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Economic failure would foment an uprising in China: Joe Hockey

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Washington/Tokyo | China's ruling Communist Party could face an insurrection if economic growth continues to falter, Washington-based consultant and former Australian ambassador to the United States Joe Hockey has told a forum in the US.

China's weaker-than-expected 4.9 per cent third-quarter GDP growth – the slowest quarterly rate since the start of the pandemic – has raised questions about the sustainability of its growth model and, in particular, its highly indebted property market.



Beijing's central business district. There is growing concern that an overheated property market, energy shortages and supply chain disruptions pose new challenges for the Communist Party leadership. **Bloomberg**

The risk, Mr Hockey told the Hoover Institution at Stanford University on Wednesday (Thursday AEDT), was that while China's economy might continue to expand, there were still "massive social challenges" that could undermine authority.

"What we've seen is a determination of Beijing to keep the momentum going in the economy – because if they don't, then there will be an insurrection," he said.

"Don't forget there have been insurrections against authority in China on numerous occasions over many years. So it's not something that would be new. It's something to be feared."

China's President Xi Jinping has silenced most of his critics with a sweeping anti-corruption campaign, while government surveillance and censorship makes it almost impossible to publicly criticise China's leaders without consequences.

However, China's fast-growing economy has been the mainstay of social stability for decades as the rising standard of living has helped quash any social unrest.

While there are no immediate signs of any public uprising, the Chinese government will face increasing pressure to keep the economy stable if it is to maintain its grip on power.

'Biggest demographic bubble'

The country has weathered the economic costs of the pandemic better than other major economies, but there is growing concern that an overheated property market, energy shortages and supply chain disruptions pose new challenges for the Communist Party leadership.

China's economy is forecast to grow at about 8 per cent this year before falling to about 5 per cent next year.

Mr Hockey said the importance to social order of maintaining growth was evident in the continued use of Australian coal despite an unofficial ban on the fuel.

The Australian Financial Review revealed this week that China imported 2.78 million tonnes of Australian coal in October despite apparently blocking shipments for most of this year.

"Even though they left the ships off China trying to punish us for our diplomatic positions in relation to COVID, they're still importing coal," Mr Hockey said.

"Because at the end of the day, the Chinese people cannot go without electricity. They cannot go without energy, and they have blackouts in China."

While the rate of Chinese economic growth was sustainable, Mr Hockey said the country had the "the biggest demographic bubble in the history of humanity because of the one child policy".

Persistent over-regulation of sharemarkets by the Communist Party was really nothing more than exerting control, he said.

“Beijing still thinks that if they lose control of the flow of capital, then they lose control of the economy. And that’s what scares them is losing control of the Chinese economy. China can’t cope with a recession.”

“It’s about face. They can’t be a second tier international player and want to be the premier authority within their country. You don’t want the people to drift off and think there’s a greater power than Beijing, or greater power in particular than the Communist Party.”

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