determined to have both.

## **Thailand changes tune on Kra Isthmus canal megaproject**

*The canal's development would have significantly enhanced China's strategic position*

Thailand appears to have ditched – at least for now – an oft-considered proposal to build a canal across Thailand's Kra Isthmus – the narrowest point of the Malay peninsula. In January, a cross-party group of MPs had enthusiastically endorsed the project and formed a committee to further explore the idea. The canal proposal has long been backed by China, which signed a MoU with Thailand on the project in 2015. The majority of China's energy shipments pass through the Malacca Strait – which would likely be controlled by the US in the event of a conflict. The Kra canal would have allowed Chinese shipping – both civilian and naval – to bypass the Malacca Strait, enabling passage between the Indian Ocean and South China Sea.

Instead of the canal, Thailand is now exploring building two deep sea ports on either side of the peninsula, connected by rail. While environmental reasons and costs were officially cited in justifying Thailand's volte-face, strategic factors were likely at play. A low-level insurgency has long simmered in southern Thailand. There has long been concern that a physical barrier between northern and southern Thailand would embolden the Malay minority toward further separatism. The ports and railway arrangement will not provide a shortcut for military vessels and may have been seen as a better way for Thailand to balance ties with the US – which is a treaty ally. However, the cost of the Kra Isthmus canal alternative – still likely to be in the billions of dollars – may provide China with a further opportunity to extend its influence.

## **Democratic backslide in Bolivia**

*Bolivia's Interim President is using authoritarian tools to cling to power*

Bolivia is part of a wave of countries in the Americas – along with Haiti, Nicaragua, Guyana and Venezuela – with recent democratic histories whose current governments were not chosen in free elections or whose leaders have overstayed their time in office. Interim

President Jeanine Áñez's third electoral deferral potentially represents a major erosion of democracy. Áñez took office in November 2019, after President Evo Morales was overthrown for alleged electoral fraud. Áñez accepted the role of Interim President with the self-declared objective of hosting free and transparent elections. However, votes scheduled for May, August and September have all been delayed, allegedly because of COVID19. The new election date is October 18. Each delay has triggered waves of protests from those who believe Áñez is clinging to power using illegitimate means.

Áñez has also used "sedition" and "terrorism" as pretexts to legitimise repression and gain control of the media. In November, Áñez issued a presidential decree granting security forces immunity from prosecution when re-establishing "internal order." That month, 45 peaceful protestors were killed and 400 injured. 18 media outlets were also intentionally damaged by state security forces. Áñez has targeted leaders from Morales' Movement for Socialism Party (MAS). 100 MAS leaders have been detained or are facing charges and 600 are under investigation. Áñez's failure to act as a broker for the electoral process has divided the electorate and given space for the opposition to rebuild support.

### **The other brewing crisis – COVID19 & hunger**

*An emerging hunger crisis could contribute to increased political unrest*

The statistics are dire. A combination of currency devaluations, rising unemployment and supply chain bottlenecks as a result of COVID19 are proving to be a lethal mix driving global hunger – defined as a life threatening lack of food, well below the food deprivation threshold of 1,800 calories per day. In its best case predictions, the UN is forecasting 2020's growth in hunger to exceed the past five years combined. The worst-case scenario has up to 0.9 billion people going hungry by the end of 2020. Oxfam International estimates that 12,000 people per day may die from hunger at the end of the year – more than the current global daily COVID19 death total of around 6,000.

Multilateral institutions have come under increased scrutiny during COVID19. Already facing a \$4.9 billion shortfall at the start of the year, the UN's World Food Programme looks to be perilously under-resourced. Existing aid programs have often been repurposed for health-related objectives, leaving no guarantees that pre-COVID nutrition programs will be funded. The predicted growth in hunger may have implications for political stability. The link between food security and political stability is complex and not necessarily direct or causal. However, protests have already occurred in Chile because of COVID19-induced food shortages, while limited unrest has been recorded in India, South Africa and Honduras. If the international community fails to act – both through increasing funding and improving food supply chains – more unrest is likely.