Xi Jinping’s Dilemma: Back Down or Double Down?

Minxin Pei

This year Chinese leader Xi Jinping encountered the most difficult test of his leadership since assuming office in late 2012. The U.S.-China trade war (and the escalating strategic competition between the two countries in particular) have exposed China’s structural vulnerabilities and raised questions about Xi’s responsibility for the rapid deterioration in Beijing’s ties with Washington. As economic woes mounted, elite discontent with Xi’s leadership appeared to be widespread, precipitating an effort by Xi and his loyalists during the summer to bolster his authority. But whatever incipient opposition to Xi existed, it appeared to be short-lived. Xi emerged from the critical summer retreat at Beidaihe in mid-August with no obvious diminution of his authority. Since then, he has intensified efforts to strengthen his power but there are no indications that he has made fundamental adjustments to his domestic and foreign policies.

Until mid-2018, Chinese leader Xi Jinping had a remarkably smooth run in consolidating power and implementing his political vision. During his first five-year term, he encountered little resistance in dismantling key institutions and practices of the post-Tiananmen era, such as collective leadership, implicit security guarantees for senior leaders, a pre-arranged leadership succession, reactive repression, and risk aversion in international affairs. At the annual session of the National People’s Congress (NPC) in March 2018, Xi cemented his political supremacy by abolishing the constitutional term-limit for the president of the People’s Republic, signaling his intention to serve beyond March 2023 when his second term expires.

However, shortly thereafter China’s domestic and external conditions changed dramatically. Politically, the abolition of the presidential term-limit, to put it mildly, was not well-received. One indicator of the sensitivity of this issue and the efforts by the Chinese leadership to downplay the constitutional amendment was that this constitutional amendment was buried under several other amendments and it was framed in a way designed to minimize attention.

At the same time, economic growth unexpectedly began to slow down. Growth in the second quarter was 0.1 percentage point lower than that in the first quarter and 0.2 percentage points lower on a year-on-year basis.¹ (Growth in the third quarter was 6.5 percent on an annualized basis, the slowest growth in a decade.) Symptoms of economic weakness included declines in private consumption, real-estate sales, and investment growth. As trade tensions with the United States worsened during the second half of the year, investors in Chinese financial markets began to bail out. Equity prices lost 30 percent of their value between January and mid-October. Fears of a prolonged trade war that could significantly reduce Chinese exports to the U.S. also drove down the value of the renminbi, which reached a 13-month low in early July. (As of late October, the renminbi had further weakened, approaching the psychologically important marker of 7 RMB to the U.S. dollar.)
The U.S.-China trade war also drastically changed the political dynamics in Beijing. Until the beginning of this year, Chinese leaders apparently thought that they could handle President Donald Trump because he was a transactional businessman who could be placated by modest concessions. They were blindsided when toward the end of March, the Trump Administration announced that it would impose tariffs on up to $60 billion of Chinese imports because of Chinese violations of American intellectual property rights (IPR). As subsequent trade negotiations failed to yield results, the initial dispute focusing on IPR violations escalated into a full-blown trade war that could subject all Chinese exports to the U.S. ($505 billion in 2017) to additional tariffs of 25 percent.

The political spillover of the trade war far exceeded its perceived economic impact. It did not take long for Chinese political and social elites to realize that Sino-American relations had changed, if not fundamentally, at least for the worse. Because Xi’s assertive foreign policy is widely seen inside of China as a radical departure from Deng Xiaoping’s dictum of “keeping a low profile,” responsibility for the souring of Sino-American relations, China’s most important bilateral relationship, was placed on his shoulders.

These adverse developments formed the context in which Xi’s leadership apparently came under question, if not criticism. To be sure, the Chinese government’s tight control of the press makes it nearly impossible to find direct evidence of criticism of Xi’s leadership. Nevertheless, enough indirect evidence or telltale clues are available in Chinese social media and even in the official press to suggest that Xi faced probably the most challenging test of his leadership since assuming office late 2012.

A most widely publicized case indicative of the brewing dissatisfaction with Xi’s leadership is an open letter by Tsinghua University liberal law professor, Xu Zhangrun, in late July. Titled “Our Current Fear and Hope,” Xu’s letter is a devastating critique of the policies pursued under Xi’s leadership. Without naming Xi directly, Xu Zhangrun denounces the regressive steps attributed to Xi’s policies—abolition of the presidential term limit, escalating repression, renewed focus on ideological indoctrination, abandonment of Deng’s exclusive focus on economic development, and a wrong-headed foreign policy that risks a new cold war and overextends Chinese commitments and resources in the developing world. To be sure, as a liberal scholar, Xu’s statement most accurately represents the views of his community. Nevertheless, his lengthy critique most probably also reflects a shared sentiment that China is not moving in the right direction.

**Xi Comes to His Own Defense**

Despite the difficulties in finding direct evidence for dissatisfaction with Xi’s leadership among the ruling elites, indirect signs are hard to miss. As is often the case with elite politics in China, when a top Chinese leader demands unwavering loyalty and support, it is often an indication of his sense of insecurity. Notably, it was Xi himself who first issued a call for unconditional loyalty to the “party center,” presumably in reference to his own authority, at a national conference on organizational work held in Beijing on July 3. Xi stressed that the “party center” must be the sole supreme decision-making authority (党中央必须有定于一尊、一锤定音的权威). If Xi’s call was merely routine rhetoric, then few of his loyalists would have followed up
with public expression of support. But in this case, Xi was clearly sending a message to his loyalists that they should publicly support his call for unconditional loyalty to his authority at a time when his leadership was coming under criticism.

The first to show his support was Ding Xuexiang (丁薛祥), Xi’s chief of staff and director of the General Office of the CCP Central Committee. A meeting of the General Office and the State Council on July 12, chaired by Ding, called for “taking the lead in resolutely defending the core position of General Secretary Xi.” Another Xi loyalist, Li Zhanshu (栗战书), a member of the Politburo Standing Committee and chairman of the National People’s Congress Standing Committee, was the second to come out publicly to demonstrate his support for Xi. At a meeting of the NPC Standing Committee on July 17, Li stressed the importance of “ensuring the supreme decision-making authority of the Party Center with Comrade Xi Jinping as its core” (确保以习近平同志为核心的党中央一锤定音、定于一尊的权威). It is worth noting that Li Zhanshu’s language is nearly identical to Xi’s.5 The third senior official to profess loyalty was minister of public security, Zhao Kezhi (赵克志). In a speech to ministry officials on July 18, Zhao used similar language to call for unreserved support for Xi’s authority.6 In addition, Yang Jiechi (杨洁篪), a Politburo member and the newly appointed director of the CCP’s Office of the Foreign Affairs Commission, published an essay on August 1 in the CCP’s official journal, Qiushi (求是), to express support for Xi’s leadership.7

The most intriguing aspect of this round of public demonstrations of loyalty is not who lined up, but who did not. In ascertaining the degree of unity of opinion or sentiment in the Chinese leadership, public statements by Politburo Standing Committee members and provincial party chiefs carry more weight because such statements indicate that a particular policy or position not only has received majority (if not unanimous) support at the very top level but also the endorsement of the provincial fiefs. However, following Xi’s call for loyalty, only one Politburo Standing Committee member and Xi’s closest ally, Li Zhanshu, came out publicly to back Xi. The five other members on the Politburo Standing Committee remained conspicuously silent. Of the local party chiefs, only one, Liu Qi (刘奇), party boss of Jiangxi province, openly proclaimed his support.8 One plausible explanation for the silence of the majority of senior leaders after Xi openly demanded their loyalty in early July is that these leaders were hedging their bets when it was difficult to judge the degree of damage Xi’s authority had sustained due to his recent setbacks.

Another indication that Xi was on the defensive was a long front-page article of more than 10,000 characters in the People’s Daily that detailed the progress achieved under Xi’s leadership since the end of the 19th Party Congress in October 2017. Besides its obvious intent to refute charges that little had been accomplished under Xi’s leadership, the date of publication of the article—August 6—coincided with the beginning of the top leaders’ Beidaihe retreat.9 To counter the widespread criticism that Xi had mishandled Chinese policy toward the U.S. and should bear responsibility for the trade war, a commentary by Ren Ping (任平), clearly a Chinese abbreviation for a People’s Daily commentator, appeared in the official People’s Daily on August 10, claiming that the U.S. had launched the trade war to contain China’s rise and nothing China could do, including concessions, would have made any difference.10
Xi’s Emerges Victorious from Beidaihe

With perceived policy missteps and a weakening of his authority, rumors about a potential plot against Xi at Beidaihe began to swirl. But they were baseless. With Xi’s tight control over the military, the security apparatus, and the anti-corruption agency, it was inconceivable that any plotters could have conspired against him without detection or, should they have dared to mount an open challenge, could they have had any chance of success. Although it is impossible to learn what transpired at Beidaihe, Xi apparently emerged from the retreat with undiminished authority. This can be seen in the amount of prominent fulsome coverage he received in the official media immediately after the Beidaihe meetings (about mid-August). Particularly noteworthy is a 13-part series, published between September 14 and October 7 in the People’s Daily, that lauds Xi’s record as a great leader. The first sentence of the article, “General Secretary Xi Jinping is a people’s leader who grew up among the masses” inevitably draws comparison to the rhetoric of the Maoist era.11

One can offer several explanations for why the difficulties Xi encountered at mid-year did not result in direct substantial political damage. The institutional dynamics of autocratic regimes make it exceedingly difficult, if not impossible, to self-correct policy mistakes. The absence of a legalized opposition insulates the rulers from the political pressures that such a force can mobilize. These regimes’ control of the press can suppress the information about policy failure, thus concealing the truth from the population. It is also extremely difficult to coordinate action or conspiracy among disaffected elites because of the pervasive surveillance and mistrust within these regimes. One-party regimes, in particular, seem to have acquired sophisticated coup-proofing techniques (strict civilian control of the military; specialized security forces guarding the top leader; constant surveillance of members of the top leadership; and strict rules on interpersonal communications among leaders) that are effective in preventing any rivals of the top leaders from staging coups. Authoritarian regimes are also bedeviled by problems of adverse selection (autocracies tend to attract opportunists) and a progressive degeneration of the leadership (less competent elites are promoted because they are less threatening). As a result, few top-ranking elites have the political courage at critical junctures to mount an open challenge to the dominant leader.

Under strongman rule, as in the Chinese case, self-correction is politically unattractive to the strongman because admission of a mistake, the crucial first step in self-correction, can be perceived of as an admission of weakness, thus exposing the strongman to further criticism and attacks. It is instructive to recall that at the Lushan Conference in 1959, Mao responded to the criticism of his Great Leap Forward by Defense Minister Peng Dehuai not by admitting an obvious mistake but by denouncing and purging Peng as a member of an anti-party clique. Instead of halting the disastrous Leap, Mao doubled down, resulting in the death of more than 30 million Chinese.

As for China in mid-2018, it is worth noting that the effects of Xi’s assorted policy failures, especially the teetering relationship with the United States, have yet to be felt materially and widely. Most critically, awareness of the grave implications of Xi’s policy failures so far has been restricted to elite circles. The party’s effective control over the media has successfully
prevented the Chinese public from obtaining the information necessary to reach a similar conclusion.

Lastly, Xi has a potent tool at his disposal—purges disguised as anti-corruption investigations—that can intimidate and deter potential challengers and help Xi to reassert authority. Data on high-ranking officials arrested for corruption during the first ten and one-half months of 2018 indicate that the tempo of anti-corruption arrests picked up notably starting in July, a period when Xi’s leadership was apparently coming under attack. Between January and June, ten “centrally supervised” officials (most at the ranks of vice minister or deputy provincial governor) were arrested on corruption charges. Between July and November 15, fourteen such officials were arrested, including vice minister of public security, Meng Hongwei, who was also president of Interpol. On average, the arrest rate per month of “centrally supervised” officials between July and November 15 was 3.1, compared with 1.7 during the first six months of the year. The number (24) of “centrally supervised” officials who were arrested as of mid-November 2018 already exceeded the total number in 2013 (18), 2016 (22), and 2017 (18).12

A Mixed Strategy as a Course Correction?

Although Xi weathered what was likely the most serious test of his authority in the summer, he still faced a myriad of challenges. Politically, he had to project the image of an undiminished strongman. Economically, he had to demonstrate that he knows how to address the shocks of the U.S.-China trade war and to reinvigorate growth. Externally, he had to come up with a new strategy to deal with a fundamentally different environment.

In the months following the Beidaihe meetings, Xi has adopted a mixed strategy, instead of a substantial or qualitative course correction. The clearest component of this strategy is a doubling down on shoring up his personal authority and deterring potential challenges to his power. His response to the worsening economic situation can best be described as improvisation, consisting of a series of short-term measures that focus on bolstering growth rather than pointing in a clear direction or boosting confidence. In terms of foreign policy, Xi remains on the defensive vis-à-vis the United States, which has progressively ramped up pressures on China. At the same time, Xi has made tactical adjustments to his regional policy to improve ties with China’s neighbors.

The key pillars of Xi’s domestic political agenda include restoration and consolidation of strongman rule, reinvigoration of the CCP’s ideological commitment and organizational discipline, and reassertion of control over Chinese society. A quick look at the official media after the end of the Beidaihe conclave shows that, instead of abandoning or modifying this agenda, Xi has intensified its implementation. He and his loyalists wasted little time in conveying the message that his power remains undiminished. This can be seen in the revival of a propaganda campaign glorifying Xi. Beginning on September 14, the People’s Daily carried on its front page a 13-part series detailing Xi’s accomplishments, ranging from deepening economic reform, protecting the environment, reducing poverty, and expanding Chinese influence abroad.13 Between October 8 and 19, CCTV aired a 12-part series, “Words and Phrases Used by Xi Jinping,” (平“语”近人: 习近平总书记用典), which highlights Xi’s main political ideas expressed in a mixture of Chinese proverbs and vernacular language.14 Following the airing of each episode, the People’s Daily carried a companion story reporting on how Xi’s words resonated with the feelings of party members and ordinary people.15 No one knows whether this
propaganda blitz actually boosted Xi’s political standing, but clearly it was launched to send an unmistakable message about Xi’s political supremacy. While the series was being aired, Xi delivered a speech at the national conference of chief-of-staff secretaries (全国党委秘书长会议), emphasizing that party organizations at all levels must resolutely safeguard the authority of the party center and of centralized and unified leadership (坚决维护党中央权威和集中统一领导), code words for the power of Xi Jinping. Xi’s chief-of-staff, Ding Xuexiang, was even more direct in urging loyalty to Xi. He called for “correct understanding and action in firmly safeguarding General Secretary Xi’s core position.”\textsuperscript{16} It was also no accident that immediately following the airing of the CCTV series, Xi’s appearance in army fatigues on October 25 while inspecting China’s Southern Military Command served as a public display of his control over the military.\textsuperscript{19}

Although post-Beidaihe Xi appeared to have focused his energy on projecting the image of an undiminished strongman, he did not neglect another key element in his domestic agenda—the strengthening of CCP organizational discipline. In late September, Xi chaired a Politburo meeting to review and approve a new set of regulations governing the work of CCP branches and a five-year plan for training officials.\textsuperscript{18} At the end of October, the General Office of the CCP Central Committee also issued a document detailing the posting of staff of the Central Discipline Inspection Commission and the newly established National Supervisory Commission to various government agencies and entities (such postings will significantly strengthen central control over these entities).\textsuperscript{19}

If Xi has doubled down on his domestic political agenda, his response to the mounting woes on the economic front can best be described as improvisational. A confluence of adverse developments, ranging from the uncertainties caused by the U.S.-China trade war to the aftermath of China’s decade-long debt binge, resulted in a further deceleration of growth, deteriorating business confidence among private entrepreneurs, falling investment, and depreciation of the Chinese currency. To counter pervasive pessimism about the economy, the official media consistently downplayed the potential impact of the trade war.\textsuperscript{20} Chinese propaganda officials also stepped up censorship of negative economic news.\textsuperscript{21}

The policy prescriptions of the Chinese government since the end of July mainly consisted of measures designed to shore up growth, such as monetary easing, increases in infrastructure investment, and suspension of deleveraging. Additionally, China made several modest concessions to woo foreign, especially European, investors, such as allowing foreign automakers to own more than 50 percent of the shares in joint ventures. Apart from these short-term measures, however, the Xi administration did not announce any significant structural reforms. The only notable steps taken—a vague promise to reduce taxes for private firms and a specific policy to channel more bank credits to private firms following a much-publicized meeting between Xi and private entrepreneurs on November 1—may be insufficient to restore the confidence of the private sector because the government did not roll out specific or credible reforms that will end its systematic favoritism toward state-owned enterprises (SOEs) and discrimination against the private sector.\textsuperscript{22} Taken together, it is difficult to see a coherent economic strategy in the policy response by the Xi administration, even as it faces a radically changed external environment.
On the foreign-policy front, Xi’s response to the freefall in U.S.-China relations has also been mixed. In terms of policy toward the U.S., it is largely reactive and defensive. Beijing made efforts to avoid a further substantive escalation and refrained from retaliation against several unprecedented American actions, such as the October extradition of a Chinese intelligence officer from Belgium and the crippling sanctions against Fujian Junhua, a semiconductor maker, on charges of theft of American technology. The only exception was harassment by the Chinese navy of an American destroyer in the waters close to one of China’s artificial islands in the South China Sea that nearly resulted in a collision on October 1. But rhetorically, Beijing’s tone toward Washington hardened, especially after Vice President Mike Pence delivered a scathing speech criticizing China on October 4.23

In other areas of foreign policy, one has yet to detect a consistent pattern of adjustment. Initiatives associated directly with Xi, such as the Belt and Road Initiative (BRI) and expansion of China’s economic presence in Africa, have not been rolled back. As the 2018 Forum on China-Africa Cooperation in September, Xi announced an aid package worth $60 billion (which was roundly criticized on Chinese social media). The official media continue to post positive coverage of the BRI. Yet Xi may have no choice but to curtail his ambitious foreign-policy agenda due to the unfolding strategic competition with the U.S. and China’s dwindling economic resources as the economic slowdown worsens.

The most important foreign-policy adjustment has occurred in China’s regional policy. Worsening ties with the U.S. have prompted Beijing to improve relations with its neighbors. Japanese Prime Minister Shinzo Abe was warmly welcomed in Beijing during a late October visit (and Xi is expected to pay a state visit to Japan next year). In mid-November Xi also visited Manila. However, Beijing’s outreach to its neighbors is tactical in nature. At most, it attempts to paper over the underlying disputes (dueling territorial and maritime claims) without making fundamental concessions or demonstrating a genuine commitment to respecting its neighbors’ security interests. Thus, Beijing’s gains from such adjustments will remain limited.

Conclusion

Despite Xi’s apparent success in quashing what appeared to be an incipient challenge to his authority during the summer, he faces a very difficult period ahead and there are recent indications that elite dissatisfaction with his policy remains unabated. The most publicized incident is a speech delivered by Deng Pufang, the eldest son of Deng Xiaoping, at a national conference of disabled persons in late September. Without naming Xi, Deng Pufang criticized the spirit of Xi’s policy and called for “seeking truth from facts ... maintaining a clear head, knowing one’s own strengths and weaknesses, and avoiding overestimating oneself and behaving recklessly.” The speech was immediately seen as an attack on Xi and quickly censored within China.24 In mid-November, Long Yongtu, a former vice minister of commerce who negotiated China’s entry into the World Trade Organization (WTO) in the late 1990s, publicly criticized Beijing’s handling of its trade dispute with Washington.25

Given Xi’s solid control of the military, the internal security apparatus, and the CCP’s anti-corruption arm, there is no imminent threat to his power. However, he still has to offer a clear new policy direction that demonstrates his full grasp of the gravity of China’s new challenges and the policy instruments at his disposal to meet these challenges. Judging by his actions
during the three months following the Beidaihe meetings, it is clear that Xi has yet to formulate or convey a clear and coherent strategy that can revive and sustain confidence in his leadership.

About the contributor:


Notes


7 杨洁篪, “以习近平外交思想为指导，深入推进对外工作,” August 1, 2018, https://www.thepaper.cn/newsDetail_forward_2312659


