



15 September 2020

**‘China’s internal situation: Is Xi Jinping under pressure’**

by JAYADEVA RANADE

Social stability is a topmost concern for China’s leadership as they see it as essential for the perpetuation of the Chinese Communist Party (CCP)’s monopoly on power. To achieve this they play, to an extent, on the fears of the Chinese people of *dongluang*, or upheaval/chaos.

Despite the efforts of the CCP leadership, especially under Xi Jinping, there is noticeable resentment and dissatisfaction. This has particularly marked his second term since the 19<sup>th</sup> Party Congress in November 2019. The trigger for the dissatisfaction was the abolition by Xi Jinping at the 19<sup>th</sup> Party Congress of the term limits on top posts as well as his ignoring the informally agreed upon age limits for elevation of cadres to top positions like the Politburo (PB) and Politburo Standing Committee (PBSC). These were set by Deng Xiaoping with the precise objective of preventing recurrence of a situation where too much power is concentrated in the hands of a single leader, or avoiding one-man rule. CCP members, including retired veteran leaders protested and posted open letters on the social media stating “No return to Mao’s one-man rule”! At least a couple of letters urged Deputies to the National People’s Congress (NPC) to reject the proposal. Many Party members, including in the CCP Central Committee, still retain unpleasant memories of the Cultural Revolution.

Independently, the economy was slowing and unemployment was rising. Economic reforms had seen the closure of tens of thousands of small coal and iron ore mines rendering tens of millions jobless. The move to shift from an export-led economy to a domestic-led economy, which is taking considerably longer than anticipated, further slowed the economy as has the CCP’s preference for the SOEs. Unemployment grew to around 17-20 million by the end of 2019.

Meanwhile the military reforms had kicked-in adding to the number of unemployed. The demobilised and retired military veterans complained that measures for their rehabilitation were unsatisfactory and their pension and allowances inadequate. They staged some major protests prompting the leadership to address their grievances and set up the Ministry of Veterans Affairs to pacify the veterans. Apprehensive that this discontent could spread to the PLA, steps were taken to get them ‘respect’ in society and arrange jobs on a preferential basis.

But these pressures were exacerbated by two more events, the U.S.-China trade war and the Coronavirus (Covid-19) epidemic.

Xi Jinping’s bold enunciation of a road map for China’s future ambitions was the trigger for the US-China Trade War. During the 19<sup>th</sup> Party Congress, Chinese President Xi Jinping announced that he will achieve the China Dream by 2021, Made in China by 2025,

Modernisation of PLA by 2035, and make China a “major power with global pioneering influence” by 2049! With this announcement he effectively put the US on notice that China would be a ‘rival’. Additionally, he underscored China’s potential global leadership role when he reiterated his proposal of a “Community of Common Destiny” and offered the Chinese system of governance as an alternative to the world’s democracies.

The US identified technology as the key driver of China’s modernisation efforts and ambitions and targeted that. The first sanctions were applied on China’s telecommunications company ZTE which, with access to US markets and critical components blocked, became virtually bankrupt. The second company to be targeted was China’s leading technology and telecommunications company, Huawei. Meng Wangzhou, CFO and daughter of Huawei’s founder Ren Zhengfei, was charged with violations of US sanctions on Iran and falsification of accounts and proceedings to extradite her to the US were started in Canada. US companies were banned from selling Huawei and ZTE micro-chips, wafers, imaging laser chips etc. After initial bluster that it had adequate reserves of these specialised micro-chips, wafers etc., Huawei had to finally admit that it was in serious trouble and was stopping the manufacture of smart phones from mid-September 2020. There was simultaneously a push back on Huawei’s flagship 5G project, with the roll out of which Huawei expected to become a world leader of telecom and set global standards for the international market. All this severely hit China’s technology sector and stocks plummeted further contributing to China’s economic slowdown. Meanwhile, the US expanded the scope of sanctions and said it would issue a letter to warn chip suppliers like Taiwan’s SMIC to stop exports to China and Huawei. SMIC’s shares have subsequently dropped.

The US also began pushing back on China’s Belt and Road Initiative following India’s lead.

Covid-19 (Coronavirus) has severely impacted China. Unemployment soared in March-April 2020 to 80-90 million from the 17-20 million at the end of 2019. Factories, shops, restaurants and small businesses closed rendering millions jobless. More than 300 million workers who had returned to their villages have not yet returned back for work. Agriculture too has been impacted with grain and pork prices registering sharp increases.

At the same time Covid-19 fuelled a huge surge in anti-China sentiment across the world. The Chinese Institutes of Contemporary International Relations (CICIR), a think-tank of China’s Ministry of State Security, in its briefing to a meeting of the Politburo chaired by Xi Jinping in April 2020, reported that anti-China sentiment was globally at an all-time high. The same month the Chinese Academy of Social Sciences (CASS), in a separate assessment, concurred and proposed recommendations on how to change the mood among opinion makers in the US. A PLA Daily editorial similarly highlighted China’s tense domestic situation and warned that the US could use this to fan social upheaval and provoke social conflict. Hu Xijin, the Editor-in-Chief of the CCP-owned Global Times lamented in an article earlier in September that ‘China has been left friendless’!

Professor Xu Xiaonian, a well-known Chinese economist, said at a conference that ‘so long as the pandemic continues in Europe and US, Chinese export companies will have no orders, workers will have no wages, and there will be no consumption and a recession is inevitable’. He pointed out that China’s GDP is one-fifth of the US and one-fourth that of Europe. Ma Jun, an academician and member of the People’s Bank of China (PBOC)’s monetary policy

committee, endorsed these remarks and said Chinese “growth will largely depend on how the pandemic develops in Europe and the US”.

Despite protestations to the contrary the economic prospects are not bright, if not bleak. Prominent Chinese businessmen including Jack Ma of Alibaba and Li Chuanzhi of Lenovo signed a letter addressed to Xi Jinping calling for urgent reforms and handed it over to Chinese Premier Li Keqiang at a conference in March 2020. There is serious concern about economic growth and there was considerable debate whether the Chinese government should mention a growth rate target in its Work Report to the National People’s Congress (NPC) plenary session in March 2020. Finally, for the first time in the history of the People’s Republic of China, it was decided not to mention it. Further reflecting the economic distress caused by the Covid-19 pandemic, the budgets of all Central Ministries, except notably the Ministry of Public Security, were cut by 50 per cent.

Continuing through 2018 till date there has been a steady stream of criticism of the CCP and Xi Jinping. Reputed academics, intellectuals, economists, senior Party members and, importantly, ‘princelings’ posted their criticism on China’s social media. These included persons like Tsinghua Professors Xu Zhangrun and Xu Zhiyou, former Central Party School senior faculty Cai Xia etc. Their posts remained on social media for days and even longer despite claims by China’s internet security administrators that they can remove “offending posts” within minutes. This suggests tactic connivance.

Unprecedented in these posts was the direct criticism of the CCP and personal criticism by name of Xi Jinping. Among the few that were especially scathing in their criticism were those from reputed Tsinghua University Professor Xu Zhangrun, who authored a 6,246-word essay on February 5, captioned ‘Angry People No Longer Fear’, which went viral on China’s social media. It accused China’s leaders and specifically Xi Jinping of being out of touch with the peoples’ needs. On March 2 and February 23, 2020, Zhao Shilin, a retired Professor of China’s Minzu University, Deputy Director of the Culture and Arts Commission and former member of the CCP CC, posted two open letters to President Xi Jinping, which were both scathing in their criticism. In an interview to the Guardian this August, Cai Xia, former senior Professor of the Central Party School, stated that Xi Jinping had “killed the Party and country”! She added that he thinks of ways to divert the attention of the Chinese public, provoking conflict with other countries – and that examples include encouraging anti-American sentiment as well as the recent clashes with India. On March 23, Ren Zhiqiang, a princeling and Chinese realty tycoon wrote an opinion piece, in which he called Xi Jinping a “clown”.

The Chinese authorities cracked down on these critics. Xu Zhangrun, known for his scathing and public criticisms of Xi Jinping was detained in July this year. After publishing several public attacks on the Chinese leadership, Xu Zhiyou was placed under house arrest earlier this year. Former Central Party School Professor Cai Xia, who has settled in the US, was deprived of her pension and all financial benefits.

Xi Jinping is under definite immense pressure, but true to his character he is not stepping down or yielding ground and is fighting back and has cracked down on dissidents. Security measures have been made even more restrictive. For example, Ren Zhiqiang, despite his being a ‘princeling’ and pleas for his release, was arrested and finally awarded an

exceptionally lengthy prison sentence. The message that Xi Jinping is sending is that he will spare no one.

Meanwhile, the US has decided to place sanctions on those CCP leaders who take active part in formulating or implementing harsh policies against the people. Sanctions have been imposed on the cadres in Xinjiang and Hong Kong, including Xinjiang Party Secretary Chen Quanguo and Hongkong Chief Executive Carrie Lam. This will render vulnerable any assets they might have abroad. US Secretary of State Pompeo additionally proposed that Chinese Communist Party members and their families could be banned from getting US visas. This sent shockwaves through the CCP as it will directly impact a lot of Party cadres who have assets illegally stashed in the US or abroad, or have close relatives studying there. Almost 70 per cent of Communist party members at and above the department level have their children studying in the US, UK, Canada and Australia and all of them could face problems.

In the wake of steadily increasing US pressure on China in recent months, escalated by the imposition of sanctions against CCP cadres and proposal to ban US visas to members of the CCP, Xi Jinping has not yielded ground. Instead, he has launched a number of new ideological campaigns to strengthen adherence by the Party's 92 million members to the CCP's policies and principles and ensure that they do not waver. These campaigns stress the 'four consciousnesses', consolidate the 'four confidences', and particularly emphasise the 'two safeguards' or 'two maintenances'. The two maintenances are "Maintaining the core position of General Secretary Xi Jinping means maintaining the authority of the Party Central Committee and centralised and unified leadership; maintaining the authority of the Party Central Committee and centralised and unified leadership must first maintain the core position of General Secretary Xi Jinping." These are accompanied by efforts to advance global 'understanding' and 'appeal' of the Chinese system.

On the economic front too, Xi Jinping is pushing ahead with plans to achieve China's long term goals. Work has begun on the next five year plan (2020-2025) but Xi Jinping has also directed the Politburo to work out goals for 2035!

For China, the road ahead seems difficult and if the US pressure continues there will be a pronounced economic downturn in China hampering its global ambitions. This will affect Xi Jinping's position. For him to remain in power a lot depends on how many cadres are opposed of him and, if their number increases to a critical mass, it can result in his being compelled to step down. Within the Politburo, all members are not of his faction, for example Li Keqiang, Han Zheng and Wang Yang. Security for Xi Jinping has also been increased. One can assess that there is continuing uncertainty in China including of Xi Jinping's future.

-----

(Text of speech by Mr. Jayadeva Ranade, President, Centre for China Analysis and Strategy (CCAS) at the CCAS-KAS Diginar on 'China's Internal Situation: Is Xi Jinping under pressure' on September 15, 2020)