

Xi's China – a bridge too far?

Xi's China has undone tens of billions of dollars' worth of soft power efforts but there are signs of a possible repositioning

2020 has not been a good year for **China's** international reputation. The bungled initial response to the virus – and the advent of the virus itself due to poor regulation of the wildlife trade – overly vigorous mask diplomacy and the aggressive prosecution of several territorial, diplomatic and trade disputes, have all harmed China's reputation. An October Pew Research Centre [poll](#) of 14 advanced European and Asian economies showed China is viewed “unfavourably” by more than 70 percent of the populations of all but two of the 14 surveyed countries. The two exceptions were **Italy** and **Spain**, where disapproval ratings are still above 60 percent.

The Pew poll shows that negative perceptions of China have been trending upwards in most surveyed countries since **Xi Jinping** came to power. At home, Xi has scrapped term limits, interned up to 1 million Uighurs and effectively ended **Hong Kong's** autonomy. Abroad, he has militarised the South China Sea – despite [explicitly pledging](#) not to do so – and unveiled the Belt and Road Initiative, the overall intent of which remains opaque. Collectively, these steps have damaged China's image. Nor is this trend confined to the West, with only 1.5 percent of **ASEAN** respondents regarding China as a benign power in a late 2019 poll. China's [US\\$10 billion](#) a year soft power campaign may not be enough.

However, early signs of a possible repositioning have recently emerged. These include; Xi's climate pledge of a net zero carbon emission profile by 2060, participation in debt relief (see below) and the embrace of multilateral measures on vaccine development and dissemination. It is too early to tell if these are damage limitation measures or are substantive changes.

Understanding China's approach towards debt relief

China is neither an exemplar, nor necessarily, a predator

Analysis by the [Rhodium Group](#) on 130 cases of debt renegotiations involving **China** yields a number of interesting insights. Firstly, as we have covered, there simply isn't much evidence for debt-trap diplomacy involving asset seizure. This does not mean, however, that China is an exemplar when it comes to debt relief. Instances of total debt-cancellations are very rare and are mostly confined to small, zero-interest loans. Instead, as has occurred earlier this year with **Ecuador**, **Vanuatu** and **Venezuela**, China's preferred option is to defer loan repayments – although not in full, as interest payments are often still required. Overall, China's approach can best be characterised as opaque and ad-hoc. Negotiations are closed and different Chinese institutions often do not coordinate.

China is the world's [largest](#) creditor having dispensed US\$1.5 trillion to mostly developing nations. China does not systematically report on its lending, so much of this debt is somewhat hidden. Even before COVID19, one in four dollars lent by China had come up for re-negotiation. Up to [half](#) of BRI investments were loss making. With lockdowns having hammered economies the world over, there have been 13 requests for debt relief. More will come. How China approaches debt relief will be important for the stability of emerging economies.

Protest crackdown looms in Thailand

Military's policy of relative patience appears to have ended

Early yesterday **Thailand** announced a state of 'severe emergency' after protestors surrounded government house and briefly interrupted a royal motorcade carrying Queen **Suthida**. Under the decree gatherings of more than four people have been banned. Already, the military have arrested some of the key protest leaders. The thousands of demonstrators who had surrounded government house dispersed after news of the arrests but have since reconvened.

The crackdown marks a significant change in tack for the military and the government of Prime Minister **Prayuth Chan-ocha** – himself a former military Commander. Since February, tens of thousands of young – but also middle aged protestors – have taken to the streets. The presence of middle aged protestors is significant, as the bulk of previous anti-government protests movements have typically been young. Core demands of the protestors include the government's resignation, greater protections for free speech, the re-writing of the military-drafted constitution – specifically clauses that allow the military to appoint the Senate – and greater parliamentary and constitutional oversight of the monarchy. The military has traditionally seen itself as the guardian of the monarchy, with which it enjoys a symbiotic relationship. King **Maha Vajiralongkorn** – whose own ostentatious lifestyle and decision to take control and ownership of the Crown's US\$40 billion property portfolio helped spark the protests – has also [acted](#) to increase his control over the military. The politicisation of the Crown's property portfolio potentially has commercial implications, as the Crown Property Bureau has substantial stakes in several large Thai firms.

The blocking of the royal motorcade appears to have been perceived by the authorities as a step too far as well as in all likelihood, an ideal pretext to crackdown on the protests. The key question is whether this is a yet another round of protests which will end [badly](#), or the early part of a drawn-out wave of discontent.

Controversial omnibus bill passes in Indonesia

The bill does not appear to be as ambitious as some investors had hoped

Last week, **Indonesia** passed the omnibus bill on job creation into law. The gargantuan bill – some 900 pages in length – amends over 70 laws and thousands of regulations which have deterred investment. The bill has attracted some criticism on environmental and labour grounds. Trade unions have mobilised mass protests throughout the archipelago. A key point of contention is the Bill's change to severance pay – Indonesia has the third-highest rates of severance pay in the world. The Bill's somewhat modest changes will reduce severance pay by a minimum of 13 percent – and in many cases up to 41-57 percent – and allow employers to include their own reasons for firing workers in contracts. The formula for calculating minimum wage will also be simplified.

The Bill offers other potential sweeteners to investors. It promises to simplify business licencing procedures, significantly reduce the size of Indonesia's negative investment list, make it easier for expatriates to work in Indonesia and re-centralise regulatory control away from regional governments. A Sovereign Wealth Fund will also likely provide opportunities for foreign investors. Taking advantage of the reformist mood, State Owned Enterprise Minister Erik Thohir has recently [proposed](#) the merging of several Islamic banks. However, with the implementation of the Bill's regulations not due until mid-January, there is plenty of uncertainty. Watch this space.

President Putin maintains his grip on power – for now?

Alexei Navalny's global visibility will do little to change Russia's political landscape

Opposition leader Alexei Navalny's plan to return to **Russia** won't start a meaningful [political opposition](#) against the President **Putin**. Navalny is recovering in **Germany** after he was poisoned with Novichok nerve agent – allegedly by Putin's agents. He believes he was targeted because he threatened the Kremlin in September's regional elections and the upcoming 2021 State Duma elections. Navalny has had some political success. In local Moscow elections in 2019, pro-Kremlin candidates' seats fell from 40 to 25 of 45 possible seats, the result of his tactical 'Smart Vote' initiative. Navalny has also led anti-government protests and exposed the corruption of Russian officials.

Despite being a prominent anti-Putin figure, Navalny lacks widespread political support. A Levada Center poll calculated his approval at 20 percent, up from 9 percent this year. He will likely be removed from any future political ballots – if he is allowed to return to Russia at all. Putin's grip on power is strong. A recent referendum allows him to remain in power until 2036. The Kremlin's creation of fake opposition parties provides some illusion of political competition, though loyalty ultimately lies with Putin. Navalny's power may not lie in his ability to consolidate political opposition. Instead, his return to Russia after an assassination attempt would demonstrate that at least some form of genuine opposition is possible.