

Xi's power increases, raising uncertainties in China and West

By Washington Policy Analyst Jim Wiesemeyer and Editor Brian Grete

Chinese leader Xi Jinping, 69, spent his teenage years living in a cave in a backwater village. He learned patience away from his earlier privileged upbringing. Patience was clear in how the aggressive leader orchestrated the just-completed Communist Party Congress.

Xi power grab... now what?

After securing a precedent-breaking third term at the helm of China's ruling Communist Party, Xi promoted more of his allies into top leadership positions and maneuvered his rivals into retirement. His appointment means that Xi will be in firm control of the world's second-largest economy for at least another five years at a time when it increasingly finds itself on a collision course with the United States.

Missing from the new leadership team are senior officials who have backed market reforms and opening up the economy. Those pushed aside included Premier Li Keqiang, central bank governor Yi Gang and Vice Premier Liu He, who led trade negotiations with the United States.

The elevation of Shanghai Party Secretary Li Qiang to premier is particularly noteworthy and speaks volumes to Xi's consolidation of power. Li, who has never held a senior central government post, is a loyalist. Observers say Xi values loyalty above all else, and he's willing to break from the political norms of the past.

Upshot: Analysts are concerned the removal of reformists from the leadership of the Communist Party means no one will dare tell Xi he is wrong if his policy agenda fails.

A list of concerns from China watcher Bill Bishop

- Xi's complete party dominance;
- No signal of change from a strict zero-Covid policy;
- More focus on self-reliance and technology competition;
- An emphasis on national security;
- Increased role of the state in the economy;
- A shifting geopolitical environment that may signal a significant conflict, likely with the U.S., is possible;
- New language about Taiwan and Common Prosperity.

Xi's initial task: Jumpstart China's economy

Chinese markets tumbled after the confab in a sign of investor wariness in Xi's increased power and his team of economic advisors (loyalists).

The absence of former Premier Li Keqiang and other pro-growth technocrats from China's key decision-making body disappointed foreign investors. Bishop says: "They may all

be 'yes men' and so the risk of policy errors increases. But they also may be able to push policy changes faster and more effectively, good or bad. The new Politburo has several experienced engineering and technology managers who may be a perfect fit for a more 'techno-nationalist' government."

Xi doubled down on his economic policies

Xi said per-capita GDP would rise to the level of a "medium-developed country" in a "giant new leap" by 2035. While Xi provided no details, economists say that would mean doubling GDP and per-capita income.

Xi said his country "will strive harder to achieve the Chinese dream of national rejuvenation," a term that largely means transforming the nation into a global power with higher standards of living and advanced technologies comparable with those in the West.

But he said economic development would not sacrifice national security. Importantly, he announced no changes to his zero-Covid policy.

Shen Meng, managing director of Beijing-based boutique investment bank Chanson & Co., says, "China would probably continue to crack down on the disorderly expansion of the private-sector economy, and state-owned economic powers would be effectively strengthened." He noted this means private enterprises would work in second place to state-owned companies.

Private-sector business leaders are concerned about new income redistribution measures and a government tilt in favor of state-owned enterprises. Xi fused praise for Marxism with nationalistic themes and reassurances that China's once high-flying economy will advance anew.

Rare display of drama

Xi's predecessor Hu Jintao was unexpectedly escorted out of the closing session. He appeared to be reluctant to leave, but state-run *Xinhua* news reported Hu left due to "health reasons." There has been no further mention of the event.

Future of Taiwan

Xi's purging of political rivals and elevation of loyalists have raised fears of an attack on Taiwan. Beijing has pledged to annex Taiwan, and has increased its military activity and other forms of coercion. No timeline has been set, but some say China could invade as early as 2027. Others say it could be sooner. A longer-term goal to rein in Taiwan could be 2047 — the centenary of the People's Republic of China.